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

PRAYER

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

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

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

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

PLEDGE OF ALLEGIANCE

The Honorable BOB SMITH, a Senator from the State of New Hampshire, led the Pledge of Allegiance, as follows:

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

RECOGNITION OF THE MAJORITY LEADER

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

O HAPPY DAY

Mr. LOTT. Mr. President, this morning as I came into the Senate Chamber, the words to a song came to mind, “O Happy Day.” I almost feel like singing. This is a happy day. This is when the American people finally get to have a little bit more control over their lives, their own lives, based on decisions made in Chester County, PA, or in Pascagoula, MS. This is a day when we are going to be talking about the people being able to keep just a little bit more of their own hard-earned money.

Too often in the Senate we are arguing over details; we are trying to figure out how we from Washington can spend more of the people’s money; we are thinking about how can we in Washington control more of people’s lives.

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

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

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

SCHEDULE

Mr. LOTT. Before we get started with that, under a previous order, the Senate will begin a cloture vote on the substitute amendment to the juvenile justice bill at 9:45. Following the vote, Senator SMITH is expected to make some remarks regarding his concerns with the juvenile justice legislation. If cloture is invoked and following the remarks of Senator SMITH, it is hoped the Senate will proceed to the various motions to send the juvenile justice bill to conference.

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

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

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

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

Mr. President, I yield the floor.

RESERVATION OF LEADER TIME

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

JUVENILE JUSTICE REFORM ACT OF 1999

The Senate resumed consideration of the bill.

Pending:

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

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

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

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

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

The PRESIDING OFFICER. The Senator from New Hampshire.

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

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

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

The PRESIDING OFFICER. The Senator from New Hampshire.

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

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

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

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

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

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

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

A letter comes back from God:

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

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

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

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

The PRESIDING OFFICER. The Democratic leader.

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

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

For the purposes of record and drawing a distinction on this bill from other bills where our majority leader has filled the tree prior to the time we have had any debate, this bill, S. 254, has been debated now for 8 days, from May 31 through May 20. We conducted 32 rollcall votes. The Senate considered 38 amendments—18 Democratic amendments, 20 Republican amendments. We had 10 Democratic amendments agreed to, 17 Republican amendments agreed to, and then we had 10 Democratic and Republican amendments that were not agreed to, and 1 Republican amendment was withdrawn.

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

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

I hope we can do more such of this in the future as we consider other authorizing bills. I urge my Democratic colleagues and my Republican colleagues to support the effort this morning to move this legislation forward to conference so we can resolve what differences there are with the House and there are many very important differences. I am hopeful we can bring this bill back from conference in time and that we can be as supportive of it as we were of the bill when it passed on May 20.

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

CLOTURE MOTION

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

The legislative clerk read as follows:

CLOTURE MOTION

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


CALL OF THE ROLL

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

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

The legislative clerk called the roll.

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

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

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

[Rollcall Vote No. 224 Leg.]
However, the reason I opposed the Senate bill, and why I voted against cloture just now is because this is not a juvenile justice reform measure. It’s also a gun control measure.

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

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

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

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

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

In fact, I’m going to make a prediction here and now that whatever emerges from the conference committee will instantly be criticized—and maybe even threatened with a veto—because it doesn’t have enough gun control in it for the Clinton-Gore administration.

Today, I am going to make a prediction here and now that whatever emerges from the conference committee will instantly be criticized—and maybe even threatened with a veto—because it doesn’t have enough gun control in it for the Clinton-Gore administration.

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

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

Sometimes it can be unclear why a Senator or Senator votes the way that they did.

That’s especially true for procedural votes like the cloture vote we just had. Since that is the case, I see no reason to burn up good will by forcing the Senate to vote again and again with the same result on the various procedural steps that lie before us.

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in their communities and in their schools—are saying gun control misses the point entirely.

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

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

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

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

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

My choice would have been a clean bill that prioritized law enforcement and focused on solving the problem of youth violence. That is the kind of bill I hope to see coming out of the conference. That is the kind of bill I will work for coming out of the conference—the kind of bill that I could support and I believe that America wants.

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

I thank my colleague from New Hampshire for yielding.

I yield the floor.

The PRESIDING OFFICER. The Senator from New Hampshire.

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

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

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

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

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

Under this rule, each Senator, myself now being one of the floor, has an hour to discuss the reason for their vote on this issue. I think it is important to discuss it, even though the vote has occurred, because the American people need to understand what we did.

I tried in a very few brief minutes, thanks to the consideration of the minority leader who was kind enough to allow me 3 minutes of his time to do this prior to 9:45 when we had the vote, to point out what we were about to do. Apparently not too many people were listening. I will point out again what we did.

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

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

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

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

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

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

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

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

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

It, but a well done; It was well orchestrated. It scared off enough people. It scared off the 19 or so votes we needed to block cloture on this bill. The House did the right thing; we did the wrong thing.

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

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

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

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

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

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

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

The first gun came over on a ship probably in 1607. Most likely somebody had a gun coming into Jamestown. For 375 years we had no school shootings, not one. How do we gun control? In America, we have 40,000 laws, according to Senator Craig, and now we have school shootings. Hello. Anybody listening? What is going on here? Is it guns? If it is, how come we didn’t have school shootings for 375 years when everybody had a gun? I believe we should take a look at the news media. The news media has a distressing tendency to engage in sensationalism, the mindless pursuit of greater ratings. On April 20 this year when the children came tumbling out of Columbine High School with blood on their clothes, some children wounded and crying, what happened? With microphones in their face, they were asked: What was it like to witness your classmates’ death? Did he say anything as he died?

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

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

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

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

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

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

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

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

I was disappointed during the Senate’s consideration of this bill. I wasappalled at the lack of my conservative colleagues in the Senate, some of my pro-gun conservative colleagues in the Senate. I am disappointed. We had a chance to stop this. I spent a great deal of time over the past 2 weeks as we debated 25d, arguing privately with these colleagues, trying to persuade them to hold the line against this onslaught of more gun control.

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

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

I am very disappointed about what the Senate did with respect to these gun shows. It seems evident to me, the practical effect of the Lautenberg amendment, adopted when Vice President Gore sat in the chair and proudly cast the tie-breaking vote: This will ruin the gun shows, put them out of business. That is the aim of the amendment, and that is the aim of this legislation that we just substituted in order to send it to conference. Everybody says we will get it out in conference. We will see about that. Don’t hold your breath.

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

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

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

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

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

Great experts have repeatedly shown that criminals do not go to gun stores, complete the necessary forms, and leave with legally purchased weapons. "Hello, I'm a criminal. I am going to rob a bank and steal them. I have had people tell me they will leave with legally purchased weapons. Complete the necessary forms, and then I will go rob the bank."

Criminals are going to buy their guns anyway. They are going to steal them. I have had people tell me they will leave with legally purchased weapons. Complete the necessary forms, and then I will go steal a gun.

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

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

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

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

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

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

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

I know one thing. S. 254 is wrong and H.R. 1501 is right. I am going to fight to its very last breath to protect the constitutional right of Americans, including the right to keep and bear arms. Many of us who are veterans in the fight to protect the second amendment know the bold and clear words of the second amendment by heart. We want to see them often enough if we are to educate our fellow citizens about the unmistakable meaning and intent behind those words of that most besieged provision of the Bill of Rights.

It is pretty clear:

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

Tell me where there is anything in that amendment that allows us to do this under the Constitution of the United States of America? I stood right there where the pages are sitting and took the oath twice when I came to the Senate to protect and defend the Constitution. This is what the public interest is and nothing else. You trample on the Constitution; you trample on the public interest.

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

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

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

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

There are 40,000 gun laws already. We can pass a few more and stop law-abiding Americans from going to gun shows. Let's just keep sitting back,
America, keep sitting back on your hands—I might use another word if I were not on the Senate floor—and let it happen. Don’t do anything. Don’t stand up. You need to start voting, my fellow Americans. You need to start looking at who is doing this to you and to the Constitution of the United States of America, and you need to start throwing those people out of here. That is what you need to do. I do not care with what party they are. It is irrelevant.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

You are not going to cut down a big tree by snipping the leaves off of it. We are not going to solve this problem with gun control. We are going to solve this problem when we understand here in America that we have some severe cultural and moral problems. We need to put values back in schools. We need to put God back in schools. We need to allow kids to have the right to pray and the right to talk about these things with their teachers so their teachers do not have to worry about being fired for giving comfort.

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

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

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

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

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

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

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

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

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

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

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

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

Mrs. FEINSTEIN addressed the Chair.

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

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

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

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

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

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

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

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

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

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

There is a loophole. The loophole is that they can be imported to this country. Last year alone, from almost 20 different countries, 11.4 million large-capacity, ammunition-feeding devices, over 50,000 of them of more than 250 rounds, came into this country. The President couldn’t stop it by executive order. We had to legislate; and, in fact, we did. Twenty Republicans voted for this. We had 59 votes in the Senate.

The chairman of the House Judiciary Committee moved it as an amendment on the floor, which was passed by unanimous consent in the House.

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

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

On August 16, the children of Columbine will return to the very school that witnessed one of the worst incidents of gun violence this Nation has ever seen. When they return, they are going to be asking themselves, their parents, their teachers, and even us a lot of questions:
What has been done to make our school safer? Is it harder for kids to get guns today?

What has Congress done to help us? And who is really trying to make a difference?

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

The children received assurances from leadership on both sides of the aisle that Congress is working hard to reduce or eliminate future school shootings and that Members of Congress sympathized with them and would do anything they could to help. But as one child from Littleton put it bluntly: It is one thing for them to say the media than I was when I was quite another to look down a gun barrel and think that maybe you are going to die. This was from a girl just 17 years old, but a girl forced to grow up very quickly. There is a second thing. Youngsters growing up in this country.

These three things make a very come to violence today than I was when I was growing up in this country.

I have asked fourth graders in California schools what is their greatest fear. Do you know what it is? Getting shot on the way to school. Yet still we wait and we do nothing. We spent more than a week in this body debating and voting on dozens of provisions to stem the tide of youth violence.

This is what the issue is all about—the boys and girls out there who fear for their lives every day because of gun violence.

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few short weeks ago. Not when the amendment came to the Senate floor and passed. Nor when the amendment came to the House floor and passed. Not during the days and weeks that the juvenile justice bills sat on the calendar.

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

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

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

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

In the end, whether or not a Senate bill is a revenue bill boils down to the opinion of a majority of House Members, and those Members have spoken by returning the juvenile justice bill to us for correction. But I firmly believe that if the House had been given an opportunity to study the facts and review the precedent, the outcome would have been different. Instead, the issue was rushed, the debate cut off, and the outcome predetermined. It is now clear that we have now overcome the remaining hurdles and we can quickly move to conference on these bills, because we are running out of time.

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

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

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

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

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

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

I thank the Chair. I yield the floor.

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

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

On Monday the majority leader was able to vitiate the cloture vote that had been scheduled and proceed to take up the House juvenile justice bill, H.R. 1501. He then offered amendment number 1344 to insert the text of S. 254, the Hatch-Leahy juvenile justice bill that passed the Senate after two weeks of open debate and after significant improvements on May 29, by a strong bipartisan vote of 73-25. In other words, he struck Title VII of the Senate bill, which contained the amendment on the import ban for high capacity ammunition clips.

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

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

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

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

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

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

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

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

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

The Senate continued the inaction on the juvenile justice bill with the swift movement on providing special legal protections to certain business interests. In just a few months, big business
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Mr. HATCH. Mr. President, I hope and expect that clouture will be invoked shortly. It is my understanding that we will be able to go to a Senate-House conference that is fair, balanced, and productive. This work has been too hard in the Senate for a strong bipartisan juvenile justice bill to simply shrug our shoulders when a narrow minority in the Senate would rather we do nothing. I urge all Senators who have been productive. We have worked too hard in the Senate for a strong bipartisan juvenile justice bill to simply shrug our shoulders when a narrow minority in the Senate would rather we do nothing. I urge all Senators to work today that we can finally resolve the Senate-House conference. I believe that the Senate is not making full speed ahead to seize this opportunity to act on balanced, effective juvenile justice legislation.

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

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

We must do our best to reconcile these bills. In the end, I hope and trust that this conference committee will produce a vehicle that the House, the Senate, and the President can support. If, however, some in positions of leadership and responsibility are unwilling to search for common ground and are content to simply politicize this issue, the change to do something meaningful for our Nation’s children may slip through our hands. I hope that does not happen and I hope that we can come together for a good bill. I want to say yet again that this is one of the most important bills that Congress will consider this year. The Judiciary Committee has worked on juvenile crime legislation for more than two years. The committee marked up the predecessor to S. 254 for nearly two months last Congress. And as you are aware, the Senate spend 2 full weeks this spring debating S. 254.

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

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

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

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

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

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

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

The amendment (No. 1344) was agreed to.

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

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

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

(THE TEXT OF THE AMENDMENT NO. 1344 WAS PRINTED IN THE RECORD OF MONDAY, JULY 26, 1999.)

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

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

Personally, I believe very strongly that we need to have a good juvenile justice bill. There are a lot of very important provisions with regard to how we try juveniles who commit crime, how we incarcerate them, how we deal with school security, including...
The legislative assistant read as follows:

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

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

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

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

Most often, the change is returned to the household budget to take care of other important needs.

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

In trying to balance the budget in 1997, Congress miscalculated the revenues that would be generated by the economy. After the change from the thrift, investment, and risk-taking of Americans combined to create an unexpected windfall of revenue. Now the question Washington seems to be grappling with concerns who rightly deserves the windfall. It is a question any parent or child can answer. American families, those who created the wealth in the first place, those who need their precious resources to meet future basic needs at home, are rightly entitled. In other words, no matter how they earned, revenues Washington did not plan for to meet the expense of government, from which Washington had budgeted.

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

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

Let me state exactly how the plan works and why it has received bipartisan support. This tax cut package will provide broad relief by reducing the 15-percent tax bracket that serves as the baseline for all taxpayers to 14 percent. In other words, no matter which tax bracket a family may be in, by cutting the 15-percent bracket, everyone will benefit as they will pay 14 percent on their first portion of taxable income. At the same time, this plan expands the 14 percent bracket, and under current law their combined income would be reduced by their two personal exemptions and by the standard deduction for married couples.

And here is where they would hit their first marriage penalty problem, discovering that their new standard deduction will give the self-employed and underinsured the boost they need to pay for health insurance. It will begin to restore fairness to the Tax Code by eliminating the marriage tax penalty.

But the marriage penalty does not end there. In fact, it gets worse. With their combined income, Robert and Diane—now considered by many to be a wealthy family—they realize that their total combined income would be $100,000. Should they marry, they would no longer be considered middle-class individuals, but many would regard them as a wealthy family, and under current law their combined income would be reduced by their two personal exemptions and by the standard deduction for married couples.

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

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

The legislation we introduce today—this broad-based tax relief—completely eliminates the marriage penalty for American families have been suffering under the unfair burden of the marriage tax penalty for too long. A simple example shows us why:

Robert and Diane are two single American families who have fallen in love and want to marry. They are not considered a family by the Tax Code because of the tax penalties their marriage would incur.

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

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

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Robert and Diane are two single American families who have fallen in love and want to marry. They are not considered a family by the Tax Code because of the tax penalties their marriage would incur.
Robert and Diane. The Senate Finance Committee bill will allow Robert and Diane to file a joint return, but to calculate their AMT liability as if they had remained single. They would each get the benefit of the more generous standard deduction and of the more generous rate brackets. Under this new approach, they would pay a total tax of $17,490—which is the combination of what they had each paid before. This saves them almost $1,500.

But in restoring equity to the tax code, we do not stop with the marriage penalty. Another important measure contained in this broad-based tax relief plan is the elimination of the alternative minimum tax for middle-income families—families like David and Margaret Klaassens. Most of us know their story. The Tenth Circuit recently affirmed a decision made by the IRS that the Klaassens were required to pay the alternative minimum tax despite the fact that it may not have been Congress’ intent to impact families like the Klaassens when Congress passed the AMT.

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

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

In addition, $2,100 in medical expenses were disallowed because of the 10-percent floor for AMT purposes. And finally, the Klaassens’ entire $29,000 deduction for personal exemptions was disallowed. As a result, the adjustments resulted in alternative minimum taxable income of $88,000—twice the taxable income that the Klaassens had without the AMT.

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

These are changes that are long overdue. Again, they have strong bipartisan support. But our broad-based Taxpayer Refund Act of 1999 does so much more. It will also give middle-income families more choices about how they invest their savings. Individuals and families find self-reliance and security in retirement through expanded individual retirement accounts, as well as through enhanced 401(k) plans, 403(b) plans and 417 plans. These are critical programs for middle-income families—along with Social Security and personal savings help individuals prepare for their golden years.

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

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

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

Clearly, if the average contribution of modest-income taxpayers is $1,500, this demonstrates that many of these Americans want to make contributions to their own retirement plans. To that end, the Taxpayer Refund Act of 1999 will allow employees 50 years old or older to make catch-up contributions to their retirement plans. This will be most important for women, benefiting those who may have started their retirement savings late or who have taken time off to raise children.

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

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

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

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

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

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

Another important component of this tax relief package involves its treatment of estate and gift taxes. Here, our objective is to protect families, farmers, and small business men and women who have worked their whole lives to build a future for their posterity. Members of the Senate Finance Committee can recall all the years of effort and consultation that led to the ultimate demise of tax law. We can remember the frustration and the worry when now the family will not have a base from which to leave her home, which she loves, and to pay it off. Now, unless this tax law changes that will help families meet their priorities.

The PRESIDING OFFICER (Mr. Brown): The Senator from Idaho.

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

I yield the floor.

Mr. MYNHAN addressed the Chair.

The PRESIDING OFFICER (Mr. Burns): The Senator from New York.

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

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

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

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

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

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

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

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

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

The Office of Management and Budget, in its fiscal year 2000 edition of “Analytical Perspectives,” estimated that the total deficit reduction has been more than twice this. I quote: “The total deficit reduction has been more than twice this, or $1.2 trillion.” That suggests the extraordinary quality of that moment when we stood on this floor and waited for the final vote that would allow the Vice President to cast the determining vote, 51–50.

The act was passed without one Member of the Republican Party of either House of the Congress.

In 1997, we had a more bipartisan effort in the Balanced Budget Act of 1997.
Again, we see larger revenue benefits than were originally anticipated. As of this year, that means this September, the OMB projects a budget surplus of $90 billion and the Congressional Budget Office projects a surplus of $120 billion. With the end of the fiscal year just 2 months away, we can expect, with great confidence, a budget surplus for the second consecutive year.

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

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

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

The Honorable Robert Rubin, who was Mr. Summers' distinguished predecessor, often spoke of a term which is not in ordinary usage, but it is a term known by Secretaries of Treasury and by persons who deal in securities, in markets. Mr. Rubin would use the term the "risk premium on interest rates." That is to say, the extra charge if a person is lending money, if they are not certain of the fiscal stability of the Federal Government, in this case, and, thence, of the economy at large.

It was, first of all, this risk premium that we broke in 1993, the year when the budget deficit was cut in half and the federal debt quadrupled over the previous twelve years—that the day would come, again, to use an economist's term, when we would "monetize" the debt through inflation. We would get rid of it by wiping out the value of the dollar. That is that premium, that risk premium on interest rates.

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

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

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

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

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

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

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

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

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

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

Unemployment is now at 4.3 percent. May I say, as someone who in the Kennedy administration was Assistant Secretary of Labor for Policy Planning, we would have said, sir, that a 4.3-percent unemployment rate was unsustainable. It would lead to an outbreak of inflation. Yet here we have it, 4.3 percent, real economic growth at 4 percent. We are in the ninth year of an expansion, and we have no inflation.

This is something that is going to require that the economic textbooks be rewritten. But we did it, and a lot of it comes about from what we did on the Senate floor in August of 1993 and which our great hope on this side of the aisle is that we not undo in this short time that has passed.

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

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

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

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

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

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

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

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

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

I can remember the onset of this. In the late 1970s, it was clear. One would write about it, and one did. Then came the administration of President Reagan in which, in effect, the policies were carried out—or they began to be
Mr. DOMENICI. Mr. President, I ask the distinguished chairman of the Finance Committee if he will yield up to 20 minutes.

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

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

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

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

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

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

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

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

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

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

The Reagan team [not the President] saw the implicit failure of supply side theory as an opportunity, not a problem. The other important reason, which I will close on, is that the 1997 balanced budget amendment left us with what the Washington Post this morning calls an “accounting illusion,” that we can reduce the spending on domestic programs by 20 percent in real terms over the next 10 years. The illusion is coming apart already. Just the other day, the House of Representatives determined that the money to pay for the decennial census in the year 2000 required an emergency appropriation outside of those limits. We have had that census for many years. That consensus is provided in the Constitution. It has taken place every decade since 1790. All of a sudden, we have made it into an emergency.

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

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

And he set down a few principles. He said:

First, watch our investments carefully and manage them prudently. We should continue our best efforts to manage the economy and watch out for inflation.

Second, do not spend our money before we make it. Before the surplus is spent, whether on tax cuts or continuing important priority programs, wait for the money to be in the bank.

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

Third, pay our debts. The United States should take advantage of this opportunity to retire the national debt.

Fourth, cover the necessities. Congress should not shortchange the Nation’s core programs, such as education, health care, veterans, and the like.

Fifth, put away what we need for a rainy day. Congress should take steps to reserve the Social Security and Medicare surpluses exclusively for future costs of those programs.

Sixth, don’t go on a spending spree. Resist the temptation to create costly new government programs.

Finally, take prosperity in measured doses. Congress should reduce taxes without pulling the rug out from under projected surpluses.

I can think of no wiser counsel.

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

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

Section 313(b)(4)(E) of the “Byrd Rule” provides that any provision in any reconciliation bill which would decrease revenues used beyond the budget window—in this case beyond the year 2009—may be automatically stricken from the bill upon a point of order being raised.

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

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

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

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

The Senate proceeded to a consideration of the bill (S. 1392) providing for permanent continuation of tax cuts in the years beyond 2009 and for an increase in outlays for interest on the public debt.

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

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

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

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

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

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

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

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

I believe there is a degree of arrogance in those who argue against tax cuts. They say to working families: I know what to do with your money better than you do. Give it to me so I can spend it.

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

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

I didn’t originate that quote. I can’t imagine and I can’t fathom anything more frightening to the average taxpayer than the sight of a grand government scheme pushing toward a $1 trillion return of taxpayer dollars.

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

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

It lowers rates.

It encourages savings.

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

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

I say: Tax cuts, if not now, when? The Democrats say not now. I say: If not tax cuts now, then what? The President’s answer is: Spend it all. It does not matter what he says he wants to spend it for; he wants to spend it all.

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

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

Congress’s budget allocates 75 percent of the projected surplus for Social Security, education—both—health care—education—both and defense—and the remaining quarter for tax cuts.

Without tax cuts, who would spend the surplus?

Not the American people. The Government in Washington would spend it. On who the tax cuts were going to “grow” Government. There can be no denial of that. The President plans to grow Government substantially rather than give back anything to the American people.

He now says he would veto a $500 billion tax cut. What about $200, Mr. President? That is not giving the American people back about 6 cents of the surplus, at $200. Can we afford that? I believe we can afford 25 cents out of every $1 of surplus.

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

The right answer: It is not “this” versus “that.” The correct answer is, we can do all of the above. The size of the surplus lets us do it all. That is the reality. Save Social Security, reform Medicare, provide adequate funding for domestic and defense spending, pay down the debt, and give the American people who earned the money a decent return on tax cuts versus Social Security. Tax cuts versus debt reduction. Tax cut versus debt reduction.

I am amazed the President’s political advisers argue this budget is reckless. Nothing is reckless about steadily rising surpluses and paying down our debt by more than 50 percent over the next decade. In fact, our plan lowers the level of debt more than the President’s plan. Some may wonder why. That is because the President spends heavily in the first 2 years. We save 92 percent of the projected surplus during these first 2 years. As a result, our budget surpluses will rise sharply from 1.4 percent of the gross domestic product to 2 percent by the end of the decade.

I have been amazed by the administration and other opponents who claim our tax cut will lead to higher interest rates because the economy will overheat. That is just not true. The Fed is most concerned not with the economy as it is today but what it will be in 18 months and thereafter. Our tax cut is slow, a total of $238 billion over the next 10 years. Do you really worry about stimulus, it is $238 billion in tax cuts. It is almost unrecognizable in terms of impact one way or the other on the American economy. It saves 92 percent of the projected surplus during these first 2 years. As a result, our budget surpluses will rise sharply from 1.4 percent of the gross domestic product to 2 percent by 2001.

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

In House testimony last week, Chairman Greenspan cautioned against expecting any rapid stimulus as a result of this tax relief package. I can assure the American people that Congress' tax plan will not overheat the economy. As a matter of fact, Chairman Greenspan cautioned against expecting a rapid stimulus as a result of this package, given the long phase-in of the tax cuts. I can anticipate the response of my Democratic colleagues who are likely to say: If your plan is so ideally suited for the economy, why did Alan Greenspan argue we should let surpluses run for a while before cutting taxes?

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

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

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

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

The President proposes to use $53 billion of the surplus for new spending. It is nearly twice as large as our tax cut in the next 2 years. Thus, the President's plan poses far more stimulative than the Congress' measured tax cut. I ask my colleagues on the other side of the aisle if they are worried about interest rates rising because the economy is overheating, why support the President's Government-growing agenda over our own? The money is there. We have a surplus.

The last question is the $792 billion question: Who is going to spend it?

When faced with the President, who wants to spend the surplus, Congress has made its choice but to cut taxes. However, we have to be careful. While we are still saving the majority of the surplus for shoring up our long-term fiscal health, we must be careful in that regard.

To sum up, I leave two messages today. Our budget is prudent, and it is synchronized for where we are in the business cycle. Be skeptical of the administration's criticism of our tax plan. They want to grow Government well in excess of Congress' tax cut.

Most of the spending has nothing to do with Social Security or Medicare. This is what should most concern the American people when faced with the surplus, excluding Social Security funds, and I have already indicated what will happen to these funds and I hope that Americans want to give it back to the people who earned it and worked so hard.

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

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

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Nevada.

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

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

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

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

But even the Democratic plan fails to fully fund or restore these cuts. Senate Democrats have reserved $290 billion of the surplus to soften the blow on our discretionary priorities like education, but we still allow cuts of several hundred billion dollars. In our plan, with our $1 trillion of tax cuts, we do not make up the assumed cuts in our domestic priorities either.

Since defense spending will go up, and there will be spending for transportation which also will go up significantly over the next 2 years, our other domestic priorities will be squeezed even more.

How can we, as Democrats, say we are addressing the needs of America's children, for fighting poverty, for solving the crisis of the postsecondary education crisis, for helping the environment, for community policing, and for veterans' health care, when we are assuming domestic spending cuts of several hundred billion dollars? Something has to give. To use the old Yiddish proverb, you can't dance at two weddings at the same time.

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

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

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

And to the Democratic Party, my party, we have a better proposal. It is not harsh. But there has to be some connection between the convictions we profess and the budgets we propose, and a willingness to fight for them. At some point, the chasm between our words and our actions becomes too wide. If we do not fight hard enough for the things we stand for at some point, we have to recognize we really do not stand for them.
I cannot believe with record economic performance, that the Republican Party is about to be awash in money, most of them flowing to our wealthiest citizens, but with a proposed $800 trillion cut in Head Start, child care, community policing, and cleanup of the environment.

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

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

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

The PRESIDING OFFICER. The Senator from West Virginia is yielded 45 minutes.

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

The PRESIDING OFFICER. The Senator from West Virginia.

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

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

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

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

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

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

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

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

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

With that dose of reality in mind, let's now turn our attention to the Republican tax cut proposals before the Senate.

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

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

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

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

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

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

What would happen to veterans’ health care under the Republican tax cut plan if these cuts are administered in an across-the-board manner? The cuts will rise from $391 million in fiscal year 2000 to over $11.5 billion in fiscal year 2009. In total, the cumulative cuts to the VA medical program, according to OMB, would be a lot from veterans because they see these cuts coming—the cumulative cuts to the VA medical program for this 10-year period will be more than $33.5 billion below what it would take to continue current VA medical care services. I might add, as I say, some veterans are already feeling it, and this figure is woefully inadequate.

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

As we can see, over the 10-year period the number of veterans to be turned away—sorry, sorry, we have to turn you away—will increase each year through fiscal year 2009, when, according to the figures, 1,430,985 veterans will be denied critical health care benefits. Is that how a grateful Nation treats its soldiers, sailors, and airmen?

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

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

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

Again, Mr. President, what does this translate to in services to the American people? Forget the dollars for a moment. As this chart shows, the FBI will need 10,687 agents in each of the next 10 years in order to just continue its current law enforcement efforts. But, that will not be possible if we enact the Republican tax cuts. Instead, we can look forward to progressively—progressively—deeper reductions in the number of FBI agents in each of the next 10 years. In FY 2009, rather than being able to employ 10,687 agents, the FBI will only be able to employ, 5,878.

Is that what the American people want? And what does that do to our efforts to prevent another Oklahoma City bombing? What does it do to our efforts to prevent another World Trade Center bombing? What does it do to our efforts to prevent nuclear proliferation of child pornography on the Internet?

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

Mr. President, these are just three—just three—examples of the short-sheeting that will take place throughout the entire Federal Government because of the Republican tax plan. As if this weren’t bad enough, an additional $1.8 trillion, according to preliminary projections by the Treasury Department, also the Treasury Department points out that interest on the national debt in the second 10 years caused by the $1.8 trillion in lost revenues would be roughly $1.1 trillion higher.

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

That makes a total cost of the Republican tax cut plan in the years 2010 through 2019 of $2.9 trillion. The increased interest due on the national debt alone is $1.1 trillion caused by the Republican tax cut plan is greater than the total amount of their tax cut for the first ten years, which was $792 billion. These massive drains on the U.S. Treasury would take place at the very time when the baby-boom generation is retiring in huge numbers and placing a great strain on the Social Security and Medicare trust funds. This tax cut plan, in my view, represents the absolute omega of irresponsibility. It passes the cost of the Republican tax cut plan is greater than the total amount of their tax cut for the first ten years, which was $792 billion. These massive drains on the U.S. Treasury would take place at the very time when the baby-boom generation is retiring in huge numbers and placing a great strain on the Social Security and Medicare trust funds. This tax cut plan, in my view, represents the absolute omega of irresponsibility. It passes the cost of the Republican tax cut plan is greater than the total amount of their tax cut for the first ten years, which was $792 billion. These massive drains on the U.S. Treasury would take place at the very time when the baby-boom generation is retiring in huge numbers and placing a great strain on the Social Security and Medicare trust funds. This tax cut plan, in my view, represents the absolute omega of irresponsibility. It passes the cost of the Republican tax cut plan is greater than the total amount of their tax cut for the first ten years, which was $792 billion. These massive drains on the U.S. Treasury would take place at the very time when the baby-boom generation is retiring in huge numbers and placing a great strain on the Social Security and Medicare trust funds. This tax cut plan, in my view, represents the absolute omega of irresponsibility. It passes
face, as though he knows something that the elephant and the donkey, who are waiting for their tickets, don’t know.

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

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

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

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

In fact, the national debt stood at $392 billion on January 20, 1981, the day President Reagan took office. Unfortunately, on the day that President Reagan left office on January 20, 1989, the national debt stood at $2,083,000,000,000.

This chart depicts the major causes of increased Federal debt for fiscal years 1981 through 1991. It shows that the 1981 tax cut over that 10-year period, cost the Treasury $2.1 trillion. Those tax cuts were offset by a series of tax increases that became necessary during the Reagan years in an attempt to decrease Federal deficits. Those tax increases equaled $300 billion. Entitlement and defense spending each grew by $500 billion above inflation over this 10-year period. Interest on the climbing national debt increased by $500 billion. The S&L bailout cost $200 billion. And, domestic spending was cut over that 10-year period by $400 billion below inflation. That was a very unfortunate and difficult period in our national history.

The folly of the Reagan Revolution’s fiscal policies is set forth in great detail in the book entitled, “The Triumph of Politics” by David Stockman. As I previously pointed out, David Stockman was the principal architect of the Reagan budgets until he left the Administration in 1985. Perhaps the best summary of the conclusions reached by Mr. Stockman is found in the epilogue of the book found on pages 378–379.

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

Will we never learn!

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

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

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

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

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

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

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

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

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

Mr. President, I yield the floor.

Mr. ROTH. Mr. President, I yield 10 minutes to the Senator from Nebraska. The PRESIDING OFFICER (Mr. Fitz- gerald). Mr. President from Nebraska is recognized.

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

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

The Congressional Budget Office, though they obviously will from time to time make mistakes, forecasts that there will be $3 trillion more coming in over the next 10 years than we have in obligated expenditures. While I favor significant debt reduction, I think one would have to imagine some pretty unusual economic circumstances to imagine a downturn in the economy that would walk down here to the floor and offer a piece of legislation to increase taxes $2 trillion, I doubt I would get a close call for me. It is not even close.

Not only did the chairman of our committee put together a piece of legislation that is moderate in size and the makeup of the things that are in it. There are an estimated 41 million Americans who are in it. The proposal would have made it very attractive to beneficiaries who are currently itemizing deductions and put them in a standard deduction category.

The proposal would have made it much better from the standpoint of working families. West Virginia, the ranking Democrat on our committee—people who are trying to send their children to college, individuals who are trying to purchase health insurance, organizations throughout our State that are trying to solicit charitable contributions, and families who are angry because they pay a penalty once they get married.

This is a good proposal. There are $3 trillion surplus being forecast over the next 10 years. This is a moderate proposal. One could have argued for a larger one.

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

This is a moderate tax relief. It will be significant for the people of the State of Nebraska. It will not bring back inflation that Mr. Greenspan talked about because of the way the chairman has drawn the bill. I have been asked by people: How can you possibly do this? It is not even a close call for me. It is not even close.

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

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

The proposal would have made it better even from the standpoint of working families. I know it is difficult to face it because it means we have to make changes in those mandatory programs to reduce their cost, or you have to come to the floor and propose increased taxes to pay for all of the things we want to pay for.

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

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

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

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

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

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

I am astonished that we are able to survive around here without answering the question: What do we want to do about it? The 150 million Americans under the age of 45 should not like a delay because every year of delay means you have a larger cut in your benefits as a consequence. That is the result of doing nothing.

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

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

I yield the floor.

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

The PRESIDING OFFICER. The Senator from Tennessee.

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

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

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

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

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

First of all, I look at the tax burden we have today and the things we have to do.

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

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

The income tax portion of the gross domestic product has now reached 10 percent, which is an all-time high in the history of the United States of America. The average two-earner family is paying 38 percent in taxes.

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

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

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

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

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

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

But in response to this kind of tax burden, and in response to this reasonable—as Senator Kerrey said “no brainer,” really not even a close call—response to a situation like that where we have this unprecedented situation, we have seen an unprecedented amount of inside-the-beltway hyperventilation. The President, the Vice President, and members of the White House have taken to the airwaves wringing their hands, and a different part of the sky has fallen every day. We are going to pollute the streams, our kids are not going to be educated, our military is going to go in disrepair, and the Republicans are not looking out for the military anymore. And, that old reliable standby, “We are going to harm Social Security and Medicare if we have tax cuts.” It is called “dangerous” or a “dangerous tax cut.”

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

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

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

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

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

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

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

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

The President was looked upon to have a little leadership. Perhaps in these last couple of years he will want to exert some leadership when he is not having to run for reelection. His response was not to show leadership, but to back away from serious reform, saying he will put $100 million worth of
undermine the Social Security and Medicare. At the same time they are doing everything in the world over at the White House to prevent any real reform for Social Security and Medicare.

What about the question should we be saving all of the surplus for Social Security and Medicare and others? The short answer is we are taking 75 percent of these surplus dollars and devoting it to those very areas by means of a lockbox, by means of setting aside Social Security and Medicare. At the same time they are doing everything in the world over at the White House to prevent any real reform for Social Security and Medicare.

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

I think we can cite the Comptroller, as well as GAO, in saying the President's proposal actually makes the Social Security and Medicare surpluses we are talking about are pretty much irrelevant to Social Security and Medicare, and represents nothing more than IOUs into the Social Security trust fund. What about the question should we be saving all of the surplus for Social Security and Medicare and others? The short answer is we are taking 75 percent of these surplus dollars and devoting it to those very areas by means of a lockbox, by means of setting aside Social Security and Medicare. At the same time they are doing everything in the world over at the White House to prevent any real reform for Social Security and Medicare.

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

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

For some folks, there will never be a good time for a tax cut. Over the last few years, the President recommended tax increases in times of deficits. Now we have a time of surpluses and his response is more tax increases. I think it is a debate not just over tax dollars; it is a debate over power. The millions of dollars in Washington don't want to give up power. It is a question of who is going to make decisions with regard to people's lives. Will Washington collect money and dole it out as we see fit? Or are we going to leave it in the taxpayers' hands, at least 25 percent of the amount of money about which we are talking?

It is not this tax cut that is dangerous. What is dangerous is a government that can never, ever go but in one direction: eating a bigger and bigger deficit. That is the administration's proposal. What is dangerous is an administration that will use this kind of debate to mask over the fact it is not making decisions with regard to people's lives. Will Washington collect money and dole it out as we see fit? Or are we going to leave it in the taxpayers' hands, at least 25 percent of the amount of money about which we are talking?

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

Mr. ROCKEFELLER. Mr. President, I am here in the hopes of convincing my colleagues to oppose the $792 billion tax cut. I yield all 16 minutes to the Senator from West Virginia, Senator ROCKEFELLER.

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

We should all have the courage to admit that the Senate Finance Committee makes a mistake of historic proportions. We are subsuming our responsibility to make sure the tax cut is paid for and that the people do not ask for. As far as I figure, it does not add up to the American people. It is a lot less than what is projected. It is not the time for massive tax cuts. If you credit him, as I think most of us do, with being a part, along with the fundamental force of the private sector, of our booming economy, then you should consider what he has to say. One listens closely to every word he says as he has not been missed one yet. Greenspan said just this week:

The first priority in my judgment should be getting the debt down, letting the surpluses run, and to, as has been suggested before, and Greenspan says, the sustained surpluses. That is the increase they will have to pay $456 more every year for that mortgage.

The average student loan payment, based upon $11,800 owed, which is typical, would cost the average student $70 more a year. Add those up, and an average person in West Virginia will have to pay $615 more per year in increased costs due to higher interest rates. I encourage any Member to do the math and see how it affects them. The NIH increase this year is minute. The first priority in my judgment should be getting the debt down, letting the surpluses run, and to, as has been suggested before, and Greenspan says, the sustained surpluses.
in this bill. This is wrong; this is dangerous tax policy. Frankly, it is dangerous social policy which will reverberate in a lockbox procedure for 10 years.

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

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

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

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

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

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

The PRESIDING OFFICER. The Senator is recognized.

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

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

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

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

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

I thank the distinguished Senator from Texas.

The PRESIDING OFFICER. The Senator from Texas is recognized.

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

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

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

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

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

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

No. 1, giving people back their money so they can spend it themselves rather than Government spending it for them hardly seems extreme to the American people. With the projected surplus of 22 trillion, giving about one-fourth of it back in tax cuts hardly seems extreme.

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

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

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

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

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

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

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

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

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

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

So his rhetoric is great. His sound bites are great, but the program he is advocating is not telling the truth. The reality is, the President proposes to spend every penny of the discretionary surplus on Government programs and plunders Social Security in an additional $500 billion in the next 10 years.

The debate is between reducing debt and cutting taxes. The debate is between letting Government spend the money or letting the taxpayer spend the taxpayer's own money.

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

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

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

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

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

The third highest is under President Clinton in 1998.

The fourth highest was under President Clinton in 1990.

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

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

The seventh highest tax burden in American history was the day Ronald Reagan became President. What did we pay? We paid taxes by 25 percent. So we have never had, except under President Clinton, tax levels approaching the level we have today.

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

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

So when he is calling this tax cut "dangerous and huge," it is a tax cut that would not get us back, in terms of tax burden, to where we were the day Bill Clinton became President. It would still mean the tax burden during the Clinton administration, even with this tax cut, would have grown by more than in any modern time. Let me address the idea that this is a huge, dangerous tax cut. It is very interesting how people make up these things and nobody goes and looks it up. But let me give you some figures.

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

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

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

Let me make a few other points. Our colleagues keep talking about tax cuts
for the rich. I have noticed there is a code here: Any tax cut is for the rich. And any tax increase is for the poor. Well, so when the Democrats pushed through the largest tax increase in American history when they last had a majority, in 1993, that was a tax on the rich. Remember? Well, it raised taxes on gasoline for everybody. Do only rich people drive cars and trucks? I don’t think so. It defined as “rich” anybody who made $25,000 a year or more because that is the tax it put on Social Security. Now, I don’t know about some of the States that people may represent, but where I am from, $25,000 a year is not rich. But to our Democrat colleagues, obviously, since the Clinton tax increase was a tax on the rich, $25,000 in income made you rich.

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

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

Some of our colleagues would like you to believe the Roth package benefits the rich to the poor. Well, the plain truth is that the Roth package makes the tax system more progressive, not less progressive. Now, it is true that when you cut taxes, people who don’t pay taxes don’t get a tax cut. But our colleagues have basically discovered that, over the years, we have made the tax code more and more and more progressive. In fact, today, the top 50 percent of income earners in America pay 90 percent of the income taxes. So is anybody surprised that, when the top 50 percent pay 90 percent of the income taxes, that when you cut income taxes, the top 50 percent tend to get more tax cuts? In fact, our colleagues are pointing and raving across-the-board tax cuts by saying, well, a 10-percent tax cut means that Senator Rockefeller, who pays at least 10 times as much in taxes as I do, would get 10 times as big a tax cut. I am not offended by that. If he pays 10 times as much, and we have an across-the-board cut, he would get 10 times as big a tax cut.

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

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

The top 5 percent earn 30.4 percent of all the income earned, but they pay 20.8 percent of the taxes.

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

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

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

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

Let me go down who they are. They are the 50 percent of people who pay roughly 99 percent of the income taxes.

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

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

Let me tell you what the code is. The Democrats are always for a tax increase, and the tax increase, no matter who it is imposed on, is always a tax on the rich. They are always against the tax cut, and the tax cut always goes to the rich, and that is basically the code. When you break through the code, the code is they are for tax increases. They are not for tax cuts because they believe the Government can do a better job of spending your money than you can.

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

Let me remind my colleagues the day Ronald Reagan became President, an average family in America making $50,000 a year was paying $12,626 in Federal income taxes. They were paying 25 cents out of every dollar they earned. Thanks to Ronald Reagan, today they are paying $6,242, or 12.5 percent.

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

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

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

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

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

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

Then Alan Greenspan is in favor of giving part of it back—in this case a very conservative amount, 25 cents out of every dollar we have in surplus. I think we should do it. I think it is the responsible thing to do. I believe we will do it.

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

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

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

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

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

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

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

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

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

I support reforming the individual alternative minimum tax so that families and farm families in our states can “marriage penalty” so that a young married couple in Spokane has more money to purchase their first home or begin saving for retirement.

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

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

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

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

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

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

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

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

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

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

What does this mean for Washington state?

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

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

Federal Reserve Chairman Alan Greenspan has indicated again and again that reducing debt is preferable to a large tax cut. I have saved the most important issue for last: Social Security and Medicare. Throughout the past year, as it appeared we would have a large projected budget surplus over the next ten years, I have said repeatedly that we should not raid the surplus for tax cuts until we protect Social Security and Medicare for the long term.

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

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

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

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

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

That’s an important point, Mr. President. This tax bill, which would do nothing for Federal initiatives—from Social Security to Medicare, from transportation infrastructure to education, from Section 8 housing to clean air and water—that raise the quality of life of low and middle income Americans would then give three-fourths of the benefits in return to the top one-fifth of income earners. The average tax cut of $800 for the least 90% of taxpayers— incomes of $38,200 and below—would be $139 per year. And in return for that tax cut, that same family will have to worry even more about taking care of elderly parents, about where they’ll find money to help their kids go to college since there are fewer Pell Grants, and about how they get to spend some time with their kids when they are on congested highways for hours each day. And to top it all off, when the family goes on vacation to see our national parks, the gates will be closed.

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

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

The Democratic alternative would allow 100 percent deductibility of health insurance costs for self-employed individuals and include a 30 percent tax credit for individuals without employer-sponsored plans. Since the Senate failed to pass a strong Patients’ Bill of Rights, at least 90% can do is make health insurance more accessible to all Americans.

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

The Democratic alternative would provide tax relief for our nation’s struggling farmers and ranchers. It would establish Farm and Ranch Risk Management FARRM, accounts so that producers could better manage their income to reduce risk. Given that it is unlikely Congress will act to improve the Title 11 bankruptcy safety net for growers this year, FARRM accounts are the least we can do.

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

Mr. GREGG. Mr. President, I rise to address several important provisions in the tax relief legislation that has been reported out of the Senate Finance Committee. In the last few years, I have taken an special interest in reforming our federal entitlement programs and our tax policies so as to recognize and to prepare for the retirement of the Baby Boom generation that will begin in 2008. During the last Congress, I was appointed by Majority Leader T Trent LOTT to chair a Senate Republican Task Force on Retirement Security, on which Chairman ROTH served, and provided the benefit of his experience and his enduring commitment to promoting retirement saving. Our task force produced a bill, numbered S. 883 in the last Congress, several provisions of which were included in the 1997 reconciliation bill. I am pleased to see that several of those provisions can be included in this year’s reconciliation bill.

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

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

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

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

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

One of these is the “SAFE” plan for small businesses. This is a new type of defined benefit plan that we worked to devise in concert with others who also perceived the need to make such pension plans more attractive to small business owners. Right now, it is too often the case that it is not in the interest of a small employer to offer such a pension plan. The nondiscrimination rules are too complex, and the small employer may not feel that they can afford the fiscal commitment of such a size, uncertainty, and duration. The “SAFE” plan neatly balances the need of employers to have a simplified pension structure, with the desire to give employees fair treatment and a pension benefit they can count on. The rules of the “SAFE” plan are very simple. Fair treatment is ensured by simply requiring that the employer fund a benefit that is the same percentage of pay for each eligible employee in the shop. If one year’s contributions produce a pension benefit equal to 2 percent of pay for the boss, then it’s also 2 percent of pay for the employee—extremely simple.

