In 1976, the U.S. became a signatory to the International Covenant on Civil and Political Rights (CCPR), which 143 other nations have also joined. Article 6(5) states, ''Sentence of death shall not be imposed for crimes committed by persons below eighteen years of age and shall not be carried out on pregnant women.'' The U.S. entered a partial reservation to Article 6(5), which reads, ''The United States reserves the right, subject to its Constitutional constraints, to impose capital punishment on any person (other than a pregnant woman) duly convicted under existing or future laws permitting the imposition of capital punishment, including such punishment for crimes committed by persons below eighteen years of age.'' [italics added for emphasis] Thus, within the reservation itself, the U.S. bound itself not to permit the execution of any woman who carries an unborn child. Congress has constitutional authority to explicitly apply this treaty obligation to the states.

H.R. 4888's definition of ''child in utero'' (''a member of the species homo sapiens, at any stage of development, who is carried in the womb'') is taken verbatim from the Unborn Victims of Violence Act (H.R. 2436), passed by the House on September 30, 1999, by a vote of 254–172. (1999 House roll call no. 465) Similar definitions and terminology are found in numerous state laws. Like those state laws, this bill has no effect on access to legal abortion, either for women on death row or anybody else.

Vice President Gore, asked by NBC's Tim Russert whether he agreed with the current prohibition on federal executions of pregnant women, laughed and said, ''I'd want to think about it.'' (Meet the Press, July 16, 2000) On July 17, ''Mr. Gore said he favored allowing a pregnant woman to choose whether to delay her execution until she gave birth. 'The principle of a woman's right to choose governs in that case,' he said.'' (The New York Times, July 18) Gore's position implicitly repudiates the innocent child principle embodied in the International Covenant on Civil and Political Rights and in Title 18 U.S.C.A. Sect. 3596, both of which flatly prohibit the government from taking the child's life.

Mr. DELAHUNT. Madam Speaker, I rise in support of the bill, which would prevent the execution of a woman who is carrying a child.

As the lead sponsor of the Innocence Protection Act, I commend the authors of the bill for their concern that innocent human beings not be executed. However, I urge them to recognize that there may also be a second innocent human being involved in such cases—namely the mother herself.

Unfortunately, this very limited measure does nothing to prevent the execution of an innocent adult human being for a crime she did not commit.

The Innocence Protection Act of 2000 (H.R. 4167), which Mr. LAHOOD and I have introduced, would prevent such a thing from happening. Its two principal provisions concern the two most important tools by which the possibility of error can be minimized: DNA testing and competent legal representation.

This legislation arose out of a growing national awareness that the machinery by which we try capital cases in this country has gone seriously and dangerously awry.

Since the reinstatement of the death penalty in 1976, a total of 653 men and women have been executed in the United States, including 55 so far this year alone. During this same period, 87 people—more than one out of every 100 men and women sentenced to death in the United States—have been exonerated after spending years on death row for crimes they did not commit.

It is cases like these that convinced such organizations as the American Bar Association—which has no position on the death penalty per se—to call for a halt to executions until each jurisdiction can ensure that it has taken steps to minimize the risk that innocent persons may be executed.

It is cases like these that convinced Governor Ryan—a Republican and a supporter of the death penalty—to put a stop to executions in Illinois until he could be certain that ''everyone sentenced to death in Illinois is truly guilty.''

It is cases like these that should convince every American that Governor Ryan and the American Bar Association are right. We may not all agree on the ultimate morality or utility of capital punishment. Indeed, you have before you a pair of cosponsors who differ on that question. I spent my career as a prosecutor in opposition to the death penalty. Congressman LAHOOD is a supporter of the death penalty. But we agree profoundly that a just society cannot engage in the killing of the innocent. We have come together in this bipartisan effort to help prevent what Governor Ryan has called ''the ultimate nightmare, the state's taking of innocent life.''

I have heard some suggest that the concerns expressed by Governor Ryan are somehow peculiar to the State of Illinois. Nothing could be further from the truth. The system is fallible everywhere it is in place.

Only last month we received fresh evidence of this with the release of the first comprehensive statistical study ever undertaken of modern American capital appeals. The study, led by Professor James Liebman of Columbia University, looked at over 4,500 capital cases in 34 states over a 23-year period. According to the study, the courts found serious, reversible error in 68 percent of the capital sentences handed down over this period. And when these individuals were retried, 82 percent of them were found not to deserve the death penalty, and 7 percent were found innocent of the capital crime altogether.

These are shocking statistics, Mr. Speaker. It is hard to imagine many other human enterprises that would continue to operate with such a sorry record. I dare say that if seven out of every 10 NASA flights burned up in the upper atmosphere, we'd be reassessing the space program. If commercial airlines operated their planes with a 68 percent failure rate, we'd all be taking the train.

Yet even if these statistics are wildly exaggerated, where the taking of human life is involved, it seems to me we must strive to reach ''zero tolerance'' for error. As Governor Ryan recently said, ''99.5 percent isn't good enough'' when lives are in the balance.

Nothing we can do will bring absolute certainty. Judges, jurors, police, eyewitnesses, defense attorneys, and prosecutors themselves—all are human beings, and all make mistakes. As a prosecutor for over 20 years, I certainly made my share of them. But we do have the means at our disposal to minimize the possibility of error. And where lives are at stake, we have a responsibility to put those tools to use.

The Innocence Protection Act will help ensure that fewer mistakes are made in capital cases. And that when mistakes are made, they are caught in time.

I hope that the authors of today's bill are truly serious about the need to prevent the execution of the innocent, and that they will join the 79 members of this House—both Republicans and Democrats—who have cosponsored the Innocence Protection Act.

Madam Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore (Mrs. EMERSON). The question is on the motion offered by the gentleman from Arkansas (Mr. HUTCHINSON) that the House suspend the rules and pass the bill, H.R. 4888.

The question was taken.

Mr. HUTCHINSON. Madam Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair's prior announcement, further proceedings on this motion will be postponed.

MESSAGE FROM THE SENATE

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

H.R. 4461. An act making appropriations for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies programs for the fiscal year ending September 30, 2001, and for other purposes.

The message also announced that the Senate insists upon its amendment to the bill (H.R. 4461) ''An Act making appropriations for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies programs for the fiscal year ending September 30, 2001, and for other purposes,'' requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. COCHRAN, Mr. SPECTER, Mr. BOND, Mr. GORTON, Mr. MCCONNELL, Mr. BURNS, Mr. STEVENS, Mr. KOHL, Mr. HARKIN, Mr. DORGAN, Mrs. FEINSTEIN, Mr. DURBIN, and Mr. BYRD to be the conferees on the part of the Senate.

COMMUNITY RENEWAL AND NEW MARKETS ACT OF 2000

Mr. ENGLISH. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 4923) to amend the Internal Revenue Code of 1986 to provide tax incentives for the renewal of distressed communities, to provide for 9 additional empowerment zones and increased tax incentives for empowerment zone development, to encourage investments in new markets, and for other purposes.

The Clerk read as follows:

H.R. 4923

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

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Community Renewal and New Markets Act of 2000''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

TITLE I—TAX INCENTIVES FOR RENEWAL COMMUNITIES

SEC. 101. DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES.

(a) IN GENERAL.—Chapter 1 is amended by adding at the end the following new subchapter:

"Subchapter X—Renewal Communities

"PART I—DESIGNATION

"SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.

''(a) DESIGNATION.—

''(1) DEFINITIONS.—For purposes of this title, the term 'renewal community' means any area—

''(A) which is nominated by one or more local governments and the State or States in which it is located for designation as a renewal community (hereinafter in this section referred to as a 'nominated area'), and

''(B) which the Secretary of Housing and Urban Development designates as a renewal community, after consultation with—

''(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury; the Director of the Office of Management and Budget, and the Administrator of the Small Business Administration, and

''(ii) in the case of an area on an Indian reservation, the Secretary of the Interior.

''(2) NUMBER OF DESIGNATIONS.—

''(A) IN GENERAL.—The Secretary of Housing and Urban Development may designate not more than 40 nominated areas as renewal communities.

''(B) MINIMUM DESIGNATION IN RURAL AREAS.—Of the areas designated under paragraph (1), at least 8 must be areas—

''(i) which are within a local government jurisdiction or jurisdictions with a population of less than 50,000,

''(ii) which are outside of a metropolitan statistical area (within the meaning of section 143(k)(2)(B)), or

''(iii) which are determined by the Secretary of Housing and Urban Development, after consultation with the Secretary of Commerce, to be rural areas.

''(3) AREAS DESIGNATED BASED ON DEGREE OF POVERTY, ETC.—

''(A) IN GENERAL.—Except as otherwise provided in this section, the nominated areas designated as renewal communities under this subsection shall be those nominated areas with the highest average ranking with respect to the criteria described in subparagraphs (B), (C), and (D) of subsection (c)(3). For purposes of the preceding sentence, an area shall be ranked within each such criterion on the basis of the amount by which the area exceeds such criterion, with the area which exceeds such criterion by the greatest amount given the highest ranking.

''(B) EXCEPTION WHERE INADEQUATE COURSE OF ACTION, ETC.—An area shall not be designated under subparagraph (A) if the Secretary of Housing and Urban Development determines that the course of action described in subsection (d)(2) with respect to such area is inadequate.

''(4) LIMITATION ON DESIGNATIONS.—

''(A) PUBLICATION OF REGULATIONS.—The Secretary of Housing and Urban Development shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)—

''(i) the procedures for nominating an area under paragraph (1)(A),

''(ii) the parameters relating to the size and population characteristics of a renewal community, and

''(iii) the manner in which nominated areas will be evaluated based on the criteria specified in subsection (d).

''(B) TIME LIMITATIONS.—The Secretary of Housing and Urban Development may designate nominated areas as renewal communities only during the 24-month period beginning on the first day of the first month following the month in which the regulations described in subparagraph (A) are prescribed.

''(C) PROCEDURAL RULES.—The Secretary of Housing and Urban Development shall not make any designation of a nominated area as a renewal community under paragraph (2) unless—

''(i) the local governments and the States in which the nominated area is located have the authority—

''(I) to nominate such area for designation as a renewal community,

''(II) to make the State and local commitments described in subsection (d), and

''(III) to provide assurances satisfactory to the Secretary of Housing and Urban Development that such commitments will be fulfilled,

''(ii) a nomination regarding such area is submitted in such a manner and in such form, and contains such information, as the Secretary of Housing and Urban Development shall by regulation prescribe, and

''(iii) the Secretary of Housing and Urban Development determines that any information furnished is reasonably accurate.

''(5) NOMINATION PROCESS FOR INDIAN RESERVATIONS.—For purposes of this subchapter, in the case of a nominated area on an Indian reservation, the reservation governing body (as determined by the Secretary of the Interior) shall be treated as being both the State and local governments with respect to such area.

''(b) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—

''(1) IN GENERAL.—Any designation of an area as a renewal community shall remain in effect during the period beginning on July 1, 2001, and ending on the earliest of—

''(A) December 31, 2009,

''(B) the termination date designated by the State and local governments in their nomination, or

''(C) the date the Secretary of Housing and Urban Development revokes such designation.

''(2) REVOCATION OF DESIGNATION.—The Secretary of Housing and Urban Development may revoke the designation under this section of an area if such Secretary determines that the local government or the State in which the area is located—

''(A) has modified the boundaries of the area, or

''(B) is not complying substantially with, or fails to make progress in achieving, the State or local commitments, respectively, described in subsection (d).

''(3) EARLIER TERMINATION OF CERTAIN BENEFITS IF EARLIER TERMINATION OF DESIGNATION.—If the designation of an area as a renewal community terminates before December 31, 2009—

''(A) the date of such termination shall be substituted for 'December 31, 2009' in section 198(h) with respect to such area, and

''(B) the day after the date of such termination shall be substituted for 'January 1, 2010' each place it appears in sections 1400F and 1400J with respect to such area.

''(c) AREA AND ELIGIBILITY REQUIREMENTS.—

''(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate a nominated area as a renewal community under subsection (a) only if the area meets the requirements of paragraphs (2) and (3) of this subsection.

''(2) AREA REQUIREMENTS.—A nominated area meets the requirements of this paragraph if—

''(A) the area is within the jurisdiction of one or more local governments,

''(B) the boundary of the area is continuous, and

''(C) the area—

''(i) has a population of not more than 200,000 and at least—

''(I) 4,000 if any portion of such area (other than a rural area described in subsection (a)(2)(B)(i)) is located within a metropolitan statistical area (within the meaning of section 143(k)(2)(B)) which has a population of 50,000 or greater, or

''(II) 1,000 in any other case, or

''(ii) is entirely within an Indian reservation (as determined by the Secretary of the Interior).

''(3) ELIGIBILITY REQUIREMENTS.—A nominated area meets the requirements of this paragraph if the State and the local governments in which it is located certify in writing (and the Secretary of Housing and Urban Development, after such review of supporting data as he deems appropriate, accepts such certification) that—

''(A) the area is one of pervasive poverty, unemployment, and general distress;

''(B) the unemployment rate in the area, as determined by the most recent available data, was at least 1½ times the national unemployment rate for the period to which such data relate;

''(C) the poverty rate for each population census tract within the nominated area is at least 20 percent; and

''(D) in the case of an urban area, at least 70 percent of the households living in the area have incomes below 80 percent of the median income of households within the jurisdiction of the local government (determined in the same manner as under section 119(b)(2) of the Housing and Community Development Act of 1974).

''(4) CONSIDERATION OF HIGH INCIDENCE OF CRIME.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, the extent to which such areas have a high incidence of crime.

''(5) CONSIDERATION OF COMMUNITIES IDENTIFIED IN GAO STUDY.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, if the area has census tracts identified in the May 12, 1998, report of the General Accounting Office regarding the identification of economically distressed areas.

''(d) REQUIRED STATE AND LOCAL COMMITMENTS.—

''(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate any nominated area as a renewal community under subsection (a) only if—

''(A) the local government and the State in which the area is located agree in writing that, during any period during which the area is a renewal community, such governments will follow a specified course of action which meets the requirements of paragraph (2) and is designed to reduce the various burdens borne by employers or employees in such area, and

''(B) the economic growth promotion requirements of paragraph (3) are met.

''(2) COURSE OF ACTION.—

''(A) IN GENERAL.—A course of action meets the requirements of this paragraph if such course of action is a written document, signed by a State (or local government) and neighborhood organizations, which evidences a partnership between such State or government and community-based organizations and which commits each signatory to specific and measurable goals, actions, and timetables. Such course of action shall include at least 4 of the following:

''(i) A reduction of tax rates or fees applying within the renewal community.

''(ii) An increase in the level of efficiency of local services within the renewal community.

''(iii) Crime reduction strategies, such as crime prevention (including the provision of crime prevention services by nongovernmental entities).

''(iv) Actions to reduce, remove, simplify, or streamline governmental requirements applying within the renewal community.

''(v) Involvement in the program by private entities, organizations, neighborhood organizations, and community groups, particularly those in the renewal community, including a commitment from such private entities to provide jobs and job training for, and technical, financial, or other assistance to, employers, employees, and residents from the renewal community.

''(vi) The gift (or sale at below fair market value) of surplus real property (such as land, homes, and commercial or industrial structures) in the renewal community to neighborhood organizations, community development corporations, or private companies.

''(B) RECOGNITION OF PAST EFFORTS.—For purposes of this section, in evaluating the course of action agreed to by any State or local government, the Secretary of Housing and Urban Development shall take into account the past efforts of such State or local government in reducing the various burdens borne by employers and employees in the area involved.

''(3) ECONOMIC GROWTH PROMOTION REQUIREMENTS.—The economic growth promotion requirements of this paragraph are met with respect to a nominated area if the local government and the State in which such area is located certify in writing that such government and State (respectively) have repealed or reduced, will not enforce, or will reduce within the nominated area at least 4 of the following:

''(A) Licensing requirements for occupations that do not ordinarily require a professional degree.

''(B) Zoning restrictions on home-based businesses which do not create a public nuisance.

''(C) Permit requirements for street vendors who do not create a public nuisance.

''(D) Zoning or other restrictions that impede the formation of schools or child care centers.

''(E) Franchises or other restrictions on competition for businesses providing public services, including taxicabs, jitneys, cable television, or trash hauling.

This paragraph shall not apply to the extent that such regulation of businesses and occupations is necessary for and well-tailored to the protection of health and safety.

''(e) COORDINATION WITH TREATMENT OF EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.—For purposes of this title, the designation under section 1391 of any area as an empowerment zone or enterprise community shall cease to be in effect as of the date that the designation of any portion of such area as a renewal community takes effect.

''(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this subchapter—

''(1) GOVERNMENTS.—If more than one government seeks to nominate an area as a renewal community, any reference to, or requirement of, this section shall apply to all such governments.

''(2) LOCAL GOVERNMENT.—The term 'local government' means—

''(A) any county, city, town, township, parish, village, or other general purpose political subdivision of a State, and

''(B) any combination of political subdivisions described in subparagraph (A) recognized by the Secretary of Housing and Urban Development.

''(3) APPLICATION OF RULES RELATING TO CENSUS TRACTS.—The rules of section 1392(b)(4) shall apply.

''(4) CENSUS DATA.—Population and poverty rate shall be determined by using 1990 census data.

''(g) PRIORITY FOR DISTRICT OF COLUMBIA NOMINATED AREA.—For purposes of this subchapter—

''(1) IN GENERAL.—Any nominated area within the District of Columbia shall be treated for purposes of subsection (a)(3) as having the highest average with respect to the criteria described in subparagraphs (B), (C), and (D) of subsection (c)(3).

''(2) DATE OF DESIGNATION.—Notwithstanding subsection (b)(1), the designation of a nominated area within the District of Columbia as a renewal community shall take effect on January 1, 2003.

''(3) NOMINATION.—The District of Columbia shall be treated as being both a State and local government with respect to such area.

''PART II—RENEWAL COMMUNITY CAPITAL GAIN; RENEWAL COMMUNITY BUSINESS

''SEC. 1400F. RENEWAL COMMUNITY CAPITAL GAIN.

''(a) GENERAL RULE.—Gross income does not include any qualified capital gain from the sale or exchange of a qualified community asset held for more than 5 years.

''(b) QUALIFIED COMMUNITY ASSET.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified community asset' means—

''(A) any qualified community stock,

''(B) any qualified community partnership interest, and

''(C) any qualified community business property.

''(2) QUALIFIED COMMUNITY STOCK.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'qualified community stock' means any stock in a domestic corporation if—

''(i) such stock is acquired by the taxpayer after June 30, 2001, and before January 1, 2010, at its original issue (directly or through an underwriter) from the corporation solely in exchange for cash,

''(ii) as of the time such stock was issued, such corporation was a renewal community business (or, in the case of a new corporation, such corporation was being organized for purposes of being a renewal community business), and

''(iii) during substantially all of the taxpayer's holding period for such stock, such corporation qualified as a renewal community business.

''(B) REDEMPTIONS.—A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this paragraph.

''(3) QUALIFIED COMMUNITY PARTNERSHIP INTEREST.—The term 'qualified community partnership interest' means any capital or profits interest in a domestic partnership if—

''(A) such interest is acquired by the taxpayer after June 30, 2001, and before January 1, 2010, from the partnership solely in exchange for cash,

''(B) as of the time such interest was acquired, such partnership was a renewal community business (or, in the case of a new partnership, such partnership was being organized for purposes of being a renewal community business), and

''(C) during substantially all of the taxpayer's holding period for such interest, such partnership qualified as a renewal community business.

A rule similar to the rule of paragraph (2)(B) shall apply for purposes of this paragraph.

''(4) QUALIFIED COMMUNITY BUSINESS PROPERTY.—

''(A) IN GENERAL.—The term 'qualified community business property' means tangible property if—

''(i) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after June 30, 2001, and before January 1, 2010,

''(ii) the original use of such property in the renewal community commences with the taxpayer, and

''(iii) during substantially all of the taxpayer's holding period for such property, substantially all of the use of such property was in a renewal community business of the taxpayer.

''(B) SPECIAL RULE FOR SUBSTANTIAL IMPROVEMENTS.—The requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as satisfied with respect to—

''(i) property which is substantially improved by the taxpayer before January 1, 2010, and

''(ii) any land on which such property is located.

The determination of whether a property is substantially improved shall be made under clause (ii) of section 1400B(b)(4)(B), except that 'June 30, 2001' shall be substituted for 'December 31, 1997' in such clause.

''(c) QUALIFIED CAPITAL GAIN.—For purposes of this section—

''(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'qualified capital gain' means any gain recognized on the sale or exchange of—

''(A) a capital asset, or

''(B) property used in the trade or business (as defined in section 1231(b)).

''(2) GAIN BEFORE JULY 1, 2001, OR AFTER 2014 NOT QUALIFIED.—The term 'qualified capital gain' shall not include any gain attributable to periods before July 1, 2001, or after December 31, 2014.

''(3) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (3), (4), and (5) of section 1400B(e) shall apply for purposes of this subsection.

''(d) CERTAIN RULES TO APPLY.—For purposes of this section, rules similar to the rules of paragraphs (5), (6), and (7) of subsection (b), and subsections (f) and (g), of section 1400B shall apply; except that for such purposes section 1400B(g)(2) shall be applied by substituting 'July 1, 2001' for 'January 1, 1998' and 'December 31, 2014' for 'December 31, 2007'.

''(e) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including regulations to prevent the avoidance of the purposes of this section.

''SEC. 1400G. RENEWAL COMMUNITY BUSINESS DEFINED.

''For purposes of this subchapter, the term 'renewal community business' means any entity or proprietorship which would be a qualified business entity or qualified proprietorship under section 1397C if references to renewal communities were substituted for references to empowerment zones in such section.

''PART III—ADDITIONAL INCENTIVES

''SEC. 1400H. RENEWAL COMMUNITY EMPLOYMENT CREDIT.

''(a) IN GENERAL.—Subject to the modification in subsection (b), a renewal community shall be treated as an empowerment zone for purposes of section 1396 with respect to wages paid or incurred after June 30, 2001.

''(b) MODIFICATION.—In applying section 1396 with respect to renewal communities—

''(1) the applicable percentage shall be 15 percent, and

''(2) subsection (c) thereof shall be applied by substituting '$10,000' for '$15,000' each place it appears.

''SEC. 1400I. COMMERCIAL REVITALIZATION DEDUCTION.

''(a) GENERAL RULE.—At the election of the taxpayer, either—

''(1) one-half of any qualified revitalization expenditures chargeable to capital account with respect to any qualified revitalization building shall be allowable as a deduction for the taxable year in which the building is placed in service, or

''(2) a deduction for all such expenditures shall be allowable ratably over the 120-month period beginning with the month in which the building is placed in service.

''(b) QUALIFIED REVITALIZATION BUILDINGS AND EXPENDITURES.—For purposes of this section—

''(1) QUALIFIED REVITALIZATION BUILDING.—The term 'qualified revitalization building' means any building (and its structural components) if—

''(A) the building is placed in service by the taxpayer in a renewal community and the original use of the building begins with the taxpayer, or

''(B) in the case of such building not described in subparagraph (A), such building—

''(i) is substantially rehabilitated (within the meaning of section 47(c)(1)(C)) by the taxpayer, and

''(ii) is placed in service by the taxpayer after the rehabilitation in a renewal community.

''(2) QUALIFIED REVITALIZATION EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified revitalization expenditure' means any amount properly chargeable to capital account for property for which depreciation is allowable under section 168 (without regard to this section) and which is—

''(i) nonresidential real property (as defined in section 168(e)), or

''(ii) section 1250 property (as defined in section 1250(c)) which is functionally related and subordinate to property described in clause (i).

''(B) CERTAIN EXPENDITURES NOT INCLUDED.—

''(i) ACQUISITION COST.—In the case of a building described in paragraph (1)(B), the cost of acquiring the building or interest therein shall be treated as a qualified revitalization expenditure only to the extent that such cost does not exceed 30 percent of the aggregate qualified revitalization expenditures (determined without regard to such cost) with respect to such building.

''(ii) CREDITS.—The term 'qualified revitalization expenditure' does not include any expenditure which the taxpayer may take into account in computing any credit allowable under this title unless the taxpayer elects to take the expenditure into account only for purposes of this section.

''(c) DOLLAR LIMITATION.—The aggregate amount which may be treated as qualified revitalization expenditures with respect to any qualified revitalization building shall not exceed the lesser of—

''(1) $10,000,000, or

''(2) the commercial revitalization expenditure amount allocated to such building under this section by the commercial revitalization agency for the State in which the building is located.

''(d) COMMERCIAL REVITALIZATION EXPENDITURE AMOUNT.—

''(1) IN GENERAL.—The aggregate commercial revitalization expenditure amount which a commercial revitalization agency may allocate for any calendar year is the amount of the State commercial revitalization expenditure ceiling determined under this paragraph for such calendar year for such agency.

''(2) STATE COMMERCIAL REVITALIZATION EXPENDITURE CEILING.—The State commercial revitalization expenditure ceiling applicable to any State—

''(A) for the period after June 30, 2001, and before January 1, 2002, is $6,000,000 for each renewal community in the State,

''(B) for each calendar year after 2001 and before 2010 is $12,000,000 for each renewal community in the State, and

''(C) for each calendar year thereafter is zero.

''(3) COMMERCIAL REVITALIZATION AGENCY.—For purposes of this section, the term 'commercial revitalization agency' means any agency authorized by a State to carry out this section.

''(4) TIME AND MANNER OF ALLOCATIONS.—Allocations under this section shall be made at the same time and in the same manner as under paragraphs (1) and (7) of section 42(h).

''(e) RESPONSIBILITIES OF COMMERCIAL REVITALIZATION AGENCIES.—

''(1) PLANS FOR ALLOCATION.—Notwithstanding any other provision of this section, the commercial revitalization expenditure amount with respect to any building shall be zero unless—

''(A) such amount was allocated pursuant to a qualified allocation plan of the commercial revitalization agency which is approved (in accordance with rules similar to the rules of section 147(f)(2) (other than subparagraph (B)(ii) thereof)) by the governmental unit of which such agency is a part; and

''(B) such agency notifies the chief executive officer (or its equivalent) of the local jurisdiction within which the building is located of such allocation and provides such individual a reasonable opportunity to comment on the allocation.

''(2) QUALIFIED ALLOCATION PLAN.—For purposes of this subsection, the term 'qualified allocation plan' means any plan—

''(A) which sets forth selection criteria to be used to determine priorities of the commercial revitalization agency which are appropriate to local conditions,

''(B) which considers—

''(i) the degree to which a project contributes to the implementation of a strategic plan that is devised for a renewal community through a citizen participation process,

''(ii) the amount of any increase in permanent, full-time employment by reason of any project, and

''(iii) the active involvement of residents and nonprofit groups within the renewal community, and

''(C) which provides a procedure that the agency (or its agent) will follow in monitoring compliance with this section.

''(f) SPECIAL RULES.—

''(1) DEDUCTION IN LIEU OF DEPRECIATION.—The deduction provided by this section for qualified revitalization expenditures shall—

''(A) with respect to the deduction determined under subsection (a)(1), be in lieu of any depreciation deduction otherwise allowable on account of ½ of such expenditures, and

''(B) with respect to the deduction determined under subsection (a)(2), be in lieu of any depreciation deduction otherwise allowable on account of all of such expenditures.

''(2) BASIS ADJUSTMENT, ETC.—For purposes of sections 1016 and 1250, the deduction under this section shall be treated in the same manner as a depreciation deduction. For purposes of section 1250(b)(5), the straight line method of adjustment shall be determined without regard to this section.

''(3) SUBSTANTIAL REHABILITATIONS TREATED AS SEPARATE BUILDINGS.—A substantial rehabilitation (within the meaning of section 47(c)(1)(C)) of a building shall be treated as a separate building for purposes of subsection (a).

''(4) CLARIFICATION OF ALLOWANCE OF DEDUCTION UNDER MINIMUM TAX.—Notwithstanding section 56(a)(1), the deduction under this section shall be allowed in determining alternative minimum taxable income under section 55.

''(g) REGULATIONS.—For purposes of this section, the Secretary shall, by regulations, provide for the application of rules similar to the rules of section 49 and subsections (a) and (b) of section 50.

''(h) TERMINATION.—This section shall not apply to any building placed in service after December 31, 2009.

''SEC. 1400J. INCREASE IN EXPENSING UNDER SECTION 179.

''(a) IN GENERAL.—For purposes of section 1397A—

''(1) a renewal community shall be treated as an empowerment zone,

''(2) a renewal community business shall be treated as an empowerment zone business, and

''(3) qualified renewal property shall be treated as enterprise zone property.

''(b) QUALIFIED RENEWAL PROPERTY.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified renewal property' means any property to which section 168 applies (or would apply but for section 179) if—

''(A) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after June 30, 2001, and before January 1, 2010, and

''(B) such property would be qualified zone property (as defined in section 1397D) if references to renewal communities were substituted for references to empowerment zones in section 1397D.

''(2) CERTAIN RULES TO APPLY.—The rules of subsections (a)(2) and (b) of section 1397D shall apply for purposes of this section.''.

(b) EXCEPTION FOR COMMERCIAL REVITALIZATION DEDUCTION FROM PASSIVE LOSS RULES.—

(1) Paragraph (3) of section 469(i) is amended by redesignating subparagraphs (C), (D), and (E) as subparagraphs (D), (E), and (F), respectively, and by inserting after subparagraph (B) the following new subparagraph:

''(C) EXCEPTION FOR COMMERCIAL REVITALIZATION DEDUCTION.—Subparagraph (A) shall not apply to any portion of the passive activity loss for any taxable year which is attributable to the commercial revitalization deduction under section 1400I.''

(2) Subparagraph (E) of section 469(i)(3), as redesignated by subparagraph (A), is amended to read as follows:

''(E) ORDERING RULES TO REFLECT EXCEPTIONS AND SEPARATE PHASE-OUTS.—If subparagraph (B), (C), or (D) applies for a taxable year, paragraph (1) shall be applied—

''(i) first to the portion of the passive activity loss to which subparagraph (C) does not apply,

''(ii) second to the portion of the passive activity credit to which subparagraph (B) or (D) does not apply,

''(iii) third to the portion of such credit to which subparagraph (B) applies,

''(iv) fourth to the portion of such loss to which subparagraph (C) applies, and

''(v) then to the portion of such credit to which subparagraph (D) applies.''

(3)(A) Subparagraph (B) of section 469(i)(6) 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) any deduction under section 1400I (relating to commercial revitalization deduction).''

(B) The heading for such subparagraph (B) is amended by striking ''OR REHABILITATION CREDIT'' and inserting '', REHABILITATION CREDIT, OR COMMERCIAL REVITALIZATION DEDUCTION''.

(c) CLERICAL AMENDMENT.—The table of subchapters for chapter 1 is amended by adding at the end the following new item:

''Subchapter X. Renewal Communities.''.

SEC. 102. EXTENSION OF EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS TO RENEWAL COMMUNITIES; EXTENSION OF TERMINATION DATE FOR RENEWAL COMMUNITIES AND EMPOWERMENT ZONES.

(a) EXTENSION.—

(1) IN GENERAL.—Subparagraph (A) of section 198(c)(2) (defining targeted area) 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 new clause:

''(v) any renewal community (as defined in section 1400E).''

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to expenditures paid or incurred after June 30, 2001.

(b) EXTENSION OF TERMINATION DATE.—Subsection (h) of section 198 is amended by inserting before the period ''(December 31, 2009, in the case of an empowerment zone or renewal community)''.

SEC. 103. WORK OPPORTUNITY CREDIT FOR HIRING YOUTH RESIDING IN RENEWAL COMMUNITIES.

(a) HIGH-RISK YOUTH.—Subparagraphs (A)(ii) and (B) of section 51(d)(5) are each amended by striking ''empowerment zone or enterprise community'' and inserting ''empowerment zone, enterprise community, or renewal community''.

(b) QUALIFIED SUMMER YOUTH EMPLOYEE.—Clause (iv) of section 51(d)(7)(A) is amended by striking ''empowerment zone or enterprise community'' and inserting ''empowerment zone, enterprise community, or renewal community''.

(c) HEADINGS.—Paragraphs (5)(B) and (7)(C) of section 51(d) are each amended by inserting ''OR COMMUNITY'' in the heading after ''ZONE''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after June 30, 2001.

TITLE II—EXTENSION AND EXPANSION OF EMPOWERMENT ZONE INCENTIVES

SEC. 201. AUTHORITY TO DESIGNATE 9 ADDITIONAL EMPOWERMENT ZONES.

Section 1391 is amended by adding at the end the following new subsection:

''(h) ADDITIONAL DESIGNATIONS PERMITTED.—

''(1) IN GENERAL.—In addition to the areas designated under subsections (a) and (g), the appropriate Secretaries may designate in the aggregate an additional 9 nominated areas as empowerment zones under this section, subject to the availability of eligible nominated areas. Of that number, not more than 7 may be designated in urban areas and not more than 2 may be designated in rural areas.

''(2) PERIOD DESIGNATIONS MAY BE MADE AND TAKE EFFECT.—A designation may be made under this subsection after the date of the enactment of this subsection and before January 1, 2002. Subject to subparagraphs (B) and (C) of subsection (d)(1), such designations shall remain in effect during the period beginning on January 1, 2002, and ending on December 31, 2009.

''(3) MODIFICATIONS TO ELIGIBILITY CRITERIA, ETC.—The rules of subsection (g)(3) shall apply to designations under this subsection.''

SEC. 202. EXTENSION OF ENTERPRISE ZONE TREATMENT THROUGH 2009.

Subparagraph (A) of section 1391(d)(1) (relating to period for which designation is in effect) is amended to read as follows:

''(A) December 31, 2009,''.

SEC. 203. 20 PERCENT EMPLOYMENT CREDIT FOR ALL EMPOWERMENT ZONES

(a) 20 PERCENT CREDIT.—Subsection (b) of section 1396 (relating to empowerment zone employment credit) is amended to read as follows:

''(b) APPLICABLE PERCENTAGE.—For purposes of this section, the applicable percentage is 20 percent.''

(b) ALL EMPOWERMENT ZONES ELIGIBLE FOR CREDIT.—Section 1396 is amended by striking subsection (e).

(c) CONFORMING AMENDMENT.—Subsection (d) of section 1400 is amended to read as follows:

''(d) SPECIAL RULE FOR APPLICATION OF EMPLOYMENT CREDIT.—With respect to the DC Zone, section 1396(d)(1)(B) (relating to empowerment zone employment credit) shall be applied by substituting 'the District of Columbia' for 'such empowerment zone'.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to wages paid or incurred after December 31, 2001.

SEC. 204. INCREASED EXPENSING UNDER SECTION 179.

(a) IN GENERAL.—Subparagraph (A) of section 1397A(a)(1) is amended by striking ''$20,000'' and inserting ''$35,000''.

(b) EXPENSING FOR PROPERTY USED IN DEVELOPABLE SITES.—Section 1397A is amended by striking subsection (c).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 205. HIGHER LIMITS ON TAX-EXEMPT EMPOWERMENT ZONE FACILITY BONDS.

(a) IN GENERAL.—Paragraph (3) of section 1394(f) (relating to bonds for empowerment zones designated under section 1391(g)) is amended to read as follows:

''(3) EMPOWERMENT ZONE FACILITY BOND.—For purposes of this subsection, the term 'empowerment zone facility bond' means any bond which would be described in subsection (a) if—

''(A) in the case of obligations issued before January 1, 2002, only empowerment zones designated under section 1391(g) were taken into account under sections 1397C and 1397D, and

''(B) in the case of obligations issued after December 31, 2001, all empowerment zones (other than the District of Columbia) were taken into account under sections 1397C and 1397D.''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after December 31, 2001.

SEC. 206. NONRECOGNITION OF GAIN ON ROLLOVER OF EMPOWERMENT ZONE INVESTMENTS.

(a) IN GENERAL.—Part III of subchapter U of chapter 1 is amended—

(1) by redesignating subpart C as subpart D,

(2) by redesignating sections 1397B and 1397C as sections 1397C and 1397D, respectively, and

(3) by inserting after subpart B the following new subpart:

''Subpart C—Nonrecognition of Gain on Rollover of Empowerment Zone Investments

''Sec. 1397B. Nonrecognition of Gain on Rollover of Empowerment Zone Investments.

''SEC. 1397B. NONRECOGNITION OF GAIN ON ROLLOVER OF EMPOWERMENT ZONE INVESTMENTS.

''(a) NONRECOGNITION OF GAIN.—In the case of any sale of a qualified empowerment zone asset held by the taxpayer for more than 1 year and with respect to which such taxpayer elects the application of this section, gain from such sale shall be recognized only to the extent that the amount realized on such sale exceeds—

''(1) the cost of any qualified empowerment zone asset (with respect to the same zone as the asset sold) purchased by the taxpayer during the 60-day period beginning on the date of such sale, reduced by

''(2) any portion of such cost previously taken into account under this section.

''(b) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) QUALIFIED EMPOWERMENT ZONE ASSET.—

''(A) IN GENERAL.—The term 'qualified empowerment zone asset' means any property which would be a qualified community asset (as defined in section 1400F) if in section 1400F—

''(i) references to empowerment zones were substituted for references to renewal communities,

''(ii) references to enterprise zone businesses (as defined in section 1397C) were substituted for references to renewal community businesses, and

''(iii) the date of the enactment of this paragraph were substituted for 'December 31, 2001' each place it appears.

''(B) TREATMENT OF DC ZONE.—The District of Columbia Enterprise Zone shall not be treated as an empowerment zone for purposes of this section.

''(2) CERTAIN GAIN NOT ELIGIBLE FOR ROLLOVER.—This section shall not apply to—

''(A) any gain which is treated as ordinary income for purposes of this subtitle, and

''(B) any gain which is attributable to real property, or an intangible asset, which is not an integral part of an enterprise zone business.

''(3) PURCHASE.—A taxpayer shall be treated as having purchased any property if, but for paragraph (4), the unadjusted basis of such property in the hands of the taxpayer would be its cost (within the meaning of section 1012).

''(4) BASIS ADJUSTMENTS.—If gain from any sale is not recognized by reason of subsection (a), such gain shall be applied to reduce (in the order acquired) the basis for determining gain or loss of any qualified empowerment zone asset which is purchased by the taxpayer during the 60-day period described in subsection (a). This paragraph shall not apply for purposes of section 1202.

''(5) HOLDING PERIOD.—For purposes of determining whether the nonrecognition of gain under subsection (a) applies to any qualified empowerment zone asset which is sold—

''(A) the taxpayer's holding period for such asset and the asset referred to in subsection (a)(1) shall be determined without regard to section 1223, and

''(B) only the first year of the taxpayer's holding period for the asset referred to in subsection (a)(1) shall be taken into account for purposes of paragraphs (2)(A)(iii), (3)(C), and (4)(A)(iii) of section 1400F(b).''

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (23) of section 1016(a) is amended—

(A) by striking ''or 1045'' and inserting ''1045, or 1397B'', and

(B) by striking ''or 1045(b)(4)'' and inserting ''1045(b)(4), or 1397B(b)(4)''.

(2) Paragraph (15) of section 1223 is amended to read as follows:

''(15) Except for purposes of sections 1202(a)(2), 1202(c)(2)(A), 1400B(b), and 1400F(b), in determining the period for which the taxpayer has held property the acquisition of which resulted under section 1045 or 1397B in the nonrecognition of any part of the gain realized on the sale of other property, there shall be included the period for which such other property has been held as of the date of such sale.''

(3) Paragraph (2) of section 1394(b) is amended—

(A) by striking ''section 1397C'' and inserting ''section 1397D'', and

(B) by striking ''section 1397C(a)(2)'' and inserting ''section 1397D(a)(2)''.

(4) Paragraph (3) of section 1394(b) is amended—

(A) by striking ''section 1397B'' each place it appears and inserting ''section 1397C'', and

(B) by striking ''section 1397B(d)'' and inserting ''section 1397C(d)''.

(5) Sections 1400(e) and 1400B(c) are each amended by striking ''section 1397B'' each place it appears and inserting ''section 1397C''.

(6) The table of subparts for part III of subchapter U of chapter 1 is amended by striking the last item and inserting the following new items:

''Subpart C. Nonrecognition of gain on rollover of empowerment zone investments.

''Subpart D. General provisions.''

(7) The table of sections for subpart D of such part III is amended to read as follows:

''Sec. 1397C. Enterprise zone business defined.

''Sec. 1397D. Qualified zone property defined.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to qualified empowerment zone assets acquired after the date of the enactment of this Act.

SEC. 207. INCREASED EXCLUSION OF GAIN ON SALE OF EMPOWERMENT ZONE STOCK.

(a) IN GENERAL.—Subsection (a) of section 1202 is amended to read as follows:

''(a) EXCLUSION.—

''(1) IN GENERAL.—In the case of a taxpayer other than a corporation, gross income shall not include 50 percent of any gain from the sale or exchange of qualified small business stock held for more than 5 years.

''(2) EMPOWERMENT ZONE BUSINESSES.—

''(A) IN GENERAL.—In the case of qualified small business stock acquired after the date of the enactment of this paragraph in a corporation which is a qualified business entity (as defined in section 1397C(b)) during substantially all of the taxpayer's holding period for such stock, paragraph (1) shall be applied by substituting '60 percent' for '50 percent'.

''(B) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (5) and (7) of section 1400B(b) shall apply for purposes of this paragraph.

''(C) GAIN AFTER 2014 NOT QUALIFIED.—Subparagraph (A) shall not apply to gain attributable to periods after December 31, 2014.

''(D) TREATMENT OF DC ZONE.—The District of Columbia Enterprise Zone shall not be treated as an empowerment zone for purposes of this paragraph.''

(b) CONFORMING AMENDMENT.—Paragraph (8) of section 1(h) is amended by striking ''means'' and all that follows and inserting ''means the excess of—

''(A) the gain which would be excluded from gross income under section 1202 but for the percentage limitation in section 1202(a), over

''(B) the gain excluded from gross income under section 1202.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to stock acquired after the date of the enactment of this Act.