“SAFE” is a fully portable, fully funded pension plan that will work. It’s portable because the contributions are made specifically on behalf of each employee, so it is easy to track how much of a nest egg each has accrued. If that employee moves on, that balance can move on with them with a minimum of difficulty. It’s also fully funded—simple rules dictate how much money the employer puts in for each employee in each year. It has to be enough to fund the promised defined benefit. Each year the accumulation in that account is tracked, and if it falls behind the amount that is assumed to be needed using some flexible and reasonable interest rate assumptions, then the employer will have to make additional
Mr. LOTT. Mr. President, I raise a point of order that section 1502 of the Budget Act which forbids any reconciliation bill from achieving a net reduction in revenue beyond the 10 years for which the committee was instructed.

Of course, achieving a net reduction in revenues is our goal, as well as our instructions. Moreover, the Budget Act provision in question was not written with this situation in mind. It was not written to hinder refunds of a budget surplus. Rather, it was written to bar creative accounting provisions, such as those offered on this floor to delay the timing of expenditures, or to accelerate the timing of revenue.

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

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

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

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

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

In my opinion, the Budget Act provision makes no sense if applied to the current circumstances. Everything I have said applies in equal measure to the Democratic alternative, and every other tax cut Members are anxious to propose on the floor this week.
In sum, everyone thought we were instructed to achieve permanent tax relief. That was the commonsense conclusion.

I urge support for the waiver to protect this legislation against an arcane budget rule never intended to apply to this situation.

The PRESIDING OFFICER. Who yields time?

Mr. MOYNIHAN. Of course.

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

Then we have to take out an additional amount, about $330 billion, because if you provide tax cuts, or you spend the money, interest cost goes up. So now you are down, instead of $3 trillion, to $2.7 trillion. And they are talking about a $300 billion tax cut. They are not using a quarter of the money, unless they intend to use Social Security funds. Fairly described, they are talking about using 94 percent of the non-Social Security surplus for a risky tax cut scheme based entirely on projections, projections that might not come true, and in the second 10 years those tax cuts explode, endangering the fiscal integrity of this Government.

My God, after the progress we have made to eliminate the deficit and create surpluses in the last 6 years, to turn our back on that and take the risk of putting this economic expansion in jeopardy? It is wild. It is risky. It should not happen. And the move to waive the budget rules that protect the fiscal integrity of this country ought to be defeated.

The PRESIDING OFFICER. Who yields time?
The Senator from New York.

Mr. MOYNIHAN. I yield 5 minutes to the Senator from Minnesota, who would like to speak on the motion to waive the Byrd rule.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. WELLSTONE. Mr. President, I thank the Senator from New York. I am not going to come down here and take a little bit of time to prepare for this, but I will just do this off the top of my head.

I want to say to the Senator from New York. Senator MOYNIHAN, I come to the floor to fully support his initiative, what he is trying to do. I think what the Senator from New York is saying is that we have a proposal on the floor, the Republican proposal, which after the first decade is essentially a deal that we cannot accept. If we pass this proposal, the Republican proposal, which after the first decade is essentially a deal that we cannot accept.

Whatever we have by way of surpluses, assuming that our economic performance will continue to be as good over the decades to come, that surplus belongs to our children and grandchildren. We built up this debt. We saddled this debt on them. We we say: Wait a second, there is a part of the entire surplus, the sort of global surplus, if you will, which we produce for our own benefit. We as a people have been so successful in other settings, but it is, in part, because we are allowed to keep that which we produce. Giving is greater cause we allow people to keep that which we produce. Giving is greater than any place on the planet because we produce. Giving is greater than any place on the planet because we are allowed to keep that which we produce. Giving is greater than any place on the planet because we are allowed to keep that which we produce.

There is one other point, which is a political point and also an ideological point. If we pass this proposal, the Republican plan—and I believe the President must veto it—as we look to the next 10 years, we are going to have such an explosion of deficits and debt that will make it impossible for us to move forward on any of the initiatives that do in fact give more opportunities to children, to allow some of the investments we should make—not unwise investments, but investments in education, investments in child care, investments in economic development, investments in our rural communities, investments in our urban communities.

This Republican initiative will explode the debt. It is fiscally irresponsible. It will put us in a straitjacket where we as a country will not be able to make any of the wise investments we should make in education for our children and our grandchildren. This is a critically important initiative, I say to the Senator from New York, and I fully support his action. This vote is probably as important a vote as we are going to have over the next couple of days.

I yield the floor.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I could not more agree with my friend from Minnesota, who has taught political science superbly well. Earlier today, in opening remarks, I commented on a theory that developed on the conservative side of politics in the 1970s which held that the way to control the size of the Federal Government was to starve it of revenue—"starve the beast" was the rather graphic term. It was indeed. That was the effort in the early 1980s until they realized it was not working. Just yesterday, E.J. Dionne wrote:

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

This is an idea with which we are dealing, not a bunch of numbers, a grand strategy, and it will work if, in the second decade, we see a cost of this measure. The Treasury estimate is $3 trillion over 10 years, which will paralyze which will put the Government in a straitjacket. We have no right to do that to another generation of Americans. If they wish to do it, that is their right, but it is not surely our option.

Mr. WELLSTONE. Mr. President, I say to my colleague from New York, the point he just made is profoundly important. We do not have a right to make this decision for our children.

Mr. MOYNIHAN. Mr. President, I say to my colleague from New York, the point he just made is profoundly important. We do not have a right to make this decision for our children.

The next century belongs to them. We do not have a right to make this decision for other Democrats and Republicans who are in the Senate to serve and represent people. This is fiscally irresponsible. It explodes the debt, and it puts us in an absolute straitjacket whereby we will be incapable of making any of the investments we all say we are for to make this a better country.

I yield the floor.

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

The PRESIDING OFFICER. The Senator from Missouri is recognized for 10 minutes.

Mr. ASHCROFT. I thank the Chair.

Mr. President, I thank my colleague for this opportunity to address what I consider to be a very important issue. Of all the freedoms we think the freedom to use and to spend and to devote the product of our own hands, the work we do to benefit our own families, is perhaps one of the most cherished freedoms of a free society.

One of the things we want to provide for ourselves, obviously, is government, so that we have a framework in which the wealth that we create, either for ourselves, or that government should do for us those things we can do for ourselves.

As we think about how we deal with the resources that are generated by the enterprise and the productivity of the American people, we ought to think about the American people and the fact that the fundamental freedom we cherish is being able to work, to produce something, and then to manage that which we produce for our own benefit.

We as a people have been so successful at it that we even are able to be generous with all that which we produce. But it is our own generosity. America is the most giving nation in the world. Philanthropy here dwarfs philanthropy in other settings, but it is, in part, because we are allowed to keep that which we produce. Giving is greater everywhere than any place on the planet because we allow people to keep that which they produce, to manage it for their own benefit and for their family, and then to give it according to their desires.

We stand on the threshold of a debate about what happens when a person works hard and creates something, creates resources, earns wages, creates wealth—what we have. People earn that, they create it with work and decide how it will be devoted, what will happen to it.

We have a situation now where our Government has taxed the American people to such an extent that if those taxes are just collected over the next 10 years, we will have collected in that 10-year period about $3.3 trillion that we will not need to spend in that 10-year period. That is why we call it the global surplus, the entirety of the surplus.

A number of us realized it would not be responsible to spend all of that, so we said: Wait a second, there is a part...
of that surplus which we will not spend, and that is the part that is the surplus related to Social Security. We said there will be no expenditures of the Social Security surplus. It sounds simple and it sounds like something that should always have been the case, but the truth of the matter is, for the first time in recent history, in memorable history, for the first time we had a budget in this body that said we are not going to spend the Social Security surplus.

Frankly, on this side of the aisle, I am very proud of the fact that we have been able to do that. It was not a budget that was voted for by the people on the other side of the aisle. They did not vote for that. That is not something they have ever done with one of their budget proposals. It has not come with their leadership, but it is something they fought against. We have done it, and it is now an achievement of the Senate that we have a budget which is designed to protect every dollar of Social Security, none of it to be spent to cover operating budget demands of this Government. That is a major achievement. That is something for which we can be grateful.

Secondly, we have a surplus in place, even with the proposed tax relief for the American people, that will cut the national debt, the publicly held debt of America, in half over the next 10 years. That is pretty responsible. They are talking about lots of things, saying we are not addressing the debt properly.

Never have I seen any budget in a previous setting ever purport to move forward to cut the deficit in half in the next 10 years. Very few families will try to pay off a mortgage in that period of time—very few. We have an opportunity now, very responsibly, to set aside Social Security, which the American people want us to do, to take the budget deficit of publicly held debt in this country in half, to reduce it in half, and then use the reduction in half of the publicly held debt by half in the next 10 years. And then we will have some money, some resources that are left over in this vast infusion of Government resource that has come from the people. What are we going to do with the rest of it?

The Republican plan simply says a good part of that, some significant part of it, ought to go back to the American people. They should be able to spend it on their families, to do for themselves what they do not need Government to do for them, because the best department of social services is the family, the best department of education is the family, and the best department of health is the family.

Let’s let our families operate. Let’s fund families, not just bureaucracies. Let’s fund people in their homes, not just the bureaucracy in its Government. That is what the Republican plan is.

There is a lot of debate now: If we can afford a tax cut for the next 10 years, we have to make sure we do not promise the American people we can have tax cuts, a permanent base.

We are making this tax relief on very modest presumptions regarding the prospects of this country. We are presuming a very modest growth, very limited. This is conservative.

It is not appropriate for us to say we will provide tax relief now and not provide it later. If we repeal the marriage penalty tax soon, we should not re- penalize you ten years later. That does not make sense.

We simply ought to put the tax rates where we believe they reflect the integrity of the American people and the productivity of the American people and the fact that the American people are now being asked to pay more than it costs to provide the service. And we ought to reduce them to reflect the productivity.

Why is it we are asked to have a tax cut and those on the other side of the aisle want to make sure we cannot make it permanent relief for the people, that we have to promise somehow that the highest rates in history will be revisited after a 10-year lapse? I do not believe that is good government. I do not believe that is good judgment.

I believe when lower taxes, when we lower the burden on the American people, we are beginning to direct the assets of the culture to America’s families instead of governmental bureaucracy. It seems to me we ought to do that on a permanent basis.

I do not remember tax increases that have said they only last 10 years. It seems to me that when taxes have been raised in this country in the past, they are just raised. I think we would be well served to say we are going to provide a tax structure that respects families. We are not going to say we will take the marriage penalty out of the code for 10 years and then reimposed it.

If we are going to provide tax equity for people so that the lowest-rate taxpayers in America have an even lower rate, and more people are paying at that lower rate, we should not say this is a sale which goes off and later on your taxes will automatically be raised by some Congress in the future or at some certain date in the future.

It is time for us to say that the American people have simply paid in more than it takes to provide the services. When you pay in more than it takes to provide what you are buying, you get change.

I go to the grocery store. When I pay in more than it takes to buy the gallon of milk that I want to buy for my family, they come back to me: I tell you what I’m going to do for you. I’m going to give you a stalk of celery and a bag of broccoli and two boxes of cereal so you use up all the money you paid me. He says: You paid more than is necessary for the services, and you get change. You get a refund. You get relief. You get some of your resource back.

I think that is where we are as a Senate. It is time for us to look at this country, where our cost of government is higher than it has ever been in the history of this Republic, and to say that it is time to give people relief. That relief is appropriate. And it should be permanent, not relief upon which we could not rely, but that it should be relief upon which we can rely, plan, and build for our future.

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

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. May I observe in passing, the cost of government is not greater than it ever has been. The revenues are. That is why we have a surplus.

To my good friend, the Senator from North Dakota, I yield 4 minutes to respond; and then the remaining 5 minutes I yield to the Senator from Montana.

The PRESIDING OFFICER. The Senator from North Dakota is recognized for 4 minutes.

Mr. CONRAD. I thank the Chair and the ranking member, the Senator from New York.

The Senator from Missouri misspoke. He said that those of us on this side have not supported saving every penny of the Social Security surplus for Social Security. He is simply wrong. The budget we offered on our side not only saves every penny of the Social Security surplus for Social Security; in addition, we proposed saving an additional $300 billion over the next 10 years to strengthen and preserve Medicare.

So not only did we propose saving every penny of the Social Security surplus for Social Security, we also proposed taking another $300 billion and using it to preserve and protect Medicare.

The thing that is really jolting about this discussion is what is in this column that I referred to earlier by Robert Samuelson in the Washington Post today. He says:

The wonder is that the Republicans are so wedded to a program that is dubious as [to] both policy and politics. As Federal Reserve Chairman Alan Greenspan noted the other day, tax cuts might someday be justified to revive the economy from a recession or to improve the prospects of a sweeping program of Social Security reform. But there’s no case for big tax cuts based merely on paper projections of budget surpluses.

Members of the Senate, that is what is so radical about this proposal—radical for a reason. This proposal not only has massive tax cuts–94 percent of all the non-Social Security surplus over the next 10 years—but it absolutely explodes in the outyears. A
tax cut that is $800 billion in the first 10 years becomes $2 trillion and costs an additional $1 trillion or more. That is exactly why the Byrd amendment was designed to prevent. The whole reason there are expedited procedures in budget reconciliation is to reduce deficits.

Our friends on the other side are trying to use those expedited procedures on a measure that would increase deficits—blow a hole in the budget, potentially a hole of over $3 trillion. That is dangerous. That is not conservative. It is radical. It is reckless.

When they say they are only using 25 percent of what is available—nonsense, absolute nonsense. Of the $3 trillion that is projected—and, remember, just as Mr. Samuelson points out—if these projections just change a little bit, as they have over and over and in our history, these projections of surplus could change to projections of deficit, and we will rue the day when we have undermined the dramatic moves we have made toward fiscal responsibility in getting this country back on track.

The PRESIDING OFFICER. The time of the Senate has expired.

Mr. CONRAD. I just remind my colleagues, the Democratic plan has more debt reduction in it than the Republican plan. That is a fact. It is indisputable. I hope my colleagues will resist this move to overcome a budget future that undermines the fiscal integrity of the United States.

Mr. MOYNIHAN. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, this debate is almost surreal. We are debating whether to be reckless or not. It comes down to whether to be responsible or not. I am astounded that the Senate is having this debate of whether to be responsible or whether to be reckless.

The numbers are clear. They are compelling. The logic is steel-trap logic, with these numbers showing what this Republican majority budget tax proposal will cost—creating recklessness, irresponsibility. The numbers are just black and white clear.

This side has come up with charts, numbers; we have quoted from objective observers, columnists. It all comes out the same. This is extremely irresponsible. Let me remind my colleagues again why.

First of all, this is a column in a respected, very respected paper, the Wall Street Journal, from a day or two ago: “GOP Uses Two Sets of Books. Double-Counting Surplus Keeps Alive the Notion of Being Within Budget.” That is from the Wall Street Journal written by David Rogers. No one accuses him of being a biased Democrat. He is a reporter of one of the most respected financial papers in the world, the Wall Street Journal.

This is his conclusion of what is going on: GOP uses two sets of books; double-counting. The Republican President and Republican Congress was forced to increase taxes. The Republican Congress and the President were forced to increase taxes twice—in 1982 and 1984.

So I say if we, today, lock in these huge tax cuts for the future, they are going to come back again to re-do it and put it back in place at a future time. I don’t think they want to do that. I urge colleagues to do what is right and not support the majority on this motion.

The PRESIDING OFFICER. The Senator from Delaware controls the remaining time.

Mr. ROTH. Mr. President, I yield such time as the Senator from Texas needs.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. REID. Mr. President, I could not hear the manager. Is the time yielded on this amendment or on the bill?

Mr. ROTH. On this amendment, on the waiver motion.

Mr. GRAMM. Mr. President, I think there are a lot of ways you can argue this point. The Byrd rule, as the distinguished Senator from Montana argued, is to try to protect us from provisions that have not been debated, provisions that have not been brought to committee, but provisions that show up in a reconciliation bill where we have rules that are distinctly different from the Senate rules, principally, that you have limited debate for 20 hours and that, therefore, you can filibuster it and, therefore, you don’t have to have 60 votes to pass it.

I am a supporter of the Byrd rule. I think it is a good rule, and I think it is a rule aimed at exactly the kind of offense that the Senator from Montana is talking about; that is, issues that have not been widely debated, issues that have not been considered in committee, and issues that have not had a full airing of public opinion. But can anybody argue that one of those points applies to this tax bill? Does anybody here believe this tax bill has not had a full airing of public opinion?

The President, daily, issues some new statement. Yesterday, it was going to be the end of health care for women in America if we cut taxes. For all I know, by this afternoon there could be a new coming of the bubonic plague if we cut taxes. Daily, the Vice President comments on it.

We have had a running debate now for weeks on this issue. We held extensive hearings in the Finance Committee on the issue. We held a markup. We have had extensive debate. Nobody in America has any doubt as to what we are doing in this bill. So my point is that all the reasons we have the Byrd rule, all the reasons that were adequately explained by the Senator from Montana, are good reasons to strike provisions from a reconciliation bill. And that is, if the provisions have not been widely discussed if the public is not generally aware of them, if there have not been committee hearings and a markup on them, you don’t want to give them the special privilege of being
in a reconciliation bill. But surely I don’t have to make a lengthy argument to convince people that none of those things has happened.

It is true that our Democrat colleagues, using this technicality, can force us to sunset this tax cut in 10 years. They can do it. And in doing so, we have the tax cut for 10 years. Nobody believes the Congress or the American people will just allow them to fall off the end of the Earth in 10 years. It is not the complete undoing of our tax cut if this point of order should be sustained. I don’t know that it would be of great practical importance. But I simply say that on an issue that is the No. 1 issue in the country, on an issue that has been extensively debated, on an issue where we held hearings and a markup, on an issue where every American has a stake in the issue being debated—it is referred to on a minute-by-minute basis on most of the major outlets for news in America—there is no logic to sustaining this point of order.

I really see this as creating instability in the Tax Code. It wasn’t our intention to raise a similar point of order against the Democrats’ bill. Basically, it seems to me they have a right to propose a permanent tax cut. We could have raised a point of order against such a tax cut if it had been proposed. We would not have done it—basically believing they ought to have a chance to say to the Nation what their vision is. We know their vision. They want to spend this money and they don’t want to give it back. It is perfectly legitimate; I just don’t agree with it.

I hope our Democrat colleagues will not take this technicality as an opportunity to create a Tax Code that is in effect a tax cut for 10 years. It goes away. I think it is unstable. I think it is an irresponsible way of doing it. I don’t object. The minority has the right to do this. If we can’t get 60 votes, they have every right under the rule to do it. It doesn’t undo our tax cut. It is not the end of the world. It certainly makes what we are doing still of great importance.

I argue to those who have not hardened their hearts to a tax cut to allow us to have a permanent tax cut. If you are not for the vote against it, we are willing to let you offer a permanent tax cut. So that is really the issue. The Byrd rule technically applies to this provision, but the logic of it does not apply. Therefore, I argue that we should waive the point of order, and that is going to take 60 votes. There are 55 Republicans, so if every Republican voted to waive it, we would have to get five Democrats. My argument is, if you are against the tax cut, great; it is perfectly legal to be against it. But don’t use a technicality to try to undermine a legitimate proposal, which has been debated extensively, which is known to virtually everybody who hasn’t been hiding under a rock for the last 6 months; don’t use a provision of law that is really aimed at preventing something that neither of us want to happen, to be used as a device to prevent that from happening. It is perfectly legitimate to be against it.

If the Republican voted to waive it, we would have 55 Republicans, so if every Republican voted to waive it, we would have 55 of those and 53 of the Democrats to get. It doesn’t undo our tax cut.

Mr. BREAUX. Mr. President, I know our side is out of time, so I will use leader time to make a couple of remarks with regard to the vote we are to take.

We all are able to use our rhetorical acrobatics from time to time, but I must say, no one is better at it than the distinguished Senator from Texas as we try to define this set of circumstances.

This is a lot more than a technicality. The Byrd rule is there for a reason. I am glad he subscribes to the Byrd rule, but I must say, this goes beyond the debate we had in committee and the understanding the American people and even Senators have with regard to what is in the bill. This will give the conference, the Congress, the Senate, everybody, carte blanche all the way through the legislative process until this bill goes to the President’s desk. Is that what we want to do?

It would be one thing to waive a point of order and do so on the bill alone. That would be understandable. I might add, in that regard, it wasn’t the Democrats who made the point of order; it was the majority leader. The majority leader made his own point of order on this bill. It was the distinguished Chair, the senior Senator from Delaware, who made the motion to waive the point of order. So let’s make clear that we have our facts straight. No one here made the point of order. They did.

But the point of order is not just on the bill. The point of order is on the conference report as well. I want somebody to come up and tell me what is going to be in that conference report. There is a huge difference between the Senate version and the House version, even on the Republican side. There are major differences that have to be ironed out and worked out.

So, anyone here today prepared to waive the point of order on a conference agreement for which there has not been one word written, for which there has not been one meeting, for which really there is no understanding or comprehension today? How could we possibly waive a point of order on something we haven’t done yet? That is what our Republican colleagues are prepared to do.

I hope we would have better sense than that, that we would recognize how ill-founded it would be and that a terrible precedent it would be for us to waive a point of order on actions to be taken at a later date by a conference we haven’t even named.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BREAUX. Will the distinguished chairman yield?

Mr. ROTH. I am happy to yield.

Mr. BREAUX. Following up on the Democratic leader’s question, when we have passed a bill out of the Finance Committee, the Moynihan bill, the Democratic version, and the Roth version, both for permanent tax cuts, different amounts—ours was $235 billion, the chairman’s was $792 billion, but they were both permanent tax cuts—I think the point the Democratic leader makes is a good one. I think I could possibly be for waiving the point of order if it was against this bill that we all know about. But to extend that to a conference report when we do not know what is going to be in that bill I think is probably going further than necessary. I would be comfortable doing it.

If it was limited to the bill that is before the Senate where everybody does know what is in it, I could understand that argument. But to say that all points of order against anything that may come back—and who knows what may come back; I have my ideas about what it should be, and others have different opinions. I don’t know that we can waive points of order against something we have not considered, why does the point of order waiver cover everything that has not yet even been written?

Mr. ROTH. Mr. President, I say to my distinguished colleague, if we do not waive it with respect to the conference report, then we put the conference in a very difficult position. Should it write a bill for 10 years, or should it write one for a permanent tax cut?

Just let me point out that I don’t have to do a single tax cut taking place since we have had the Budget Act that was not permanent. I don’t think there is a single person in the Finance Committee or on the floor who thought otherwise—that when you had tax cuts for one year, it was necessarily going to be permanent. That is just common sense.

We all know that the point of the Byrd rule in this case was to avoid monkey business. We have all seen that happen, where you shift payment from one fiscal year to the next year by changing it but for 1 day and, by doing that, you assure that you are in compliance with the budget instructions in theory but not in substance.
Senators are often interested in seeing this economy continue to grow and prosper. One of the purposes of the tax cut is to ensure that it will happen. I am weary of those who are saying, well, this is going to cause inflation, and so forth. That is just plain rubbish. If you look at our tax cut, practically nothing happens the first year—a very small tax cut. For the first 5 years, it is something like $156 billion. So the big tax cut is 5 years off.

Let me make the point: Congress will be in session. People will be here. They will be able to take appropriate action. If it is thought that the tax cut is not desirable, there is nothing to prevent them from changing it. But let me just say, common sense—and that is what the American people want to see displayed here on the Senate floor—common sense is that when you have a tax cut, it is permanent.

Every substitute, every amendment to be offered here is permanent. Even the Democratic substitute is permanent. Every reconciliation before a tax bill has made permanent changes. Every reconciliation bill has depended on projections. There is nothing new about that. This bill is no different. It is not reckless; it is not radical; it is traditional and common sense.

As I said earlier, everyone thought we were instructed to achieve permanent tax relief. That was the common-sense understanding. This is far and away the better tax policy.

I urge Members to support the waiver to protect this legislation against an arcane budget rule never intended to apply to this situation.

I yield back the remainder of my time and ask for the yeas and nays.

The PRESIDING OFFICER. The vote the yeas are 51, the nays are 48. Those voting aye, the roll will be closed. The vote is final.

The PRESIDING OFFICER. On this vote the yeas are 51, the nays are 48. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected.

The point of order is sustained, and the amendment be dispensed with.

The PRESIDING OFFICER. The Senate will please come to order. The Senator from New York.

Mr. MOYNIHAN. Mr. President, might we have order?

The PRESIDING OFFICER. The Senate will come to order. The Senator from New York.

AMENDMENT NO. 1384

(Purpose: To provide a complete substitute.)

Mr. MOYNIHAN. Mr. President, I send to the desk the Democratic alternative to the measure before us. This is an amendment in the nature of a substitute. It is proposed by myself, Mr. Baucus, Mr. Rockefeller, Mr. Breaux, Mr. Conrad, Mr. Graham, Mr. Bryan, Mr. Kerry, and Mr. Robb.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative assistant read as follows:

The Senator from New York [Mr. MOYNIHAN], for himself, Mr. BAUCUS, Mr. ROCKEFELLER, Mr. BREAUX, Mr. CONRAD, Mr. GRAHAM, Mr. BRYAN, Mr. KERRY, and Mr. ROBB, proposes an amendment numbered 1384.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

(The text of the amendment is printed in today’s Record under “Amendments Submitted.”)

The PRESIDING OFFICER. There will be order in the Senate. The Senator from New York.

Mr. MOYNIHAN. Mr. President, just in passing, I note page 440 of our substitute provides that all provisions of law and amendments made by this act which are in effect on September 30, 2009, shall cease to apply as of the close of September 30, 2009.

Before I discuss the amendment, I yield 20 minutes to my colleague, Mr. President, we have order.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Sir, I do not envy your position, but you seem to have had some success.

I yield 20 minutes for a general statement by my associate on the Finance Committee, the distinguished Senator from Louisiana, the senior Senator from Louisiana.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. Mr. President, I thank the distinguished Democratic leader of our Finance Committee. It is interesting: I think the thing we have taken really means no matter what type of tax bill ultimately comes back to this body after the conference, we cannot make it a permanent tax cut. For those on our side who have argued for permanency in the Tax Code for selectivity and development incentives, that means we cannot do that. It means if we have an increase in the standard deduction and fix the marriage penalty, we can’t do that. It means all those things many of us as Democrats have argued should be permanent tax policy, now we are no longer going to be able to make it permanent no matter how good it is. The argument is true for the other side as well. No matter what comes back in the conference report, it cannot be permanent.

I think from a policy standpoint this is terrible policy. We literally are telling all the businesses in this country and employees in this country, people save in this country, no matter what the law is today, it is going to fall off a cliff and go poop in 10 years. What kind of roadmap for economic growth is it, when a country says our tax policy is only going to be good for 10 years no matter how good it is? No matter how good a Democratic policy it is or Republican policy, it is only going to last for 10 years. That in itself is very bad policy in this Senator’s opinion.

At the same time, I recognize we are operating with our hands tied behind our back with regard to bringing up a tax bill through budget reconciliation, with all these rather archaic rules. We ought to be able to debate fairly a tax bill, make it permanent. If you do not like what is in it, vote no; if you like what is in it, vote yes. But we should not be restricted from offering tax legislation that is the permanent policy of this land.

We have had meetings after meeting in the Finance Committee, when people have come up and said: You have to make these provisions permanent. I am not sure whether I am going to expand and grow my company if you are only
going to allow it for 10 years, and who knows what is going to happen after 10 years.

That is not good public policy; it is not good tax policy, and it points to the problem: the fact that we are bringing up tax legislation in this reconciliation scenario that requires us to operate as we are operating. I suggest to folks on both sides of the aisle, we can’t make tax laws in this country for more than 10 years, we have done something that is very terrible for this country. I think it is the wrong thing to do.

Let me make a couple of comments on the legislation that is before the Senate. Most countries around the world would love to have the problem we have in this Senate and in this Congress right now. Other countries would love to have a country where both sides of the aisle can work together to find a legitimate compromise.

I know there are some who want the President to be in a position to have the Republican tax bill of $796 billion pass and send it down to him at the White House and have a great ceremony vetoing it.

His argument will be that it is too large; it is too irresponsible; it is wasteful; it is going to cause the economy to go south; we are going to have an increase in interest rates. He is going to make a lot of good, solid political points when he has that veto ceremony.

There are those on the Republican side who I think would love that to happen, in fact, because they will be able to say: No, the President, when he had the opportunity, chose not to give the American people a legitimate tax cut, and he turned his back on the American people. I and others have joined in offering the $295 billion Democratic proposal and the $796 billion Republican proposal which the President has said he will veto, there has to be some common ground. There has to be a way in which both sides come together, make our points, seek legitimate compromise, and figure out what to do with $1 trillion surplus.

There should be a way both sides can come together and say: We don’t have everything we want but, yes, this is good public policy.

I suggest the American people are crying out for us to move in that direction.

I and others have joined in offering an amendment, which we hope to offer tomorrow, which tries to take the approach of: All right, let’s take $500 billion of the $1 trillion and give the American people a good, solid tax cut for those who need it the most, increase the standard deduction for hardworking people, increase the amount that you can earn before you are kicked into the 28 percent bracket so people can keep a little bit more of their dollars. Yes, let’s fix the marriage penalty that encourages people, who are two single earners in the same family, not to marry only because of the Tax Code. Yes, let’s do something for education and savings, but let’s keep it at a reasonable figure of $500 billion, and then we can have the other $500 billion for things that are necessary or are needed.

The political argument is some $320 odd billion dollars for Medicare. I was privileged to chair the Medicare Commission for a year. I will tell you that no one can tell this Congress how much money we need to fix Medicare. No one can make that assessment today because we have not yet reformed Medicare.

Hen we get us to the point where we need the $1 trillion for Medicare and we need to spend on Medicare until we reform it, which everybody agrees we ought to do?

Yes, ultimately the Roth tax bill will pass the Senate. A similar bill with the same size tax cut has passed in the House. I suggest to our leaders on both sides of the aisle, let’s hold back trying to go to conference. Pass these two bills and hold them in abeyance and let all Members, Republicans and Democrats alike, in the House and in the Senate, go back to their respective States and respective districts and listen to our constituents and ask them what their priorities are.

Do not look at the polls that Republicans and Democrats take. I can give you the answer when I see the questions they ask. Listen to the people and have town meetings and talk about trying to work together to finish this problem before we are done. I think the American people are looking for us to finish this and come up with good public policy.

When we do Medicare reform, we will then know how much more money we need in order to make that program work. When we find out what that number is, we can then combine it with a reasonable tax cut and have enough money for hardworking Americans and yet have enough money for Medicare reform with a good, solid prescription drug package to go along with it, and then come together, join hands for a very rare moment in bipartisan cooperation to do something which I think is in the national interest. So that at the end of this year we will have more than a political issue about whose fault it was that nothing was done. We will be able to go back to our constituents and say that when we had the opportunity to decide what to do with $1 trillion, we took that opportunity and came up with good public policy.

I hope many of our colleagues can say: I think the Democratic bill is a little too low in the tax cut, but I also think the Republican bill is a little too much of a good thing; therefore, I want to find a legitimate compromise.

I suggest the word “compromise” is not a dirty word. It is something we can all do with the help of an elected body which is called upon to make Government work for everyone.

I hope when we do offer in a bipartisan fashion the $500 billion tax cut
and reserve the other $500 billion for other needs of discretionary spending, to fix Medicare and reform it with prescription drugs. It is important to get a strong degree of bipartisan support so we can all work together and hope for, sometime in September, we can reach an agreement that makes sense and is good public policy. Good public policy is also good politics. I think the President has a legislative agenda, programs over the next decade. It cannot be met under these circumstances.

The final scene of the House of Representatives providing an appropriation for the year 2000 census, as if the census came up like a hurricane or a flood. We would have had one every 10 years since 1790. It is not an emergency. It is just that it cannot be met under these caps. So we think a third should be preserved for that purpose.

Finally, a third for tax relief, targeted to generally accepted principles the tax base. We would have $189 billion in broad-based tax relief. That would, most importantly, increase the standard deduction by 60 percent. This would remove more than 3 million taxpayers from the tax rolls and would provide an estimated 9 million more to simply take the standard deduction. It is good tax policy. We believe it certainly is simplification.

I would like to have $27 billion for health care initiatives, including a $1,000 long-term care credit and a 50 percent deduction for long-term health insurance to make health insurance affordable.

We look forward to $17 billion in education initiatives. That would include a large bond program for public school modernization and permanently extending employer-provided tuition assistance for higher education.

If the Senate would indulge me, this latter provision is so important. I have now 23 years in the Finance Committee, and it seems every other year we recommend extending it instead of making it permanent.

But if ever there was a palpable, demonstrably useful program, it is when employers send employees to receive education at various levels, because they want to acquire new skills for which they will be put to work at higher wages, and for which they will pay more taxes, and that virtuous cycle I was talking about this morning will continue. It is unreal we continue to keep it on a short lifespan. But this gives it a much longer period.

Finally, $31 billion in technological and economic development incentives, including an extension of the research credit. These seem to us, to be widely based. They are equitable, and I hope they will amend themselves to the Senate.

I see my friend from North Dakota is on the floor, is ready, and I yield him 15 minutes.

Mr. CONRAD addressed the Chair. The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. I thank the Chair and thank the Senator from New York.

I thought it might be helpful to review the record on how we got to where we are today as we put in context the choices that Senators have to make.

I think it is helpful to go back to 1981, the Reagan administration, and look at what happened to deficits and debt during that period, and compare it to the Bush administration and the Clinton administration, so that we understand how we got to where we are today and what the implications are for the proposals before us.

If we go back to the Reagan administration, I think we all recall the economic history. We had, then, a major tax cut. The results were clear. The deficits exploded. The debt exploded. Then, in the Bush administration, we saw a further explosion of deficits, until in the last year of the Bush administration, the budget deficit of $290 billion. The national debt had tripled under the Reagan administration.

In 1993, we passed a plan, on the Democratic side, with a single vote from the Republican side, a 5-year plan to reduce the deficits and restore our economic health.

That plan worked and worked beautifully. We saw reductions in the deficit in every year of this plan. We saw in the first year the deficit go down to $255 billion, and then we saw declines in the deficit until we reach surplus.

That is the record of these three administrations.

In 1993, when we passed a 5-year plan that put us on the path to deficit reduction, we had increased taxes on the wealthiest 1 percent of taxpayers on income taxes and cut spending. That is how we achieved balance.

If we look at it from another vantage point, the debt held by the public, we can see during the 1880s the debt held by the public grew dramatically. It was only after we passed the 1993 5-year plan that debt held by the public started coming down.

In fact, here we are today; we have seen significant progress made on debt held by the public being reduced. If we have the wisdom to stay on this course, we will see further declines in the public held debt. In fact, we can be on a course to eliminate the public held debt in 15 years.

What have been the results of this economic policy? The results have been a resurgence in our national economic lives—the lowest inflation rate in 33 years, the lowest unemployment rate in 41 years, and we have seen the best economic performance since the Johnson administration back in the 1960s.

We can see the rates of growth of various administrations. In the Clinton administration we see an economic growth rate of nearly 4 percent. We compare that to the Bush administration, 1.3 percent; 3 percent under Reagan; the Carter administration, and so on. So we have seen a period of sustained economic growth—in fact, the lowest economic expansion in our history.

In addition to the other positive benefits, we have seen a dramatic reduction in the welfare caseload. This is largely a result of the economy. It is also a result of the welfare reform proposal that we passed a number of years ago. The percentage on welfare is the lowest in 29 years.

All of this is jeopardized. All of this is jeopardized by the risky, radical, reckless proposals that is before us from our friends on the other side of the aisle. Interestingly enough, the very people who are advocating this proposal said, about the 1993 plan that has
formed the basis of the deficit reduction and the economic resurgence of this country, that that plan would not work.

The distinguished chairman of the Finance Committee said about the 1993 plan:
It will flatten the economy.

Senator GRAMM of Texas, a member of the Finance Committee, said:
We are buying a one-way ticket to recession.

The truth: The economy has reached a new milestone—the longest peace-time expansion on record.

We had a former President who said:
Facts are stubborn things. Indeed, they are. The fact is the 1993 5-year plan, that passed without a single vote on the Republican side, reduced the deficit and formed the basis for an economic resurgence in this country.

Our friends on the other side of the aisle, the very ones who are here with a radical, risky plan, are the ones who were wrong about the 1993 plan. In fact, Senator GRAMM, who was just speaking, said at the time about the 1993 plan:
I want to predict here tonight that if we adopt this bill the American economy is going to get weaker and not stronger, the deficit four years from [now] will be higher than it is today and not lower . . . when all is said and done, people will pay more taxes, the economy will create fewer jobs, Government will spend more money, and the American people will be worse off.

Senator GRAMM was wrong on virtually every count.

The fact is, the 1993 plan reduced the deficit and kicked off this extraordinary economic expansion: the lowest unemployment rate in 41 years, the lowest inflation rate in 33 years. The fact is, the very ones who are now advocating this radical, risky plan were wrong in 1993, and not just a little bit wrong; they were dead wrong.

Now, let's check their math. It is fascinating what I have heard on the floor today. Over and over the message is that we have a $3 trillion surplus and we are only using one-quarter of it for tax relief. Let's check that.

The truth is, the total surplus that is projected over the next 10 years is $2.9 trillion, according to the Congressional Budget Office. But what they haven't been saying on the floor is that $1.9 trillion of that, nearly two-thirds, is the Social Security surplus. So you have to subtract that. That leaves a surplus of $1 trillion. When you take out the additional interest cost that will accrue, if you are going to give a tax cut of $130 billion, you are left with $870 billion that is available of non-Social Security surplus.

What do our friends on the other side of the aisle want to do with this $870 billion? They say, let's take $800 billion, or nearly that, and give it in a tax cut, a risky tax cut that has the potential to blow a hole in the fiscal discipline we have established—$800 billion of tax cut out of $870 billion that is available. That is not 25 percent, that is 94 percent, 94 percent of the non-Social Security surplus being used for a tax cut—not 25 percent, 94 percent.

It is very interesting, the choices that leave us with nothing for Medicare under the Republican plan, nothing to strengthen Medicare, nothing for domestic needs over the next 10 years, and they have got unallocated $63 billion.

Compare that to the Democratic plan that saves every penny of the Social Security surplus for Social Security and then, in equal thirds, one-third for tax relief, $290 billion—$500 billion less than our friends on the other side—$290 billion to strengthen Medicare, and $290 billion for high-priority domestic needs.

I think it is critically important that people understand when we talk about domestic needs, what are we talking about for the next 10 years? This chart shows what happens if we just have constant buying power over the 10 years, which is represented by this blue line. That is constant buying power. Our friends on the other side say the Democrats just want to spend money. Let's look at the Democratic plan:
I have just indicated we want $290 billion for domestic needs. That represents this red line. That is a cut in buying power for the Federal Government from what we now have. If you just take last year's spending and add inflation, that is the blue line, constant buying power.

The Democrats are proposing cutting the buying power of the Federal Government. They are proposing cutting spending.

Here is what our Republican friends are talking about in terms of spending cuts, this green line. This green line means dramatic, radical cuts in education, in defense, in parks, in law enforcement. That is what they are talking about. Does anybody believe this is going to happen? Does anybody believe it? It is not even happening this year.

The Wall Street Journal reported yesterday that they are cooking the books on the Republican side because they want to spend more money and want to act as if they are not breaking the caps. At some point we have to face reality and face facts. Facts are stubborn things.

This blue line is constant buying power. The Democratic plan proposes dramatic, draconian cuts, cuts that cannot be sustained, will not be sustained.

In fact, they won't support them for defense, and they shouldn't. They are living with a fiction, and it is a fiction that is being supported by this green line. These committees of Congress do their work.

Not only should we check their math but we should check the whole basis for the projections that are being made to sustain a tax cut. Let's remember, the money is not in the bank. The money is projected to come in.

I used to be in charge of projecting the revenue for my State of North Dakota. I can tell my colleagues, there is no 10-year projection that anybody can have great confidence in.

Robert Samuelson, in today's Washington Post, said:
The wonder is that the Republicans are so wedded to a proposition that is dubious as to both policy and politics. As Federal Reserve Chairman Alan Greenspan noted the other day, tax cuts might some day be justified, but there is no case for big tax cuts based merely on paper projections of budget surpluses.

In fact, he went on to indicate, if there was just a 1-percent change in revenue and expenditure from what is projected, these surpluses would van-

ish. That is very much in line with what mistakes have been in the past.

This tax cut scheme is not conservative; it is radical. It is risky. It is reckless. It poses the threat of undermining all of the work we have done to restore the fiscal integrity of this country that has played such a large role in restoring our fiscal health. This is not conservative. It is radical. It is risky. It is reckless. It ought to be stopped.

Now, our friends on the other side of the aisle say tax revenue is the highest it has been in a long time, but they are not telling the whole story. Here is what the revenue and expenditure line of the Federal Government looks like going back to 1980 and carrying through to today.

The blue line is the outlays of the Federal Government, the spending. The red line is the revenues. What we can see is, it has been pretty constant over time. The reason we had a deficit was that the spending line was above the revenue line—pretty much every year.

In 1993, when Democrats, without a single Republican vote, passed a plan to balance the budget, we reduced the spending line and we raised the revenue line. That is how we balanced the budget. We cut spending and, yes, we raised income taxes on the wealthiest 1 percent in this country. That is how we balanced the budget. That is how we got the deficit under control. That is how we got the lowest unemployment in 41 years. That is how we restored the country that has played such a large role in restoring our fiscal health—by cutting spending and raising the revenue to balance the budget.

There is one thing they don't tell us much about because I don't think they want to deal with these facts. They are saying the taxes are the highest they have ever been. The tax revenue is the highest it has been in a considerable period. That is what helped us balance the budget, along with cutting spending. But what they have not talked
What has happened to individual tax rates and burden on people in this country over 20 years, they have gone down. The Republican rhetoric suggests everybody's taxes are at record highs. It is not true. It is not true. This is the accounting firm of Deloitte & Touche. They point out that for a working mother with an income of just under $20,000, in 1979, her combined tax rate was 8.6 percent. That has dropped to 5 percent today. Why? Because when the Democrats passed that budget balancing plan in 1993—it is true we raised taxes on the wealthiest 1 percent, but we cut taxes on the vast majority of Americans by expanding the earned-income tax credit.

Look at what happened to a middle-income family earning $35,000 a year. Their taxes have not gone up. They have gone down. Again, this is according to the respected accounting firm of Deloitte & Touche. In 1979, their combined tax rate—income tax and Social Security taxes—was 11.2 percent. That dropped to 10.5 percent in 1999, again, because when the Democrats passed the plan to balance the budget in 1993, we expanded the earned-income tax credit.

Look at a tax burden of a family of four earning $85,000, and look at the last 20 years. Again, their tax burden has been reduced. In 1979, it was 17 percent; it is 16.3 percent today.

Don’t get me wrong. I am not suggesting that people don’t deserve further tax relief. I believe they do. The Democratic proposal provides it. It provides it in a fair and balanced way, in a fiscally responsible way.

That is not the case of the risky, radical scheme of our friends on the other side. Their tax break explodes in the second 10-year period. We have just stopped that, at least momentarily. But this program that they have outlined of $800 billion in tax cuts explodes to $2 trillion, with the additional interest costs that would add another trillion to $3 trillion in the second 10-year period. That is risky. At the very time the baby boomers start to retire, they are going to undermine the fiscal stability of this country.

Those aren’t the only issues that need to be addressed. We have already seen how their tax cut explodes in the outyears, just as the baby boomers retire. But we should also ask ourselves how fair is their tax cut scheme of our friends on the other side.

This shows the House bill that has already passed. Their idea of fairness is to give the top 1 percent of the people in this country 32 percent of the benefit. The top 1 percent get 32 percent of the benefits of the tax cut proposal of the Republicans in the House of Representatives, which has already passed. So for people earning under $38,000 a year, they would get, on average, $959. If you are earning over $300,000 a year, you get $20,000. That is not fair. That should not be the policy of the United States—a tax cut plan that is skewed to the richest and wealthiest among us, that gives 32 percent of the benefit to the top 1 percent is not fair. It is not wise. It is radical; it is risky; it is reckless.

There is a better way. The Democratic alternative says save Social Security first—every penny of Social Security surplus for Social Security. And then for the non-Social Security surplus, to split it in equal thirds: one-third to protect Medicare, to extend its solvency, and to provide prescription drug coverage; one-third for tax reductions for working families, targeted squarely at the middle-income people in this country, the very ones who need tax relief; and one-third for high-priority domestic needs such as education, agriculture, defense, and law enforcement.

Again, that $290 billion doesn’t even keep pace with inflation. We are cutting Federal spending, in real terms, in the Democratic plan, in order to reduce the non-Social Security surplus for Social Security. And the Democratic plan has just under $2 trillion.

I suggest to my colleagues that the Democratic plan is superior in every way—greater debt reduction, preserving and protecting Medicare, providing for our high-priority domestic needs, and, yes, tax relief targeted at those who deserve it the most—not the wealthiest among us, but middle- and lower-income people who richly deserve some tax relief. I think that they yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. MOYNIHAN. Mr. President, as chairman of the Finance Committee, I stood on this floor for 10 long hours 6 years ago and I thank the Senator from North Dakota for recreating what we did that day and what the consequences have been.

It had been our idea that the Senator from Montana would go next, but we can alternate.

Mr. ROTH. Mr. President, I yield 15 minutes to the Senator from Iowa.

The PRESIDING OFFICER. The Senator from Iowa is recognized for 15 minutes.

Mr. GRASSLEY. Mr. President, we have a Democrat alternative tax cut that is the weakest, least adventurous—some effort to reduce taxes that you could ever expect which will do little good for anybody.

I call upon my colleagues on the other side of the aisle to be bold in trusting the American people with their money, to be bold in letting people keep money in their own pockets to spend. I ask the other side of the aisle to be as bold in tax policy, and to be as bold in the public confidence that they have in wanting to spend the taxpayers’ money. I would like to have them be as bold in reducing taxes as they are bold in their budget of this year to increase practically every program that has ever been thought of, and even establish a lot of new programs to have Washington bureaucrats spend the additional money coming into the Federal Treasury.

They are not very bold when it comes to giving the taxpayers back their money, but they are very bold in saying how Washington can spend that money better than the taxpayers. They are very bold in increasing new programs and very bold, without using the words, but saying, in effect, that we in Washington know better how to spend the taxpayers’ money than the taxpayers do.

How they like to quote Chairman Greenspan because of his respect, but only to take the money. It is not true. Chairman Greenspan says. We have had an opportunity, as Senators, to hear Chairman Greenspan in so many different forums this year, just since the first of the year, talk about a surplus and what should be done with it. They would like to have you believe the only thing that Chairman Greenspan says is that he is against any tax cuts.

But what he does is give Congress several alternatives. Admittedly, he says that his first choice is to retire debt in retiring the tax cuts.

Next, to give tax reductions, because tax reductions are better than spending the money as the third alternative. And particularly, Chairman Greenspan says, top priority ought to be given to cutting marginal tax rates.

Appearing just last week before the House Budget Committee, Chairman Greenspan reiterated his position by making clear, and I will give you this quote: "Only if Congress believes that the surplus will be spent rather than saved is a tax cut wise.

I think given the President’s, and his party’s, past and present propensity to
want to spend all of the surplus—the President’s budget not only spends all the surplus, the President’s budget would take $30 billion from Social Security, and they have a $100 billion tax increase as well—with their propensity to spend all of it, and more than the surplus, it should be obvious that the congressional plan that is before us by the people on this side of the aisle is aligned very much with Chairman Greenspan’s position.

I wish our friends on the other side of the aisle would speak in the same way when they say that this money is not in the bank, that it is only projected income—when they use that as an excuse that you can’t give people a tax cut—they ought to not project the expenditure of that money as well.

Yet they are willing to be radical. They are willing to be risky when projecting expenditure of this money. But somehow it is wrong to give this money back to the people to spend because if the people keep this money in the first place, they don’t send it to Washington, and it is going to create more jobs. It is going to turn many times over in the economy than would otherwise be turned over in the economy if it were the way Washington bureaucrats—creating jobs and creating wealth, if the taxpayers spend it, and just being poured down the black, bottomless pit if it is spent in Washington, DC.

We had a chart from the other side of the aisle that said what a great deal has happened since 1993 on reducing the deficit. But what is left out of that equation and that presentation is one of the greatest political revolutions that has come from the grassroots of America in an off-year election in the last 60 years. And that was that the people of this country for the first time in 40 years turned both Houses of Congress over to a Republican majority.

It was that Republican majority was elected that there were dramatic changes in budgeting with the caps, and even with a reduction of taxes in 1997 that brought the changes and the discipline to the Hill—even to the White House as well—that brought us to the place where we are today of talking about surpluses, because in the first 2 years of this administration their own budgets were projecting in the out years for a long time. But all of that was turned around when Republicans took over Congress, and started down the road of bringing surpluses and balancing the budget.

We are here to say that the Democratic tax decrease of $1 trillion compared to our $792 billion is too puny to do the economic good that ought to be done. It is too puny to return political and economic freedom to the taxpayers of this country because the taxpayers will spend it more wisely than if it has been sent to Washington.

But we are also here to declare victory in the debate over whether we should give tax relief to the American people because they want us to believe with their amendment that they are for tax cuts. Tax and how much cut—a very small, puny tax cut. The President says now he is for a tax cut.

We have won somewhat of a victory in this year’s debate. The question now is not whether there should be tax relief, but what kind and how much cut—a very small, puny tax cut. The President says now he is for a tax cut.

As a Member of the majority party, I can’t think of a better problem with which to be confronted. With a tax cut plan before us, we are proposing to finally start sending hard-earned dollars out of Washington and back to the taxpayers.

Most of the provisions of this bill are what the people from the grassroots of America have been telling their Congressmen and Senators they want done—and want done—because we include those things in our bill: addressing the marriage penalty; providing health care tax relief; more help for education, pensions and savings; long-term care; child care; estate tax relief; and, most importantly, general relief for middle-income taxpayers.

Nearly all of the provisions that I and Senator Feinstein introduced in S. 1160 are included in some form in the bill before us. I commend the chairman for taking the initiative and pushing major tax relief that people really want. And, by the way, even some Democrats supported it out of the Finance Committee. The President has only offered modest tax cuts.

This amendment is an example of it. Of course, in the process, as I indicated, he wants to raise taxes $100 billion in other ways in the process of giving a tax cut, because the President of the United States wants it both ways. He wants to spend more money for a tax cut on the one hand while he is raising taxes on the other hand.

Of course, he is sending out all of these frantic, hysterical veto threats. He attacked the House bill, playing the class warfare card that he plays so well, saying that it benefited the rich. Of course, he can’t do that with a Senate bill. We saw that was not challenged on this point by people on the other side of the aisle, since 60 percent of the bill before the Senate helps families who are in the middle class and earning $75,000 or less.

Now the President and his minions are saying $792 billion in tax relief to the American people is too much. He is saying that either they don’t need it—or they don’t need the tax decrease—or he might even be saying they don’t deserve it. He says this while asking for billions of dollars in new taxes to pay for even more spending while raiding the Social Security trust fund for $30 billion.

That is right. This President and his budget team raids Social Security to pay for more spending. He does this when taxes as a percentage of the Gross Domestic Product are at an all-time high of around 21 percent. Historically, taxes have been around 18 percent of the Gross Domestic Product over the last 30- to 40-year-period of time. We restore that historical level.

The public at the grassroots has pretty much consented to pay—not every American would agree with that—but over 30 to 40 years, it has been about 18 to 19 percent. But now it is up to 21 percent. We propose that it be more like that historical rate of taxation, as it has been for a long time.

By contrast, the administration, in addition to providing puny tax relief, would have a debt of $200 billion more than what we will have if our budget is adopted.

We also protect Social Security and Medicare.

The congressional budget plan before the Senate provides a blueprint for savings. We are projecting a cumulative surplus of $3.4 trillion. This includes the surplus in the Social Security trust fund as well as the on-budget general fund surplus. Of the estimated $3.4 trillion surplus, Republicans are advocating in this budget saving $1.9 trillion to save Social Security. These are the funds which are estimated to come into the Social Security trust fund from the payroll tax.

Of course, the President of the United States in attacking our budget is dead wrong in saying we put tax cuts before Social Security, because we plan for Social Security very thoroughly. We have been trying to set up a lockbox so no one will be able to get at that money and spend it. However, we have not met with much cooperation from the other side of the aisle on saving Social Security. I have lost track of the number of times since the first of the year we have had cloture votes on our Republican lockbox proposal. This is truly unfortunate. If we don’t create a Social Security lockbox, we are going to end up spending the money for everything else but Social Security. Even the President has said he is in favor of a lockbox, but his actions fall far short of his rhetoric.

The tax cut we are talking about today is $792 billion. This is less than 25 percent of the total cumulative surplus of $3.4 trillion. A lot of our taxpayers say even $792 is not a bold enough tax cut. It is even less than the $1 trillion that will accumulate on the on-budget surplus. There is money left over, $505 billion to be exact, to take care of problems with the Medicare system and provide additional funds for discretionary spending.

In our budget resolution, we provide $180 billion for increased discretionary spending after the budget caps expire in the year 2002. That still leaves $325 billion to help solve Medicare problems and spending for domestic priorities.

Over the next 10 years the Federal Government will take in nearly $23
trillion in all taxes. That is a lot of money. This bill gives $792 billion back to the American taxpayers. That still leaves $22 trillion, which this Government will spend. The tax cut we are talking about is only 3.5 percent. 3.5 pennies out of every $1 coming into the Federal Treasury over the next 10 years. I am a little embarrassed to tell the taxpayers we are only giving a tax cut of 3.5 percent from all the money the Federal Government will take in over the next 10 years. That is three times what the other side of the aisle would return to the taxpayers.

The congressional budget plan will save 75 percent of the surplus projected by the CBO over the next 10 years. In contrast, the President saves only 67 percent. The President is proposing a $35 billion tax increase.

We owe it to the American taxpayers to trust us as legislators. There isn’t a day that goes by without us asking for that support from our constituents. Now it seems to me it is time to return trust to the American taxpayers. It is time to trust the American taxpayers with a little bit of their own money—3.5 percent of all the money coming in over the next 10 years.

The latest challenge from the other side of the aisle is reflected in the Democrat substitute before the Senate. I suppose it could be called a tax “scratch” instead of calling it a tax cut because it is that puny. Even a number of Democrats are scoffing at such a weak effort. It is less than $300 billion over 10 years. It does not even have a rate cut for middle-income taxpayers. It does not even get rid of the unfair marriage penalty that affects millions of taxpayers. Compared to our tax bill, it delays the 100-percent deductibility for self-employed health insurance and in the process hurts small business and farmers.

The Democrat plan only provides half of the assistance the Republican plan provides for people who need to purchase their own health insurance. The Clinton-Gore team and their lockstep followers in Congress do not think that the tax rate the average American pays is too much. We all know what their record has been. We all know the Clinton-Gore tax increase of 1993 was the largest ever in the history of the United States. I have heard some Members, in defense of their support of this massive tax increase, try to argue that this is what brought about the current surpluses.

This is a revisionist history that has risen to some sort of art form on the floor of the Senate today. First, the Clinton-Gore tax increase was supposed to raise $240 billion. Of course, this is less than the $320 billion they now say they want to raise back in this subtitute amendment.

However, the Clinton-Gore tax increase never raised the money it was supposed to raise. The revenue increase that did come in is due to the private sector economic engine and did so despite all of the shakiness this administration has placed on business through both tax increases and unprecedented regulation.

In addition, $40 billion of this new revenue can be attributed to the capital gains tax reduction that the Republican Congress passed in 1997. The administration argued this tax reduction would cost revenue, but the Wall Street Journal has said this has brought in $40 billion more. So most of the arguments on the other side of the aisle are just plain wrong.

I yield the floor.

The PRESIDING OFFICER (Mr. ANRAH). The Senator from Montana.

Mr. BAUCUS. Mr. President, I yield myself 10 minutes.

I begin by asking Members and the public to review the remarks of the Senator from North Dakota, Mr. CONRAD, given 15 or 20 minutes ago. It was one of the best summations of the facts and choices we now face that I have ever heard.

Senator CONRAD is a former tax commissioner of the State of North Dakota and is intimately familiar with tax matters. He also is a very senior member on the Budget Committee. He is very deeply involved in all of the tax and spending matters that face our Federal budget. I urge all Members to review the comments made by the Senator from North Dakota, Mr. CONRAD. They were very much on target. As I said, it was probably the best factual summary of the choices facing Members that I have heard in the entire debate.

Essentially, we have choices that are quite significant. How are we going to manage this additional surplus? I don’t want to say awesome, but it is very unusual for this country to have a budget surplus and be faced with these choices. Not too coincidentally, it is the end of the 1990s that we have the choice, as we face the next century, the millennium. I think the American people sent legislators to the Senate and the Congress to do what is right, to do what is right when we have a big surplus.

It has been stated many times, and I will repeat it. The projections over the next 10 years are for a $3 trillion surplus, $2 trillion out of payroll tax additional revenues because more people are working, the economy is doing so well, the payroll tax revenues increase. But the way we have generated from the payroll tax increases will go into the Social Security trust fund. We want to make sure the Social Security trust fund is as secure as we can possibly make it. It seems reasonable those revenues go to the Social Security trust fund. That is agreed to here. That is not a problem.

The question is: With the remaining $1 trillion of the $3 trillion that comes out of general revenue—from income taxes, including corporate and individual incomes—what do we do with that? Very simply, it comes down to making choices. Under the choices we make, some people are going to be helped and some people are going to be hurt. That is the nature of choices. Or some people are helped more and some people are helped less. The vice president—you might call it—what we have to do because we have to make choices.

So essentially what do we have in front of us? I would like to show a chart that has been presented many times, but it is important to drive this point home. It is a fact. The fact is, our friends on the other side of the aisle do propose a tax cut of about $792 billion over the next 10 years. Because of that tax cut, it means the debt will not be reduced as fast as otherwise might be. We are talking about the debt being a little more. That additional interest on the debt is about $141 billion. If we add the two together, in effect the tax cut offered by the other side really takes $933 billion out of the roughly $1 trillion surplus. That is a $595 billion cut. Nobody can deny that. That is a fact.

Then the next question is, does that make sense? Who is helped by that? Who is hurt by that? Given the composition of the tax reduction, those helped tend to be the wealthiest Americans at a period in our American history when our economy is doing very well. Who is hurt? The people hurt by this trend to be people who are necessarily going to face very severe reductions in veterans’ benefits. It might be in education provisions, it might be the FBI salaries, Head Start, kids not admitted to the program, and so forth.

Why do I say that? I say that because the budget tax proposal before us, proposed by the other side, assumes we are going to stick with the budget caps on discretionary spending.

My friends around the country watching this ask what in the world are discretionary spending caps? Let me explain to the American public what they are. Essentially, Congress passed a budget, by the other side, entirely by the other side—and by the other side I mean the Republican party—which set very tight budget caps. If those budget caps are projected in the next 10 years, that people will assume are we going to stick with the budget caps on discretionary spending.

My friends around the country watching this ask what in the world are discretionary spending caps? Let me explain to the American public what they are. Essentially, Congress passed a budget, by the other side, entirely by the other side—and by the other side I mean the Republican party—which set very tight budget caps. If those budget caps are projected in the next 10 years, that people will assume are we going to stick with the budget caps on discretionary spending.
Mr. BAUCUS. So another third, we say, goes to Medicare. Let’s give some to Medicare. I heard a Senator a few minutes ago say it is reckless or it is irresponsible to spend money on programs I ask the Senator, is it reckless, is it radical to save a little bit for Medicare? The Medicare trust fund is in dire straits, even more so than the Social Security trust fund. Right now it is projected that the surplus in the Medicare trust fund is due to reach zero about 2015. What happens if the economy is not doing as well in the next several years? What does that mean? That means the Medicare trust fund is due to reach zero earlier than 2015.

You wonder why the projections for the Medicare trust fund expiration kind of bounce around? It is basically because the economy itself changes. Some years we are doing very well, some years not so well. Right now we are doing well, so that means a 2015 expiration date.

So we are saying in the proposal crafted by our leader, the Senator from New York, let’s save about a third of this surplus, this $1 trillion surplus, for Medicare. One-third for tax cuts, one-third for Medicare, and we are also saying come on, men and women around here, let’s be realistic.

I mentioned earlier about the discretionary spending caps and how the budget on the other side assumes we are not going to raise the caps, which means in effect if we add some for defense, about a $775 billion cut in spending. We are saying that is unrealistic. We are not going to cut veterans’ benefits nearly that amount. We are not going to take young kids out of the Head Start Program. So we are saying take a third of that $1 trillion, roughly, and let’s dedicate that to the discretionary spending programs so the reductions are not as great as we note they otherwise might be. The result is the interest cost that will necessarily result from this proposal.

So again, it comes down to choices. Who is helped? Who is hurt? We say the people who should be helped are seniors on Medicare. We should help shore up the Medicare trust fund, the program. Some of these Medicare dollars could we set aside for drug benefits. We know how many seniors desperately need help with prescription drug benefits. We are saying some could help veterans.

What are we really saying? Many say, give back the tax cut, give it back to the people, give it back now to the people. It is a very sympathetic argument. We are saying let’s be responsible but let’s give it back to our children. Let’s give it back to our children in greater deficit reduction. Let’s give it back to our children to help their parents with Medicare. Let’s give it back to the future. Let’s be responsible.

Do the American people, as representatives of the people to do what we can to leave this country in at least as good a shape, if not better shape, than we found it. That means reducing the debt. It means helping shore up Medicare, it means just meeting people’s needs in a very solid, responsible way.

The majority plan hurts people on Medicare, hurts veterans, hurts kids in Head Start, hurts the country. We say let’s not hurt the country, let’s help the country. Let’s help the country. Let’s give the people in the country—let’s give the people in the country hope. The proposal before us is the Democratic alternative. What is it? Basically, we think it is a wiser set of choices. Again, with roughly a $1 trillion surplus that we are debating, the question is what choices are we going to make, and we do. The choice made by the other side is essentially all of it in tax cuts—all of it. That is where we are. Nobody can dispute those facts—nobody. Those are the facts.

Let me show another chart. To state it differently, take a dollar bill. This is the line—it is hard to see on this chart—of the tax breaks as a consequence of the bill before us. This is the additional interest payment, which is about $63 billion for everything else, and I have already outlined what the consequences of that are.

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We say no. First, because that is a projection and we do not know if it will be real; it is so back loaded. Nobody can dispute those facts—nobody. Those are the facts. We are saying we are going to keep Head Start funding. That necessarily means you have to cut somewhere else by more than 43 percent. That is where we are. Nobody can dispute those facts—nobody. Those are the facts.

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First, let me emphasize that this bill is a 10-year $792 billion tax cut plan that benefits all Americans, with a focus on major tax relief for middle-class families. It is not a tax cut for the rich. It is not an unrealistic level of relief. It significantly reduces taxes for millions of American families and individuals, and it is the biggest tax relief we have ever had since President Ronald Reagan cut taxes dramatically in the early 1980s. I again commend Chairman Roth for his leadership and his commitment to providing major tax relief.

We promised to return to American families the non-Social Security tax overcharges they paid to the Government, and we have fulfilled that solemn promise. The proposed tax relief will immediately ease working Americans’ health burdens and allow them to keep a little more of their own money and use it on their family priorities—not Washington’s, not President Clinton’s, but their families’ priorities. This taxpayer relief refund legislation gives middle-class working families at least $450 a year in relief from the tax squeeze. It corrects the injustice of the marriage penalty tax by allowing married couples to file joint returns as if they were single payers of taxes, so 22 million Americans will no longer be penalized simply for the fact they are married.

This legislation also eliminates the alternative minimum tax to permit millions of American families, including farmers, to enjoy the full benefit of tax exemptions and credits such as the $500-per-child tax credit which I championed and the Senate passed back in 1997.

The proposed tax relief includes a reduction in the death tax which will help farmers and small businesses across the country pass on their hard-earned legacies to their children, not to pass it on to the Government but to pass it on to their children and their heirs.

The bill makes health care more affordable for millions of self-employed and uninsured by making their health care costs 100-percent deductible, and it includes my legislation to permit workers without coverage to deduct their health care costs tax-deductible. It also allows those purchasing long-term care policies to deduct them as well. These measures will allow more people to obtain health care coverage or improve the coverage they already have.

The bill before us also encourages working Americans to save more for their future by expanding IRAs and providing education tax benefits for parents, for students, and for workers.

There is other tax relief for hard-working Americans as well. There is still room to improve the legislation, such as to expand the broad-based tax relief and to provide immediate relief of the marriage penalty, this $800 billion package is a clear victory for working Americans.

One of the most important points I have repeatedly in this Chamber is that the non-Social Security surplus is the working people’s money, not Washington’s, and the people deserve the refund.

America’s strong economy has turned the ink in Washington’s accounting book black for the first time in 40 years. The budget surplus above and beyond Social Security will top $1 trillion to $1.4 trillion over the next 10 years. The CBO finds the increased revenue is propelled by personal income tax increases, and the CBO cites four sources for this unexpected revenue:

First, the rapid growth of taxable income, which has raised the tax base for personal income tax receipts.

Second, the growth of gross capital gains, which has grown even more rapidly than taxable personal income, mainly through the realization of capital gains. The capital gains tax increased by 150 percent between 1993 and 1997, which has helped the growth of tax liability relative to GDP.

Third, rising taxes paid on pension and IRA retirement income.

Fourth, and I think the most important, is the increase in the effective tax rate. As Americans are working harder, as they earn more money, as inflation is there, it pushes more and more of them into the higher tax brackets. The tax rate increase accounts for 40 percent of the tax growth in excess of GDP growth. That is an unfair tax. It has pushed people from one tax bracket into another.

By the way, the CBO also points out the revenue windfall did not result from legislative policy changes. In fact, all other things considered, the legislative initiatives taken by the President and by Congress did not generate this surplus.

Clearly, all four reasons we have a surplus are the result of the productivity of working men and women of this country, and it has little or nothing to do with Washington. So why should the President, why should Congress, be at the front of the line to spend this surplus, and why are we hearing claims that the $792 billion of Federal tax relief that we propose to the American people, will somehow harm Social Security, it will harm Medicare, and similarly impact Federal spending.

Again, my point is, these are overpaid taxes from American workers and they have every right to get it all back. To say we cannot provide this level of relief without hurting Americans is totally inaccurate.

As well, it is clear that Americans have long been overtaxed and millions of middle-class families cannot even make ends meet due to the growing tax burden. Our savings rate in this country this year is a negative because families do not have any money left, especially after paying taxes, to put away. They are doing what Washington is suggesting that you do—save your hard-earned money. A larger share of the earned income of working Americans is siphoned off here to Washington, and it is not available for families to spend on their priorities.
A recent Census Bureau report finds that 49 million hard-working Americans, including 8 million middle-class Americans, live in a household that has trouble paying for just their basic needs.

President Clinton himself at one time — this was down in Texas during a campaign swing in 1986 — admitted to a group of contributors, by the way, that Americans were taxed too much. He said: I might have raised taxes too much in 1993. He said: You might think I did. Well, I think I raised them too much, too.

But today he still refuses to refund overpaid taxes to Americans, because he does not think working Americans are “going to spend it right.” President Clinton believes individuals are not capable of making decisions for themselves and discourages Government. The only solution, instead, he spends the surplus for Government programs, and he calls meaningful tax relief “fiscally irresponsible.” His priority is not to give tax relief at all. It is “irresponsible” to ease Americans’ tax burdens a little so they can afford basic necessities.

The question is, Is it irresponsible to even have a family night out once in a while? The family has been, and will continue to be, the bedrock of American society. Strong families make strong communities; strong communities make a very strong America. But 22 million working American couples have been forced to pay $1,400 a year more, on average, in taxes every year simply for choosing to be married. Is it irresponsible to get rid of an unfair tax policy that discourages marriage?

The PRESIDING OFFICER. The Senator has used his 12 minutes.

Mr. GRAMS. I ask unanimous consent for 5 more minutes. Or are we short on time?

The PRESIDING OFFICER. The Senator from Delaware has 28 more minutes.

Mr. ROTH. I yield the Senator 5 more minutes.

Mr. GRAMS. I thank the Senator very much.

So the question I was asking is, Is it irresponsible to get rid of an unfair tax policy that discourages marriage? President at one time a couple years ago said, yes, this is an unfair tax, but, basically, Washington needs it more than the couple does in order to raise a family.

I have heard many who oppose $792 billion in tax relief support the individual relief included in this package. Just which specific section of the ROTH bill would they throw out? What part of tax relief do they object to most? I would like to know which part they would like to get rid of to get down to what they are proposing in tax relief.

Let me further address the issue of so-called “fiscally irresponsible” tax cuts that we hear of so often. “Fiscally irresponsible,” that means, do not give it back to the people who own it, earn it, pay it, invest it, but give it to Washington. That is “responsible,” I guess.

But in a recent analysis of President Clinton’s midsession proposal, the bipartisan Congressional Budget Office found that our budget plan saves all of the $2 trillion Social Security surplus while the President’s revised plan still spends $30 billion of the Social Security surplus. He cannot get by with just spending surplus; he is going to raise taxes by $96 billion, and he is also going to dip into the Social Security trust fund again.

His original plan spent over $150 billion of the Social Security surplus. Yet we still hear claims that our tax relief is a lie. This is a lie. President who is spending the money, raising taxes, and dipping into the Social Security trust fund. Yet we are irresponsible because we want to return to the American people the overcharge in taxes.

The CBO estimates that our plan reduces more debt held by the public than the President’s plan. That is another thing. We do reduce the debt even more than the President’s plan.

Ours also produces an additional non-Social Security surplus of nearly $300 billion over the next decade while the President’s plan, again, spends almost all of the on-budget surplus. Do you spend it or do you give it back in tax relief? That is the question. Whose money is it?

The CBO also says the President’s midsession proposal has no net tax cut but, instead, increases taxes by $95 billion. Again, the surplus isn’t enough. He wants to raise taxes another $55 billion over the next decade, instead, and spend $1 trillion in new and additional spending over the next decade by expanding Government programs or creating new programs.

Just quickly, I will show this chart. This is what we are talking about as to what the President plans to do.

We all agree on saving Social Security, putting every dime from the Social Security surplus into the trust fund, into our lockbox, and not spending that $2 trillion expected surplus. But the President wants to spend all that is remaining and raise taxes by $95 billion more in order to do that.

So contrary to Mr. Clinton’s plan, our budget provides $792 billion in tax relief to working Americans. Meanwhile, we save every penny of the Social Security surplus exclusively for Americans’ retirement. In addition, we set aside over $505 billion for Medicare and to address spending needs.

Out of this whole projected surplus, we plan on saving for Social Security, for Medicare, for education, other needs, 75 cents on every dollar of this expected surplus. Only 25 cents on the dollar, one-quarter, would go to tax relief. Somehow, they want to spend the expected surplus.

Our tax relief takes only a small portion of the total budget surplus. In fact, only 23 cents of every dollar of the budget surplus goes for tax relief.

There is enough to provide this 23 cent of every surplus dollar for tax relief, to protect Social Security and to reform Medicare, including prescription drug coverage from needy seniors. But what I want to stress today is how we spend this $505 billion is not the question before today. It will come at the end of the year when we look at Medicare reform and the final appropriations bills. Today the issue is, can we provide $792 billion in tax relief, and I think we have proved we can with these charts, and the expert advice we received through the budget process.

In fact, you don’t have to be a rocket scientist to figure out who is fiscally responsible and who’s fiscally irresponsible.

Contrary to Mr. Clinton’s rhetoric that tax relief will cause recession, cutting taxes will keep our economy strong, will create jobs, increase savings and productivity, forestall a recession and produce more tax revenues.

History has proved that tax cuts work.

In the 1960s, President Kennedy proposed and later President Johnson enacted an individual income tax reduction of an average of 20 percent and reduced the top income tax rate from 91 percent to 70 percent. This tax relief preceded one of the longest economic expansions in U.S. history.

In the 1980s, Ronald Reagan inherited an economy that was deep in recession. Unemployment and inflation sank to double-digit levels, and President Reagan turned the nation around, cutting taxes, reduced regulations, and got the economy moving again.

What resulted was nothing short of an economic miracle. Our nation experienced the longest peacetime economic expansion in American history. Over 8 years, 20 million new jobs were created, unemployment sank to record lows, all Americans did better, and in spite of lower rates, tax revenues increased.

In the 1990s, many States cut taxes and turned their budget deficits into budget surpluses.

Oklahoma Governor Frank Keating enacted the largest broad-based tax cut in the state’s history; Michigan Governor John Engler enacted 24 tax cuts, reducing state personal income taxes to the lowest level in a generation; New Jersey Governor Whittman cut income taxes five times, reducing state income taxes by 30 percent. In my own state of Minnesota, Governor Carlson cut taxes and generated a record budget surplus. And Governor Ventura returned the
surplus to Minnesotans in the form of sales tax rebate and across-the-board income tax cuts.

None of these states broke their budgets; instead they produced a robust economy and generated big budget surpluses which allowed them to provide even more tax cuts.

Our neighbor north of the border, in the Province of Ontario, chose to follow New Jersey and cut their income tax by 20 percent. Here is what he says: “the debate is over; tax cuts create jobs.”

Finally, I would like to take a moment to talk again about Social Security, Medicare, and debt reduction.

President Clinton agrees with us that shoring up Social Security and Medicare should be our nation’s top priority. But the difference is President Clinton talks about it; and Republicans act on it.

We are determined to achieve these goals. We have locked in every penny of the $1.9 trillion Social Security surplus over the next 10 years, not for government programs, not for tax cuts, but exclusively to protect all Americans’ retirement.

We have been working hard to reform Medicare to ensure it will be there for seniors. Prescriptions drug coverage for the needy will be part of our commitment to seniors to protect their Medicare to ensure it will be there for them.

President Reagan was right. I remember vividly that when I first proposed the $500 per child tax cut in 1993, the naysayers called it bad policy, even “dangerous.” Democrats accused us of cutting taxes for the rich. Sound familiar? Some in Congress contended it was too costly, and others argued that we should balance the budget first. I argued repeatedly that we could and should do both. And so we did. As a result, now we have a balanced budget, and the largest surplus in U.S. history. Cutting taxes, reducing the national debt, and reforming and protecting Social Security and Medicare at the same time are all possible. We can do it again. We must do it again.

I urge my colleagues to defeat this amendment and support the $792 billion in tax relief in the Taxpayer Refund Act.

I thank the Chair. I yield the floor.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I yield 10 minutes to my colleague from Nevada who is on the Finance Committee.

The PRESIDING OFFICER. The Senator from Nevada is recognized for 10 minutes.

Mr. BRYAN. I thank the Senator from New York and the Chair.

Mr. President, I came to the Senate as a new Member in January 1989, at the end of the decade of the 1980s. The fiscal policies the Federal Government pursued during the 1980s resulted in a Federal budget that was awash in red ink.

At the beginning of the 1980s, the end of the national debt—from the time of the ratification of the Constitution up until 1980—was less than $1 trillion. That included the assumption of the Revolutionary War debt, financing a costly and devastating Civil War, two world wars, Korea, Vietnam, and the programs of the Great Depression.

In less than a decade, the national debt tripled to $3 trillion. That is an epidemic of the fiscal policies of the 1980s that we ought not to repeat.

Mr. President, we have an opportunity here.

One can debate as to who should take credit for the circumstances which none of us could have foreseen a decade ago. A decade ago it was my fondest hope that somehow we would be able to control the spiraling annual deficits which were hundreds of billions of dollars each year. When asked by my fellow Nevadans, how about the national debt, how are you going to pay that back, my response was: I did not see any realistic like that would occur in my lifetime, certainly not my lifetime as a Member of the Senate.

So today we are in a fortuitous circumstance. As I said, who gets credit for that? That is a question we can debate at some length. But we have an opportunity to do the responsible thing, and we have the opportunity to do the irresponsible thing.

I think the responsible course of action is to save Social Security, ensure the solvency of Medicare, pay down the national debt, and then provide for a modest and realistic tax cut. That is the responsible thing to do.

In my judgment, the responsible alternative is the Republican tax cut before us.

There have been numbers bandied around, $3 trillion is the projected surplus. With respect to the Social Security surplus, that means the Social Security taxes that exceed the amount of the Social Security payments, it is projected over the next decade that that surplus will amount to $1.9 trillion. With respect to that surplus, there is no disagreement. That should be set aside to protect Social Security.

The debate is about the $1 trillion projected surplus that is referred to as on-budget or non-Social Security surplus.

Earlier this morning, as a member of the Senate Banking Committee, we were privileged to have Alan Greenspan, the distinguished and able Chairman of the Federal Reserve Board. There are many, Democrats and Republicans alike across the land, who give Alan Greenspan a substantial measure of credit for the reversals in our fortunes at the Federal level in terms of the situation we find ourselves in today, where we are talking about projected surpluses and not projected deficits. I was privileged to have an opportunity to ask him a question.

I said: Mr. Chairman—directed to Mr. Greenspan—given our current economic circumstances, if we had three choices, what choice would you make: Choice No. 1, a substantial tax cut; Choice No. 2, additional spending; Choice No. 3, reducing the debt?

His answer, unequivocal: Reduce the debt. That, he said, would be the most important thing this Congress could do in fiscal policy to continue the extension of the longest economic expansion in our Nation’s history. That comes from Chairman Greenspan.

Now, under the Republican proposal before us, $961 billion is the on-budget surplus. Their proposal would be to reduce taxes by $792 billion.
I understand the instant gratification and I understand that if in a roomful of good and hard-working Americans you told them to pay less tax, all of us would say yes. Perhaps it is because my wife and I are entering a new period in our lives—we are blessed with three adult children, two of whom have blessed us with grandchildren and a third to bless us with a grandchild to be in a couple of weeks—that my thoughts are not with respect to instant gratification, not the kind of political rhetoric “we want to return your money to you.” What is the responsible thing to do for the country? What about my grandchildren and your grandchildren? Ought we not to think about them? Our generation doesn’t have a particularly impressive track record running up a national debt that is tripled in less than a decade.

The Reagan tax cuts would reduce the national debt by $792 billion, would cost $141 billion of additional interest, and would result in a surplus remaining over the 10-year period of $32 billion. This surplus is that projected over 10 years is on a very shaky foundation. I also was able to ask Mr. Greenspan to talk about projections. I said to him: Is it not true, Mr. Chairman, that not even the most able economists—distinguished graduates of the Wharton School of Finance, the Harvard Business School, the Stanford Business School, the most erudite institutions in America—isn’t it true that no one can tell us what the economy is going to be like next year, much less what it is going to be like a decade from now? He opined that that was in fact the case.

So this policy is built upon a house of cards. We are not sure these surpluses will, in fact, materialize. Yet we build in to our legislative actions a $792 billion surplus, and there is agreement on the responsible thing to do for the country. Those kinds of tax cuts left us with deficits in the trillions of dollars.

Mr. President, I ask the distinguished leader if he would extend me another 5 minutes; is that possible?

Mr. MOYNIHAN. Another 5 minutes for my friend from Nevada.

The PRESIDING OFFICER (Mr. HAGEL). The time for the leader from Nevada is recognized for 5 minutes.

Mr. BRYAN. Mr. President, there are several assumptions that our Republican colleagues make in reaching the conclusion of a $792 billion tax cut, $141 billion in interest, leaving a $32 billion surplus to take care of Medicare, other priorities, including reducing the debt. It is a very shaky assumption. Mr. Greenspan also told us this morning that history teaches us to be cautious. This surplus may never materialize. No one can predict with certainty whether it will occur or not.

Implicit in this are some other assumptions that are totally unrealistic. One of those assumptions is we will be able to reduce discretionary spending by $700 billion over the next 10 years. Now, there are more people in America who believe there will be a sighting of Elvis than believe that we are going to reduce discretionary spending by $700 billion. We are talking about such programs as veterans’ health, education, what we need to do for agriculture, and any kind of emergencies that might occur as a result of natural calamities or disasters. So the assumption that we can reduce spending by $700 billion in the discretionary accounts, also including national defense, is not realistic.

Indeed, that is premised also upon the spending caps that are in place—next year and the year after it will be even tighter—that we will be able to adhere to the chairman of the Banking Committee, as part of his questioning to Mr. Greenspan, indicated that in the House already this year they are talking about emergency spending, which is a vehicle to avoid the spending caps and, in point of fact, is not emergency spending at all—$3.2 billion or $4.5 billion for the census, $3 billion for veterans’ health, $30 billion this year alone. That wipes this out.

The point I am trying to make is this is a highly reckless and irresponsible approach. What we ought to do is protect Social Security with the $1.9 trillion surplus, and there is agreement on that. Next, we need to shore up Social Security solvency, pay down that debt, reduce the amount of money we are paying on interest on the national debt, so that we can do some other things with the additional tax cuts or selective spending in terms of veterans’ health, or education, or national defense, whatever we determine the priorities may be, and then a more modest tax cut.

The Democratic alternative, I think, comes pretty close to hitting the mark: Tax cuts of $290 billion, Medicare cuts of $20 billion, domestic needs of $20 billion—that reduces spending in real terms over the next 10 years by about $300 billion—and interest, $126 billion. That is a more responsible approach.

I hope we do not revisit the mistakes of the past. Chairman Greenspan, it seems to me, had a lot of wisdom to offer. History teaches us to be cautious. These surpluses may, indeed, never occur and, indeed, if we can pay down the national debt, would we not be doing something for our children and our grandchildren that is the responsible course of action, something we can all be proud of, and provide a reduction in the interest payments we make each year, which is about $230 billion?

I thank the Chair and yield the floor.

The PRESIDING OFFICER. The Senator from Nevada.
lockbox issue and the Baucus amendment will be debated this evening, with those three votes occurring in the stack sequence at 9:30 on Thursday morning.

As a reminder to Members, a late session is expected Thursday, and votes are expected to occur on Friday, since it appears it may not be possible to finish Thursday night.

I reiterate my commitment that if we find a way to finish the votes on this issue Thursday night, we will not have a session on Friday. If that is not possible, we will go into session Friday and continue voting as is necessary in order to complete this reconciliation tax relief bill.

I yield the floor.

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

Mr. MACK. Mr. President, although I agree with many of the specific provisions in the Democrat alternative tax package—that is a few bills that we have introduced—I must rise in opposition to this amendment. The plain fact is that the tax cut offered is just too small. We have budget instructions to cut taxes by $792 billion over the next 10 years, and we should cut taxes by $792 billion.

I am glad I have this opportunity to talk about tax cuts, one of my favorite subjects.

We are in the midst of what should be a very easy task: reducing the tax burden on our citizens by $792 billion over the next ten years. After all, over the next decade, the federal government is on track to collect over $3 trillion dollars more than we have budgeted for spending.

In other words, we will be overcharging the taxpayers by $3 trillion. You would think that the suggestion to cut taxes by $792 billion over the next ten years, and we should cut taxes by $792 billion. I am glad I have this opportunity to talk about tax cuts, one of my favorite subjects.

These critics say that tax cuts are not needed, that taxpayers do not deserve more of their hard-earned money. It has even been suggested that the tax burden on our families has been falling. Well, the facts could not be any clearer: the federal government will tax away 20.6 percent of our nation’s gross domestic product this year. That is an all-time, peacetime record, a level we have never known before.

Some argue, from a Keynesian demand-side perspective, that tax cuts will stimulate the economy. But even $792 billion worth of tax cuts, the federal government will run up over $2 trillion in surpluses over the next ten years—from a Keynesian viewpoint, $2 trillion in surpluses is not considered a stimulus. And with all of the lags, the delays, and the phase-in of the tax cut, much of the tax cuts will not arrive until years 2007, 2008, and 2009.

Can anyone seriously suggest that, in a $9 trillion economy, a $4 billion net tax cut for fiscal year 2006 will over-stimulate consumer demand? Or even a $25 billion tax cut in 2001? Would a $39 billion tax cut in 2002 overheat the economy, when this is only .004 percent of projected GDP?

Clearly, the facts do not support the argument that our tax cuts will overheat the economy. In any event, from the demand-side perspective, the tax cut would be irrelevant. If we do not cut taxes by $792 billion, it is safe to say that spending will increase by $792 billion. If billions of dollars are spent by the government, that is. That is what President Clinton means when he says we cannot afford a tax cut—his bureaucrats are working overtime to dream up new ways to spend the money, as if the government has first claims to the fruits of our citizens’ labor.

What kind of spending initiatives can we expect? A few years back, as many of us recall, President Clinton’s so-called stimulus package included spending on such urgent needs as building parking garages at the beach, re-surfacing tennis courts, researching the sicklefin chub fish, renovating swimming pools, building golf courses, soccer fields, and softball diamonds, and constructing an ice skating warming hut.

Now, the President is not the only source of such wasteful spending ideas—we in Congress are very susceptible to pressures to spend, spend, spend. But no one here doubts for a minute that if the $792 billion in taxes are instead brought to Washington, the money will all be spent. That is one very good reason why we must keep the money out of Washington in the first place.

The argument is also raised that a $792 billion tax cut leaves no money to meet some other important government goals such as debt reduction. But we still have $1.9 trillion in social security surpluses that will be in a ‘lock-box’ to retire debt and shore up our citizens’ retirement security, and another $505 billion in non-social security surpluses that can be used for Medicare, National Defense, and our other priorities. If it is my hope that these surpluses will be used for real priorities, not the ice skating warming huts and beach parking garages. It should be clear that this half-trillion dollars is more than enough to cover our priorities.

The rest of the arguments against our plan boils down to a similar mistaken. Some people argue that the money is needed to retire publicly-held debt—although, after the tax cut, the remaining 75% of the surplus is available for debt reduction. Even with our tax cut, publicly-held national debt will be reduced from 40% of GDP to just 12% of GDP by 2009.

Other people argue that the Federal Reserve Board would react to the tax cut by tightening the money supply. I have already noted that the very small size of the tax cuts over the next two years—just .0015% of GDP—does not add up to a dramatic increase in consumer demand and, in fact, will not increase demand since government spending would have increased by that same amount were we to collect the taxes. And I will point out that, on many occasion, including today, Fed Chairman Alan Greenspan has stated that he believes that government spending is the worst possible use of the surpluses, and that he would support tax cuts if spending is the alternative. Furthermore, a tax cut that removes government barriers to savings and investment is not an ‘artificial stimulus’ that should worry the Fed one bit. Inflation, after all, is caused by too many dollars chasing too few goods, not by too many investors creating wealth and opportunity. An even stronger economy, fueled by the freedom and enthusiasm of our entrepreneurs, is not something to fear.

It is even argued that a sizable tax cut passed now makes a future economic downturn more hazardous, as if the tax cuts needed for an economic rebound will have already been wasted by our efforts this year. Of course, that argument makes the case for tax cuts, as any tax cuts that would succeed in getting us out of a recession should be passed now. But it is a false argument that we should keep us out of one in the first place. That is why former Fed Chairman Lawrence Lindsey considers a tax cut a good insurance policy against an economic downturn.

When you consider all of the arguments, there really is no case against cutting taxes by at least $792 billion. Chairman Roth is to be commended for sticking to his guns and reporting out of Committee a bill that cuts taxes by that full amount, despite all of the pressure exerted by all of the advocates of big government, who would rather spend the money.

One final point I want to make is that these abstract discussions tend to obscure the real reason we are here. Tax cuts are not about numbers, they aren’t about aggregate surplus; they aren’t about increasing demand by 4 thousandths of a percentage point—tax cuts are about people. We are cutting taxes because of the 67-year-old owner
of a family business in Florida’s panhandle, who is discouraged from reinvesting his hard-earned profits because the specter of the federal death tax is hovering, waiting to swoop down and scoop up 55% of the increased value of his business. We are cutting taxes because of the two-earner family, struggling to make ends meet, that has to pay over $1,000 extra in taxes just because they are married.

We are cutting taxes so that waitresses, truck drivers, teachers and carpenters can put an extra $1,000 in their IRAs each year, to build a better nest egg for retirement. We are cutting taxes to enable a biomedical company to test a new drug for cancer. And we are cutting taxes to enable a small business owner to set aside an extra $1,000 a year for retirement. We are cutting taxes to ensure that small businesses have the freedom to pursue their own dreams—not Washington’s.

I thank the Chair. I yield whatever time I did not use.

The PRESIDING OFFICER. Mr. President, the time yielded to the remainder of the time.

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

Mr. MOYNIHAN. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote and I move to lay that motion on the table.

The amendment (No. 1384) was rejected.

Mr. ROTH. Mr. President, I move to reconsider the vote and I move to lay that motion on the table.

The amendment was laid on the table.

The amendment was ordered to be printed in the Record.

The PRESIDING OFFICER. Who seconded the motion?
which are statutorily capped. Under current law, CBO estimates that estimates that that the federal trust funds will exceed the caps beginning in 2003. Amounts above the caps are transferred to state uncompensation trust funds. Since federal trust funds are included in the unified federal budget, this transfer will have no net budgetary effect. However, CBO expects that states would respond to this transfer by lowering their unemployment taxes so that their trust fund balances would remain constant.

The bill would lower the amount of revenues obligated into the federal trust funds and thus would reduce the amounts flowing to the state funds. CBO assumes that in the year following each lowered transfer, states would respond by not lowering their unemployment taxes as much as they would have, thus increasing revenues relative to current law. CBO estimates that the measure would reduce governmental receipts by $1.029 billion in fiscal year 2005 and by lesser amounts in 2006 and 2007. We estimate increases in receipts in fiscal years 2008 and 2009. Over the 2005–2009 period, the bill would reduce federal receipts by about $3 million annually.

IRS User Fees. The bill would adjust and extend the Internal Revenue Service (IRS) to charge taxpayers fees for certain rulings by the Office of the Chief Counsel and by the Office for Employee Plans and Exempt Organizations. The bill would eliminate the fee the IRS currently charges on determination letter requests regarding new small business pension plans beginning on December 31, 2000. The bill also would extend for six years beyond its current expiration date of September 30, 2003, the authority of the IRS to charge taxpayers fees for certain rulings. CBO estimates that the adjustment and extension of IRS fees would increase governmental receipts by $2 million over fiscal years 2001 through 2004 and by $233 million during the 2001–2009 period, net of income and payroll tax offsets. CBO based its estimate on recent collections data and on information from the IRS.

Federal spending
IRS User Fees. The bill would adjust and extend the authority of the IRS to charge taxpayers fees for certain rulings by the Office of the Chief Counsel and by the Office for Employee Plans and Exempt Organizations. The IRS would have the authority to retain and spend a small portion of these fees without further appropriation. CBO estimates that the adjustment and extension of IRS fees would increase direct spending by $3 million over the 2001–2004 period and by $18 million over the 2001–2009 period.

National Vaccine Injury Compensation Fund and Medicaid. The bill would add conjugate vaccines against streptococcus pneumoniae to the list of taxable vaccines and thus would allow for compensation for injuries related to those vaccines from the National Vaccine Injury Compensation Trust Fund. CBO estimates that this provision would increase outlays by $4 million over the 2000–2004 period. This provision would also increase federal Medicaid outlays by $21 million over the 2000–2004 period because Medicaid would be required to pay the entire cost on purchases of vaccines must streptococcus pneumoniae. The federal government currently purchases about one-half of all vaccines through its Vaccines for Children program.

In addition, the bill would reduce the rate applicable to all taxable vaccines from 5 cents per dose for sales of vaccines after December 31, 2004. This provision would reduce the amount of tax that the Medicaid program would be required to pay for vaccines purchased through its Vaccines for Children program and would decrease federal outlays after the effective date by about $0.3 million annually.

Also, by adding conjugate vaccines against streptococcus pneumoniae to the list of taxable vaccines, the bill would increase the cost of vaccines purchased under federal contracts with vaccine manufacturers. The bill would also reduce the cost of vaccines purchased under this program after December 31, 2004, by reducing the excise tax rate. Any changes in spending under this section would be subject to the annual appropriation process. CBO estimates that there would be additional, but insignificant costs from the addition of the streptococcus pneumoniae vaccines and savings of about $9 million annually from the reduction in he excise tax after December 31, 2004.

Reduced PBGC Premiums for New Plans. Under current law, single-employer defined benefit pension plans pay two types of annual premiums to the Pension Benefit Guaranty Corporation (PBGC). All covered plans are subject to a flat-rate premium of $19 per participant. In addition, underfunded plans also pay a premium that depends on the amount by which their plans’ liabilities exceed its assets. The bill would reduce the flat-rate premium from $19 to $5 per participant for plans established by employers with 100 or fewer participants during the first five years of the plan’s operation. According to information obtained from the PBGC, approximately 3,000 plans would qualify for this reduction. Those plans contain an average of about 10 participants and the premium paid by these plans would be less than $0.5 million annually.