TITLE III—NEW MARKETS TAX CREDIT

SEC. 301. NEW MARKETS TAX CREDIT.

(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. 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 the applicable percentage of the amount paid to the qualified community development entity for such investment at its original issue.

''(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage is—

''(A) 5 percent with respect to the first 3 credit allowance dates, and

''(B) 6 percent with respect to the remainder of the credit allowance dates.

''(3) CREDIT ALLOWANCE DATE.—For purposes of paragraph (1), 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 6 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 (other than nonqualified preferred stock as defined in section 351(g)(2)) in an entity which is a corporation, and

''(B) any capital interest in an 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,

''(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.

''(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 1397C(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 1397C(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 for each calendar year. Such limitation is—

''(A) $1,000,000,000 for 2001,

''(B) $1,500,000,000 for 2002 and 2003,

''(C) $2,000,000,000 for 2004 and 2005,

''(E) $3,500,000,000 for 2006 and 2007.

''(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. No amount may be carried under the preceding sentence to any calendar year after 2014.

''(g) RECAPTURE OF CREDIT IN CERTAIN CASES.—

''(1) IN GENERAL.—If, at any time during the 7-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. This subsection shall not apply for purposes of sections 1202, 1400B, and 1400F.

''(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 tax benefits (including the credit under section 42 and the exclusion from gross income under section 103),

''(2) which prevent the abuse of the purposes of this section,

''(3) which provide rules for determining whether the requirement of subsection (b)(1)(B) is treated as met,

''(4) which impose appropriate reporting requirements, and

''(5) 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 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) the new markets tax credit determined under section 45D(a).''

(2) LIMITATION ON CARRYBACK.—Subsection (d) of section 39 is amended by adding at the end the following new paragraph:

''(9) NO CARRYBACK OF NEW MARKETS TAX CREDIT BEFORE JANUARY 1, 2001.—No portion of the unused business credit for any taxable year which is attributable to the credit under section 45D may be carried back to a taxable year ending before January 1, 2001.''

(c) DEDUCTION FOR UNUSED CREDIT.—Subsection (c) of section 196 is amended by striking ''and'' at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting '', and'', and by adding at the end the following new paragraph:

''(9) the new markets tax credit determined under section 45D(a).''

(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 new item:

''Sec. 45D. New markets tax credit.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to investments made after December 31, 2000.

(f) REGULATIONS ON ALLOCATION OF NATIONAL LIMITATION.—Not later than 60 days after the date of the enactment of this Act, the Secretary of the Treasury or the Secretary's delegate shall prescribe regulations which specify—

(1) how entities shall apply for an allocation under section 45D(f)(2) of the Internal Revenue Code of 1986, as added by this section,

(2) the competitive procedure through which such allocations are made, and

(3) the actions that such Secretary or delegate shall take to ensure that such allocations are properly made to appropriate entities.

TITLE IV—IMPROVEMENTS IN LOW-INCOME HOUSING CREDIT

SEC. 401. MODIFICATION OF STATE CEILING ON LOW-INCOME HOUSING CREDIT.

(a) IN GENERAL.—Clauses (i) and (ii) of section 42(h)(3)(C) (relating to State housing credit ceiling) are amended to read as follows:

''(i) the unused State housing credit ceiling (if any) of such State for the preceding calendar year,

''(ii) the greater of—

''(I) the applicable amount under subparagraph (H) multiplied by the State population, or

''(II) $2,000,000,''.

(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)(ii), the applicable amount shall be determined under the following table:

''For calendar year:	The applicable amount is:
2001	$1.35
2002	1.45
2003	1.55
2004	1.65
2005	1.70
2006 and thereafter	1.75.''.

(c) ADJUSTMENT OF STATE CEILING FOR INCREASES IN COST-OF-LIVING.—Paragraph (3) of section 42(h) (relating to housing credit dollar amount for agencies), as amended by subsection (c), is amended by adding at the end the following new subparagraph:

''(I) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of a calendar year after 2006, the $2,000,000 in subparagraph (C) and the $1.75 amount in subparagraph (H) shall each 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 such calendar year by substituting 'calendar year 2005' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING.—

''(I) In the case of the amount in subparagraph (C), any increase under clause (i) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

''(II) In the case of the amount in subparagraph (H), any increase under clause (i) which is not a multiple of 5 cents shall be rounded to the next lowest multiple of 5 cents.''.

(d) CONFORMING AMENDMENTS.—

(1) Section 42(h)(3)(C), as amended by subsection (a), is amended—

(A) by striking ''clause (ii)'' in the matter following clause (iv) and inserting ''clause (i)''; and

(B) by striking ''clauses (i)'' in the matter following clause (iv) and inserting ''clauses (ii)''.

(2) Section 42(h)(3)(D)(ii) is amended—

(A) by striking ''subparagraph (C)(ii)'' and inserting ''subparagraph (C)(i)''; and

(B) by striking ''clauses (i)'' in subclause (II) and inserting ''clauses (ii)''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 2000.

SEC. 402. MODIFICATION OF CRITERIA FOR ALLOCATING HOUSING CREDITS AMONG PROJECTS.

(a) SELECTION CRITERIA.—Subparagraph (C) of section 42(m)(1) (relating to certain selection criteria must be used) is amended—

(1) by inserting '', including whether the project includes the use of existing housing as part of a community revitalization plan'' before the comma at the end of clause (iii); and

(2) by striking clauses (v), (vi), and (vii) and inserting the following new clauses:

''(v) tenant populations with special housing needs,

''(vi) public housing waiting lists,

''(vii) tenant populations of individuals with children, and

''(viii) projects intended for eventual tenant ownership.''.

(b) PREFERENCE FOR COMMUNITY REVITALIZATION PROJECTS LOCATED IN QUALIFIED CENSUS TRACTS.—Clause (ii) of section 42(m)(1)(B) is amended by striking ''and'' at the end of subclause (I), by adding ''and'' at the end of subclause (II), and by inserting after subclause (II) the following new subclause:

''(III) projects which are located in qualified census tracts (as defined in subsection (d)(5)(C)) and the development of which contributes to a concerted community revitalization plan,''.

SEC. 403. ADDITIONAL RESPONSIBILITIES OF HOUSING CREDIT AGENCIES.

(a) MARKET STUDY; PUBLIC DISCLOSURE OF RATIONALE FOR NOT FOLLOWING CREDIT ALLOCATION PRIORITIES.—Subparagraph (A) of section 42(m)(1) (relating to responsibilities of housing credit agencies) is amended by striking ''and'' at the end of clause (i), by striking the period at the end of clause (ii) and inserting a comma, and by adding at the end the following new clauses:

''(iii) a comprehensive market study of the housing needs of low-income individuals in the area to be served by the project is conducted before the credit allocation is made and at the developer's expense by a disinterested party who is approved by such agency, and

''(iv) a written explanation is available to the general public for any allocation of a housing credit dollar amount which is not made in accordance with established priorities and selection criteria of the housing credit agency.''.

(b) SITE VISITS.—Clause (iii) of section 42(m)(1)(B) (relating to qualified allocation plan) is amended by inserting before the period ''and in monitoring for noncompliance with habitability standards through regular site visits''.

SEC. 404. MODIFICATIONS TO RULES RELATING TO BASIS OF BUILDING WHICH IS ELIGIBLE FOR CREDIT.

(a) ADJUSTED BASIS TO INCLUDE PORTION OF CERTAIN BUILDINGS USED BY LOW-INCOME INDIVIDUALS WHO ARE NOT TENANTS AND BY PROJECT EMPLOYEES.—Paragraph (4) of section 42(d) (relating to special rules relating to determination of adjusted basis) is amended—

(1) by striking ''subparagraph (B)'' in subparagraph (A) and inserting ''subparagraphs (B) and (C)'';

(2) by redesignating subparagraph (C) as subparagraph (D); and

(3) by inserting after subparagraph (B) the following new subparagraph:

''(C) INCLUSION OF BASIS OF PROPERTY USED TO PROVIDE SERVICES FOR CERTAIN NONTENANTS.—

''(i) IN GENERAL.—The adjusted basis of any building located in a qualified census tract (as defined in paragraph (5)(C)) shall be determined by taking into account the adjusted basis of property (of a character subject to the allowance for depreciation and not otherwise taken into account) used throughout the taxable year in providing any community service facility.

''(ii) LIMITATION.—The increase in the adjusted basis of any building which is taken into account by reason of clause (i) shall not exceed 10 percent of the eligible basis of the qualified low-income housing project of which it is a part. For purposes of the preceding sentence, all community service facilities which are part of the same qualified low-income housing project shall be treated as one facility.

''(iii) COMMUNITY SERVICE FACILITY.—For purposes of this subparagraph, the term 'community service facility' means any facility designed to serve primarily individuals whose income is 60 percent or less of area median income (within the meaning of subsection (g)(1)(B)).''.

(b) CERTAIN NATIVE AMERICAN HOUSING ASSISTANCE DISREGARDED IN DETERMINING WHETHER BUILDING IS FEDERALLY SUBSIDIZED FOR PURPOSES OF THE LOW-INCOME HOUSING CREDIT.—Subparagraph (E) of section 42(i)(2) (relating to determination of whether building is federally subsidized) is amended—

(1) in clause (i), by inserting ''or the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4101 et seq.) (as in effect on October 1, 1997)'' after ''this subparagraph)''; and

(2) in the subparagraph heading, by inserting ''OR NATIVE AMERICAN HOUSING ASSISTANCE'' after ''HOME ASSISTANCE''.

SEC. 405. OTHER MODIFICATIONS.

(a) ALLOCATION OF CREDIT LIMIT TO CERTAIN BUILDINGS.—

(1) The first sentence of section 42(h)(1)(E)(ii) is amended by striking ''(as of'' the first place it appears and inserting ''(as of the later of the date which is 6 months after the date that the allocation was made or''.

(2) The last sentence of section 42(h)(3)(C) is amended by striking ''project which'' and inserting ''project which fails to meet the 10 percent test under paragraph (1)(E)(ii) on a date after the close of the calendar year in which the allocation was made or which''.

(b) DETERMINATION OF WHETHER BUILDINGS ARE LOCATED IN HIGH COST AREAS.—The first sentence of section 42(d)(5)(C)(ii)(I) is amended—

(1) by inserting ''either'' before ''in which 50 percent''; and

(2) by inserting before the period ''or which has a poverty rate of at least 25 percent''.

SEC. 406. CARRYFORWARD RULES.

(a) IN GENERAL.—Clause (ii) of section 42(h)(3)(D) (relating to unused housing credit carryovers allocated among certain States) is amended by striking ''the excess'' and all that follows and inserting ''the excess (if any) of—

''(I) the unused State housing credit ceiling for the year preceding such year, over

''(II) the aggregate housing credit dollar amount allocated for such year.''.

(b) CONFORMING AMENDMENT.—The second sentence of section 42(h)(3)(C) (relating to State housing credit ceiling) is amended by striking ''clauses (i) and (iii)'' and inserting ''clauses (i) through (iv)''.

SEC. 407. EFFECTIVE DATE.

Except as otherwise provided in this title, the amendments made by this title shall apply to—

(1) housing credit dollar amounts allocated after December 31, 2000; and

(2) buildings placed in service after such date to the extent paragraph (1) of section 42(h) of the Internal Revenue Code of 1986 does not apply to any building by reason of paragraph (4) thereof, but only with respect to bonds issued after such date.

TITLE V—PRIVATE ACTIVITY BOND VOLUME CAP

SEC. 501. ACCELERATION OF PHASE-IN OF 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 to read as follows:

''Calendar Year	Per Capita Limit	Aggregate Limit
2001	$55.00	$165,000,000
2002	60.00	180,000,000
2003	65.00	195,000,000
2004, 2005, and 2006.	70.00	210,000,000
2007 and thereafter.	75.00	225,000,000.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to calendar years beginning after 2000.

TITLE VI—AMERICA'S PRIVATE INVESTMENT COMPANIES

SEC. 601. SHORT TITLE.

This title may be cited as the ''America's Private Investment Companies Act''.

SEC. 602. FINDINGS AND PURPOSES.

(a) FINDINGS.—The Congress finds that—

(1) people living in distressed areas, both urban and rural, that are characterized by high levels of joblessness, poverty, and low incomes have not benefited adequately from the economic expansion experienced by the Nation as a whole;

(2) unequal access to economic opportunities continues to make the social costs of joblessness and poverty to our Nation very high; and

(3) there are significant untapped markets in our Nation, and many of these are in areas that are underserved by institutions that can make equity and credit investments.

(b) PURPOSES.—The purposes of this title are to—

(1) license private for profit community development entities that will focus on making equity and credit investments for large-scale business developments that benefit low-income communities;

(2) provide credit enhancement for those entities for use in low-income communities; and

(3) provide a vehicle under which the economic and social returns on financial investments made pursuant to this title may be available both to the investors in these entities and to the residents of the low-income communities.

SEC. 603. DEFINITIONS.

As used in this title:

(1) ADMINISTRATOR.—The term ''Administrator'' means the Administrator of the Small Business Administration.

(2) AGENCY.—The term ''agency'' has the meaning given such term in section 551(1) of title 5, United States Code.

(3) APIC.—The term ''APIC'' means a business entity that has been licensed under the terms of this title as an America's Private Investment Company, and the license of which has not been revoked.

(4) COMMUNITY DEVELOPMENT ENTITY.—The term ''community development entity'' means an entity the primary mission of which is serving or providing investment capital for low-income communities or low-income persons and which maintains accountability to residents of low-income communities.

(5) HUD.—The term ''HUD'' means the Secretary of Housing and Urban Development or the Department of Housing and Urban Development, as the context requires.

(6) LICENSE.—The term ''license'' means a license issued by HUD as provided in section 604.

(7) LOW-INCOME COMMUNITY.—The term ''low-income community'' means—

(A) a census tract or tracts that have—

(i) a poverty rate of 20 percent or greater, based on the most recent census data; or

(ii) a median family income that does not exceed 80 percent of the greater of (I) the median family income for the metropolitan area in which such census tract or tracts are located, or (II) the median family income for the State in which such census tract or tracts are located; or

(B) a property that was located on a military installation that was closed or realigned pursuant to title II of the Defense Authorization Amendments and Base Closure and Realignment Act (Public Law 100–526; 10 U.S.C. 2687 note), the Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101–510; 10 U.S.C. 2687 note), section 2687 of title 10, United States Code, or any other similar law enacted after the date of the enactment of this Act that provides for closure or realignment of military installations.

(8) LOW-INCOME PERSON.—The term ''low-income person'' means a person who is a member of a low-income family, as such term is defined in section 104 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12704).

(9) PRIVATE EQUITY CAPITAL.—

(A) IN GENERAL.—The term ''private equity capital''—

(i) in the case of a corporate entity, the paid-in capital and paid-in surplus of the corporate entity;

(ii) in the case of a partnership entity, the contributed capital of the partners of the partnership entity;

(iii) in the case of a limited liability company entity, the equity investment of the members of the limited liability company entity; and

(iv) earnings from investments of the entity that are not distributed to investors and are available for reinvestment by the entity.

(B) EXCLUSIONS.—Such term does not include any—

(i) funds borrowed by an entity from any source or obtained through the issuance of leverage; except that this clause may not be construed to exclude amounts evidenced by a legally binding and irrevocable investment commitment in the entity, or the use by an entity of a pledge of such investment commitment to obtain bridge financing from a private lender to fund the entity's activities on an interim basis; or

(ii) funds obtained directly or indirectly from any Federal, State, or local government or any government agency, except for—

(I) funds invested by an employee welfare benefit plan or pension plan; and

(II) credits against any Federal, State, or local taxes.

(10) QUALIFIED ACTIVE BUSINESS.—The term ''qualified active business'' means a business or trade—

(A) that, at the time that an investment is made in the business or trade, is deriving at least 50 percent of its gross income from the conduct of trade or business activities in low-income communities;

(B) a substantial portion of the use of the tangible property of which is used within low-income communities;

(C) a substantial portion of the services that the employees of which perform are performed in low-income communities; and

(D) less than 5 percent of the aggregate unadjusted bases of the property of which is attributable to certain financial property, as the Secretary shall set forth in regulations, or in collectibles, other than collectibles held primarily for sale to customers.

(11) QUALIFIED DEBENTURE.—The term ''qualified debenture'' means a debt instrument having terms that meet the requirements established pursuant to section 606(c)(1).

(12) QUALIFIED LOW-INCOME COMMUNITY INVESTMENT.—The term ''qualified low-income community investment'' mean an equity investment in, or a loan to, a qualified active business.

(13) SECRETARY.—The term ''Secretary'' means the Secretary of Housing and Urban Development, unless otherwise specified in this title.

SEC. 604. AUTHORIZATION.

(a) LICENSES.—The Secretary is authorized to license community development entities as America's Private Investment Companies, in accordance with the terms of this title.

(b) REGULATIONS.—The Secretary shall regulate APICs for compliance with sound financial management practices, and the program and procedural goals of this title and other related Acts, and other purposes as required or authorized by this title, or determined by the Secretary. The Secretary shall issue such regulations as are necessary to carry out the licensing and regulatory and other duties under this title, and may issue notices and other guidance or directives as the Secretary determines are appropriate to carry out such duties.

(c) USE OF CREDIT SUBSIDY FOR LICENSES.—

(1) NUMBER OF LICENSES.—The number of APICs licensed at any one time may not exceed—

(A) the number that may be supported by the amount of budget authority appropriated in accordance with section 504(b) of the Federal Credit Reform Act of 1990 (2 U.S.C. 661c) for the cost (as such term is defined in section 502 of such Act) of the subsidy and the investment strategies of such APICs; or

(B) to the extent the limitation under section 605(e)(1) applies, the number authorized under such section.

(2) USE OF ADDITIONAL CREDIT SUBSIDY.—Subject to the limitation under paragraph (1), the Secretary may use any budget authority available after credit subsidy has been allocated for the APICs initially licensed pursuant to section 605 as follows:

(A) ADDITIONAL LICENSES.—To license additional APICs.

(B) CREDIT SUBSIDY INCREASES.—To increase the credit subsidy allocated to an APIC as an award for high performance under this title, except that such increases may be made only in accordance with the following requirements and limitations:

(i) TIMING.—An increase may only be provided for an APIC that has been licensed for a period of not less than 2 years.

(ii) COMPETITION.—An increase may only be provided for a fiscal year pursuant to a competition for such fiscal year among APICs eligible for, and requesting, such an increase. The competition shall be based upon criteria that the Secretary shall establish, which shall include the financial soundness and performance of the APICs, as measured by achievement of the public performance goals included in the APICs statements required under section 605(a)(6) and audits conducted under section 609(b)(2). Among the criteria established by the Secretary to determine priority for selection under this section, the Secretary shall include making investments in and loans to qualified active businesses in urban or rural areas that have been designated under subchapter U of Chapter 1 of the Internal Revenue Code of 1986 as empowerment zones or enterprise communities.

(d) COOPERATION AND COORDINATION.—

(1) PROGRAM POLICIES.—The Secretary is authorized to coordinate and cooperate, through memoranda of understanding, an APIC liaison committee, or otherwise, with the Administrator, the Secretary of the Treasury, and other agencies in the discretion of the Secretary, on implementation of this title, including regulation, examination, and monitoring of APICs under this title.

(2) FINANCIAL SOUNDNESS REQUIREMENTS.—The Secretary shall consult with the Administrator and the Secretary of the Treasury, and may consult with such other heads of agencies as the Secretary may consider appropriate, in establishing any regulations, requirements, guidelines, or standards for financial soundness or management practices of APICs or entities applying for licensing as APICs. In implementing and monitoring compliance with any such regulations, requirements, guidelines, and standards, the Secretary shall enter into such agreements and memoranda of understanding with the Administrator and the Secretary of the Treasury as may be appropriate to provide for such officials to provide any assistance that may be agreed to.

(3) OPERATIONS.—The Secretary may carry out this title—

(A) directly, through agreements with other Federal entities under section 1535 of title 31, United States Code, or otherwise, or

(B) indirectly, under contracts or agreements, as the Secretary shall determine.

(e) FEES AND CHARGES FOR ADMINISTRATIVE COSTS.—To the extent provided in appropriations Acts, the Secretary is authorized to impose fees and charges for application, review, licensing, and regulation, or other actions under this title, and to pay for the costs of such activities from the fees and charges collected.

(f) GUARANTEE FEES.—The Secretary is authorized to set and collect fees for loan guarantee commitments and loan guarantees that the Secretary makes under this title.

(g) FUNDING.—

(1) AUTHORIZATION OF APPROPRIATIONS FOR LOAN GUARANTEE COMMITMENTS.—For each of fiscal years 2000, 2001, 2002, 2003, and 2004, there is authorized to be appropriated up to $36,000,000 for the cost (as such term is defined in section 502(5) of the Federal Credit Reform Act of 1990) of annual loan guarantee commitments under this title. Amounts appropriated under this paragraph shall remain available until expended.

(2) AGGREGATE LOAN GUARANTEE COMMITMENT LIMITATION.—The Secretary may make commitments to guarantee loans only to the extent that the total loan principal, any part of which is guaranteed, will not exceed $1,000,000,000, unless another such amount is specified in appropriation Acts for any fiscal year.

(3) AUTHORIZATION OF APPROPRIATIONS FOR ADMINISTRATIVE EXPENSES.—For each of the fiscal years 2000, 2001, 2002, 2003, and 2004, there is authorized to be appropriated $1,000,000 for administrative expenses for carrying out this title. The Secretary may transfer amounts appropriated under this paragraph to any appropriation account of HUD or another agency, to carry out the program under this title. Any agency to which the Secretary may transfer amounts under this title is authorized to accept such transferred amounts in any appropriation account of such agency.

SEC. 605. SELECTION OF APICS.

(a) ELIGIBLE APPLICANTS.—An entity shall be eligible to be selected for licensing under section 604 as an APIC only if the entity submits an application in compliance with the requirements established pursuant to subsection (b) and the entity meets or complies with the following requirements:

(1) ORGANIZATION.—The entity shall be a private, for-profit entity that qualifies as a community development entity for the purposes of the New Markets Tax Credits, to the extent such credits are established under Federal law.

(2) MINIMUM PRIVATE EQUITY CAPITAL.—The amount of private equity capital reasonably available to the entity, as determined by the Secretary, at the time that a license is approved may not be less than $25,000,000.

(3) QUALIFIED MANAGEMENT.—The management of the entity shall, in the determination of the Secretary, meet such standards as the Secretary shall establish to ensure that the management of the APIC is qualified, and has the financial expertise, knowledge, experience, and capability necessary, to make investments for community and economic development in low-income communities.

(4) CONFLICT OF INTEREST.—The entity shall demonstrate that, in accordance with sound financial management practices, the entity is structured to preclude financial conflict of interest between the APIC and a manager or investor.

(5) INVESTMENT STRATEGY.—The entity shall prepare and submit to the Secretary an investment strategy that includes benchmarks for evaluation of its progress, that includes an analysis of existing locally owned businesses in the communities in which the investments under the strategy will be made, that prioritizes such businesses for investment opportunities, and that fulfills the specific public purpose goals of the entity.

(6) STATEMENT OF PUBLIC PURPOSE GOALS.—The entity shall prepare and submit to the Secretary a statement of the public purpose goals of the entity, which shall—

(A) set forth goals that shall promote community and economic development, which shall include—

(i) making investments in low-income communities that further economic development objectives by targeting such investments in businesses or trades that comply with the requirements under subparagraphs (A) through (C) of section 603(10) relating to low-income communities in a manner that benefits low-income persons;

(ii) creating jobs in low-income communities for residents of such communities;

(iii) involving community-based organizations and residents in community development activities;

(iv) such other goals as the Secretary shall specify; and

(v) such elements as the entity may set forth to achieve specific public purpose goals;

(B) include such other elements as the Secretary shall specify; and

(C) include proposed measurements and strategies for meeting the goals.

(7) COMPLIANCE WITH LAWS.—The entity shall agree to comply with applicable laws, including Federal executive orders, Office of Management and Budget circulars, and requirements of the Department of the Treasury, and such operating and regulatory requirements as the Secretary may impose from time to time.

(8) OTHER.—The entity shall satisfy any other application requirements that the Secretary may impose by regulation or Federal Register notice.

(b) COMPETITIONS.—The Secretary shall select eligible entities under subsection (a) to be licensed under section 604 as APICs on the basis of competitions. The Secretary shall announce each such competition by causing a notice to be published in the Federal Register that invites applications for licenses and sets forth the requirements for application and such other terms of the competition not otherwise provided for, as determined by the Secretary.

(c) SELECTION.—In competitions under subsection (b), the Secretary shall select eligible entities under subsection (a) for licensing as APICs on the basis of—

(1) the extent to which the entity is expected to achieve the goals of this title by meeting or exceeding criteria established under subsection (d); and

(2) to the extent practicable and subject to the existence of approvable applications, ensuring geographical diversity among the applicants selected and diversity of APICs investment strategies, so that urban and rural communities are both served, in the determination of the Secretary, by the program under this title.

(d) SELECTION CRITERIA.—The Secretary shall establish selection criteria for competitions under subsection (b), which shall include the following criteria:

(1) CAPACITY.—

(A) MANAGEMENT.—The extent to which the entity's management has the quality, experience, and expertise to make and manage successful investments for community and economic development in low-income communities.

(B) STATE AND LOCAL COOPERATION.—The extent to which the entity demonstrates a capacity to cooperate with States or units of general local government and with community-based organizations and residents of low-income communities.

(2) INVESTMENT STRATEGY.—The quality of the entity's investment strategy submitted in accordance with subsection (a)(5) and the

extent to which the investment strategy furthers the goals of this title pursuant to paragraph (3) of this subsection.

(3) PUBLIC PURPOSE GOALS.—With respect to the statement of public purpose goals of the entity submitted in accordance with subsection (a)(6), and the strategy and measurements included therein—

(A) the extent to which such goals promote community and economic development;

(B) the extent to which such goals provide for making qualified investments in low-income communities that further economic development objectives, such as—

(i) creating, within 2 years of the completion of the initial such investment, job opportunities, opportunities for ownership, and other economic opportunities within a low-income community, both short-term and of a longer duration;

(ii) improving the economic vitality of a low-income community, including stimulating other business development;

(iii) bringing new income into a low-income community and assisting in the revitalization of such community;

(iv) converting real property for the purpose of creating a site for business incubation and location, or business district revitalization;

(v) enhancing economic competition, including the advancement of technology;

(vi) rural development;

(vii) mitigating, rehabilitating, and reusing real property considered subject to the Solid Waste Disposal Act (42 U.S.C. 6901 et seq.; commonly referred to as the Resource Conservation and Recovery Act) or restoring coal mine-scarred land;

(viii) creation of local wealth through investments in employee stock ownership companies or resident-owned ventures; and

(ix) any other objective that the Secretary may establish to further the purposes of this title;

(C) the quality of jobs to be created for residents of low-income communities, taking into consideration such factors as the payment of higher wages, job security, employment benefits, opportunity for advancement, and personal asset building;

(D) the extent to which achievement of such goals will involve community-based organizations and residents in community development activities; and

(E) the extent to which the investments referred to in subparagraph (B) are likely to benefit existing small business in low-income communities or will encourage the growth of small business in such communities.

(4) OTHER.—Any other criteria that the Secretary may establish to carry out the purposes of this title.

(e) FIRST YEAR REQUIREMENTS.—

(1) NUMERICAL LIMITATION.—The number of APICs may not, at any time during the 1-year period that begins upon the Secretary awarding the first license for an APIC under this title, exceed 15.

(2) LIMITATION ON ALLOCATION OF AVAILABLE CREDIT SUBSIDY.—Of the amount of budget authority initially made available for allocation under this title for APICs, the amount allocated for any single APIC may not exceed 20 percent.

(3) NATIVE AMERICAN PRIVATE INVESTMENT COMPANY.—Subject only to the absence of an approvable application from an entity, during the 1-year period referred to in paragraph (1), of the entities selected and licensed by the Secretary as APICs, at least one shall be an entity that has as its primary purpose the making of qualified low-income community investments in areas that are within Indian country (as such term is defined in section 1151 of title 18, United States Code) or within lands that have status as Hawaiian home land under section 204 of the Hawaiian Homes Commission Act, 1920 (42 Stat. 108) or are acquired pursuant to such Act. The Secretary may establish specific selection criteria for applicants under this paragraph.

(f) COMMUNICATIONS BETWEEN HUD AND APPLICANTS.—

(1) IN GENERAL.—The Secretary shall set forth in regulations the procedures under which HUD and applicants for APIC licenses, and others, may communicate. Such regulations shall—

(A) specify by position the HUD officers and employees who may communicate with such applicants and others;

(B) permit HUD officers and employees to request and discuss with the applicant and others (such as banks or other credit or business references, or potential investors, that the applicant specifies in writing) any more detailed information that may be desirable to facilitate HUD's review of the applicant's application;

(C) restrict HUD officers and employees from revealing to any applicant—

(i) the fact or chances of award of a license to such applicant, unless there has been a public announcement of the results of the competition; and

(ii) any information with respect to any other applicant; and

(D) set forth requirements for making and keeping records of any communications conducted under this subsection, including requirements for making such records available to the public after the award of licenses under an initial or subsequent notice, as appropriate, under subsection (a).

(2) TIMING.—Regulations under this subsection may be issued as interim rules for effect on or before the date of publication of the first notice under subsection (a), and shall apply only with respect to applications under such notice. Regulations to implement this subsection with respect to any notice after the first such notice shall be subject to notice and comment rulemaking.

(3) INAPPLICABILITY OF DEPARTMENT OF HUD ACT PROVISION.—Section 12(e)(2) of the Department of Housing and Urban Development Act (42 U.S.C. 3537a(e)(2)) is amended by inserting before the period at the end the following: ''or any license provided under the America's Private Investment Companies Act''.

SEC. 606. OPERATIONS OF APICS.

(a) POWERS AND AUTHORITIES.—

(1) IN GENERAL.—An APIC shall have any powers or authorities that—

(A) the APIC derives from the jurisdiction in which it is organized, or that the APIC otherwise has;

(B) may be conferred by a license under this title; and

(C) the Secretary may prescribe by regulation.

(2) NEW MARKET ASSISTANCE.—Nothing in this title shall preclude an APIC or its investors from receiving an allocation of New Market Tax Credits (to the extent such credits are established under Federal law) if the APIC satisfies any applicable terms and conditions under the Internal Revenue Code of 1986.

(b) INVESTMENT LIMITATIONS.—

(1) QUALIFIED LOW-INCOME COMMUNITY INVESTMENTS.—Substantially all investments that an APIC makes shall be qualified low-income community investments if the investments are financed with—

(A) amounts available from the proceeds of the issuance of an APIC's qualified debenture guaranteed under this title;

(B) proceeds of the sale of obligations described under subsection (c)(3)(C)(iii); or

(C) the use of private equity capital, as determined by the Secretary, in an amount specified in the APIC's license.

(2) SINGLE BUSINESS INVESTMENTS.—An APIC shall not, as a matter of sound financial practice, invest in any one business an amount that exceeds an amount equal to 35 percent of the sum of—

(A) the APIC's private equity capital; plus

(B) an amount equal to the percentage limit that the Secretary determines that an APIC may have outstanding at any one time, under subsection (c)(2)(A).

(c) BORROWING POWERS; QUALIFIED DEBENTURES.—

(1) ISSUANCE.—An APIC may issue qualified debentures. The Secretary shall, by regulation, specify the terms and requirements for debentures to be considered qualified debentures for purposes of this title, except that the term to maturity of any qualified debenture may not exceed 21 years and each qualified debenture shall bear interest during all or any part of that time period at a rate or rates approved by the Secretary.

(2) LEVERAGE LIMITS.—In general, as a matter of sound financial management practices—

(A) the total amount of qualified debentures that an APIC issues under this title that an APIC may have outstanding at any one time shall not exceed an amount equal to 200 percent of the private equity capital of the APIC, as determined by the Secretary; and

(B) an APIC shall not have more than $300,000,000 in face value of qualified debentures issued under this title outstanding at any one time.

(3) REPAYMENT.—

(A) CONDITION OF BUSINESS WIND-UP.—An APIC shall have repaid, or have otherwise been relieved of indebtedness, with respect to any interest or principal amounts of borrowings under this subsection no less than 2 years before the APIC may dissolve or otherwise complete the wind-up of its business.

(B) TIMING.—An APIC may repay any interest or principal amounts of borrowings under this subsection at any time: *Provided*, That the repayment of such amounts shall not relieve an APIC of any duty otherwise applicable to the APIC under this title, unless the Secretary orders such relief.

(C) USE OF INVESTMENT PROCEEDS BEFORE REPAYMENT.—Until an APIC has repaid all interest and principal amounts on APIC borrowings under this subsection, an APIC may use the proceeds of investments, in accordance with regulations issued by the Secretary, only to—

(i) pay for proper costs and expenses the APIC incurs in connection with such investments;

(ii) pay for the reasonable administrative expenses of the APIC;

(iii) purchase Treasury securities;

(iv) repay interest and principal amounts on APIC borrowings under this subsection;

(v) make interest, dividend, or other distributions to or on behalf of an investor; or

(vi) undertake such other purposes as the Secretary may approve.

(D) USE OF INVESTMENT PROCEEDS AFTER REPAYMENT.—After an APIC has repaid all interest and principal amounts on APIC borrowings under this subsection, and subject to continuing compliance with subsection (a), the APIC may use the proceeds from investments to make interest, dividend, or other distributions to or on behalf of investors in the nature of returns on capital, or the withdrawal of private equity capital, without regard to subparagraph (C) but in conformity with the APIC's investment strategy and statement of public purpose goals.

(d) REUSE OF QUALIFIED DEBENTURE PROCEEDS.—An APIC may use the proceeds of sale of Treasury securities purchased under subsection (c)(3)(C)(iii) to make qualified low-income community investments, subject

to the Secretary's approval. In making the request for the Secretary's approval, the APIC shall follow the procedures applicable to an APIC's request for HUD guarantee action, as the Secretary may modify such procedures for implementation of this subsection. Such procedures shall include the description and certifications that an APIC must include in all requests for guarantee action, and the environmental certification applicable to initial expenditures for a project or activity.

(e) ANTIPIRATING.—Notwithstanding any other provision of law, an APIC may not use any private equity capital required to be contributed under this title, or the proceeds from the sale of any qualified debenture under this title, to make an investment, as determined by the Secretary, to assist directly in the relocation of any industrial or commercial plant, facility, or operation, from 1 area to another area, if the relocation is likely to result in a significant loss of employment in the labor market area from which the relocation occurs.

(f) EXCLUSION OF APIC FROM DEFINITION OF DEBTOR UNDER BANKRUPTCY PROVISIONS.—Section 109(b)(2) of title 11, United States Code, is amended by inserting before ''credit union'' the following: ''America's Private Investment Company licensed under the America's Private Investment Companies Act,''.

SEC. 607. CREDIT ENHANCEMENT BY THE FEDERAL GOVERNMENT.

(a) ISSUANCE AND GUARANTEE OF QUALIFIED DEBENTURES.—

(1) AUTHORITY.—To the extent consistent with the Federal Credit Reform Act of 1990, the Secretary is authorized to make commitments to guarantee and guarantee the timely payment of all principal and interest as scheduled on qualified debentures issued by APICs. Such commitments and guarantees may only be made in accordance with the terms and conditions established under paragraph (2).

(2) TERMS AND CONDITIONS.—The Secretary shall establish such terms and conditions as the Secretary determines to be appropriate for commitments and guarantees under this subsection, including terms and conditions relating to amounts, expiration, number, priorities of repayment, security, collateral, amortization, payment of interest (including the timing thereof), and fees and charges. The terms and conditions applicable to any particular commitment or guarantee may be established in documents that the Secretary approves for such commitment or guarantee.

(3) SENIORITY.—Notwithstanding any other provision of Federal law or any law or the constitution of any State, qualified debentures guaranteed under this subsection by the Secretary shall be senior to any other debt obligation, equity contribution or earnings, or the distribution of dividends, interest, or other amounts, of an APIC.

(b) ISSUANCE OF TRUST CERTIFICATES.—The Secretary, or an agent or entity selected by the Secretary, is authorized to issue trust certificates representing ownership of all or a fractional part of guaranteed qualified debentures issued by APICs and held in trust.

(c) GUARANTEE OF TRUST CERTIFICATES.—

(1) IN GENERAL.—The Secretary is authorized, upon such terms and conditions as the Secretary determines to be appropriate, to guarantee the timely payment of the principal of and interest on trust certificates issued by the Secretary, or an agent or other entity, for purposes of this section. Such guarantee shall be limited to the extent of principal and interest on the guaranteed qualified debentures which compose the trust.

(2) SUBSTITUTION OPTION.—The Secretary shall have the option to replace in the corpus of the trust any prepaid or defaulted qualified debenture with a debenture, another full faith and credit instrument, or any obligations of the United States, that may reasonably substitute for such prepaid or defaulted qualified debenture.

(3) PROPORTIONATE REDUCTION OPTION.—In the event that the Secretary elects not to exercise the option under paragraph (2), and a qualified debenture in such trust is prepaid, or in the event of default of a qualified debenture, the guarantee of timely payment of principal and interest on the trust certificate shall be reduced in proportion to the amount of principal and interest that such prepaid qualified debenture represents in the trust. Interest on prepaid or defaulted qualified debentures shall accrue and be guaranteed by the Secretary only through the date of payment of the guarantee. During the term of a trust certificate, it may be called for redemption due to prepayment or default of all qualified debentures that are in the corpus of the trust.

(d) FULL FAITH AND CREDIT BACKING OF GUARANTEES.—The full faith and credit of the United States is pledged to the timely payment of all amounts which may be required to be paid under any guarantee by the Secretary pursuant to this section.

(e) SUBROGATION AND LIENS.—

(1) SUBROGATION.—In the event the Secretary pays a claim under a guarantee issued under this section, the Secretary shall be subrogated fully to the rights satisfied by such payment.

(2) PRIORITY OF LIENS.—No State or local law, and no Federal law, shall preclude or limit the exercise by the Secretary of its ownership rights in the debentures in the corpus of a trust under this section.

(f) REGISTRATION.—

(1) IN GENERAL.—The Secretary shall provide for a central registration of all trust certificates issued pursuant to this section.

(2) AGENTS.—The Secretary may contract with an agent or agents to carry out on behalf of the Secretary the pooling and the central registration functions of this section notwithstanding any other provision of law, including maintenance on behalf of and under the direction of the Secretary, such commercial bank accounts or investments in obligations of the United States as may be necessary to facilitate trusts backed by qualified debentures guaranteed under this title and the issuance of trust certificates to facilitate formation of the corpus of the trusts. The Secretary may require such agent or agents to provide a fidelity bond or insurance in such amounts as the Secretary determines to be necessary to protect the interests of the Government.

(3) FORM.—Book-entry or other electronic forms of registration for trust certificates under this title are authorized.

(g) TIMING OF ISSUANCE OF GUARANTEES OF QUALIFIED DEBENTURES AND TRUST CERTIFICATES.—The Secretary may, from time to time in the Secretary's discretion, exercise the authority to issue guarantees of qualified debentures under this title or trust certificates under this title.

SEC. 608. APIC REQUESTS FOR GUARANTEE ACTIONS.

(a) IN GENERAL.—The Secretary may issue a guarantee under this title for a qualified debenture that an APIC intends to issue only pursuant to a request to the Secretary by the APIC for such guarantee that is made in accordance with regulations governing the content and procedures for such requests, that the Secretary shall prescribe. Such regulations shall provide that each such request shall include—

(1) a description of the manner in which the APIC intends to use the proceeds from the qualified debenture;

(2) a certification by the APIC that the APIC is in substantial compliance with—

(A) this title and other applicable laws, including any requirements established under this title by the Secretary;

(B) all terms and conditions of its license, any cease-and-desist order issued under section 610, and of any penalty or condition that may have arisen from examination or monitoring by the Secretary or otherwise, including the satisfaction of any financial audit exception that may have been outstanding; and

(C) all requirements relating to the allocation and use of New Markets Tax Credits, to the extent such credits are established under Federal law; and

(3) any other information or certification that the Secretary considers appropriate.

(b) REQUESTS FOR GUARANTEE OF QUALIFIED DEBENTURES THAT INCLUDE FUNDING FOR INITIAL EXPENDITURE FOR A PROJECT OR ACTIVITY.—In addition to the description and certification that an APIC is required to supply in all requests for guarantee action under subsection (a), in the case of an APIC's request for a guarantee that includes a qualified debenture, the proceeds of which the APIC expects to be used as its initial expenditure for a project or activity in which the APIC intends to invest, and the expenditure for which would require an environmental assessment under the National Environmental Policy Act of 1969 and other related laws that further the purposes of such Act, such request for guarantee action shall include evidence satisfactory to the Secretary of the certification of the completion of environmental review of the project or activity required of the cognizant State or local government under subsection (c). If the environmental review responsibility for the project or activity has not been assumed by a State or local government under subsection (c), then the Secretary shall be responsible for carrying out the applicable responsibilities under the National Environmental Policy Act of 1969 and other provisions of law that further the purposes of such Act that relate to the project or activity, and the Secretary shall execute such responsibilities before acting on the APIC's request for the guarantee that is covered by this subsection.

(c) RESPONSIBILITY FOR ENVIRONMENTAL REVIEWS.—

(1) EXECUTION OF RESPONSIBILITY BY THE SECRETARY.—This subsection shall apply to guarantees by the Secretary of qualified debentures under this title, the proceeds of which would be used in connection with qualified low-income community investments of APICs under this title.

(2) ASSUMPTION OF RESPONSIBILITY BY COGNIZANT UNIT OF GENERAL GOVERNMENT.—

(A) GUARANTEE OF QUALIFIED DEBENTURES.—In order to assure that the policies of the National Environmental Policy Act of 1969 and other provisions of law that further the purposes of such Act (as specified in regulations issued by the Secretary) are most effectively implemented in connection with the expenditure of funds under this title, and to assure to the public undiminished protection of the environment, the Secretary may, under such regulations, in lieu of the environmental protection procedures otherwise applicable, provide for the guarantee of qualified debentures, any part of the proceeds of which are to fund particular qualified low-income community investments of APICs under this title, if a State or unit of general local government, as designated by the Secretary in accordance with regulations issued by the Secretary, assumes all of the responsibilities for environmental review, decisionmaking, and action pursuant to the National Environmental Policy Act of 1969 and such other provisions of law that further such Act as the regulations of the Secretary specify, that would otherwise apply to the Secretary were the Secretary to undertake

the funding of such investments as a Federal action.

(B) IMPLEMENTATION.—The Secretary shall issue regulations to carry out this subsection only after consultation with the Council on Environmental Quality. Such regulations shall—

(i) specify any other provisions of law which further the purposes of the National Environmental Policy Act of 1969 and to which the assumption of responsibility as provided in this subsection applies;

(ii) provide eligibility criteria and procedures for the designation of a State or unit of general local government to assume all of the responsibilities in this subsection;

(iii) specify the purposes for which funds may be committed without regard to the procedure established under paragraph (3);

(iv) provide for monitoring of the performance of environmental reviews under this subsection;

(v) in the discretion of the Secretary, provide for the provision or facilitation of training for such performance; and

(vi) subject to the discretion of the Secretary, provide for suspension or termination by the Secretary of the assumption under subparagraph (A).

(C) RESPONSIBILITIES OF STATES AND UNITS OF GENERAL LOCAL GOVERNMENT.—The Secretary's duty under subparagraph (B) shall not be construed to limit any responsibility assumed by a State or unit of general local government with respect to any particular request for guarantee under subparagraph (A), or the use of funds for a qualified investment.

(3) PROCEDURE.—Subject to compliance by the APIC with the requirements of this title, the Secretary shall approve the request for guarantee of a qualified debenture, any part of the proceeds of which is to fund particular qualified low-income community investments of an APIC under this title, that is subject to the procedures authorized by this subsection only if, not less than 15 days prior to such approval and prior to any commitment of funds to such investment (except for such purposes specified in the regulations issued under paragraph (2)(B)), the APIC submits to the Secretary a request for guarantee of a qualified debenture that is accompanied by evidence of a certification of the State or unit of general local government which meets the requirements of paragraph (4). The approval by the Secretary of any such certification shall be deemed to satisfy the Secretary's responsibilities pursuant to paragraph (1) under the National Environmental Policy Act of 1969 and such other provisions of law as the regulations of the Secretary specify insofar as those responsibilities relate to the guarantees of qualified debentures, any parts of the proceeds of which are to fund such investments, which are covered by such certification.

(4) CERTIFICATION.—A certification under the procedures authorized by this subsection shall—

(A) be in a form acceptable to the Secretary;

(B) be executed by the chief executive officer or other officer of the State or unit of general local government who qualifies under regulations of the Secretary;

(C) specify that the State or unit of general local government under this subsection has fully carried out its responsibilities as described under paragraph (2); and

(D) specify that the certifying officer—

(i) consents to assume the status of a responsible Federal official under the National Environmental Policy Act of 1969 and each provision of law specified in regulations issued by the Secretary insofar as the provisions of such Act or other such provision of law apply pursuant to paragraph (2); and

(ii) is authorized and consents on behalf of the State or unit of general local government and himself or herself to accept the jurisdiction of the Federal courts for the purpose of enforcement of the responsibilities as such an official.

SEC. 609. EXAMINATION AND MONITORING OF APICS.

(a) IN GENERAL.—The Secretary shall, under regulations, through audits, performance agreements, license conditions, or otherwise, examine and monitor the operations and activities of APICs for compliance with sound financial management practices, and for satisfaction of the program and procedural goals of this title and other related Acts. The Secretary may undertake any responsibility under this section in cooperation with an APIC liaison committee, or any agency that is a member of such a committee, or other agency.

(b) MONITORING, UPDATING, AND PROGRAM REVIEW.—

(1) REPORTING AND UPDATING.—The Secretary shall establish such annual or more frequent reporting requirements for APICs, and such requirements for the updating of the statement of public purpose goals, investment strategy (including the benchmarks in such strategy), and other documents that may have been used in the license application process under this title, as the Secretary determines necessary to assist the Secretary in monitoring the compliance and performance of APICs.

(2) ANNUAL AUDITS.—The Secretary shall require each APIC to have an independent audit conducted annually of the operations of the APIC. The Secretary, in consultation with the Administrator and the Secretary of the Treasury, shall establish requirements and standards for such audits, including requirements that such audits be conducted in accordance with generally accepted accounting principles, that the APIC submit the results of the audit to Secretary, and that specify the information to be submitted.

(3) EXAMINATIONS.—The Secretary shall, no less often than once every 2 years, examine the operations and portfolio of each APIC licensed under this title for compliance with sound financial management practices, and for compliance with this title.

(4) EXAMINATION STANDARDS.—

(A) SOUND FINANCIAL MANAGEMENT PRACTICES.—The Secretary shall examine each APIC to ensure, as a matter of sound financial management practices, substantial compliance with this and other applicable laws, including Federal executive orders, Department of Treasury and Office of Management and Budget guidance, circulars, and application and licensing requirements on a continuing basis. The Secretary may, by regulation, establish any additional standards for sound financial management practices, including standards that address solvency and financial exposure.

(B) PERFORMANCE AND OTHER EXAMINATIONS.—The Secretary shall monitor each APIC's progress in meeting the goals in the APIC's statement of public purpose goals, executing the APIC's investment strategy, and other matters.

(c) INSPECTOR GENERAL RESPONSIBILITY.—In carrying out monitoring of HUD's responsibilities under this title and for purposes of ensuring that the program under this title is operated in accordance with sound financial management practices, the Inspector General of the Department of Housing and Urban Development shall consult with the Inspector General of the Department of the Treasury and the Inspector General of the Small Business Administration, as appropriate, and may enter into such agreements and memoranda of understanding as may be necessary to obtain the cooperation of the Inspectors General of the Department of the Treasury and the Small Business Administration in carrying out such function.

(d) ANNUAL REPORT BY SECRETARY.—The Secretary shall submit a report to the Congress annually regarding the operations, activities, financial health, and achievements of the APIC program under this title. The report shall list each investment made by an APIC and include a summary of the examinations conducted under subsection (b)(3), the guarantee actions of HUD, and any regulatory or policy actions taken by HUD. The report shall distinguish recently licensed APICs from APICs that have held licenses for a longer period for purposes of indicating program activities and performance.

(e) GAO REPORT.—

(1) REQUIREMENT.—Not later than 2 years after the date of the enactment of this Act, the Comptroller General of the United States shall submit a report to the Congress regarding the operation of the program under this title for licensing and guarantees for APICs.

(2) CONTENTS.—The report shall include—

(A) an analysis of the operations and monitoring by HUD of the APIC program under this title;

(B) the administrative and capacity needs of HUD required to ensure the integrity of the program;

(C) the extent and adequacy of any credit subsidy appropriated for the program; and

(D) the management of financial risk and liability of the Federal Government under the program.

SEC. 610. PENALTIES.

(a) VIOLATIONS SUBJECT TO PENALTY.—The Secretary may impose a penalty under this subsection on any APIC or manager of an APIC that, by any act, practice, or failure to act, engages in fraud, mismanagement, or noncompliance with this title, the regulations under this title, or a condition of the APIC's license under this title. The Secretary shall, by regulation, identify, by generic description of a role or responsibilities, any manager of an APIC that is subject to a penalty under this section.

(b) PENALTIES REQUIRING NOTICE AND AN OPPORTUNITY TO RESPOND.—If, after notice in writing to an APIC or the manager of an APIC that the APIC or manager has engaged in any action, practice, or failure to act that, under subsection (a), is subject to a penalty, and after an opportunity for the APIC or manager to respond to the notice, the Secretary determines that the APIC or manager engaged in such action or failure to act, the Secretary may, in addition to other penalties imposed—

(1) assess a civil money penalty, except than any civil money penalty under this subsection shall be in an amount not exceeding $10,000;

(2) issue an order to cease and desist with respect to such action, practice, or failure to act of the APIC or manager;

(3) suspend, or condition the use of, the APIC's license, including deferring, for the period of the suspension, any commitment to guarantee any new qualified debenture of the APIC, except that any suspension or condition under this paragraph may not exceed 90 days; and

(4) impose any other penalty that the Secretary determines to be less burdensome to the APIC than a penalty under subsection (c).

(c) PENALTIES REQUIRING NOTICE AND HEARING.—If, after notice in writing to an APIC or the manager of an APIC that an APIC or manager has engaged in any action, practice, or failure to act that, under subsection (a), is subject to a penalty, and after an opportunity for administrative hearing, the Secretary determines that the APIC or manager

engaged in such action or failure to act, the Secretary may—

(1) assess a civil money penalty against the APIC or a manager in any amount;

(2) require the APIC to divest any interest in an investment, on such terms and conditions as the Secretary may impose; or

(3) revoke the APIC's license.

(d) EFFECTIVE DATE OF PENALTIES.—

(1) PRIOR NOTICE REQUIREMENT.—Except as provided in paragraph (2) of this subsection, a penalty under subsection (b) or (c) shall not be due and payable and shall not otherwise take effect or be subject to enforcement by an order of a court, before notice of the penalty is published in the Federal Register.

(2) CEASE-AND-DESIST ORDERS AND SUSPENSION OR CONDITIONING OF LICENSE.—In the case of a cease-and-desist order under subsection (b)(2) or the suspension or conditioning of an APIC's license under subsection (b)(3), the following procedures shall apply:

(A) ACTION WITHOUT PUBLISHED NOTICE.—The Secretary may order an APIC or manager to cease and desist from an action, practice, or failure to act or may suspend or condition an APIC's license, for not more than 45 days without prior publication of notice in the Federal Register, but such cease-and-desist order or suspension or conditioning shall take effect only after the Secretary has issued a written notice (which may include a writing in electronic form) of such action to the APIC. Notwithstanding subsection (b), such written notice shall be effective without regard to whether the APIC has been accorded an opportunity to respond. Upon such notice, such cease-and-desist order or suspension or conditioning shall be subject to enforcement by an order of a court.

(B) PUBLICATION OF NOTICE OF SUSPENSION OR CONDITIONING OF LICENSE.—Upon a suspension or conditioning of a license taking effect pursuant to subparagraph (A), the Secretary shall promptly cause a notice of suspension or conditioning of such license for a period of not more than 90 days to be published in the Federal Register. The Secretary shall provide the APIC an opportunity to respond to such notice. For purposes of the determining the duration of the period of any suspension or conditioning under this subparagraph, the first day of such period shall be the day of issuance of the written notice under this paragraph of the suspension or conditioning.

(C) REVOCATION OF LICENSE.—During the period of the suspension or conditioning of an APIC's license, the Secretary may take action under subsection (c)(3) to revoke the license of the APIC, in accordance with the procedures applicable to such subsection. Notwithstanding any other provision of this section, if the Secretary takes such action, the Secretary may extend the suspension or conditioning of the APIC's license, for one or more periods of not more than 90 days each, by causing notice of such action to be published in the Federal Register—

(i) for the first such extension, before the expiration of the period under subparagraph (B); and

(ii) for any subsequent extension, before the expiration of the preceding extension period under this subparagraph.

(D) TERM OF EFFECTIVENESS.—A cease-and-desist order or the suspension or conditioning of an APIC's license by the Secretary under this paragraph shall remain in effect in accordance with the terms of the order, suspension, or conditioning until final adjudication in any action undertaken to challenge the order, or the suspension or conditioning, or the revocation, of an APIC's license.

SEC. 611. EFFECTIVE DATE.

(a) IN GENERAL.—Except as provided in subsection (b), this title shall take effect upon the expiration of the 6-month period beginning on the date of the enactment of this Act.

(b) ISSUANCE OF REGULATIONS AND GUIDELINES.—Any authority under this title of the Secretary, the Administrator, and the Secretary of the Treasury to issue regulations, standards, guidelines, or licensing requirements, and any authority of such officials to consult or enter into agreements or memoranda of understanding regarding such issuance, shall take effect on the date of the enactment of this Act.

SEC. 612. SUNSET.

After the expiration of the 5-year period beginning upon the date that the Secretary awards the first license for an APIC under this title—

(1) the Secretary may not license any APIC; and

(2) no amount may be appropriated for the costs (as such term is defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661c)) of any guarantee under this title for any debenture issued by an APIC.

This section may not be construed to prohibit, limit, or affect the award, allocation, or use of any budget authority for the costs of such guarantees that is appropriated before the expiration of such period.

TITLE VII—OTHER COMMUNITY RENEWAL AND NEW MARKETS ASSISTANCE

SEC. 701. TRANSFER OF UNOCCUPIED AND SUBSTANDARD HUD-HELD HOUSING TO LOCAL GOVERNMENTS AND COMMUNITY DEVELOPMENT CORPORATIONS.

Section 204 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997 (12 U.S.C. 1715z–11a) is amended—

(1) by striking ''FLEXIBLE AUTHORITY.—'' and inserting ''DISPOSITION OF HUD-OWNED PROPERTIES. (a) FLEXIBLE AUTHORITY FOR MULTIFAMILY PROJECTS.—''; and

(2) by adding at the end the following new subsection:

''(b) TRANSFER OF UNOCCUPIED AND SUBSTANDARD HOUSING TO LOCAL GOVERNMENTS AND COMMUNITY DEVELOPMENT CORPORATIONS.—

''(1) TRANSFER AUTHORITY.—Notwithstanding the authority under subsection (a) and the last sentence of section 204(g) of the National Housing Act (12 U.S.C. 1710(g)), the Secretary of Housing and Urban Development shall transfer ownership of any qualified HUD property, subject to the requirements of this section, to a unit of general local government having jurisdiction for the area in which the property is located or to a community development corporation which operates within such a unit of general local government in accordance with this subsection, but only to the extent that units of general local government and community development corporations consent to transfer and the Secretary determines that such transfer is practicable.

''(2) QUALIFIED HUD PROPERTIES.—For purposes of this subsection, the term 'qualified HUD property' means any property for which, as of the date that notification of the property is first made under paragraph (3)(B), not less than 6 months have elapsed since the later of the date that the property was acquired by the Secretary or the date that the property was determined to be unoccupied or substandard, that is owned by the Secretary and is—

''(A) an unoccupied multifamily housing project;

''(B) a substandard multifamily housing project; or

''(C) an unoccupied single family property that—

''(i) has been determined by the Secretary not to be an eligible asset under section 204(h) of the National Housing Act (12 U.S.C. 1710(h)); or

''(ii) is an eligible asset under such section 204(h), but—

''(I) is not subject to a specific sale agreement under such section; and

''(II) has been determined by the Secretary to be inappropriate for continued inclusion in the program under such section 204(h) pursuant to paragraph (10) of such section.

''(3) TIMING.—The Secretary shall establish procedures that provide for—

''(A) time deadlines for transfers under this subsection;

''(B) notification to units of general local government and community development corporations of qualified HUD properties in their jurisdictions;

''(C) such units and corporations to express interest in the transfer under this subsection of such properties;

''(D) a right of first refusal for transfer of qualified HUD properties to units of general local government and community development corporations, under which—

''(i) the Secretary shall establish a period during which the Secretary may not transfer such properties except to such units and corporations;

''(ii) the Secretary shall offer qualified HUD properties that are single family properties for purchase by units of general local government at a cost of $1 for each property, but only to the extent that the costs to the Federal Government of disposal at such price do not exceed the costs to the Federal Government of disposing of property subject to the procedures for single family property established by the Secretary pursuant to the authority under the last sentence of section 204(g) of the National Housing Act (12 U.S.C. 1710(g));

''(iii) the Secretary may accept an offer to purchase a property made by a community development corporation only if the offer provides for purchase on a cost recovery basis; and

''(iv) the Secretary shall accept an offer to purchase such a property that is made during such period by such a unit or corporation and that complies with the requirements of this paragraph;

''(E) a written explanation, to any unit of general local government or community development corporation making an offer to purchase a qualified HUD property under this subsection that is not accepted, of the reason that such offer was not acceptable.

''(4) OTHER DISPOSITION.—With respect to any qualified HUD property, if the Secretary does not receive an acceptable offer to purchase the property pursuant to the procedure established under paragraph (3), the Secretary shall dispose of the property to the unit of general local government in which property is located or to community development corporations located in such unit of general local government on a negotiated, competitive bid, or other basis, on such terms as the Secretary deems appropriate.

''(5) SATISFACTION OF INDEBTEDNESS.—Before transferring ownership of any qualified HUD property pursuant to this subsection, the Secretary shall satisfy any indebtedness incurred in connection with the property to be transferred, by canceling the indebtedness.

''(6) DETERMINATION OF STATUS OF PROPERTIES.—To ensure compliance with the requirements of this subsection, the Secretary shall take the following actions:

''(A) UPON ENACTMENT.—Upon the enactment of this subsection, the Secretary shall promptly assess each residential property owned by the Secretary to determine whether such property is a qualified HUD property.

''(B) UPON ACQUISITION.—Upon acquiring any residential property, the Secretary shall

promptly determine whether the property is a qualified HUD property.

''(C) UPDATES.—The Secretary shall periodically reassess the residential properties owned by the Secretary to determine whether any such properties have become qualified HUD properties.

''(7) TENANT LEASES.—This subsection shall not affect the terms or the enforceability of any contract or lease entered into with respect to any residential property before the date that such property becomes a qualified HUD property.

''(8) USE OF PROPERTY.—Property transferred under this subsection shall be used only for appropriate neighborhood revitalization efforts, including homeownership, rental units, commercial space, and parks, consistent with local zoning regulations, local building codes, and subdivision regulations and restrictions of record.

''(9) INAPPLICABILITY TO PROPERTIES MADE AVAILABLE FOR HOMELESS.—Notwithstanding any other provision of this subsection, this subsection shall not apply to any properties that the Secretary determines are to be made available for use by the homeless pursuant to subpart E of part 291 of title 24, Code of Federal Regulations, during the period that the properties are so available.

''(10) PROTECTION OF EXISTING CONTRACTS.—This subsection may not be construed to alter, affect, or annul any legally binding obligations entered into with respect to a qualified HUD property before the property becomes a qualified HUD property.

''(11) DEFINITIONS.—For purposes of this subsection, the following definitions shall apply:

''(A) COMMUNITY DEVELOPMENT CORPORATION.—The term 'community development corporation' means a nonprofit organization whose primary purpose is to promote community development by providing housing opportunities for low-income families.

''(B) COST RECOVERY BASIS.—The term 'cost recovery basis' means, with respect to any sale of a residential property by the Secretary, that the purchase price paid by the purchaser is equal to or greater than the sum of (i) the appraised value of the property, as determined in accordance with such requirements as the Secretary shall establish, and (ii) the costs incurred by the Secretary in connection with such property during the period beginning on the date on which the Secretary acquires title to the property and ending on the date on which the sale is consummated.

''(C) MULTIFAMILY HOUSING PROJECT.—The term 'multifamily housing project' has the meaning given the term in section 203 of the Housing and Community Development Amendments of 1978.

''(D) RESIDENTIAL PROPERTY.—The term 'residential property' means a property that is a multifamily housing project or a single family property.

''(E) SECRETARY.—The term 'Secretary' means the Secretary of Housing and Urban Development.

''(F) SEVERE PHYSICAL PROBLEMS.—The term 'severe physical problems' means, with respect to a dwelling unit, that the unit—

''(i) lacks hot or cold piped water, a flush toilet, or both a bathtub and a shower in the unit, for the exclusive use of that unit;

''(ii) on not less than three separate occasions during the preceding winter months, was uncomfortably cold for a period of more than 6 consecutive hours due to a malfunction of the heating system for the unit;

''(iii) has no functioning electrical service, exposed wiring, any room in which there is not a functioning electrical outlet, or has experienced three or more blown fuses or tripped circuit breakers during the preceding 90-day period;

''(iv) is accessible through a public hallway in which there are no working light fixtures, loose or missing steps or railings, and no elevator; or

''(v) has severe maintenance problems, including water leaks involving the roof, windows, doors, basement, or pipes or plumbing fixtures, holes or open cracks in walls or ceilings, severe paint peeling or broken plaster, and signs of rodent infestation.

''(G) SINGLE FAMILY PROPERTY.—The term 'single family property' means a 1- to 4-family residence.

''(H) SUBSTANDARD.—The term 'substandard' means, with respect to a multifamily housing project, that 25 percent or more of the dwelling units in the project have severe physical problems.

''(I) UNIT OF GENERAL LOCAL GOVERNMENT.—The term 'unit of general local government' has the meaning given such term in section 102(a) of the Housing and Community Development Act of 1974.

''(J) UNOCCUPIED.—The term 'unoccupied' means, with respect to a residential property, that the unit of general local government having jurisdiction over the area in which the project is located has certified in writing that the property is not inhabited.

''(12) REGULATIONS.—

''(A) INTERIM.—Not later than 30 days after the date of the enactment of this subsection, the Secretary shall issue such interim regulations as are necessary to carry out this subsection.

''(B) FINAL.—Not later than 60 days after the date of the enactment of this subsection, the Secretary shall issue such final regulations as are necessary to carry out this subsection.''.

SEC. 702. TRANSFER OF HUD ASSETS IN REVITALIZATION AREAS.

In carrying out the program under section 204(h) of the National Housing Act (12 U.S.C. 1710(h)), upon the request of the chief executive officer of a county or the government of appropriate jurisdiction and not later than 60 days after such request is made, the Secretary of Housing and Urban Development shall designate as a revitalization area all portions of such county that meet the criteria for such designation under paragraph (3) of such section.

SEC. 703. RISK-SHARING DEMONSTRATION.

Section 249 of the National Housing Act (12 U.S.C. 1715z–14) is amended—

(1) by striking the section heading and inserting the following:

''RISK-SHARING DEMONSTRATION'';

(2) by striking ''reinsurance'' each place such term appears and insert ''risk-sharing'';

(3) in subsection (a)—

(A) in the first sentence, by inserting ''and insured community development financial institutions'' after ''private mortgage insurers'';

(B) in the second sentence—

(i) by striking ''two'' and inserting ''4''; and

(ii) by striking ''March 15, 1988'' and inserting ''the expiration of the 5-year period beginning on the date of the enactment of the Community Renewal and New Market Act of 2000''; and

(C) in the last sentence, by striking ''10 percent'' and inserting ''20 percent'';

(4) in subsection (b)—

(A) in the first sentence, by inserting ''and with insured community development financial institutions'' before the period at the end;

(B) in the first sentence, by striking ''which have been determined to be qualified insurers under section 302(b)(2)(C)'';

(C) in the second sentence, by inserting ''and insured community development financial institutions'' after ''private mortgage insurance companies'';

(D) by striking paragraph (1) and inserting the following new paragraph:

''(1) assume the first loss on any mortgage insured pursuant to section 203(b), 234, or 245 that covers a one- to four-family dwelling and is included in the program under this section, up to the percentage of loss that is set forth in the risk-sharing contract;''; and

(E) in paragraph (2)—

(i) by striking ''carry out (under appropriate delegation) such'' and inserting ''delegate underwriting,''; and

(ii) by striking ''function'' and inserting ''functions'';

(5) in subsection (c)—

(A) in the first sentence—

(i) by striking ''of'' the first place it appears and insert ''for'';

(ii) by striking ''insurance reserves'' and inserting ''loss reserves''; and

(iii) by striking ''such insurance'' and inserting ''such reserves''; and

(B) in the second sentence, by inserting ''or insured community development financial institution'' after ''private mortgage insurance company'';

(6) in subsection (d), by inserting ''or insured community development financial institution'' after ''private mortgage insurance company''; and

(7) by adding at the end the following new subsection:

''(e) INSURED COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS.—For purposes of this section, the term 'insured community development financial institution' means a community development financial institution, as such term is defined in section 103 of Reigle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4702) that is an insured depository institution (as such term is defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) or an insured credit union (as such term is defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752)).''.

SEC. 704. PREVENTION AND TREATMENT OF SUBSTANCE ABUSE; SERVICES PROVIDED THROUGH RELIGIOUS ORGANIZATIONS.

Title V of the Public Health Service Act (42 U.S.C. 290aa et seq.) is amended by adding at the end the following part:

''PART G—SERVICES PROVIDED THROUGH RELIGIOUS ORGANIZATIONS

''SEC. 581. APPLICABILITY TO DESIGNATED PROGRAMS.

''(a) DESIGNATED PROGRAMS.—Subject to subsection (b), this part applies to discretionary and formula grant programs administered by the Substance Abuse and Mental Health Services Administration that make awards of financial assistance to public or private entities for the purpose of carrying out activities to prevent or treat substance abuse (in this part referred to as a 'designated program'). Designated programs include the program under subpart II of part B of title XIX (relating to formula grants to the States).

''(b) LIMITATION.—This part does not apply to any award of financial assistance under a designated program for a purpose other than the purpose specified in subsection (a).

''(c) DEFINITIONS.—For purposes of this part (and subject to subsection (b)):

''(1) The term 'designated program' has the meaning given such term in subsection (a).

''(2) The term 'financial assistance' means a grant, cooperative agreement, or contract.

''(3) The term 'program beneficiary' means an individual who receives program services.

''(4) The term 'program participant' means a public or private entity that has received financial assistance under a designated program.

''(5) The term 'program services' means treatment for substance abuse, or preventive

services regarding such abuse, provided pursuant to an award of financial assistance under a designated program.

''(6) The term 'religious organization' means a nonprofit religious organization.

''SEC. 582. RELIGIOUS ORGANIZATIONS AS PROGRAM PARTICIPANTS.

''(a) IN GENERAL.—Notwithstanding any other provision of law, a religious organization, on the same basis as any other nonprofit private provider—

''(1) may receive financial assistance under a designated program; and

''(2) may be a provider of services under a designated program.

''(b) RELIGIOUS ORGANIZATIONS.—The purpose of this section is to allow religious organizations to be program participants on the same basis as any other nonprofit private provider without impairing the religious character of such organizations, and without diminishing the religious freedom of program beneficiaries.

''(c) NONDISCRIMINATION AGAINST RELIGIOUS ORGANIZATIONS.—

''(1) ELIGIBILITY AS PROGRAM PARTICIPANTS.—Religious organizations are eligible to be program participants on the same basis as any other nonprofit private organization as long as the programs are implemented consistent with the Establishment Clause and Free Exercise Clause of the First Amendment to the United States Constitution. Nothing in this Act shall be construed to restrict the ability of the Federal Government, or a State or local government receiving funds under such programs, to apply to religious organizations the same eligibility conditions in designated programs as are applied to any other nonprofit private organization.

''(2) NONDISCRIMINATION.—Neither the Federal Government nor a State or local government receiving funds under designated programs shall discriminate against an organization that is or applies to be a program participant on the basis that the organization has a religious character.

''(d) RELIGIOUS CHARACTER AND FREEDOM.—

''(1) RELIGIOUS ORGANIZATIONS.—Except as provided in this section, any religious organization that is a program participant shall retain its independence from Federal, State, and local government, including such organization's control over the definition, development, practice, and expression of its religious beliefs.

''(2) ADDITIONAL SAFEGUARDS.—Neither the Federal Government nor a State shall require a religious organization to—

''(A) alter its form of internal governance; or

''(B) remove religious art, icons, scripture, or other symbols;

in order to be a program participant.

''(e) EMPLOYMENT PRACTICES.—Nothing in this section shall be construed to modify or affect the provisions of any other Federal or State law or regulation that relates to discrimination in employment. A religious organization's exemption provided under section 702 of the Civil Rights Act of 1964 regarding employment practices shall not be affected by its participation in, or receipt of funds from, a designated program.

''(f) RIGHTS OF PROGRAM BENEFICIARIES.—

''(1) IN GENERAL.—If an individual who is a program beneficiary or a prospective program beneficiary objects to the religious character of a program participant, within a reasonable period of time after the date of such objection such program participant shall refer such individual to, and the appropriate Federal, State, or local government that administers a designated program or is a program participant shall provide to such individual (if otherwise eligible for such services), program services that—

''(A) are from an alternative provider that is accessible to, and has the capacity to provide such services to, such individual; and

''(B) have a value that is not less than the value of the services that the individual would have received from the program participant to which the individual had such objection.

''(2) NOTICES.—Appropriate Federal, State, or local governments that administer designated programs or are program participants shall ensure that notice is provided to program beneficiaries or prospective program beneficiaries of their rights under this subsection.

''(3) ADDITIONAL REQUIREMENTS.—A program participant making a referral pursuant to paragraph (1) shall—

''(A) prior to making such referral, consider any list that the State or local government makes available of entities in the geographic area that provide program services; and

''(B) ensure that the individual makes contact with the alternative provider to which the individual is referred.

''(4) NONDISCRIMINATION.—A religious organization that is a program participant shall not in providing program services or engaging in outreach activities under designated programs discriminate against a program beneficiary or prospective program beneficiary on the basis of religion or religious belief.

''(g) FISCAL ACCOUNTABILITY.—

''(1) IN GENERAL.—Except as provided in paragraph (2), any religious organization that is a program participant shall be subject to the same regulations as other recipients of awards of Federal financial assistance to account, in accordance with generally accepted auditing principles, for the use of the funds provided under such awards.

''(2) LIMITED AUDIT.—With respect to the award involved, if a religious organization that is a program participant maintains the Federal funds in a separate account from non-Federal funds, then only the Federal funds shall be subject to audit.

''(h) COMPLIANCE.—With respect to compliance with this section by an agency, a religious organization may obtain judicial review of agency action in accordance with chapter 7 of title 5, United States Code.

''SEC. 583. LIMITATIONS ON USE OF FUNDS FOR CERTAIN PURPOSES.

''No funds provided under a designated program shall be expended for sectarian worship, instruction, or proselytization.

''SEC. 584. EDUCATIONAL REQUIREMENTS FOR PERSONNEL IN DRUG TREATMENT PROGRAMS.

''(a) FINDINGS.—The Congress finds that—

''(1) establishing unduly rigid or uniform educational qualification for counselors and other personnel in drug treatment programs may undermine the effectiveness of such programs; and

''(2) such educational requirements for counselors and other personnel may hinder or prevent the provision of needed drug treatment services.

''(b) NONDISCRIMINATION.—In determining whether personnel of a program participant that has a record of successful drug treatment for the preceding three years have satisfied State or local requirements for education and training, a State or local government shall not discriminate against education and training provided to such personnel by a religious organization, so long as such education and training includes basic content substantially equivalent to the content provided by nonreligious organizations that the State or local government would credit for purposes of determining whether the relevant requirements have been satisfied.''.

SEC. 705. NEW MARKETS VENTURE CAPITAL PROGRAM.

(a) SHORT TITLE.—This section may be cited as the ''New Markets Venture Capital Program Act of 2000''.

(b) NEW MARKETS VENTURE CAPITAL PROGRAM.—

Title III of the Small Business Investment Act of 1958 (15 U.S.C. 681 et seq.) is amended—

(1) in the heading for the title, by striking ''SMALL BUSINESS INVESTMENT COMPANIES'' and inserting ''INVESTMENT DIVISION PROGRAMS'';

(2) by inserting before the heading for section 301 the following:

''PART A—SMALL BUSINESS INVESTMENT COMPANIES''

; and

(3) by adding at the end the following:

''PART B—NEW MARKETS VENTURE CAPITAL PROGRAM

''SEC. 351. DEFINITIONS.

''In this part, the following definitions apply:

''(1) DEVELOPMENTAL VENTURE CAPITAL.—The term 'developmental venture capital' means capital in the form of equity investments in businesses made with a primary objective of fostering economic development in low- or moderate-income geographic areas.

''(2) LOW- OR MODERATE-INCOME GEOGRAPHIC AREA.—The term 'low- or moderate-income geographic area' means—

''(A) a census tract, or the equivalent county division as defined by the Bureau of the Census for purposes of defining poverty areas, in which—

''(i) the poverty rate is not less than 20 percent;

''(ii) in the case of a census tract or division located within a metropolitan area, the median family income for such tract or division does not exceed the greater of 80 percent of the statewide median family income or 80 percent of the metropolitan area median family income; or

''(iii) in the case of a census tract or division not located within a metropolitan area, the median family income for such tract or division does not exceed 80 percent of the statewide median family income; or

''(B) any area located within—

''(i) a historically underutilized business zone (HUBZone), as defined in section 3(p) of the Small Business Act (15 U.S.C. 632(p));

''(ii) an urban empowerment zone or an urban enterprise community, as designated by the Secretary of the Department of Housing and Urban Development; or

''(iii) a rural empowerment zone or a rural enterprise community, as designated by the Secretary of the Department of Agriculture.

''(3) NEW MARKETS VENTURE CAPITAL COMPANY.—The term 'New Markets Venture Capital company' means a company that—

''(A) has been granted final approval by the Administration under section 354(e); and

''(B) has entered into a participation agreement with the Administration.

''(4) OPERATIONAL ASSISTANCE.—The term 'operational assistance' means management, marketing, and other technical assistance that assists a small business concern with business development.

''(5) PARTICIPATION AGREEMENT.—The term 'participation agreement' means an agreement, between the Administration and a company granted final approval under section 354(e), that—

''(A) details the company's operating plan and investment criteria; and

''(B) requires the company to make investments in smaller enterprises at least 80 percent of which are located in low- or moderate-income geographic areas.

''(6) SPECIALIZED SMALL BUSINESS INVESTMENT COMPANY.—The term 'specialized small

business investment company' means any small business investment company that—

''(A) invests solely in small business concerns that contribute to a well-balanced national economy by facilitating ownership in such concerns by persons whose participation in the free enterprise system is hampered because of social or economic disadvantages;

''(B) is organized or chartered under State business or nonprofit corporations statutes, or formed as a limited partnership; and

''(C) was licensed under section 301(d), as in effect before September 30, 1996.

''SEC. 352. PURPOSES.

''The purposes of the New Markets Venture Capital Program established under this part are—

''(1) to promote economic development and the creation of wealth and job opportunities in low- or moderate-income geographic areas and among individuals living in such areas by encouraging developmental venture capital investments in smaller enterprises primarily located in such areas; and

''(2) to establish a developmental venture capital program, with the mission of addressing the unmet equity investment needs of small enterprises located in low- and moderate-income geographic areas, to be administered by the Administration—

''(A) to enter into participation agreements with New Markets Venture Capital companies;

''(B) to guarantee debentures of New Markets Venture Capital companies to enable each such company to make developmental venture capital investments in smaller enterprises in low- or moderate-income geographic areas; and

''(C) to make grants to New Markets Venture Capital companies, and to other entities, for the purpose of providing operational assistance to smaller enterprises financed, or expected to be financed, by such companies.

''SEC. 353. ESTABLISHMENT.

''In accordance with this part, the Administration shall establish a New Markets Venture Capital Program, under which the Administration may—

''(1) enter into participation agreements with companies granted final approval under section 354(e) for the purposes set forth in section 352;

''(2) guarantee the debentures issued by New Markets Venture Capital companies as provided in section 355; and

''(3) make grants to New Markets Venture Capital companies, and to other entities, under section 358.

''SEC. 354. SELECTION OF NEW MARKETS VENTURE CAPITAL COMPANIES.

''(a) ELIGIBILITY.—A company shall be eligible to apply to participate, as a New Markets Venture Capital company, in the program established under this part if—

''(1) the company is a newly formed for-profit entity or a newly formed for-profit subsidiary of an existing entity;

''(2) the company has a management team with experience in community development financing or relevant venture capital financing; and

''(3) the company has a primary objective of economic development of low- or moderate-income geographic areas.

''(b) APPLICATION.—To participate, as a New Markets Venture Capital company, in the program established under this part a company meeting the eligibility requirements set forth in subsection (a) shall submit an application to the Administration that includes—

''(1) a business plan describing how the company intends to make successful developmental venture capital investments in identified low- or moderate-income geographic areas;

''(2) information regarding the community development finance or relevant venture capital qualifications and general reputation of the company's management;

''(3) a description of how the company intends to work with community organizations and to seek to address the unmet capital needs of the communities served;

''(4) a proposal describing how the company will use the grant funds provided under this part to provide operational assistance to smaller enterprises financed by the company, including information regarding whether the company will use licensed professionals, where applicable, on the company's staff or from an outside entity;

''(5) with respect to binding commitments to be made to the company under this part, an estimate of the ratio of cash to in-kind contributions;

''(6) a description of the criteria to be used to evaluate whether and to what extent the company meets the objectives of the program established under this part;

''(7) information regarding the management and financial strength of any parent firm, affiliated firm, or any other firm essential to the success of the company's business plan; and

''(8) such other information as the Administration may require.

''(c) CONDITIONAL APPROVAL.—

''(1) IN GENERAL.—From among companies submitting applications under subsection (b), the Administration shall, in accordance with this subsection, conditionally approve companies to participate in the New Markets Venture Capital Program.

''(2) SELECTION CRITERIA.—In selecting companies under paragraph (1), the Administration shall consider the following:

''(A) The likelihood that the company will meet the goals of its business plan.

''(B) The experience and background of the company's management team.

''(C) The need for developmental venture capital investments in the geographic areas in which the company intends to invest.

''(D) The extent to which the company will concentrate its activities on serving the geographic areas in which it intends to invest.

''(E) The likelihood that the company will be able to satisfy the conditions under subsection (d).

''(F) The extent to which the activities proposed by the company will expand economic opportunities in the geographic areas in which the company intends to invest.

''(G) The strength of the company's proposal to provide operational assistance under this part as the proposal relates to the ability of the applicant to meet applicable cash requirements and properly utilize in-kind contributions, including the use of resources for the services of licensed professionals whether provided by persons on the company's staff or by persons outside of the company.

''(H) Any other factors deemed appropriate by the Administration.

''(3) NATIONWIDE DISTRIBUTION.—The Administration shall select companies under paragraph (1) in such a way that promotes investment nationwide.

''(d) REQUIREMENTS TO BE MET FOR FINAL APPROVAL.—The Administration shall grant each conditionally approved company a period of time, not to exceed 2 years, to satisfy the following requirements:

''(1) CAPITAL REQUIREMENT.—Each conditionally approved company must raise not less than $5,000,000 of private capital or binding capital commitments from 1 or more investors (other than agencies or departments of the Federal Government) who meet criteria established by the Administration.

''(2) NONADMINISTRATION RESOURCES FOR OPERATIONAL ASSISTANCE.—In order to provide operational assistance to smaller enterprises expected to be financed by the company, each conditionally approved company—

''(A) must have binding commitments (for contribution in cash or in kind)—

''(i) from any sources other than the Administration that meet criteria established by the Administration;

''(ii) payable or available over a multiyear period acceptable to the Administration (not to exceed 10 years); and

''(iii) in an amount not less than 30 percent of the total amount of capital and commitments raised under paragraph (1);

''(B) must have purchased an annuity—

''(i) from an insurance company acceptable to the Administration;

''(ii) using funds (other than the funds raised under paragraph (1)) from any source other than the Administration; and

''(iii) that yields cash payments over a multiyear period acceptable to the Administration (not to exceed 10 years) in an amount not less than 30 percent of the total amount of capital and commitments raised under paragraph (1); or

''(C) must have binding commitments (for contributions in cash or in kind) of the type described in subparagraph (A) and must have purchased an annuity of the type described in subparagraph (B), which in the aggregate make available, over a multiyear period acceptable to the Administration (not to exceed 10 years), an amount not less than 30 percent of the total amount of capital and commitments raised under paragraph (1).

''(e) FINAL APPROVAL.—The Administration shall grant to a company conditionally approved under subsection (c) final approval to participate in the program established under this part after the company has met the requirements set forth in subsection (d).

''SEC. 355. DEBENTURES.

''(a) IN GENERAL.—The Administration may guarantee the timely payment of principal and interest, as scheduled, on debentures issued by any New Markets Venture Capital company.

''(b) TERMS AND CONDITIONS.—The Administration may make guarantees under this section on such terms and conditions as it deems appropriate, except that the term of any debenture guaranteed under this section shall not exceed 15 years.

''(c) FULL FAITH AND CREDIT OF THE UNITED STATES.—The full faith and credit of the United States is pledged to pay all amounts that may be required to be paid under any guarantee under this part.

''(d) MAXIMUM GUARANTEE.—

''(1) IN GENERAL.—Under this section, the Administration may guarantee the debentures issued by a New Markets Venture Capital company only to the extent that the total face amount of outstanding guaranteed debentures of such company does not exceed 150 percent of the private capital of the company, as determined by the Administration.

''(2) TREATMENT OF CERTAIN FEDERAL FUNDS.—For the purposes of paragraph (1), private capital shall include capital that is considered to be Federal funds, if such capital is contributed by an investor other than an agency or department of the Federal Government.

''SEC. 356. ISSUANCE AND GUARANTEE OF TRUST CERTIFICATES.

''(a) ISSUANCE.—The Administration may issue trust certificates representing ownership of all or a fractional part of debentures issued by a New Markets Venture Capital company and guaranteed by the Administration under this part, if such certificates are based on and backed by a trust or pool approved by the Administration and composed solely of guaranteed debentures.

''(b) GUARANTEE.—

''(1) IN GENERAL.—The Administration may, under such terms and conditions as it deems appropriate, guarantee the timely payment of the principal of and interest on trust certificates issued by the Administration or its agents for purposes of this section.

''(2) LIMITATION.—Each guarantee under this subsection shall be limited to the extent of principal and interest on the guaranteed debentures that compose the trust or pool.