Reduction of Additional PBGC Premiums for New and Small Plans. The bill would make two changes affecting the variable-rate premium paid by underfunded plans. First, for all new plans that are underfunded, the bill would phase in the variable-rate premium the plans must pay. In the first year, they would pay nothing. In the succeeding four years, they would pay 20 percent, 40 percent, 60 percent, and 80 percent, respectively, of the full amount. In the sixth and later years, they would pay the full variable-rate premium determined by their funding status. On the basis of information on premium payments to the PBGC in 1996–1997, CBO estimates that this change would affect the premiums of approximately 400 plans each year. It would reduce PBGC’s total premium receipts by about $1.2 million over the 2000–2004 period.

The bill would also reduce the variable-rate premium paid by all underfunded plans (not just new plans) established by employers with 25 or fewer employees. Under the bill, the variable-rate premium per partic- ipant paid by those plans would not exceed $5 multiplied by the number of participants in the plan. CBO estimates that approximately 8,300 plans would have their premium pay- ments to PBGC reduced by this provision beginning in 2002. Premium receipts by the PBGC would decline by $1.5 million in 2002 and by about $4.6 million over the 2002–2004 period.

Missing Plan Participants. The legislation would expand the missing participant program at PBGC for terminating defined benefit plans. The bill would expand the program to include terminating multimember plans, defined benefit plans not covered by PBGC, and defined contribution plans.

The budgetary impact of this provision would be less than $0.5 million annually. PBGC does not expect a high volume of missing plan participants to be transferred to the state fund, and the administrative costs of expanding the program would be high. The net budgetary effect of increasing plan participants each year would be small. Amounts paid by a pension plan to PBGC for missing participants are held in PBGC’s trust fund, which is otherwise funded by premium receipts from plan participants at the time they are located are funded in the same manner as benefit pay- ments to participants in plans for which PBGC is the trustee—partially by the trust fund and partially by on-budget revolving funds.

Rules for Substantial Owner Benefits in Terminated Plans. The legislation would simplify the current laws regarding rules as they relate to terminated plans involving a substantial owner (ownership interest of at least 10 percent). All owners other than majority owners (those with an ownership interest of 50 percent or more) would be treated the same as other participants, thus receiving a more generous guaran- tee than under current tax law. In addition, the owners would be subject to simplified special rules. The guarantee for majority owners would be phased in at the rate of 1/8 of 10 percent over each year. The plan has been in effect, which is faster than the current-law phase-in, but the nonguaranteed benefits of majority owners would be given a lower priority in the al- location of assets. Only about one-third of the plans taken over by PBGC involve sub- stantial owners, and the change in benefits paid out by PBGC to owner-employees under this provision would be less than $0.5 million in each year.

Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legis- lations affecting direct spending or receipts. The net changes in governmental receipts and outlays that are subject to pay-as-you- go procedures are shown in the following table. Only changes affecting both out- lays and receipts affect the pay-as-you-go scorecard. For the purposes of enforcing pay- as-you-go rules, only the effects in the current-year, the budget year, and the suc- ceeding four years are considered.

<table>
<thead>
<tr>
<th>By fiscal years, in millions of dollars</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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<td>Changes in Outlays</td>
<td>9</td>
<td>2</td>
<td>4</td>
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<td>13</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>27</td>
</tr>
</tbody>
</table>
July 28, 1999

CONGRESSIONAL RECORD—SENATE 18193

Estimated impact on State, local, and tribal governments was determined
that the provision that would add streptococcus pneumoniae to the list of
vaccines for which there is a public interest is an intergovernmental mandate.

JCT estimates that the cost of the mandate would not exceed the threshold
specified in UMRA ($50 million in fiscal year 1996, adjusted for inflation).
Sections of the bill reviewed by CB0 regarding pension plans and IRS user
fees contain no intergovernmental mandates as defined in UMRA. The section
that would move the expiration date of the federal unemployment tax back three
years would have implications for state unemployment compensation programs
as noted above.

Estimated impact on the private sector: JCT has determined that 16 provisions
in the bill contain private sector mandates. The private-sector mandates in the
bill would:

- Add certain vaccines against streptococcus pneumoniae to the list of taxable vaccines.
- Impose a 10 percent vote or value test for real estate investment trusts (REITs);
- Change the treatment of income and services provided by taxable subsidiaries
of REITs;
- Modify foreign tax credit carryover rules;
- Require reporting of information regarding cancellation of indebtedness by nonbank
financial institutions;
- Limit the use of the nonaccrual experience method of accounting to the amounts to be
received for the performance of qualified professional services;
- Impose a limitation on prefi nancing of certain employee benefits;
- Roll the installment method for most taxpayers using the accrual basis;
- Prevent the conversion of ordinary income or short-term capital gains into income
eligible for long-term capital gain rates;
- Deny the deduction and impose an excise tax with respect to charitable split-dollar
life insurance programs;
- Modify the estimated tax rules of closely held REITs;
- Change the tax treatment of prohibited allocations of stock in an Employee Stock
Ownership Plan of a subchapter S corporation;
- Modify anti-abuse rules related to the assumption of liabilities;
- Require consistent treatment and provide allocation rules for transfers of intangibles
in certain nonrecognition transactions;
- Modify the treatment of certain closely held REITs; and
- Provide for a basis reduction to assets of a corporation, if stock in that corporation is
distributed by a partnership to a corporate partner.

JCT estimates that the cost of the private-sector mandates would exceed the threshold
established in UMRA ($100 million in fiscal year 1996, adjusted for inflation) in
each of the fiscal years 2000–2004.

ESTIMATED COST OF PRIVATE-SECTOR MANDATES

<table>
<thead>
<tr>
<th>Cost of the Private Sector</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
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<td></td>
<td>22</td>
<td>830</td>
<td>1,161</td>
<td>1,470</td>
<td>1,863</td>
<td>2,144</td>
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</table>

Source: Joint Committee on Taxation.

Estimated prepared by: Federal Revenues: Hester Grippando (for IRS fees) and Noah Meyerson (for FUTA, Federal Spending: Tami Ohler (for pensions), Jeanné De Sa (for National Vaccine Injury Compensation Fund and Medicaid), and John Righther (for IRS fees).

Estimated approved by: Robert A. Sunshine, Deputy Assistant Director for Budget Analysis, G. Thomas Woodward, Assistant Director for Tax Analysis.

Mr. ROTH. Mr. President, I yield 5 minutes on the bill to Senator McCaIN.

The PRESIDING OFFICER. The Senator from Arizona is recognized.

Mr. McCaIN. Mr. President, I ask unanimous consent that the order for the
quorum call be rescinded.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative assistant proceeded to call the roll.

Mr. McCaIN. Mr. President, I ask unanimous consent that the order for the
quorum call be rescinded.

The PRESIDING OFFICER. The legislative clerk proceeded to call the roll.

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quorum call be rescinded.

The PRESIDING OFFICER. The legislative clerk proceeded to call the roll.

Mr. MCCaIN. Mr. President, today I am proposing an amendment to authorize
a three-year nationwide school choice demonstration program targeted at children from economically disadvantaged families. The program would award tax-advantaged scholarships to low-income children by providing parents and students the freedom to choose the best school for their unique academic needs, while encouraging schools to be creative and responsive to the needs of all students.

The amendment authorizes $1.8 billion annually for fiscal years 2001 through 2003 to be used to provide school choice vouchers to economically disadvantaged children through the Nation. The funds would be divided among the States based upon the number of children they have enrolled in public schools. Then, each State would conduct a lottery among low-income children who attend the public schools with the lowest academic performance in their State. Each child selected in the lottery would receive $2,000 per year for three years to be used to pay tuition at any school of their choice in the State, including private or religious schools. The money could also be used to pay for transportation to the school or supplementary educational services to meet the unique needs of the individual student.

In total, the amendment authorizes $5.4 billion for the three-year school choice demonstration program, as well as a GAO evaluation of the program upon its completion. The cost of this important test of school vouchers is fully offset by eliminating more than $5.4 billion in unnecessary and inequitable corporate tax loopholes which benefit the ethanol, sugar, gas, and oil industries.

First, the amendment eliminates tax credits for ethanol producers, eliminating a $1.5 billion subsidy. Ethanol is an inefficient, expensive fuel that has not lived up to claims that it would replace oil. It is an inefficient, expensive fuel that has not lived up to claims that it would reduce reliance on foreign oil or reduce impacts on the environment. It takes more energy to produce a gallon of ethanol than the amount of energy that gallon of ethanol contains. Ethanol tax credits are simply a subsidy for corn producers, and the amendment ends the taxpayers' support for this outdated program.
Second, the amendment eliminates three subsidies enjoyed by the oil and gas industry, totaling $3.9 billion. It phases out the special right to fully deduct capital costs for drilling, exploration and development; eliminates the 15% tax credit for recovering oil using particular methods and ends special right of oil and gas property owners to claim unlimited passive losses under income and alternative minimum tax provisions. Subsidizing the cost of domestic production has not been shown to have reduced reliance on foreign oil or directly contributed to more efficient resource use or domestic productivity. The amendment ends these special tax treatments.

Finally, the amendment eliminates the special loan program for sugar producers, the original intent of which was to serve a limited number of farmers and was not intended to be fully subsidized. The Federal Government is burdened with an unnecessary and unprofitable loan program for big sugar producers and enforcing mandated import quotas on foreign sugar. Sugar price supports also force consumers to pay $1.1 billion every year in artificially inflated sugar prices. The amendment simply eliminates the taxpayer-funded loan program in 2003 and immediately requires repayment of existing loans in cash, rather than sugar.

These tax benefits and subsidies were originally intended to serve a limited purpose during times of economic recession and hardship in the 1970s. Our economy has long since recovered and I believe that these subsidies have outlived their purpose. The sunset of these programs will end these corporate welfare programs and return any remaining benefit back to our nation’s children.

Mr. President, we all know that one of the most important issues facing our nation is the education of our children.

Providing a solid, quality education for each and every child in our Nation is a critical component in their quest for personal success and fulfillment, as well as the success of our nation: economically, intellectually, civically and morally.

We must strive to develop and implement initiatives which strengthen and improve our education system thereby ensuring that our children are provided with the essential academic tools for succeeding professionally, economically and personally. I am sure we all agree that increasing the academic performance and skills of all of our Nation’s students must be the paramount goal of any education reform we implement.

School vouchers are a viable method of allowing all American children access to high-quality schools, including private schools and parochial schools and parent should be able to obtain the highest quality education for their children, not just the wealthy. Tuition vouchers would provide low-income children trapped in mediocrity, or worse, schools the same educational choices as children of economic privilege.

I am certain that increasing opportunities for all children, not just the wealthy, will live up to the promise that many of us believe is there as a result of giving parents a choice, the same that wealthy parents have in this country.

I hope my colleagues will consider this. It is time we got rid of wasteful and unnecessary subsidies. It is time we end the sugar program and provide the opportunity to replicate these important at-tivities throughout all our Nation’s communities.

Mr. President, I thank the Senator from Delaware and the Senator from Montana, and I ask unanimous consent that the amendment be withdrawn.

Mr. BROWNBACK. Without objection, it is so ordered.

The PRESIDING OFFICER. Mr. MCCAIN. I yield the remainder of my time.

The PRESIDING OFFICER. The Senator from Michigan is recognized.

AMENDMENT NO. 1398

(Purpose: To preserve and protect the sur-pluses of the social security trust funds by reaffirming the exclusion of receipts and disbursement from the budget, by setting a limit on the debt held by the public, and by amending the Congressional Budget Act of 1974 to provide a process to reduce the limit on the debt held by the public)

Mr. ABRAHAM. Mr. President, under the unanimous consent agreement which was agreed to earlier, I now send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Michigan [Mr. ABRAHAM] for himself, Mr. DOMENICI, Mr. ASHCROFT, Mr. CRAPO, Mr. ENZI, Mr. SANTORUM, Mr. GRAMS, Mr. BALLARD, Mr. PAUL, Mr. PAYNE, and Mr. COVERDALE, proposes an amendment numbered 1398.

Mr. ABRAHAM. I ask unanimous consent reading of the amendment be dispensed with.

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

(The text of the amendment is printed in today’s RECORD under “Amendments Submitted.”)

Mr. ABRAHAM. I believe under the previous order we will now set that Amendment aside so that the Senator from Montana may be recognized to offer an amendment.

The PRESIDING OFFICER. The amendment is set aside.
CONGRESSIONAL RECORD—SENATE

The Senator from Montana is recognized.

MOTION TO RECOMMEND WITH INSTRUCTIONS

Mr. BAUCUS. Mr. President, I send an amendment to the desk and ask unanimous consent that Senators CONRAD and HARKIN be added as co-sponsors.

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

The clerk will report.

The legislative clerk reads as follows:

The Senator from Montana [Mr. BAUCUS] moves to recommit S. 1429 to the Committee on Finance, with instructions to report back within 3 days, with an amendment to reduce the tax breaks in the bill by an amount sufficient to allow one hundred percent of the Social Security surplus in each year to be locked away for Social Security, and one-third of the non-Social Security surplus in each year to be locked away for Medicare with an amendment.

Mr. BAUCUS. I ask unanimous consent reading of the amendment be dispensed with.

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

The amendment as follows:

TITLE I—SOCIAL SECURITY AND MEDICARE SAFE DEPOSIT BOX ACT OF 1999

SEC. 01. SHORT TITLE.

This title may be cited as the “Social Security and Medicare Safe Deposit Box Act of 1999.”

Subtitle A—Social Security

SEC. 11. PROTECTION OF SOCIAL SECURITY SURPLUSES.

(a) Points of Order to Protect Social Security Surpluses—Section 312 of the Congressional Budget Act of 1974 is amended by adding at the end the following new subsection:

“(g) Points of Order to Protect Social Security Surpluses—

“(1) Concurrent Resolutions on the Budget—It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report thereon or amendment thereto, that would set forth an on-budget deficit for any fiscal year.

“(2) Subsequent Legislation—It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report if—

“(A) the enactment of that bill or resolution is in order in the House of Representatives or the Senate to consider any concurrent resolution on the budget, or conference report thereon or amendment thereto, that would set forth an on-budget deficit for any fiscal year;

“(B) the adoption and enactment of that bill or resolution is in order in the House of Representatives or the Senate to consider any concurrent resolution on the budget, or conference report thereon or amendment thereto, that would set forth an on-budget deficit for any fiscal year, and

“(C) the enactment of that bill or resolution is in order in the House of Representatives or the Senate to consider any concurrent resolution on the budget, or conference report thereon or amendment thereto, that would set forth an on-budget deficit for any fiscal year, and would cause or increase an on-budget deficit for any fiscal year, means causes or increases an on-budget deficit relative to the baseline budget projection.

“(B) Baseline Budget Projection—The term ‘baseline budget projection’ means the projection described in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1990, as applied to an on-budget deficit for a fiscal year that is less than the deficit set forth in the resolution."

(b) Content of Concurrent Resolution on the Budget—Section 301(a) of the Congressional Budget Act of 1974 is amended by redesignating paragraphs (6) and (7) as paragraphs (7) and (8), respectively, and by inserting after paragraph (5) the following new paragraph:

“(6) the receipts, outlays, and surplus or deficit in the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund established by title II of the Social Security Act;”.

Subtitle B—Medicare

SEC. 21. DEFINITIONS.

Section 301 of the Congressional Budget Act of 1974 is amended by adding at the end the following:

“(i) if outlays for programs subject to discretionary statutory spending limits, such outlays shall be projected at the level of any applicable current adjusted statutory discretionary spending limits; and

“(ii) if outlays for programs subject to discretionary appropriations are not subject to discretionary statutory spending limits, such outlays shall be projected as required by section 257 beginning in the first fiscal year following the last fiscal year in which such limits applied.”

(C) Budget Resolution Baseline—A budget resolution would set forth an on-budget deficit for a fiscal year if the resolution sets forth an on-budget deficit and the most recent Congressional Budget Office baseline estimate of the surplus or deficit for such fiscal year projects an on-budget surplus, on-budget balance, or an on-budget deficit that is less than the deficit set forth in the resolution.”

SEC. 22. MEDICARE SURPLUS RESERVE POINT OF ORDER.

Section 301 of the Congressional Budget Act of 1974 is amended by adding at the end the following:

“(J) Medicare Surplus Reserve Point of Order—It shall not be in order in the Senate to consider any concurrent resolution on the budget, or amendment, motion, or conference report on the resolution that would decrease the surplus in any of the fiscal years covered by the concurrent resolution below the levels of the Medicare surplus reserve for those fiscal years calculated in accordance with section 316.”

SEC. 23. ENFORCEMENT OF MEDICARE SURPLUS RESERVE.

Section 311(a) of the Congressional Budget Act of 1974 is amended by adding at the end the following:

“(4) Enforcement of the Medicare Surplus Reserve—

“(A) in general—Whenever a concurrent resolution on the budget has been agreed to, it shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report that would set forth an on-budget deficit or an on-budget surplus, and this amendment shall apply to the budget resolution or amendment, motion, or conference report on the resolution that would decrease the surplus in any of the fiscal years below the levels of the Medicare surplus reserve for those fiscal years calculated in accordance with section 316;

“(B) Inapplicability—This paragraph shall not apply to legislation that—

“(i) appropriates new subsidies from the general fund to the Medicare Hospital Insurance Trust Fund; or

“(ii) appropriates new subsidies from the general fund to the Medicare Hospital Insurance Trust Fund; or

“(C) Scoring Keeping Directive—In scoring legislation for purposes of enforcing the point of order established by this paragraph, only the costs of the new prescription drug benefits and any associated interest costs shall be exempted from triggering the point of order.”

SEC. 24. MEDICARE SURPLUS RESERVE.

Title III of the Congressional Budget Act of 1974 is amended by adding at the end the following:

“SEC. 316. MEDICARE SURPLUS RESERVE.

“The amounts reserved for the Medicare surplus reserve in each year are—

“(1) for fiscal year 2000, 33 percent of any on-budget surplus for fiscal year 2000, as estimated pursuant to section 211 of H. Con. Res. 88 (106th Congress); and

“(2) for each of the fiscal years 2001 through 2014, 33 percent of any on-budget surplus for the fiscal year, as estimated by the Congressional Budget Office for that fiscal year in its initial report for that fiscal year pursuant to section 220.”

SEC. 25. PAY-AS-YOU-GO EXTENSION.

Section 252(a) and section 252(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 are amended by striking “before October 1, 2000” and inserting “before October 1, 2002.”

SEC. 26. SUPERMAJORITY.

(a) Point of Order—Subsections (c)(1) and (d)(2) of section 904 of the Congressional Budget Act of 1974 are amended by inserting after “310(d)(2),” the following: “312(g),”.

(b) Waiver—Subsections (c)(2) and (d)(3) of section 904 of the Congressional Budget Act of 1974 are amended by inserting after “301(1),” the following: “301(1),”.

SEC. 27. ADJUSTMENT OF BUDGET LEVELS AND REPEAL.

Upon the enactment of this subtitle, the Chairmen of the Committees on the Budget shall file with their Houses appropriately revised budget documents and levels (including reconciliation levels) under the Congressional Budget Act of 1974 to carry out this subtitle.

EFFECTIVE DATE.

This Act shall take effect upon the date of its enactment, and the amendments made by this Act shall apply only to fiscal year 2000 and subsequent fiscal years.

Mr. BAUCUS, Mr. President, this is a motion to recommit the bill and send it back to the Finance Committee with instructions. The instructions would be to change the tax bill to ensure that 100 percent of the off-budget surplus—that is, the Social Security surplus—be set in a lockbox that is in reserve, and it also provides that one-third of the on-budget, or non-Social Security surplus, be set aside for Medicare.

You might remember that although both sides generally agree that of the roughly $3 trillion projected surplus over 10 years, $2 trillion would be reserved for Social Security—that is the Social Security lockbox part of this amendment—we have not reached agreement on the $1 trillion projected on-budget surplus, and this amendment reserves one-third of that for Medicare.

Why is this amendment so important? Plainly, simply, we believe that a
There are some exceptions for that, but as a basic rule Medicare does not provide for prescription drug coverage for health benefit when they are in the hospital. That is a problem. Roughly 30 percent of Americans over age 65 depend entirely on Social Security for their income.

There are a lot of seniors who are not very wealthy. A lot of seniors who desperately look for that Social Security paycheck and who desperately are trying to figure out how to balance their individual or family budget to pay for prescription drugs, to pay for heating bills, to pay for food. This is not some cataclysmic scare tactic. It is not some wild story.

All of us in this Chamber who go to drugstores to get prescription drugs run across an elderly lady or an elderly man who is going to balance things out, trying to fill a prescription and trying to find enough money to pay for it all, and asking the druggist, “Well, maybe just half,” because they don’t have enough money. I have seen it. I will bet that most Members of this body have seen either that or something similar to it.

When I first ran for office, I knocked virtually every door in Missoula County, MT, a lot of doors. One thing that struck me—and I know it gets everybody who does the same thing—there is a reduction in the stock market boom, a reduction in markets, if for some reason interest rates go up, then the insolvency of the trust fund moves back to the left; that is, before 2015.

The Medicare trust fund is in much worse shape than Social Security. Projections are with this lockbox amendment that the Social Security trust fund will be in good shape way off in the future. That is not true for the Medicare trust fund, not true at all.

In fact, this chart shows that, optimally, the trust fund is going to reach a deficit situation—the surplus will be zero—and Medicare payments will therefore have to be decreased under the hospital trust fund, at the very latest by the year 2015, probably earlier.

Why is that doubly important? We are reserving a portion for Medicare, one-third of the budget surplus for Medicare, not only because the solvency of the trust fund is in a difficult position, but also because the baby boomers are due to reach retirement age at about 2011 and on through to about 2029. The baby boomers are going to reach retirement, and that is going to cause much more pressure on the trust fund. We believe it is prudent today to reserve a portion of the on-budget surplus—a third of it—to meet that problem, that demographic condition that is going to occur; namely, more baby boomers. We think it is only prudent to preserve Medicare for that reason.

There is another reason to save for Medicare, and that is very simply to help make it easier for us in the Congress to provide prescription drug coverage for seniors. If we have heard anything lately with respect to Medicare, it is that seniors want and deserve some kind of Medicare prescription drug coverage. Why is that? One reason is that today, essentially, Medicare does not provide for drug coverage out of hospital.

There are some exceptions for that, but as a basic rule Medicare does not provide for prescription drug coverage for health benefit when they are in the hospital. That is a problem. Roughly 30 percent of Americans over age 65 depend entirely on Social Security for their income.

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July 28, 1999

CONGRESSIONAL RECORD—SENATE 18197

of about $1 trillion over 10 years. It is very simple: Save a third of the surplus for Medicare, for seniors. Help them pay those health care bills. Help them get those prescription drug benefits. Help us relieve the undue pressure we have caused on home health care agencies, on nursing homes, on hospitals, particularly rural hospitals.

This is a no-brainer, Mr. President. This is pretty simple stuff. It is a matter of choices. Do we want to help people on Medicare or do we not? We say yes, we do want to help people on Medicare. We want to help those seniors. This amendment we are offering enables people who are senior citizens to get the health care protection and the health care benefits that we think are so important.

I reserve the remainder of my time.

Mr. ABRAHAM addressed the Chair.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. Mr. President, because we had a little bit of confusion in the order of speaking, I propose at this point a unanimous consent agreement which would allow first the Senator from Pennsylvania to speak on our amendment, up to 10 minutes, followed by the Senator from Georgia to speak for 5 minutes on the amendment, and then we would go back at that point to the other side. We had thought we would start since we offered the first amendment on this side of the aisle.

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

Mr. ABRAHAM. I yield up to 10 minutes to the Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania is recognized for 10 minutes.

Mr. SANTORUM. Mr. President, I congratulate the Senator from Michigan and the Senator from New York for their great work on the Social Security lockbox issue.

Before I get into our amendment, I will address the Senator from Montana. First he says there is no money, not a penny, not a nickel, available for Medicare under the Republican bill. As the chairman of the Budget Committee will show in his big charts—I don't think the chairman of the Budget Committee will show in his big charts—I don't think we would decide where we want to spend that money. It is a matter of priorities.

Mr. ABRAHAM. This is an argument: I don't know if the Senator from Montana has ever voted to spend general fund money on Medicare. I don't think there has been a vote I am aware of in the Finance Committee to actually—there have been resolutions, a sense of the Senate, we should save Medicare—fund a Medicare program out of general fund revenues, Medicare Part A Program.

That, to me, is a dangerous precedent. We have a separate dedicated tax for Medicare—a separate tax. What is now being talked about is that we have to grow Medicare by using the on-budget surplus.

Let me say this: If Medicare was a program that was financially sound, that was doing a very solid job in the self-management of health care services, there was the kind of coverage that seniors are really looking for, then you might make the argument that it is a well-run program and is doing everything it should be doing, and instead of raising taxes and putting money out of Medicare, we should take that money out of the surplus. The program is, we have a fairly strong bipartisan agreement that there are a lot of problems with Medicare. The Senator from Montana will agree there are serious problems. No. 1, it doesn't cover even half of health care costs of seniors. Here is the major health care program for seniors, and it doesn't even cover half of their costs for health care.

What we are saying is—and we said on a bipartisan basis—let's fix Medicare, make it more efficient, let it meet the needs of seniors, including prescription drug coverage. Why? Because when Medicare was put together 45 years ago, those weren't the common or well used; they were a very different game. Well, today is different. So we need drug therapy as part of a basic benefit because it is the way we treat people more often. So this idea that somehow or another, our lockbox is not sufficient because we don't lock up Medicare is ridiculous. We have money to do it, A; and, B, we have to question first whether we should throw more money at Medicare before we fix what is fundamentally flawed with Medicare, in making it a better program. Those are the things I would like to address on Medicare.

With respect to our lockbox, I always find it unbelievable that when we have an issue here with broad consensus—in this case, or in most cases, the issues pushed by our side of the aisle—all of a sudden we have agreement. We have agreement in the House, 416-12. The President says he wants a Social Security lockbox. We come to the Senate and we have agreement. Probably if I talk to seniors around the country, the first thing they will tell me is: If you quit raiding that money out of the Social Security trust fund, Social Security would be OK. We have an agreement.

So we come to the floor with an agreement to fix the Social Security problem. Let's lock that money up so only Social Security money can be used for Social Security. Well, sometimes, as the song in Oklahoma says, a girl can't say no. These girls who can't say yes on the other side of the aisle. These Democrats just can't say yes.

We have an agreement, we have something that we all agree on. America is overwhelmingly agreeing with it, but they can't come around to saying let's get this done. No, they are going to change the subject. Well, that Social Security thing, we agree with you; but you don't do enough and therefore we can't let you do this. We can't let you do this to Social Security. The President says he wants a Social Security lockbox. We can pass a lockbox this phony red herring with Medicare. I am trying to say the public is tired of this. They want us to be able to find things we have consensus on and do them, instead of playing political gamesmanship.

What is going on in the Senate on this issue, for six cloture votes, over a several-month period, is political gamesmanship. We have agreement that Social Security moneys should only be used for Social Security, and we can't get one single Democrat vote to pass that measure. We have 80-plus percent of the American public who want it done. We have their President who said: Send me only a Social Security lockbox—only. We have 46 Members of the House who say “Social Security lockbox,” and we have 45 obstructionists—who would rather play politics because they think they can win the election on making the Republicans look bad, and they throw the Medicare herring out. We don't have the Social Security herring this time. These are the two red herrings that are chronically thrown at Republicans at election time. We have lost the Social Security card, so let's play the other card to muck things up so we don't get things done.

People are sick of that. I can tell you, as a Republican Member who is working hard to preserve Social Security, I am sick of it. We can get this done. We can pass a lockbox that says to every Social Security recipient in America: Your money is not going to be spent on other Government programs. We can make that assurance. The President said he would sign it, and 45 people on the Democratic side of the aisle are saying, no, we are not for getting anybody any political wins because we only think of politics. We don't want to give you this political win. We want you to be the defendant. Congress, so we are going to throw this red herring out. Medicare. Oh, the bogeyman on the Republican side; they don't have a nickel or a penny or a quarter for Medicare.
Garbage. The issue is not Medicare. This is a Social Security lockbox, which the Democrat President—their President and our President—wants. We are ready to give it to him. What is the response from the other side? The response could be, should be: OK, let’s do Social Security. We all agree on it. We have broad bipartisan consensus. We have public approval. Let’s do Social Security.

But, no. Let me tell colleagues on the other side of the aisle, the Medicare issue is going to be here a little while longer. I don’t know of anybody who thinks Medicare is going to go away, or the problems in Medicare are only temporary. That issue will be here, and it is an important issue, one that should be fully debated. But it should not be used to obstruct something that is desperately needed to protect the Social Security trust fund, and that is the political game that is going on. We should call it what it is; it is an absolute red herring.

Social Security can be—should be—protected from raids by the general government and by the very same people, I might add—we saw the Democratic leader come forward this week and say we need $10 billion more for agriculture. May I ask the Senator from Montana where that money is coming from?

Let me answer that question. The Social Security surplus. So is it really that they want to do the Social Security lockbox as they say? Is it really that they want to put all that money aside to make sure Social Security is solvent for the next generation? Or is it really because they just can’t help themselves; they want to spend it?

They don’t want a lockbox because a lockbox keeps their fingers out of the Social Security trust fund, which they love to raid. They just can’t help themselves. They just love to stick their fingers in there and get that money out that is just sitting there. It is just sitting there. It is similar to a sailor on a bar and he is staring at it and he can’t leave it alone.

All I am saying is: Leave Social Security alone. Pass the lockbox. The PRESIDING OFFICER. Under the previous or present order the Senator from Georgia is recognized for up to 5 minutes.

Mr. COVERDELL. Mr. President, I think it might be useful for anybody listening to the debate to put this in some sequence. When the Nation discovered there would be projected surpluses of amounts that had not been anticipated, they changed all the dynamics of our discussions about budgets and Social Security. When the President gave us his budget, he spent about 40 percent of the Social Security receipts.

If there is one complaint you hear as you travel across the country, it is that people are unhappy when the Congress dips into the Social Security taxes that have been sent, purportedly, to prepare for the retirement of all those who participate. So when this Congress began, we got a budget from the President that spent 40 percent of those Social Security receipts.

Our side of no. We are going to take the President at his admonishment over the years. We are not going to spend any of the Social Security receipts, and we are not going to use it for tax relief. It is going to be set aside and protected. Over the next 10 years, that is almost $2 trillion.

I might add, that does not solve all the issues that deal with Social Security. But it makes a pretty good downpayment on the problem. Everybody in America agrees that ought to be done.

After this debate was floated around the town for a while, I think the President realized it was not going to fly to propose to spend the Social Security receipts. So he went to 21. That is just several weeks ago after being pummeled for 5 weeks that he should not be spending those receipts. He said, “Social Security taxes should be saved for Social Security, period.” He didn’t say, “and something else,” or, “Maybe we ought to talk about Medicare.” We will talk about that in a minute. He said, “Social Security taxes should be saved for Social Security, period.” That was a big change.

We had our side of the aisle saying no Social Security receipts for anything but Social Security, and we had the President. They brought it up in the House of Representatives. It was virtually unanimous with 415 votes. We are going to protect all the Social Security receipts. All that has to happen is for that to clear the Senate, and we say to America: We have made a monumental breakthrough.

What happened when it got to the Senate? Filibuster.

We have endeavored to go to the measure to debate it and to amend it five different times. I might add it would be subject to amendments to improve it and to have the ideas heard from the other side of the aisle.

But what was the response? Don’t let the Senate get to the bill. Block it.

The latest ruse, which is this amendment, is to cloud it because they do not want to be responsible for blocking a sound measure to protect Social Security. They don’t want to be responsible for that. They do not want headlines such as these New York Times that says “Republicans Seize the Banner on Social Security.” This has been their purview for years. Suddenly, they are in the position of having to cloud the issue because they do not want to be seen as being responsible for leaving all of that money there that could be spent or used for some other issue.

We are prepared to pass a lockbox for Social Security—that none of those receipts would be spent on anything but Social Security, or the pay-down, and that it would not be used for tax relief. It would be a monumental breakthrough.

You can only conclude that, A, they don’t want a lockbox because they want those funds to be available; and, B, that the reason they are coming forth with blocking going to the bill or an amendment—that gets into another subject—is to cloud the issue, which is they are blocking the ability of the Senate to concur with the President of the United States and the House of Representatives and give America a lockbox that protects Social Security. It is not very complicated.

I will say one last thing. When you go to a town hall meeting and you talk to the American people, they do not want this tax into mixed. They don’t want them jumbled up. They want Social Security protected, and then they will consider what we are talking about on Medicare. They do not want the Government in their medicine cabinet. They don’t want these two issues muddled.

Mr. President, I yield in accordance with the unanimous consent.

The PRESIDING OFFICER. Who seeks recognition?

The Senator from Michigan is recognized.

Mr. ABRAHAM. Mr. President, at this point, on behalf of myself and the managers of the bill, I yield up to 15 minutes to the Senator from Tennessee.

The PRESIDING OFFICER. The Senator from Tennessee is recognized for up to 15 minutes.

Mr. THOMPSON. Mr. President, I thank my friend from Michigan. I think the President is right.

Stepping back from what we have been talking about for the last few minutes, I will go back and address the issue at hand concerning the lockbox.

I think it is important to keep in mind what we are about here and what the essential question is. The essential question remains whether or not when we are faced with projected substantial surpluses, 25 percent of that amount should be returned to the people who created those surpluses. That is the American taxpayer and I think that question should answer itself.

Another way to put it is whether or not, in view of these surpluses, we need a tax cut or a tax increase. You would think that question would answer itself. You would think that certainly in a surplus situation you would have to seriously consider tax cuts under those circumstances.

We have a tremendous tax burden right now. Taxes are taking a greater and greater share of our economic productivity. Income taxes alone have reached the level of 10 percent of gross domestic product, the highest they have ever been in this country.
A two-earner family nowadays pays 38 percent of their income in taxes. You would think that surely we could reach agreement that now is the time for a decent tax cut for the American people. If not now, when?

Our Democratic colleague, Senator Kerrey from Nebraska, put it well earlier today that don't even think it is a close call—that under these circumstances we should have a tax cut.

But what we are dealing with now, with regard to the Democratic amendment, is another reason why they say we should not have a tax cut.

We have seen time and time again over the last few days almost utter hysteria in this town primarily from the White House, the President, the Vice President, and their spokespeople wringing their hands giving one reason after another after another why we cannot possibly have a tax cut under these circumstances. It is going to destroy the economy; old folks are going to be on the street; we are going to pollute the environment; women's health issues are coming into play.

It is substantial overkill, and it is based upon the fact that they are not telling the truth about the elements of what they are trying to do; that is, essentially give us a tax increase instead of a tax cut and spend an additional $1 trillion-plus.

Now what we have as part of the reason why we can't have a tax cut is we want to protect Medicare and Social Security and, in this particular amendment we are addressing, the question of a Medicare lockbox. I think one of the essential questions before this Congress is, What is the responsible way to protect Medicare? We all know we have a substantial problem. We all know we are going to have to address it.

What happened in response to that was a bipartisan effort by the Medicare Commission, chaired by Senator Breaux from Louisiana. They came up with real reform because everybody knows you can't keep pouring money on top of a system that is broken, that is flawed, that is out of date, that is uneconomic, and that everybody says has to be changed. We can disagree on how to do it, but everybody says and recognizes that we have to have fundamental reform.

The difficulty with that is a political difficulty. It is not one of not knowing what to do; it is having the political nerve and wherewithal to sit down and get that job done.

This commission addressed it. This commission did it, Democrats and Republicans together. But the President pulled the rug out from under that effort. That was a real chance to do some Medicare reform that would be the only thing that was going to save Medicare. It is fundamental reform.

The President pulled the rug out from that effort.

He says now, since we have this Medicare problem and essentially since they have pulled the rug out from the reform, that the next thing to solve the problem, that we have to look to general revenues. We can't have a tax cut now so we have to take this surplus and dedicate a huge chunk of it for so-called fixing Medicare.

The fact of the matter is that will not fix Medicare. It will not even help Medicare. It will be counterproductive. There will be some transition costs as we move from a failing system—it still does a lot of good, but it is a failing system—to one of real reform. There will be some transition costs. The Republican proposal has over $500 billion of revenues in our proposal that can be used for Medicare or any other reason.

Pouring more money in, setting it aside, and calling it a Medicare lockbox by the way, nobody goes to jail if they get inside the lockbox—I don't think fools anybody. We are making a commitment to set the money aside and not mess with it. I take that commitment seriously. The Comptroller General is going to address Congress from coming in the next day and doing something about it.

The fact of the matter is we are not helping the system by saying we are going to set aside some money for Medicare without addressing fundamental reform. A lot of people want prescription drugs as an additional entitlement. At a time when we have a real fiscal problem with the system itself, laying another entitlement on will provide additional challenges we will have to meet. However, there is even a way to do that if it is accompanied with fundamental reform.

Instead of doing that, what we have in a proposal similar to the President's proposal, just another variation is saying another pot of money have a tax cut is because we need to set aside the general revenues, the surplus, to save Medicare. It will not save Medicare. That approach will actually wind up hurting Medicare.

I was looking at testimony of the Comptroller General on this issue. He was talking about the President's proposal. It has to do with the idea of setting aside general fund revenues, general surpluses, and claims we will use that to solve Medicare.

It is fallacious; it is phony. The Comptroller General says even if all future surpluses were saved, we would be saddled with the budget over the longer term and at current tax rates could fund little else but entitlement funds for the elderly population. Reforms reducing the future funds of Medicare and Social Security and Medicaid are vital to restoring fiscal flexibility for future generations of taxpayers.

The Comptroller adds that says if we took all the money and poured it into the programs, we are really not doing very much other than perhaps buying a little bit of additional time to allow us to pour more money into a leaky bucket, when the hole in the bucket at the bottom is getting bigger and bigger, while doing nothing to improve the program's long-term sustainable. Or worse, in adopting changes that may aggravate the long-term financial outlook for the program and the budgets.

The Comptroller is saying we are aggravating the problem. You are actually doing harm if you think by putting a little more money on top of this program you can forestall real reform and you can fool the American people into thinking they don't have to make some tough choices and have real reform such as the Medicare Commission came up with. It is making you stand off from the problem and not address the problem.

We are facing a demographic time bomb. In the year 2030 we will have twice as many people over the age of 65. We will have about half as many worker-per-retiree ratio. It will be twice as bad by the year 2050. We know we have to do something.

I am afraid I must conclude that although saving Medicare and Social Security has worked very well for some people who have used it as a way of having to face up to the fundamental problems those two programs present, the real answer to the question that is presented tonight with regard to the Medicare lockbox amendment is that, once again, it is being used as yet another excuse, along with "it will ruin the economy, it will mess up the atmosphere, it will destroy the military." It is being used simply as another excuse as to why we cannot have a tax cut.

For folks who believe the money ought to come to Washington, there is never a good time for a tax cut. There is never a good time for it. It is about power. It is fundamentally about who makes decisions in our society. Anyone believing Washington should have control of this, thinks even in a surplus situation that 25 percent of it can't be returned to the American people.

I say if not now, when in the world could we ever do it? Certainly, we are not doing Medicare any good. We are not doing Medicare any good by standing here and trying to convince the American people that by setting aside a few more general revenue dollars for this system, when we have failed to reach fundamental reform, that we can do that and we will be doing something good for Medicare or the country.

I don't have a tax cut with a $3 trillion surplus, I don't know when we will have ever one. The President, in three different years, has recommended tax increases in a deficit situation.
Now we have a surplus situation. One would think the answer to that would be a tax cut. Now he comes back and suggests a 15% tax increase. It doesn’t make sense.

I suggest the Medicare lockbox proposal be defeated.

Mr. ABRAHAM. Mr. President, I yield up to 15 minutes to the Senator from New Mexico.

The PRESIDING OFFICER. The Senator from New Mexico is recognized for up to 15 minutes.

Mr. DOMENICI. I ask the Presiding Officer to tell me when I have used 10 minutes.

I heard the distinguished Senator from Montana, Mr. BAUCUS, say there is not one nickel for Medicare in this Republican budget. That is absolutely wrong. Perhaps the Senator forgot to include the fact that there is $3.1 trillion in this budget for Medicare, fully funded.

What the Senator should have said was: Shame on the President. He is accusing Republicans, and he under-funded $31.5 billion on purpose. He did such things in his budget as freezing hospital costs for rural America. Senators, including the distinguished Senator from Montana, are worried about that. The President’s proposal is that it be frozen for another year. That is where he picked up $3.1 billion. Guess what he did with it. He spent it on other domestic programs. That is the stark reality, unequivocal truth.

Having said that, let me start with a quote from the CBO on July 23 of 1999. It has some real application to the so-called Medicare lockbox that is being proposed today to confuse the issue. The issue is putting a lockbox around Social Security and we say put it in a Social Security has been saved by this nebulous and vague idea of “saving the surplus” —

The same thing applies to Medicare — while failing to disclose the real pain that will be incurred.

When they will have to pay for it, is what he is saying. Their income taxes are going to go up by the amount of $328 billion or whatever amount the Democrats allegedly want to secure for Medicare by putting it in some kind of lockbox on the trust fund.

I also ask an interesting question: Is there anybody who can stand on the floor of the Senate and suggest that by taking this money away from the taxpayers and shuffling it over into a trust fund extends the date by which we run out of money to pay the Medicare people what they are entitled to? Does it increase any? Not at all. You have to change the payment plan to do that. That is what Medicare reform is all about.

Having said that, I could even quote the President’s own OMB budget about it.

Suffice it to say, anybody who wants to read this can. But even they say, “only in a bookkeeping sense” does this carry on any real purpose—in a bookkeeping sense, nothing else. We don’t need bookkeeping; we need to decide what we are going to do with this surplus.

I believe I understand the nature of this surplus. I am working very hard to convince people that we all ought to agree on one set of facts and then see where we are.

So I would like to suggest to the Senate, if they find fault with this, they can do their own. But I submit that we have, if you start with a freeze on domestic spending for the next 10 years— Do not jump up and say we cannot do that. I know we cannot do that. But if we start with that, we have an accumulated surplus of $3.3 trillion. We ought to then talk about how the Republicans plan to use that. Very simply, we take every penny that belongs to Social Security and we say put it in a lockbox. That is the debate tonight. But put it in a real lockbox, don’t put it in a lockbox such as the one that is offered here on the floor tonight. It is unbelievable that the other side would even claim to have a lockbox.

They create another budget point of order on top of at least four that already exist, against a budget resolution that has already on the deficit. That is exactly the issue. You can call it Social Security or whatever. There are already four points of order on that. You do not need this new lockbox on Social Security.

But let me suggest, let’s continue on. If this is the way you look at a surplus, then set all the Social Security money aside. Then go and say, What do we do with the rest of it? We submitted the proposal that was put in this budget resolution when we designed it and voted on it for a tax cut over a 10-year period.

People are acting as if we are cutting $792 billion worth of taxes next year. Do you know how much we are cutting taxes? It is $1.8 trillion. They are worried about whether we have a tax plan that will overstimulate the American economy. That is so small that it is in the range of rounding errors in terms of the tax take of America.

In the next year it is maybe twice that—$8 or $10 or $12 billion. It does not do anything to inflate this economy because we are planning it right. We are planning it to come in piecemeal, as a booming American economy can absorb it. That is $792 billion. If you want to know the number, that is 23.4 percent of this total surplus.

I have been using a dollar bill. It caught on. The Democrats have used dollar bills, and they got us all confused. They have two different dollar bills, one cut in thirds, one cut some other way. Ours is simple. We have not cut it any way. We say one-quarter of it, 23.4 percent, should go back to the people. It is not Democrats to believe this, but plain old arithmetic says there is $506 billion left over. The other side says there is not a nickel in this for Medicare.

Before they came to the floor, before this idea that we were not doing anything for Medicare became a political issue, the budget resolution had $90 billion in it for Medicare—the one you voted on, Republicans. It had $90 billion in. Now, look here, there is $505 billion worth of domestic priorities. We submit it is up to the Congress and the President to decide how to use it. But would anybody believe we are not going to use part of it for prescription drugs? Of course we are. And, incidentally, is that enough money?

Do you know how much the President said we need for prescription drugs? And he would have sold this to the American people, except it is impossible. He said $48 billion of that is what you need to fix, reform, and pay for prescription drugs. It turns out he totally underestimated it. It is more like $111 billion—$118 billion. But the truth of the matter is, take $90 billion out of it, take $100 billion out of it;
that leaves $405 billion to add to discretionary. Just in rough numbers, you could add $40 billion a year. If you do $100 billion worth of Medicare, you can add $40 billion a year. Is that enough?

Tomorrow I will put up a chart showing how much discretionary spending has gone up in the last decade. I would be surprised if it went up $40 billion, net increase, in very many of the years.

So essentially we have only one issue here: Do we lock up, in an irretrievable manner, as suggested in the Abraham-Ashcroft-Domenici lockbox, which is really a lockbox—such a lockbox that the Secretary of Treasury was even worried that it did not give Government enough flexibility, so we changed it to give them some flexibility. We provide for new uses of surplus in the event of catastrophic emergencies, you are not bound by it. We provide some other flexibility.

But the truth of the matter is that this is a prudent way, if you decide you do not want to use the surplus to grow big, big, big, big Government. If you want to grow it, then do it the way the President recommends: Do not have this tax cut in; have a little piece of one.

The PRESIDING OFFICER. The Senator has used 10 minutes and has 5 minutes remaining.

Mr. DOMENICI. In fact, I am prepared to make a guess, if they want us to settle for $300 billion—and $792 billion, rounded to $300 billion, is almost 25 percent—they would like to give the American taxpayers back less than a dime, it looks to me. So if they have a chart that explains their position and want to use an American dollar, put it on a chart and tip it off at 30 percent and say: That is what we would like to give you back because we need all the rest of it because we want to increase spending.

I do not think this applies to the distinguished Senator who is making the argument in behalf of the Democrats. I do not think he would want to spend all that money. But I do believe the President has snookered us all. He has us believing we are really going to harm the American people by not paying for every penny of the growth. More and more. And, frankly, that is just not true.