''(3) PREPAYMENT OR DEFAULT.—In the event that a debenture in a trust or pool is prepaid, or in the event of default of such a debenture, the guarantee of timely payment of principal and interest on the trust certificates shall be reduced in proportion to the amount of principal and interest such prepaid debenture represents in the trust or pool. Interest on prepaid or defaulted debentures shall accrue and be guaranteed by the Administration only through the date of payment of the guarantee. At any time during its term, a trust certificate may be called for redemption due to prepayment or default of all debentures.

''(c) FULL FAITH AND CREDIT OF THE UNITED STATES.—The full faith and credit of the United States is pledged to pay all amounts that may be required to be paid under any guarantee of a trust certificate issued by the Administration or its agents under this section.

''(d) FEES.—The Administration shall not collect a fee for any guarantee of a trust certificate under this section, but any agent of the Administration may collect a fee approved by the Administration for the functions described in subsection (f)(2).

''(e) SUBROGATION AND OWNERSHIP RIGHTS.—

''(1) SUBROGATION.—In the event the Administration pays a claim under a guarantee issued under this section, it shall be subrogated fully to the rights satisfied by such payment.

''(2) OWNERSHIP RIGHTS.—No Federal, State, or local law shall preclude or limit the exercise by the Administration of its ownership rights in the debentures residing in a trust or pool against which trust certificates are issued under this section.

''(f) MANAGEMENT AND ADMINISTRATION.—

''(1) REGISTRATION.—

''(A) IN GENERAL.—The Administration may provide for a central registration of all trust certificates issued under this section.

''(B) FORMS OF REGISTRATION.—Nothing in this subsection shall prohibit the use of a book entry or other electronic form of registration for trust certificates.

''(2) CONTRACTING OF FUNCTIONS.—

''(A) IN GENERAL.—The Administration may contract with an agent or agents to carry out on behalf of the Administration the pooling and the central registration functions provided for in this section including, notwithstanding any other provision of law—

''(i) maintenance, on behalf of and under the direction of the Administration, of such commercial bank accounts or investments in obligations of the United States as may be necessary to facilitate the creation of trusts or pools backed by debentures guaranteed under this part; and

''(ii) the issuance of trust certificates to facilitate the creation of such trusts or pools.

''(B) FIDELITY BOND OR INSURANCE REQUIREMENT.—Any agent performing functions on behalf of the Administration under this paragraph shall provide a fidelity bond or insurance in such amounts as the Administration determines to be necessary to fully protect the interests of the United States.

''(3) APPLICABILITY OF THE SECURITIES EXCHANGE ACT OF 1934.—Notwithstanding section 3(a)(42) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(42)), trust certificates issued under this section shall not be treated as government securities for the purposes of that Act.

''SEC. 357. FEES.

''Except as provided in section 356(d), the Administration may charge such fees as it deems appropriate with respect to any guarantee or grant issued under this part.

''SEC. 358. OPERATIONAL ASSISTANCE GRANTS.

''(a) IN GENERAL.—

''(1) AUTHORITY.—In accordance with this section, the Administration may make grants to New Markets Venture Capital companies and to other entities, as authorized by this part, to provide operational assistance to smaller enterprises financed, or expected to be financed, by such companies or other entities.

''(2) TERMS.—Grants made under this subsection shall be made over a multiyear period not to exceed 10 years, under such other terms as the Administration may require.

''(3) GRANTS TO SPECIALIZED SMALL BUSINESS INVESTMENT COMPANIES.—

''(A) AUTHORITY.—In accordance with this section, the Administration may make grants to specialized small business investment companies to provide operational assistance to smaller enterprises financed, or expected to be financed, by such companies after the effective date of the New Markets Venture Capital Program Act of 2000.

''(B) USE OF FUNDS.—

''(i) IN GENERAL.—The proceeds of a grant made under this paragraph may be used by the company receiving such grant only to provide operational assistance in connection with an equity investment (made with capital raised after the effective date of the New Markets Venture Capital Program Act of 2000) in a business located in a low- or moderate-income geographic area.

''(ii) ADDITIONAL LIMITATION.—Operational assistance referred to in clause (i) may not be provided in connection with more than 1 equity investment.

''(C) SUBMISSION OF PLANS.—A specialized small business investment company shall be eligible for a grant under this section only if the company submits to the Administrator, in such form and manner as the Administrator may require, a plan for use of the grant.

''(4) GRANT AMOUNT.—

''(A) NEW MARKETS VENTURE CAPITAL COMPANIES.—The amount of a grant made under this subsection to a New Markets Venture Capital company shall be equal to the resources (in cash or in kind) raised by the company under with section 354(d)(2).

''(B) OTHER ENTITIES.—The amount of a grant made under this subsection to any entity other than a New Markets Venture capital company shall be equal to the resources (in cash or in kind) raised by the entity in accordance with the requirements applicable to New Markets Venture Capital companies set forth in section 354(d)(2).

''(5) PRO RATA REDUCTIONS.—If the amount made available to carry out this section is insufficient for the Administration to provide grants in the amounts provided for in paragraph (4), the Administration shall make pro rata reductions in the amounts otherwise payable to each company and entity under such paragraph.

''(b) SUPPLEMENTAL GRANTS.—

''(1) IN GENERAL.—The Administration may make supplemental grants to New Markets Venture Capital companies and to other entities, as authorized by this part, under such terms as the Administration may require, to provide additional operational assistance to smaller enterprises financed, or expected to be financed, by the companies.

''(2) MATCHING REQUIREMENT.—The Administration may require, as a condition of any supplemental grant made under this subsection, that the company or entity receiving the grant provide from resources (in cash or in kind), other than those provided by the Administration, a matching contribution equal to the amount of the supplemental grant.

''(c) LIMITATION.—None of the assistance made available under this section may be used for any operating expense of a New Markets Venture Capital company or a specialized small business investment company.

''SEC. 359. BANK PARTICIPATION.

''(a) IN GENERAL.—Except as provided in subsection (b), any national bank, any member bank of the Federal Reserve System, and (to the extent permitted under applicable State law) any insured bank that is not a member of such system, may invest in any New Markets Venture Capital company, or in any entity established to invest solely in New Markets Venture Capital companies.

''(b) LIMITATION.—No bank described in subsection (a) may make investments described in such subsection that are greater than 5 percent of the capital and surplus of the bank.

''SEC. 360. FEDERAL FINANCING BANK.

''Section 318 shall not apply to any debenture issued by a New Markets Venture Capital company under this part.

''SEC. 361. REPORTING REQUIREMENTS.

''Each New Markets Venture Capital company that participates in the program established under this part shall provide to the Administration such information as the Administration may require, including—

''(1) information related to the measurement criteria that the company proposed in its program application; and

''(2) in each case in which the company under this part makes an investment in, or a loan or grant to, a business that is not located in a low- or moderate-income geographic area, a report on the number and percentage of employees of the business who reside in such areas.

''SEC. 362. EXAMINATIONS.

''(a) IN GENERAL.—Each New Markets Venture Capital company that participates in the program established under this part shall be subject to examinations made at the direction of the Investment Division of the Administration in accordance with this section.

''(b) ASSISTANCE OF PRIVATE SECTOR ENTITIES.—Examinations under this section may be conducted with the assistance of a private sector entity that has both the qualifications and the expertise necessary to conduct such examinations.

''(c) COSTS.—

''(1) ASSESSMENT.—

''(A) IN GENERAL.—The Administration may assess the cost of examinations under this section, including compensation of the examiners, against the company examined.

''(B) PAYMENT.—Any company against which the Administration assesses costs under this paragraph shall pay such costs.

''(2) DEPOSIT OF FUNDS.—Funds collected under this section shall be deposited in the account for salaries and expenses of the Administration.

''SEC. 363. INJUNCTIONS AND OTHER ORDERS.

''(a) IN GENERAL.—Whenever, in the judgment of the Administration, a New Markets Venture Capital company or any other person has engaged or is about to engage in any acts or practices which constitute or will constitute a violation of any provision of this Act, or of any rule or regulation under this Act, or of any order issued under this Act, the Administration may make application to the proper district court of the

United States or a United States court of any place subject to the jurisdiction of the United States for an order enjoining such acts or practices, or for an order enforcing compliance with such provision, rule, regulation, or order, and such courts shall have jurisdiction of such actions and, upon a showing by the Administration that such New Markets Venture Capital company or other person has engaged or is about to engage in any such acts or practices, a permanent or temporary injunction, restraining order, or other order, shall be granted without bond.

''(b) JURISDICTION.—In any proceeding under subsection (a), the court as a court of equity may, to such extent as it deems necessary, take exclusive jurisdiction of the New Market Venture Capital company and the assets thereof, wherever located, and the court shall have jurisdiction in any such proceeding to appoint a trustee or receiver to hold or administer under the direction of the court the assets so possessed.

''(c) ADMINISTRATION AS TRUSTEE OR RECEIVER.—

''(1) AUTHORITY.—The Administration may act as trustee or receiver of a New Markets Venture Capital company.

''(2) APPOINTMENT.—Upon request of the Administration, the court may appoint the Administration to act as a trustee or receiver of a New Markets Venture Capital company unless the court deems such appointment inequitable or otherwise inappropriate by reason of the special circumstances involved.

''SEC. 364. ADDITIONAL PENALTIES FOR NONCOMPLIANCE.

''(a) IN GENERAL.—With respect to any New Markets Venture Capital company that violates or fails to comply with any of the provisions of this Act, of any regulation issued under this Act, or of any participation agreement entered into under this Act, the Administration may in accordance with this section—

''(1) void the participation agreement between the Administration and the company; and

''(2) cause the company to forfeit all of the rights and privileges derived by the company from this Act.

''(b) ADJUDICATION OF NONCOMPLIANCE.—

''(1) IN GENERAL.—Before the Administration may cause a New Markets Venture Capital company to forfeit rights or privileges under subsection (a), a court of the United States of competent jurisdiction must find that the company committed a violation, or failed to comply, in a cause of action brought for that purpose in the district, territory, or other place subject to the jurisdiction of the United States, in which the principal office of the company is located.

''(2) PARTIES AUTHORIZED TO FILE CAUSES OF ACTION.—Each cause of action brought by the United States under this subsection shall be brought by the Administration or by the Attorney General.

''SEC. 365. UNLAWFUL ACTS AND OMISSIONS; BREACH OF FIDUCIARY DUTY.

''(a) PARTIES DEEMED TO COMMIT A VIOLATION.—Whenever any New Markets Venture Capital company violates any provision of this Act, of a regulation issued under this Act, or of a participation agreement entered into under this Act, by reason of its failure to comply with its terms or by reason of its engaging in any act or practice that constitutes or will constitute a violation thereof, such violation shall also be deemed to be a violation and an unlawful act committed by any person who, directly or indirectly, authorizes, orders, participates in, causes, brings about, counsels, aids, or abets in the commission of any acts, practices, or transactions that constitute or will constitute, in whole or in part, such violation.

''(b) FIDUCIARY DUTIES.—It shall be unlawful for any officer, director, employee, agent, or other participant in the management or conduct of the affairs of a New Markets Venture Capital company to engage in any act or practice, or to omit any act or practice, in breach of the person's fiduciary duty as such officer, director, employee, agent, or participant if, as a result thereof, the company suffers or is in imminent danger of suffering financial loss or other damage.

''(c) UNLAWFUL ACTS.—Except with the written consent of the Administration, it shall be unlawful—

''(1) for any person to take office as an officer, director, or employee of any New Markets Venture Capital company, or to become an agent or participant in the conduct of the affairs or management of such a company, if the person—

''(A) has been convicted of a felony, or any other criminal offense involving dishonesty or breach of trust, or

''(B) has been found civilly liable in damages, or has been permanently or temporarily enjoined by an order, judgment, or decree of a court of competent jurisdiction, by reason of any act or practice involving fraud, or breach of trust; and

''(2) for any person continue to serve in any of the capacities described in paragraph (1), if—

''(A) the person is convicted of a felony, or any other criminal offense involving dishonesty or breach of trust, or

''(B) the person is found civilly liable in damages, or is permanently or temporarily enjoined by an order, judgment, or decree of a court of competent jurisdiction, by reason of any act or practice involving fraud or breach of trust.

''SEC. 366. REMOVAL OR SUSPENSION OF DIRECTORS OR OFFICERS.

''Using the procedures for removing or suspending a director or an officer of a licensee set forth in section 313 (to the extent such procedures are not inconsistent with the requirements of this part), the Administration may remove or suspend any director or officer of any New Markets Venture Capital company.

''SEC. 367. REGULATIONS.

''The Administration may issue such regulations as it deems necessary to carry out the provisions of this part in accordance with its purposes.

''SEC. 368. AUTHORIZATIONS OF APPROPRIATIONS.

''(a) IN GENERAL.—For fiscal years 2000 through 2005, the Administration is authorized to be appropriated, to remain available until expended—

''(1) such subsidy budget authority as may be necessary to guarantee $150,000,000 of debentures under this part; and

''(2) $30,000,000 to make grants under this part.

''(b) FUNDS COLLECTED FOR EXAMINATIONS.—Funds deposited under section 362(c)(2) are authorized to be appropriated only for the costs of examinations under section 362 and for the costs of other oversight activities with respect to the program established under this part.''.

(c) CONFORMING AMENDMENT.—Section 20(e)(1)(C) of the Small Business Act (15 U.S.C 631 note) is amended by inserting ''part A of'' before ''title III''.

(d) CALCULATION OF MAXIMUM AMOUNT OF SBIC LEVERAGE.—

(1) MAXIMUM LEVERAGE.—Section 303(b)(2) of the Small Business Investment Act of 1958 (15 U.S.C. 683(b)(2)) is amended to read as follows:

''(2) MAXIMUM LEVERAGE.—

''(A) IN GENERAL.—After March 31, 1993, the maximum amount of outstanding leverage made available to a company licensed under section 301(c) of this Act shall be determined by the amount of such company's private capital—

''(i) if the company has private capital of not more than $15,000,000, the total amount of leverage shall not exceed 300 percent of private capital;

''(ii) if the company has private capital of more than $15,000,000 but not more than $30,000,000, the total amount of leverage shall not exceed $45,000,000 plus 200 percent of the amount of private capital over $15,000,000; and

''(iii) if the company has private capital of more than $30,000,000, the total amount of leverage shall not exceed $75,000,000 plus 100 percent of the amount of private capital over $30,000,000 but not to exceed an additional $15,000,000.

''(B) ADJUSTMENTS.—

''(i) IN GENERAL.—The dollar amounts in clauses (i), (ii), and (iii) of subparagraph (A) shall be adjusted annually to reflect increases in the Consumer Price Index established by the Bureau of Labor Statistics of the Department of Labor.

(ii) INITIAL ADJUSTMENTS.—The initial adjustments made under this subparagraph after the date of enactment of the Small Business Reauthorization Act of 1997 shall reflect only increases from March 31, 1993.

''(C) INVESTMENTS IN LOW- OR MODERATE INCOME AREAS.—In calculating the outstanding leverage of a company for the purposes of subparagraph (A), the Administrator shall not include the amount of the cost basis of any equity investment made by the company in a smaller enterprise located in a low- or moderate-income geographic area (as defined in section 351), to the extent that the total of such amounts does not exceed 50 percent of the company's private capital.''.

(2) MAXIMUM AGGREGATE LEVERAGE.—Section 303(b)(4) of the Small Business Investment Act of 1958 (15 U.S.C. 683(b)(4)) is amended by adding at the end the following new subparagraph:

''(D) INVESTMENTS IN LOW- OR MODERATE INCOME AREAS.—In calculating the aggregate outstanding leverage of a company for the purposes of subparagraph (A), the Administrator shall not include the amount of the cost basis of any equity investment made by the company in a smaller enterprise located in a low- or moderate-income geographic area (as defined in section 351), to the extent that the total of such amounts does not exceed 50 percent of the company's private capital.''.

(e) BANKRUPTCY EXEMPTION FOR NEW MARKETS VENTURE CAPITAL COMPANIES.—Section 109(b)(2) of title 11, United States Code, is amended by inserting ''a New Markets Venture Capital company as defined in section 351 of the Small Business Investment Act of 1958,'' after ''homestead association,''.

(f) FEDERAL SAVINGS ASSOCIATIONS.—Section 5(c)(4) of the Home Owners' Loan Act (12 U.S.C. 1464(c)(4)) is amended by adding at the end the following:

''(F) NEW MARKETS VENTURE CAPITAL COMPANIES.—A Federal savings association may invest in stock, obligations, or other securities of any New Markets Venture Capital company as defined in section 351 of the Small Business investment Act of 1958, except that a Federal savings association may not make any investment under this subparagraph if its aggregate outstanding investment under this subparagraph would exceed 5 percent of the capital and surplus of such savings association.''.

SEC. 706. BUSINESSLINC GRANTS AND COOPERATIVE AGREEMENTS.

Section 8 of the Small Business Act (15 U.S.C. 637) is amended by adding at the end the following:

''(m) BUSINESSLINC GRANTS AND COOPERATIVE AGREEMENTS.—

''(1) IN GENERAL.—In accordance with this subsection, the Administrator may make grants to and enter into cooperative agreements with any coalition of private entities, public entities, or any combination of private and public entities—

''(A) to expand business-to-business relationships between large and small businesses; and

''(B) to provide businesses, directly or indirectly, with online information and a database of companies that are interested in mentor-protege programs or community-based, state-wide, or local business development programs.

''(2) MATCHING REQUIREMENT.—Subject to subparagraph (B), the Administrator may make a grant to a coalition under paragraph (1) only if the coalition provides for activities described in paragraph (1)(A) or (1)(B) an amount, either in kind or in cash, equal to the grant amount.

''(3) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection $6,600,000, to remain available until expended, for each of fiscal years 2001 through 2003.''.

The SPEAKER pro tempore (Mr. SIMPSON). Pursuant to the rule, the gentleman from Pennsylvania (Mr. ENGLISH) and the gentleman from New York (Mr. RANGEL) each will control 20 minutes.

The Chair recognizes the gentleman from Pennsylvania (Mr. ENGLISH).

GENERAL LEAVE

Mr. ENGLISH. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks, and include extraneous material on the bill, H.R. 4923.

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

There was no objection.

Mr. ENGLISH. Madam Speaker, I ask unanimous consent that both sides in this debate control an additional 10 minutes.

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

Mr. RANGEL. Mr. Speaker, I am in support of the bill and, under the rules of the House, the time that is allocated to me should more properly be allocated to someone that is in opposition to the bill. The gentleman from Virginia (Mr. SCOTT) is in opposition, and so I ask that the 20 minutes allotted to me be yielded to him.

The SPEAKER pro tempore. Does the gentleman object to the additional 10 minutes?

Mr. RANGEL. No, I have no objection.

The SPEAKER pro tempore. There being no objection to the request of the gentleman from Pennsylvania, the gentleman from Virginia (Mr. SCOTT) will control 30 minutes in opposition.

The Chair recognizes the gentleman from Pennsylvania (Mr. ENGLISH).

Mr. ENGLISH. Mr. Speaker, I yield myself 2¼ minutes.

Today, Mr. Speaker, we will vote on landmark legislation that will provide our communities with the tools they need to revitalize our cities and many of our depressed rural areas. This is the day we will provide communities the tools they need to once again become self-reliant, and with that we give people more control over their own futures.

The Community Renewal and New Markets Act breathes new life into areas that have become America's forgotten communities. With this legislation, we empower impoverished cities and towns to rise above the perils of poverty. We give them the mechanisms needed to mold faith, family, hard work, and cooperation into opportunity, while expanding the community leaders' ability to attract new investment and grow existing businesses.

This bipartisan community renewal initiative will provide poor inner cities and rural areas with workable mechanisms that allow them to evaluate the needs in their communities and address them. This bill creates 40 renewal communities with targeted pro-growth tax benefits, homeownership opportunities, and other incentives that address the principal hurdles facing budding small businesses: raising capital and maintaining cash flow.

In a renewal community, individuals would not pay capital gains taxes on the sale of renewal community businesses and business assets held for more than 5 years. Small businesses would also be able to expense up to $35,000 more in equipment than they are able to under current law. And those who revitalize buildings located in these renewal communities will receive a special deduction.

Beyond that, this bill will stimulate State efforts to build the necessary infrastructure and rebuild economically depressed areas by accelerating the scheduled increase in the amount of tax exempt private bonds. Even more importantly, we will increase the amount of low-income tax credits a State can allocate. This translates into more and better housing opportunities for low-income families.

Today, through a variety of incentives, we will create a fertile environment for growth, with targeted pro-growth tax benefits, regulatory relief, savings accounts, and homeownership opportunities, as well as provide for the inclusion of local faith-based organizations. This is an opportunity for Congress to aid in lifting up those who have already been left behind during a time when many are enjoying the benefits of a prospering economy.

With this legislation, we will truly make a difference in people's lives and allow more people to participate in the American Dream.

Mr. Speaker, I submit for the RECORD material from the Joint Committee on Taxation relevant to this bill.

TECHNICAL EXPLANATION OF THE TAX PROVISIONS IN H.R. 4923 THE ''COMMUNITY RENEWAL AND NEW MARKETS ACT OF 2000''

(Prepared by the Staff of the Joint Committee on Taxation)

I. INTRODUCTION

This document, prepared by the staff of the Joint Committee on Taxation, provides a technical explanation of the tax provisions contained in H.R. 4923, the ''Community Renewal and New Markets Act of 2000.''

II. SUMMARY

H.R. 4923, the ''Community Renewal and New Markets Act of 2000,'' provides additional tax incentives for targeted areas that are identified as areas of pervasive poverty, high unemployment, and general economic distress. The bill also increases the limits with respect to the low-income housing tax credit and the private activity bond volume caps.

Tax incentives for renewal communities

The bill authorizes the Secretary of HUD to designate up to 40 ''renewal communities'' from areas nominated by States and local governments. At least eight of the designated renewal communities must be in rural areas. In general, nominated areas are ranked based on a formula that takes into account the area's poverty rate, median income, and unemployment rate. A nominated area within the District of Columbia will be designated as a renewal community (without regard to its ranking) beginning in 2003.

A nominated area that is designated as a renewal community is eligible for the following tax incentives during the period beginning July 1, 2001, and ending December 31, 2009: (1) a 100-percent capital gains exclusion for capital gain from the sale of qualifying assets acquired after June 30, 2001, and before January 1, 2010, and held for more than five years; (2) a 15 percent wage credit to employers for the first $10,000 of qualified wages paid to each employee who (i) is a resident of the renewal community, and (ii) performs substantially all employment services within the renewal community in a trade or business of the employer; (3) a ''commercial revitalization expenditure'' that allows taxpayers (to the extent allocated by the appropriate State agency for the period after June 30, 2001) to deduct either (i) 50 percent of qualifying expenditures for the taxable year in which a qualified building is placed in service, or (ii) all of the qualifying expenditures ratably over a 10-year period beginning with the month in which such building is placed in service; (4) an additional $35,000 of section 179 expensing for qualified renewal property placed in service after June 30, 2001 and before January 1, 2010 by a renewal community business; (5) the expensing of certain environmental remediation expenditures incurred after June 30, 2001, and before January 1, 2010 within a renewal community; and (6) an expansion of the Work Opportunity Tax Credit with respect to qualified individuals who live in a renewal community.

Extension and expansion of empowerment zone incentives

The bill extends the designation of empowerment zone status for existing zones (other than the D.C. Enterprise Zone) through December 31, 2009. In addition, the 20-percent wage credit is made available to all existing empowerment zones beginning in 2002 (and remains at the 20-percent rate). Furthermore, $35,000 (rather than $20,000) of additional section 179 expensing is available for qualified zone property placed in service in taxable years beginning after December 31, 2001, by a qualified zone business. The bill also extends an empowerment zone's status

as a ''target area'' under section 198 (thus permitting expensing of certain environmental remediation costs) for costs incurred after December 31, 2001, and before January 1, 2010. Also beginning in 2002, certain businesses in existing empowerment zones (other than the D.C. Enterprise Zone) become eligible for more generous tax-exempt bond rules.

The bill also authorizes Secretaries of HUD and Agriculture to designate nine additional empowerment zones (seven to be located in urban areas and two in rural areas). The new empowerment zones must be designated by January 1, 2002, and the tax incentives with respect to the new empowerment zones generally are available during the period beginning on January 1, 2002, and ending on December 31, 2009. Businesses in the new empowerment zones are eligible for the same tax incentives that, under this bill, are available to existing zones (i.e., a 20-percent wage credit, $35,000 of additional section 179 expensing, the enhanced tax-exempt financing benefits, and expensing of certain environmental remediation costs).

The bill permits a taxpayer to roll over gain from the sale or exchange of any qualified empowerment zone asset held for more than 1 year where the taxpayer uses the proceeds to purchase other qualifying empowerment zone assets (in the same zone) within 60 days of the sale of the original asset. In general, a qualifying empowerment zone asset refers to a stock or partnership investment in, or assets acquired by, a qualifying business within an empowerment zone that is purchased by a taxpayer after the date of enactment of the bill.

The bill increases to 60 percent (from 50 percent) the exclusion of gain from the sale of qualifying small business stock held more than five years where such stock also satisfies the requirements of a qualifying business under the empowerment zone rules. The provision applies to qualifying small business stock that is purchased after the date of enactment of the bill.

Provide new markets tax credit

The bill creates a new tax credit for qualified equity investments made after December 31, 2000, to acquire stock in a community development entity (''CDE''). The maximum annual amount of qualifying equity investments is capped as follows:

Calendar year	Maximum qualifying equity investment
2001	$1.0 billion
2002–2003	$1.5 billion per year
2004–2005	$2.0 billion per year
2006–2007	$3.5 billion per year

The amount of the credit allowed to the investor is (1) a five-percent credit for the year in which the equity interest is purchased from the CDE and for the first two anniversary dates after the purchase from the CDE, and (2) a six percent on each anniversary date thereafter for the following four years. The credit is recaptured if the entity fails to continue to be a CDE or the interest is redeemed within seven years.

A CDE is any domestic corporation or partnership (1) whose primary mission is serving or providing investment capital for low-income communities or low-income persons, (2) that maintains accountability to residents of low-income communities through representation on governing or advisory boards, and (3) is certified by the Treasury Department as an eligible CDE. A qualified equity investment means stock or a similar equity interest acquired directly from a CDE for cash. Substantially all of the cash must be used by the CDE to make investments in, or loans to, qualified active businesses located in low-income communities, or certain financial services to businesses and residents in low-income communities. A ''low-income community'' generally is defined as census tracts with either (1) poverty rates of at least 20 percent, or (2) median family income which does not exceed 80 percent of the greater of metropolitan area income or statewide median family income.

Improvements in the low-income housing tax credit

The bill increases the low-income housing credit cap to $1.75 per resident between 2001 and 2006 as follows:

Calendar year	Applicable credit amount
2001	$1.35
2002	1.45
2003	1.55
2004	1.65
2005	1.70
2006	1.75

In addition, beginning in 2001, the per capita cap is modified so that less populous States are given a minimum of $2 million of annual credit cap. The $1.75 per capita credit cap and the $2 million amount is indexed for inflation beginning in 2007. The bill also makes several programmatic changes to the credit.

Acceleration of phase-in of increase in private activity bond volume cap

The bill accelerates the scheduled phased-in increases in the present-law annual State private activity bond volume limits to $75 per resident of each State or $225 million (if greater). The increase is phased in as follows, beginning in calendar year 2001:

Calendar year	Volume limit
2001	$55 per resident ($165 million if greater)
2002	$60 per resident ($180 million if greater)
2003	$65 per resident ($195 million if greater)
2004, 2005, 2006	$70 per resident ($210 million if greater)
2007 and thereafter	$75 per resident ($225 million if greater)

III. Explanation of the Tax Provisions in H.R. 4923

A. Renewal Community Provisions (Secs. 101–103 of the Bill)

PRESENT LAW

In recent years, provisions have been added to the Internal Revenue Code that target specific geographic areas for special Federal income tax treatment. As described in greater detail below, empowerment zones and enterprise communities generally provide tax incentives for businesses that locate within certain geographic areas designated by the Secretaries of Housing and Urban Development (''HUD'') and Agriculture.

EXPLANATION OF PROVISION

The bill authorizes the designation of 40 ''renewal communities'' within which special tax incentives will be available.

Designation process

Designation of 40 renewal communities.—Secretary of HUD is authorized to designate up to 40 ''renewal communities'' from areas nominated by States and local governments. At least eight of the designated communities must be in rural areas. The Secretary of HUD is required to publish (within four months after enactment) regulations describing the nomination and selection process. Designations of renewal communities are to be made within 24 months after such regulations are published. The designation of an areas as a renewal community generally will be effective on July 1, 2001, and will terminate after December 31, 2009.

Eligiblity criteria.—To be designated as a renewal community, a nominated areas must meet the following criteria: (1) each census tract must have a poverty rate of at least 20 percent; (2) in the case of urban area, at least 70 percent of the households have incomes below 80 percent of the median income of households within the local government jurisdiction; (3) the unemployment rate is at least 1.5 times the national unemployment rate; and (4) the area is one of pervasive poverty, unemployment, and general distress. Those areas with the highest average ranking of eligibility factors (1), (2), and (3) above would be designated as renewal communities. A nominated area within the District of Columbia becomes a renewal community (without regard to its ranking of eligibility factors) provided that it satisfies the area and eligibility requirements and the required State and local commitments described below. The Secretary of HUD shall take into account in selecting areas for designation the extent to which such areas have a high incidence of crime, as well as whether the area has census tracts identified in the May 12, 1998, report of the General Accounting Office regarding the identification of economically distressed areas.

There are no geographic size limitations placed on renewal communities. Instead, the boundary of a renewal community must be continuous. In addition, the renewal community must have a minimum population of 4,000 if the community is located within a metropolitan statistical area (at least 1,000 in all other cases) and a maximum population of not more than 200,000. The population limitations do not apply to any renewal community that is entirely within an Indian reservation.

Required State and local communities.—In order for an area to be designated as a renewal community, State and local governments are required to submit (1) a written course of action in which the State and local governments promise to take at least four governmental actions within the nominated area from a specified list of actions, and (2) a list of at least four economic measures the State and local governments promise to take (from a specified list of measures) if the area is designated as a renewal community.

Empowerment zones and enterprise communities seeking designation as renewal communities.—An empowerment zone or enterprise community can apply for designation as a renewal community. If a renewal community designation is granted, then an area's designation as an empowerment zone or enterprise community ceases as of the date the area's designation as a renewal community takes effect.

Tax incentives for renewal communities

The following tax incentives generally would be available during the period beginning July 1, 2001, and ending December 31, 2009.

100-percent capital gain exclusion.—The bill provides a 100-percent capital gains exclusion for gain from the sale of a qualified community asset acquired after June 30, 2001 and before January 1, 2010, and held for more than five years. A ''qualified community asset'' includes: (1) qualified community stock (meaning original-issue stock purchased for cash in a renewal community business); (2) a qualified community partnership interest (meaning a partnership interest acquired for cash in a renewal community business); and (3) qualified community business property (meaning tangible property originally used in a renewal community business by the taxpayer) that is purchased or substantially improved after June 30, 2001.

A ''renewal community business'' is similar to the present-law definition of an enterprise zone business. Property will continue to be a qualified community asset if sold (or otherwise transferred) to a subsequent purchaser, provided that the property continues to represent an interest in (or tangible property used in) a renewal community business.

The termination of an area's status as a renewal community will not affect whether property is a qualified community asset, but any gain attributable to the period before July 1, 2001, or after December 31, 2014, will not be eligible for the exclusion.

Renewal community employment credit.—A 15-percent wage credit is available to employers for the first $10,000 of qualified wages paid to each employee who (1) is a resident of the renewal community, and (2) performs substantially all employment services within the renewal community in a trade or business of the employer. The wage credit rate applies to qualifying wages paid after June 30, 2001, and before January 1, 2010.

Wages that qualify for the credit are wages that are considered ''qualified zone wages'' for purposes of the empowerment zone wage credit (including coordination with the Work Opportunity Tax Credit). In general, any taxable business carrying out activities in the renewal community may claim the wage credit.

Commercial revitalization deduction.—The bill allows each State to allocate up to $12 million of ''commercial revitalization expenditures'' to each renewal community located within the State for each calendar year after 2001 and before 2010 ($6 million for the period of July 1, 2001 through December 31, 2001). The appropriate State agency will make the allocations pursuant to a qualified allocation plan.

A ''commercial revitalization expenditure'' means the cost of a new building or the cost of substantially rehabilitating an existing building. The building must be used for commercial purposes and be located in a renewal community. In the case of the rehabilitation of an existing building, the cost of acquiring the building will be treated as qualifying expenditures only to the extent that such costs do not exceed 30 percent of the other rehabilitation expenditures. The qualifying expenditures for any building cannot exceed $10 million.

A taxpayer can elect either to (a) deduct one-half of the commercial revitalization expenditures for the taxable year the building is placed in service or (b) amortize all the expenditures ratably over the 120-month period beginning with the month the building is placed in service. No depreciation is allowed for amounts deducted under this provision. The adjusted basis is reduced by the amount of the commercial revitalization deduction, and the deduction is treated as a depreciation deduction in applying the depreciation recapture rules (e.g., sec. 1250).

The commercial revitalization deduction is treated in the same manner as the low income housing credit in applying the passive loss rules (sec. 469). Thus, up to $25,000 of deductions (together with the other deductions and credits not subject to the passive loss limitation by reason of section 469(i)) are allowed to an individual taxpayer regardless of the taxpayer's adjusted gross income. The commercial revitalization deduction is allowed in computing a taxpayer's alternative minimum taxable income.

Additional section 179 expensing.—A renewal community business is allowed an additional $35,000 of section 179 expensing for qualified renewal property placed in service after June 30, 2001, and before January 1, 2010. The section 179 expensing allowed to a taxpayer is phased out by the amount by which 50 percent of the cost of qualified renewal property placed in service during the year by the taxpayer exceeds $200,000. The term ''qualified renewal property'' is similar to the definition of ''qualified zone property'' under section 1397C.

Expensing of environmental remediation costs (''brownfields'').—A renewal community is treated as a ''targeted area'' under section 198 (which permits the expensing of environmental remediation costs). Thus, taxpayers can elect to treat certain environmental remediation expenditures that otherwise would be capitalized as deductible in the year paid or incurred. This provision applies to expenditures incurred after June 30, 2001, and before January 1, 2010.

Extension of work opportunity tax credit (''WOTC'').—The bill expands the high-risk youth and qualified summer youth categories in the WOTC to include qualified individuals who live in a renewal community.

EFFECTIVE DATE

Renewal communities must be designated within 24 months after publication of regulations by HUD. The tax benefits available in renewal communities are effective for the period beginning July 1, 2001, and ending December 31, 2009.

B. Extension and Expansion of Empowerment Zone Incentives (secs. 201–205 of the bill)

PRESENT LAW

Round I empowerment zones

The Omnibus Budget Reconciliation Act of 1993 (''OBRA 1993'') authorized the designation of nine empowerment zones (''Round I empowerment zones'') and 95 enterprise communities to provide tax incentives for businesses to locate within targeted areas designated by the Secretaries of HUD and Agriculture. The targeted areas must have a condition of pervasive poverty, high unemployment, and general economic distress, and satisfy certain eligibility criteria, including specified poverty rates and population and geographic size limitations. Six of the empowerment zones are located in urban areas and three are located in rural areas. The Taxpayer Relief Act of 1997 (''1997 Act'') authorized the designation of two additional Round I urban empowerment zones.

Businesses in the 11 Round I empowerment zones qualify for the following tax incentives: (1) a 20-percent wage credit for the first $15,000 of wages paid to a zone resident who works in the empowerment zone, (2) an additional $20,000 of section 179 expensing for qualifying zone property, and (3) expanded tax-exempt financing for certain qualifying zone facilities. Businesses in the enterprise communities are eligible for the expanded tax-exempt financing benefits, but not the other tax incentives available to empowerment zones. The tax incentives with respect to the empowerment zones designated by OBRA 1993 generally are available during the 10-year period of 1995 through 2004. The tax incentives with respect to the two additional Round I empowerment zones generally are available during the 10-year period of 2000 through 2009 (except for the wage credit, which expires after 2007).

Round II empowerment zones

The 1997 Act also authorized the designation of 20 additional empowerment zones (''Round II empowerment zones''), of which 15 are located in urban areas and five are located in rural areas. Businesses in the Round II empowerment zones are not eligible for the wage credit, but are eligible to receive up to $20,000 of additional section 179 expensing. Businesses in the Round II empowerment zones also are eligible for more generous tax-exempt financing benefits than those available in the Round I empowerment zones. Specifically, the tax-exempt financing benefits for the Round II empowerment zones are not subject to the State private activity bond volume caps (but are subject to separate per-zone volume limitations), and the per-business size limitations that apply to the Round I empowerment zones and enterprise communities (i.e., $3 million for each qualified enterprise zone business with a maximum of $20 million for each principal user for all zones and communities) do not apply to qualifying bonds issued for Round II empowerment zones. The tax incentives with respect to the Round II empowerment zones generally are available during the 10-year period of 1999 through 2008.

EXPLANATION OF PROVISION

Extension of tax incentives for Round I and Round II empowerment zones

The designation of empowerment zone status for Round I and Round II empowerment zones (other than the District of Columbia Enterprise Zone) is extended through December 31, 2009. In addition, the 20-percent wage credit is made available in all Round I and II empowerment zones for qualifying wages paid or incurred after December 31, 2001. The credit rate remains at 20 percent (rather than being phased down) through December 31, 2009, in Round I and Round II empowerment zones.

In addition, $35,000 (rather than $20,000) of additional section 179 expensing is available for qualified zone property placed in service in taxable years beginning after December 31, 2001, by a qualified business in any of the empowerment zones. Businesses in the D.C. Enterprise Zone are entitled to the additional section 179 expensing until the termination of the D.C. zone designation. The bill also extends an empowerment zone's status as a ''targeted area'' under section 198 (thus permitting expensing of environmental remediation costs). The bill applies to expenses incurred after December 31, 2001, and before January 1, 2010.

Businesses located in Round I empowerment zones (other than the D.C. Enterprise Zone) also are eligible for the more generous tax-exempt bond rules that apply under present law to businesses in the Round II empowerment zones (sec. 1394(f)). The bill applies to tax-exempt bonds issued after December 31, 2001. Bonds that have been issued by businesses in Round I zones before January 1, 2002, are not taken into account in applying the limitations on the amount of new empowerment zone facility bonds that can be issued under the bill.

Nine new empowerment zones

The Secretaries of HUD and Agriculture are authorized to designate nine additional empowerment zones (''Round III empowerment zones''). Seven of the Round III empowerment zones would be located in urban areas, and two would be located in rural areas.

The eligibility and selection criteria for the Round III empowerment zones are the same as the criteria that applied to the Round II empowerment zones. The Round III empowerment zones must be designated by January 1, 2002, and the tax incentives with respect to the Round III empowerment zones generally are available during the period beginning on January 1, 2002, and ending on December 31, 2009.

Businesses in the Round III empowerment zones are eligible for the same tax incentives that, under the bill, are available to Round I and Round II empowerment zones (i.e., a 20-percent wage credit, an additional $35,000 of section 179 expensing, and the enhanced tax-exempt financing benefits presently available to Round II empowerment zones). The Round III empowerment zones also are considered ''targeted areas'' for purposes of permitting expensing of certain environmental remediation costs under section 198.

EFFECTIVE DATE

The extension of the existing empowerment zone designations is effective after the date of enactment.

The extension of the tax benefits to existing empowerment zones (i.e., the expanded

wage credit, the additional section 179 expensing, the brownfields designation, and the more generous tax-exempt bond rules generally is effective after December 31, 2001.

The new Round III empowerment zones must be designated by January 1, 2002, and the tax incentives with respect to the Round III empowerment zones generally are available during the period beginning on January 1, 2002, and ending on December 31, 2009.

C. Rollover of gain from the sale of a qualified empowerment zone investment (sec. 206 of the bill)

PRESENT LAW

In general, gain or loss is recognized on any sale, exchange, or other disposition of property. A taxpayer (other than a corporation) may elect to roll over without payment of tax any capital gain realized upon the sale of qualified small business stock held for more than six months where the taxpayer uses the proceeds to purchase other qualified small business stock within 60 days of the sale of the original stock.

EXPLANATION OF PROVISION

Under the bill, a taxpayer can elect to roll over capital gain from the sale or exchange of any qualified empowerment zone asset purchased after the date of enactment and held for more than one year (''original zone asset'') where the taxpayer uses the proceeds to purchase other qualifying empowerment zone assets in the same zone (''replacement zone asset'') within 60 days of the sale of the original zone asset. The holding period of the replacement zone asset includes the holding period of the original zone asset, except that the replacement zone asset must actually be held for more than one year to qualify for another tax-free rollover. The basis of the replacement zone asset is reduced by the gain not recognized on the rollover. However, if the replacement zone asset is qualified small business stock (as defined in sec. 1202), the exclusion under section 1202 would not apply to gain accrued on the the original zone assets. A ''qualified empowerment zone asset'' means an asset that would be a qualified community asset if the empowerment zone were a renewal community (and the asset is acquired after the date of enactment of the bill). Assets in the D.C. Enterprise Zone are not eligible for the tax-free rollover treatment.

EFFECTIVE DATE

The provision is effective for qualifying assets purchased after the date of enactment.

D. Increased exclusion of gain from the sale of qualifying empowerment zone stock (sec. 207 of the bill)

PRESENT LAW

Under present law, an individual, subject to limitations, may exclude 50 percent of the gain from the sale of qualifying small business stock held more than five years (sec. 1202).

EXPLANATION OF PROVISION

The exclusion for small business stock is increased to 60 percent for stock purchased after the date of enactment in a corporation that is a qualified business entity and that is held for more then five years. A ''qualified business entity'' means a corporation that satisfies the requirements of a qualifying business under the empowerment zone rules (sec. 1379B(b)) during substantially all the taxpayer's holding period.

EFFECTIVE DATE

The provision is effective for qualified stock purchased after the date of enactment.