In fact, tomorrow, if I can, I will put up about five of the President’s new programs, I say to Senator ABRAHAM. I will get them on a chart here, and I will ask the American people: Which do you prefer? These five new programs? Or would you prefer to make it easier to pay off student loans? Would you prefer to make it easier to take care of an elderly parent? Would you prefer to stop penalizing marriage? Or would you prefer a new program? It does not matter what new program. New programs are new programs, if they are added to the expenditure of the Federal Government and are making it grow.

We believe it is a pretty good size right now. We believe there is a need for some growth. We believe there is a need in some instances to increase dramatically what we have been spending, and we voted for that in our budget resolution. We said education is one of them, if you will reform the way we give it to the States. Let’s put more money in, not less. We said that. We argued it here on the floor. We propose to stick with that.

But the truth of the matter is that our lockbox will make our tax cut reasonable and plausible and will make sure the Social Security people are safe.

I close tonight by suggesting to everybody who is listening to this debate we should not do this now. If we do not have the issue and Democrats are following him almost in rote marching, and that is, they get cranked up and they say: We want to save Social Security; we want to save Medicare, which simply means you should not do this now.

Here is $1.9 trillion waiting for you to tell us how to fix Social Security. Is it so complicated? No, it is not complicated. He prefers the issue to a solution. That is why we are on the floor. He does not want to submit a Social Security reform plan. He wants us to continue to hoodwink us into thinking if you give the people a tax cut, you cannot fix Social Security.

I will bet the President would not submit a Social Security program that would cost so much that it would not leave money for a tax cut out of this surplus. That is absolutely incredible that he would do that. I do not believe he would submit a Medicare reform program that is so big and so costly that there would not be money for a tax cut. As a matter of fact, he kind of shocked me. He submitted a reform Medicare plan that only costs $48 billion, if he was right in his numbers. It turns out he is not right, but had he been right, he would have been submitting one that cost $48 billion. I submit there is plenty of money left over to do that.

My last argument, and it will take a minute, is there are some suggesting we should not do this now. If we do not do this now, we will never do it because, as a matter of fact, as we proceed through, we will obligate all this money one way or another for some American program, and then we will say there is not any money left for tax cuts.

For those who are so frightened about us having a negative impact on the American economy, let me suggest, for the next 3 years, our impact is insignificant, almost negative. It begins to grow a little bit in the outyears, but even the great doctor—as PHIL GRAMM said today—he is like the Bible, everybody quotes him but nobody reads him. That is what PHIL GRAMM said today on the floor. Even if he said if you are going to submit it, have a tax cut. He also said the Republican plan is not significant enough in size over a 10-year period or annually to have a negative impact in terms of the American economy.

I think we are on the right track. Will the Senator yield me 1 additional minute?

Mr. ABRAHAM. I yield 1 minute.

Mr. DOMENICI. We are on the right track, and I think the Democrats have missed the boat. They are mixing apples and oranges when they try to confuse us on another lockbox for Medicare. I think tonight we have just about disposed of that as being a ridiculous approach which I call anything but a tax cut approach. Frankly, with the tax cut the President over this period of time, I say if you cannot give back a little bit of it to the American people, then what do they elect us for?

I yield the floor.

The PRESIDING OFFICER. The Chair recognizes the Senator from Montana.

Mr. BAUCUS. Mr. President, I have heard a lot of words.

Mr. DOMENICI. Good words.

Mr. BAUCUS. My question is. Where’s the beef? There is nothing on the other side about what they want to do to help Medicare—nothing. The Senator from Pennsylvania started out by saying: Gee, there’s money for Medicare. Then he shifted his argument to say we should not use general revenue. Then he shifted his argument to say that the amendment we are offering is a charade, a smokescreen. But if you listen to the words, there is not one word of what he wants to do to help Medicare. As a matter of fact, what I hear in the words is, first, we need some kind of structural reform. Let’s get structural reform, but let’s not use general revenue.

There has been reference to the Breaux commission. Mr. Breaux admits we need resources in addition to structural reform to help solve the Medicare problem. He said that. He is the chairman of the commission. He said we need it. I think he is right. The problems facing Medicare will require both structural reform as well as some additional resources to help solve the problem. At least that is his view, and he is chairman of the Breaux commission. He ought to have some idea of what is necessary.

I also remind my colleagues that structure reform is not easy. I will never forget catastrophic attempts several years ago. That was about $4 on
It is important for Senators to know that the Congressional Budget Office said, in effect, that this is a smokescreen. That we really have a lockbox which works—at least the House thinks it works. The House approved it. I think only a handful of House Members voted against it.

We are saying the House lockbox basically works. House Republicans voted for it; House Democrats voted for it. But we want to go one step further. We are also saying, let’s reserve some money, a third of the surplus each year in a reserve fund for medicare. Whereas we say, very simply, let’s save a third of the surplus each year in a reserve fund. If we need it, fine. If we do not need it, fine—we can reduce the debt and leave our options open.

We have this opportunity because we have the large projected on-budget surplus in the future. We do not have that now. How many Senators can remember times in the past having a $1 trillion on-budget projected surplus? I can’t, I do not think anyone else can either.

What is the likelihood that is going to continue? What is the likelihood we will be able to continue for 5 years from now? What is the likelihood we will have it 8, 10 years from now? What is the likelihood we will have it? It is pretty slim; not very likely, in my judgment.

So we have an opportunity. We have an opportunity to put aside the funds necessary to extend the solvency of Medicare. We have the opportunity to put aside the funds necessary for structural reforms. We have the opportunity to put aside the funds for a prescription drug benefit. I am saying, let’s preserve this surplus—let’s keep our options open.

Do you know what else our lockbox does? Deficit reduction. People want deficit and debt reduction. They are tired of being saddled with this debt. They don’t want their children similarly constrained. That’s why this lockbox is such a good proposal. If we don’t need the funds for the next, say,
of dishonesty and in terms of scorn and in terms of derision about what is being said, it invites the same kind of commentary—which gets us nowhere. It doesn’t improve the debate. It doesn’t make it clearer to the American people. It doesn’t establish a framework for really thinking the problem through.

Mr. President, I am the senior Democrat on the Budget Committee. And I want to suggest that my colleagues take a look at an article in the Wall Street Journal, entitled “GOP Uses Two Sets of Books.” The article explains that the GOP is using two sets of books—one from the Office of Management and Budget, the other from the Congressional Budget Office. And, by taking the best of each, it’s trying to hide the fact that, and I quote, “lawmakers are poised again to raid the very same Social Security funds they have promised to lock away.”

Mr. President, I don’t accuse our friends on the other side of the aisle of deliberate untruthfulness. But I hope the American people will be able to understand what is going on.

Mr. President, when it comes to this bill, there is no doubt where I stand. I stand for the majority of the American public. The people who are concerned with making a living and providing for their children. The people who are working hard to help their parents and grandparents. The people in families where two people are working, and who are having a hard time meeting their obligations. When mom has to work and dad has to work and they are either on different shifts or the same shifts, it means one of the parents is not home to be with the children at times when that might provide the kind of encouragement and sustenance for development. There is a price to pay for it.

There is physical fatigue. My mother was a widow at age 36. She worked hard. I was old enough to be in the Army. My sister was only 12 when my father died. But there was exhaustion. It was hard to take care of all of the responsibilities.

When I look at tax cuts, I ask, which Americans need them? The guy making $800,000 a year? I don’t think he needs a $29,900 tax cut. But that’s what he’d get under this bill. And that’s money that we could be using to pay off our national debt.

Mr. President, most Americans, if given the opportunity, would love to pay off their loans and their debts. Their mortgages. Their car loans. Well, that’s what we want our nation to do. But the Republicans, instead, want to use the money to provide massive tax breaks for wealthy individuals and special interests. Oil interests, mineral interests, big business. It’s why pay off our debts and leaving our children free from that obligation, the Republican bill would give that money to these special interests.

As you can tell, Mr. President, I object strongly to the Republican tax bill. This legislation raids surpluses that are needed for Social Security, that sacred covenant we have with people who have my hair that says we want to care of them. It is a commitment we made, a promise we made, as we took the money from their paycheck.

I want to protect Social Security. My conscience calls for it. I have to make sure those who are paying Social Security are going to get the benefits they expected when it comes to retirement time.

Medicare? There are few programs in this country that have the value to people like Medicare, which says that when you reach that age when sickness, when physical problems are not a systematically just when they begin to care for you need. Those are essential, basic things—Social Security solvency, Medicare. These are for people when they are most vulnerable, in their older age. We have made a commitment that we are going to take care of them. Our friends on the Republican side say no, tax breaks; that is more important.

By the way, all of this is more show business than plain business. It is designed to let the American public think they are going to be generous and they want to return the money, and we are sinners because we say we are going to help pay off the debt that your kids, Mr. and Mrs. America, won’t have to worry about.

They say: Who knows better how to spend the money? Is it those bad guys in Washington—bad guys and women; that is the way we are today—those bad people in Washington who want to just take your money? I heard someone say: ‘‘Who knows how to take it and spend it?’’ I heard someone say: ‘‘Who knows how to take it and spend it, like that is the principal motive for responsible people serving here. I wouldn’t accuse them of that, and I don’t think they ought to accuse us of that silly nonsense. Take your money and spend it? That is not what anybody wants to do.

We want to do the right thing. They want to do the right thing. They just haven’t learned how yet.

Mr. President, the cost of the tax breaks under their bill would increase the national debt by $800 billion, that is net cost, over the next 10 years, due to the baby boomers begin to retire. The bill would force drastic cuts in education, environmental protection, other priorities. It could lead to a return of higher interest rates. And it is fundamentally unfair.

Mr. President, Democrats strongly support tax cuts for middle-class Americans, ordinary people who are working hard to keep things together. We have proposed almost $300 billion worth of tax cuts that were targeted to the middle class, the people who needed them most. But we couldn’t get the cooperation of our friends on the other side. We won’t take funds needed for
Social Security and Medicare like the Republican bill does. They are willing to take it out of this Social Security trust fund, which I will demonstrate later.

Neither Social Security nor Medicare has enough financing to support the baby boomers in their retirement. We need to extend the solvency of both programs. We need to pay off our debt, which now forces taxpayers to pay $225 billion a year in wasted interest payments. I guess they don’t want to stop that. They don’t want to stop that. They would rather try to dole it out principally to people at the top of the income ladder. They don’t want to reduce that debt.

President Clinton has proposed to reserve all Social Security surpluses for debt reduction as well as another $325 billion after Medicare. The Republicans openly oppose reserving non-Social Security surpluses for Medicare, but they claim their bill reserves all Social Security surpluses for Social Security. The claim is untrue.

The bill before us would raid Social Security surpluses in 5 of the next 10 years. This chart shows the numbers. Here we are, 2005; that is practically around the corner. What does it say? Red. Everybody knows what red ink means. Minus $12 billion. That is out of the Social Security trust fund. We have no place to get it. So instead of protecting Social Security, we are raiding Social Security because of the tax cut they want to give to the fat cats.

Consider what will happen in 2005. The non-Social Security surplus that year will be $88.6 billion. But this bill would cost $89.9 billion. The bill therefore would directly create Social Security surpluses of $1.3 billion in that year. If the hybrid trust fund would raid Social Security, Social Security would be much deeper. This legislation would increase debt and lead to higher interest costs. In 2055 alone, these additional interest costs would eat up another $10.9 billion of Social Security surpluses. So the total raid on Social Security would be over $12 billion in 2005.

If you consider both the direct revenue losses and the additional interest costs, this bill would raid the Social Security surplus in each of the second 9 years. That is not fair.

Mr. President, I think I know what the Republicans would say about this. They will promise that even if this bill does spend Social Security surpluses, many years from now, Congress will somehow make huge cuts in programs, such as education and the environment, to offset these costs. Unfortunately, it is an empty promise that is completely unenforceable. No credibility.

Consider the depth of the cuts that would be required. If you assume the Republican Congress funds defense programs at the levels presently proposed by President Clinton, by the end of the 10 year period, domestic needs, everything from education and environmental protection, to the FBI, would have to be cut more than 40 percent. Is that credible? A 40 percent cut in student aid? A 40 percent cut in health research? A 40 percent cut in veterans’ programs?

That is not going to happen. But that is the pretense under which we are operating.

The Republicans are saying we have to reduce and cut programs. But the American people need to understand what that would mean. Head Start—375,000 preschool children would be denied services that help them come to school ready to learn. The FBI—that is a favorite of all of ours because they do very important work—would have to cut 6,300 agents in order to accommodate this. VA medical care—a promise that was made to veterans, and to me when I enlisted in the Army—they would treat 1.4 million fewer patients. Superfund—the wonderful program to clean up our nation’s waste sites in our society—no funding would be provided for any new cleanups, due to begin in 2005. Are summer jobs important? I think so. But 270,000 young people would lose jobs and training opportunities. The list goes on.

Look how the tax breaks in this bill explode in cost. In the first year, they cost $4.2 billion. By the last year, they cost almost $200 billion. In the following 10 years, these costs explode even more. All of this will be happening when the baby boomers start retiring.

In other words, the Republican plan doesn’t just raid the Social Security trust fund. It undermines the framework on which our Government’s revenue base and dramatically increase the chances that Social Security benefits will be cut.

Similarly, this bill proposes a very deep tax cut that is paid for by cutting Medicare’s Medicare trust fund is now scheduled to go bankrupt by 2015. President Clinton has proposed a comprehensive reform plan that would extend solvency through 2027, for a dozen years or more. He wants to provide a new prescription drug benefit for older Americans. That is going to come from the surpluses that we enjoy, as long as we don’t give them away.

What does this legislation do for Medicare? Zero. There is not a penny to extend the program’s solvency, and not one penny for prescription drugs.

Another problem with the bill is that it is fundamentally unfair. It is loaded up with various special interest provisions. Meanwhile, ordinary Americans are left with a few crumbs.

If we look at this chart, the top 1 percent of the income earners, earning $837,000, get a tax cut worth $23,944. If you are in the bottom 40 percent, earning below $38,000, you get $141. That is less than 50 cents a day. I hope those people making $38,000 don’t go out and blow that 50 cents a day.

Accompanying this cut is the fundamental unfairness, this bill also poses a significant risk to our economy.

It would be one thing to call for huge tax cuts if our Nation were in the middle of a recession. Sometimes you need a boost, a stimulus, but today our economy is very strong. In this kind of an environment, a large fiscal stimulus is dangerous.

The Federal Reserve just tightened monetary policy, forcing up interest rates. A preemptive strike? The Chairman Greenspan suggested last week the Fed may raise interest rates again to preserve price stability. A huge tax cut in these conditions would be a serious mistake. It could force up interest rates, which could drag down the investment that is driving our economy.

As Chairman Greenspan testified, “The timing is not right.”

Mr. President, we are doing no favors for middle-class families if we give them a tax break worth less than 50 cents a day and then force them to pay higher interest rates on their mortgages and their car payments.

Mr. President, before I close, I want to take a minute to respond to an analysis released last week by the Congressional Budget Office. That analysis supposedly shows that the GOP budget plan reduces debt more than the President’s. But the analysis is highly misleading, largely because it is based on questionable assumptions.

For example, the analysis assumes that Congress will abide by the caps in 2001 and 2002, which are both lower than this year’s.

Then, to top it off, CBO assumes Congress will cut even further in real terms in each of the following 7 years. Mr. and Mrs. Public, don’t you believe that? Congress is not going to make cuts like that in veterans’ medical care. We are not going to permit Head Start to be decimated. We are not going to cut out programs that people depend on for their very lives.

Mr. President, people really need many of these programs. Most don’t like to depend on government if they can avoid it. My father at the height of the depression was most ashamed of the fact that he had to go to work for
WPA, the public works program. He demanded dignity. He demanded it almost more than any other virtue. Pundits and the political classes have worked for a government program, and he was ashamed to tell anybody. People like him do not want government programs. I had my GI bill for my education. I took it because I thought that in the final analysis not only would it help me, but it would help me to be a better citizen, to make a contribution to my country.

The Congressional Budget Office is assuming we will not abide by the spending caps. They are assuming we are actually going to cut almost $200 billion below it. That is not credible. CBO's analysis also contains a variety of questionable statements. For example, it ignores the extra $14 billion in tax breaks that were added to the $788 billion assumed in the budget resolution. It also ignores the Budget Committee's directive to CBO that it use different scorekeeping estimates when it scores appropriations bills.

Those mandates for special, "directed scoring" will allow the Appropriations Committee to spend more, and will reduce the surplus by at least $18 billion. Yet CBO doesn't even mention this in its analysis.

Mr. President, there are other inaccuracies and distortions in the CBO analysis. But together they undermine the credibility of last week's analysis. And, unfortunately, they've raised many questions on this side of the aisle about CBO's fairness and objectivity.

Mr. President, CBO is supposed to be objective and fair to both sides. They are just supposed to look at the numbers. That is all.

Mr. President, let me close by just recapping the main problems with the Republican tax bill.

It raids Social Security surpluses in several years.

It leaves nothing for Medicare.

Its costs explode in the future, just when the baby boomers will be retiring.

It would force extreme cuts in education, health care, crime fighting, and other priorities.

Its tax breaks are unfair, and give huge benefits to special interests and the wealthiest Americans.

And it's fiscally irresponsible, risking higher interest rates and a return to the days of red ink and large deficits.

In sum, Mr. President, this is extreme legislation. It may appeal to the far right wing of the Republican Party. But by posing such a direct threat to Social Security and Medicare, it's inconsistent with the values of mainstream American families.

That is why this President is determined to veto it the minute it reaches his desk, and he should.

I urge my colleagues to oppose the bill and to support the amendment of the distinguished Senator from Montana.

Mr. KENNEDY. Mr. President, the principle of the Baucus amendment goes to the heart of this debate. We should not enact tax cuts which will use up virtually the entire surplus before we solve the significant financial problems facing Social Security and Medicare.

Placing Social Security and Medicare on a firm financial footing should be our highest budget priorities. The surplus gives us a unique opportunity to extend the long-term solvency of these two vital programs, without hurting the senior citizens who depend upon them. We should seize that opportunity.

Two-thirds of senior citizens depend on Social Security retirement benefits for more than fifty percent of their annual income. Without it, half of the nation's elderly would fall below the poverty line. These same retirees rely on Medicare for their only access to needed health care. For all of them, the Republican proposal does absolutely nothing. It does not provide one new dollar to support Social Security or Medicare. It squanders the unique opportunity which the surplus has given us.

Social Security and Medicare represent America at its best. They reflect a commitment to every worker that disability and retirement will not mean poverty and untreated illness. They are a compact between the Federal government and its citizens that says: work hard and contribute to the system when you are young, and we will guarantee your financial security and your health security when you are old.

It has been said that the measure of a society is how well it takes care of its most vulnerable citizens—the very young and the very old. By that standard, Social Security and Medicare are among the finest achievements in all of our history. Because of Social Security and Medicare, millions of senior citizens are able to spend their retirement years in security and dignity. A Republican tax cut of the magnitude proposed here today will put their retirement security in serious jeopardy.

In the first ten years, the Republican tax cut of $792 billion—plus the increased interest on the national debt required by it—will consume all but $25 billion of the $996 billion surplus. The cost of the tax cut alone will mushroom to two trillion dollars between 2010 and 2019, plus hundreds of billions more in additional debt service. There will be no surplus left to strengthen Social Security and Medicare for future generations of retirees. The needs of the millions of Americans who depend on these basic programs for their well-being are ignored.

Democrats propose a very different set of priorities for the surplus. We commit one-third of the surplus—$290 billion over the next decade and more—in new Medicare. And beginning in 2011, we will devote the savings which will result from debt reduction to Social Security.

Today, interest on the debt consumes nearly 13% of the federal budget. Under the President's plan for 2015, that annual debt interest expense will be completely eliminated. As a result, between 2011 and 2019, more than a trillion additional dollars will be available to pay future Social Security benefits.

In addition, the GOP tax cut is fundamentally unfair in additional ways. It distributes the overwhelming majority of its tax breaks to those with the highest incomes. The authors of the Republican plan highlight the reduction of the 15% tax bracket to 14%. They point to this reduction as middle class tax relief. But that relief is only a small part of the overall tax breaks in their plan. It accounts for only $216 billion of the $792 billion in GOP tax cuts. Most of the remaining provisions are heavily tilted toward the highest income taxpayers.

If the Republican plan is enacted and implemented, nearly 50% of the tax benefits would go to the richest 5% of taxpayers—and more than 75% of the benefits would go to the wealthiest 20%. Those with annual incomes exceeding $300,000 would receive tax breaks of $23,000 a year. By contrast, the lowest 60% of wage-earners would share less than 11% of the total tax cuts—they would receive an average tax cut of only $139 a year.

The choice could not be more stark—it is between using the entire surplus for a gargantuan GOP tax cut designed overwhelmingly benefits the wealthiest Americans, or using the surplus for modest tax cuts that leave room to preserve Social Security and Medicare for future generations of retirees.

SOCIAL SECURITY

On Social Security itself, the Republican proposal is misleading. The rhetoric surrounding it conveys the false impression that it is a major step toward protecting Social Security. In truth, it does nothing to strengthen Social Security.

The Republican plan would not provide even one additional dollar to pay benefits to future retirees. It would not extend the life of the Trust Fund by one more day. It merely pledges to give Social Security the dollars which already belong to Social Security under current law.

By contrast, by drawing on the surplus, President Clinton's proposed budget would contribute more than a trillion new dollars to Social Security over the next twenty years. Beginning in 2011, the Administration's plan would devote all of the savings which will result from debt reduction to the
The failures of the Republican plan to preserve and strengthen Medicare is just as serious. Today, Medicare is a lifeline for the 40 million elderly and disabled citizens who depend on it for health care. It is an essential part of our health care system. It allows families to save and send a child to college instead of saving to send a parent to the hospital. It fulfills its founding promise, in which everyone pays in to Medicare during their working years, and everyone benefits from good health care, irrespective of income. It promises to continue strong and continue to guarantee health care to our Medicare and Social Security beneficiaries. This budget, in contrast, threatens to destroy Medicare by putting it on a starvation diet. Instead of protecting Medicare in anticipation of the largest demographic challenge in its history, the Republican budget sacrifices Medicare on the altar of tax breaks for the rich. There is not one additional dime for Medicare in the Republican budget, although that budget contains nearly $800 billion in tax breaks that disproportionately benefit the wealthy.

Make no mistake. This budget will determine whether we keep the medical care in Medicare. This budget will determine whether Medicare will continue to guarantee the protections that are so essential for senior citizens in the years ahead.

Unfortunately, the pending bill falls unacceptably short of reaching these important goals. It is, in fact, a thinly veiled assault on the newborn and an affront to every senior citizen who has earned the right to affordable health care by a lifetime of hard work. It is a bill that says $800 billion of new tax breaks for the rich are more important than preserving Medicare for our senior citizens.

The top priority for the American people is to protect both Social Security and Medicare. But this budget puts tax breaks for the rich first, and Medicare and Social Security last.

Our proposal says: save Social Security and Medicare by devoting all of the Social Security surplus to Social Security, and by reserving one-third of the on-budget surplus for Medicare. It says: extend the solvency of the Medicare Trust Fund, not by raiding Social Security but by assuring that some of the benefits of our booming economy are used to preserve, protect, and strengthen Medicare. It says that we should modernize Medicare to ensure that all senior citizens have access to affordable medications.

Some of the other side contend that we should not provide additional funds for Medicare. They say we should look for additional ways to reduce Medicare spending. But Medicare spending growth is at an all-time low. In fact, evidence is mounting that Congress has already cut too much from Medicare in the past, and to balance the budget in 1997.

While Democrats and Republicans have different opinions about how best to reform Medicare, one fact remains clear: Starting in 2010, the retirement of the baby boom generation will begin in earnest. With a significant investment now to prepare Medicare for the financial demands of that era, the only options will be to dramatically cut benefits or raise taxes.

According to the most recent projections of the Medicare Trustees, if we do nothing, keeping Medicare solvent for the next 25 years will require benefit cuts of almost 11%—massive cuts of hundreds of billions of dollars—or double-digit payroll tax increases. Keeping Medicare solvent for the next 50 years will require cuts of 25%—or even larger payroll tax increases.

Under the guise of reform, some argue that we should reduce our obligations to support guaranteed benefits. They favor proposals to privatize Medicare, or turn it into little more than a voucher program—leaving senior citizens to the tender mercy of profit-seeking private insurance companies. Nothing could be more devastating for America’s elderly—today and in the future.

We have a clear opportunity to protect Medicare. All we have to do is reserve a fair share of the surplus for Medicare. While protecting Medicare, the pending bill uses $800 billion of the surplus to pay for new tax breaks. You don’t need a degree in higher mathematics to understand what is going on here. This Republican plan to privatize Medicare.

Every senior citizen knows—and their children and grandchildren know, too—that the elderly cannot afford cuts in Medicare. They are already stretched to the limit—and often beyond the limit—to purchase the health care they need.

Because of gaps in Medicare and rising health costs, Medicare now covers only about 50% of the health bills of senior citizens. On average, senior citizens spend 19% of their limited incomes to purchase the health care they need—almost as large a proportion as they had to pay before Medicare was enacted generations ago. Many low-income senior citizens have an even smaller proportion as a proportion of their income.

By 2025, if we do nothing, the proportion of out-of-pocket spending devoted to health care expenses will rise to 29%. Too often, even with today’s Medicare benefits, senior citizens have to choose between putting food on the table, paying the rent, or purchasing the health care they need.

Social Security Trust Fund. That step would extend the life of the Trust Fund by more than a generation, to beyond 2050.

In fact, the Republican plan does not even effectively guarantee that existing payroll tax revenues will be used to pay Social Security benefits. There are traps in the Republican “lockbox.” A genuine “lockbox” would guarantee that those dollars would be in the Trust Fund when they are needed to pay benefits to future recipients. But that is not what the Republican plan does.

Our Republican friends claim that the enormous tax cuts they have proposed will have no impact on Social Security, because they are not using payroll tax revenues. On the contrary, the fact that the Republican budget commits every last dollar of the on-budget surplus to tax cuts does imperil Social Security.

First, revenue estimates projected ten years into the future are notoriously uncertain. As the Director of the Congressional Budget Office candidly acknowledged:

Ten year budget projections are highly uncertain. In the space of only six months, CBO’s estimate of the cumulative surplus has increased by nearly $300 billion. Further changes of that or a greater magnitude are likely—in either direction—as a result of economic fluctuations, administrative and judicial actions, and other developments.

Despite this warning, the Republican tax cut leaves no margin for error. If we commit the entire surplus to tax cuts and the full surplus does not materialize, Social Security revenues will be required to cover the shortfall in tax cuts.

Second, even if the projected surplus does materialize, the cost of the Republican budget exceeds the surplus in five of the next ten years—2005, 2006, 2007, 2008 and 2009. Unless the Republican proposal is restructured, Social Security revenues will be required to cover the shortfall in each of those years.

Third, the Republican tax cut leaves no funds to pay for emergency spending, which has averaged $9 billion a year in recent years. Over the next decade, we are likely to need approximately $50 billion to cover emergency needs. That money has to come from somewhere. With the entire surplus spent on tax cuts, the Social Security Trust Fund will have to fund these emergency costs as well.

These three threats to Social Security that I have described are very real. They expose the fundamental flaws that prevent the Republican “lockbox” from being a genuine lockbox for Social Security.

In addition, there is an even greater threat to Social Security in the out-years. Under the President’s plan, the Social Security Trust Fund would receive 543 billion new dollars from the surplus between 2011 and 2014, and it would receive an additional $189 billion each year after that. The Republican tax cut will make the President’s plan imposed to cover one-fourth of the cost of their tax cut proposal mushrooms to over $2 trillion between 2010 and 2019. It will consume all of the surplus dollars which were intended for Social Security. There will be nothing left for Social Security. As a result, all dollars will flow into the Trust Fund, and the future of Social Security will remain in serious doubt.

Medicare

Medicare.

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July 28, 1999

CONGRESSIONAL RECORD—SENATE 18207

The typical Medicare beneficiary is a widow, seventy-six years old, with an annual income of $10,000. She has one or more chronic diseases. She is a mother and a grandmother. Yet this budget would cut her Medicare benefits in order to pay for new tax breaks for the wealthy. These are women who will be unable to see their doctor, who will go without needed prescription drugs, or without meals or heat, so that wealthy Americans earning hundreds of thousands of dollars a year can have tens of thousands of dollars more a year in additional tax breaks.

This is the wrong priority for spending our hard-earned surplus—and the wrong priority for America. And the American people know it.

As we debate these issues this week, the response of our opponents is predictable. They deny that they have any plans to cut Medicare. But the American people will not be fooled. They know that our plan and the President’s plan will put Medicare on a sound financial basis for the next generation—without benefit cuts, without tax increases, without raising the retirement age, and without privatizing Medicare.

In this debate, we intend to offer Senators a chance to vote on whether they are sincere about protecting both Medicare and Social Security.

Our opponents are already trying to confuse the issue. They say that it is wrong to put the surplus into Medicare. They say that it is wrong to protect Social Security and Medicare, not use it for new tax breaks for the wealthiest Americans.

Our opponents say that our proposal just puts money into the Trust Fund. Let’s be very clear. There are two ways to restore Medicare’s financial stability. One way is to cut benefits. The other way is to provide new resources. Our proposal puts new resources in the Medicare Trust Fund. It takes funds that would otherwise be used for a tax cut for the wealthy, and uses them instead to maintain the health protection the elderly need and deserve—and have earned. In terms of its effect on Medicare, it is no different from depositing payroll tax receipts in the Trust Fund, as we do today.

Those on the other side of the aisle have tried to conceal their neglect of Medicare. They say that their plan does not cut Medicare. That may be true in a narrow, legalistic sense—but it is fundamentally false in every way that counts.

Between now and 2025, Medicare has a shortfall of almost $1 trillion. If we do nothing to address that shortfall, we are investing almost $1 trillion in Medicare cuts, just as surely as if we said so directly in the text of the legislation. No amount of rhetoric can conceal this fundamental fact. The authors of the pending bill had a choice between supporting Medicare or slashing Medicare—and they chose to slash Medicare.

A vote for our alternative is a clear statement that Congress should preserve and protect Medicare for today’s elderly and their children and grandchildren. It is an equally clear statement—in favor of new tax cuts for the rich, paid for by harsh and unacceptable cuts in Medicare.

In 1935, when President Franklin Delano Roosevelt signed the Social Security Act, he said it was “a cornerstone in a structure which is being built but is by no means complete.” The creation of Medicare 30 years later added significantly to that structure. On the threshold of a new century, the time has come to add again to that structure.

We can modernize Medicare and prepare for the 21st century—the century of life sciences. We can prepare for the mass immigration of the baby boom generation, if we devote the resources needed to do so. The surplus was generated in part by Medicare savings, and it is only right that a responsible portion be invested in modernizing and strengthening the Medicare.

We now know how the American people want us to vote. Congress should listen to their voice. The opponents of Medicare were wrong in 1965, and they are wrong in 1999.

The PRESIDING OFFICER. Who yields time?

Mr. ABRAHAM. Mr. President, I yield 10 minutes to the Senator from Missouri.

Mr. ASHDOFT. Mr. President, thank you very much. I thank the Senator from Michigan.

Mr. President, it would be amusing, if it weren’t tragic, to hear the representations made by those on the other side of the aisle that the Republicans are indifferent to our senior citizens and to Medicare, or indifferent to Social Security.

Let us not forget the Social Security lockbox is a Republican concept. They came to us saying how aggressively they are supporting what happened in the House. It is about time they started to support a lockbox of some sort. They filibustered that at least six times previously to keep it from being here. It is time we have a lockbox.

We enacted a credible lockbox to protect Social Security so our seniors won’t be jeopardized by a reckless sort of effort to spend.

There is a real distress on the part of our colleagues on the Democrat side of this Chamber who are afraid we are not going to leave enough money to spend. Their spending habit is hard to break.

But I think we ought to understand the American people are paying in over the next 10 years $3.3 trillion of surplus money. They don’t want to buy that much more government. They want some change to go to the store.

You by a gallon of milk, and you give them 10 bucks. You don’t expect them to start adding other items to your order to fill up what you could have bought with your 10 bucks. You expect to get your money back when you pay in a surplus, and the American people should do that.

They suggested we don’t have any money to deal with a Medicare problem. It is pretty clear we have $505 billion available to deal with Medicare, if we choose to, over the next 10 years.

Just for example, the President said he could fix it for $38 billion. And $505 billion is 10 times that much. But I don’t recommend that we allocate a specific amount to fix Medicare before we have decided how to reform Medicare.

The Senate from Tennessee eloquently stated the position of the Comptroller General of the United States, our sort of auditor, the person who looks at things and asks: How are you doing? Is this reasonable? Does it make sense?

He indicates that just pouring more money into a system that is broken—well, you know, if you just step on the gas in a car that is going in the wrong direction, it doesn’t get you to your destination any more quickly. The key is to reform Medicare and have a resource available when you reform it. That is the Republican plan.

Are we being irresponsible by taking 23 cents out of every surplus dollar and saying to the American people who earned it that we are going to return it?

There is an old slogan in Washington. “You send it; we spend it.” People are a little tired of that.

We have the highest tax rate in the history of the country. Even State and local rates are higher in many cases caused by our mandates on State and local government.

We have a $3.3 trillion surplus, and someone says we should save tax cuts for when it is the right time for tax cuts as if the timing is contingent on the Government.

I tell you. It is the American people’s money. Their timing ought to be considered.

I think the American families need resources to do for themselves now, that they should have the money to do it for themselves and not have to rely on government. We should make that choice.

I rise to say that this business about us not having a regard for Medicare must be dismissed.

We want to reform Medicare. We don’t want to pour more resources into a bucket, the bottom of which is like a sieve.
Sure. We will do what we can to sustain the system. It is sustainable, according to all the most recent reports, until the year 2014. It is good. But we shouldn’t decide to just pour money into that system. We should reform it.

There was a bipartisan commission led by Senator BREAUX that would have reformed it. The proposed reform led by Senator BREAUX wasn’t to take a lot of money. As a matter of fact, it was to save money.

We are willing to make resources available. But the idea that somehow we have to lock up $300 billion in order to make possible a reform of the system when the $300 billion will keep people from wanting to reform it, and just wanting to spend what is there is not the way to handle the problem.

The chairman of the bipartisan commission bi-latered on the other side. I don’t believe supported that provision when it was before the Finance Committee. I don’t think we should support it now.

But it is time for us to say to the American people what we said in our budget process that the Senate voted. I believe, 99-0 to do; and that is to lock up the Social Security surplus.

It is a program which we promised to the American people. It is a program that can go forward. We ought to have that resource available to them. We agreed on that. The House agreed on that.

Talk about the House agreement on the other side of the aisle, yes. This is what the House agreed to—lock up Social Security. I think that is what we ought to do.

We expect to have $2 trillion in Social Security surpluses over the next 10 years. We ought to make sure we don’t spend it on anything else. That is the Republican plan. It is the Democrat plan, and the President’s plan. The President agreed to it. He said we needed a durable lockbox, “period.” He didn’t say a lockbox for Social Security and add Medicare. The President didn’t say that. He said we need a Social Security lockbox, period. The ‘period’ was his language, not mine. It is not some Republican plot. The President said it. The House of Representatives said it. The Republican Senate has been asking for it. It is the Senate’s bill. I don’t side of the aisle time after time after time after time after time, and now trying to keep us from doing it again.

I think we need to make sure we honor and respect the retirement security of individuals who expect us to protect Social Security.

Having done that, and we find out there is roughly half of the next 10 years’ surplus that is not earmarked for Social Security and it is not paid for for Social Security, that money could be divided between tax relief and resources for contingencies that come up in this body, or to the United States Congress. That is why we planned $792 billion in tax relief.

Some say: Is that too much? Is it too little? It is 23-plus percent of the total surplus.

The lion’s share of the total surplus should go right into this lockbox. The proposal by Senator DOMENICI, Senator DRAHMS, the other Senators have been talking about, taking Social Security money and earmarking it for Social Security benefits alone, and then reserving the $505 billion that is available in addition to that for future contingencies and needs including, if necessary, transitional costs for reform in Medicare. The Senator from Tennessee eloquently related comments by the Comptroller General of the United States.

This is a resource we now have that we do not have a right to keep, in my judgment. The American people have overpaid their taxes. Like a shopkeeper, who has a responsibility to give back change when they are paid too much for an ordered item, rather than trying to foist off an extra gallon of milk, another ham or another box of cereal, another box of nails or hammer if you are at the hardware store, when a person has paid more for the item than requested, they get their money returned.

Return the money to the American people. The American people earned this money. This is not money that came from Government. This is not from the magic of the Congress. This is not from the creativity of the President. This isn’t the product of the bureaucracy. This is the product of the hard work of American families. In many families, both parents work. In some families, both parents are working two jobs of extra work. They have to cover more than one set of bills and one set of expenses. The expenses.

We have to make a decision. Are we going to fund families in this country or are we going to fund bureaucracy? Are we going to let families have an opportunity to spend the resources which they have created? We must. In order for them to be confident about the fact we are not giving away the future, make clear that the President has said we need what the House of Representatives voted 416-12 in favor of, and that is a lockbox to protect Social Security.

With that in mind, I say we have a responsibility to the American people to put the Social Security proceeds in the lockbox, to have a prudent approach to the rest of the expenses. Say to the American people with that $800 billion over the next 10 years: You earned it; we returned it. Let’s end this idea of: You send it; we spend it. Our desire and appetite should not be unbridled.

I thank the Chair for this opportunity to support the concept of a lockbox. I reserve the remainder of my time.
the old spending rules. Just because we have a surplus does not mean that the battle has been won. It means that we must continue to be watchful and ensure that the surplus is used wisely.

One of the attacks we have heard from the White House and the Democrats is that the we should not refund American’s hard-earned money to them because we still have an enormous federal debt. I find this argument astonishing given the spending appetites of many on the other side of the aisle. There is nothing quite like a good tax cut to turn a tax-and-spender into a deficit hawk. While I fear this interest in retiring the national debt may be short-lived metamorphosis, I welcome the interest of my colleagues from the other side of the aisle in fiscal responsibility. In fact, I would invite them to join me as a cosponsor of Senator ALARD’s bill to retire the entire national debt over a 30-year period. I believe that debt reduction is consistent with a tax cut. We need to pay off our debt obligation to the American people, not to the allowances of the federal government by returning some of the taxpayers overpayment to them.

The lock-box amendment furthers this goal of debt reduction. This amendment includes higher debt reduction provisions than previous lock-box proposals. As the surplus has continued to grow Senator ABRAHAM has moved the bar higher. The amendment requires more debt reduction as the surplus grows and I believe the American people expect that. Debt reduction creates a ripple effect throughout the economy in the form of lower interest rates for home mortgages or car loans or student loans.

The time has come for the White House and my colleagues on the other side of the aisle to finally provide protection for the Social Security program. Congress must not continue to play like a concept of preserving the Social Security surplus. We must take the bold steps necessary to ensure that the program is around for the long term. We must not use long term funds to satisfy short term wishes. I urge my colleagues to join me in supporting this important in the Taxpayer Refund Act of 1999.

I thank the Chair and yield the floor.

Mr. BAUCUS. Mr. President, I yield myself 15 minutes.

Mr. President, a couple of points. I heard my good friend, the Senator from Missouri say, as has often been stated, they are using only 23 percent of the surplus on tax reduction. I think it is important to get the facts out so the American public can decide what the truth is. The fact is, about $3 trillion is projected over the next 10 years. Mr. President, $2 trillion off-budget, Social Security surplus; $1 trillion on-budget surplus. No one disputes that.

We also agree that the roughly $2 trillion generated by the payroll tax, the off-budget surplus, should be reserved for Social Security. We all agree to that. What is in dispute is the $1 trillion on-budget surplus.

The Republican tax cut essentially uses it all, roughly $800 billion, plus the interest expense added on because the tax cut will increase interest, which amounts to a 97-percent tax cut of the on-budget surplus.

So that we have our facts straight, it is roughly 25 percent of the total, if we include the $2 trillion for Social Security that we all agree to protect. What is in dispute is how much of the $1 trillion on budget is used for a tax cut. The answer to that is about 97 percent, including the interest. If interest is not included, maybe about 60 or 70 percent of the surplus is used for a tax cut.

Decide which numbers to use. Those are the facts. I will stand here and say it is necessarily 97 percent or it is necessarily 23 percent. I think people should recognize what the truth is.

I have a couple of points. This is about choices. Either we choose to set aside one-third of the on-budget surplus for Medicare, or seniors, or we don’t. That is the choice. That is the choice we have between the two lockbox amendments. One says lockbox Social Security only; the other says lockbox Social Security and Medicare. We believe the proper choice is to protect Medicare.

There is a deeper choice I want to talk about for a moment. It is a choice that many senior citizens in our country make each day. Do they choose to use their income to pay for drugs or do they choose their income for food, to pay the rent, or to pay for the bus? That is the choice that many senior citizens make each day.

About 16 million Americans are faced with that choice a day. That is, 16 million Americans rely solely on Social Security for their income. About 30 percent of American senior citizens rely solely on Social Security for their income, which comes out to about $750 a month. Seniors with a total income of about $750 a month have to make choices. Choose for drugs, choose to pay the rent, choose to pay the food bill, the bus, taxi service—those are the choices. They have to decide which among the choices to make.

We are saying let’s help the seniors with that choice. Let’s help seniors pay the drug bill. Let’s help seniors pay a little more of the doctor bill. If there is anything that obsesses senior citizens, it is their health.

I will never forget when I was walking across Montana campaigning for Congress 24 years ago, I was walking toward Butte, MT, near Elk Park. I was walking down the highway, and I could see an elderly fellow hunched up way off in the distance walking toward his mailbox. I could tell we were going to meet at the mailbox. I had my brochure in my pocket in my campaign for Congress. Sure enough, we met at the mailbox. I pulled out my brochure and said: Sir, I am running for Congress. Is there anything on your mind you want to talk about? Anything that is really bothering you that you want to talk about?

He said: Oh, nothing except the perplexities of health.

It is certainly true for seniors, and he very much was a senior citizen.

In summation, this is about choices. I think the choice is for Medicare, not against Medicare. The choice is also to help those senior citizens pay for their medical benefits. I hope Senators choose for seniors.

I yield back the remainder of my time.

Mr. ABRAHAM. The PRESIDING OFFICER. The Chair recognizes the Senator from Michigan.

Mr. ABRAHAM. How much time remains?

Mr. ABRAHAM. Seven minutes twenty-three seconds.

Mr. ABRAHAM. I will not use all that time.

First, I thank the manager of the bill, Senator ROTH, for his patience and the support tonight in this debate. I thank all the Senators who have spoken on our side, to argue, once again, for the Social Security lockbox. We have been doing this now for almost 3 months. I assure our colleagues will continue to do this as long as we have to.

I suspect again tomorrow procedural impediments will be placed in the way of our efforts to try to protect the Social Security surplus, even as everyone in this place makes at least verbal assertions that they want to protect that surplus.

But we will keep trying. Whether or not we have 60 votes tomorrow, we are going to continue this battle until it is won. Every single Member of the Senate, I think, hears from their constituents what this Senator hears when I am back in Michigan; an ongoing and ever increasing level of frustration that our seniors, as well as almost anybody who pays money into the Social Security fund, has with the notion that we spend those dollars on anything other than Social Security.

We have tried to make this a simple issue from the very beginning. We have tried various forms of this lockbox. We have offered different types of amendments to try to address concerns that have been raised. Each time, procedural roadblocks have been placed in our way. My understanding and expectation is that they will be placed in our way again tomorrow. But the bottom line is that—and I agree with the Senator from Montana—that Republicans do want to cut taxes more than Democrats. There is not much disagreement about that around here. That, I believe, reflects a clear distinction between us.
And we Republicans want to protect Social Security with a tough lockbox, the very lockbox that has frequently been criticized tonight because it is so tough.

The question is, where is the beef? The answer is in our lockbox. It is so tough that in fact we have been criticized for making it too tough. That is where it is. It is in the teeth we have put in the lockbox.

We are going to try again tomorrow. We are going to try tomorrow to pass this lockbox proposal in a form that will absolutely guarantee that Social Security money sent to Washington by people who pay payroll taxes is protected from any spending of any kind.

The budget that has been offered by the President is a budget that actually spends over one trillion new dollars of that surplus when they passed it. And once again, say those choices, as how to that surplus ought to be spent, should reside in the hands of the people who earned the money and paid the taxes and sent them to Washington. We say take all the Social Security money, protect it in a tough lockbox, and then let’s return 25 cents out of every surplus dollar to the men and women in our country who earned those dollars in the first place.

As I have tried to indicate tonight, we have endeavored, on six previous occasions, to try to pass this lockbox. In each case procedural impediments have been placed in our way to prevent it from happening. We would just like to have a chance to have an up-or-down vote. If we have 50-plus votes, then we will have a Social Security lockbox. Hopefully we will get that chance.

Mr. BAUCUS. May I ask the Senator a very gentlemanly, civil question? Mr. ABRAHAM. The Senator from Michigan, the lead sponsor of this, has very little time left.

The PRESIDING OFFICER (Mrs. HUTCHISON). Does the Senator from Michigan yield?

Mr. BAUCUS. I ask the Senator whether he would agree to the lockbox the House passed?

Mr. ABRAHAM. Let me say this. We have offered that to the Senate to be considered. One of the cloture votes which was offered was on the House lockbox when they passed it. And once again, on party lines, we came to the well of the Senate and our effort to pass that bill was prevented. All I am saying is we would like to have a final up-or-down vote on this. That is what we are asking for.

Mr. BAUCUS. Madam President, one more brief question?

Mr. ABRAHAM. I am going back my time actually, Madam President. I am the only person who has been on the floor tonight who has not spoken. The Senator from Montana had two opportunities to speak. I refrained because we had so many speakers on our side. I would like to summarize. I have a feeling the debate is not over on this topic and we will have other opportunities.

I just want to say we brought up the House lockbox on the floor. It was prevented from moving forward. We brought up the tougher version, the Senate version we are offering tonight. We have not had a chance, because of procedural impediments, to vote on it.

One proposal I hope might be followed up on is a simple one. Tomorrow maybe another side should impose procedural impediments, and if one or the other version of this gets a majority of votes in the Senate, then let’s move it forward. I suspect that will not happen. I am not going to ask anybody to answer that tonight. But tomorrow I may make a pitch and an appeal to our colleagues to let each side have their vote. If one or the other of these lockboxes gets 51 votes, let’s move it forward. Let’s give the American people what they want. That is a lockbox to protect Social Security.

Madam President, to me that makes sense. The concept is clearly consistent with what voters in our States want, what people who pay payroll taxes want. It is overdue.

This Senator will come back, if he has to, time after time, well into the night if we have to, to make this case. But it is a simple one—are we or are we not going to really protect the Social Security dollars, that are sent to Washington, from being spent on anything other than Social Security? I say we should. I think we should use a tough lockbox to make sure that happens. We have a chance tomorrow to vote on these two lockbox proposals. I say, if one of them gets 50 votes, that ought to be good enough, if it is true we all want a lockbox. If it is not true, then we will be back again as we have been over the last 3 months, endeavoring to find a way to finally get the American people that which they want.

But, in closing, as we examine this issue, as we consider the next 10 years, if we are really going to have, as current projections indicate, almost $2 trillion in Social Security surpluses, and if we do not do something soon to protect this with a lockbox, those dollars are going to start to be spent. Proposals made for cutting into portions of it this year and the same will happen next year, as has been happening for so many years already. This Senator is doing everything he can to try to make sure those efforts to take money out of the Social Security trust funds for other programs do not happen any longer.

All this debate which has gone on for 3 months has done nothing more than delay and keep open the possibility that Social Security money would be spent on other things. I do not believe we should let that happen. I think we should pass a lockbox tomorrow. If somebody gets 50 votes for their proposal, then my recommendation is we should not use any procedural impediments to prevent that proposal from happening. The President says he wants it. Even the House has passed a version, not the one we are offering, but they passed one nonetheless. So let’s go forward. If somebody gets 50 percent let’s move this issue out of the Senate and on towards final completion.

I gather my time is up, and I appreciate the debate that has happened this evening.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Madam President, I suggest the absence of a quorum, and in so doing state to my colleagues the next amendment will be offered by the Senator from Florida. He will be here momentarily.

The PRESIDING OFFICER. The clerk will call the roll.

The Legislative assistant proceeded to call the roll.

Mr. GRAHAM. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. ENZI). Without objection, it is so ordered.

Mr. ROBB. Mr. President, I ask unanimous consent that Alison Egan and Patricia Daugherty of the Finance Committee be granted the privilege of the floor during pendency of S. 1429, a bill to provide for reconciliation pursuant to section 104 of the Concurrent Resolution on the Budget for the Fiscal Year 2000.

Mr. ROBB. Mr. President, I thank the Chair.

AMENDMENT NO. 1401

(Purpose: To delay the effective dates of the provisions of, and amend the Act until the long-term solvency of Social Security and Medicare programs is ensured)

Mr. ROBB. Mr. President, I send an amendment to the desk and ask that we consider it for debate at this time and that the vote occur on this amendment at the time previously designated under the unanimous consent agreement.

The PRESIDING OFFICER. Without objection, the clerk will report.

The legislative clerk read as follows:

"The Senator from Virginia [Mr. ROBB], for himself, Mr. GRAHAM, Mr. ROCKEFELLER, Ms. MIKULSKI, Mrs. MURRAY, and Mr. BRYAN, proposes an amendment numbered 1401.

Mr. ROBB. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

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

The amendment is as follows:

At the end add the following:
July 28, 1999

TITILE XVI—DELAY IN EFFECTIVE DATE

Notwithstanding any other provision of, or amendment to, this Act, no such provision or amendment shall take effect until legislation has been enacted that extends the solvency of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund under section 201 of the Social Security Act through 2075 and the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund under part A of title XVIII of such Act through 2027.

Mr. ROBB. Mr. President, I am pleased to offer this particular amendment with my long-time friend and colleague from Florida, Senator GRAHAM, and others who join us. Both Senator GRAHAM and I served as Governors before coming to this body, and our views on fiscal matters are frequently very much in sync as they are on the amendment we offer this evening. Having served as Officers of the States, we share a somewhat unique perspective, and it is from that particular unique perspective that we offer this amendment.

The amendment simply states that if it is the will of a majority of the Members of this body to enact the tax cut before us, let’s at least accept responsibility for strengthening Social Security and Medicare first. In short, let’s get our priorities straight.

We all understand the allure of tax cuts. I do not know many Americans who would not like to have a few extra dollars to spend on something, and I do not know many Americans who truly enjoy writing a check to the IRS. Most of us work hard to minimize legally what we have to pay to Uncle Sam to run our Government, and most of us can find areas where we would like to see Government spending cut or eliminated altogether. Sure, we like and, indeed, we appreciate the services and protections Government offers, but we do not like to have to pay for them.

To enact a tax cut of this magnitude at this time when the economy is not in need of an economic stimulus, when we have not fixed Social Security, when we have not fixed Medicare, when we backload all of the tough decisions future Congresses will have to make to pay for the cuts, when we frontload only the politically popular promise of more than we are actually delivering, when we know that discretionary spending assumptions are unrealistic and unattainable, when we are already breaking the spending caps we have pledged to adhere to in the Balanced Budget Act we passed just 2 years ago, when we know defense spending is going to have to increase well beyond the current baseline, when we know that correcting a course of action will be far more difficult than anything we are bent on doing with this bill, Mr. President, I submit that to pass this bill at this time without this amendment would be ludicrous. It would be as fiscally irresponsible in the extreme. It would be as fiscally irresponsible as anything Congress has contemplated during the 11 years I have served in this body, and we are doing it all in the face of a certain Presidential veto.

Is it any wonder people lose faith in their Government?

Enacting massive tax cuts today before addressing the obligations we know we have tomorrow is reckless. Those who propose this approach are in effect, buying political benefits by using our children’s credit cards. We curry favor today and leave the bill for others to pay. A surplus is what is left over after we have met our obligations, and we will not know what our obligations are until we reform Social Security and Medicare.

I am pleased to offer this amendment with my distinguished colleague from Florida and many others who are accompanying me. I know the spirit of the amendment that we all have enormous respect for the chairman of the committee and the bipartisan effort that has preceded this particular point in the debate. But we are simply—I am simply unwilling—I am simply unwilling to accept the fact that we should move forward with the tax cuts before the surplus upon which those tax cuts are premised has actually materialized.

Mr. President, I yield the floor to my distinguished colleague from Florida.

Mr. GRAHAM addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from Florida.

Mr. GRAHAM. Mr. President, the issue before us with this amendment is what is the proper order of consideration of the issues challenging our Nation? In the Bible it talks about the fact that there is a season for all things. This year, there is a season to harvest. The question is, What is the season of America here in late July of 1999?

The position Senator ROBB and I and our cosponsors take is that the season is not for a massive tax cut until we have planted and harvested the seeds of a strengthened Social Security program and a strengthened Medicare program.

The bill that was reported by the Senate Finance Committee and its companion bill by this Act, which has preceded this particular point in the House of Representatives, would cut taxes by approximately $800 billion over the next 10 years.

Some have claimed—and claimed on this floor earlier today—that a tax cut of $800 billion is the ideal way to usher in a new era of budget surpluses and to maintain the economic growth and prosperity through which we are currently living. I could not disagree more.

With all due respect to my colleagues, the tax cut jeopardizes the long-term solvency of two of the critical programs for millions of Americans—Social Security and Medicare—programs for which there is a solemn contract, a contract between the American people and the American Government?

There are a series of rather straightforward questions that lie at the heart of this debate: Do we live for today? Do we consume for today’s satisfaction? Or do we plan, do we save, do we prepare for tomorrow? Do we support fiscal gluttony or fiscal discipline? The question our children might ask is, do we eat our dessert before or after spinach?

The amendment Senator ROBB offers delays the effective date of any tax cut until after legislation strengthening Social Security and Medicare has been enacted. This proposal, I suggest, is not dissimilar to the approach which has been proposed by the leadership in the House of Representatives. They have agreed that debt reduction, at least as measured by interest expense, should take priority over tax cuts. Under the House proposal, tax cuts would not be made if interest payments do not decline.

Similarly, our amendment places the preservation of Social Security and Medicare as higher priorities than tax cuts. The amendment states that before any tax cut proposal can be implemented, Congress must pass, and the President must sign, legislation extending the solvency of Social Security three generations, or to the year 2075. The Congress must also pass, and the President must also sign, legislation that modernizes the Medicare program and extends the solvency of the hospitalization program within Medicare through the year 2027.

Unfortunately, the tax cut proposal on the Senate floor does not just delay our efforts to preserve these important programs for future generations; it brings these efforts to a screeching halt. The $800 billion tax cut in the plan before us represents only 1 percent of the projected non-Social Security surplus over the next 10 years.

I point to this chart, which indicates that through the combination of the tax breaks of $792 billion, and then the interest which we will have to pay—rather than as our budget has been calculated, those $792 billion would have been used to reduce the Federal debt—since that use will now be diverted to tax cuts, that means we will be required to pay out an additional $100 billion in interest during the next 10 years. With the combination of the lost interest savings associated with these tax cuts and the lost revenue from the tax cuts themselves, the surplus disappears completely, leaving us with no resources to strengthen Social Security or modernize Medicare for our Nation’s older citizens.

Although we cannot accurately predict how the economy will perform over the next 10 years, we do know that demographic changes taking place in America will place a tremendous strain on Social Security and Medicare.
Our elderly population is growing quickly. Those seniors are living longer than ever before. As a result, Social Security has already run its first ever deficit in the year 2014. It has been stated that all we have to do to save Social Security is to lock up the $1.9 trillion that will be derived by the Social Security surpluses in a lockbox, that we can wipe our hands of any further responsibility for the solvency of Social Security. As you well know, the fact is that that will only extend the Social Security solvency to approximately the year 2034. Yet our commitment is to preserve Social Security for three generations, not only to those who are the current beneficiaries, not only to those who will soon become beneficiaries but to their children and their grandchildren. A three-generation preventative solvency for Social Security cannot be achieved through the singular step of investing all of the Social Security surplus into strengthening the Social Security trust fund.

Even worse than the challenge faced by Social Security is the challenge faced by Medicare. The twin pillars of security for older Americans—financial security through Social Security, health security through Medicare. The trustees of the Medicare fund have reported that Part A, the hospital payments, already exceed the program's revenue and will do so in each of the next 15 years.

In addition, not only does the program have a serious financial problem, Medicare is an increasingly out-of-date program and one that fails to take advantage of the benefits of modern medical science. We have a program which is from the model year 1965 when we desperately need one worthy of the 21st century. For example, we should increase the number of important preventive benefits available to Medicare. We should provide for programs such as hypertension, programs like glaucoma, for smoking cessation, for the management of hormones—all of which would extend the quality and the length of life, all of which are within the current extents of modern medicine. Yet the Medicare program does not provide those or many other of the important, preventative solvency measures.

We need to support that preventive effort by extending Medicare to include a prescription drug benefit, which is not only an important part of treating chronic diseases but a critical part of maintaining the health of our older citizens. Private health care plans long ago recognized that prescription drugs are a vital tool in efforts to save lives, improve health quality, and prevent and treat disease.

Medicare will not be relevant in the 21st century if it does not cover the treatments physicians use and patients require.

Yet the tax plan before us says nothing about preserving Social Security to the year 2016 or protecting and strengthening Medicare through the year 2027. Instead, it blindly devotes virtually all of the non-Social Security surplus to tax cuts without considering the larger budget issues, issues which hang over us like the sword of Damocles.

Despite a record economy, the best fiscal situation since the late 1960s, this tax bill passes on the hard choices, passes on the choices that are going to be important to our children and our grandchildren.

The deficit may be gone, but we are still operating under the same pass-the-buck-to-the-next-generation mentality that created it. Talk of an $800 billion tax cut versus a $500 billion tax cut will all of those miss the fundamental point. The fundamental point is, Congress should not pass any tax cut until we have strengthened Social Security by making it solvent for three generations. We should not pass any tax cut until we modernize Medicare by increasing the number of preventive benefits, incorporating a prescription drug benefit, and securing the program's fiscal health. Those should be our priorities.

When this amendment was introduced last week's Finance Committee markup, it was defeated on a strict party-line vote. It is my hope that bipartisanism, common sense, respect for future generations of Americans will prevent a similar outcome on the Senate floor this week. But if it does not, I am very confident and, frankly, very proud that President Clinton has stated he will veto any tax cut proposal that does not put Social Security and Medicare first. He is in the fiscally responsible position, one that values wise preparation over instant gratification.

Now is the time to extend the life of Medicare and Social Security. Later, if our fiscal situation permits, it might be time to enact tax cuts. But my first priority, shared by Senator RETRO, is to my nine grandchildren and the other children of their generation. I hope my colleagues will join me in making this the priority of Congress as well.

I thank the Chair. The PRESIDENT. OFFICER. Who yields time?

Mr. ROTH. Mr. President, I yield to the Senator from Tennessee such time as he may require.

The PRESIDENT. OFFICER. The Chair recognizes the Senator from Tennessee.

Mr. THOMPSON. I thank the Chair, and I thank Senator RETTO.

It must seem strange to those watching and those who on both sides who have the same interest come to such different conclusions about how to get where we both say we are trying to go.

There is no controversy with regard to the need to do something about Medicare and Social Security. We all know the facts. There is no controversy about the need to do something not just for ourselves but the next generation and the next generation after that. I think that is why many of us came to the Congress and to the Senate. We wanted to give back a little bit. We wanted to look forward. We wanted to do some of those tough things that maybe we thought anybody couldn't do and we could maybe come in for a little while and do that.

Yet here we are, with such diametrically different views as to what will accomplish that. That is what makes good debates, and we have heard a fine presentation with regard to this amendment. But I think it is totally self-defeating.

In the first place, let's not forget what we are about. We are about the question of whether or not we should have a tax cut with a projected $3 trillion surplus. Some people are suspicious of these projections, whatever people are suspicious of most projections. We know it will not be exactly right. We just don't know which direction or how much. But this Congress gets together quite often and passes tax cuts. If a little farther down the road we have been proven to be incorrect with regard to our projection, it won't take us very long to come in here and raise additional revenues if they are needed. It happens all the time, in my opinion, whether they are needed or not.

On the other hand, if we spend an additional trillion dollars, as the President suggests, that is gone. If we add on additional entitlements without the ability to pay for it when our entitlements are eating us alive in terms of spending, then we are just squeezing out spending for everything else, we will never reverse that process.

I fail to see the danger, the treacherous nature of a tax cut, because we can raise taxes anytime we want to. But right now on the table we have a $3 trillion projected surplus. It is really very simple. What do we do with that?

We say that actually less than 25 percent of it, a little over 23 cents on the dollar, should go back to the taxpayers. The rest of it goes to debt reduction, whatever we choose to spend with regard to Medicare or any other items of preference on which we believe we need to spend money. And we can't tell that year to year.

Some people say we are cutting money from education and the environment and all that. It is not true. It is absolutely not true. We got together as a Congress with the President a couple of years ago and agreed to abide by some rules. We want to give back a little bit. We are trying to stay with that deal. After that deal runs out in 2002, we, as a Congress, can spend the money however we want to.

Mr. ROTH. And finally, Mr. President, I yield back the balance of my time.
My personal opinion is, we need to put some more money into some things and we need to take some money out of things. We need to discipline ourselves. The President's proposal does not do that. That is what Congress is all about. So this business that we are going to be cutting this program and cutting that program would lead someone watching us to believe that in our proposal we are slashing this and slashing that. That is what the President is doing, and he is misleading people when he is doing that.

When we increase, we have certain constraints. There is no question about that. I make no apologies for it. I think it is a good thing. It is what we agreed to do. Even past that, we should have certain constraints. But within that framework, we have the ability to spend more money on some things and less money on others. That is how discretion as discretionary spending is concerned.

Now, with regard to Medicare and Social Security, the proposal before us basically takes our natural sentiment to be very concerned about Medicare and Social Security, because everyone is in trouble, and says let's hold everything off until we solve that problem. That sounds like a good idea, if this proposal that is before us right now would solve that problem. It would not. It would exacerbate the very problem we are trying to solve.

This amendment would say we can't have any tax cuts until we pass legislation that will make Medicare solvent to the year 2027 and make Social Security solvent to the year 2075. What is magic about those dates? What about the year after 2077? We have been talking about what is going to happen in the year 2030. We are going to have twice as many people over the age of 65 at 2030. Why would we want to make it solvency for 2077 when we are going to be right in the middle of crunch time?

There is no magic to these dates. Where these dates come from is the President of the United States. These are President Clinton's dates. These are the dates to which he says what he is doing will extend Medicare and Social Security. And they won't.

I think that most economists, most objective observers, the Comptroller General of the United States, the General Accounting Office, even people who have taken a look at it basically acknowledged that. But it is suggested that we wait before we have any tax cuts until we agree on legislation that will solve these problems by those dates. Can you imagine our agreeing on what legislation in effect accomplishes that? I can tell my colleagues—and I think most observers I have read who have a job in looking at these things would conclude that the President's proposal does not do that. What the President basically proposes—and he is able to say this with a straight face because it is so complicated; it is difficult to understand—is saying, okay, we have trouble with Medicare and Social Security. For the most part, we have dedicated revenues, FICA taxes, take care of most of all that. But we have trouble with that now. So instead of disciplining ourselves, let's go to the general revenue, because we have some extra now, and instead of reforming Medicare and Social Security and doing those things that the Medicare Commission tried to do, instead of doing those things that some bipartisan Senators—the Senator from Virginia is on one bill that I am on—instead of doing those fundamental things to really solve Medicare and Social Security, let's just transfer some general revenues over into those items to serve as a temporary fix—in Medicare's case, until 2027.

I don't know why the idea is that we are supposed to do. I guess the idea is none of us will be around here to have to answer for it by 2028. But let's look at it individually. Since this amendment is predicated upon the President's proposal, I can only assume that it takes the position that the President's plan works and the President's plan will actually get us solvency by these dates.

But with regard to Social Security, I think both the majority leader and the Speaker of the House have reserved bill No. 1 on both sides for the President's Social Security bill, where he can submit his legislation that he says will effectuate his plan in order to save Social Security. It hasn't come yet because I think most people realize it is not a serious plan. It is a transfer of trillions of dollars of IOUs in the Social Security trust fund, the creation of a new debt that will constitute a burden on future taxpayers.

You talk about looking out for the future; this is not looking out for the future; this is not looking out for our children and our grandchildren, by transferring trillions of dollars in IOUs that will have to be redeemed some day. Then the President, of course, doesn't make these transfers until starting 2011 because that is outside the purview that we are looking at, and CBO and all these other commentators. So nobody is really able to evaluate it very effectively. And then it takes the money he says will come from all of this and he has the Government invest it. He has the U.S. Government invest it.

Chairman Greenspan says that is a terrible idea. When you get right down to it, after all is said and done, there are only three ways to solve this problem, in terms of Social Security: You have to increase taxes, you have to cut benefits, or you have to come up with the additional funds to make up the difference between the investments than are being made.

Now we have bipartisan legislation over here—the Senator from Virginia and I—on a bill that we think will do that. That is the only kind of thing that will do that. Transferring more general revenue funds—as I put it earlier, putting money into a leaky bucket, when the hole in the bottom of the bucket is getting bigger every day—will only carry us so far, they think until 2027 on Medicare and 2075 on Social Security. It might. It might not. But it will not get us that far. So that is what Congress is all about. We have to pass legislation in which we know that the President won't commit general revenue funds in while we have a surplus. I assume it very well might get us to 2027.

So what. Don't we have an obligation? Don't we have an obligation to do something more fundamental? It doesn't take a genius to say you have some extra money, let's just pour it on top of a broken system, or, as one of our Members likes to say, putting more gasoline into an old run down, beat up, decrepit automobile doesn't change the nature of that automobile.

So the President's plan with regard to so-called saving Social Security is not a serious proposal. The President's own budget—the document submitted, the "Analytical Perspectives of the Budget of the United States Government, Fiscal Year 2000"—says that:

Under the proposals in the President's budget, the trust funds balances are estimated to increase by approximately 70 percent by the year 2004, raising to $2.8 trillion.

That is the part of the plan the President says will take Social Security out and keep it solvent until the year 2075. But the President's own folks continue:

These balances are available to finance future benefit payments and other trust fund expenditures—but only in a bookkeeping sense. These funds are not set up to be pension funds, as are the funds of private pension plans. They do not consist of real economic assets that can be drawn down in the future to fund benefits instead, they are claims on the Treasury that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing benefits. Since expenditure of large trust fund balances, therefore, does not, by itself, have any impact on the Government's ability to pay benefits.

It is a shell game. His own folks, in this thick document, basically tell it like it is. When you hear him talk about it, of course, it is a little bit different. It makes you believe it is real money and you are setting something aside, and so forth. It is not. The only way we can reform this problem, and the only way we are going to get our arms around it, is to increase FICA taxes. We don't want to do that. The working man is overburdened as it is, putting more and more into a broken system, they are claims on the Treasury, that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing benefits. Since expenditure of large trust fund balances, therefore, does not, by itself, have any impact on the Government's ability to pay benefits.
things we can do. I do not believe these other things are serious in the effect they have on our budget.

Of course, again—and I mentioned it several times today—we are dependent upon the President's support. I guess, to pass a bill that will do these things when, on the other hand, he is doing everything he can to prevent reform. We had a bipartisan Medicare commission. We have these bipartisan bills. As far as the commission is concerned, the President did everything he could to defeat the recommendations there. Democrats and Republicans—and Senator Breaux chaired that commission, a Democrat—worked together and came up with solutions. The President would not support it. He would rather have a temporary political issue than a long-term solution to this problem. That is very disappointing. Many of us who were critical of the President some time ago thought that in his last couple of years in office he might want to step forward and do this and leave that kind of legacy. He could have done that. It is a wasted opportunity, and I regret that.

So that is the Social Security plan, one that doesn't consist of real economic assets and will have to be financed by raising taxes borrowed from the public or reducing benefits.

What about Medicare? As I understand it, the President's proposal there basically transfers $327 billion from the general revenue. CBO takes a look at it and says it will make Medicare more solvent for several more years. It doesn't have a number on it. But this is what the professionals who look at this say about that. This is what CBO says about the President's Medicare financing. Again, is this the solution to the Medicare problems we have? Is this the reason why we don't have tax cuts because this is what we need to do? I don't think so. Listen: The President is proposing to augment Medicare's financing by making transfers from the general fund of the U.S. Treasury to the program's trust funds.

That sounds familiar—Social Security and Medicare.

Consistent with the policy outlined in the President's budget for fiscal year 2000, CBO estimates that $288 billion would be transferred from the general fund to the Hospital Insurance trust funds over the next decade. That transfer would delay by several years the exhaustion of the HI (Hospital Insurance) trust fund, which the President's budget projects will become insolvent by committing future general revenues to the program. It would do nothing to address the underlying rapid growth in spending for Medicare that will eventually outstrip the revenues dedicated to the program.

Just on borrowed time, headed toward a cliff.

This plan does nothing to fundamentally alter that.

The Comptroller General, talking about the President's proposal—again, this amendment is based upon the numbers, as I understand it—if I am wrong about that, I can be corrected. But they are the same numbers that the President has been using throughout his plan. The Comptroller General says:

I feel that the greatest risk lies in extending the HI trust fund solvency while doing nothing to improve the program's long-term sustainability. In seeking for changes that may aggravate the long-term financial outlook for the program.

What he is talking about is something that might not only not do any good in terms of a fundamental sense will aggravate the problem. If we deceive ourselves into believing that by using general revenue monies we are really doing something to solve the Social Security/Medicare problem, it will put off real reform and wind up benefiting Social Security and Medicare. It encourages us to wait. We can't afford to wait for fundamental reform.

We have in excess of $500 billion in our proposal that can be spent for transition costs, Medicare, any other discretionary spending proposals that we make, a tax cut to fund Social Security and Medicare. It encourages us to wait. We can't afford to wait for fundamental reform.

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In conclusion, basically we have no legislation before us and no proposal that would effectuate this amendment in terms of what kind of legislation are we talking about to reach these magic dates.

Second, the President's position, which I think these dates are based upon, is a flawed one for the reason that we have set out.

Lastly, not only is this not reform, but it goes against reform. So, indeed, we come full circle.

I agree with my colleagues that my heart is in the same place as theirs. I want to figure out a way for us to come together and really do something about Medicare and Social Security. I want to find a way to do something about not just ourselves up to 2027, or however long some of us might still be around here—not myself, but the next generation and the generation after that.

Let's look seriously and see whether or not this is the sort of thing that is going to get us there, or whether buckling down and doing the hard work, the hard, politically risky work—because if you use the words, you are running some kind of political risk—and not be dissuaded with any as to why we shouldn't have a tax cut.

We have had more reasons in one day than you can shake a stick at as to why the world would come to an end if we had a tax cut. There is no good time for a tax cut for some people because a tax cut has more to do with than just dollars and cents; it has to do with the exercise of who is going to make decisions in this society. Money is power. Where the money lies is where the power lies. Is it going to be in the pockets of the American people, or is it going to be in our pockets?

Some say we have been a little bit too reticent ourselves because we say of the surplus dollar that only 25 percent with the President's tax cut, the American people's pockets. But to call that dangerous, to call that gluttonous, to call that selfish greatly exceeds the mark.

I urge the defeat of the amendment. Thank you, Mr. President.

Mr. ROBB. Mr. President, I thank you, and I thank the distinguished Senator from Tennessee for his comments. I think he is absolutely correct in that there is much that we agree upon. I would like to commend him for his effort to reach the bipartisan consensus that is going to be required if we are going to solve either challenge that we are discussing this evening.

Social Security will not be saved without a bipartisan effort, and it is going to require the hard, politically risky work that the Senator from Tennessee just alluded to. The same thing with saving Medicare. For either to be saved is not easy decisions. That is one of the principal reasons that we are suggesting we ought to address those tough questions first.

Let me suggest I understand in terms of the remarks made by the distinguished Senator from Tennessee that taking on something that is not on the table is effective. But we are not really defending all of the President's plan in this particular instance. We are using a couple of numbers that happen to coincide with the President. There are simpler and much more specific. We are talking about simply postponing this tax cut.

The Senator from Tennessee made the point that it might be difficult to actually achieve whatever is necessary for some actuary to come to the conclusion that we had in effect saved Social Security or that we had saved Medicare. I would not contest that assertion by the Senator from Tennessee. But we are not saying you can never have a tax cut. We are saying only that we will not have this tax cut, this tax cut that we believe at this time is excessive. It may be that a time will
come when tax cuts, particularly targeted tax cuts, are appropriate. I suggest to my friend from Tennessee that while it may seem difficult to envision in terms of major tax cuts, it seems to me a time that does not dry out for tax cuts is a time when the economy is in need of the economic stimulus that would come with a tax cut.

The one thing that the Fed seems to suggest to us is that a tax cut could overweight the economy and would have consequences that we are trying to avoid at this particular time. But the bottom line is this: We are not suggesting anything but, hold up. We are saying in effect, What is the hurry? There is no compelling urgency to cut taxes, particularly when we are talking about a tax cut of this magnitude that can be used in the next year, or the year after, or whenever we find that we can afford to make that kind of a tax cut after meeting our obligations, such as protecting Social Security and Medicare.

That is all we are saying. We are only suggesting that, because of the magnitude of this particular bill, we ought to suspend this particular tax cut until we have achieved those objectives. I suggest that is a relatively modest restraint on our activities, but it is a fiscally responsible approach to take.

I have to tell the distinguished Senator from Tennessee that there are many on this side of the aisle at least who are not all that enamored with some of the suggestions that our brethren have made with respect to tax cuts at this time, and indeed we voted for the Democratic alternative only because it would substitute for the bill that is on the floor today.

But not all are against tax cuts altogether for all time. Indeed, there are some areas where we should provide cuts—the extending, for instance, of the R&D tax credits and others that we know we are going to do anyhow—it is something that would provide a sense of realism and would allow some certainty in terms of planning for those companies that are doing the cutting work, that make our economy strong, and that make us a leader in the global economy.

But that the magnitude of this tax cut is so big and so difficult to justify that we ought to at least hold up until we have, again, to quote the distinguished Senator, “done the hard, politically risky work” to protect Social Security and Medicare.

Again, I commend the Senator because he is willing to engage. He is willing to roll up his sleeves and engage on a bipartisan basis in trying to make those tough decisions. I wish we could both sides take the aisle who were willing to roll up their sleeves and work on these decisions.

The distinguished Senator from Florida and I are saying, let’s simply not make this tax cut effective until we have solved those problems facing both Medicare and Social Security. I agree with the point made from the opposite side, we are not solving these problems just by saving some of the surplus generated by Social Security. That does not bring about the systematic change we are going to need to have if we are going to make those tough decisions with respect to Social Security. We are not doing that at this point with respect to Medicare. To that extent, I agree with the Senator.

We have the tougher decisions to make. We are saying let’s not take advantage of a projected future surplus since that would, indeed, make all of the other decisions more difficult.

Another point where I differ with the Senator from Tennessee, he says it is always the act of boldly and in effect, reverse the decisions; if we cut taxes too deeply, we can turn around and raise taxes. With all due deference and respect, raising taxes is not easy to do. There are very few in this body on either side of the aisle who like to be tagged with either authoring or voting for a tax increase. That is the problem with tax cuts of this magnitude, particularly when they would be so difficult to reverse, and we splurge without making the tough decisions first. In the meantime the current surplus can be used for constructive, long-term debt reduction.

Lastly, I have been concerned about the focus on publicly held debt as opposed to the total debt. We used to be very much concerned about the total debt. I have told my friends from the White House and others who have focused on this, I think what we are doing to reduce the public debt is a good thing. However, the plan promises too much, that is, reducing the total obligation we have simply by making the IOU a statutory obligation instead of having it part of the publicly held debt. Reducing the publicly held debt does good things. It makes our financial picture looks a little better. We are simply transferring to a different form so our financial picture looks a little better.

I suggest again this is a limited amendment. It is simply saying, what is the hurry with respect to huge tax cuts that may or may not materialize? Let’s do the responsible thing. Let’s do that hard, politically risky work of extending Social Security and Medicare solvency first. Then we can address the question of whether or not we provide additional tax cuts and what form and what magnitude they might take.

I yield the floor.

Mr. GRAHAM. Mr. President, in 1983 Alan Greenspan chaired a commission to study the state of Social Security. He began the deliberations of that commission with this admonition: Every member of the commission is entitled to their opinion. No member of the commission is entitled to their facts. We are going to work off a common base of facts and then from that common base arrive at an informed set of judgments.

What are some of the facts that drive this amendment? One, there is a tidal wave of Americans who will reach 65 and become beneficiaries under the Medicare program and the Social Security program beginning in the year 2010. That generation, the generation born immediately after World War II, will more than double the number of current beneficiaries in Social Security and Medicare. That is a fact.

Second, it is a fact that even if we do as is suggested, put all of the Social Security surplus into strengthening the Social Security system primarily by paying down the national debt, even that step will only extend the solvency of Social Security to the year 2034. That happens to be a significant date for me because my youngest daughter will become 65 in the year 2034. I hope she might not necessarily be listening to my remarks, she would not be happy for me to remind her of that.

Fourth, it is a fact that Medicare is a program of the 1960s based on 1960s knowledge of medical science, 1960s concepts of how to provide insurance and care. With a few exceptions, it is still a 1965 program. It is a program in which the trust funded portions—that is, those that relate to hospital services—is already in a negative position. It is a program which will crack under the weight of the beneficiaries who will begin drawing its services in the year 2010.

Finally, it is a fact that the longer we delay dealing with Social Security and Medicare, the more difficult the problem becomes. We may think we have eased our burden by delaying these hard decisions. We may have eased our burden because we may not be here. But the sooner we act for the benefit of all Americans, particularly those Americans who properly are anticipating the contract they have with their Government for the financial security of Social Security and the health security represented by Medicare, their problems, their challenges, grow daily more severe as we delay dealing with those issues.

I want to join my colleague, Senator ROBB, in saying much of what the Senator from Tennessee said was compelling. However, he asked a question:
Mr. GRAHAM. This is the statement of the Concord Coalition. In conclusion it provides:

The bottom line is that, at the moment, political leaders have no idea how to meet the long-term spending promises that have been made for Social Security and Medicare, and no idea how to meet the tremendous discretionary spending caps on which the baseline surplus is premised. Major tax cuts should be made before the easy ones, there is a very real danger that we’ll end up spending a surplus we don’t really have.

Let me repeat:

If the politically hard choices are not made before the easy ones, there is a very real danger that we’ll end up spending a surplus we don’t really have.

So those are why the issues of sequencing—what do we do first, where do we put our priority—are central for the fiscal future of this country and the debate we have this week. I will briefly say why I think the proper order is Social Security and Medicare first.

First, the Social Security taxpayers and the Medicare taxpayers, through their payroll taxes, have created the totality of the surplus we have today. There is no other surplus than the Social Security surplus today, and there will only be a meager surplus beyond Social Security for the foreseeable future. So should not the people who created the surplus have some moral standing to be at the front of the line, not at the back of the line, when we decide how to spend the surplus?

Second, a substantial amount of the non-Social Security surplus is going to be the result of the Social Security surplus being invested in paying down the debt held by the public and therefore freeing Medicare future federal payments of enormous interest payments—that $2 trillion of Social Security surplus when it is fully committed to reducing the debt held by the public. Let us say the average interest on the debt of the Federal Government today is 6 percent. If we had to pay that interest on the Social Security surplus out of a trust fund but rather a mix of Social Security, is not totally funded with Medicare—that is a more difficult proposition because Medicare, unlike Social Security, is not the beneficiary. We have been saying for many years that Social Security solvency should be solvency for three generations.

When you apply that three-generational test to 1999, it happens to come out to the year 2075. If somebody has a different standard, they believe Social Security solvency should be judged by, let them come forward and make the case. But I believe we should guarantee this program for current beneficiaries, their children—my child who, in the year 2034, will start drawing her Social Security benefits and become eligible for Medicare. I am pleased to say that same daughter is now about to make us grandparents, Adele and myself. This will be our 10th grandchild. In November she will have a baby. So we are concerned about the new baby who will soon come into our family. I believe that is a concern all of us share who are or hope soon to be grandparents. So I believe in the three-generational standard, which has been the standard against which Medicare solvency has been historically judged, is a sound one and represents the intergenerational contract.

We are not suggesting how that contract should be fulfilled because there are many ways. But we are saying that is the standard against which all proposals should be judged. Similarly, with Medicare—that is a more difficult proposition because Medicare, unlike Social Security, is not totally funded out of a trust fund but rather a mixture of a trust fund for hospitalization and general revenue, plus premiums by the beneficiaries for the physicians’ portion of Medicare. We are saying that, for the hospitalization plan, we should set as a standard the year 2027 for solvency of that trust fund.

Finally, we are not suggesting, with the amendment that Senator ROBB and I have offered, what the resolution of this issue should be. There are probably a dozen or more good ideas in this Chamber as to how we should strengthen Social Security, how we should strengthen Medicare. What we are saying is that should be a performance standard. The performance standard, I say to the Senator from Tennessee, my good friend, is not one we stole from somebody else. We have been saying for many years that Social Security should be solvable for three generations.
So what we are saying is let’s maintain our options. Let us not place ourselves in a position where we are not able to tax whatever those standards of solvency for Social Security and Medicare. Once we have done that, we can declare hallelujah, and then we can proceed, if there are funds left after we have accomplished those purposes, to tax cuts on whatever else the Congress and the American people believe to be their priorities. But these are the first two priorities. There is both a moral and a legal obligation, and maybe most important, an obligation to our future, as seen in the faces of our grandchildren and great-grandchildren. It is to them that this amendment is directed.

I urge my colleagues to adopt the simple principle: Let’s do first things first, and Social Security and Medicare solvency are the first two responsibilities of this Congress. I thank the Chair.

EXHIBIT I
[From the Concord Coalition, July 28, 1999]
TAX CUTS SHOULD AVOID HARD CHOICES ON SPENDING
WASHINGTON.—With the House and Senate headed toward passage of a $792 billion, 10-year tax cut, The Concord Coalition today challenged Congress and the President to make the hard choices on discretionary and entitlement spending before enacting a major tax cut.

“Cutting taxes in anticipation of spending cuts that have not been made, and may never be, is a failure for the recent chronic annual budget deficits,” said Policy Director Robert Bixby. The Concord Coalition pointed out that Congress and the President have yet to agree on several key spending issues, including:

Discretionary caps—The Congressional Budget Office (CBO) baseline assumes that the discretionary spending caps would cost $111 billion over ten years. The projected baseline surplus varies by hundreds of billions of dollars depending upon the path of discretionary spending. Tax cuts should therefore await a more realistic assessment of the non-Social Security surplus, which will be available only after the dust settles on the appropriations bills.

Medicare prescription drug benefit—Congressional leaders and the President seem to agree that a prescription drug benefit should be added to Medicare. According to CBO, the President’s plan would cost $11 billion over ten years. Republican leaders have suggested a less expensive approach, but the question remains—how much will the new benefit cost?

Social Security reform—The CBO baseline assumes that the entire surplus will be used for debt reduction. But what about Social Security reform? Many responsible reform plans would use at least the Social Security portion of the surplus as the down payment on a funded system of individually owned Social Security accounts. If combined with appropriate long-term cost savings in the rest of the program, such a reform plan would do more to improve the outlook for future generations than any policy of debt reduction alone. Enacting a major tax cut now, however, could drain away resources that may well be needed for the costs of transitioning to a more sustainable, intergenerationally equitable Social Security system.

“The bottom line is that, at the moment, political leaders have no idea how to meet the long-term solvent needs of Social Security and Medicare, and no idea how to meet the tough discretionary spending caps on which the baseline surplus is premised. Major tax cuts should await the resolution of these issues. If the politically hard choices are not made before the easy ones, there is a very real danger that we’ll end up with a surplus we don’t really have,” Bixby said.

The PRESIDING OFFICER. The Chair recognizes the Senator from Delaware.

Mr. ROTH. I yield myself 10 minutes. Mr. President, my good friend and colleague, the Senator from Virginia, raised the question as to why a tax cut now, what is the hurry; the economy is doing well. Let me tell you why I think it is critically important that there be a tax cut now. That is because the American family needs it.

In going home and talking to my constituents, talking to many families, whether they are farmers or small businessmen, or whatever, they are finding it hard to face the challenges of today. The cost of sending a child to college is increasing very rapidly and is taxing the typical American family. We provide relief in this package for the American family who is trying to send their children to college. They are trying to send their children to college today, not 5 or 10 years hence. That is the reason it is important.

I point out there is something like 42 million families without health insurance. There is no hurry to try to address that, as we do in this legislation? We provide that someone who is self-employed or an employee who works for a company that has no health insurance can take a tax deduction for their insurance. That is helping to provide access today. None of us know, whether we will be sick today, tomorrow, or in a week. There is a need for that today, not 5, 10 years from now.

What about savings? We all agree as to the critical importance of the two domestic programs—Social Security and Medicare. But to retire today, it is important people have savings, and that is the reason we have stressed so much the importance of pensions, the importance of IRAs, because if people are going to retire with dignity, they must have the opportunity to save not tomorrow, not 5 years from now, but today.

Marriage penalty: How many of my colleagues have gone home and talked to people about that? There is concern that taxwise it pays not to marry but to live in so-called sin. We take care of the marriage penalty. It is long overdue. Why only now? There is good reason, if we are going to help the American family, let’s help the American family today, not sometime in the distant future.

It intrigues me. People say delay the tax cut, it is not important. But what about spending? My good friend from Wyoming raised that point, and it is a solid one. If we are going to delay tax cuts, why shouldn’t we say there can be no increased spending until we solve these two domestic programs? If it is fair for one, why isn’t it fair for the other?

Then the point was made this tax cut is inflationary. That is hard to understand. In the year 2000, we are talking about a $4 billion tax cut. That is not very large when you stop and think that our GDP is $9 trillion. It is not very likely our tax cut in the next year or two is going to have a very significant effect on the economy. The larger cuts come down the road in the last 5 years. Sure, we may not like to vote for tax increases, but we have all done it in the past, and we will do it again if it is necessary, but this tax cut is very slow in developing into a major reduction for the American people.

I oppose the legislation for those reasons. I am a strong believer that we can have the tax cut, address the problems of Medicare, as well as Social Security. As I said, the new CBO estimate of the on-budget surplus over the next 10 years is $996 billion, while my bill returns most of this overpayment of taxes back to those who sent it to Washington, while at the same time it leaves enough money on the table for Social Security reform, 8.9 trillion, and Medicare reform, 505 billion.

As I said in the Finance Committee, I am committed to moving a Medicare bill through the committee after we return in September. It is my hope that comprehensive Medicare reform can be achieved, including providing for a prescription drug benefit, but it must be on a bipartisan basis and it must be done with White House cooperation.

The chairman’s mark complies with the budget resolution. This is only accomplished by reducing on-budget revenues by $792 billion over 10 years. This amount will allow up to $505 billion of the on-budget surplus to be dedicated to Medicare reform. The President’s plan costs $118 billion over 10 years. Clearly, the $505 billion left on the table is more than sufficient to reform Medicare with a prescription drug benefit.

The Committee on Finance has held numerous hearings on Social Security over the past few years. Many of the members of the committee have offered comprehensive Social Security reform plans that, I have to say, are quite compelling. I do intend to return to Social Security after this recess and the Senate works its way through Medicare.

I oppose this amendment, and I firmly believe we can address all three—a tax cut, Medicare reform, and strengthening Social Security. I yield the floor.
The PRESIDING OFFICER. The Chair recognizes the Senator from Virginia.

Mr. ROBB. I thank the Chair. Mr. President, I want to respond briefly, if I can, to our distinguished chairman and friend from Delaware with respect to the question of timing.

The distinguished Senator from Delaware mentioned the fact that the tax cut this year is only $4 billion out of some $792 billion that is proposed in the bill. That is about one-half of 1 percent of the total promise that would be incorporated in statutory law if, for any reason, we are wrong. That is what we would have to find a way to change, against all of the forces that are normally arrayed against any tax increase.

Why squander the opportunity to pay down or to begin to pay down the national debt—not just the publicly held debt, the national debt, the national unified debt? This is the first time in well over a generation there has been any opportunity to pay down the debt.

We are not proposing additional spending. I have not checked with my distinguished colleague from Florida for certain, but if the distinguished chairman of the committee were willing to accept an amendment that would suggest some similar restraint on spending which would correspond to the restraint we are attempting to place on cutting taxes, I will suggest to the chairman of the committee, I think we could find a place to make a deal.

We are not suggesting profligate spending. We are suggesting that we put that money in the bank, that we pay down the national debt.

Again, in terms of urgency, one-half of 1 percent is what we would do right now. But the after-tax 3 percent would be locked into the law that we would be obligated, by law, to change at the appropriate time. That is the reason we are suggesting that we do not want to rush to judgment with respect to what many of us believe would simply not be a responsible tax cut of this magnitude at this time.

With that, Mr. President, I thank the Chair and yield the floor.

Mr. THOMPSON addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from Tennessee.

Mr. THOMPSON. If the chairman will allow me a couple other minutes, just a couple of points.

I have enjoyed this discussion very much. It is a serious discussion about a serious problem. My only real disappointment is to learn that the Senator from Florida has twice as many grandchildren as I have. But all we ask is for an opportunity to catch up.

But I think a lot of things we do agree on. We agree that there is a crisis. We agree that we need fundamental reform in Medicare and Social Security. We agree that the longer we delay in doing that, the worse the problem is going to be.

So the question is, Are we doing the right thing by temporarily papering over the problem to extend it a few years, knowing that is not going to fundamentally solve the problem, giving us an excuse not to really address the fundamental problem or should we push and pressure ourselves to go ahead and address the fundamental problem? That is really the issue here today. I think that is where we have a disagreement.

When I said that there is no relationship between this Medicare/Social Security problem on the one hand and tax cuts on the other, I did not mean to say if you keep more of the tax money and pour more of it into Medicare and Social Security, you could not delay it a little longer. That is certainly true, but fundamentally there is no relationship.

The reason I said that was because of what the Comptroller of the United States said. In his testimony in July before the Finance Committee, he said: Even if all future surpluses were saved—

Taking every penny of the surplus, not one dime of tax cuts—

we would nonetheless be saddled with a budget over the longer term that the current tax rates could fund little else but entitlement programs for the elderly population.

Reforms reducing the future growth of Medicare, as well as Social Security and Medicaid, are vital under any fiscal and economic scenario to restoring fiscal flexibility for future generations of taxpayers.

That is the reason I say that even if we put all this aside—we are throwing a lot of numbers around here—take all of it, pour it into Medicare and Social Security, so we can tell people we are fixed for a while. Is it really true that that would not address the fundamental problems.

Is it incumbent on us to have a temporary solution or to force ourselves to have a longer-term solution? I think it is the latter. That is kind of what it boils down to.

My friends talk about the size of this tax cut. The economy is projected to be $93 trillion next year. The net tax cuts next year alone are $48 billion, so the tax cuts are less than one-twentieth of 1 percent of the economy next year—less than one-twentieth of 1 percent.

I am told that the tax cuts over the 10-year period would be 3.4 percent of total Federal revenues, and it would be under 1 percent of the gross domestic product. So that is not a huge tax cut if you look at it under those terms, in terms of the share of the economy, especially in light of the fact that taxes, especially Federal taxes—especially Federal income taxes—are mushrooming as a share of our total economy. It is eating up more and more and more as a share of our total economy.

We may have good times now, but that is not guaranteed. We are in a world standing as an island, as it were, at the present time while those all around us have problems. Our friends in Asia, our friends in Europe, some in South America, all have economic problems.

So we have to be mindful of that as we go along.

Quite frankly, there are some who say, when we have a deficit, certainly we can’t afford to cut taxes; we have a deficit. And listening to the debate today, apparently some of our own friends, when we have a surplus, say we can’t cut taxes because we really don’t know whether or not we will have the surplus. So that does not leave us much room for a tax cut.

I have enjoyed the debate. I yield the floor and thank the chairman and my good friends from Florida and Virginia for an interesting discussion. I yield to the Senator from Tennessee.

Mr. ROBB. I will just respond to one point made by my distinguished friend from Tennessee. He was suggesting, correctly, that if we were to reserve, save, all of the surplus, we would not save Social Security and we would not save Medicare. We do not disagree. We concede.

Indeed, I suggest that that makes the case for why we believe we ought to save this surplus and, at the very least, not squander it, because it might increase the incentive to make those tough political choices we have not made to protect these two programs.