E. New markets tax credit (sec. 301 of the bill)

PRESENT LAW

Some tax incentives are available to taxpayers making investments and loans in low-income communities. For example, tax incentives are available to taxpayers that invest in specialized small business investment companies licensed by the Small Business Administration to make loans to, or equity investments in, small businesses owned by persons who are socially or economically disadvantaged.

EXPLANATION OF PROVISION

The bill creates a new tax credit for qualified equity investments made to acquire stock in a selected community development entity (''CDE''). The maximum annual amount of qualifying equity investments is capped as follows:

Calendar year	Maximum qualifying equity investment
2001	$1.0 billion
2002–2003	$1.5 billion per year
2004–2005	$2.0 billion per year
2006–2007	$3.5 billion per year

The amount of the new tax credit to the investor (either the original purchaser or a subsequent holder) is (1) a five-percent credit for the year in which the equity interest is purchased from the CDE and the first two anniversary dates after the interest is purchased from the CDE, and (2) a six percent credit on each anniversary date thereafter for the following four years. The taxpayer's basis in the investment is reduced by the amount of the credit (other than for purposes of calculating the capital gain exclusion under sections 1202, 1400B, and 1400F). The credit is subject to the general business credit rules.

A CDE is any domestic corporation or partnership (1) whose primary mission is serving or providing investment capital for low-income communities or low-income persons, (2) that maintains accountability to residents of low-income communities through representation on governing or advisory boards, or otherwise and (3) is certified by the Treasury Department as an eligible CDE. No later than 60 days after enactment, the Treasury Department shall issue regulations that specify objective criteria to be used by the Treasury to allocate the credits among eligible CDEs. In allocating the credits, the Treasury Department will give priority to entities with records of having successfully provided capital or technical assistance to disadvantaged businesses or communities.

If a CDE fails to sell equity interests to investors up to the amount authorized within five years of the authorization, then the remaining authorization is canceled. The Treasury Department can authorize another CDE to issue equity interests for the unused portion. No authorization can be made after 2014.

A ''qualified equity investment'' is defined as stock or a similar equity interest acquired directly from a CDE in exchange for cash. Substantially all of the investment proceeds must be used by the CDE to make ''qualified low-income community investments,'' meaning equity investments in, or loans to, qualified active businesses located in low-income communities, certain financial counseling and other services specified in regulations to businesses and residents in low-income communities.

The stock or equity interest cannot be redeemed (or otherwise cashed out) by the CDE for at least seven years. If an entity fails to be a CDE during the seven-year period following the taxpayer's investment, or if the equity interest is redeemed by the issuing CDE during that seven-year period, then any credits claimed with respect to the equity interest are recaptured (with interest) and no further credits are allowed.

A ''low-income community'' is defined as census tracts with either (1) poverty rates of at least 20 percent (based on the most recent census data), or (2) median family income which does not exceed 80 percent of the greater of metropolitan area income or statewide median family income (for a non-metropolitan census tract, 80 percent of non-metropolitan statewide median family income).

A ''qualified active business'' is defined as a business which satisfies the following requirements: (1) at least 50 percent of the total gross income of the business is derived from the active conduct of trade or business activities in low-income communities; (2) a substantial portion of the use of the tangible property of such business is used within low-income communities; (3) a substantial portion of the services performed for such business by its employees is performed in low-income communities; and (4) less than 5 percent of the average aggregate of unadjusted bases of the property of such business is attributable to certain financial property or to collectibles held for sale to customers). There is no requirement that employees of the business be residents of the low income community.

Rental of improved commercial real estate located in a low-income community is a qualified active business, regardless of the characteristics of the commercial tenants of the property. The purchase and holding of unimproved real estate is not a qualified active business. In addition, a qualified active business does not include (a) any business consisting predominantly of the development or holding of intangibles for sale or license; (b) operation of any facility described in sec. 144(c)(6)(B); or (c) any business if a significant equity interest in such business is held by a person who also holds a significant equity interest in the CDE. A qualified active business can include an organization that is organized on a non-profit basis.

EFFECTIVE DATE

The provision is effective for qualified investment made after December 31, 2000.

F. Increase Low-Income Housing Tax Credit Cap and Related Program Modifications (Secs. 401–407 of the Bill)

PRESENT LAW

The low-income housing tax credit may be claimed annually over a 10-year period for the cost of rental housing occupied by tenants having incomes below specified levels. The credit percentage of newly constructed or substantially rehabilitated housing that is not Federally subsidized is adjusted monthly by the IRS so that the 10 annual installments have a present value of 70 percent of the total qualified expenditures. The credit percentage for new substantially rehabilitated housing also receiving most other Federal subsidies and for existing housing is calculated to have a present value of 30 percent of the total qualified expenditures. The new credit authority provided annually is $1.25 per resident of each State. Projects that also receive financing with proceeds of tax-exempt bonds issued subject to the private bond volume limit and receive the low income housing credit outside the State's credit cap.

EXPLANATION OF PROVISION

The bill increases the annual State credit caps from $1.25 to $1.75 per resident during the period between years 2001 and 2006 as follows:

Calendar year	*Applicable credit amount*
2001	$1.35
2002	1.45
2003	1.55
2004	1.65
2005	1.70
2006	1.75

In addition, beginning in 2001, the per capita cap is modified so that small population states are given a minimum of $2 million of annual credit cap. The $1.75 per capita credit cap and the $2 million amount are indexed for inflation beginning in 2007. The bill also makes several programmatic changes to the credit.

EFFECTIVE DATE

The provisions generally are effective for calendar years after December 31, 2000, and buildings placed in service after such date in the case of projects that also receive financing with proceeds of tax-exempt bonds subject to the private activity bond volume limit which are issued after such date.

G. INCREASE IN PRIVATE ACTIVITY BOND STATE VOLUME LIMITS (SEC. 501 OF THE BILL)

PRESENT LAW

Interest on bonds issued by States and local governments is excluded from income if the proceeds of the bonds are used to finance activities conducted or paid for by the governmental units. Interest on bonds issued by these governmental units to finance activities carried out and paid for by private persons (''private activity bonds'') is taxable unless the activities are specified in the Code. Private activity bonds on which interest may be tax exempt include bonds for privately-operated transportation facilities (airports, docks and wharves, mass transit, and high speed rail facilities), privately-owned or privately-provided municipal services (water, sewer, solid waste disposal, and certain electric and heating facilities), economic development (small manufacturing facilities and redevelopment in economically depressed areas), certain social programs (low-income rental housing, qualified mortgage bonds, student loan bonds, and exempt activities of charitable organizations described in Code sec. 501(c)(3)).

The volume of tax-exempt private activity bonds that States and local governments may issue in each calendar year is limited by State-wide volume limits. The volume limits do not apply to private activity bonds to finance airports, docks and wharves, certain governmentally owned, but privately operated, solid waste disposal facilities, certain high speed rail facilities, and certain types of private activity tax-exempt bonds that are subject to other limits on their volume (qualified veterans' mortgage bonds and certain empowerment zone and enterprise community bonds). The current annual volume limits are $50 per resident of the State or $150 million (if greater). An increase in these volume limits to $75 per resident or $225 million (if greater) is scheduled to be phased-in during calendar years 2003–2007.

EXPLANATION OF PROVISION

The bill accelerates the currently scheduled phased increase in the present-law annual State private activity bond volume limits to $75 per resident of each State or $225 million (if greater). The increase is phased-in as follows, beginning in calendar year 2001:

Calendar year	Volume limit
2001	$55 per resident ($165 million if greater)
2002	$60 per resident ($180 million if greater)
2003	$65 per resident ($195 million if greater)
2004, 2005, 2006	$70 per resident ($210 million if greater)
2007 and thereafter	$75 per resident ($225 million if greater)

EFFECTIVE DATE

The volume limit increases are effective beginning in calendar year 2001.

ESTIMATED REVENUE EFFECTS ON H.R. 4923, THE ''COMMUNITY RENEWAL AND NEW MARKETS ACT OF 2000''—FISCAL YEARS 2001–2005

[Millions of Dollars]

Provision	Effective	2001	2002	2003	2004	2005	2001–05
1. Designate 40 renewal communities, 8 of which are in rural areas, to receive the following tax benefits: 0% capital gains tax rate on qualifying assets held more than 5 years; deduction for qualified revitalization expenditures, capped at $6 million per community in 2001 and $12 million thereafter; an additional $35,000 of section 179 expensing; expensing of qualifying environmental remediation costs; a wage credit of 15% on first $10,000 of qualified wages	DOE [1]	−75	−545	−576	−578	−606	−2,380
2. Provide new markets tax credit with allocation authority of $1.0 billion in 2001, $1.5 billion in 2002 and 2003, $2.0 billion in 2004 and 2005, and $3.5 billion in 2006 and 2007	ima 12/31/00	−2	−18	−115	−246	−365	−747
3. Designate 9 new empowerment zones, extend present-law empowerment zone designations through 12/31/09, expand the 20% wage credit to all empowerment zones, increase the additional section 179 expensing to $35,000 for all empowerment zones including D.C. in 2002, and extend the more favorable round II tax exempt financing rules to all existing and new empowerment zones excluding D.C.	DOE [2]	.....	−246	−476	−474	−541	−1,737
4. Capital gain rollover of empowerment zone assets and increased exclusion of gain on sale of certain empowerment zone investments	ima DOE	([3])	−3	−15	−32	−52	−102
5. Improvements in the Low-Income Housing Credit—increase per capita credit to $1.35 in 2001, $1.45 in 2002, $1.55 in 2003, $1.65 in 2004, $1.70 in 2005, $1.75 in 2006, and indexed for inflation thereafter; $2 million small State minimum beginning in 2001 and indexed for inflation beginning in 2007; modify stacking rules and credit allocation rules; certain Native American housing assistance disregarded in determining whether building is Federally subsidized for purposes of the low-income housing credit	tyba 12/31/00	−4	−24	−68	−140	−239	−475
6. Accelerate 5-year phasein of private activity bond volume cap	cyba 12/31/00	−10	−39	−80	−122	−155	−406
Net total	.....	−91	−875	−1,330	−1,592	−1,958	−5,847

[1] The Secretary of Housing and Urban Development must prescribe regulations for the nomination process no later than 4 months after the date of enactment.
[2] Area may be designated as an empowerment zone any time after the date of enactment and before 1/1/02. The tax benefits generally become effective after 12/31/01 and terminate on 12/31/09.
[3] Loss of less than $500,000.

Note: Details may not add to totals due to rounding.

Legend for ''Effective'' column: cyba = calendar years beginning after; DOE = date of enactment; ima = investments made after; tyba = taxable years beginning after.

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

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

Mr. Speaker, first of all, this is an awkward process because the bill was just printed up late last night, and we have not gotten a final version of it. I assume it is the same version that we saw a couple of days ago.

This bill contains some provisions that are truly troublesome; and we are in the process right now, because we are under suspension of the rules, where there is no opportunity to amend the bill to eliminate the problem created by the charitable choice provisions of the bill. Now, usually, even if we have a closed rule and cannot offer amendments, at least we have a rule and we can argue about whether or not we should have had the opportunity to offer an amendment. But we do not even have that. We have to vote this thing up or down.

We have heard comments about the good in the bill. The charitable choice provision is a provision that will allow direct funding of churches, and that creates a number of problems constitutionally as well as how it is implemented.

For example, Mr. Speaker, the Supreme Court, in various cases, has ruled that we cannot constitutionally fund pervasively sectarian organizations. And they use several standards: one, whether or not the program is located near a house of worship; an abundance of religious symbols on the premises; religious discrimination in the institution's hiring practices; the presence of religious activities; the purposeful articulation of a religious mission.

Well, if we look at those problems and then we look at charitable choice, where this bill will allow the direct funding of churches located near a house of worship, this is in a house of worship. An abundance of religious symbols. The bill specifically says we cannot require the removal of religious symbols. Religious discrimination in an institution's hiring practices. That is in the bill. They can discriminate. Presence of religious activities. It is in the church. So on and so forth.

This is so clearly pervasively sectarian, and, Mr. Speaker, that is why many organizations have written us. In one letter, that came today, a group wrote, ''This charitable choice provision threatens the beneficiaries' religious liberties by failing to protect them from discrimination based on their refusal to participate in religious activities by a tax-funded religious provider.'' The provision further threatens to excessively entangle the institutions of church and State, and they oppose the charitable choice provisions.

The list includes the American Association of University Women, the American Baptist Churches, the American Civil Liberties Union, the American Jewish Congress, the Americans United for Separation of Church and State, the Baptist Joint Committee for Public Affairs, and that is just through the B's in the list. That is why this provision should be deleted.

Mr. Speaker, there is another problem with the bill, and that is the way it deals with drug treatment programs. By specifically funding the church-run drug programs, we fund in the bill findings by Congress, and let me read them so my colleagues will know what is in the bill: ''Congress finds that establishing unduly rigid or uniform educational qualifications for counselors and other personnel in drug treatment

programs may undermine the effectiveness of such programs, and such educational requirements for counselors and other personnel may hinder or prevent the provision of needed drug treatment services.''

□ 1200

It further says that ''the Government shall not discriminate against education and training provided to such personnel by religious organizations so long as education and training includes basic content substantially equivalent to the content provided by nonreligious organizations that the state or local government would credit for purposes of determining whether the relevant requirements have been satisfied.''

That is a provision that has provoked a number of drug counseling organizations to write to oppose the bill, including the American Counseling Association, the American Mental Health Counselors Association, the American Public Health Association, the American Psychological Association, the American Society for Addiction Medicine, and the Anxiety Disorder Association of America. That just gets us down through the A's.

There is another provision in here that adds insult to injury; and that is, if a person does not want to participate in the church-run program, that they are entitled to be referred to a separate but equal program somewhere else.

I think it is an insult to suggest that Brown v. Board of Education is not alive and well in America.

But there is a final provision in the bill that I think is particularly egregious, and this is a provision that allows the sponsors of Federal programs to discriminate in their hiring based on religion.

There is a provision in section 582(e) of the bill that says specifically that the title VII prohibition against discrimination in hiring based on religion will not apply to these programs.

Civil rights laws should apply to federally funded programs, Mr. Speaker. The idea that religious bigotry might take place with Federal funds in this bill is not speculative. The bill specifically provides that religious sponsors are not covered by title VII of the Civil Rights Act.

During the prior debates we have had on charitable choice, we have heard how this would work. Cited on page H 4687 of the CONGRESSIONAL RECORD on June 22 of last year, the gentleman from Texas (Mr. EDWARDS) asked a major sponsor of charitable choice if a religious organization using Federal funds could fire or refuse to hire a perfectly qualified employee because of that person's religion; and the response from the supporter of charitable choice, which was never disputed during that debate or subsequent debates was, ''a Jewish organization can fire a Protestant if they choose.''

Last month, the supporter of charitable choice was quoted in Congressional Quarterly saying that ''organizations should not be barred from Federal funds because they are a Christian organization and they like to hire Christians.''

Mr. Speaker, there was a time when some Americans because of their religion were not considered qualified for certain jobs. In fact, before 1960 it was thought a Catholic could not be elected president. And before the civil rights laws of the 1960s, people of certain religions suffered invidious discrimination in employment routinely.

Fortunately, the civil rights laws of the 1960's put an end to that practice and we no longer see signs suggesting that those of certain religions need not apply for certain jobs.

Now, when those civil rights laws were passed, there was a common sense exception that allowed religious organizations to discriminate based on religion. When, for example, a Catholic church hires a priest, they can, of course, require that the prospective priest be Catholic. Or when a Jewish synagogue hires a rabbi, they can, of course, require that the rabbi be Jewish. But those exemptions apply to private funds, not Federal funds.

Many religious organizations already sponsor Federal funds. Catholic charities will sponsor federally funded programs. But one does not have to be Catholic to get a job because the civil rights laws apply to Federal funds.

Lutheran Family Services sponsors Federally funded programs, but one does not have to be Lutheran to get a job. Yet, section 582(e) specifically provides that programs' sponsors can look a job applicant in the eye and say that, although this is being run with Federal taxpayers' money, they do not qualify for a job because they do not hire their kind because of their religion.

That is wrong. This bill should not pass with this. We do not have an opportunity to amend the bill because of the procedural situation we are in.

This bill, therefore, ought to be opposed because it is unconstitutional, because it funds pervasively sectarian organizations. It ought to be opposed because it insults professional drug counselors by denigrating their professional credentials. And the bill ought to be opposed because it brings back separate but equal in drug programs and specifically provides for religious bigotry in hiring with taxpayers' money.

Mr. Speaker, I frankly do not care how much money might come to my community. I am not going to turn the clock back on fundamental civil and constitutional rights.

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

Mr. ENGLISH. Mr. Speaker, it is a great privilege for me to yield 4 minutes to the gentleman from Missouri (Mr. TALENT) one of the most active advocates of community renewal legislation over the last few Congresses.

Mr. TALENT. Mr. Speaker, I thank the gentleman for yielding me the time. I appreciate his advocacy on the Committee on Ways and Means and generally for these kinds of communities. I know he represents a number of distressed communities. I just want to thank him for his role in getting this bill out here.

Before I make my statement, I want to take a few minutes or a brief moment to respond to the comments made by my friend, the gentleman from Virginia (Mr. SCOTT). It is a sign of his typical principle stand and his eloquence that he made such a powerful statement.

But let me just say that the part of the bill that he is referring to is a provision that simply allows faith-based drug and alcohol counseling groups to participate in Federal programs in this sense, that a voucher would be given to people who have substance abuse or alcohol problems, and they could, if they wished, use that voucher at a faith-based program if they think that would be more effective and if that fits with their life.

This is similar to what we already do with regard to day-care programs, with regard to community service block grants. It is similar to what we did in the welfare reform bill. It simply gives individuals a choice. And the reason is, quite frankly, that these groups are highly effective in stopping drug abuse. They have a 60 to 80 percent cure rate.

It is kind of foolish to operate a Federal drug and alcohol substance abuse program and exclude from participation those groups which have the greatest success in stopping drug or alcohol abuse. We simply want them to be in in the same basis in which we have allowed similar groups to participate in similar programs.

There is no constitutional problem because the choice vests in the individual. There is no more problem here than there is when a student uses a Pell Grant to go to Notre Dame or Yeshiva. It is the same principle.

I understand the concern of the gentleman, and I too regret that we brought this up under a summary procedure. And yet I would say it has been so long since we have passed a comprehensive program designed to help poor people in this country that I will take it any way I can get it. If this is the only way I can get it here, I will say to the gentleman I will take it this way.

I am sorry that he did not have more chance to study it and to comment upon it, and I appreciate his position.

Let me just say that this is the most significant anti-poverty program to come out of Washington in decades. It is significant not only in its size and its scope but also in the fact that it represents a true bipartisan consensus.

This bill is strongly supported by the President of the United States, without whose advocacy it would not be here. It is strongly supported by my friend, the gentlewoman from New York (Ms. VELAZQUEZ); by my friend, the gentleman from Chicago (Mr. DAVIS); by the gentleman from Oklahoma (Mr.

WATTS), who will speak later; by the gentleman from Pennsylvania (Mr. ENGLISH); by me; by, of course, the gentleman from New York (Mr. RANGEL), the distinguished ranking member on the Committee on Ways and Means, who graciously allowed his friend, the gentleman from Virginia (Mr. SCOTT), to have the time to speak in opposition; and because it represents principles we all agree on now.

We know the Federal Government cannot get people out of poverty by itself. We also know that individuals cannot just pull themselves up by the bootstraps when they are raised in communities where families are in distress, where the institutions of private society that the rest of us relied upon to help us grow and to be nurtured no longer exist. But they can do it with help. They can do it with help from their neighbors. And that is the key.

This bill is designed to increase the tools, the prestige, the visibility of redevelopment groups, of neighborhood intermediaries who are rebuilding the infrastructure of life in poor urban and rural communities around America.

I have traveled, as have many of the other advocates for this bill, around this country. I talked to people in San Antonio and Washington and Missouri and Indianapolis about what they are doing to help their neighbors. This are rebuilding these communities.

They are going to do it I think, Mr. Speaker, whether we do anything about it or not. But we have the privilege and the opportunity to help them with this bill.

I am pleased and proud to be part of a body that has come together without regard to party; that has set aside ideological baggage; that has worked with the President of the United States, who has taken the lead with the Speaker of the House.

Let us get this bill passed, move it over to the Senate, and show the people we can get this done for the most vulnerable among our fellow citizens.

Mr. SCOTT. Mr. Speaker, I yield 5 minutes to the gentleman from New York (Mr. RANGEL) the ranking member of the Committee on Ways and Means.

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

Mr. RANGEL. Mr. Speaker, I rise in support of this piece of legislation. It might be the most historic bipartisan piece of legislation that we have been able to agree on passed and signed into law in this session.

It is very unusual when the President of the United States can get together with the Speaker and say that something has to be done when we find this country enjoying such a robust economy and yet, know, that in many of the rural and inner-city areas, they have not the slightest idea as to what Chairman Greenspan is talking about and to see how the Speaker was able to work with the gentleman from Missouri (Mr. TALENT), the gentleman from Oklahoma (Mr. WATTS), the gentleman from Louisiana (Mr. JEFFERSON), the gentleman from Illinois (Mr. DAVIS) and to see what we have that has worked with empowerment zones; what we can do to improve upon these things and to see what concepts really worked in order to get access to capital, which is so necessary if we are going to talk about economic growth.

The jobs from our communities, most of the jobs in the United States, they do not come from the big firms. They come from small business people that hire people from the community. And it is these people that cannot get people to really invest so that they can expand and really hire more people from the community.

But we have all types of programs to encourage investment overseas. We have the Overseas Protection Insurance Corporation that allows for people to feel more secure. And so, what we have done is to snatch some of those included in the bill and let people be able to feel just as secure as investing in their own community as they would overseas.

We hear a lot of talk when trade bills come to the House floor about how important it is going to be for us to expand our markets, how important exports are going to be, how important it is to get people to increase demand.

Well, if it can work for overseas markets, why can it not work for Americans? We have got 2 million people locked up in jail in these United States, more than all of the people in China, higher per capita than any nation in the world. And we know that, with the proper education and economic opportunity, it did not have to be this way.

We spend billions of dollars just keeping them in jail; where that, if we could create an education and economic growth situation where they know that they would be a part of it, they would opt not for jail but opt to be a part of the prosperity that we are enjoying.

So if we are concerned about creating markets, why can we not go to the poorer communities that we have to start talking about the same full employment that we have on the national average to make certain that every block, every road, every village, every community knows what the concept of full employment can be.

And when people have money that, after they pay their expenses for shelter and food and education and health care and start saving, it means that there is more money available for more people to be able to expand their businesses. But the most important thing is that they will have what? Disposable income, so that they would again get more bang for the buck, as we find that people that now have such limited incomes will have more incomes to buy the things so America can continue manufacturing.

The gentleman from Virginia (Mr. SCOTT) raises some legitimate constitutional questions, and these things have to be studied. But also we know when we are talking about treating people in drugs that we know that there are institutions that spiritually do better than other people that have been trained but still do not have the people that have the type of faith which is necessary in order to do it.

When we start walking down this road, we take some gambles because Minister Farakan has been very, very good in making certain that people who are drug addicts, people who violate the law, people who go back to jail time and time again that he has been able to cause these people to join the Muslim religion, not drink alcohol, not be promiscuous, and not to do drugs.

☐ 1215

And so when you are saying that you want it for one faith-based organization, you open the door for others. I hope these type of things can be corrected. But I want to commend the members of the committees for working together in a bipartisan way and giving us a chance to vote for something.

Mr. ENGLISH. Mr. Speaker, I yield 1 minute to the gentlewoman from Connecticut (Mrs. JOHNSON), a distinguished member of the Committee on Ways and Means who has been fighting for low-income housing.

Mrs. JOHNSON of Connecticut. Mr. Speaker, I thank the gentleman for yielding time, and I rise in strong support of this bipartisan legislation which will help revitalize our most disadvantaged communities. It simply gives communities the tools they need to revitalize their neighborhoods. It includes pro-growth tax incentives, brownfields cleanup, regulatory relief, all things that will help create jobs in our distressed cities.

I want to talk about one provision that not only deals with the regeneration of the economic base of our cities but will enable people to live close to their jobs by expanding the number of affordable housing units in our distressed neighborhoods. This bill includes an increase in the low-income housing tax credit cap and important reforms to that program. Increasing the cap has the overwhelming support of the Members of this House and will result in an expansion of the Federal-State program that has produced more affordable rental housing across America than any other program; but due to inflation, its value and its power in our lives has been eroded 50 percent.

I ask strong support of the bill of my colleagues.

Mr. SCOTT. Mr. Speaker, I yield myself 30 seconds, and that is to comment from a letter that I have received from several national organizations which says that the National Institute of Drug Addiction said that it is not the position to support these claims of 60 to 80 percent cure rates. One commonly cited study which is nearly 30 years old has never been repeated and was not

published in a peer review journal. This letter was signed by, as I indicated, about 20 or 30 national drug abuse organizations.

Mr. Speaker, I yield such time as he may consume to the gentleman from Pennsylvania (Mr. KANJORSKI).

Mr. KANJORSKI. Mr. Speaker, I ask unanimous consent because of the request for additional time on both sides that the Chair allow 10 minutes additional debate on both sides of the aisle.

The SPEAKER pro tempore (Mr. SIMPSON). Is there objection to the request of the gentleman from Pennsylvania?

Without objection, each side is recognized for an additional 10 minutes.

There was no objection.

Mr. SCOTT. Mr. Speaker, I yield 3 minutes to the gentleman from New York (Mr. LAFALCE), the ranking member of the Committee on Banking and Financial Services.

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

Mr. LAFALCE. I thank the gentleman for yielding me this time.

Mr. Speaker, an important component of today's bill is title VI, America's private investment companies, also known as APIC. This title incorporates the text of H.R. 2764 as passed by the House Committee on Banking and Financial Services earlier this spring. H.R. 2764 was introduced by myself, the gentleman from Pennsylvania (Mr. KANJORSKI), the gentlewoman from New York (Ms. VELAZQUEZ), and a number of other Democrats last year.

APIC is a component of the administration's new markets initiative and was in fact the first component of the new markets initiative to receive congressional approval through a bipartisan vote of the House Committee on Banking and Financial Services earlier this spring.

Approval of APIC represents a bold effort to bring economic opportunities and quality jobs to individuals and communities being left behind our strong economic expansion. APIC is structured to ensure that Federal resources are targeted to create opportunities for lower-income families and individuals. This is accomplished by providing $1 billion a year in Federal loan guarantees to a number of different APICs, private investment companies, which will be established specifically to invest in businesses operating in low-income communities.

Under the legislation, substantially all investments made with APIC-guaranteed loans or equity used to support such loans must be made in low-income communities, defined as census tracts with poverty rates in excess of 20 percent or median family income levels below 80 percent of the local or State median. And successful APIC licensees must pursue public-purpose goals, which include creating good-paying jobs, making investments in low-income communities, and working with community-based organizations and residents.

APIC is structured to make maximum use of scarce Federal resources. Without going into the details, the bottom line is that a Federal credit subsidy of only $36 million a year as determined by OMB will create at least $7.5 billion in targeted investments over the next 5 years.

I would also like to note that this bill includes a number of other critical Democratic and presidential initiatives, including the new markets tax credit, the new markets venture capital program, the creation of nine additional empowerment zones, and a 40 percent increase in the volume cap for the low-income housing tax credit.

I would urge passage of this bill and immediate Senate action, also.

Mr. ENGLISH. Mr. Speaker, it gives me a great deal of pleasure to yield 2 minutes to the distinguished gentleman from Illinois (Mr. WELLER), one of the leaders on the Committee on Ways and Means on the issue of brownfields remediation.

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

Mr. WELLER. Mr. Speaker, I rise in strong support of this bipartisan effort to help blighted communities across America. I stand in strong support particularly of the expansion of the low-income housing tax credit provisions, something that benefits every community in America.

I thought I would take my time just to draw attention to an issue I feel that we could do more for in this legislation as it moves through the legislative process, and that is the issue of brownfields. People often wonder, what is a brownfield? As you drive through your rural or your suburban or middle-class community or inner-city community, you see that old abandoned gas station that no one ever buys and fixes up or you see that old industrial park on the side of town that no one ever buys and recycles or reuses or revitalizes, and you find out the chief reason is because it needs some environmental cleanup; and because of that financial liability, investors are hesitant to buy it.

In 1997 as part of the Balanced Budget Act, a group of us worked successfully to provide a tax incentive, a tax incentive which attracted private investors to buy these old brownfields, to clean them up; and because of fiscal concerns at the time, we left it targeted to low-income areas. Since then, as that provision has been working to clean up and revitalize low-income areas, the folks that live in the rural and suburban and middle-class communities have often said, Hey, wait a second here. There are 425,000 brownfields across America. Only about one-fifth of those qualify for the current tax incentive. Why not help those blighted areas in those communities as well.

A group of us, in fact 22 of us on the Committee on Ways and Means, cosponsored legislation to eliminate that targeting so every community, rural and suburban and middle class could benefit from it as well. Almost every member of the Committee on Ways and Means signed the letter asking that it be included as part of this bipartisan package.

Mr. Speaker, my hope is that as we move through this process that we can work together, the chairman, the ranking member, the Speaker as well as the White House, to include expanded efforts to clean up so-called brownfields. It is all about jobs. The average cleanup of a brownfield is only about $500,000; but if you think of those communities, and every community has one, has those blighted areas in communities that we can recycle, reuse and revitalize, it will help every American community. I ask that it be included as we move through the process.

Thank you for this opportunity to speak regarding H.R. 4923, the Community Renewal and New Markets Act. While I stand in support of this bill, I would like to offer my concerns regarding a provision which was not included in this bill.

For the past several months, I have been working with several of my colleagues on the Ways and Means Committee to expand the eligible sites allowed to deduct the cost of environmental remediation expenditures under Section 198 of the Code to include all brownfield sites. This provision has broad bipartisan support with 22 cosponsors from the Ways and Means Committee. A similar provision was included in the Taxpayer Refund and Relief Act of 1999 and the Senate's version of last year's extenders bill S. 1792. We had hoped to have this provision included in H.R. 4923, but were not afforded the opportunity because the bill was never brought before the Ways and Means Committee.

Brownfields sites exist throughout all of our districts—abandoned eyesores that blight our urban, rural and suburban communities drag down local economies. Many brownfields properties are located in prime business locations near critical infrastructure, including transportation, and close to a productive workforce. As Members of Congress, we should be striving to enact policies that put as many of these sites as possible back into productive use, contributing to the economic and producing good paying jobs where they are needed most.

The first step towards doing this is to remediate these sites environmentally. The U.S. Conference of Mayors estimates that there are over 400,000 brownfields sites across the country. We clearly cannot limit the treatment of Section 198 to merely targeted areas. Development of these sites will help restore many blighted areas, create jobs where unemployment is high and ease pressure to develop beyond the fringes of communities. Small, urban centered businesses often benefit most directly by this redevelopment.

Some estimates suggest that there may be as many as 150,000 brownfield sites in urban areas and up to as many as 425,000 nationwide. In a recent survey, the U.S. Conference of Mayors study estimates that approximately. 21,000 brownfield sites exist in 210 cities surveyed (large and small). This represents almost 81,000 acres of land. Two-thirds of the 210 cities surveyed estimated that if their local brownfields sites were redeveloped, it would

bring in additional tax revenues between $878 million and $2.4 billion annually. More than 550,000 jobs could be created on former brownfields sites. It is estimated that the average cost of brownfields cleanup is $500,000.

In Chicago, Illinois, there are an estimated 2,000 brownfield sites. According to the Conference of Mayors study, if these sites in Chicago were cleaned up it would mean a $78 million increase in tax revenue and an increase in 34,000 jobs. This would be very important to the local economy.

Mr. Speaker, I ask that you and Chairman ARCHER continue to work with myself and other members of the Ways and Means Committee who are interested in removing the targeting requirement on the existing brownfields expensing provision to allow brownfield sites to be cleaned up in all of our districts. I ask that this provision be included in the Conference Report on H.R. 4923.

CONGRESS OF THE UNITED STATES,
Washington, DC, June 9, 2000.

Hon. BILL ARCHER,
Chairman, House Ways and Means Committee, Longworth House Office Building, Washington, DC.

DEAR CHAIRMAN ARCHER: This letter is to urge you to include in your chairman's mark for the pending Community Revitalization tax package a provision included in H.R. 4003, which expands the eligible sites allowed to deduct the cost of environmental remediation expenditures under Section 198 of the Code to include all brownfield sites.

As you know, this provision has broad bipartisan support with 22 cosponsors from the Ways and Means Committee. A similar provision was included in the Taxpayer Refund and Relief Act of 1999 and the Senate's version of last year's extenders bill, S. 1792.

The community revitalization tax package agreed to by President Clinton and Speaker Hastert, acknowledges the importance of cleaning up so called ''brownfields'' by allowing the expensing of clean up costs for such sites located within the newly added empowerment zones and renewal communities. This validates the appropriateness of the expensing policy enacted in 1997 when Section 198 was added to the Code.

However, brownfields are not limited to empowerment zones and renewal communities. Brownfields sites exist throughout our districts—abandoned eyesores that blight our urban, rural and suburban communities and drag down local economies. Many brownfields properties are located in prime business locations near critical infrastructure, including transportation, and close to a productive workforce. As Members of Congress, we should be striving to enact policies that put as many of these sites as possible back into productive use, contributing to the economy and producing good paying jobs where they are needed most.

The first step towards doing this is to remediate these sties environmentally. The U.S. Conference of Mayors estimates that there are over 400,000 brownfields sites across the country. We clearly cannot limit the treatment of Section 198 to merely targeted areas. Development of these sites will help restore many blighted areas, create jobs where unemployment is high and ease pressure to develop beyond the fringes of communities. Small, urban centered businesses often benefit most directly by this redevelopment.

Again, we urge you to include in your mark for the community revitalization package the provision in H.R. 4003 which expands the eligible sites allowed to deduct the cost of environmental remediation expenditures under Section 198 of the Code to include all brownfield sites. Simply lifting this targeting requirement would lower the cost of the measure to only $43 million.

Thank you for your consideration of this important issue.

Sincerely,

Phil Crane, Clay Shaw, Nancy Johnson, Amo Houghton, Wally Herger, Jim McCrery, Dave Camp, Jim Ramstad, Jim Nussle, Jennifer Dunn, Mac Collins, Rob Portman, Phil English, Wes Watkins, JD Hayworth, Jerry Weller, Kenny Hulshof, Scott McInnis, Ron Lewis, Mark Foley.

Charlie Rangel, Pete Stark, Bob Matsui, Bill Coyne, Sandy Levin, Ben Cardin, Jim McDermott, Gerald Kleczka, John Lewis, Richard Neal, Michael McNulty, William Jefferson, John Tanner, Xavier Becerra, Karen Thurman, Lloyd Doggett.

Mr. SCOTT. Mr. Speaker, I yield 3 minutes to the gentlewoman from New York (Ms. VELAZQUEZ), who is the ranking member of the Committee on Small Business.

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

Ms. VELAZQUEZ. Mr. Speaker, I rise in strong support of H.R. 4923. One of America's most resolute first ladies, Eleanor Roosevelt, once said, ''The future belongs to those who believe in the beauty of their dreams.''

We have heard throughout the last 10 years how America is in the greatest economic expansion in our history. Jobs have been created at an exponential rate and prosperity is everywhere. Well, almost everywhere. You see, even in these times of great prosperity, many Americans are being left behind. Too many areas across our Nation have not seen the economic boom that has benefited so many of their fellow citizens.

Indeed, the statistics show that our communities have unemployment rates that are in some cases double the national average. What they have seen is more of the same: poverty, joblessness and hopelessness.

Today, we have taken a large step toward breaking that cycle, and breaking it permanently. H.R. 4923, the Community Renewal and New Markets Act of 2000, is an unequaled effort providing a real chance for business owners and entrepreneurs in rural and urban cities and towns throughout America. This legislation will help attract investors to places with high unemployment and too little hope for determining their own future.

One of the sections of this bill, the New Markets Venture Capital Program, provides venture capital, the principal financial tool that has created a multitude of Internet and high-tech companies that currently dot.coms the American business landscape.

In short, NMVCs are public-private partnerships that bring equity investment and technical assistance to those areas that need it the most.

Mr. Speaker, by creating these long-term partnerships between the private sector and government, we are opening up a whole new marketplace for American companies, and this is what our new enterprise will do. It will harness the entrepreneurial power that exists in these cities and towns. This initiative will rebuild these communities by providing the necessary anchors, and not just a quick fix, that will lead to real growth and opportunity.

Today, we are sending a message to every American, from the family in rural Appalachia who does not even have safe drinking water, to the Latina living in ''el barrio'' trying to make ends meet and the African American youth looking for an alternative to running with the local gang. This economic boom must benefit everyone and to ensure that they too will be able to live the beauty of their dreams.

I urge passage of this legislation.

Mr. ENGLISH. Mr. Speaker, it gives me great pleasure to yield 4 minutes to the distinguished gentleman from Oklahoma (Mr. WATTS), one of the most distinguished advocates of community renewal in the House.

Mr. WATTS of Oklahoma. Mr. Speaker, today I rise in support of H.R. 4923, the Community Renewal and New Markets Act, which I was proud to sponsor along with my good friends and colleagues, the gentleman from Missouri (Mr. TALENT) and the gentleman from Illinois (Mr. DAVIS).

America is truly blessed as we continue in the longest economic boom in our history. But with all this extraordinary prosperity in every region of the country, there is still an unseen hunger that we ignore at great moral peril. It is a hunger that comes from struggling neighborhoods where vacant properties become home to crack users who destroy the sense of safety and security a community needs to grow and prosper. These are the neighborhoods where potential business sites are neglected because of the cost of environmental cleanup. These are the neighborhoods where venture capital does not venture.

Despite the strongest economic growth in this Nation's history, too many people living in America's poorest neighborhoods are still being left behind. Today, we can do something about that by voting for H.R. 4923.

This legislation establishes a model that merges new ideas about venture capital, regulatory reform, drug and alcohol rehabilitation, housing and homeownership, environmental cleanup, commercial revitalization and tax incentives.

I want to commend the gentleman from Texas (Mr. ARCHER) and the gentleman from New York (Mr. RANGEL) and the gentleman from Pennsylvania (Mr. ENGLISH) for working so hard to make important tax aspects of this bill work. I also want to commend the gentleman from Iowa (Mr. LEACH) and the gentleman from New York (Mr. LAFALCE) and the gentleman from New York (Mr. LAZIO) for their hard work on the housing and community development provisions. I also commend the

gentlewoman from New York (Ms. VELAZQUEZ), who worked tirelessly with the gentleman from Missouri (Mr. TALENT) on the small business provisions.

I want to especially thank my original cosponsors, the gentleman from Missouri (Mr. TALENT) and the gentleman from Illinois (Mr. DAVIS), who shared this vision and worked tirelessly over the years to keep this legislation moving.

□ 1230

Mr. Speaker, I also want to thank Reverend Floyd Flake, who made a tremendous contribution to this legislation when he served with us here in Congress.

Most importantly, I want to thank the gentleman from Illinois (Mr. HASTERT), Speaker of the House, for not simply endorsing this bill, but for embracing this bill, and devoting himself to hours of negotiations with the White House and the President to come to the product we are voting on today.

Friends, today we can deliver hope and opportunity to America's most distressed communities. Make a difference. Vote ''yes'' for the Community Renewal and New Markets Act and create homeownership and opportunity in savings and get rid of these blighted spots in these communities with the brownfields effort.

Let me say before I close, I would like to thank the gentleman from New York (Mr. RANGEL), who has fought tirelessly to raise the cap on the private activities bonds. This is the only way that many of these communities will get assistance, going in and taking rundown housing complexes or complexes that financial institutions will not invest in; but by raising the cap on these private activity bonds, we can get private investment to purchase these bonds that will give the capital needed to rehab these different housing efforts within these communities. I appreciate that effort as well.

I want to thank the gentleman from Pennsylvania (Mr. ENGLISH), again, for his efforts on the Committee on Ways and Means.

Mr. SCOTT. Mr. Speaker, I yield 4 minutes to the gentleman from Pennsylvania, (Mr. KANJORSKI), the ranking member of the Subcommittee on Capital Markets, Securities and Government Sponsored Enterprises of the Committee on Banking and Financial Services.

Mr. KANJORSKI. Mr. Speaker, I thank my friend from Virginia (Mr. SCOTT) for the opportunity to rise in favor of passage of this bill today, but not in total satisfaction, because H.R. 4923 represents a compromise.

Unfortunately, when we have a compromise, we often do not have everything that one would think is needed. But not to make the perfect the enemy of the good, I think it is important that my colleagues in the House support this bill to move the process along.

This compromise occurs because of a lot of good people in this body, in the Senate, and, particularly, the President of the United States, have the dream of extending American opportunity to those distressed communities and pockets of America that have not participated in the economic boom of the last 8 years.

Last year, I had the occasion to travel with the President of the United States the length and width of this country. We stopped in more than a dozen communities and saw their needs. Each night at dinner or some other gathering, we discussed what we saw that day. We concluded that there was not a uniform problem in America, and not any one single community was the same as another community, in terms of its base problem. In other words, Mr. Speaker, there is no silver bullet to bring economic opportunity and improved quality of life to many of those citizens that do not share it today.

I think this legislation does go a great distance in starting to develop tools that will help economically lagging communities. Whether it be the Indian tribes of South Dakota or the inner city of Hartford, Connecticut, or the Delta of Mississippi, all of these communities will find something within this bill that can lead them along the road to more economic development and increased economic opportunity for their citizens.

I would hope, as this bill proceeds from the House to conference with the Senate, that my friends in the House will recognize that there are other good demonstration projects that are being attached as part of this bill, particularly in the Senate. Our colleague in Pennsylvania, Senator SANTORUM, for example, has added a demonstration project to renew areas by attacking regional problems comprehensively.

Included in the Senate version of the bill by Senator SANTORUM will be the Anthracite Region Redevelopment Act. The gentleman from Pennsylvania (Mr. SHERWOOD) on the Republican side and I support this plan. The gentleman from Pennsylvania (Mr. GEKAS) and the gentleman from Pennsylvania (Mr. HOLDEN) also support this proposal from the standpoint that it represents an approach and a methodology to attack land destroyed as a result of prior mining practices with a renewal and a reclamation project that is self-funded and operated by the local community. It costs this government the least amount of money to accomplish this greatest end.

It is intended that we take that demonstration project and one day move it across the coal mines of America, from Pennsylvania to Alabama and from Alabama to Montana. We can use the project to examine those areas that have suffered horrendous environmental destruction over the last 100 years. To a large extent we cannot bring back the economies of those areas without bringing back the environment of those areas. We need a Federal vehicle to accomplish that end.

This amendment that was supposed to be part of this bill in the House, and I think was agreed to by the Speaker in Chicago with the President last November, does not appear in the context of this bill. I think we all have to be good sports. Sometimes we are not happy with what happens, but I hope that the Senate will attach that amendment to the bill as it proceeds.

Mr. Speaker, I urge my colleagues on both sides of the aisle in conference to support that plan. In the meantime trying to be a sport and a player on the team for progress, I compliment both sides of the aisle and the leadership in proceeding through with this bill today.

Mr. Speaker, I urge all of my colleagues in the House to support H.R. 4923. It is the right thing to do at the right time. In the midst of American prosperity we should give those distressed communities across America an opportunity to share in the benefits that most of Americans have shared in for the last 8 years.

Mr. ENGLISH. Mr. Speaker, how much time is remaining on both sides?

The SPEAKER pro tempore (Mr. SIMPSON). The gentleman from Pennsylvania (Mr. ENGLISH) has 27 minutes remaining, and the gentleman from Virginia (Mr. SCOTT) has 15½ minutes remaining.

Mr. ENGLISH. Mr. Speaker, I yield 3 minutes to the distinguished gentleman from New York (Mr. LAZIO), the chairman of the Subcommittee on Housing and Community Opportunity.

Mr. LAZIO. Mr. Speaker, let me say how wonderful it feels for me to be in this Chamber and to hear a broad base of support for this incredibly important piece of legislation. On the right, on the left, there are things that we love about this bill.

Mr. Chairman, I want to thank the gentleman from Texas (Chairman ARCHER) and the gentleman from Iowa (Chairman LEACH) for their leadership in helping to refine this bill. I also want to thank the ranking members, the gentleman from New York (Mr. RANGEL), the gentleman from New York (Mr. LAFALCE), for all of their work. I want to thank the people who created the original dream of this bill, the gentleman from Oklahoma (Mr. WATTS), the gentleman from Missouri (Mr. TALENT), and the gentleman from Illinois (Mr. DAVIS), for their persistence in moving this bill forward.

There are so many people to thank, including the gentleman from Pennsylvania (Mr. ENGLISH) for his remarkable help, and I am very proud to have played a role in the development of this legislation.

I am proud to speak here in support of this bill that will help revitalize and renew some of our most underserved and most challenged communities. As you know, Mr. Speaker, this Congress has a substantial record of legislative

achievement in the area of housing and community development. Earlier this year, the House passed H.R. 1776, the American Homeownership Act.

Before that, Congress passed H.R. 202, a bill to protect America's seniors. And with this bill today, we bring tax incentives. We bring regulatory relief, and we bring economic investment to our struggling inner cities and rural areas.

This legislation does many things, including the expansion of the low-income housing tax credit, and I am happy to see this. If we would have developed a program from scratch, we would develop this program, a program that puts private sector capital at risk, that forces the private sector to do the due diligence and do the research to make sure that the program works, to make sure that we get to a mixed-income development so that there are role models for our children, people going to work during the day.

It is a wonderful program, and it deserves our continued support; and we are doing it here today. I am proud of the fact that we took APIC and extended it so that our Native Americans will have a chance at that dream as well, because this dream is not just for some, it is for everybody.

I am proud of the fact that people like Taylor Pennington and her husband and their newborn baby who were living in a cramped, dirty, dilapidated studio apartment will now have the ability to move into a new housing tax credit property that will give them a sense of self, where they can organize their lives and dream those dreams we want for all of our children, because of the work here.

I am proud of the fact that this bill establishes renewable communities throughout our Nations and that places like Harlem and the South Bronx and Troy, New York, will be eligible for employment wage credits. These credits will help encourage employment of our young men and women, offer an alternative to the illegal drug economy that dominates too many of our inner cities.

By encouraging employment, young people will learn the principles of accountability, responsibility, and punctuality that are necessary for successful careers.

I am particularly proud that because of our efforts, Native Americans will not be excluded from this program as they most likely would have been without our intervention. We insisted on measures devoted to investing in Native American lands—a Native American Private Investment Corporation. In 1996, we passed the Native American Housing and Self-Determination Act to increase the creation of much needed housing on American Indian reservations. In the same manner with this bill we continue to respond to the needs of our Native American citizens.

Mr. Speaker, for decades, we have witnessed a devastating impact that failed public policies have had on too many of our American cities. This bill brings new ideas to America's neighborhoods, and I urge its strong support and adoption.

Mr. SCOTT. Mr. Speaker, I yield 3 minutes to the gentleman from Chicago, Illinois (Mr. DAVIS).

(Mr. DAVIS of Illinois asked and was given permission to revise and extend his remarks.)

Mr. DAVIS of Illinois. Mr. Speaker, first of all, I rise in serious and enthusiastic support of this legislation. I want to commend the gentleman from Missouri (Mr. TALENT) and the gentleman from Oklahoma (Mr. WATTS) for the longstanding pursuit that they have had of this legislation.

I also want to take the opportunity to thank all of those committees that have been a part of processing it up to this point.

I also want to thank President Clinton and Speaker HASTERT for following through, following up on the commitments that they made to people as they traveled all around America, looking at communities where people had lost hope, where people had given up, where people felt that there was nothing really for them.

Now we come with legislation that not only provides hope, but provides money, resources, venture capital, provides an opportunity to attract and bring new businesses to communities where there have not been any for years and years. Wage incentives, so that you can hire people who have been unemployed, opportunities for people to know that they, too, are part of America.

Mr. Speaker, I know that some of my colleagues are concerned about the charitable-choice provisions of this legislation; but I tell my colleagues, all of my research indicates that this legislation breaks no new ground in that arena. There are already charitable choices in the welfare bill that we currently operate under. There are already charitable choices in some of the community development activities that we all need and make use of.

So while I am concerned seriously about the Constitution and upholding the law, this legislation is in compliance with both. And I would urge a yes vote, a vote for the renewal, not only of people's minds, but the renewal of their communities.

I remember a passage of scripture in the Bible that says, And they rebuilt the walls because the people had a mind to work. This legislation would not only work for renewal communities, but it would work for all of America; and I urge that we vote its passage.

Mr. ENGLISH. Mr. Speaker, I yield 3 minutes to the distinguished gentleman from Pennsylvania (Mr. PITTS), chairman of the Subcommittee on Empowerment of the Committee on Small Business.

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

Mr. PITTS. Mr. Speaker, the American people are the greatest resource of this land. Every community, no matter how poor, has people in it that care deeply for their neighbors. Every community, no matter how high the crime rate, has neighbors who look out for each other.

The American people are the greatest untapped resource of community renewal in this country. By allowing faith-based organizations to do what they do best, care for people and help them grow, we will see a revolution of prosperity, even in our most distressed neighborhoods.

Statistics have shown conclusively that faith-based, community-based organizations are vastly more successful at turning lives and neighborhoods around than any government program.

Teen Challenge, a program in Pennsylvania that has operated for over 40 years, it is a faith-based drug treatment program that keeps the individuals in their program for a year. They track their graduates for 7 years after they graduate. I have seen two studies, one 70 percent, one 86 percent success rate.

The Government programs do not track their people that go through their programs, and many of them recycle. The genius of this legislation is that it replaces faceless bureaucracies with the power of neighborly compassion. Through tax incentives and the creation of 40 new renewal communities, this bill says to leaders in distressed communities, ''You go on and do what you do best. We know you'll do a better job than we can.''

□ 1245

Mr. Speaker, this legislation is telling the American people that they hold the power of change, that they hold the key to the future.

Finally, Mr. Speaker, I am hopeful that the conference committee will insert the Individual Development Account legislation language in the bill, as the Senate version of the bill contains that language. As cochairman of the Renewal Alliance, along with my cochair in the Senate, Senator SANTORUM, we have been promoting this legislation for 3 years.

I want to commend the gentleman from Missouri (Mr. TALENT), the gentleman from Oklahoma (Mr. WATTS), and the President and the Speaker for their commitment to this legislation.

Mr. Speaker, I urge adoption of the bill.

Mr. Speaker, I am pleased that H.R. 4106, the Savings for Working Families Act, was included in the Senate's version of the Community Renewal and New Markets Act.

H.R. 4106, which I introduced with Congressman STENHOLM, creates the first nationwide Individual Development Account program.

These matched savings accounts are restricted to three uses: (1) buying a first home, (2) receiving post-secondary education or training, or (3) starting a small business.

Mr. Speaker, America is in a period of unprecedented growth. It is impossible for many to take advantage of this economic boom

when one-fifth of American households do not have a bank account.

H.R. 4106 will help American families attain the American dream. While I am a strong supporter of the bill before us today, I urge my colleagues to consider including IDAs when this legislation goes to conference.

H.R. 4106 provides a tax credit to financial institutions and businesses that match the savings of the working poor through IDAs. IDAs are matched savings accounts restricted to three uses: (1) buying a first home, (2) receiving post-secondary education or training, or (3) starting a small business. All matched dollars are paid directly to the qualified financial institution and payments from the IDA are made directly to the asset provider. IDAs would be available to low-income citizens or legal residents of the U.S.

Mr. Speaker, there is an old joke that says the scariest thing an American citizen can hear is the phrase: ''Hello, I'm from the federal government and I'm here to help you.''

And, although it's a joke, I think there is some real wisdom there.

Many of us in this chamber can remember Lyndon Johnson's first 100 days, when he set about trying to solve every problem faced by the American people.

He planned a War on Poverty, which was designed to eradicate poverty—forever.

Well, almost 40 years later we still have poverty, and we have families who have been stuck in poverty for generations now.

Why is that?

Well, I would submit to my colleagues that government—as a rule—is unfit to solve the greatest problems of society.

Can government create a work ethic?

No.

Can government make people moral?

No.

Can government force families to stay together or communities to prosper?

No and no.

That was the problem with the Great Society.

It denied the fact that our society—and yes, it is a great one—is not only of the people, but also by the people.

Mr. SCOTT. Mr. Speaker, I yield myself 30 seconds at this point to comment on some previous speakers, one of whom said there is no new ground. Research has found that under the Welfare Reform and Community Development Block Grant, the recipients of those programs have not taken advantage of the opportunity to discriminate that is specifically provided in those bills. They have not taken advantage of it, but that would be new ground if we expand it, and organizations do take advantage of it.

Furthermore, Mr. Speaker, a 1998 GAO report found the following: Other treatment approaches such as faith-based strategies have not yet to be rigorously examined by the research community.

Mr. Speaker, I yield 1 minute to the gentleman from Pennsylvania (Mr. FATTAH).

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

REQUEST TO BE ADDED AS COSPONSOR OF H.R. 4923

Mr. FATTAH. Mr. Speaker, I ask unanimous consent that my name be added as a cosponsor of this legislation.

The SPEAKER pro tempore (Mr. SIMPSON). The Chair is unable to entertain that request. The sponsor of the bill may add a cosponsor.

Mr. FATTAH. Mr. Speaker, I rise in support of this legislation. It provides a host of rules focused at the needs of communities in which this economic expansion has not yet reached, and many of which have been referenced earlier today. I think that is appropriate that this Congress move in this direction.

I want to compliment the gentleman from Pennsylvania (Mr. ENGLISH) and also others who have been involved in moving this legislation forward, the gentleman from Missouri (Mr. TALENT) and the gentleman from Oklahoma (Mr. WATTS); but on my side of the aisle the gentleman from Illinois (Mr. DAVIS) and the gentleman from New York (Mr. RANGEL) have done an extraordinary job.

I just want to say that the President's support for the New Markets initiatives indicates once again that we can, working together, perhaps provide hope in places where hope is necessary.

I just want to say that in this Congress, to the degree that we focus in on substantive relief for people who face present problems, I think that we can all be proud of our work, and this legislation is another example of it.

Mr. ENGLISH. Mr. Speaker, I yield 2 minutes to the distinguished gentlewoman from Oregon (Ms. HOOLEY), a distinguished supporter of this legislation who has given this legislation a strong bipartisan tilt.

(Ms. HOOLEY of Oregon asked and was given permission to revise and extend her remarks.)

Ms. HOOLEY of Oregon. Mr. Speaker, first of all, I want to commend the President, Speaker HASTERT, and the other Members who worked so hard in a variety of committees. This bill is about hope and opportunity, to make sure that all people can share in our economic good times.

As an original cosponsor of the American Private Investment Companies Act, I have supported the President's New Markets proposals because it will bring investments to areas left behind.

In my home state of Oregon, the Portland area has been booming from an infusion of high-tech jobs, but many rural areas have actually experienced reduced employment.

Last year, our largest newspaper, the Oregonian, published an article called ''A Growing Gap'' which stated, ''Oregon's rural counties aren't keeping pace with Portland. Despite a decade of prosperity, inequalities not only exist, but they appear to be growing.''

One machinist was quoted as saying that in his hometown, people are standing in line for minimum wage jobs. What a contrast to the new economy boom towns like Seattle and Portland. APIC and other programs in this bill will work, because they bring private sector solutions that have worked so well in other areas to our distressed rural and urban areas that have been left behind.

I urge my colleagues to support this bipartisan legislation.

Mr. SCOTT. Mr. Speaker, I yield 3 minutes to the gentlewoman from California (Ms. WATERS).

Ms. WATERS. Mr. Speaker, I rise to raise some questions about the bill, and I would like to take this opportunity to explain that this is the kind of legislation that really tests what you stand for.

Of course, this is good legislation that includes in it a lot of the answers to questions about what are we going to do about inner cities, how are we going to get some investment. This will do a lot of that. We all support empowerment zones, we all support venture capital, we all support more housing opportunities, and the President put a lot of time into it.

This is oiled, this is greased. Both sides of the aisle have agreed that this legislation should pass. So for those of us who raise questions, we raise them knowing that, nine times out of ten, this legislation is going to pass.

However, this should not have been on the suspension calendar. It is on the suspension calendar, which eliminates the opportunity for us to make amendments. Why would we want to make amendments? For several reasons. I am raising questions on three grounds.

I object, first of all, to the placement of H.R. 4923, the Community Renewal and New Market Act, on the suspension calendar.

Second, I have serious concerns regarding the use of Federal dollars for the funding of religious-based institutions which may use the funds in a discriminatory manner. I want to tell you, the Founding Fathers did a good job of separating state and religion, and they did this for a lot of reasons. People should be free to worship their God as they see fit, but also the government must never have such a strong hand that they can determine what happens in any religion.

Now, we have advanced in this country to the point where we protect the rights of people to work and to participate where tax dollars are involved. When we talk about giving these tax dollars to religious institutions, we are now talking in this legislation about allowing them to discriminate based on religion. This is discrimination creep.

What we are doing is opening up the door so that we say it is all right, 501(c)(3), if you are a religious institution to discriminate, but when the other 501(c)(3)s come in and say, well, we want to discriminate based on the fact that we have the kind of work that we are doing that is so special, that is so important, that we should be allowed to determine who can get a job

and who cannot get a job. So we are opening up the door, and certainly we should have a debate about that on the floor of this Congress. We should not change our discrimination laws in this manner without a debate. So I have real concerns about that.

Third, I am concerned about what seems to be a blanket approval of religious-based drug treatment programs at the expense of State-funded programs. We do not know who is the best, there is not enough information for it, but we should give everybody an equal opportunity without allowing discrimination.

Mr. ENGLISH. Mr. Speaker, I yield 1 minute to the distinguished gentleman from North Carolina (Mr. HAYES).

Mr. HAYES. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, I might recall for the gentlewoman the remarks of the gentleman from Missouri (Mr. TALENT), that this does not in any way impose faith-based treatment on anyone. It simply gives the opportunity for very successful efforts to be available to a wide cross-section of individuals.

Mr. Speaker, I rise today in full and enthusiastic support of this bill. I want to commend my colleagues who have worked so hard to bring this legislation to the floor, the gentleman from Oklahoma (Mr. WATTS) and the gentleman from Missouri (Mr. TALENT).

Mr. Speaker, while this bill is meant to address faltering local economies around the Nation, I want to address the situation in our rural areas in North Carolina's eighth district. Washington is finally waking up to the fact that success on Wall Street does not automatically translate into success on Main Street. In fact, while many in our Nation reap the benefits of a record economy, in the rural communities they continue to suffer with few local jobs and opportunities.

Mr. Speaker, the first bill I introduced after coming to Congress was the Rural Economic Development and Opportunities Act. This bill was meant to spur employment in rural areas by extending a modest tax credit for job creation in these areas. The Community Renewal and New Market Act captures and implements the spirit of that bill, and I am proud to support this legislation today.

Mr. ENGLISH. Mr. Speaker, I yield 5 minutes to the distinguished gentleman from Indiana (Mr. SOUDER).

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

Mr. SOUDER. Mr. Speaker, one thing we need to clarify right off the bat is what the intent of the Founding Fathers was, in fact, in religion; and this bill does not go near that far. In fact, the Founding Fathers printed twice copies of Bibles to be distributed in American schools because there was a shortage of Bibles, and they printed them with taxpayer dollars. This bill does not do that.

Furthermore, anybody in this House gallery can see of all the lawgivers, one is looking down at us. It is Moses, and he is looking down at ''In God We Trust.'' But this bill does not go that far. It does not mandate that everybody be in a Chamber that says ''In God We Trust.''

It gives some flexibility as we try to address the problems of the cities of this country and the low-income areas of this country. Problems which are heavily rooted in economics, and this bill has wonderful things in economics but are also matters of how to reach the soul, how to reach the families, how to help people who are hurting, who are broken, who are hungry, who are struggling with drug and alcohol abuse, and this bill does open that.

The question was raised, have we debated it in this House? We have debated it in this House five times. We passed it in welfare reform, we passed it in social services reform, both signed by the President. We passed it in juvenile justice; we passed it in housing. Every time this House has passed this bill. Every time we debated it. We have debated it here, we have debated it in the Senate, we debated it in conference. Some people do not like the bill, and they do not like it that there should even be a choice that people should have religious options.

Furthermore, the President of the United States has signed off on this compromise, Governor Bush of Texas has been very innovative in using faith-based organizations as alternatives in prison reform and actually in alcohol and drug assistance. Vice President GORE has on his home page that in the specific instance of alcohol and drug abuse, that faith-based organizations ought to be allowed to be used.

The Drug Czar of the United States, General Barry McCaffrey says,

ONDCP applauds your work with President Clinton on this historic initiative. We welcome broad involvement by private volunteer and religious groups in support of the national drug control strategy. Throughout the country, faith-based organizations are making significant contributions to educating our youngsters about the dangers of substance abuse and helping many thousands of addicted Americans to achieve and maintain recovery through the added motivation faith can provide.

There is no question that at the minimum, faith-based organizations are as effective as other programs in alcohol and drug abuse. The fact is the American Journal of Drug and Alcohol Abuse found that faith-based addiction programs are much more likely, up to 45 percent, to report success. Any study that has been done, non-biased, shows in fact they are cheaper to administer, because you have so many volunteers and other people willing to produce it, so it helps the taxpayers and the individual.

Now, one of the great ironies of this as I work with this in the City of Fort Wayne that I represent is many of these programs that people are so afraid of that are effective are in fact run by the communities themselves, by the minority leaders in their communities.

In my hometown, Reverend Jesse White has a computer program, as does Otha Aden, a pastor in Fort Wayne; so does Reverend Jesse Beasley is working with a program, Reverend Mike Nicholson has put together a community housing program through the Associated Black Churches. I have worked with George Middleton, who has taken his savings to help build a community center because his faith has motivated him to do so, and Andre Patterson. I have worked with Reverend Marshall White, who has a program for music, that in San Antonio, Texas, is one of the most remarkable programs in the United States. Freddie Garcia, a former cocaine addict, has run a program that has brought thousands to change their lives, many of whom are currently ministers and who are back on the streets. I personally have met over 200 former addicts in San Antonio in two different visits who have had their lives changed and are now reaching young people in the neighborhoods going door-to-door working in the different housing units in the city.

☐ 1300

Bishop Raul Gonzalez in Hartford, Connecticut, has had a tremendous program to reach out through Youth Challenge to young people who are struggling with drug and alcohol addiction. He has reached into their hearts and tried to change their lives.

It is not enough just to give somebody a job who has messed up. One has to change both the soul and the ability to have a job. It is not enough sometimes just to change somebody internally either and help them get off drug and alcohol abuse. If they are going to live in a place that is unsafe, is intolerable living conditions and they do not have anything to do, they will fall back into drug and alcohol abuse. That is what is so great about this bill is it mixes the two.

Reverend Eugene Rivers, and I have a number of things I am going to insert in the RECORD, but this Newsweek story shows the debate of faith-based organizations and what he has done working with gangs in Massachusetts. When one talks to the people in the street there who have been working with these kids they say, Why, if we are faith-based, can we not get any money if we have all of these groups that have nothing to do with religion who are ineffective, who had no impact in our community, yet the people who live here, who are active in the community, have not been able to get access to the funds?

This bill will rectify that; and I congratulate my friends, the gentleman from Missouri (Mr. TALENT) and the gentleman from Oklahoma (Mr. WATTS), on their efforts.

BISHOP RAUL GONZALEZ, EXECUTIVE DIRECTOR, YOUTH CHALLENGE

''Youth Challenge has now expanded to 25 centers in 10 states and foreign countries. It

has grown because it is based on a model of discipleship, where ''sons'' of Youth Challenge, who have a common heart and vision, go into the world to serve others. In Guatemala, we have a drug program for males. We have food programs, which we call ''love kitchens.'' We begin by going into the streets, offering drug addicts and alcoholics food and clothing. From there, we share the gospel them food, we witness to them, and we convince them to enter the drug program.

We also have strong prison ministries. Many of our chaplains are, themselves, doing time—some for as many as 40 or 60 years. they are some of our best and most committed pastors, because they ain't going nowhere. Members of our prison churches actually tithe of soap and toothpaste and things like that. We provide our services gratis. We only ask the families to donate at ten dollars a week, if they can.

Our Youth Challenge ministers are committed and impassioned because they understand that we are in a virtual war and that this revolution is forever.

Not long ago, an AP story noted the findings of a 13-member group of experts on a panel set up by the UN. They announced that drug use is growing among youth in the United States. Now, the UN didn't have to spend all that money conducting that study. They could have just asked us who are working on the streets, and we would have told them that drug abuse was growing! All the ministers of Youth Challenge stay in touch with what's happening on the streets. From the beginning, I made that our policy and I think that is one reason that our program has lasted so long.

I've been involved in outreach to addicts for 30 years. Thousands of people have come through our doors. We have tracked what happens to them, and we have documented a success rate that ranges from 60 to 80 percent.

Our program has made unique progress as a faith-based organization, because we have been able to break ground in working cooperatively with the state. We are licensed, and no demands have been placed on us to cease preaching the gospel of Jesus Christ. We are ''professional'' without being ''professionalized.'' I'm governed by a board. We have a men's home, a women's home, and a training center in Connecticut.

Our relationship with the State did not come overnight. For five years, I fought the regulators on the issue of licensure. I lost in the first count, where the decision was made by one judge. Then we took our case to a court with three judges. Eventually, our case was heard by five judges. Our position was that we were a religious organization, not a ''drug treatment service'' and that, as such, we shouldn't need a license. We said, ''Okay, before you guys demand that we apply for a license, we want you to look at our materials.'' And we brought in a pile of Bibles and stack of scriptural readings. Our lawyer is retired, but was at the top of his field, and he proved that Youth Challenge taught more scripture than any seminary in new England.

What I learned from this experience was that when the state wants to do something, they just do it. Forget about this separation of church and state deal. They see what they want to see. You know what they did to us? They actually licensed our Bible training center. That's how my license reads—''Youth Challenge Bible Training Center.'' So the state thinks it has the power even to license the Bible! I could have fought them and refused to be licensed and gone to jail, but they would have closed us down. So I was forced to accept the license. In spite of their regulations and guidelines, I believe if they leave programs like ours alone, we would do a better job. But it was not an option for them to leave us alone.

I believe that if you know the Lord you can have the power to deliver a person from addiction. If you don't, but have all the education in the world, you are not going to deliver anybody. Yale University is only a half an hour from us, and they haven't been able to deliver nobody. The most they have done is to give out needles. Not far away, in Massachusetts, there is Harvard University. They haven't been able to do anything about the drug crisis expect document it. Yet, if somebody believes in Jesus Christ and has the power working through him, he's able to deliver people. I know because that is what happened to me 29 years ago, when a group of people laid hands on me. I met someone who knew God and I was set free.''

C. Youth Challenge Case Study

(By Collette Caprara)

Bishop Raul Gonzalez, stately and commanding, yet embracing in his love, is the founder and director of Youth Challenge of Hartford, CT, and the founder of Youth Challenge programs in Puerto Rico, Florida, and the Bronx, New York. Raul is a devoted husband of his wife ''Willie'' and father of four children. He was also the son of an abusive alcoholic father whose own life was nearly annihilated by a heroine addiction. But then he emerged into a new life with an unshakeable commitment to free men, women, and youths from the chains of drug and alcohol abuse.

The philosophy of the program is the development of self-respect, confidence, and a capacity to enjoy life through discipline, proper counsel, and attitude. The basis of the Youth Challenge approach is a total living environment of personal and group interaction, with structured activity. The overall objective is to engender a total change in values and lifestyles among the young men and women who are served through the program. A trained and capable staff provide an atmosphere of warmth, trust, support, and love that many of the residents never before experienced. Residents participate in a variety of individual and group activities, and also engage in supervised housework duties according to a daily schedule. The primary goal of all the activities in which the residents are involved is to instill a sense of self-discipline and self-worth, which equips them to live as responsible, productive citizens when they graduate from the program. Instilled in Youth Challenges' students is the conviction that, not only can they be drug free, but they can be positive assets to their community.

Youth Challenge has expanded throughout the nation, establishing centers in 25 locations, within the United States, Central America, and the Caribbean, with a remarkably high success rate. Studies of program participants indicate that 70 percent of Youth Challenge's graduates never return to drugs. Youth Challenge centers have accepted more than 2,500 drug- and alcohol-dependent in their programs. Its staff is comprised of individuals from a spectrum of ethnic backgrounds who have successfully overcome drug and alcohol dependency, and its doors are open to individuals of all races, creeds, and ethnic backgrounds. The Youth Challenge Men's Induction center offers a bilingual program of counseling and classes.

PROGRAM ACTIVITIES

Youth Challenge is actively involved in both the treatment and prevention aspects of drug and alcohol problems. Along with its primary mission of being a residential rehabilitation program for troubled individuals, Youth Challenge has established several active satellite programs that augment its basic mission. These auxiliary programs have had a substantial impact on deterring youth crime and self-destructive behavior among young people as they have made opportunities available for productive activities and engendered a substantial change in the lives and lifestyles of the individuals it serves.

Youth Challenge's auxiliary activities include the following:

Family Support: Youth Challenge works very closely with the family of the substance user in a family counseling setting to support them in accepting and dealing with their loved one's addiction.

Prison Outreach: Youth Challenge is currently providing services to six prisons, two of which have extremely high Spanish-speaking populations and are visited weekly by Youth Challenge.

School Presentations: At the request of local school district authorities, Youth Challenge staff members offer presentations in both the primary and secondary schools within the greater Hartford area.

Street Outreach: Youth Challenge staff volunteer as street workers where they make initial contact with troubled individuals and provide access to treatment in a familiar non-threatening environment.

Youth Activities: Youth Challenge works with local neighborhood groups in the inner-city to provide services for at-risk children, including classes and group activities to promote positive values, an uplifting self image, constructive relationships, and character development.

Referred Services: A number of government agencies and private organizations refer their clients to Youth Challenge to assist them in addressing substance abuse. Among these agencies and programs are: the State of Connecticut Department of Corrections, the State of Connecticut Department of Education, the Probation Department of the State of Connecticut, Connecticut Valley Hospital, the State of Connecticut Department of Parole, the Department of Mental Health and Addiction Services, and the Salvation Army. In addition, Dr. Raul Gonzalez has been a consultant to the military and its Drug Education Program.

CENTRAL FACILITIES

Youth Challenge's main offices and male induction services are located at the community residence at 15–19 May Street in Hartford. This facility provides initial phases of treatment for 15 residents. Here, the incentive to forsake the drug habit is engendered and the desire to pursue a new life is instilled. This induction phase includes counseling, classes, and group activities, and lasts approximately four months or until the individual is ready to move to the second phase.

The goal of this program is the development of self respect, confidence, and a capacity to enjoy life through discipline, counseling, and positive attitude. A total living environment of personal and group interaction, with structured activity, provides the basis of this approach.

The Youth Challenge Mission for Women, which opened in 1981, follows the same program format as the male services program. It is licensed to accommodate 8 residents and is located at 32 Atwood Street in Hartford.

Long-range training for men is also provided at the Youth Challenge Training Center, a 21-acre farm located in Moosup, CT. The facilities can presently house 9 students. The training that began at the induction center continues at the training center, as individuals are challenged to develop, at progressive levels, the personal, social, academic, and vocational aspects of their lives. Here, a vocational training program helps its residents to develop job skills and a strong work ethic. Opportunities for academic advancement, including GED classes are also available.

The third phase of training is internship. Participants in the program complete six months of supervised, on-the-job training. This service solidifies gains that they have made in the induction center and in the training center throughout the twelve preceding months and provides an opportunity to continue to develop their personal skills and ability to relate and work with other people. After their internship, graduates of the program move into staff trainee positions in one of the Youth Challenge centers or they can become active in the re-entry program where they obtain gainful employment while continuing to reside in the supportive environment of the Youth Challenge facility. Program graduates may also choose to move out of the center to pursue their long-term goals, often reuniting with their family, entering long-term careers, and furthering their education.

The Corinthian School of Urban Ministry, operated by Youth Challenge, provides college-level scriptural education and training in faith-based, non-clinical counseling techniques. After completing the school's training curriculum, graduates continue on-the-job training as junior and senior counselors. This hands-on residential experience, which includes eighteen months of the National Teen Challenge curriculum, equips Youth Challenge ministers to become disciples and empathetic counselors whose firsthand experience gives them the power to engender transformations in others who suffer the bondage of addiction.

A GOAL OF COMPLETE AND LASTING FREEDOM FROM ADDICTION

Most conventional drug treatment programs refer to former addicts as ''recovering,'' implying that the process is never fully complete and that progress is always in a state of jeopardy, as recidivism looms in the background. In contrast, Youth Challenge is built on the premise that complete and total freedom from addiction is possible through Christ. In the words of Raul Gonzalez, ''We don't say that you will live in the shadow of a relapse.'' The high success rates and low recidivism rates of Youth Challenge and other faith-based programs give credence to their methodology of dramatic transformation when contrasted with conventional ''recovery'' in which relapse is common.

As Bishop Raul Gonzalez explains, the notion of ''sonship'' is central to its effective intervention. Residents at Youth Challenge centers are not considered as clients, but are welcomed into a ''family'' that provides a sense of love and belonging that replaces the false sense of identity and family structure which attracts many young people to gangs. The father-son, father-daughter relationships expand through discipleship to embrace ''grandchildren''—a third level of individuals who are reached by its healing powers. As a new generation of sons are embraced by grassroots disciples, the mantle of leadership is passed and the family structure expands.

In Youth Challenge, Bishop Gonzalez and his family exhibit a standard of parental love that lasts a lifetime, not just for eighteen months of treatment. ''We all need three fathers,'' he explains, ''Our Heavenly Father, our physical father, and a spiritual father.''

The powerful paradigm of sonship and parental love is markedly different from conventional drug treatment programs that are based on a professional-client model. Youth Challenge residents and staff resemble a family, or a ''living body,'' as opposed to therapeutic programs that often ''warehouse'' clients in an institutional setting. The Youth Challenge program is truly ''spirit filled,'' and is based on a heartfelt commitment to serve those who are within the ministry and the entire realm of individuals whose lives are dominated by addictions.

[From the Houston Chronicle, Mar. 6, 1995]

WELFARE FROM THE STREETS

(By Thaddeus Herrick)

SAN ANTONIO—On a vacant lot deep in the barrio, amid neglected bungalows and gang graffiti, reformed junkie and born-again preacher Freddie Garcia is waging war on the welfare state.

He grasps a homeless ex-con named Christopher by the collar, beseeching him to accept Jesus in voice that recalls both his Mexican-American heritage and his streetwise past.

''Lord Jesus, I'm a sinner,'' Garcia cries, urging his convert to repeat after him. ''I ask forgiveness. Forgive all my sins. Jesus, come into my heart.''

No tax dollars. No bureaucracy. No Washington.

Just this vacant lot and a barracks of sorts for drug addicts, prostitutes and other urban flotsam—and plenty of Bibles.

Sound like House Speaker Newt Gingrich's answer to welfare reform? It pretty much is.

Garcia's successful venture is called Victory Fellowship. It claims to have cured 13,000 people of drug addiction and alcoholism over the past 25 years throughout the Southwest and overseas and has made Garcia a Gingrich poster boy.

At a news conference earlier this month, the Republican speaker urged policy makers to take note of the 56-year-old preacher and his organization.

Indeed, Gingrich and his allies believe Garcia represents the solution to the war on poverty: personal experience, faith and local know-how.

''People like Freddie share the same zip code with the ones they're helping,'' says Robert Wodson, president of the National Center for Neighborhood Enterprise, a Washington-based group favoring Gingrich's free-market ideas. ''I can't imagine that would be the case with a psychiatrist.''

Experts, even those from opposing political camps, agree that Garcia's success should be studied. They warn, however, against completely localizing anti-poverty efforts.

''What concerns me,'' says Margaret Weir of the Brookings Institute, a Washington think-tank often allied with Democratic causes, ''is that this could become a excuse for state and federal governments to wash their hands of the inner cities.''

An unassuming man when he's not saving souls, Garcia was raised on San Antonio's poor East Side where he says he fell into a miserable, angry, heroin-addicted life.

''He and his girl, Ninfa, lived on the streets,'' reads the back cover of Garcia's self-published autobiography. ''They abandoned their first child, aborted their second and brought their third infant along while they burglarized and scored drugs.''

In 1966, strung out on the streets of Los angeles, Garcia accepted a friend's invitation to seek help at a Christian home called Teen Challenge.

Several months later, Garcia says, he stumbled to the altar during a revival and, tears filling his eyes, asked Jesus to ''pasame quebrada,'' or ''give me a break.''

He then set out to convert others. After graduating from the Latin American Bible Institute in La Puente, Calif., Garcia returned to San Antonio and opened a home for barrio drug addicts. Today, there are five San Antonio homes under the Victory Fellowship umbrella.

''We teach Jesus in the morning, Jesus at noon, Jesus at night,'' says Garcia. ''You leave Jesus out, man, you're like every other treatment program in the United States.''

In Garcia's world, there is no room for social and economic analysis, psychiatry and psychology. Man sins, or he repents. He is lost, or he is saved.

Such a view of drug abuse makes state officials uneasy. Rehabilitation, they say, is not an exercise in black and white.

''I'm not one to say God's not in the miracle business,'' says John Cook, a spokesman for the Texas Commission on Alcohol and Drug Abuse. ''But addiction is not a moral issue. It's a disease,'' he claims.

Garcia, however, insists he gets results: Nearly two out of three of the people who study the Bible at Victory Fellowship for three to six months overcome their addiction to drugs or alcohol, he says.

At the very least, the scene at Victory Fellowship on San Antonio's West 39th Street looks convincing. A group of addicts, arms in the air, stages a heated mini-revival inside the center. Outside, 100 down-and-out men and women gather in clusters for Bible study.

One group stands, waving arms frantically. ''Lord, you are more beautiful than diamonds,'' they sing, ''and nothing I desire compares with you.''

In the men's bunkroom, a heroin addict named Paul and an alcoholic called Sam, both new arrivals, work their way through the Old Testament with a counselor, a former drug abuser himself.

''I been in the state hospital in Austin,'' says Sam. ''I don't want no other program but this one.''

While Garcia cannot document his success rate, his anti-drug efforts were praised by President Bush in 1990. Then in early February, Gingrich held Garcia up as a model in the war against the welfare state.

''But rather than study him,'' said Gingrich at a Washington press conference, ''the bureaucracy has tried to put folks like Freddie out of business because they don't have Ph.D.s or can't fill out the paperwork.''

Experts agree that Garcia's role as a recovered drug addict is central to his program. In fact, all the Victory Fellowship Bible instructors are recoveredd addicts, most of them felons.

''People like this play an important leadership role,'' says Weir. ''They've done a terrific job when not a lot of other organizations have.''

Still, Weir warns there is a danger in suggesting that those who fall on hard times—and the struggling communities where they live—must right themselves.

''There's a bit of false populism here,'' she says. ''The problems of the inner city are largely economic problems that neighborhoods have no control over.''

Nevertheless, Gingrich has assembled a National Leadership Task Force on Grassroots Alternatives for Public Policy, a group representing Victory Fellowship and several dozen other mostly faith-based programs, to offer ideas on legislation that would, in the House speaker's words, ''end the welfare state.''

Woodson of the National Center for Neighborhood Enterprise says its March 15 task force report to Gingrich will tout the achievements and cost-efficiency of organizations such as Victory Fellowship.

The task force will also urge federal and state leaders to fund faith-based groups (though Garcia says he wants no money) and relax the regulations that groups such as Victory Fellowship face.

''Too often,'' says Garcia, sounding a distinctly Gingrich theme, ''the government rewards failure and punishes success.''

For example, Garcia would prefer to advertise Victory Fellowship as a ''rehabilitation center.'' When he tried that, however, the Texas Commission on Alcohol and Drug

Abuse gave him an ultimatum: Apply for a drug-rehab license or advertise as a church.

But getting a license to treat drug addiction would mean meeting state health and safety codes. Even Garcia admits that would be tough, since his shelters seldom turn away the desperate no matter how full.

It would also mean having licensed counselors, which would mean hiring staff with college degrees. Garcia says he does fine with dropouts from the barrio.

''My people have educations you can't get at Yale University,'' he says.

[From the San Antonio Express-News, Feb. 6, 1997]

STATE OF THE UNION RECOGNITION COSTS SAN ANTONIO IN LIMELIGHT

(By Brenda Rodriguez)

For the first time during a State of the Union address, two of the Alamo City's native sons who rose from humble beginnings to prominence were recognized for their public service.

President Clinton took a few minutes from his hourlong speech to Congress Tuesday night to pay tribute to U.S. Rep. Frank Tejeda, who died last week after a battle with brain cancer.

He also recognized Henry Cisneros, the former San Antonio mayor who spent four years as Clinton's secretary of Housing and Urban Development.

Republican Rep. J.C. Watts—during remarks in response to the president's address—also praised Freddy Garcia for helping people kick their drug addictions.

''We are the incubator for great Hispanic leadership,'' political scientist Richard Gambitta said about Tuesday night's local honors. ''Clearly San Antonio is a city on the rise.''

Tejeda's mother, Lillie, and sister Mary Alice Lara sat behind first lady Hillary Rodham Clinton and Tipper Gore as the president commended the late congressman for his military bravery and public service.

The president had extended a special invitation for the family to attend the address. The Tejeda family would not comment Wednesday about the trip to Washington.

With help from her daughter, Lillie Tejeda stood proudly before Congress as they applauded her son's accomplishments.

Tejeda, a decorated Vietnam veteran, was buried with full military honors Monday at Fort Sam Houston National Cemetery.

The president also saluted Cisneros, who left the Cabinet in January and now will head the Spanish-language television network Univision in Los Angeles.

But Cisneros will not stray far from the political limelight. He will join Gen. Colin Powell and Vice President Al Gore in leading the president's Summit of Service in Philadelphia in April.

''Henry Cisneros remains the most viable political candidate in the state of Texas,'' Gamibtta said. ''Henry Cisneros without question is a superstar.''

In Watts' Republican Party response to the State of the Union address, he said Garcia is ''the state of the union.''

Garcia, a recovering drug addict, is the founder and director of Victory Fellowship, a Christian ministry that helps people overcome drug and alcohol dependencies.

Garcia said he was surprised Watts mentioned his efforts in his speech. The Oklahoma representative visited the ministry last spring during a trip to the Alamo City.

''You don't hear about anybody from our barrios being mentioned,'' Garcia said. ''I know (Watts) knows our program is for real.''

Gambitta added that such grassroots efforts by San Antonians will continue to garner recognition.

''We have tremendous potential in the city,'' he said.

[From the San Antonio Express-News, Feb. 21, 1996]

GOP TEAM PRAISES DRUG REHABILITATION PROGRAM

(By Maria F. Durand)

A San Antonio faith-based drug rehabilitation program that has been heralded nationwide as a model of grass-roots community intervention won kudos Tuesday from members of a Republican congressional team charged with restructuring welfare.

''It's the most impressive of its kind I've seen,'' U.S. Rep. J.C. Watts, R–Okla., said during a visit to Victory Fellowship, a Christian-based program that receives no federal or state funds.

Watts is co-chair of the Task Force on Empowerment and Race Relations.

''We need to put these kinds of community values back into the programs,'' said U.S. Rep. Jim Talent, R–Missouri, another co-chair of the Republican team. ''We need to encourage what the system has been discouraging.''

During an hour-long noon service, a long list of recovering drug addicts told similar stories of recovery and clean lifestyles.