So saving all of the surplus is not going to save Social Security. It is not going to make Social Security solvent in the context that the Senator from Florida and I are discussing, nor is it going to save Medicare. We understand that. But it might focus the mind a little bit. As Samuel Johnson said: when a man knows he is to be hanged it concentrates his mind wonderfully. That is not an exact quote, but that is fairly close to it. Delaying the effective date of the tax cuts might give us some incentive, some focus, to conduct that hard, politically risky work that the Senator from Tennessee so accurately described it is going to take if we are to solve the problem with either Social Security or Medicare.

All we are saying is, let’s not squander this money. It isn’t just a matter of correcting it next year, it exacerbates the problem, because it is going to increase the amount of money we are going to have to carry in terms of the debt. So we are saying: Hang on; $48 billion, one-half of 1 percent; it is not worth locking in the kind of a tax cut some are suggesting until we’ve done first things first.

It has been a good debate. I am particularly grateful, first of all, to my friend and colleague from Florida for
his leadership and cosponsorship, and to the distinguished chairman, who is also good natured—notwithstanding differences we may have which may be fairly significant, but I have never heard a cross word uttered by him—and to the distinguished Senator from Tennessee for engaging in this dialogue which I think does at least illustrate the choice we are going to have to make and the choice that, in fact, we are asking our colleagues to make.

We are simply saying do not squander the surplus by making this kind of humongous tax cut this year when we can wait until next year or the year after and find out exactly where we are going and, hopefully, increase the pressure to actually save Social Security and Medicare. With that, I thank the Chair, and I thank my colleagues.

The Senator from Florida and I happily yield back the remaining time on our side.

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

I ask unanimous consent that the pending Baucus motion be considered in order under the provisions of the consent agreement and all other provisions of the consent agreement remain in status quo.

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

MORNING BUSINESS

Mr. ROTH. Mr. President, I ask unanimous consent that the Senate now proceed to a period of morning business.

IN MEMORY OF KING HASSAN OF MOROCCO

Mr. HATCH. Mr. President, I rise to recognize the death of the Arab world’s longest-standing leader, King Hassan II of Morocco, who died last Friday at the age of 70. To his family, and to the people of Morocco, I extend my heartfelt condolences.

King Hassan ruled Morocco for 38 years as only the second King of Morocco in that country’s modern, independent history, having succeeded to the throne after the death of his father, King Mohammed V, in 1961, only five years after Morocco gained its independence from the French.

Morocco, however, is an ancient country and the country with which the United States has its oldest uninterrupted diplomatic relations. Our two countries signed a Treaty of Peace and Friendship in 1786, which the United States ratified the following year. Thus began a relationship that provided our two ships a haven in the 18th century and developed into a relationship of geostrategic importance in the 20th century.

This special friendship was cherished in modern times by leaders in both of our countries, particularly King Has-

san, and I was pleased to see that President Clinton, along with former President Bush, attended King Has-

san’s funeral this weekend. America has lost a good friend, a wise counsel on the region, and an important and brave promoter for peace in the Middle East.

One of the biggest challenges for the Arab world, as in other parts of the world, has been the challenge of modernization, and how leaders encourage their governments and societies to rise to this challenge.

We have seen several models: secular socialist dictatorships, radical fundamentalist regimes, and traditional authoritarians. King Hassan, whose remarkable career spanned from the era of decolonization to the doorstep of the next century, demonstrated that the traditional model could adapt to the challenges of modernization. He understood that tradition was not the enemy of the modern, but could ease the transition by providing stability and respect for his people while allowing political and economic reforms to unleash the fundamental strengths and dreams of his people.

For his adept stewardship, he earned the deep and sincere affection of the vast majority of Morocco’s nearly 30 million citizens.

Beginning as a traditional authoritarian, the King recognized the importance of constitutional governance early in his reign and expanded political rights through the years. In doing so, he was one of the most successful leaders in the Arab world in reconciling traditional monarchy with the requisites and demands of modernity. King Hassan in recent years had furthered political reform such that, today, the lowering government is elected through universal suffrage from a roster of multiple parties, and the governing coalition, including the Prime Minister, is controlled by the opposition.

Concomitant with these political reforms has been a steady improvement in the human rights situation, marked, in some significant cases, by reconciliation with and compensation for victims of the past. While power still resides predominantly with the crown, King Mohammed VI, by advancing political democracy and the free market, allowed his people and provided his son, King Mohammed VI, with the fundamental platform on which Morocco will proceed confidently into the next century.

Mr. President, no remarks on the legacy of King Hassan can be complete without recognizing his prescient view of reconciliation between Israel and the Arab world. Many note that some of the initial meetings preparing for the signing of the historic Camp David accords occurred with King Hassan in Morocco. The fact is that the King of Morocco had been providing opportunities for encounters and dialogue for years before then, showing that the King had a wise vision for peace as well as a pragmatist’s approach for moving toward this noble goal.

From the 1960s to the late Prime Minister Rabin’s visit to Morocco in 1993—which was, by the way, the only second Arab nation visited by an Israeli leader; after Egypt—King Has-

san of Morocco demonstrated that he recognized the permanent role that the Jewish state had to play in the affairs of the Middle East. In this, as in many other areas, King Hassan was a leader among leaders.

Morocco’s new king, King Mohammed VI, has many challenges before him. He, along with King Abdullah of Jordan, represents the new generation of leaders in the region: highly educated, understanding the West, cognizant of the realities of the region, and an important and brave promoter for peace in the Middle East. Our country and the country with which Morocco had been providing opportunities for encounters and dialogue for a period of morning business.

IN MEMORIAM OF KING HASSAN II OF MOROCCO

Mr. ABRAHAM. Mr. President, I rise today to honor the life of King Hassan II of Morocco and express my deepest sympathy and condolences to the people of Mo-

rocco.

I rise with a great sense of sadness that I learned of the death of King Has-

san, a statesman, a peacemaker, and a visionary. The King was beloved not only by the Moroccan people, but by people committed to peace throughout the Middle East and around the world. He was dedicated to this mission for decades, and it is quite unfortunate that he could not live to see the final outcome of his lengthy efforts.

Many in my home State of Michigan and throughout the United States stand with the people of Morocco in mourning the loss of this great leader. My deepest and heartfelt condolences go out to King Mohammed VI, the King’s family and all the people of Mo-

rocco in these difficult times.

THE DEATH OF KING HASSAN II OF MOROCCO

Mr. HELMS. Mr. President, at the close of business yesterday, Tuesday,
July 27, 1999, the Federal debt stood at $5,640,525,290,562.24 (Five trillion, six hundred forty billion, five hundred twenty-five million, two hundred ninety thousand, five hundred sixty-two dollars and twenty-four cents).

One year ago, July 27, 1998, the Federal debt stood at $5,399,293,000,000 (Five trillion, five hundred thirty-nine billion, two hundred ninety-nine million, three hundred million dollars).

Fifteen years ago, July 27, 1984, the Federal debt stood at $1,535,890,000,000 (One trillion, five hundred thirty-five billion, eight hundred ninety million dollars). Federal debt stood at $4,634,715,000,000 (Four trillion, one hundred four billion, seven hundred fifteen million dollars). Federal debt stood at $5,539,293,000,000 (Four trillion, four hundred thirty-five billion, two hundred ninety-three million dollars). Federal debt stood at $5,640,525,290,562.24 (Five trillion, six hundred thirty-five billion, two hundred ninety-two dollars and twenty-four cents) during the past 15 years.

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Williams, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committee for report.

The nominations received today are printed at the end of the Senate proceedings.

MESSAGES FROM THE HOUSE

At 2:19 p.m., a message from the House of Representatives, delivered by Mr. Hanrahan, one of its reading clerks, announced that the House has passed the following bills, in which it requests the concurrence of the Senate:

H.R. 2488. An act to provide for reconciliation pursuant to section 105 and 211 of the concurrent resolution on the budget for fiscal year 2000.

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC-4400. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled "Technical Amendments; Miscellaneous Organizational Changes; Miscellaneous Editorial Changes and Conforming Amendments (USCG-1999-5852)" (RIN2115-ZZ02) (1999-0001), received July 23, 1999, to the Committee on Commerce, Science, and Transportation.

EC-4401. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled "Technical Amendments; Organizational Changes; Miscellaneous Editorial Changes and Conforming Amendments (USCG-1999-5852)" (RIN2115-ZZ02) (1999-0001), received July 23, 1999, to the Committee on Commerce, Science, and Transportation.

EC-4402. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled "Safeguards Zone Regulations; Gloucester Schooner Fest, Gloucester, MA (CGD01–99–104)" (RIN2115-AA47) (1999-0048), received July 23, 1999, to the Committee on Commerce, Science, and Transportation.

EC-4403. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled "Safeguards Zone Regulations; Hackensack River, NJ (CGD01–99–116)" (RIN2115-EE7) (1999-0032), received July 23, 1999, to the Committee on Commerce, Science, and Transportation.

EC-4404. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled "Drawbridge Regulations; Columbia River, OR (CGD13–99–007)" (RIN2115-AA36) (1999-0005), received July 23, 1999, to the Committee on Commerce, Science, and Transportation.

EC-4405. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled "Drawbridge Regulations; Columbia River, OR (CGD13–99–007)" (RIN2115-EE6) (1999-0003), received July 23, 1999, to the Committee on Commerce, Science, and Transportation.

EC-4406. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled "Drawbridge Regulations; Columbia River, OR (CGD13–99–007)" (RIN2115-EE7) (1999-0001), received July 23, 1999, to the Committee on Commerce, Science, and Transportation.

EC-4407. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled "Chemical Testing; Management Information System Reporting Requirements (USCG-1999-0469)" (RIN2115-AE01) (1999-0002), received July 23, 1999, to the Committee on Commerce, Science, and Transportation.


EC-4410. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled "Drawbridge Regulations; Atlantic Intra-coastal Waterway (AIWW), Beaufort, SC (CGD08–99–038)" (RIN2115-AE47) (1999-0032), received July 23, 1999, to the Committee on Commerce, Science, and Transportation.


EC-4412. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled "Approval and Designation of Certain Marine Events (CGD11–99–007)" (RIN2115-AE47) (1999-0002), received July 23, 1999, to the Committee on Commerce, Science, and Transportation.
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1999; to the Committee on Commerce, Science, and Transportation.

EC–4413. A communication from the Chief, Office of Regulations and Administrative Law, U.S. Coast Guard, transmitting, pursuant to law, the report of a rule entitled "Station 729, Baltimore, Maryland (CGD05–99–064)" (RIN2115–AE46) (1999–0026), received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4414. A communication from the General Counsel, Consumer Product Safety Commission, transmitting, pursuant to law, the report of a rule entitled "Child Resistant Packaging of Consumer Products Containing Methacrylic Acid" (RIN3041–AB78), received July 22, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4415. A communication from the Acting Director, Office of Sustainable Fisheries, National Marine Fisheries Service, Department of Commerce, transmitting, pursuant to law, the report of a rule entitled "Closure for Pacific Ocean Perch in the Western Regulatory Area (area 'W')", received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4416. A communication from the Deputy Administrator for Fisheries, National Marine Fisheries Service, Department of Commerce, transmitting, pursuant to law, the report of a rule entitled "Final Rule to Establish Procedures for the Testing and Certification of Bycatch Reduction Devices in the Gulf of Mexico," (RIN0648–AK32), received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4417. A communication from the Acting Director, Office of Sustainable Fisheries, National Marine Fisheries Service, Department of Commerce, transmitting, pursuant to law, the report of a rule entitled "Closure for Pacific Ocean Perch in the West Yakutat District of the Gulf of Alaska," received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

EC–4418. A communication from the Acting Director, Office of Sustainable Fisheries, National Marine Fisheries Service, Department of Commerce, transmitting, pursuant to law, the report of a rule entitled "Closure for Northern Rockfish in the Central Regulatory Area (area 'C')", received July 23, 1999; to the Committee on Commerce, Science, and Transportation.

REPORTS OF COMMITTEE

The following reports of committees were submitted:

By Mr. CHAFEE, from the Committee on Environment and Public Works, with an amendment in the nature of a substitute:

S. 1100. A bill to amend the Endangered Species Act of 1973 to provide that the designation of critical habitat be required as part of the development of recovery plans for those species (Rept. No. 106–126).

By Mr. HELMS, from the Committee on Foreign Relations, with an amendment and with a preamble:

S. Res. 166. A resolution relating to the recognition of the critical Republic of Indonesia.

By Mr. HELMS, from the Committee on Foreign Relations, with an amendment and with a preamble:


EXECUTIVE REPORTS OF COMMITTEE

The following executive reports of committees were submitted:

By Mr. WARNER, for the Committee on Armed Services:

The following named officer for appointment in the United States Air Force to the grade indicated under title 10, U.S.C., section 624:

Col. Gary H. Murray, 2413

The following named officer for appointment in the United States Air Force to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., section 601:

To be brigadier general


The following named officer for appointment in the United States Air Force to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., section 601:

To be lieutenant general

Lt. Gen. Charles R. Hefley, 8224

The following named officer for appointment in the United States Air Force to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., section 601:

To be lieutenant general

Lt. Gen. Lansford E. Trapp, Jr., 7799

The following named officer for appointment in the United States Army to the grade indicated under title 10, U.S.C., section 624:

To be major general

Brig. Gen. Zannie O. Smith, 6499

The following named officer for appointment in the United States Army to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., section 601:

To be lieutenant general

Maj. Gen. Lawson W. Magruder, III, 0729

The following named officer for appointment in the United States Army to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., section 601:

To be lieutenant general

Maj. Gen. Michael W. Ackerman, 6573

The following named officers for appointment in the United States Navy to the grade indicated under title 10, U.S.C., section 624:

To be rear admiral

Rear Adm. (ph) Alberto Diaz, Jr., 0377

Rear Adm. (ph) Bonnie B. Potter, 6605

The following named officer for appointment in the United States Navy to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., section 601:

To be vice admiral

Vice Adm. Robert J. Natter, 9953

Mr. WARNER, Mr. President, for the Committee on Armed Services, I report favorably nomination lists which were printed in the RECORDS of June 21, 1999, June 23, 1999, June 28, 1999, June 30, 1999, July 1, 1999, July 14, 1999, July 19, 1999, July 21, 1999, and ask unanimous consent, to save the expense of reprinting on the Executive Calendar, that these nominations lie at the Secretary's desk for the information of Senators.

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


Army nominations beginning Richard F. Ballard, and ending Su T. Kang, which nominations were received by the Senate and appeared in the Congressional Record of June 21, 1999.

Army nominations beginning Donald M. Cinnamon, and ending George R. Silver, which nominations were received by the Senate and appeared in the Congressional Record of June 21, 1999.

Army nominations beginning Kimberly J. Ballantyne, and ending Stephen C. Ulrich, which nominations were received by the Senate and appeared in the Congressional Record of June 21, 1999.

Army nominations beginning *Denise D. Adams, and ending *Tami M. Zalewski, which nominations were received by the Senate and appeared in the Congressional Record of June 21, 1999.

Army nominations beginning *George D. Lanning, and ending Gregory J. Zanetti, which nominations were received by the Senate and appeared in the Congressional Record of June 21, 1999.
Marine Corps nominations beginning David J. Abate, and ending Raymond Zappalorto, Jr., which nominations were received by the Senate and appeared in the Congressional Record of June 29, 1999.

Navy nominations beginning Michael K. Alabate, and ending Gregg W. Ziemke, which nominations were received by the Senate and appeared in the Congressional Record of June 23, 1999.

Army nominations beginning Phil C. Alabata, and ending Joseph J. Zubak, which nominations were received by the Senate and appeared in the Congressional Record of June 28, 1999.

Navy nomination of Laurel A. May, which was received by the Senate and appeared in the Congressional Record of June 28, 1999.

Air Force nominations beginning Larita A. Aragon, and ending James J. White, which nominations were received by the Senate and appeared in the Congressional Record of June 30, 1999.

Marine Corps nominations beginning Charles E. Headlen, and ending Robert L. Williams, which nominations were received by the Senate and appeared in the Congressional Record of June 30, 1999.

Air Force nominations beginning Milton C. Abbot, and ending Scott J. Zolrbit, which nominations were received by the Senate and appeared in the Congressional Record of July 1, 1999.

Marine Corps nominations of James R. Judkins, which was received by the Senate and appeared in the Congressional Record of July 14, 1999.

Navy nominations beginning Dean D. Hager, and ending David F. Sanders, which nominations were received by the Senate and appeared in the Congressional Record of July 14, 1999.

Army nominations beginning Gary W. Ace and ending X4393, which nominations were received by the Senate and appeared in the Congressional Record of July 14, 1999.

Navy nominations beginning Scott R. Barry, and ending Charles L. Taylor, which nominations were received by the Senate and appeared in the Congressional Record of July 21, 1999.

Navy nominations beginning Lloyd B.J. Callis, and ending Michelle L. Wulf, which nominations were received by the Senate and appeared in the Congressional Record of July 21, 1999.

By Mr. HELMS, for the Committee on Foreign Relations:

A. Peter Burleigh, of California, a Career Member of the Senior Foreign Service, Class of Career Minister, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Palau.

The following is a list of all members of my immediate family and their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

Nominee: Michael A. Sheehan.

Post: Manila.

Contributions, Amount, Date, and Donee:
2. Spouse (n/a).
3. Children and Spouses (n/a).
5. Grandparents: deceased.


J. Brady Anderson, of South Carolina, to be Administrator of the Agency for International Development.

Nominee: M. Osman Siddique, of Virginia, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Fiji, and to serve concurrently without additional compensation as Ambassador Extraordinary and Plenipotentiary of the United States of America, the Republic of Nauru, Ambassador Extraordinary and Plenipotentiary of the United States of America to the Kingdom of Tonga, and Ambassador Extraordinary and Plenipotentiary of the United States of America to Tuvalu.

The following is a list of all members of my immediate family and their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

Nominee: Muhammad Osman Siddique.

Post: Fiji, Nauru, Tonga, and Tuvalu.

Contributions, Amount, Date, and Donee:
1. Parents: Muhammad Osman Ghani (Father)—Deceased; Shameen Nahar Ghani (Mother)—Deceased.
2. Spouse: Catherine Mary Siddique; none.
5. Brothers & Spouses: M. Osman & Rana Siddique; none; none; none; none; none.
7. Sisters & Spouses: Nahar & Kamal Ahmad, none; Helen & Aminul Islam, none; Zareen & Wahidul Islam, none; Nasreen & Ghulam Suhrwardy, none.
8. Parents: Mantu Siddique & Shamsun Nahar Siddique; none.

The following is a list of all members of my immediate family and their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

Nominee: Michael A. Sheehan.

Post: Coordinator for Counterterrorism, with the rank and status of Ambassador at Large. (New Position)

The following is a list of all members of my immediate family and their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

Nominee: Michael A. Sheehan.

Post: Coordinator for Counterterrorism.

Contributions, Amount, Date, and Donee:

Spouse: none.

Daughter: Alexandra E. Sheehan; none.

Mother: Debra Purcell Sheehan; none.

Father: John M. Sheehan; none.

Grandparents: all deceased.

Brothers and Spouses: Matthew J. Sheehan—none; Dean F. Sheehan—none; Susan F. Sheehan; none; Terence P. Sheehan; none; Leslie Sheehan; none; Joseph D. Sheehan; none; Patricia P. Sheehan; none.


Robert S. Gelbard, of Washington, a Career Member of the Senior Foreign Service, Class of Career Minister, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Indonesia.

The following is a list of all members of my immediate family and their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.


Post: Ambassador to Indonesia.


Contributions, Amount, Date, and Donee:

Children and Spouses: Alexandra, none.

Parents: Ruth and Charles, deceased.

Grandparents: deceased.

Brothers and Spouses: Nicholas, none.

Sisters and Spouses: N/A.

Evelyn Simonowitz Lieberman, of New York, to be Under Secretary of State for Public Diplomacy. (New Position)

Richard Monroe Miles, of South Carolina, a Career Member of the Senior Foreign Service, Class of Career Minister-Counselor, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Bulgaria.

The following is a list of all members of my immediate family and their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

Nominee: Richard Monroe Miles.

Post: Ambassador to Bulgaria.

Contributions, Amount, Date, and Donee:

Spouse: none.

Children and Spouses: Richard Lee and Elizabeth Anne Miles, none.

Parents: Iris Mann (deceased) and James Miles, none.

Grandparents: Richard and Lillian Fortner (deceased).


7. Sisters and spouses: Louise Angell (Richard), step-sister, none; Louis Navarro (Arthur), step-sister, none; Donna Peabody (Kristin), half-sister, none.

Carl Spielvogel, of New York, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Slovak Republic.

The following is a list of all members of my immediate family and their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

Nominee: Carl Spielvogel.

Post: Ambassador to the Solvak Republic.

Contributions, Amount, Date, and Donee:
1. Self: See attached.
2. Spouse: Barbaralee Diamonstein-Spielvogel.
4. Parents: Deceased.
5. Grandparents: Deceased.
7. Sisters and spouses: None.

Contributions of Carl Spielvogel
Bill Bradley for US Senate '96, 8FEB93, $500.
Lautenberg Committee, 18JUN93, $500.
Lieberman '94 Committee, 31MAR94, $500.
Democratic Congressional Campaign Committee, 6JUN94, $500.
Bill Bradley for US Senate '96, 5APR94, $500.
Friends of Congressmen Hochbrueckner, 18AUG94, $500.
Friends of Jane Harman, 30SEP94, $500.
Democratic Senatorial Campaign Committee, 20APR95, $1,000.
Kerry for US Senate Committee, 15MAR93, $1,000.
Kennedy for Senate, 3APR93, $1,000.
Lieberman '94 Committee, 30JUN93, $1,000.
Senate Victory '94, 16DEC93, $1,000.
Lieberman Committee, Inc., 16DEC93, $1,000.
Kerry for US Senate Committee, 3JUN94, $1,000.
Friends of Bob Carr, 27SEP94, $1,000.
Democratic Senatorial Campaign Committee, 19OCT94, $1,000.
Friends of Bob Carr, 28OCT94, $1,000.
DNC Services Corporation/Democratic National Committee, 17MY93, $5,000.
Time Future, Inc. (FKA Bill Bradley for US Senate), 21FEB95, $500.
Friends of Senator Carl Levin, 23AUG95, $500.
Time Future, Inc. (FKA Bill Bradley for US Senate), 12SEP95, $500.
Friends of Chris Dodd—98, 4DEC95, $500.
Kerry Committee, 9FEB96, $500.
Friends of Mark Warner, 13FEB96, $500.
Nader for Congress, Inc., 16FEB96, $500.
Democratic Congressional Campaign Committee, 9JUL96, $500.
Friends of Dodd —98, 21DEC96, $500.
Friends of Chris Dodd—98, 21DEC96, $500.
Feingold Senate Committee, 23DEC96, $500.
Rangel for Congress, 9JUL96, $1,000.
Sanders for Senate, 12JUN98, $1,000.
Clinton/Gore '96 Primary Committee, Inc., 30JUN95, $1,000.
Clinton/Gore '96 Primary Committee, Inc., 17NOV95, $1,000.
New York State Democratic Committee, 6JUL95, $1,000.
Wyden for Senate, 29JAN96, $1,000.
Wyden for Senate, 29JAN96, $1,000.
Clinton/Gore '96 Primary Committee, Inc., 19SEP96, $1,000.
Kennedy for Senate 2000, 21FEB96, $1,000.
Charles Rangel Victory Fund, 9JUL96, $1,000.
Friends of Schumner, 31OCT96, $1,000.
A Lot of People Supporting Tom Daschle, 1DECE96, $2,000.
Democratic Congressional Campaign Committee, 29MAR96, $5,000.
Democratic National Leadership PAC FKA National Leadership PAC, 1NOV96, $5,000.
Dealers Election Action Committee of the National Automobile Dealers Association (NADA) PAC, 24OCT96, $5,000.
DNC Non-Federal Unincorporated Association Account, 24APR96, $25,000.

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Nominee: J. Richard Fredericks.
Post: Ambassador to Switzerland and Liechtenstein.
Contributions, amount, date, and donee:
1. Self, see attachment.
2. Spouse, see attachment.
3. Children and Spouses (NA).
4. Parents, see attachment.
5. Grandparents (NA).
6. Brothers and Spouses, see attachment.
7. Sisters and Spouses, see attachment.

MY FAMILY

Wife: Stephanie Sorensen Fredericks.
Children: Matthew Foley Fredericks, age 13, Colleen Sorensen Fredericks, age 12, and Will Norman Fredericks, age 8.
Mother: Lois F. Fredericks.
Father: Norman J. Fredericks (deceased).
Brothers: Norman J. Fredericks, Jr., and Peter G. Fredericks.
Sister: Lois A. Thornbury, Marcia F. McGratty, and Anne G. Fredericks.
Grandparents: Deceased.

J. Richard Fredericks Political Contributions
7/31/92—Clinton for President Committee ........................................ $1,000
7/21/92—Democratic National Committee........................................... 1,000
12/33/93—Kathleen Brown .............................................................. 450
3/11/94—Governor Pete Wilson ....................................................... 1,000
12/34/94—Empower America ........................................................... 1,000
9/26/95—Committee to Re-Elect Frank Jordan ...................................... 1,000
2/13/96—Fund for Democratic Leadership ........................................... 1,000
3/15/96—Friends of Senator D’Amato ............................................... 1,000
6/17/96—Democratic National Committee—Non-Factional Account ......... 100,000
6/17/96—Florida Democratic Party ................................................. 50,000
6/17/96—Illinois Democratic Party ................................................... 50,000
6/17/96—Pennsylvania Democratic Party ......................................... 50,000
Congressman Bart Gordon .............................................................. 1,000
10/13/96—Texas Victory ’96 ............................................................ 2,000
10/21/96—New Hampshire Democratic Party .................................... 5,000
10/21/96—Kansas Democratic Party ................................................. 15,000
10/22/96—Wyoming Democratic Party .............................................. 20,000
10/22/96—Texas Democratic Party .................................................... 25,000
10/22/96—WVSDEC Victory 96’ ........................................................ 1,000
10/22/96—Oklahoma Democratic Party .............................................. 1,000
10/22/96—President Clinton ’96 ....................................................... 1,000
6/7/97—Daschle for Senate ............................................................. 1,000
6/7/97—Peleisi for Congress (Primary and General Election) ............. 2,000
6/29/97—California Victory 98 (Joint Fundraising Comm.) ................. 10,000
6/30/97—California Victory 98 (Joint Fundraising Comm.) ................. 5,000
Boxer for Senate ($2,000 Primary and General) ................................ 1,500
10/97—John Breaux 1998 (Primary and General Election) ................. 1,500

Stephanie S. Fredericks (Wife) Political Contributions
9/4/96—Democratic National Committee ........................................... 50,000
10/30/96—Minnesota Democratic Party ............................................. 26,000
10/30/96—Texas Democratic Party ................................................... 10,000
10/30/96—New Jersey Democratic Party ............................................ 25,000
10/1/97—John Breaux for Senate ..................................................... 1,500
3/27/97—California Victory 1998 (Joint Fundraising Comm.) ............. 5,000
Boxer for Senate ($2,000 Primary and General) ................................ 1,500
10/97—John Breaux for Senate ......................................................... 1,500
2/22/97—Presidential California Majority Fund (Joint Fundraising Comm.) 10,000
Lois Capps ($1,000 Run-off) ......................................................... 1,000
Mike Thompson ($1,000 Primary) ................................................... 1,000
DCCC ($8,000 Primary) ................................................................. 1,000
5/13/98—Committee to Retain Judge Douglas ...................................... 100
Stephanie S. Fredericks (wife) political contributions—continued
12/2/98—The Mark Hopkins (California) Victory Fund—CDP (In-kind) .......... $12,500

Lois F. Fredericks (mother) political contributions—none

Norman J. Fredericks, Jr. (brother) political contributions
8/19/96—Concretepac ........................................... $250
5/11/96—Concretepac ........................................... $300
12/25/95—Concretepac ........................................... $200
10/19/96—Kilpatrick for US Congress ........ $250
12/21/96—Concretepac ........................................... $200

Lois & Mike Thornbur (sister and brother-in-law) political contributions
1998—Michigan Republican Party ............. $200
1998—Newt Gingrich ........................................... $50

Marcia & Edward McGratty (sister and brother-in-law) political contributions
3/26/95—Mullaney for Assembly ............. $1500
4/7/95—SAC PAC .................................................. $1000
5/25/97—Mullaney for Assembly ............. $1800
8/16/97—Carroll for Assembly .............. $1000
11/1/97—Congresswoman Marge Roukema, $500
5/10/98—Committee to Elect J. Schrier .......... $100
10/19/96—Ferguson for Congress .......... $500
5/5/98—Mullaney for Senate .................. $1000

Anne Fredericks (sister) political contributions—none

Peter and Michelle Fredericks (brother and sister-in-law) political contributions
1/13/98—Engler for Governor ................. $1000
1/13/98—Engler for Governor ................. $1000
10/4/98—Kilpatrick for US Congress ....... $250

Stephanie Fredericks (sister) political contributions—none

Victory Fund—CDP (In-kind) ................. $12,500

Norman J. Fredericks, Jr., Member of the Senior Foreign Service, Class of 1976, diplomat, Rank of Ambassador during tenure of service as Coordinator of U.S. Assistance for the New Independent States.

The following is a list of all members of my immediate family and their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

Nominee: Barbara J. Griffiths.

Post: Republic of Iceland
Contributions, amount, date, and donee:

1. Self, none.
2. Spouse, David M. Schoonover, none.
3. Children and spouses, not applicable.

Post: Brussels, Belgium
Contributions, amount, date, and donee:

1. Self, none.
2. Spouse, none.
3. Children and spouses, none.

Post: Arlington, Virginia
Contributions, amount, date, and donee:

1. Self, none.
In the Foreign Service nominations beginning Senator Grassley and ending Richard Tetsutomo Yonecoba, which nominations were received by the Senate and appeared in the Congressional Record of July 1, 1999.

Mr. WELLSTONE. Mr. President, I rise today to introduce legislation that will ensure that private health insurance companies cover the costs for drug and alcohol addiction treatment services at the same level that they pay for treatment for other diseases.

The purpose of this bill is to end discrimination in insurance coverage for drug and alcohol addiction treatment. This bill, entitled Fairness in Treatment: The Drug and Alcohol Addiction Recovery Act of 1999, offers the necessary provisions to provide this assurance.

For too long, the problem of drug and alcohol addiction has been viewed as a moral issue, rather than as a disease. Too often—a cloak of secrecy has surrounded this problem, causing people who have this disease to feel ashamed and afraid to seek treatment for their symptoms for fear that they will be seen as admitting to a moral failure, or a weakness in character. We have all seen portrayals of alcoholics and addicts that are intended to be humorous or derogatory, and only reinforce the biases against people who have problems with drug and alcohol addiction. I cannot imagine this type of portrayal of someone who has another kind of chronic illness, a heart problem, or who happens to carry a gene that disposes them to diabetes.

It has been shown that some forms of addiction have a genetic basis, and yet we still try to deny the serious medical nature of this disease. We think of those with this disease as somehow different from us. We forget that someone who has a problem with drugs or alcohol can look just like the person we see in the mirror, or the person sitting next to us at work or on the subway, or like someone in our own family. In fact, it is likely that most of us know someone who has experienced drug and alcohol addiction, within our families or our circle of friends or coworkers.

Alcoholism and drug addiction are painful, private struggles with staggering public costs. A study prepared by The Lewin Group for the National Institute on Drug Abuse and the National Institute on Alcohol Abuse and Alcoholism, estimated that the total economic cost of alcohol and drug abuse to be $246 billion for 1992. Of this cost, $86 billion was due to drug addiction to illicit drugs and other drugs taken for non-medical purposes. This estimate includes addiction treatment and prevention costs, as well as costs associated with related illnesses, reduced job productivity or lost earnings, and other costs to society such as crime and social welfare programs. This study also determined that these costs are borne primarily by governments (46 percent), followed by those who abuse drugs and members of their households.
(44 percent). According to this same study, private health and life insurance companies bear only 3.2 percent of the costs of drug abuse and 10.2 percent of the costs of alcohol abuse.

The health effects resulting from alcohol addiction can be very serious, even fatal. A 1986 article in Scientific American reported that excessive alcohol consumption causes more than 100,000 deaths in the U.S. each year. Of these deaths, twenty-four per cent are due to drunken driving, eleven percent are homicides, and eight percent are suicides. Alcohol contributes to cancers of the esophagus, larynx, and oral cavity, which account for seventeen percent of these deaths. Strokes related to alcohol use account for another nine percent of deaths. Alcohol causes several other ailments, such as cirrhosis of the liver. These ailments account for eighteen percent of the deaths.

We know that addiction to alcohol and other drugs contribute to other problems as well. Addictive substances have the potential for destroying the person who is addicted, their family, and their other relationships. We know, for example, that fetal alcohol syndrome is the leading known cause of mental retardation. If the woman who was addicted to alcohol could receive proper treatment, fetal alcohol syndrome for her baby would be 100 percent preventable, and more than 12,000 infants born in the U.S. each year would not suffer from fetal alcohol syndrome, with its irreversible physical and mental damage. We know too of the devastation caused by addiction whom violence between people is one of the consequences. A 1998 SAMHSA report outlined the links between domestic violence and substance abuse. We know from clinical reports that 25-50% of men who commit acts of domestic violence also have substance abuse problems. The report also pointed out for the first time the link between the victim of abuse and use of alcohol and drugs, and recommended that after the woman’s safety has been addressed, the next step would be to help with providing treatment for her addiction as a step toward independence and health, and toward the prevention of the consequences for the children who suffer the same abuse either directly, or indirectly by witnessing violence.

People who have the disease of addiction can be found throughout our society. According to the 1997 National Household Survey on Drug Abuse published by SAMHSA, nearly 73 percent of all illegal drug users in the United States are employed. This number represents 6.7 million full-time workers and 1.6 million part-time workers. Although many of these workers could and should have insurance benefits that would cover treatment for this disease, they do not.

In addition to the health problems resulting from the failure to treat the illness, there are other serious consequences affecting the workplace, such as reduced productivity, high employee turnover, increased errors, accidents, and increased worker’s compensation insurance and health insurance premiums—all results of untreated addiction problems. Whether you are a corporate CEO or a small business owner, there are simple, effective steps that can be taken—including providing insurance coverage for this disease, ready access to treatment, and workplace policies that support treatment—that can reduce these human and economic costs.

We know from the outstanding research conducted at NIH, through the National Institute on Drug Abuse and the National Institute on Alcohol Abuse and Alcoholism, that treatment for drug and alcohol addiction can be effective. That is the major finding from a NIDA-sponsored nationwide study of drug abuse treatment outcomes. The Drug Abuse Treatment Outcome Study (DATOS) tracked 10,000 people in nearly 100 treatment programs in 11 cities who entered treatment for addiction between 1991 and 1993. Results showed that for all four treatment types studied, there were reductions in the use of cocaine, heroin, and marijuana after treatment. Moreover, treatment resulted in other positive changes in behavior, such as fewer psychological symptoms and increased work productivity.

We must do more to prevent this illness and to treat those who are addicted to drugs and alcohol. Over the past few years, the principle of parity in insurance coverage for alcohol and drug rehabilitation and treatment has received the strong support of the White House. President Clinton was joined in this effort by General Barry McCaffrey, Former Surgeon General C. Everett Koop, Former President and Mrs. Gerald Ford, the U.S. Conference of Mayors, Kaiser Permanente Health Plans, and many leading figures in medicine, business, government, journalism, and entertainment who have successfully fought the battle of addiction with the help of treatment. Hearings held last year by the Senate Appropriations Committee and the Committee on Health, Education, Labor, and Pensions highlighted the recent major advances in scientific information about the disease; the biological causes of addiction; the effectiveness and low cost of treatment; and many painful, personal stories of people, including children, who have been denied treatment.

We know that the failure of insurance companies to provide treatment can sometimes have devastating results. The New York Times recently highlighted the tragic suicide of a young man who desperately sought inpatient treatment care for his drug addiction and fought for 8 months to have the plan authorize the treatment that was in fact included in as part of his benefits. The authorization came through, but too late. The young man had died three weeks earlier from a drug overdose. This kind of denial of care for addiction treatment is not at all unique—the 1998 Hay Group Report on Employer Health Care Dollars Spent on Substance Abuse showed that from 1988 through 1994, the percentage of substance abuse treatment benefits decreased by 74.5%, as compared to a 11.5% decrease for overall health care benefits.

Addiction to alcohol and drugs is a disease that affects the brain, the body, and the spirit. We must provide adequate opportunities for the treatment of addiction in order to help those who are suffering and to prevent the health and social problems that it causes. This legislation will take an important step in this direction by requiring that health insurers offer substance abuse treatment benefits to employees of big companies. A 1997 Milliman and Robertson study found that complete substance abuse treatment parity would increase per capita health insurance premiums by only one half of one percent, or less than $1 per member per month—without even considering any of the obvious savings that will result from treatment. Several studies have shown that for every $1 spent on treatment, more than $7 is saved in other health care expenses, and that these savings are in addition to the financial and other benefits of increased productivity, as well as participation in family and community life. Providing treatment for addiction also saves millions of dollars in the criminal justice system. For treatment to be effective and helpful throughout our society all systems of care—including private insurance plans—must share this responsibility.

This legislation does not mandate that health insurers offer substance addiction treatment benefits. What it does is prohibit discrimination by health plans who offer substance addiction treatment from placing unfair and life-threatening limitations on caps, access, or financial requirements for addiction treatment that are different from other medical and surgical services.

We must move forward now to vigorously address the serious and life-threatening problem of drug and alcohol addiction in our country. It is long past time that the value of families do their fair share in bearing the responsibility for treating this disease.

I ask that the full text of the bill be printed in the Record.
SEC. 2. PARITY IN SUBSTANCE ABUSE TREATMENT BENEFITS.

(a) Group Health Plans.—

(1) Public Health Service Act Amendments.—

(A) In General.—Subpart 2 of part A of title XXVII of the Public Health Service Act (42 U.S.C. 300gg-1 et seq.) is amended by adding at the end the following:

"SEC. 2707. PARITY IN THE APPLICATION OF TREATMENT LIMITATIONS AND FINANCIAL REQUIREMENTS TO SUBSTANCE ABUSE TREATMENT BENEFITS.

"(a) In General.—In the case of a group health plan (or health insurance coverage offered in connection with such a plan) that provides both medical and surgical benefits and substance abuse treatment benefits, the plan or coverage shall not impose treatment limitations or financial requirements on the substance abuse treatment benefits unless similar limitations or requirements are imposed for medical and surgical benefits.

"(b) Construction.—Nothing in this section shall be construed—

"(1) as requiring a group health plan (or health insurance coverage offered in connection with such a plan) to provide any substance abuse treatment benefits; or

"(2) to prevent a group health plan or a health insurance issuer offering group health insurance coverage from negotiating the level and type of reimbursement with a provider for care provided in accordance with this section.

"(c) Small Employer Exemption.—

"(1) In General.—This section shall not apply to any group health plan (and group health insurance coverage offered in connection with a group health plan) for any plan year, an employer who employed an average of at least 2 but not more than 25 employees on business days during the preceding calendar year and who employs at least 2 employees on the first day of the plan year.

"(2) Construction.—Nothing in this section shall be construed—

"(A) as requiring a group health plan (or health insurance coverage offered in connection with such a plan) to provide any substance abuse treatment benefits; or

"(B) to prevent a group health plan or a health insurance issuer offering group health insurance coverage from negotiating the level and type of reimbursement with a provider for care provided in accordance with this section.

"(3) Application of Certain Rules in Determination of Employer Size.—For purposes of this subsection:

"(A) Application of Aggregation Rule for Employers.—Rules similar to the rules under subsections (b), (c), (m), and (o) of section 414 of the Internal Revenue Code of 1986 shall apply for purposes of treating persons as a single employer.

"(B) Separate Application to Each Option Offered.—In the case of a group health plan that offers a participant or beneficiary two or more benefit package options under the plan, the requirements of this section shall be applied separately with respect to each such option.

"(C) Definition of Substance Abuse Benefits.—The term "substance abuse benefits" means benefits with respect to medical or surgical services, as defined under the terms of the plan or coverage during the period of time.

"(D) Financial Requirement.—The term "financial requirement" means, with respect to benefits under a group health plan or coverage, any deductible, coinsurance, or cost-sharing or an annual or lifetime dollar limit imposed with respect to the benefits under the plan or coverage.

"(3) Medical or Surgical Benefits.—The term "medical or surgical benefits" means benefits with respect to medical or surgical services, as defined under the terms of the plan or coverage during the period of time.

"(4) Substance Abuse Treatment.—The term "substance abuse treatment" means benefits with respect to benefits under a group health plan or coverage, any deductible, coinsurance, or cost-sharing or an annual or lifetime dollar limit imposed with respect to the benefits under the plan or coverage.

"(5) Definitions.—For purposes of this section—

"(1) Treatment Limitation.—The term "treatment limitation" means, with respect to benefits under a group health plan or health insurance coverage, any day or visit limits imposed on coverage of benefits under the plan or coverage during a period of time.

"(2) Financial Requirement.—The term "financial requirement" means, with respect to benefits under a group health plan or health insurance coverage, any deductible, coinsurance, or cost-sharing or an annual or lifetime dollar limit imposed with respect to the benefits under the plan or coverage.

"(6) Construction.—Nothing in this section shall be construed—

"(1) as requiring a group health plan (or health insurance coverage offered in connection with such a plan) to provide any substance abuse treatment benefits; or

"(2) to prevent a group health plan or a health insurance issuer offering group health insurance coverage from negotiating the level and type of reimbursement with a provider for care provided in accordance with this section.

"(c) Small Employer Exemption.—

"(1) In General.—This section shall not apply to any group health plan (and group health insurance coverage offered in connection with a group health plan) for any plan year, an employer who employed an average of at least 2 but not more than 25 employees on business days during the preceding calendar year and who employs at least 2 employees on the first day of the plan year.

"(2) Construction.—Nothing in this section shall be construed—

"(A) as requiring a group health plan (or health insurance coverage offered in connection with such a plan) to provide any substance abuse treatment benefits; or

"(B) to prevent a group health plan or a health insurance issuer offering group health insurance coverage from negotiating the level and type of reimbursement with a provider for care provided in accordance with this section.

"(d) Separate Application to Each Option Offered.—In the case of a group health plan that offers a participant or beneficiary two or more benefit package options under the plan, the requirements of this section shall be applied separately with respect to each such option.

"(e) Definitions.—For purposes of this section—

"(1) Treatment Limitation.—The term "treatment limitation" means, with respect to benefits under a group health plan or health insurance coverage, any day or visit limits imposed on coverage of benefits under the plan or coverage during a period of time.

"(2) Financial Requirement.—The term "financial requirement" means, with respect to benefits under a group health plan or health insurance coverage, any deductible, coinsurance, or cost-sharing or an annual or lifetime dollar limit imposed with respect to the benefits under the plan or coverage.

"(e) Definition of Substance Abuse Benefits.—The term "substance abuse benefits" means benefits with respect to medical or surgical services, as defined under the terms of the plan or coverage during the period of time.
(A) Inpatient treatment, including detoxification services.
(B) Non-hospital residential treatment.
(C) Outpatient treatment, including screening and assessment, medication management, individual, group, and family counseling, and related services.
(D) Prevention services, including health education and individual and group counseling to encourage the reduction of risk factors for substance abuse.

(2) A small employer plan shall be treated as a small employer plan under this section if the average of at least 2 but not more than 25 employees on business days during the preceding calendar year and who employs at least 2 employees on the first day of the plan year.

(3) Application of certain rules for determination of employer size.

(A) Application of aggregation rule for employers.

(Rules similar to the rules under subsections (b), (c), (m), and (o) of section 414 of the Internal Revenue Code of 1986 shall apply for purposes of determining whether such employer is a small employer.)

(B) Employers not in existence in preceding year.

(In the case of an employer which was not in existence throughout the preceding calendar year, the determination of whether such employer is a small employer shall be based on the average number of employees that it is reasonably expected such employer will employ on business days in the current calendar year.)

(C) Predecessors.

(Any reference in this subsection to an employer shall include a reference to any predecessor of such employer.)

(d) Separate application to each option offered.

(In the case of a group health plan that offers a participant or beneficiary two or more benefit package options under the plan, the requirements of this section shall be applied separately with respect to each such option.)

(e) Definitions.

(For purposes of this section—

(1) Treatment limitation.

(The term ‘treatment limitation’ means, with respect to benefits under a group health plan or health insurance coverage, any day or visit limits imposed on coverage of benefits under the plan or coverage during a period of time.)

(2) Financial requirement.

(The term ‘financial requirement’ means, with respect to benefits under a group health plan or health insurance coverage, any day or visit limits imposed on coverage of benefits under the plan or coverage during a period of time.)

(3) Medical or surgical benefits.

(The term ‘medical or surgical benefits’ means benefits with respect to any of the following items and services—

(A) Inpatient treatment, including detoxification services.

(B) Non-hospital residential treatment.

(C) Outpatient treatment, including screening and assessment, medication management, individual, group, and family counseling, and related services.

(D) Prevention services, including health education and individual and group counseling to encourage the reduction of risk factors for substance abuse.

(6) Substance abuse.

(The term ‘substance abuse’ includes chemical dependency.)

(B) CONFORMING AMENDMENT.

(The table of contents for chapter 100 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 962 the following new item:

“Sec. 9813. Parity in the application of treatment limitations and financial requirements to substance abuse treatment benefits.”)

(b) Individual health insurance.

(1) In general.

(Section 2707 of the Public Health Service Act (42 U.S.C. 300gg-41 et seq.) is amended by inserting after section 2732 the following:

“SEC. 2733. Parity in the application of treatment limitations and financial requirements to substance abuse benefits.

(a) In general.

(The provisions of section 2707 (other than subsection (e)) shall apply to health insurance coverage offered by a health insurance issuer in the individual market in the same manner as it applies to health insurance coverage offered by a health insurance issuer in a group market.)

(b) Notice.

(A) Health insurance issuer under this paragraph shall comply with the notice requirement under section 412 of the Employee Retirement Income Security Act of 1974 with respect to the requirements referred to in the subsection as if such section applied to such issuer and such issuer were a group health plan.)

(2) Conforming amendment.

(Section 2732(b)(2) of the Public Health Service Act (42 U.S.C. 300gg-42(b)(2)) is amended by striking “section 2731” and inserting “sections 2751 and 2753.”)

(c) Effective date.