People like David Cortez, George Juarez and Ernest Guerrero, who now work in many of the center's outreach programs, lauded Jesus as their savior.

Part of the Republican proposals for welfare reform include dropping many of the guidelines prohibiting federal funds from going to faith-based organizations. The GOP also wants to turn more administrative power over to local organizations.

Republicans plan to announce welfare reform legislation next week in Washington.

Most groups working with community-based organizations agree that more power should go to local agencies and many regulations should be eliminated.

''Solutions should be local. Federal intervention is not good,'' said Beverly Watts Davis, executive director for San Antonio Fighting Back of United Way.

Victory Fellowship was founded by former drug addict Freddie Garcia in 1972.

''The only way that we would get federal funds is if there were no strings attached,'' said Garcia, who receives much of his funding from private donations. ''I am not against the funds. I am against the regulations that make no sense.''

However, while programs like Victory Fellowship serve some, they cannot help everyone.

''For some clients who can identify with a higher power, the program works, but it doesn't work with all the clients,'' said Cindy Ford, executive director of the San Antonio Council on Alcohol and Drug Abuse.

While praising the success of faith-based programs, local agencies insist federal dollars must continue.

''It's really sad with everything else going and what the state is doing to drug rehabilitation, for the federal funds to be drying up too,'' Watts Davis said.

A state-funded drug detoxication center here was closed late last year. Now Bexar County has no detoxication center.

Still, Robert Woodson, president of the National Center for Neighborhood Enterprise, who brought the congressional team to San Antonio, said the success rates for faith-based centers is unparalleled and the methods must be examined.

''We should undertake a major national study to compare the cost per day and the outcomes of faith-based programs with conventional programs,'' Woodson said. ''We are interested in looking for a more effective option to fighting drug abuse.''

[From the San Antonio Express-News, Apr. 7, 1996]

EASTER SPECIAL TO EX-ADDICTS

(By J. Michael Parker)

Every day is Easter at Victory Fellowship.

The holiest feast on the Christian calendar, Easter celebrates what Christianity calls the central event of salvation history—Jesus' Resurrection from the dead and the triumph of salvation over sin.

But at Victory Fellowship, the Resurrection isn't merely an event to be commemorated.

It's a miracle that happens whenever a drug addict turns from his destructive lifestyle and dedicates his life to Jesus Christ.

Throughout San Antonio, many churches are filled this day with symbols of new life such as lilies, water and light.

But here, reality speaks for itself.

Once on fire with chemicals that consigned them to a form of living death, these people, most in their early 20s, now are on fire with faith.

When they sing, ''I once was lost but now am found, was blind but now I see,'' they mean it literally.

They're on a high they say they'll never regret.

Their worship crackles with emotion. They sing, praise God and applaud his name with a fervor rarely seen in conventional churches.

''Nothing is greater than the love of Jesus!'' shouted minister Juan Rivera, one of Pastor Freddie Garcia's first converts in 1973, as he led a recent worship service in the old church at Buena Vista and South Cibolo streets.

Rivera had been on heroin for six years, burglarizing homes to support his habit. He described a life of misery, pain, confusion, causing suffering to people he loved, being chased by police and sitting in jail wondering where he'd gone wrong. He wanted to be saved.

''I remember thinking once, 'If only I could be born again, I wouldn't choose this life. I'd warn others to stay away from it,' '' he said.

But he didn't want Jesus.

''I'd been told since I was a kid that God would punish me. I'd seen friends killed in my neighborhood and I thought it was punishment from God,'' Rivera said.

''I thought he was going to get me sooner or later,'' he said.

In his first worship service at what until recently was called Victory Outreach, he recalled Garcia announced that ''Jesus is here.''

''I was so naive, I turned around to look at him. I didn't see him.

''I figured I was so sinful that he wasn't confirming my relationship with him,'' Rivera recalled.

But Garcia told him Jesus would forgive him and make him a new person if he would accept Jesus.

When he did, and saw other ex-addicts welcome him as a new brother in faith, ''it was totally mind-blowing,'' he recalled.

Rivera said he learned—and has spent his entire life since then telling other addicts—that no sin is beyond God's power to forgive.

Rivera said only Jesus saved him from his sinful past.

''I had no will to change on my own, and all the drug treatment programs I'd tried had failed.

''Drugs were like a water current pulling me under, and I was drowning, but Jesus reached down and pulled me out,'' he said.

Easter, Rivera said, has a special meaning for one who's come out of a life of drugs and crime.

''I really am a new man, I've been clean for 23 years, and my faith goes beyond a couple

of hours on Sunday morning. It permeates every aspect of my life.

''Every day is Easter here. When I see young guys coming off the street and turning to Jesus, it's an opportunity for me to thank God for what he's done for all of us,'' Rivera said.

James Valdez, 25; Ernest Guerrero, 22; and Johnny Samudio, 22, have been among the beneficiaries of Rivera's and Garcia's ministry.

They're taking leadership classes so they, too, can help change young addicts into productive servants of Jesus Christ.

They've also performed with other ex-addicts in a skit, ''The Junkie,'' depicting the destructiveness and despair of gang life and the joy of feeling loved and cared for.

''My mother used to cry a lot for me. Now she cries for joy,'' Valdez said.

''Everyone of us here has been brought back to life. It shows that nothing is greater than the love of God,'' he said.

Valdez said he had turned to crack cocaine out of boredom. he spent several years on crack, losing jobs and stealing to support his habit.

''All the guys I'd never wanted to hang around with before became my best friends,'' he recalled.

But when his mother took him to Garcia's Victory Home—the fellowship's residence for recovering addicts at 1030 S.W. 39th St.—his life changed.

''It's easy to do things that are wrong, but it takes a real man to do what's right. It's a great feeling to know you can be right with God by confessing your sins and giving your life to him,'' Valdez said.

Samudio said many youngsters deny God because violence, crime and family neglect are all around them.

''I want to be an example of the change Jesus can bring in their lives. I want to be a man of God.

''We tell them about Jesus and show them a different lifestyle. We show that we care about them,'' he said.

Guerrero said his older brother, who is serving a 10-year prison sentence for murder, wrote him from prison and told him to get out of gangs and drugs.

''Gang life was fun for a while, but I lost everything. My mind was only on cocaine.

''I found drug-dealing everywhere I went. I became depressed and wanted to kill myself,'' Guerrero recalled, adding:

''Once, I put a 12-gauge shotgun to my head, but I realized that if I killed myself, I'd go to hell.''

He said he cried out to God for help, and God saved his life by taking away his desire for drugs. Now he wants to help youths and gang members reject drugs as well.

''I was dead in the world,'' Guerrero said, ''but now I'm alive here.''

[From the Washington Times, Mar. 26, 1997]

ABUSE PROGRAM BELIEVES IN ABILITY WITHOUT STATE AID: FAITH-BASED EFFORT SERVES AS EXAMPLE

(By Cheryl Wetzstein)

One by one, a parade of healthy, well-groomed men take the microphone at the church stage at Victory Temple.

''My name is Troy,'' says one man dressed in a white T-shirt and camouflage pants. ''I was a heroin addict for 23 years. Now I have been clean for eight months, and I give all the honor and glory to Jesus Christ.'' The 600 men and women in the audience cheer, clap and stamp their feet.

Similar stories come from Martin, Juan, Noel, Roman and dozens of other men, whose only visible signs of decades of drug abuse and gang life are the tattoos on their muscular arms.

Victory Fellowship is the personal ministry of ex-addicts Freddie and Ninfa Garcia, who, as he puts it, ''used to run in the streets and rob people, Bonnie and Clyde style.''

Their 1966 conversion came through ex-addicts with the famed Teen Challenge program, founded by David Wilkerson, author of ''The Cross and the Switchblade.''

Today, the Garcias say the Victory Fellowship program has reclaimed no fewer than 13,000 hard-core addicts from the streets.

Program leaders say they have a 70 percent cure rate with people who stick with it for nine months, and they do it all with a $60,000-a-year budget, funded entirely by private donations.

Other substance-abuse treatment centers with multimillion-dollar budgets have cure rates around 10 percent.

Members of Congress such as Sen. John Ashcroft, Missouri Republican, who pushed for ''charitable choice'' in the welfare law often refer to successes such as Victory Fellowship and Teen Challenge as examples of programs government should be supporting.

But Mr. Garcia and other religious leaders aren't convinced that the government can help them.

''I don't want no grants,'' Mr. Garcia said at a recent seminar on charitable choice sponsored in San Antonio by the National Center for Neighborhood Enterprise (NCNE).

''I'm a church. All I want is for you to leave me alone,'' he said.

Under charitable choice, welfare recipients receiving vouchers for a variety of services—job training, food pantries, homes for unwed mothers, drug and alcohol treatment, day care—should be able to redeem them with a faith-based group.

Charities are prohibited from using the government money for sectarian worship, instruction or proselytism.

Texas Gov. George W. Bush has made charitable choice a priority and asked state agencies to report to him on their progress by May 1.

''I envision a new welfare system—an energized, competitive program where a person who needs help would get a debit card, redeemable not just at a government-sponsored agency, but at the Salvation Army or a church or a day care facility or a private-sector job-training program,'' the Republican has said.

One bill would ''exempt'' some faith-based substance-abuse centers from state regulations. Such programs would have to register with the state, say in their literature that they are exempt, and refrain from offering medical care or detoxification.

Another bill would allow ''alternative accreditation'' systems in lieu of state licensing for some programs.

Getting government funding flowing to programs that ''transform'' troubled people into responsible citizens has been NCNE founder Robert L. Woodson Sr.'s message for 20 years.

The recent NCNE seminar explored peer accreditation plans and alternative licensing plans as ways to make charitable choice work.

But the fear of government heavy-handedness—now and later—is pervasive.

''Shekels come with shackles,'' one program director warned.

''Yeah, and when the state comes after you, they go after your jugular,'' said Raul Gonzalez, executive director of Youth Challenge of Greater Hartford in Connecticut.

ADDICTS GET TOUGH LOVE AT VICTORY

(By Cheryl Wetzstein)

The people come to the modest Victory homes day and night. Some shake from early drug withdrawal. Others are fresh from prison or fleeing a gang contract.

They are welcomed with food, a clean bunk and security: San Antonio's gangs know that Freddie Garcia's Victory Fellowship centers are havens, and anyone inside is off limits to attack.

If the newcomers decide to stay and kick their drug habits, they are surrounded by former addicts, prostitutes and criminals who pray with them, hold them close and clean up their messes.

The withdrawal is unmedicated and the violent suffering lasts for hours. So do the prayers, rubdowns and ministering by people who believe their own addictions were cured by the power of Jesus Christ.

''We see a lot of miracles here,'' said Alma Herrera, who with her husband, Roman, is among Victory home's house parents.

''The saying 'Once a junkie, always a junkie' is not true,'' said Victory Fellowship co-pastor and ex-addict Juan Rivera.

Once the purging is over, the newcomer is adopted into a family of believers whose daily lives are filled with prayer, chores, Bible study, singling and fellowship. Witnessing is conducted in housing projects, gang-infested streets and prisons.

Each Victory home is headed by a married couple who act as parents setting the standard for love, discipline and structure. Men work with men, and women work with women. They focus on building a person's character, self-discipline and understanding of life as taught in the new Testament.

The privately funded two-year program is offered at no cost to the ex-addicts. After graduation, the men and women often end up in school or in jobs. Some married couples volunteer to start Victory homes in other towns, where they will recruit addicts to a ''new drug-free life in the Lord.''

[From the Wall Street Journal, Dec. 14, 1993]

THE WRONG FIX

(By Robert L. Woodson Sr.)

Surgeon General Joycelyn Elders's recent comments that America's crime rate could drop ''markedly'' if illicit drugs were legalized epitomizes the tragic failure of accommodationists to take a moral stand against an immoral activity.

Tragically, the person who should be at the helm of a massive effort to dissuade a new generation from involvement with drugs cannot seem to bring herself to declare that actions detrimental to one's personal health and to the well-being of society are wrong and deserve no tolerance. Dr. Elders assumes drug use to be an unavoidable ''given'' for which the best goal is simple damage control.

In addition, Dr. Elders's argument in favor of drug legalization is riddled with factual errors. For example, experiments with legalization abroad have not been the successes she assumes them to be. The majority have now been reversed as was the failed ''Needle Park'' experiment in Zurich—a free-drugs zone designed to control drug use and stem the spread of AIDS. Predictably, this park quickly became a nest of chaos and licentiousness that spilled into the surrounding community. Needles were passed around, despite the availability of a clean-needle program, and the used, bloody needles were cast on curbsides and surrounding sidewalks, jeopardizing innocent pedestrians.

Dr. Elders says that legalizing drugs abroad has not increased drug use, but Hubert Williams, president of the Washington-based Police Foundation, says that a more relevant example is our nation's own past and trajectory: Since the repeal of Prohibition, ''the amount of people using alcohol has increased significantly, and there's no reason to think the number of people using drugs will not increase significantly if drugs are legalized.''

In a twist of logic, Dr. Elders reasons that because ''many times they're robbing, stealing and all of these things to get money to buy drugs,'' legalization would help by making drugs a little less expensive. But even if drugs were legalized, regulations regarding their use would be enough to engender a black market and related criminal activity.

Rather than conduct a study on the possible effects of legalizing drugs. Dr. Elders should direct her resources to another type of research. In the same afflicted neighborhoods where men, women and children huddle on street corners and in dilapidated buildings to deal and use drugs, there are others who have not succumbed to their lure. These models of success should be the focus of Dr. Elders's scrutiny—and their behavior, vision and values the cornerstone for drug-prevention programs.

In numerous cases throughout the nation, low-income people who have opened their homes as safe havens for neighborhood children have proved that personal investment and the consistent example set by just one adult can change the futures of inner-city children—even those with unstable home lives. The community activists with first-hand knowledge of what succeeds in reaching young people should be at the forefront in designing drug-prevention policies. The problem, at its root, is a matter of values and morals, and those who have claimed success are those who have addressed the issue on this level.

The surgeon general should also take her notepad to San Antonio to study the activities of rehabilitated addict Freddie Garcia, whose outreach program has changed the lives of more than 13,000 addicts in its 25 years of operation. She should then travel to Hartford, Conn., to learn from Raul Gonzales, also a recovered addict, who has reached out to thousands of substance abusers through a men's residential center, a women's mission and a center that includes academic, vocational and social development training.

Dr. Elders should take the time to speak with a few of Mr. Garcia's former hardcore addicts who are now leading productive lives, and to some of the hundreds of families reunified and healed through Mr. Gonzales's efforts. She should ask them if their lives and the lives of their children would have been any better had someone legalized the drugs that had once controlled their destinies.

[From Newsweek, June 1, 1998]

SAVIOR OF THE STREETS

An ex-gang member who went to Harvard, Gene Rivers is an impolitic preacher on the cutting edge of a hot idea: can religion fight crime and save kids?

(By John Leland)

Patriot's Day is a city holiday in Boston, but the Rev. Eugene Rivers, a compact, graying black man in a blue dress shirt frayed at the elbows, is working hard. ''Yo, wazzup, G money?'' he greats a teenager, slapping him five. He wheels on another. ''Take your hat off, son. Yes, what? No, yes, sir, we don't speak no Ebonics here.'' It is just noon on a spring day, and already the Ella J. Baker House—a grand, bowfront Victorian in Dorchester, one of the poorest neighborhoods in Boston—is full of fires: a man's teenage son has brought home a dangerous pit-bull terrier; a pregnant 16-year-old's parents have kicked her out of the house; the Negros Latinos, the house baseball team, need uniforms and a gang-neutral field. Rivers, 48, darts from one to the next, a fixer, embattled but engaged.

When he first moved into this neighborhood, as a refugee from Harvard, Rivers sought out a local drug dealer and gangbanger named Selvin Brown—''a sassy, smartass, tough-talking, gunslinging mother shut your mouth,'' he says, not without some appreciation. Brown took the reverend into crackhouses, introduced him to the neighborhood. And he gave Rivers, a Pentecostal, a lesson in why God was losing to gangs in the battle for the souls of inner-city kids. ''Selvin explained to us, 'I'm there when Johnny goes out for a loaf of bread for Mama. I'm there, you're not. I win, you lose, It's all about being there'.''

Ten years later, as the Baker House kids file out into the sunshine, Rivers turns from his full-contact pastoring—a mix of street slang and stern lessons—to tell a group of police officers from Tulsa, Okla., about Selvin Brown. Baker House is Rivers' answer to Selvin: it's run by a dozen people, some of whom have given up professorships, military careers and positions in finance to be there. The Tulsa cops are only the latest in a recent stream of law-enforcement emissaries who have come to Rivers' domain, a rec center and parish house that Rivers says serves more than 1,300 kids a year, to watch, listen and talk about the hottest new topic in crime fighting: the power of religion. For decades, liberals and conservatives have argued past each other about the crisis in the inner city. The right was obsessed with crime, out-of-wedlock births and the ''responsibility'' of the underclass; the left only wanted to talk about poverty, the need for government intervention and the ''rights'' of the poor. Now both sides are beginning to form an unlikely alliance founded on the idea that the only way to rescue kids from the seductions of the drug and gang cultures is with another, more powerful set of values: a substitute family for young people who almost never have two parents, and may not even have one, at home. And the only institution with the spiritual message and the physical presence to offer those traditional values, these strange bedfellows have concluded, is the church.

As the Tulsa cops sit around the Baker House oak table, Rivers tells them about a grievous stabbing inside the nearby Morning Star Baptist Church in 1992. During a funeral service for a young murder victim, a gang chased another kid into the church, beating and stabbing his in front of a crowd of mourners. For the clergy, says Rivers, ''this was a wake-up call. We had to be out on the streets,'' just like Selvin Brown was. While the mainline Boston churches issued a denunciation of the violence, a group of ministers from smaller churches, mostly shoestring Pentecostal or Baptist, met in Rivers' house to discuss a more radical response: walking the hoods, engaging the gangs, pulling kids out. Instead of bickering with police, the ministers vowed to work with them, identifying the hardest cases. ''The deal we cut was, 'Take this one off the streets, we can deal with him in a prison ministry','' the Rev. Jeffrey Brown, a Rivers ally, tells the Tulsa delegation. The cops, in turn, would rely on the clergy to work with the more winnable kids.

Since the 1992 alliance, and a reorganization of the Boston police and probation departments, juvenile crime here has fallen dramatically. Rivers is now trying to forge a similar coalition of churches nationwide. It won't be easy: his brand of street-smart charisma is not easily transferable, and the work is house by house, block by block. But ''at the end of the day,'' he says, ''the black church is the last institution left standing.'' The noted conservative criminologist John DiIulio Jr., best known for predicting a coming wave of inner-city ''superpredators,'' has become an improbable friend and ally. In apocalyptic tones, Rivers—a forceful speaker who is sometimes accused of grandstanding—warns that as the teenage population swells in the next decade, ''there will be virtual apartheid in these cities if the black church doesn't step into the breach.''

Washington is starting to take notice, too. The 1996 welfare bill gives states the option to fund church groups in place of welfare agencies. Research on the effectiveness of faith-based programs is so far largely anecdotal. ''But there is a lot of interest in this area now, because secular institutions have failed,'' says Bernardine Watson, a vice president of the nonprofit Public/Private Ventures. ''Anybody who wants to fund faith-based programs is looking at the Baker House model. Conservatives like it because of the crime angle; liberals like it because of the youth angle.''

When Rivers first came to Dorchester, the cops say, he believed there was no such thing as a bad kid. That has changed. Now, ''ministers will come to us about a kid, say he's menacing the community,'' says Lt. Gary French, who works with Rivers. The Boston police estimate that 150 to 250 kids are responsible for most of the violent crime in the city. ''We can disrupt a gang by incarcerating the most aggressive player,'' says French. ''But we can also disrupt it by getting the fringe players into alternative programs,'' like those provided by Baker House. The exchange works both ways. ''Right now,'' says Rivers, ''any cop in Dorchester can dump a kid off in Baker House, and say, 'Look, I'm gonna crack this kid's skull, take him.' So we have taken the pressure off the police to play heavies.''

At 2 a.m. in his cramped row house, Gene Rivers is still keyed up. ''The great thing about serving the poor,'' he says, ''is that there is no competition. These young males, ain't no black preacher want to be around these boys. You see [he names several kids at Baker House] coming, you go the other way.'' He is on the short side, maybe five feet six—by his own description, a ''pushy, aggressive, interloper-would-be-usurper, with this kind of guerrilla campaign.'' In battle mode, he is scandalously impolitic. He refers to the mainline black churches as ''the major crime families'' and is a critic of Henry Louis Gates Jr., chair of Afro-American studies at Harvard, whom he has called ''the emcee at the Cotton Club on the Charles.'' His own critics—''[it's a] long list,'' he says—dismiss him as a ''black Rasputin'' who has duped white people into thinking he has power in the black community. He holds no degrees from college or divinity school; his service on a recent Sunday drew just 19 congregants.

Yet Rivers is becoming a national figure. He has met with the president, been courted by the Christian Coalition and served on the religion panel at Colin Powell's 1997 Volunteerism Summit. Though Rivers comes from what he calls a ''radical reform'' line, his arguments for black self-help, and his unwillingness to make liberal excuses for urban pathologies, have endeared him to the right. ''There's been more litmus-test stuff from the left than from the right,'' he says. (Rivers' ministry condemns homosexuality and abortion.) ''One of the good things about the right is that they're sufficiently indifferent toward the concerns of blacks that they don't bother you.'' His alliance with DiIulio has given Rivers a boost in policy circles. ''Gene and John are very odd soulmates,'' says Rivers' wife, Jacqueline, who trains inner-city teachers in the Boston Algebra Project. ''One is so far left he's right, the other is so far right he's left. They really think alike.''

The walls of Rivers' house still bear the bullet holes from two shootings, one a random spray, the second by a drug dealer Rivers had tried to move from a neighborhood

park. He roots around for a 1992 essay he wrote for the Boston Review, entitled ''On the Responsibility of Intellectuals in the Age of Crack.'' It, like his other writings, argues that after the victories of the civil-rights movement, the black middle class, particularly middle-class churches, abandoned the black poor. The signature phrases of these articles—''virtual apartheid,'' a ''crisis of moral and cultural authority''—swim throughout his conversation, crusty set pieces amid his staccato improvisations. ''When he talks slang, I don't understand him,'' says Police Lieutenant French. ''And when he talks the Harvard level, I don't understand him, either.''

Rivers was born in 1950 in Boston, the eldest of three children. His mother was a nurse, a Pentecostal; his father, who moved out when Gene was 3, was a painter, a Muslim, who later became art director for the Nation of Islam's paper, Muhammad Speaks. Both parents were black nationalists and intellectuals. ''What my mother instilled was that life is duty,'' he says. ''Life itself is a holy war.'' Rivers grew up in rugged northwest Philadelphia, where he was forcefully inducted into the Somersville street gang at the age of 12. ''There was a side of my life nobody understood. At age 13, 14 and 15, I remember studying Andrew Wyeth, the Brandywine tradition. [And I'm] in a street gang with a lot of hoodlums. You learn to lead a double life. I've always had that tension.''

Whenever Rivers describes the violent potential of the Dorchester kids, his voice livens with a certain rogue romance. ''This ain't Yuppie kids, this ain't Cosby kids,'' he trumpets at one point. In part this is because he's playing to a public that finds lurid gang violence a sexier topic than, say, urban poverty. But it's also because he savors that street edge. Mark Scott, who runs the day-to-day affairs of Baker House, thinks Rivers would be bored in a straighter life. ''He's pastor of the church, but he's also pastored by the people around him, especially Jackie.'' Scott believes that Baker House has saved Rivers, keeping him on the street but out of trouble, giving him a channel for his anger.

As he describes his own past, Rivers' tone becomes more sober. He's riding in Jackie's Volvo—Rivers doesn't have a license—listening to NPR and heading to pick up their two kids, Malcolm and Sojourner, 10 and 8, near their private school in tony Beacon Hill. It does not strike him as a contradiction to send his kids to private school. ''I said, 'Jackie, I'm not a liberal. I'm not going to have my kid go to school where the kids are so completely antisocial that Malcolm will end up resenting black kids. No no no no no'.'' As Jackie drives, Rivers continues his own story. When he was 13, his life was forever changed by the Rev. Billy Graham's radio program. Rivers was being menaced by an older, bigger kid from a rival gang called the Lane, and Graham's words struck him. ''He asked, was I ready to meet my creator? At that point, that was not a farfetched possibility. I had a fear of death, which my conversion experience transformed. My response to fear is faith.''

Eventually the Rev. Benjamin Smith, a legendary Philadelphia inner-city evangelical, pulled Rivers out of the gang and into the Pentecostal community. But he was at odds here, too, a bookish intellectual in a working-class church. He dropped in and out of two art schools; he read Herbert Marcuse and Noam Chomsky, getting deeper into radical political thought. The 1969 deaths of Black Panthers Fred Hampton and Mark Clark—men his own age, killed in a police raid—shook his moral center, as Graham had years before. The nonviolent movement of the '60s had crashed around him. Rivers was angry and confused, ''buck wild,'' scorched with a case of ''survivor's guilt'' that has been his motivating force ever since. ''I promised the Lord that if he would let me survive, I would never turn my back on these kids,'' Rivers says. He got a woman pregnant and drifted to New Haven, Conn., where he met Kwame Toure, then known as Stokely Carmichael of the Black Panthers. Taking occasional courses at Yale, he carved three identities for himself, collecting welfare checks in Philadelphia, New York and New Haven. Finally, another mentor—Martin Kilson, an iconoclastic black professor at Harvard—discovered Rivers and lured him to Cambridge. Rivers raged against the privileged black students of Harvard—including, at first, a Jamaican woman named Jacqueline Cooke—and left, angry, in 1983. He and Cooke married three years later.

On a school holiday at Baker House, Rivers is showing two boys the documentary ''Eyes on the Prize,'' the installment about Fred Hampton and the black Panther Party. The boys are 12 and 13; Rivers takes satisfaction in calling the younger boy, who appeared pseudonymously in a 1997 New Yorker article, ''America's worst nightmare.'' The kids are to write reports on the video for which Rivers gives them a few bucks. He hugs the boy, pays him, and the kids are off. ''Kareem,'' as The New Yorker called the boy, was Baker House's most critical case a year ago, and he is still. His day with Rivers began when he showed up at the Rev.'s house for breakfast; it will end around 11 at night, when he asks Rivers for a lift to the city bus, bound for wherever, Rivers doesn't worry that Kareem will get home safely. ''I'm worried about whether other people will.'' For Rivers, Kareem is a test. ''[Kareem]'s father got murdered,'' says Rivers. ''His mother lives in the street more than he does. If you can get [Kareem], you've got the whole neighborhood.''

In the early days, Rivers pushed religion harder on the kids, but found that it intimidated—and turned off—many of them. So now he keeps preaching to a minimum. But the men and women who are giving their lives to Baker House still see faith at the heart of their mission. ''Bob Moses and SNCC, Fred Hampton in Chicago, these folk laid their lives down,'' says Rivers. ''My understanding is that those acts of heroism were very Christian acts, in the tradition of the martyrs. I live in Dorchester and have weathered what we've weathered because that's my understanding of radical discipleship. There is no crown without the cross. Most folk aren't ready to hear that.''

At the end of a long day, a half dozen Baker House members gather for a prayer meeting: Ivy League refugees, MIT doctorates. Their testimony is an ecstatic, Pentecostal affair, full of hand-clapping and spontaneous witness. After half an hour, Rivers ducks out momentarily, passing the receptionist, a single mother he'd counseled years before. ''Hallelujah, praise Jesus,'' he says—then, without pause, ''Did you page [a city official]?'' This is the refracted life of the Rev. Eugene Rivers, drawing upon Harvard and the Philadelphia street gangs, the church and the state. Rivers checks his pager. The Urban Institute is in for a visit; his wife is on the other line. He ducks back into the prayer meeting and gives thanks once more, and once more again.

COPS, CRIME AND CLERGY

BOSTON'S COMMISH ON HOW THE NEW ALLIANCE BETWEEN POLICE AND PREACHERS WORKS

(By Paul F. Evans)

I was a beat cop in Gene Rivers' Dorchester neighborhood in the early '70s, but back then our paths wouldn't have crossed. At the time, the police force didn't look beyond itself to solve the problem of violence, and we had very little interaction with the clergy. By the early '90s, however, it became clear that our ''get tough'' policies just weren't working. The 1992 stabbing incident at Morning Star Baptist Church—there was a melee during a funeral—only underscored how bad things had gotten. We finally saw that we couldn't simply arrest our way out of the escalating bloodshed.

It was time for real collaboration. We realized that preachers have tremendous credibility as leaders in the community and that having them working with us out in the streets would have a powerful impact. For their part, the clergy saw cops doing their best to get inner-city kids into summer camps and to get them mentors. We both knew that what children need is an alternative to crime.

The alliance that resulted works because the police and the ministers really do have a common goal: keeping kids from getting killed. And it's not as if we don't know who is at risk: of the 155 young people who died from violence between 1990 and 1994, two thirds had prior arrests—an average of 9.4 arrests for every victim. For the first time, we can really concentrate on these specific kids and make honest assessments of what has to be done with them. We can put our heads together and say this kid has gotten into trouble, but he's a good kid—let's try extra hard to get him the services he needs. This one, we can't save—and if we don't get him off the streets and into prison, he's not going to make it.

With a clear, structured communication network now in place, we didn't have to wait for three or four homicides before realizing we had a problem with the Bloods and Crips gangs. We've got cops and clergy out there, visiting 36 schools and countless homes trying to identify gang wannabes. When there is gang warfare we call members in for an open session with representatives from the D.A.'s office, the probation officers, social-service workers and neighborhood ministers and say, ''Look, the community is telling you to stop. If it doesn't, the whole system you see here is going to indict you, sentence you and send you to prison.''

THE NEW HOLY WAR

(By Kenneth L. Woodward)

Check out any dying neighborhood in inner-city America and this is what you'll find: the church and the liquor store are the last establishments to leave. Many of the churches are Roman Catholic, built big and solid to serve Irish, Italian, Polish and other European immigrants. Today, most of the parishioners are Hispanic, Asian or African-American. And the parish schools where diligent nuns once tutored white ethnic children through English, math and first holy communion now cater mostly to kids who are neither white nor Catholic. Other Christian congregations moved up and out when the inner city went poor and black. The Catholic Church is the church that stayed. Around the corner are other, newer churches, some with Spanish names. Many are little more than basement ''blessing stations'' and storefront congregations: Pentecostal, Holiness, Jesus-Saves Baptist, Apostolic This or Prophesy That—the kind of churches that spring up wherever the promise of this life is so bleak that the promise of the next is all there is to count on.

These churches can't keep kids out of gangs, fight crime and rescue the nation's inner cities by themselves. But none of this is likely to happen without them. After spending 30 years and billions in fighting poverty, and decades trying to arrest our way out of the problem of crime, Washington

has belatedly discovered the wisdom of empowering local churches to do what government alone has so far failed to accomplish—provide the kinds of direct services and inspired commitment needed to restore the nation's deteriorating urban core. In Congress, a bipartisan coalition has swung behind a series of policy changes—broadly called ''charitable choice''—which allow federal, state and local funds to flow to faith-based antipoverty groups. Among the latest initiatives is a $500 tax credit for those who contribute to poverty-fighting programs, including churches. ''Those from the left are disillusioned with government efforts,'' says Indiana's Sen. Dan Coats, a conservative Republican, ''and those coming from the right are not comfortable with the let-the-market-sort-it-out thinking.'' There are limitations—money is always scarce, and the appeal of a preacher's personality in the 'hood is hard to replicate. But for people of faith, the redemption of the nation's inner cities is a calling, not a caseload. The God they bring into crime-infested streets is both the Old Testament Jehovah of law and order and the New Testament's merciful Jesus. A powerful combination—particularly if you add federal funding to the mix.

When it comes to rousing a congregation, or working one-on-one, there's nothing like the coiled power of a charismatic preacher. But when it's jobs and housing and a vision for the long haul, only Catholic leaders with a grasp of the wider common weal need apply. That's why in urban areas like Boston, Newark and Philadelphia, clergy are learning to reach across denominational lines and tap each other's strengths. When the Rev. Eugene Rivers, a black Pentecostal, needs access to Boston's power brokers, he dials the phone that rings beside the bed of Cardinal Bernard Law. ''He's my patrone,'' says Rivers. ''I don't need an archdiocese because the cardinal already has one.'' And it's come in handy: in a city with a traditionally Irish Catholic police force and a history of racial tension between cops and community, Law has been a key ally of the black clergy to deracialize law enforcement.

It's a win-win proposition. Rivers reaches an at-risk, non-Catholic population with what the cardinal calls ''a pro-poor, pro-family, pro-life platform that I can enthusiastically support.'' That support includes the moral authority and institutional experience of a church that counts nearly half the Boston area's population as members. In turn, says Rivers, ''we've got the local talent—the forgotten 40 percent of the inner-city blacks who are working, support families and go to church. We've got the clergy pool, the energy—we can make the conversions and put the Spirit into the letter of the law.''

But there is much more to inner-city ecumenism than institutional cooperation. Movements need vision, and in the social teachings of the Catholic Church, black Protestant clergy like Rivers have discovered a body of thought that fits the problems of the inner city into a coherent Christian perspective. Unlike the individualisms of the secular left and right, Catholic doctrine conceives society as an interdependent organism rather than a social contract between isolated individuals. Rights and duties flow from the sacredness of every human person, justice seeks the common good, the state ensures public order. In this view, persons are inherently social and proper human development requires civic space for a range of institutions: family, neighborhood, religious and other voluntary associations like labor unions and political parties. Catholic lingo such as ''social solidarity'' in matters of public policy speaks directly to the needs of inner-city populations. In short, the moral community is one that balances individual goods with those of civil society and the state. Charity, yes, but also social justice. In all these ways we become our brother's keeper.

For people of faith, there's more than one way to give this vision flesh. In 1967, riots left Newark's Central Ward for dead. That's when Msgr. William Linder began to put together the New Community Corporation with government funds and corporate subsidies. Operating out of St. Rose of Lima parish, Linder has built 3,100 nonprofit housing units for inner-city residents. The corporation runs its own shopping center anchored by Pathmark, the first supermarket to open in the neighborhood in 25 years. Over the years Linder has gotten more than 3,000 people off welfare, employing more than half of them in the corporation's own nursing home, day-care centers and health services—including one for children who have HIV-positive. There's an automotive institute that trains mechanics, a credit union for small loans and another corporation to provide credit for local businesses. ''Developing a community is a comprehensive task,'' says Linder, an application of Christian values. ''The whole issue is—how do you respect the dignity of a person?''

If the New Community Corporation shows what one priest can accomplish, Cleveland's ''Church in the City'' program demonstrates how much more has to be done. Five years ago, Bishop Anthony Pilla looked at the migration of Cleveland's Catholics and concluded that his was ''quickly becoming a suburban diocese.'' Over the previous four decades, the city's 2:1 population ratio over the suburbs had been reversed. There's nothing in the Bible that says ''Thou shalt not move to the 'burbs.'' But Pilla, who grew up in Cleveland's Little Italy, thinks the church is obligated not to desert the poor who have no choice but to make the inner city home. As bishop, there are some economies Pilla can command. Cleveland's Catholic Charities Corporation, which uses both government funds and contributions from the pews, offers grants for inner-city projects. Like other Catholic bishops, Pilla has also twinned city parishes with more prosperous ones in the suburbs. The goal is partly financial—to allow the better-off to help keep up those parishes in need—and partly social—to establish Catholic solidarity across the boundaries separating safe from dangerous neighborhoods.

What Pilla does best is exhort others to find answers to the inner city's needs. Next month, for example, Third Federal Savings will begin construction of its new headquarters in the old Polish neighborhood just outside the city's high-rise downtown core. The bank's budget has grown from $6 million to $18 million, and instead of a functional corporate center, chairman Marc Stefanski—inspired by Pilla—is creating a capacious building that will anchor the neighborhood with space for retail shops and a small plaza.

Because they represent the institutional commitment of the church that stayed, Catholic bishops like Pilla can attract the kind of government and corporate funds that produce housing, jobs and educational opportunities for the inner-city poor. (Not for nothing does Andrew Cuomo, head of the Department of Housing and Urban Development, keep a Jesuit priest, Father Joseph Hacala, on his staff.) But inner-city America is honeycombed with fledgling operations by black evangelicals like Rivers whose faith-based approach to at-risk youths produces hard-won individual conversions. They wrestle black males from drug dealers and mentor kids who never knew their fathers. Cumulatively, their victories are impressive. ''But corporate America balks at giving money directly to these Pentecostals because they don't come well packaged,'' says John DiIulio, a Princeton professor who labors at providing the statistical proof that such efforts are paying off. ''Corporate grant makers are afraid of real God-talk. They prefer secular rehabilitation to spiritual transformation.''

That may soon change—and must, both in the capital and in corporate America, if religion is to really work in the inner city. However appealing it sounds, ''the churches can't do it alone,'' says Mark Scott, an associate of Rivers' in Boston. ''We're the glue of civic life, addressing values and spiritual issues that the government can't address. But just saying 'let the churches do it,' without the government, won't work.

He's right. But as Scott and Rivers well know, the Devil may be in the details. In offering tax credits to those who support faith-based programs, for example, Coats wants to make sure the money doesn't go for ''a new satellite dish for the church.'' Rivers is one of many black ministers who think the senator's caution is justified. He is repulsed by black denominations like the National Baptist Convention, whose president, the Rev. Henry Lyons, has been charged with diverting church funds for his personal use. The NBC board supports Lyons, who denies the charges. Some church bureaucracies, Rivers says, are like Caribbean governments—they ignore their own poor and reward politically connected stars of the pulpit. ''The way it is now, the black church structure undermines any system of moral or financial accountability,'' Rivers argues. ''It simply perpetuates a circulation of crooks in which younger clergy are encouraged to imitate the old dirty bulls.''

Rivers and like-minded clergy everywhere think they can do things differently. Indeed, one of the emerging battlegrounds in the inner city's holy war lies between the churches themselves. In this post-civil-rights era, those congregations that prove their faith with honest deeds will attract this latest—and perhaps last—infusion of outside funds. The poor have always looked to their churches—for hope as well as for healing. Will they be disappointed?

THE GOSPEL OF ST. JOHN

(By Howard Fineman)

John Ashcroft's Washington seems worlds away from Eugene Rivers' Boston. A first-term Republican senator, Ashcroft is an antitax, pro-death-penalty conservative from the Missouri Ozarks, at home with rural accouterments: his bass boat, his dirt bike, his farm. But though they've never met, Rivers and Ashcroft are soul brothers of sorts, moved by the same Pentecostal roots and sociological rationale to pursue a similar mission: expanding the use of religious institutions to reclaim the lives—and lethal streets—of the cities.

While Rivers works Dorchester, Ashcroft ministers to Capitol Hill—and is eyeing a run for the presidency in 2000. The devout son and grandson of Assembly of God clergymen, he's leading a crusader to open the federal treasury to churches (and other religious institutions) who do the kind of social-welfare work now handled mostly by government. ''Government bureaucracy looks at people by criteria, by type,'' he told Newsweek. ''Religious people are concerned with the whole individual, with his whole life—even his eternal life. That's how you build self-esteem.''

It's long been political and constitutional heresy to suggest that federal money be used in this way. But violent gangs and government failures—and the election-year demand for welfare reform—gave Ashcroft an opening. The 1996 welfare law contains his ''charitable choice'' provision, which allows states

to contract with ''faith-based'' organizations to provide welfare services. The groups can't proselytize, but they can keep the ''religious character'' of their facilities and, subject to financial audits, remain exempt from most federal workplace regulation. The measure is being challenged in court, but Ashcroft is marching ahead with a new one, which would extend charitable choice to include drug treatment, juvenile-crime prevention and even low-income housing. He got bipartisan support in 1996 and hopes for more this year.

Ashcroft, 55, comes by his faith in the faith-based honestly. His late father was president of a sectarian college and a leading figure in Springfield, the Ozarks city Ashcroft jokingly calls ''the Rome, the Jerusalem'' of the Assembly of God. The denomination's tenets: no drinking, no smoking, no gambling, no dancing, no sex before marriage—but plenty of missionary work and gospel singing in celebration of the Holy Spirit. On the eve of his Senate swearing in, Ashcroft was blessed by a laying on of hands, and his head was ''anointed with oil'' in Old Testament fashion. He hosts a voluntary devotion in his office every morning.

Too churchy and remote to be a major player? Look closer. For college Ashcroft chose Yale (he played rugby but wrote home every day), followed by law school at the University of Chicago. His wife, whom he met at Chicago, teaches law in Washington at Howard University.

Having never heard the ''call'' to the ministry, Ashcroft instead is listening to what the Lord may tell him about the White House. Only He knows whether the Monica Lewinsky affair will lead the public—or even Republican primary voters—to yearn for an abstemious, high-collar figure.

Meanwhile, Ashcroft is as systematic about politics as his father was about preaching. He's won five statewide races in a classic ''swing'' state (two for attorney general, two for governor, one for the Senate). He sings barbershop with Trent Lott and is close to Dr. James Dobson and Pat Robertson. Aided by Christian Coalition members, he won a presidential straw poll in South Carolina last week and hosted a smart-money fund-raiser at a bistro in Washington. This week he campaigns in California. And who knows? He might even find support on the streets of Boston.

Mr. ENGLISH. Mr. Speaker, I yield 3 minutes to the distinguished gentleman from New Jersey (Mr. LOBIONDO).

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

Mr. LOBIONDO. Mr. Speaker, I rise in very strong support of H.R. 4923, the Community Renewal and New Markets Act. I want to thank all those who played such a crucial role in bringing this bill to the floor. I especially want to thank our speaker, the gentleman from Illinois (Mr. HASTERT), for his work, his tireless efforts, to make sure this initiative moves forward.

Three years ago, Congress authorized and the administration designated 20 Round II empowerment zones. My home county of Cumberland County, New Jersey, in the Second Congressional District, is one of those Round II empowerment zones. We have tremendous potential for our community to create new jobs, to retain existing jobs, to help both socially and economically in our community.

However, Mr. Speaker, the Round II zones have not received full multiyear funding like the first round counterparts. Instead, they have received two installments in appropriation bills that were far below the Federal commitment.

Now, although this particular bill does not specifically mention the funding for Round II zones directly, I am very pleased that the President of the United States and the Speaker of the House have reached an agreement that was announced at a press conference at the White House a short time ago, where $200 million for Round IIs were agreed to, and also I would like to say that I am very pleased that the Speaker has personally assured me that discretionary funding to keep our existing zones operational will be included in the final appropriations process.

This is extremely important for all of our Round II zones and the hopes that our citizens have for the potential that this brings.

The employer wage tax credit, already extended to Round I designations, is included in this bill and is an extremely important component of our ability to empower these communities.

Those of us representing these distressed communities in Congress understand the vital need to have full funding in Round II. This bill helps us move toward that initiative, helps us bring to our communities renewed hope and empowerment to be able to create those jobs and do those things that so many of us want to see.

Mr. Speaker, once again I want to congratulate and thank all of those who have been involved in this process. I look forward to this enactment. I urge strong support of this initiative.

Mr. SCOTT. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. REYES).

Mr. REYES. Mr. Speaker, I thank the gentleman from Virginia (Mr. SCOTT) for yielding me this time.

Mr. Speaker, this morning I was here to express my deep frustration at our inability, while on the one hand bringing up this suspension bill for the Community Renewal and New Markets Act, at the same time when we were unable to get full funding for Round II empowerment zones. After I just heard my colleague make mention that there has been an agreement that there will be $200 million for Round II, I am obviously pleased, as El Paso is one of the areas that was designated under Round II as an empowerment zone.

It is important to note, Mr. Speaker, that over the 10-year life of the program, urban empowerment zones were supposed to receive $100 million. However, in fiscal years 1999 and 2000, amounts less than $4 million each year were appropriated for each urban empowerment zone. Moreover, in this fiscal year, up until a few moments ago, we had been led to believe that there were zero dollars for empowerment zones. This is good news for El Paso. It is good news for all the communities that have been counting on and have been planning on a 10-year basis for money for their empowerment zones.

Full funding for empowerment zones unleashes tremendous potential for growth and economic development in places like El Paso under Round II. Each of these communities have laid out long-term plans and proposals which will deal with high unemployment, in some cases like El Paso with unemployment running consistently twice the level of the national unemployment rate. These communities have already been slated for assistance, and we are pleased this morning that that assistance will be forthcoming.

Mr. Speaker, I intend to vote for and support this bipartisan legislation.

Mr. SCOTT. Mr. Speaker, I yield 1½ minutes to the gentlewoman from Ohio (Mrs. JONES).

(Mrs. JONES of Ohio asked and was given permission to revise and extend her remarks.)

Mrs. JONES of Ohio. Mr. Speaker, I rise today in support of H.R. 4923, the Community Renewal and New Markets Act. However, I do want to say I share the concerns of my colleague, the gentleman from Virginia (Mr. SCOTT), with regard to the issues of religious freedom and the application of religion to someone's requirement or ability to be served or have a part in a particular program.

I am a freshman Member of Congress. I serve on the Committee on Banking and Financial Services and the Committee on Small Business. I chose those committees because in Cleveland, Ohio, the 11th Congressional District, from 1986 through 1997 the average income dropped 10 percent. Within the State of Ohio, it rose an average of 5 percent. That is, in part, because the city has lost high-paying blue collar jobs and has gained jobs in the service sector where the salaries on average are lower by 13 percent.

I believe that this legislation will allow communities like the City of Cleveland to be revived. We have had great housing starts in Cleveland, new housing coming up in areas where we had riots a few years ago. What is not there is what makes a full community, and that is businesses and opportunities for employment right in one's own neighborhood, and opportunities for young people to see that the people in their communities own businesses and can employ persons right in their own neighborhood.

I rise in strong support of this act because I believe it will provide that opportunity and will clean up some of the neighborhoods through brownfields support. I support everyone who stood in support of this legislation.

Mr. ENGLISH. Mr. Speaker, I yield 5 minutes to the distinguished gentleman from Missouri (Mr. TALENT), one of the authors of this legislation.

Mr. TALENT. Mr. Speaker, I thank the gentleman from Pennsylvania (Mr. ENGLISH) for yielding me this time.

Mr. Speaker, I will say to the Members of this House this is deja vu all over again. It is the second time I have stood up in support of this bill. I think it is worth it.

I want to compliment the gentlewoman from Ohio (Mrs. JONES) on her remarks. Let me pick up on what she said because she mentioned she is a freshman. She is a very aggressive lady who advocates for her community. She is on the Committee on Small Business and the Committee on Banking and Financial Services because she recognizes that in the new world of economic empowerment and community renewal the key is drawing in private sector investment into these distressed neighborhoods and private sector investments that make sense in terms of private sector standards. That is the key to the future. She sees it, and this is a lady with ties and bonds to her community. She is hearing it from the organizations that are making a difference in these communities, as I have heard it, and as the other sponsors of this bill have heard it as well.

Let me go through some of the provisions in this bill so the House can see how comprehensive it is in proving out this principle I just mentioned and not just private sector investment, drug and alcohol counseling, which we have talked about, homeownership, all of these provisions that are necessary to rebuilding of neighborhoods, because these are not neighborhoods with housing problems or drug problems or police problems or educational problems. These are people who have all of the needs and the range of needs that people have, and we need to address them all at once; and we can do it through these community organizations.

The bill provides, as others have talked about, for the establishment of renewal communities within which there will be very significant tax and regulatory relief designed to draw in private venture capital, a zero capital gains rate, zero percent capital gains for investments made and held for 5 years in these communities; commercial revitalization deduction which the gentleman from Pennsylvania has fought so hard for, who encouraged investors and companies to rehab buildings in these neighborhoods; increased expenses for small business, up to $35,000 in deductions for equipment more than they can currently take, and employment wage credit for businesses to hire people from these neighborhoods; brownfields credit.

This, coupled with regulatory relief and municipalities that wish to be a renewal community, must include agreements with these neighborhood organizations about things like infrastructure investment, or taxes in those communities, or community policing; again, raising the visibility and the prestige of these neighborhood organizations.

Homeownership provisions, requires HUD to sell to neighborhood development organizations substandard housing so that HUD can no longer not do anything itself with housing, nor refuse to give the housing to people who will do something with it. This is a constant complaint I have and others have had from community redevelopment organizations.

The new market tax credit, new market venture capital companies which my friend, the gentlewoman from New York (Ms. VELAZQUEZ), worked so hard on and which has been part of the President's vision for over a year, these are similar to small business investment corporations which we already have. What they do is they will be private equity investment corporations.

They will raise private capital. The Federal Government will, through the sale of the ventures, allow them to draw down additional capital, and they must invest it in these distressed neighborhoods. This idea is pulsating with the vision that this is correct, that these neighborhoods are places where the economy can prosper.

There are thousands of budding entrepreneurs in these neighborhoods, and all they need is some investment capital and some advice. We should not look on these neighborhoods as liabilities. They are assets, and the new market venture capital companies are premised on that assumption.

There are parts of this bill I like more than other parts, obviously, because I have been sponsoring them for a long time. There is not a part of this bill I disagree with. This is not a case where anybody in this coalition has had to accept something they really do not like in order to get something that they do. That is one of the things that is exciting about it.

I do not think I need my whole 5 minutes. I will say I appreciated so much the comments on the part of the sponsors in support of this bill and also the principled and eloquent statement of concern by my friend, the gentleman from Virginia (Mr. SCOTT). Let us go ahead and pass this bill. We still have Senate passage. We still have conference, but let us not stop this now.

We do not have a lot of time left in this session. It is almost a miracle we are able to do this on a bipartisan basis in an election year. Let us continue the miracle and do something for these neighborhoods which are doing so much for themselves.

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

Mr. WATT of North Carolina. Mr. Speaker, I have been in this body 8 years almost now, and I think I have never seen a bill come to the floor that I thought was a perfect bill. Sometimes we have 99 percent terrible things in a bill and one good thing that tempts one to vote for it. Sometimes there is 99 percent good in a bill and one very bad provision that tempts one to vote against it. That is the situation we are in in this case, because the overwhelming balance of the argument about this bill is favorable. It is a magnificent bill that will help to stimulate inner city communities, rural communities in need of employment and revitalization. It will bring private funds back into our communities and extend the empowerment zones and provide bonding capacity.

☐ 1315

And so this is certainly one of those bills where 99 percent of the bill is just a magnificent bill. There is 1 percent of the bill that causes some serious problems. And, unfortunately, they are constitutional problems that the gentleman from Virginia (Mr. SCOTT) has described eloquently in his comments.

They involve the ability of religious institutions to discriminate against applicants for employment who may not agree with their religious tenets. And what I am trusting is that as I vote for this bill and support the 99 percent favorable, that the Court will see fit to right the legal and constitutional wrong with this bill. I appreciate the gentleman from Virginia yielding me this time for me to voice my support of the bill.

Mr. SCOTT. Mr. Speaker, I yield myself the balance of the time.

Mr. Speaker, as many of my colleagues have pointed out, there is a lot of good in the bill. But there clearly are constitutional problems with funding pervasively sectarian organizations. There are problems with the drug counseling provisions.

In a letter of July 12 of this year to Members of Congress, the National Association of State Alcohol and Drug Abuse Directors wrote the following: ''There is a strong national consensus around the core competencies that a substance abuse practitioner must demonstrate in order for them to be effective,'' and they go on to talk about the importance of State regulations, which is essentially overturned in this bill.

Mr. Speaker, there is in the bill a provision that specifically allows religious discrimination in employment. So we are faced with a situation that reminds me of the question, ''Other than that, Mrs. Lincoln, how did you like the play?'' Other than the provisions that are constitutionally problematic, other than the drug counseling certification problems, other than the separate-but-equal drug programs, other than the discrimination in employment, how do we like the bill?

Mr. Speaker, I think we ought to vote against the bill, allow the bill to be amended so that we can enjoy the good and favorable things in the bill.

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

Mr. ENGLISH. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, this legislation is truly landmark legislation. I have listened to some of the criticisms from the other side of the legislation and I have been pleased to see the bipartisan character of its support. Every one of the objections that have been raised to this legislation have been before this House in the past and have been set aside. They should not deter us from moving forward and doing the right thing, because this legislation, Mr. Speaker,

will place a new emphasis in this House on distressed communities. It will give those distressed communities and their inhabitants the opportunity to participate in our national growth and in our national opportunity.

We have an opportunity to move opportunities to where the needs are. That is something that at a time of rising growth and rising tides, we need to make a priority if our society is going to create opportunity for Americans and focus not only on liberty, but also on equal opportunity.

Mr. Speaker, in passing this legislation, we will give thousands of low-income Americans a stake in the American dream. And as we do so, we have an opportunity to greenline many of our distressed communities. All too often in the past, our distressed rural and urban communities have experienced redlining, a loss of opportunity for investment. Today, we are creating incentives which would effectively greenline those communities and attract new investment, new jobs, and new opportunity and create new tools to allow local people to design local institutions to their needs.

In western Pennsylvania, we have communities in my district like Farrell, Pennsylvania, and some of the neighborhoods even of my hometown of Erie, who could benefit enormously from these new, nonbureaucratic tools.

Mr. Speaker, we have passed many tax bills in this House. We have passed a marriage penalty credit, we have passed pension reform, we have passed a taxpayer Bill of Rights, too. We have passed small business incentives and we voted to eliminate the death tax. We have gotten rid of an antiquated phone tax in action in the House and we will be moving soon to repeal a tax on Social Security benefits.

We have passed many tax bills in this House. Why do we not today pass a tax bill to provide relief for those communities who all too often have been left behind? In passing this legislation, we are committing ourselves to a vision of a growing prosperous America and creating a land of opportunity where opportunity truly exists for every American.

Mr. Speaker, I urge all of my colleagues to join me in passing this legislation.

Mr. RYAN of Wisconsin. Mr. Speaker, today we are voting on H.R. 4923, the Community Renewal and New Markets Act, which includes a provision to create several very large investment companies targeted toward the inner cities and rural communities.

The American Private Investment Companies' (APIC) proposed goal of bringing large-scale businesses to economically distressed communities is a laudable and important goal. However, the APIC proposed under the Community Renewal and New Markets Act accepts the various impediments to investing in the inner city and rural communities and simply offers businesses a subsidy for risky investment. Further, the legislation duplicates several existing programs, including Small Business Investment Companies (SBICs) which are also expanded under this bill. The proposal has not been adequately scored to take government loan guarantee risk into consideration, and is to be administered by the Department of Housing and Urban Development (HUD), which is inadequately prepared for the responsibility.

A lack of capital is not keeping businesses from investing in these areas, especially not the large-scale, established businesses that the APIC program would target—the problem is the high cost of doing business. Instead of attacking the fundamental problems of these areas, a program such as APIC reduces urban and rural areas' incentives to change what makes investment in these communities difficult in the first place—penalizing tax rates, burdensome regulatory policies, a lack of pubic infrastructure, and high crime rates.

Further, a lack of venture capital is not an issue. The companies the APIC proposal targets are not entrepreneurial start-ups, nor are they small businesses. They are companies like Safeway or Wal-Mart. Location of venture capital is also not an issue. In today's information economy where technology facilitates long-distance interpersonal communication, venture capital flows to where it can earn a high rate of return, whether the investment is in Chicago or the Appalachian Mountains.

At least eight federal programs already exist that have similar goals as the APIC program. We understand each program is structured slightly differently and awards loans and grants differently than APICs, but the outcome remains the same. These include Community Development Block Grants (CDBG) Section 108 Loan Guarantees, Community Development Financial Institutions (CDFIs), Small Business Investment Companies (SBICs), and the Business and Industry Loan program administered by the USDA.

The APIC proposed creates quasi-GSEs, by relying on government subsidies to back ''private'' loans. This is not a private market initiative. HUD is granted authority to create a secondary market in APIC debt, similar to how Ginnie Mae guarantees mortgage debt. Creation of this secondary market further lowers the cost of capital, but increases taxpayer risk.

In fact, under H.R. 4923, APICs are expected to lose $6 million for every $1 billion invested. CBO believes that this loss could be greater if the true value of risk is calculated. In addition, CBO wrote that although the APIC legislation ''authorizes the appropriation of $36 million annually for the subsidy cost of loan guarantees and $1 million annually for administrative expenses . . . based on the experience of similar loan guarantee programs administered by the SBA. CBO estimates that the subsidy cost to guarantee $1 billion in loans under the APIC program would cost about $50 million annually.'' Based on SBA programs, ''CBO expects that APIC borrowers would default on between 25 and 30 percent of the guaranteed loans.''

To put this in perspective, CRS contrasts the expected 3.6 percent subsidy rate with both CDFIs and SBICs. CDFIs have a FY1999 subsidy rate of over 39 percent and SBICs have a subsidy rate of 25 percent (as of 1996). Accordingly, CRS, as well as CBO, the proposed 3.6 percent subsidy rate far too low.

Finally, HUD is a highly political department and has demonstrated a lack of success in handling new programs, such as the community builders program. Unlike the Treasury Department or the Small Business Administration (SBA), HUD has no expertise in managing a large-scale business investment program.

For the reasons outlined above, we believe that the APIC program is not the preferred means of addressing poverty and unemployment in economically distressed urban and rural areas. Its band-aid approach as a government subsidized investment program does not reduce the cost of business in these areas, aside from reducing the cost of capital for large companies who can easily find funds in the private market. The best way to promote economic growth is to reduce federal, state and local tax and regulatory burdens, which would encourage local entrepreneurs—with their own capital at risk—to determine what works best in their community.

Mr. GARY MILLER of California. Mr. Speaker, I rise today to speak about the American Community Renewal Act and one of the provisions relating to a very worthwhile and successful program called the low income housing tax credit. This program provides low and very low income families with affordable rental housing and represents the best of the federal/state public/private partnerships in housing. The low income housing tax credit encourages investors to fund the required risk equity for construction and rehabilitation of rental housing. Currently, the tax credit is the primary federal support for expanding the nation's stock of affordable housing. Roughly, 35,000 new and 35,000 rehabilitated rental units are created each year with this state-administered program.

What concerns me is the portion of the American Community Renewal Act which would reform the way in which the program works today. This reform would have the effect of requiring states to give a preference in their credit allocation to housing rehabilitation in qualified census tracts where more than 50 percent of the households have incomes at less than 60 percent of the area median income.

I have no quarrel with states allocating the tax credit to areas in need of community revitalization for rehabilitation of existing units. However, the beauty of this program is the balance struck between federal tax incentives and state administration. I do not want us at the federal level dictating to the states that the credits should go to any particular area. States already have the discretion to give preference in allocating the credit to projects going into areas in need of revitalization or rehabilitation of existing units in under served areas. I just do not believe the federal government should be in the business of forcing this upon the states. While I have no doubt that this provision included in the package is well intentioned I believe it would have a negative impact on the programs and the states which administer it. I hope that this bill can move forward and that at the appropriate time we can revisit this issue and clarify this provision.

Mr. UDALL of Colorado. Mr. Speaker, I rise in support of H.R. 4923, the Community Renewal and New Markets Act. H.R. 4923 provides tax credits, regulatory assistance and access to capital aimed primarily at economically disadvantaged communities.

Since joining the Small Business Committee, I have been committed to seeing the President's New Markets Initiative enacted into law. As we consider H.R. 4923 today, I would like to call my colleague's attention to a pair

of provisions in this bill offered by the Small Business Committee. I am proud to have worked on these bi-partisan, commonsense Small Business Committee provisions, the New Markets Venture Capital Program and BusinessLINC.

The New Markets Venture Capital Program (NMVC) creates a public private partnership to fund businesses located principally in low-income areas. The New Markets Initiative's primary objective is the establishment of a venture capital program with the specific mission of identifying and providing for the investment needs of small entrepreneurs in low-to-moderate income communities, including inner-city and rural areas. This program represents the heart and soul of the New Markets Initiative. NMVC takes the concept of venture capital, in a public-private partnership, and applies it directly to areas untouched by economic prosperity. The SBA is planning to name 10 NMVC's throughout the country. The NMVC's will receive a $15 million appropriation for loan guarantees that translates into $150 million in loans.

BusinessLINC encourages large businesses to team with small businesses and entrepreneurs located in low income areas. This grant program helps promote business-to-business networking through local third-party entities such as Chambers of Commerce. In addition, the program provides funds to these local business organizations for technical assistance programs, such as marketing and business plans.

Across this country, more than 34.5 million people live below the poverty line. In this time of unparalleled economic growth and prosperity, the Community Renewal and New Markets Act is truly needed to harness the entrepreneurial power that exists in these cities and towns, and to insure that our nation's economic growth touches all.

Ms. JACKSON-LEE of Texas. Mr. Speaker, I am in strong support of H.R. 4923, the Community Renewal and New Markets Act. This legislation enables distressed communities with the tools needed for community development.

As you know, the Empowerment Zone and Enterprise Community (EZ/EC) Initiative is a key element to President Clinton's job creation strategy for America. It create jobs and business opportunities in the most economically distressed areas of inner cities and the rural heartland. The EZ/EC effort provides tax incentives and performance grants and loans to create jobs and expand business opportunities. It also focuses on activities to support people looking for work: job training, childcare, and transportation.

H.R. 4923, will establish 40 new renewable communities across our nation and in areas where pervasive poverty and high unemployment exist. Furthermore, this bill will authorize various tax incentives for individuals and businesses located within these renewable communities. Some of these incentives include tax credits for private investors in poor neighborhoods, and loans and technical assistance to help small businesses in low income areas.

Most importantly, the bill will authorize the creation of nine additional EZs in low income neighborhoods. In my district, the 18th Congressional District of Houston, Texas, there is an urgent need for community redevelopment. In fact, I was glad to invite both Alvin Brown, Director of the White House Office of Empowerment Zones and Secretary Andrew Cuomo to my district to view firsthand the critical need for community development in my district.

Across our nation, I have seen and heard firsthand the benefits of EZs in distressed communities. This initiative continues to be one of our nation's leading programs in the fight against poverty. Although, there are clearly some provisions in this bill that cause me concern, I am positive this measure will equip small businesses, and communities with the tools needed to combat poverty.

In closing, I urge my colleagues to support H.R. 4923 and make economic revitalization a reality for many of our communities.

Mr. CRANE. Mr. Speaker, I want to commend you, Chairman ARCHER and Representatives WATTS and TALENT for the hard work and excellent result represented by the legislation before us here today. This bill applies Republican principles of economic growth and opportunity to those communities that have not fully participated in the strong economic growth experienced by much of our nation in the last several years.

Having said this, however, I need to mention one important issue that has not yet been addressed. This legislation, while helping many American communities, does little or nothing for the American citizens of Puerto Rico, citizens whose island is in dire need of economic development. I have introduced legislation in this Congress, H.R. 2138, that will apply the job creation incentives of section 30A of the tax code to U.S. companies doing business in Puerto Rico for new and expanded activities. My legislation applies to Puerto Rico the same objectives of the Community Renewal legislation to encourage private sector investment and job growth in areas which need it the most.

While I certainly support the legislation before us here today, I hope that we will be able to address as expeditiously as possible, the concerns I am raising with regard to Puerto Rico. I believe it is only fair that the opportunities for economic development and economic prosperity are extended to our American citizens in Puerto Rico as well. I submit for the RECORD a copy of a letter sent to Ways and Means Chairman ARCHER from a number of my colleagues expressing the very concerns I have articulated here. I look forward to working with my colleagues on this important issue.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, DC, July 18, 2000.

Hon. BILL ARCHER,
Chairman, Committee on Ways and Means, House of Representatives, Longworth House Office Building, Washington, DC.

DEAR MR. CHAIRMAN: In the coming months we will consider exciting new initiatives to encourage private sector community economic development and job growth in areas that have not fully kept up with the economic expansion of the past decade. We are also considering tax proposals that will help business offset the impact of another increase in the minimum wage.

These initiatives are an important part of the economic agenda that you have been fighting for as Chairman, to encourage the growth of a vibrant private sector as the foundation for continued economic prosperity in all American communities.

Toward that goal, we urge you to include incentives for job creation in Puerto Rico in these programs. As you know, the minimum wage increase will apply in Puerto Rico. This increase will have the greatest impact on business there, because approximately 57% of workers are within $1.00 of the current minimum wage, far in excess of any other U.S. jurisdiction. Moreover, unemployment in Puerto Rico, despite massive infrastructure development and local tax incentives, stubbornly remains approximately 11 percent; per capita incomes remain less than ½ of any state; a very substantial number of the American citizens in Puerto Rico have incomes below the poverty line.

The job creation incentives of H.R. 2138 could alleviate these economic hardships. That bill would provide the incentives of section 30A to new companies and new lines of businesses and it would extend the section 30A program beyond 2005, when it is currently scheduled to terminate.

These are essential components of an efficient job creations incentive uniquely tailored to the needs of Puerto Rico.

We urge you to consider the principles in H.R. 2138 as you craft community revitalization tax incentives. This bill recognizes that the economic strength of this country is in the private sector. Enactment of this legislation will help keep Puerto Rico on the road to economic growth through principles in which we all believe.

Sincerely,

Charles B. Rangel, Xavier Becerra, Patrick J. Kennedy, Richard Neal, Robert T. Matsui, E. Clay Shaw, Jr., Phil English, Mark Foley, Michael R. McNulty, Philip M. Crane, Nancy Johnson, Dave Camp, Jim Ramstad, Jennifer Dunn, Tom Davis, J.D. Hayworth, Amo Houghton, *Members of Congress.*

Mr. LEACH. Mr. Speaker, I rise today in strong support of the legislation before us, in particular Title VI, the American Private Investment Companies (APIC) section that the Banking Committee approved in April. These APICs are designed to create new investment in those communities and the people of these communities who are not fully participating in the economic good times most Americans are currently enjoying.

Let me say at the outset Chairman Greenspan was before the Banking Committee today to talk about the longest economic expansion in the nation's post-World War II history which has provided jobs for more Americans than ever before. As he noted, the unemployment rate is low; inflation is in check; productivity growth is the highest in 15 years; and not only is the federal budget in balance, but to the astonishment of most, surpluses are forecast for the foreseeable future.

Sustained economic growth has occurred in part due to significant private sector productivity increases, in part as a result of a mix of fiscal and monetary policies which, perhaps, for the first time in decades are working in sync, rather than in juxtaposition.

One of the stark difficulties in our economy, however, is that the gap between the well-to-do and the less well off is widening. While job opportunities are expanding to the most disadvantaged parts of the population, clearly more can be done so that all Americans have the opportunity to work at fulfilling jobs and to provide for their families.

The portion of the legislation before us under the Banking Committee's jurisdiction would spur companies to make equity investments in distressed areas. These companies would be licensed by HUD as for-profit private venture capital firms and provided government guarantees of company debentures, provided the licensee brings at least $25 million in private equity capital and substantially serves

low-income distressed neighborhoods and communities.

The Administration has testified that APICs, licensed and guaranteed by the Federal government, would provide the type of incentives necessary for developments such as shopping centers and manufacturing facilities that would otherwise not locate in some of our most distressed communities.

Before closing, I would also like to briefly mention the FHA Risk Sharing Demonstration Program Proposal that will allow the FHA to risk-share 20 percent of its mortgage loan portfolio on a demonstration level with community development financial institutions. This will help more individuals purchase homes who normally don't qualify for loans because of a high risk credit history. This provision is similar to Section 206 of H.R. 1776, which the House approved earlier this year.

In addition, another important provision of this bill allows for transferring substandard, vacant, HUD-held properties into the possession of local governments and community development corporations for homeownership and community revitalization efforts in distressed communities. Ineffective federal housing policies regarding the disposition of federally held properties can negatively impact the economic vitality of neighborhoods. HUD's management of its property disposition program for FHA foreclosed homes has made it difficult for many communities to maintain property values and dedicated homeowners. According to Congressional testimony by HUD's Inspector General, at the end of January 2000, HUD's real estate-owned inventory totaled 47,711 properties, 42 percent of which had been in the inventory 6 months or more, and 17 percent of which had been in the inventory 12 months or more.

HUD's foreclosed, vacant and substandard single-family properties are widely perceived as contributing to increased crime, urban blight, and the overall decline of working-class neighborhoods.

This bill requires HUD to transfer, to the maximum extent practicable, ownership of eligible properties (HUD-owned substandard multifamily, unoccupied multifamily, or unoccupied single-family properties) to a unit of local government having jurisdiction for the area where the property is located, or to a community development corporation within such jurisdiction, on certain terms and conditions. In cases where single-family property is transferred to a local unit of government, this section requires a $1 purchase program, consistent with current HUD policy.

In closing, I would like to note that Representative LAZIO, Chairman of the Housing Subcommittee, along with Representatives WATTS, and TALENT and Banking Committee Ranking Member LAFALCE, are to be congratulated for their hard work on the legislative package before us. In addition, the leadership of Speaker HASTERT has been critical in putting this entire package together. His commitment to work bipartisanly with the President to advance this important legislative package deserves our commendation. I urge adoption of the bill.

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

The SPEAKER pro tempore (Mr. SIMPSON). The question is on the motion offered by the gentleman from Pennsylvania (Mr. ENGLISH) that the House suspend the rules and pass the bill, H.R. 4923.

The question was taken.

Mr. ENGLISH. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, following this 15-minute vote on H.R. 4923, the Chair will put the question on motions to suspend the rules on which further proceedings were postponed earlier today in the following order:

H.R. 4923, the pending vote;

H.R. 4888, by the yeas and nays;

H.R. 4864, by the yeas and nays.

The Chair will reduce to 5 minutes the time for each electronic vote after the first vote in this series.

The vote was taken by electronic device, and there were—yeas 394, nays 27, not voting 14, as follows:

[Roll No. 430]

YEAS—394

Abercrombie	Cardin	Fletcher
Aderholt	Carson	Foley
Allen	Castle	Forbes
Andrews	Chabot	Ford
Archer	Chambliss	Fossella
Armey	Chenoweth-Hage	Fowler
Baca	Clay	Franks (NJ)
Bachus	Clayton	Frelinghuysen
Baird	Clement	Frost
Baker	Clyburn	Gallegly
Baldacci	Coble	Ganske
Ballenger	Coburn	Gekas
Barcia	Collins	Gephardt
Barr	Combest	Gibbons
Barrett (NE)	Condit	Gilchrest
Barrett (WI)	Cook	Gillmor
Bartlett	Cooksey	Gonzalez
Bass	Costello	Goode
Bateman	Cox	Goodlatte
Becerra	Coyne	Goodling
Bentsen	Cramer	Goss
Bereuter	Crane	Graham
Berkley	Crowley	Granger
Berman	Cubin	Green (TX)
Berry	Cummings	Green (WI)
Biggert	Cunningham	Greenwood
Bilbray	Davis (FL)	Gutknecht
Bilirakis	Davis (IL)	Hall (OH)
Bishop	Davis (VA)	Hall (TX)
Blagojevich	Deal	Hansen
Bliley	DeGette	Hastert
Blumenauer	Delahunt	Hastings (WA)
Blunt	DeLauro	Hayes
Boehlert	DeLay	Hayworth
Boehner	DeMint	Hefley
Bonilla	Deutsch	Herger
Bonior	Diaz-Balart	Hill (IN)
Bono	Dickey	Hill (MT)
Borski	Dicks	Hilleary
Boswell	Dingell	Hilliard
Boucher	Dixon	Hinchey
Boyd	Doggett	Hinojosa
Brady (PA)	Dooley	Hobson
Brady (TX)	Doolittle	Hoeffel
Brown (FL)	Doyle	Hoekstra
Brown (OH)	Dreier	Holden
Bryant	Duncan	Holt
Burr	Dunn	Hooley
Burton	Ehlers	Horn
Buyer	Ehrlich	Hostettler
Callahan	Emerson	Houghton
Calvert	Engel	Hoyer
Camp	English	Hulshof
Campbell	Eshoo	Hunter
Canady	Etheridge	Hutchinson
Cannon	Evans	Hyde
Capps	Everett	Inslee
Capuano	Fattah	Isakson
Istook	Mink	Shadegg
Jackson-Lee (TX)	Moakley	Shaw
Jefferson	Mollohan	Shays
John	Moore	Sherwood
Johnson (CT)	Moran (KS)	Shimkus
Johnson, E.B.	Moran (VA)	Shows
Johnson, Sam	Morella	Shuster
Jones (NC)	Murtha	Simpson
Jones (OH)	Myrick	Sisisky
Kanjorski	Nadler	Skeen
Kaptur	Napolitano	Skelton
Kasich	Neal	Slaughter
Kelly	Nethercutt	Smith (MI)
Kennedy	Ney	Smith (NJ)
Kildee	Northup	Smith (TX)
Kilpatrick	Norwood	Snyder
Kind (WI)	Nussle	Souder
King (NY)	Oberstar	Spence
Kingston	Obey	Spratt
Kleczka	Ortiz	Stabenow
Klink	Ose	Stearns
Knollenberg	Owens	Stenholm
Kolbe	Oxley	Strickland
Kucinich	Packard	Stump
Kuykendall	Pallone	Stupak
LaFalce	Pascrell	Sununu
LaHood	Pastor	Sweeney
Lantos	Pease	Talent
Largent	Peterson (MN)	Tancredo
Larson	Peterson (PA)	Tanner
Latham	Petri	Tauscher
LaTourette	Phelps	Tauzin
Lazio	Pickering	Taylor (MS)
Leach	Pickett	Taylor (NC)
Lee	Pitts	Terry
Levin	Pombo	Thomas
Lewis (CA)	Pomeroy	Thompson (CA)
Lewis (GA)	Porter	Thompson (MS)
Lewis (KY)	Portman	Thornberry
Linder	Price (NC)	Thune
Lipinski	Pryce (OH)	Thurman
LoBiondo	Quinn	Tiahrt
Lowey	Radanovich	Tierney
Lucas (KY)	Rahall	Toomey
Lucas (OK)	Ramstad	Towns
Luther	Rangel	Traficant
Maloney (CT)	Regula	Turner
Maloney (NY)	Reyes	Udall (CO)
Manzullo	Reynolds	Udall (NM)
Markey	Riley	Upton
Martinez	Rivers	Velazquez
Mascara	Rodriguez	Vitter
Matsui	Roemer	Walden
McCarthy (MO)	Rogan	Walsh
McCarthy (NY)	Rogers	Wamp
McCrery	Rohrabacher	Watkins
McGovern	Rothman	Watt (NC)
McHugh	Roukema	Watts (OK)
McInnis	Roybal-Allard	Weiner
McIntyre	Royce	Weldon (FL)
McKeon	Rush	Weldon (PA)
McKinney	Ryan (WI)	Weller
McNulty	Ryun (KS)	Wexler
Meehan	Salmon	Weygand
Meek (FL)	Sanchez	Whitfield
Meeks (NY)	Sandlin	Wicker
Metcalf	Sanford	Wilson
Mica	Sawyer	Wise
Millender-McDonald	Saxton	Wolf
Miller (FL)	Scarborough	Woolsey
Miller, Gary	Schaffer	Wu
Minge	Sensenbrenner	Wynn
	Serrano	Young (AK)
	Sessions	Young (FL)

NAYS—27

Ackerman	Hastings (FL)	Sabo
Baldwin	Jackson (IL)	Sanders
Conyers	Lofgren	Schakowsky
DeFazio	McDermott	Scott
Farr	Miller, George	Sherman
Filner	Olver	Stark
Frank (MA)	Paul	Visclosky
Gejdenson	Payne	Waters
Gutierrez	Pelosi	Waxman

NOT VOTING—14

Barton	Gordon	Menendez
Danner	Jenkins	Ros-Lehtinen
Edwards	Lampson	Smith (WA)
Ewing	McCollum	Vento
Gilman	McIntosh	

□ 1344

Messrs. MCDERMOTT, DEFAZIO, GUTIERREZ, WAXMAN and SHERMAN changed their vote from ''yea'' to ''nay''.

Mrs. MEEK of Florida and Ms. JACKSON-LEE of Texas changed their vote from ''nay'' to ''yea''.

So (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

□ 1345

ANNOUNCEMENT BY THE SPEAKER

The SPEAKER. Pursuant to the provisions of clause 8 of rule XX, the Chair will reduce to 5 minutes the period of time within which a vote by electronic device may be taken on each additional motion to suspend the rules on which the Chair has postponed further proceedings.

INNOCENT CHILD PROTECTION ACT OF 2000

The SPEAKER. The pending business is the question of suspending the rules and passing the bill, H.R. 4888.

The Clerk read the title of the bill.

The SPEAKER. The question is on the motion offered by the gentleman from Arkansas (Mr. HUTCHINSON) that the House suspend the rules and pass the bill, H.R. 4888, on which the yeas and nays are ordered.

The vote was taken by electronic device, and there were—yeas 417, nays 0, answered ''present'' 2, not voting 15, as follows:

[Roll No. 431]

YEAS—417

Abercrombie
Ackerman
Aderholt
Allen
Andrews
Archer
Armey
Baca
Bachus
Baird
Baker
Baldacci
Baldwin
Ballenger
Barcia
Barr
Barrett (NE)
Barrett (WI)
Bartlett
Bass
Bateman
Becerra
Bentsen
Bereuter
Berkley
Berman
Berry
Biggert
Bilbray
Bilirakis
Bishop
Blagojevich
Bliley
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonior
Bono
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brady (TX)
Brown (FL)
Brown (OH)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Capuano
Cardin
Carson
Castle
Chabot
Chambliss
Chenoweth-Hage
Clay
Clayton
Clement
Clyburn
Coble
Coburn
Collins
Combest
Condit
Conyers
Cook
Cooksey
Costello
Cox
Coyne
Cramer
Crane
Crowley
Cubin
Cummings
Cunningham
Davis (FL)
Davis (IL)
Davis (VA)
Deal
DeFazio
DeGette
Delahunt
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart
Dickey
Dicks
Dingell
Dixon
Doggett
Dooley
Doolittle
Doyle
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
Engel
English
Eshoo
Etheridge
Evans
Everett
Farr
Fattah
Filner
Fletcher
Foley
Forbes
Ford
Fossella
Fowler
Frank (MA)
Franks (NJ)
Frelinghuysen
Frost
Gallegly
Gejdenson
Gekas
Gephardt
Gibbons
Gilchrest
Gillmor
Gonzalez
Goode
Goodlatte
Goodling
Goss
Graham
Granger
Green (TX)
Green (WI)
Greenwood
Gutierrez
Gutknecht
Hall (OH)
Hall (TX)
Hansen
Hastings (FL)
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill (IN)
Hill (MT)
Hilleary
Hilliard
Hinchey
Hinojosa
Hobson
Hoeffel
Hoekstra
Holden
Holt
Hooley
Horn
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Hutchinson
Hyde
Inslee
Isakson
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson, E. B.
Johnson, Sam
Jones (NC)
Jones (OH)
Kanjorski
Kaptur
Kasich
Kelly
Kennedy
Kildee
Kilpatrick
Kind (WI)
King (NY)
Kingston
Kleczka
Klink
Knollenberg
Kolbe
Kucinich
Kuykendall
LaHood
Lantos
Largent
Larson
Latham
LaTourette
Lazio
Leach
Lee
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren
Lowey
Lucas (KY)
Lucas (OK)
Luther
Maloney (CT)
Maloney (NY)
Manzullo
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCrery
McDermott
McGovern
McHugh
McInnis
McIntyre
McKeon
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Metcalf
Mica
Millender-McDonald
Miller (FL)
Miller, Gary
Miller, George
Minge
Mink
Moakley
Mollohan
Moore
Moran (KS)
Moran (VA)
Morella
Murtha
Myrick
Nadler
Napolitano
Neal
Nethercutt
Ney
Northup
Norwood
Nussle
Oberstar
Obey
Olver
Ortiz
Ose
Owens
Oxley
Packard
Pallone
Pascrell
Pastor
Paul
Payne
Pease
Pelosi
Peterson (MN)
Peterson (PA)
Petri
Phelps
Pickering
Pickett
Pitts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Quinn
Radanovich
Rahall
Ramstad
Rangel
Regula
Reyes
Reynolds
Riley
Rivers
Rodriguez
Roemer
Rogan
Rogers
Rohrabacher
Rothman
Roukema
Roybal-Allard
Royce
Rush
Ryan (WI)
Ryun (KS)
Sabo
Salmon
Sanchez
Sanders
Sandlin
Sanford
Sawyer
Saxton
Scarborough
Schaffer
Schakowsky
Scott
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shows
Shuster
Simpson
Sisisky
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Snyder
Souder
Spence
Spratt
Stabenow
Stark
Stearns
Stenholm
Strickland
Stump
Stupak
Sununu
Sweeney
Talent
Tancredo
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thompson (MS)
Thornberry
Thune
Thurman
Tiahrt
Tierney
Toomey
Towns
Traficant
Turner
Udall (CO)
Udall (NM)
Upton
Velazquez
Visclosky
Vitter
Walden
Walsh
Wamp
Waters
Watkins
Watt (NC)
Watts (OK)
Waxman
Weiner
Weldon (FL)
Weldon (PA)
Weller
Wexler
Weygand
Whitfield
Wicker
Wilson
Wise
Wolf
Woolsey
Wu
Wynn
Young (AK)
Young (FL)

ANSWERED ''PRESENT''—2

Johnson (CT)
LaFalce

NOT VOTING—15

Barton
Danner
Edwards
Ewing
Ganske
Gilman
Gordon
Jenkins
Lampson
McCollum
McIntosh
Menendez
Ros-Lehtinen
Smith (WA)
Vento

□ 1354

So (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

VETERANS CLAIMS ASSISTANCE ACT OF 2000

The SPEAKER pro tempore (Mr. SIMPSON). The pending business is the question of suspending the rules and passing the bill, H.R. 4864, as amended.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Arizona (Mr. STUMP) that the House suspend the rules and pass the bill, H.R. 4864, as amended, on which the yeas and nays are ordered.

This will be a 5-minute vote.

The vote was taken by electronic device, and there were—yeas 414, nays 0, not voting 20, as follows:

[Roll No. 432]

YEAS—414

Abercrombie
Ackerman
Aderholt
Allen
Andrews
Archer
Armey
Baca
Bachus
Baird
Baker
Baldacci
Baldwin
Ballenger
Barcia
Barr
Barrett (NE)
Barrett (WI)
Bartlett
Bass
Bateman
Becerra
Bentsen
Bereuter
Berkley
Berman
Berry
Biggert
Bilirakis
Bishop
Blagojevich
Bliley
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonior
Bono
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brady (TX)
Brown (FL)
Brown (OH)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Capuano
Cardin
Carson
Castle
Chabot
Chambliss
Chenoweth-Hage
Clay
Clayton
Clement
Clyburn
Coble
Collins
Combest
Condit
Conyers
Cook
Cooksey
Costello
Cox
Coyne
Cramer
Crane
Crowley
Cubin
Cummings
Cunningham
Davis (FL)
Davis (IL)
Davis (VA)
Deal
DeFazio
DeGette
Delahunt
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart
Dickey
Dicks
Dingell
Dixon
Doggett
Dooley
Doolittle
Doyle
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
Engel
English
Eshoo
Etheridge
Evans
Everett
Farr
Fattah
Filner
Fletcher
Foley
Forbes
Ford
Fossella
Fowler
Frank (MA)
Franks (NJ)
Frelinghuysen
Frost
Gallegly
Ganske
Gejdenson
Gekas
Gephardt
Gibbons
Gilchrest
Gillmor
Gonzalez
Goode
Goodlatte
Goodling
Goss
Graham
Granger
Green (TX)
Green (WI)