(1) In general.

(The amendments made by this section shall apply to health plans for plan years beginning on or after January 1, 2000.)

(2) Individual market.

(The amendments made by this paragraph shall apply with respect to health insurance coverage offered, sold, renewed, or in force, on the date of enactment of this Act, and all renewals after such date, in the individual market on or after January 1, 2000.)

(3) Collective bargaining agreements.

(Nothing in this Act shall be construed to preclude an employer from maintaining pursuant to 1 or more collective bargaining agreements between employer representatives and 1 or more employers ratified before the date of enactment of this Act, the amendments made by this section shall apply to plan years beginning before the later of—

(A) the date on which the last collective bargaining agreement relating to the plan terminates (determined without regard to any extension thereof agreed to after the date of enactment of this Act), or

(B) January 1, 2000.)

For purposes of subparagraph (A), any plan amendment made pursuant to a collective bargaining agreement relating to the plan which amends the plan solely to conform to any requirement added by subsection (a) shall not be treated as a termination of such collective bargaining agreement, or operated in the individual market on or after January 1, 2000.)

(d) Coordinated regulations.

(Section 104(1) of the Health Insurance Portability and Accountability Act of 1996 is amended by striking “this subtitle (and the amendments made to this subtitle)” and inserting “the provisions of part 7 of subtitle B of title I of the Employee Retirement Income Security Act of 1974, and the provisions of parts 3 and 4 of title I of the Public Health Service Act, and chapter 1000 of the Internal Revenue Code of 1986”.)
Mr. CONRAD (for himself, Mr. FRIST, Mr. ROBB, Mr. INOUYE, Mr. THOMPSON, Mr. MURKOWSKI, and Mr. DEWINE):

S. 1449. A bill to amend title XVIII of the Social Security Act to increase the payment amount for renal dialysis services furnished under the Medicare program; to the Committee on Finance.

MEDICARE RENAL DIALYSIS FAIR PAYMENT ACT OF 1999

Mr. CONRAD. Mr. President, today I am pleased to join Senator FRIST to introduce the Medicare Renal Dialysis Fair Pay Act of 1999. This legislation takes important steps to help sustain and improve the quality of care for Medicare beneficiaries suffering from kidney-failure.

Nationwide, more than 380,000 Americans have end-stage renal disease (ESRD). In my state of North Dakota, the number of patients living with ESRD is relatively small, just over 600 per year. However, for these patients, and others across the country, access to dialysis treatments means the difference between life and death.

In 1972, the Congress took important steps to ensure that elderly and disabled individuals with kidney-failure receive appropriate dialysis care. At that time, Medicare coverage was extended to include dialysis treatments for beneficiaries with ESRD. Over the last three decades, dialysis facilities have provided services to increasing numbers of kidney-failure patients under increasingly strict quality standards. However, it has come to my attention that reimbursement to dialysis facilities does not reflect the more stringent quality requirements placed upon dialysis providers.

Since 1983, reimbursement to dialysis facilities has actually declined. Today, according to the Medicare Payment Advisory Commission (MedPAC), dialysis facilities receive on average $122 per treatment, compared with $138 per treatment that they received in 1983. Adjusted for inflation, this means that dialysis providers are only receiving about $42 per treatment (in 1983 dollars) to provide nursing, social work and dietitian care, as well as the actual dialysis treatment.

I am concerned that a continued erosion in Medicare payments to dialysis facilities could jeopardize beneficiaries’ access to dialysis services. According to MedPAC, “without an increase in the payment (i.e. composite rate) the quality of dialysis services may decline. Therefore, an update to the composite rate is recommended.” Further, MedPAC has concluded that the majority of dialysis facilities now lose money on Medicare reimbursement and the problem is especially acute for small, rural, and non-profit dialysis facilities. Furthermore, we simply cannot afford to lose rural providers—including providers of dialysis services.

This legislation will ensure dialysis facilities have the resources to continue offering critical dialysis services to individuals with kidney failure. I urge my colleagues to support this important legislation.

By Mr. DODD (for himself and Mr. LIEBERMAN):

S. 1450. A bill to authorize the Secretary of Transportation to convey a National Defense Reserve Fleet vessel to the Glacier Society, Inc., of Bridgeport, Connecticut; to the Committee on Commerce, Science, and Transportation.

CONVEYANCE OF THE SHIP GLACIER

Mr. DODD. Mr. President, I rise today to introduce legislation that would save a historic vessel from the scrap heap. The Glacier, a 310 foot, 8,606 ton icebreaker was commissioned as a vessel of the U.S. Navy in 1955. It made 39 trips to the North and South poles; made the deepest penetration of the Antarctic by sea in 1961; rescued explorer Sir Vivian Fuchs; and was the largest icebreaker of its time. Currently, the Glacier is part of the reserve fleet awaiting disposition as scrap or transfer to the Glacier Society, a group dedicated to restoring the Glacier.

This bill would simply convey the Glacier from the reserve fleet to the Glacier Society. The Society is mainly composed of active and retired servicemen who served aboard the Glacier and is headed by Ben Koether, one of the ship’s former navigators. The group envisions that the Glacier will operate as a museum and scientific laboratory. Both in port and underway, the Glacier Society hopes to provide hands-on training to children and adults while teaching the history of Polar exploration.

By passing the title of the Glacier to the Glacier Society, Congress will save taxpayers roughly $200,000 per year, enable the development of unique educational opportunities, contribute to the nation’s maritime heritage and preserve a piece of history. I look forward to the day when the Glacier Society’s vision for the Glacier is achieved. Passage of this bill would be the first step toward realization of that vision.

By Mr. HARKIN (for himself, Mr. HOLLINGS, Mr. BIDEN, and Mr. GRAHAM):

S. 1451. A bill to amend titles XI and XVIII of the Social Security Act to improve efforts to combat Medicare fraud, waste, and abuse; to the Committee on Finance.

MEDICARE WASTE TAX REDUCTION ACT OF 1999

Mr. HARKIN. Mr. President, today I am introducing with Senator HOLLINGS, Senator BIDEN, and Senator GRAHAM an important piece of legislation that will help to protect and preserve Medicare. The bill is entitled the Medicare Waste Tax Reduction Act of 1999.

For over ten years now, I have worked to combat fraud, waste and abuse in the Medicare program. As Chairman and now Ranking Minority Member of the Senate Appropriations Subcommittee with oversight of the administration of Medicare, I’ve held hearing after hearing and released reports after report documenting the extent of this problem. While virtually no one was paying attention to our effort for many years, we’ve succeeded in bringing a ‘waste tax’ on the American people and focus to this problem in recent years.

Part of our effort has been to try to quantify the scope of the problem. Several years ago, the General Accounting Office reported that up to 10 percent of Medicare funds could be lost to fraud, waste and abuse each year. Many questioned that estimate as too large. They said the problem existed, but it wasn’t nearly as big as 10 percent. A few years ago, the Inspector General conducted the first-ever detailed audit of Medicare payments. That Chief Financial Officer Act audit found that fully 14 percent of Medicare payments in 1996, or over $23 billion, had been made improperly.

To combat these substantial losses, we have put into place the reforms embodied in the Health Insurance Portability Act and the Balanced Budget Act. HCFA, the Inspector General and the Justice Department also have conducted aggressive efforts to crack down on Medicare fraud, waste, and abuse. As a result, we have seen a dramatic decrease in these improper payments. According to the most recent Inspector General’s report, improper payments had been reduced from $23.2 billion in 1996, to $20.3 billion in 1997, to $12.6 billion in 1998.

While I am very pleased with the successful efforts so far in combating fraud, waste, and abuse, that still amounts to a nearly $13 billion annual ‘waste tax’ on the American people. Now is not the time to rest on our laurels. We must now question, what is the best way to move forward and further cut this tax. I know there are no ‘magic-wand’ solutions—this is a complex problem with many components. But basically, you need four things: well thought out laws, adequate resources, effective implementation and the help of seniors and health providers. We’ve made progress on each of these fronts over the last couple of years, but much more remains to be done.

Mr. President, we have many thousands of dedicated health providers...
Mr. President, while we have made changes to medicare in attempts to extend its solvency thru the next decade, we urgently need to take other steps to protect and preserve the program for the long-term. We should enact the reforms in this bill to weed out waste, fraud and abuse as a first priority in this effort. I urge all my colleagues to review this proposal and hope that they will join me in working to pass it yet this year.

Mr. President, I also ask unanimous consent that the bill be printed in the RECORD.

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

S. 1451

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

SECTION 1. SHORT TITLE. TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Medicare Waste Tax Reduction Act of 1999".

(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

Sec. 1. SHORT title; table of contents.
Sec. 2. Increased medical reviews and anti-fraud activities.
Sec. 3. Oversight of health agencies.
Sec. 4. No mark up for drugs or biologicals.
Sec. 5. Ensuring that the medicare program does not reimburse claims owed by other payers.
Sec. 6. Extension of subpoena and injunction authority.
Sec. 7. Civil monetary penalties for services ordered or prescribed by an excluded individual or entity.
Sec. 8. Civil monetary penalties for false certification of eligibility to receive partial hospitalization and hospice services.
Sec. 9. Application of certain provisions of the bankruptcy code.
Sec. 10. Improving private sector coordination in combatting health care fraud.
Sec. 11. Fees for agreements with medicare providers and suppliers.
Sec. 12. Increased medicare compliance, education, and assistance for health care providers.
Sec. 13. Paperwork and administrative hassle reductions.
Sec. 14. Clarification of application of sanctions to Federal health care programs.
Sec. 15. Payments for durable medical equipment.
Sec. 16. Implementation of commercial claims auditing systems.
Sec. 17. Partial hospitalization payment reforms.
Sec. 18. Expansion of medicare senior waste tax.
Sec. 19. Application of inherent reasonableness to all part B services other than physicians’ services.
Sec. 20. Standards regarding payment for certain orthotics and prosthetics.

Our bill would also give medicare the authority to be a more prudent purchaser. As passed by the Senate, the Balanced Budget Act gave medicare the authority to quickly reduce Part B payment rates (except those made for physician services) it finds to be grossly excessive when compared to rates paid by other government programs and the private sector. In conference, the provision was limited to reductions of no more than 15 percent. This bill would restore the original Senate language. In addition, to assure that medicare gets the price it deserves given its status as by far the largest purchaser of medical supplies and equipment, medicare would pay no more than any other government program for these items. Finally, overpayments for prescription drugs and biologicals would be eliminated by lowering medicare’s rate to the lowest of either the actual acquisition cost or 83% of the wholesale cost.

Our bill would also give the Secretary of Health and Human Services greater flexibility in contracting for claims processing and payment functions on behalf of medicare beneficiaries and providers. It would update medicare contracting procedures and bring it more in line with standard contracting procedures already used across the Federal Government and therefore allow medicare the ability to get much better value for its contracting dollars.

The Medicare Waste Tax reduction Act of 1999 would also ensure that medicare does not pay for claims owed other government programs. It would call for medicare to pay claims that are owed by private insurers because it has no way of knowing a beneficiary is working and has private insurance that should pay first. This provision would reduce medicare losses by requiring insurers to report any medicare beneficiaries they insure. Also, medicare would be given the authority to recover double the amount owed by insurers who purposely let medicare pay claims they should have paid.

Additionally, coordination between medicare and private insurers would be strengthened. Often, those ripping off medicare are also defrauding private health plans. Yet, too little information Medicare rules is shared between medicare and private plans. In order to encourage better coordination, health plans and their employees could not be held liable for sharing information with medicare regarding health care fraud and abuse. This provision is not of fraud or abuse, but of simple misunderstanding that the bill was printed in the RECORD.

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

S. 1451

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

SECTION 1. SHORT TITLE. TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Medicare Waste Tax Reduction Act of 1999".

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Sec. 6. Extension of subpoena and injunction authority.
Sec. 7. Civil monetary penalties for services ordered or prescribed by an excluded individual or entity.
Sec. 8. Civil monetary penalties for false certification of eligibility to receive partial hospitalization and hospice services.
Sec. 9. Application of certain provisions of the bankruptcy code.
Sec. 10. Improving private sector coordination in combatting health care fraud.
Sec. 11. Fees for agreements with medicare providers and suppliers.
Sec. 12. Increased medicare compliance, education, and assistance for health care providers.
Sec. 13. Paperwork and administrative hassle reductions.
Sec. 14. Clarification of application of sanctions to Federal health care programs.
Sec. 15. Payments for durable medical equipment.
Sec. 16. Implementation of commercial claims auditing systems.
Sec. 17. Partial hospitalization payment reforms.
Sec. 18. Expansion of medicare senior waste tax.
Sec. 19. Application of inherent reasonableness to all part B services other than physicians’ services.
Sec. 20. Standards regarding payment for certain orthotics and prosthetics.

Our bill would also give medicare the authority to be a more prudent purchaser. As passed by the Senate, the Balanced Budget Act gave medicare the authority to quickly reduce Part B payment rates (except those made for physician services) it finds to be grossly excessive when compared to rates paid by other government programs and the private sector. In conference, the provision was limited to reductions of no more than 15 percent. This bill would restore the original Senate language. In addition, to assure that medicare gets the price it deserves given its status as by far the largest purchaser of medical supplies and equipment, medicare would pay no more than any other government program for these items. Finally, overpayments for prescription drugs and biologicals would be eliminated by lowering medicare’s rate to the lowest of either the actual acquisition cost or 83% of the wholesale cost.

Our bill would also give the Secretary of Health and Human Services greater flexibility in contracting for claims processing and payment functions on behalf of medicare beneficiaries and providers. It would update medicare contracting procedures and bring it more in line with standard contracting procedures already used across the Federal Government and therefore allow medicare the ability to get much better value for its contracting dollars.
(a) I N GENERAL.—Section 1891(c) of the Social Security Act (42 U.S.C. 1395f(c)) is amended by inserting after paragraph (3) the following:

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(4) I NCREASE IN APPROPRIATED AMOUNTS
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and inserting the amount appropriated under this subsection.

(b) E FFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of enactment of this Act.
group health plan that is subject to the requirements of paragraphs (A) and (B) shall provide the Secretary with the information described in subparagraph (C) for each individual covered under the plan who is entitled to any benefits under this title. Such information shall be provided in such manner and at such times as the Secretary may specify (but in no case more frequently than 4 times per year).

(2) Provision of information by employers or employee organizations.—An employer (or employee organization) that maintains, provides, or offers a group health plan that is subject to the requirements of paragraph (1) shall provide to the administrator of the plan the information described in subparagraph (C) for each individual covered under the plan who is entitled to any benefits under this title. Such information shall be provided in such manner and at such times as the Secretary may specify (but in no case more frequently than 4 times per year).

(a) Information.—The information described in this paragraph is as follows:

(i) Elements concerning the individual.—

(I) The individual’s name.

(II) The individual’s date of birth.

(III) The individual’s sex.

(IV) The individual’s social security insurance number.

(V) The individual’s family relationship to the individual to the person who has current or prior employment status with the employer.

(II) Elements concerning the family member with current or prior employment status.—

(I) The name of the person in the individual’s family who has current or prior employment status with the employer.

(II) That person’s social security insurance number.

(III) The number or other identifier assigned by the Secretary to the individual for claims under this title.

(V) The family relationship of the individual to the person who has current or prior employment status with the employer.

(II) Elements concerning the employer.—

(I) The employer’s name.

(II) The employer’s address.

(III) The employer’s identification number of the employer.

(b) Effective date.—The amendment made by subsection (a) shall take effect on January 1, 2006.

SEC. 6. EXTENSION OF SUBPOENA AND INJUNCTION AUTHORITY.

(a) Subpoena Authority.—Section 1128A(j)(1) of the Social Security Act (42 U.S.C. 1320a–7a(j)(1)) is amended by inserting “or an exclusion under section 1128B” after “with respect to this section.”

(b) Injunction Authority.—Section 1128A(k) of the Social Security Act (42 U.S.C. 1320a–7a(k)) is amended by inserting “or an exclusion under section 1128B” after “subject to a civil monetary penalty under this section.”

(c) Clarifying Amendments.—

(1) In general.—Section 1128A(j)(1) of the Social Security Act (42 U.S.C. 1320a–7a(j)(1)) is amended—

(A) by inserting “, except for claims under this title,” after “with respect to title II;” and

(B) by striking the second sentence.

(2) Authority.—Section 1128A(j)(2) of the Social Security Act (42 U.S.C. 1320a–7a(j)(2)) is amended to read as follows:

“(2) The Secretary may delegate to the Inspector General of the Department of Health and Human Services any or all authority granted under this section or under section 1128B.”

(d) Conforming Amendment.—Section 1128A(k) of the Social Security Act (42 U.S.C. 1320a–7a(k)) is amended by adding at the end the following:

“(k) For provisions of law concerning the Secretary’s subpoena and injunction authority with respect to activities under this section, see subsections (j) and (k) of section 1128B.”

SEC. 7. CIVIL MONETARY PENALTIES FOR SERVICES ORDERED OR PRESCRIBED BY AN EXCLUDED INDIVIDUAL OR ENTITY.

(a) In general.—Section 1128A(a)(1) of the Social Security Act (42 U.S.C. 1320a–7a(a)(1)) is amended—

(1) in subparagraph (D)—

(A) by inserting “, ordered, or prescribed by such person” after “other item or service furnished”;  

(B) by inserting “pursuant to this title or title XVIII, or for a penalty, fine, or assessment under this title, title XVIII, or title XIX, or for a penalty, fine, or assessment under this title, title XVIII, or title XIX, or for a penalty, fine, or assessment under this title, title XVIII, or title XIX,” after “with respect to activities under this section,” and

(C) by striking “under title XVII.”

(2) For provisions of law concerning the Secretary’s subpoena and injunction authority with respect to activities under this section, see subsections (j) and (k) of section 1128B.

(b) Effective date.—The amendments made by subsection (a) shall apply to document executed after the date of enactment of the this Act.

SEC. 8. CIVIL MONETARY PENALTIES FOR FALSE CERTIFICATION OF ELIGIBILITY TO RECEIVE PARTIAL HOSPITALIZATION AND HOSPICE SERVICES.

(a) In general.—Section 1128A(b)(3) of the Social Security Act (42 U.S.C. 1320a–7a(b)(3)) is amended—

(1) in subparagraph (A)(i), by inserting “, hospice care, or partial hospitalization services” after “home health services”;

(2) in subparagraph (C), by striking “the provisions of section 1842(j)(2)” and inserting “the provisions of section 1842(j)(2), section 1835(a)(2)(F) in the case of partial hospitalization care services provided to the debtor under title XVIII, or for a penalty, fine, or assessment under this title, title XVIII, or title XIX,” after “with respect to activities under this section,” and

(3) by inserting “or any other provision of law, in the case of

(c) Repayment of certain debts considered final.—Payments made to repay a debt owed to the United States or to a State with respect to items or services provided, or claims for payment made, under title XVIII or title XIX (other than an overpayment for health care services provided to the debtor under title XVIII), or for a penalty, fine, or assessment under this title, title XVIII, or title XIX, shall not be dischargeable under any provision of title 11, United States Code.

(d) Use of Medicare or Medicaid third-party liability.—In any case in which a person, or an entity known or should know of such exclusion, or an entity known or should know of such exclusion, or

(e) Effective date.—The amendments made by subsection (a) shall apply to claims presented on or after the date of enactment of this Act.

SEC. 9. APPLICATION OF CERTAIN PROVISIONS OF THE BANKRUPTCY CODE.

(a) Restricted applicability of Bankruptcy Code.—The amendments made by section 572(b) of title 11, United States Code, shall not apply to transfers provided to the Department of Health and Human Services that are covered by section 1128A(a)(7) in the case of partial hospitalization services and by section 1835(a)(2)(F) in the case of hospice care services.

(b) Effective date.—The amendments made by subsection (a) shall apply to documents executed after the date of enactment of this Act.

SEC. 10. APPLICATION OF CERTAIN PROVISIONS OF THE BANKRUPTCY CODE.

(a) Sec. 572(b) of title 11, United States Code.—Title XI of the Social Security Act (42 U.S.C. 1395 et seq.) is amended by inserting “or an overpayment for health care services provided to the debtor under title XVIII, or for a penalty, fine, or assessment under this title, title XVIII, or title XIX, or for a penalty, fine, or assessment under this title, title XVIII, or title XIX, shall be considered final and not preferential transfers under section 547 of title 11, United States Code.”

(b) Medicare rules applicable to bankruptcy proceedings.—Section 1897 of the Social Security Act (42 U.S.C. 1395 et seq.) is amended by adding at the end the following:

“APPLICATION OF PROVISIONS OF THE BANKRUPTCY CODE.

SEC. 1997. (a) Use of Medicare standards and procedures.—Notwithstanding any provision of title 11, United States Code, or any other provision of law, in the case of
claims by a debtor in bankruptcy for pay-
ment under the debtor's plan, or for
whether the claim is allowable, and of the
amount payable, shall be made in accordance
with the provisions of this title and title XI.

(b) NOTICE TO CREDITOR OF BANKRUPTCY
PETITION.—In the case of a debt owed to
the United States with respect to items or
services provided, or claims for payment
made, under this title (including a debt aris-
ing from an overpayment or a penalty, fine,
or assessment under title XI or this title),
the notices to the creditor of bankruptcy
petitions, or notice of a stay, or any action or
relief, required under title 11, United States Code (including
under section 342 of that title and section
2002(j) of the Federal Rules of Bankruptcy
Procedure), shall be given to the Secretary.
Prov
ession of such notice to a fiscal agent of
the Secretary shall not be considered to
tsatisfy this requirement.

(c) TURNOVER OF PROPERTY TO THE BANK-
RUPTCY ESTATE.—For purposes of section
522(b) of title 11, United States Code, a claim
for payment under this title shall not be con-
sidered to be a matured debt payable to the
United States with respect to items or
services that are not providers of services.

(d) APPLICABLE INDIVIDUAL.—In sub-
section (a), the term ‘applicable individual’
means—

(1) a Federal, State, or local law enforce-
ment official responsible for the investiga-
tion or prosecution of suspected health care
fraud offenses;
or

(2) an employee of a health plan or issuer of
a health plan.

(e) ATTORNEY’S FEES.—Any health plan,
issuer of a health plan, or employee of a
health plan against whom a civil action is
brought, and who is found to be entitled to
immunity from liability by reason of this
section, shall be entitled to recover reason-
able attorney’s fees and costs from the per-
son who brought the civil action.

(b) EFFECTIVE DATE.—The amendment
made by subsection (a) shall take effect on the
date of enactment of this Act.

SEC. 11. FEES FOR AGREEMENTS WITH MEDI-
CARE PROVIDERS AND SUPPLIERS.

(a) FEES RELATED TO MEDICARE PROVIDER
AND SUPPLIER AGREEMENTS AND REEN-
ROLLMENT.—Section 1866 of the Social Security Act (42 U.S.C. 1395cc) is amended by adding at the end the following:

"(1) ENROLLMENT OF INDIVIDUALS AND EN-
tITIES THAT ARE NOT PROVIDERS OF SERVICES.—

The Secretary may establish a procedure for
enrolling individuals or entities that are not providers of services subject to the provisions of sub-
section (a) but that furnish health care items or
services under this title.

(2) FEES.—

"(a) IN GENERAL.—The Secretary may im-
pose fees for initiation and renewal of pro-
vider agreements under subsection (a) and
for enrollment and periodic reenrollment of
other individuals and entities furnishing health care items or services under this title
unless the Secretary reasonably estimates that
the full amount which the Secretary reasonably
estimates to be sufficient to cover the Secre-
ty’s costs related to the process for initi-
ating and reviewing such agreements and en-
rollments.

"(b) FEES CREDITED TO SPECIAL FUND IN
TREASURY.—Fees collected pursuant to this
paragraph shall be credited to a special fund of
the United States Treasury, and shall remain
available until expended, to the extent in
such amounts as provided in advance by
appropriations, for purposes specified for
these purposes, including costs of
establishing and maintaining procedures and
records systems, processing applications, and
conducting investigations.

(c) CLERICAL AMENDMENT.—The heading
of section 1866 of the Social Security Act (42 U.S.C. 1395cc) is amended to read as follows:

"AGREEMENTS WITH PROVIDERS OF SERVICES
AND ENROLLMENT OF OTHER PERSONS FUR-
NISHING SERVICES".

SEC. 12. INCREASED MEDICARE COMPLIANCE
EDUCATION, AND ASSISTANCE FOR
HEALTH CARE PROVIDERS.

(a) DEVELOPMENT OF PLAN.—Not later than 6 months after the date of enactment of this
Act, the Secretary of Health and Human Services shall, in consultation with health care
provider representatives, develop and implement a comprehensive plan of activi-

(1) maximize health care provider knowl-
edge of medicare program integrity require-
ments, including anti-fraud and abuse laws
and administrative requirements under the

(2) assist health care providers with medic-
care program integrity compliance, includ-
ing educating such providers regarding com-
pliance with medicare program requirements;

(3) develop improved computer technology
for health care providers to both reduce their
administrative hassles and facilitate their
compliance with medicare program require-
mements, including physician evaluation and
management guidelines; and

(4) otherwise improve compliance among
health care providers with rules and regula-
tions under the medicare program.

(b) FUNDING.—Notwithstanding any other
 provision of law, of the amounts appro-
 priated under title 1817(k)(4) of the Social Security Act (42 U.S.C. 1395(k)(4)) for a fis-
cial year, there shall be made available
$10,000,000 in fiscal year 2000 and such sums
as are necessary in fiscal years 2001 through 2005.

SEC. 13. PAPERWORK AND ADMINISTRATIVE HAS-
SLE REDUCTION.

(a) STUDY BY COMMITTEE.—

(1) ESTABLISHMENT.—Not later than
90 days after the date of enactment of this
Act, the Secretary of Health and Human Services shall contract with the Institute of Medicine
to study medicare program administrative requirements.

(2) In the last sentence of subsection (a), by striking "to the appropriate State
agency to exclude the person from participation in any State health care program; and

(4) in subsection (b), by striking “State agency or agencies administering or supervising the administration of State health care programs” as defined in section 1128(b)(1) and inserting “Federal or State agency or agencies administering or supervising the administration of any Federal health care program”;

(c) APPLICATION OF WAIVER PROVISIONS TO FEDERAL HEALTH CARE PROGRAMS.—Section 1128 of the Social Security Act (42 U.S.C. 1320a-7) is amended—

(1) in subsection (c)(3)(B), by striking “upon the request of a State” and inserting “upon the request of the director of a Federal health care program”;

(2) in subsection (d)(3)(B)(i)—

(A) by striking “State health care program” and inserting “Federal health care program”;

(B) by striking “State agency” and inserting “Federal or State agency”; and

(C) by striking “State health care program” and inserting “Federal health care program (other than under title XVIII)”;

(d) NOTICE PROVISION REGARDING FEDERAL HEALTH CARE PROGRAMS.—Section 1128 of the Social Security Act (42 U.S.C. 1320a-7) is amended—

(1) in the heading of subsection (d), by striking “TO STATE AGENCIES AND EXCLUSION UNDER STATE HEALTH CARE PROGRAMS” and inserting “AND EXCLUSION UNDER FEDERAL HEALTH CARE PROGRAMS”;

(2) in subsection (d)(1), by striking “State” and inserting “Federal”;

(3) in subsection (d)(3)(B), by striking “State agency” and inserting “Federal or State agency” each place it appears; and

(B) by striking “State health care program” and inserting “Federal health care program” each place it appears;

(4) in subsection (d)(3)(A), by striking “and” and inserting “or”;

(5) in subsection (g)(3)—

(A) by striking “State agency” and inserting “Federal or State agency”; and

(B) by striking “State health care program” and inserting “Federal health care program”;

(e) USE OF DEFINITION OF FEDERAL HEALTH CARE PROGRAM IN PROVISIONS REGARDING STATE EMPLOYEES HEALTH BENEFITS PROGRAM AS A FEDERAL HEALTH CARE PROGRAM.—Section 1128B(f) of the Social Security Act (42 U.S.C. 1320a-7f) is amended—

(1) in the matter preceding paragraph (1), by striking “and sections 1128 and 1128A” after “this section”; and

(2) in paragraph (1), by striking “other than the health insurance program under chapter 89 of title 5, United States Code”;

(f) AUTOMATIC PROCEDURES FOR FEDERAL HEALTH CARE PROGRAMS BASED ON PRO ECBOMMENDATIONS.—Section 1156(b)(1) of the Social Security Act (42 U.S.C. 1395m(b)(1)) is amended—

(1) in the second sentence, by striking “eligibility to provide services under this Act on a reimbursable basis” and inserting “participation in such health care program (as defined in section 1128B(f)(1))”;

(2) in the third sentence, by striking “eligibility to provide services on a reimbursable basis” and inserting “participation in such programs”;

(g) EFFECTIVE DATE.—

(1) IN GENERAL.—Subject to paragraph (2), the amendment made by this section shall take effect on the date of enactment of this Act.

(2) CONVICTIONS UNDER FHSA.—The amendment made by subsection (e)(2) shall take effect, with respect to convictions under the health insurance program under chapter 89 of title 5, United States Code, to convictions that occurred on or after the date of enactment of this Act.

SEC. 15. PAYMENTS FOR DURABLE MEDICAL EQUIPMENT.

(a) IN General.—Section 1395j(a)(1) of the Social Security Act (42 U.S.C. 1395j(a)(1)) is amended—

(1) in paragraph (1), by striking “purchased by the individual’s personal residence” before the period at the end and inserting “or furnished other than the health insurance program under chapter 89 of title 5, United States Code”;

(2) in paragraph (2), by striking “other than the health insurance program under chapter 89 of title 5, United States Code”.

(b) TERMS.—In this section—

(A) COMMERCIAL CLAIMS AUDITING SYSTEM.—The term “commercial claims auditing system” means a commercial specialized auditing system that includes edits which identify billing errors and overpayments under Medicare, Medicaid, and Medicare+Choice claims auditing systems in processing claims under Medicare, Medicaid, and Medicare+Choice programs.

(B) ADMINISTRATIVE COSTS.—The term “administrative costs” means the Secretary of Health and Human Services, or the Secretary’s designee, determining that the full payment amount for an item is covered under clauses (iii) or (iv) of subparagraph (B) and

(1) be a commercial item;

(2) surpass the capability of systems currently used in the processing of claims under Medicare, Medicaid, and Medicare+Choice programs by at least a minimum—

(A) be modifiable to—

(A) satisfy pertinent statutory requirements of the medicare program; and

(B) be made available to any other information technology (or data related thereto) utilized by medicare carriers in establishing a commercial claims auditing system pursuant to subsection (a) shall not be subject to public disclosure.

(2) AUTHORIZED DISCLOSURE.—The Secretary may authorize the public disclosure of the information described in paragraph (1) if the Secretary determines that the public disclosure is in the public interest; and

(B) the information to be released is not protected from disclosure under section 552(b) of title 5, United States Code.

(d) DEFINITIONS.—In this section—

(1) COMMERCIAL CLAIMS AUDITING SYSTEM.—The term “commercial claims auditing system” means a commercial specialized auditing system that includes edits which identify inaccurately coded claims auditing systems in processing claims under Medicare, Medicaid, and Medicare+Choice programs.

(2) COMMERCIAL ITEM.—The term “commercial item” has the meaning given such term in section 402(a)(2) of the Federal Acquisition Regulation (41 U.S.C. 405).

(3) INFORMATION TECHNOLOGY.—The term “information technology” has the meaning given such term in section 5002(3) of the Information Technology Management Reform Act of 1996 (40 U.S.C. 401)., were such information technology to be acquired by an executive agency.

(4) MEDICARE CARRIER.—The term “medicare carrier” means an entity that has a contract with the Secretary pursuant to section 1861(e)(2) of the Social Security Act (42 U.S.C. 1395w(a)).

(5) SECRETARY.—The term “Secretary” means the Secretary of Health and Human Services.

SEC. 16. IMPLEMENTATION OF COMMERCIAL CLAIMS AUDITING SYSTEMS.

(a) COMMERCIAL CLAIMS AUDITING SYSTEMS.—

(1) IN GENERAL.—Not later than 90 days after the date of enactment of this Act, the Secretary shall require medicare carriers to use commercial claims auditing systems in the processing of claims under part B of the medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395b et seq.) for the purpose of identifying billing errors and abuses.

(2) SUPPLEMENT TO OTHER TECHNOLOGY.—Commercial claims auditing systems required under paragraph (1) shall be used as a supplement to any other information technology used by medicare carriers in processing claims under the medicare program.

(i) UNIFORMITY.—In order to ensure uniformity in processing claims under medicare program, the Secretary may require that medicare carriers utilize one or more common commercial claims auditing systems, provided that the selection of such system or systems by the Secretary shall be after due consideration of competing alternatives or systems but

(b) without regard to any provision of law that requires the use of competitive procedures (as defined in section 4 of the Office of Federal Procurement Policy Act (41 U.S.C. 403)) or the publication of notice of proposed procurements.

(c) IMPLEMENTATION.—Commercial claims auditing systems required to be implemented pursuant to subsection (a) shall be implemented by all medicare carriers by not later than 180 days after the date of enactment of this Act.

(d) MINIMUM SECURITY REQUIREMENTS.—Any commercial claims auditing system required to be implemented pursuant to subsection (a) shall—

(1) be a commercial item;

(2) be modifiable to—

(A) satisfy pertinent statutory requirements of the medicare program; and

(B) be made available to any other information technology (or data related thereto) utilized by medicare carriers in establishing a commercial claims auditing system pursuant to subsection (a) shall not be subject to public disclosure.

(2) AUTHORIZED DISCLOSURE.—The Secretary may authorize the public disclosure of the information described in paragraph (1) if the Secretary determines that the public disclosure is in the public interest; and

(B) the information to be released is not protected from disclosure under section 552(b) of title 5, United States Code.

(d) DEFINITIONS.—In this section—

(1) COMMERCIAL CLAIMS AUDITING SYSTEM.—The term “commercial claims auditing system” means a commercial specialized auditing system that includes edits which identify inaccurately coded claims auditing systems in processing claims under Medicare, Medicaid, and Medicare+Choice programs.

(2) COMMERCIAL ITEM.—The term “commercial item” has the meaning given such term in section 402(a)(2) of the Federal Acquisition Regulation (41 U.S.C. 405).

(3) INFORMATION TECHNOLOGY.—The term “information technology” has the meaning given such term in section 5002(3) of the Information Technology Management Reform Act of 1996 (40 U.S.C. 1401), were such information technology to be acquired by an executive agency.

(4) MEDICARE CARRIER.—The term “medicare carrier” means an entity that has a contract with the Secretary pursuant to section 1861(e)(2) of the Social Security Act (42 U.S.C. 1395w(a)).

(5) SECRETARY.—The term “Secretary” means the Secretary of Health and Human Services.

SEC. 17. PARTIAL HOSPITALIZATION PAYMENT REFORMS.

(a) LIMITATION ON LOCATION OF PROVISION OF SERVICES.—

(1) IN GENERAL.—Section 1861xx(f)(2) of the Social Security Act (42 U.S.C. 1395cc(f)(2)) is amended in the matter following subparagraph (B)—

(A) by striking “and furnished” and inserting “and furnished”; and

(B) by inserting “and furnished other than at a skilled nursing facility or in an individual’s personal residence” before the period.
(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply to claims for services furnished on or after the first day of the third month beginning after the date of enactment of this Act.

(b) QUALIFICATIONS FOR COMMUNITY MENTAL HEALTH SERVICES.—Section 1905(a)(2)(A) of the Social Security Act (42 U.S.C. 1396a(a)(2)(A)) is amended by adding at the end the following:—

"(2) E FFECTIVE DATE.—The amendments made by paragraphs (1) and (3) apply to claims for services furnished on or after the first day of the third month beginning after the date of enactment of this Act.

(3) CONFORMING AMENDMENTS.—

(A) Section 1832(a)(2) of the Social Security Act (42 U.S.C. 1396s(a)(2)) is amended—

(1) in subparagraph (B), by striking "or paragraph (1)" and inserting "(I), (II), and (III)"; and

(2) in subparagraph (J), by striking "provided by a community mental health center (as described in section 1861(ff)(2)(B))".

(B) Section 1833(a) of the Social Security Act (42 U.S.C. 1395l(a)) is amended—

(1) in paragraph (2) in the matter preceding subparagraph (A), by striking "(H), (I), and (J)" and inserting "(H), (I), (J)";

(ii) by adding at the end the following:

"(j) The plan described in section 1861(ff)(2)(B) of this title shall be considered a high-acuity, chronic care case under section 1861(s)(9) if the plan meets the following standards:

(I) minimizes unnecessary hospitalizations and promotes case management and home health care; and

(II) the plan is prepared in consultation with appropriate experts in orthotics and prosthetics, and is either certified by the American Board for Certification in Orthotics and Prosthetics, Inc., or is credentialed and approved by a program that the Secretary determines, in consultation with appropriate experts in orthotics and prosthetics, has training and education standards that are necessary to provide appropriate items;".

(2) EFFECTIVE DATE.—The amendment made by subparagraph (I) shall apply to claims for services furnished on or after the first day of the third month beginning after the date of enactment of this Act.

(4) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (3) apply to claims for services furnished on or after January 1 of the first year that begins at least 6 months after the date on which regulations are issued under section 1833(p) of the Social Security Act (42 U.S.C. 1395l(p)) (as inserted by paragraph (1)).

SEC. 18. EXPANSION OF MEDICARE SENIOR WASTE PATROL NATIONWIDE.

There are authorized to be appropriated $25,000,000 for each of fiscal years 2000 to 2003, to remain available until expended, to support the enforcement activities of the Medicare Fraud Control Unit, and such sums as are necessary for fiscal years 2001 through 2003, for the purpose of carrying out, and expanding nationwide, the Health Care Anti-Fraud, Waste and Abuse Community Volunteer Demonstration Projects conducted by the Administration on Aging pursuant to the Omnibus Consolidated Appropriations Act, 1997 (Public Law 104-106).

SEC. 19. APPLICATION OF INHERENT REASONABILITY TO ALL PART B SERVICES OTHER THAN PHYSICIANS' SERVICES.

(a) REPEAL OF CERTAIN PROVISIONS OF THE BALANCED BUDGET ACT OF 1997.—

(1) REPEAL.—Section 4316 of the Balanced Budget Act of 1997 (Public Law 105-33; 111 Stat. 390), and the amendments made by such section, are repealed effective August 5, 1997.

(b) APPLICABILITY.—Effective August 5, 1997, the Social Security Act shall be applied and administered as if section 4316 of the Balanced Budget Act of 1997 (Public Law 105-33; 111 Stat. 390), and the amendments made by such section, had not been enacted.

(c) REVISION OF DEFINITION OF ORTHOTICS.—

(1) IN GENERAL.—Section 1842(b)(8) of the Social Security Act (42 U.S.C. 1395cc(b)(8)) is amended—

(II) defines "orthotic" to mean any item which is specifically trained and educated for the purpose of providing or managing the provision of custom-designed, fabricated, modified, and fitted orthotics and prosthetics, and is either certified by the American Board for Certification in Orthotics and Prosthetics, Inc., or is credentialed and approved by a program that the Secretary determines, in consultation with appropriate experts in orthotics and prosthetics, has training and education standards that are necessary to provide appropriate items;".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall take effect August 5, 1997.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall take effect August 5, 1997.

SEC. 20. STANDARDS REGARDING PAYMENT FOR CERTAIN ORTHOTICS AND PROSTHETICS.

(a) STANDARDS.—

(1) IN GENERAL.—Section 1834(h)(1) of the Social Security Act (42 U.S.C. 1395m(h)(1)) is amended by adding at the end the following:

"(F) Establishment of standards for certain items.—

(I) IN GENERAL.—No payment shall be made for an applicable item unless such item is provided by a qualified practitioner or a qualified supplier under the system established by the Secretary under clause (iii). For purposes of the preceding sentence, if a qualified practitioner or a qualified supplier contracts with an entity to provide an applicable item, then no payment shall be made for such item unless the entity is also a qualified supplier.

(ii) Definitions.—In this subparagraph—

(aa) 'Applicable item' means an item of durable medical equipment which is prescribed and furnished by a qualified practitioner or a qualified supplier to individuals meeting the requirements for such item as established under this Act.

(bb) 'Qualified practitioner' means a practitioner or supplier who—

(aa) is specifically trained and educated for the purpose of providing or managing the provision of custom-designed, fabricated, modified, and fitted orthotics and prosthetics, is either certified by the American Board for Certification in Orthotics and Prosthetics, Inc., or is credentialed and approved by a program that the Secretary determines, in consultation with appropriate experts in orthotics and prosthetics, has training and education standards that are necessary to provide appropriate items;".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall take effect August 5, 1997.
72 FR 36761

(2) EFFECTIVE DATE.—The amendment made by paragraph (2) shall apply to items provided on or after January 1, 2000.

SEC. 21. INCREASED FLEXIBILITY IN CONTRACTING FOR MEDICARE CLAIMS PAYMENT PROCESSING.

(a) CARRIERS TO INCLUDE ENTITIES THAT ARE NOT INSURANCE COMPANIES.—Section 1842 of the Social Security Act (42 U.S.C. 1395l) is amended—

(1) in subsection (a), in the matter preceding paragraph (1), by striking “with carriers” and inserting “with agencies and organizations” (in this section referred to as “carriers”); and

(2) by striking subsection (f).

(b) SECRETARIAL FLEXIBILITY IN CONTRACTING FOR AND IN ASSIGNING FISCAL INTERMEDIARY AND CARRIER FUNCTIONS.—

(1) IN GENERAL.—

(A) Section 1816(a) of the Social Security Act (42 U.S.C. 1395l(a)) is amended to read as follows:

“(a) The Secretary may enter into contracts with agencies or organizations to perform any or all of those functions described in section 1878 and to such contract the amount of the payments required pursuant to this part to be made to providers of services;

(B) make payments described in subparagraph (A);

(C) provide consultative services to institutions or agencies to enable them to establish and maintain fiscal records necessary for purposes of this part and otherwise to qualify for and use services;

(D) serve as a center for, and communicate to individuals entitled to benefits under this part and to providers of services, any information or instructions furnished to the agency or organization by the Secretary, and serve as a channel of communication from individuals entitled to benefits under this part and from providers of services to the Secretary;

(E) make such audits of the records of providers of services as may be necessary to ensure that proper payments are made under this part;

(f) perform the functions described by subsection (d); and

(G) perform such other functions as are necessary to carry out the purposes of this part.

(2) As used in this title and title XI, the term ‘fiscal intermediary’ means an agency or organization with a contract under this section.”;

(B) Section 1816(b)(1)(A) of the Social Security Act (42 U.S.C. 1395l(b)(1)(A)) is amended by striking “applying the standards, criteria, and procedures” and inserting “after evaluating the ability of the agency or organization to fulfill the contract performance requirements”.

(C) Section 1816(d) of the Social Security Act (42 U.S.C. 1395l(d)) is amended to read as follows:

“(d) Each provider of services shall have a fiscal intermediary that—

(1) acts as a single point of contact for the provider of services under this part;

(2) makes its services sufficiently available to meet the needs of the provider of services; and

(3) is responsible and accountable for arranging the resolution of issues raised under this part by the provider of services.”;

(D) Section 1816(e) of the Social Security Act (42 U.S.C. 1395l(h)) is amended to read as follows:

“(e) The Secretary, in evaluating the performance of a fiscal intermediary, may solicit comments from providers of services.

(E) Section 1816(f) of the Social Security Act (42 U.S.C. 1395l(f)(1)) is amended to read as follows:

“(f)(1) With respect to performance requirements under subsection (a), the Secretary may consult with—

(A) Medicare+Choice organizations under part C of title XVIII;

(B) providers of services and other persons who furnish items or services for which payment may be made under this title; and

(C) organizations and agencies performing functions necessary to carry out the purposes of this part.”;

(F) Section 1842(b)(2) of the Social Security Act (42 U.S.C. 1395u(b)(2)) is amended—

(1) in subparagraph (A)—

(I) by striking “(i)” before “No such contract”;

(II) by striking the second sentence and inserting the following:

“(ii) With respect to performance requirements for contracts under subsection (a), the Secretary may—

(A) Medicare+Choice organizations under part C of title XVIII;

(B) providers of services and other persons who furnish items or services for which payment may be made under this title; and

(C) organizations and agencies performing functions necessary to carry out the purposes of this part.”;

(G) Section 1842(b)(2)(C) of the Social Security Act (42 U.S.C. 1395u(b)(2)(C)) is amended—

(1) by striking “An agreement” and inserting “a contract”; and

(2) by striking “(as appropriate)” after “submit”.

(H) Section 1842(a) of the Social Security Act (42 U.S.C. 1395u(a)) is amended—

(1) in the matter preceding paragraph (1) (as amended by subsection (a)(1))—

(I) by striking “carriers with which agreements were entered into” each place it appears and inserting “the contract”; and

(II) by striking “any or all of the following functions” and inserting “any or all of the following functions, or parts of those functions”;

(2) in paragraph (3), by inserting “to and from individuals enrolled under this part and to and from physicians and other entities that furnish items and services” after “communication”.

(I) Section 1842(b) of the Social Security Act (42 U.S.C. 1395u(b)(2)(C)) is amended—

(1) in paragraph (2)(C), in the first sentence, by inserting “(as appropriate)” after “carriers”; and

(II) in paragraph (3), in the matter preceding subparagraph (A), by striking “(as appropriate)” after “carriers”; and

(III) in paragraph (7)(A), in the matter preceding clause (I), by striking “the carrier” and inserting “a carrier”; and

(IV) in paragraph (11)(A), in the matter preceding clause (I), by inserting “(as appropriate)” after “each carrier”.

(J) Section 1842(h) of the Social Security Act (42 U.S.C. 1395u(h)) is amended—

(1) in paragraph (2), in the first sentence—

(II) by striking “An agreement” and inserting “a contract”; and

(II) by inserting “(as appropriate)” after “shall”; and

(2) in paragraph (3)(A), by striking “An agreement” and inserting “a contract”; and

(3) in paragraph (3)(B), in the third sentence, by striking “agreements” and inserting “contracts”;

(4) in paragraph (5)(A), by inserting “(as appropriate)” after “carriers”; and

(J) Section 1842(h) of the Social Security Act (42 U.S.C. 1395u(h)) is amended—

(1) in paragraph (2), in the first sentence—
(v) in paragraph (8)—

“(b)(1) Except as provided in laws with generally applicable to Federal acquisition and procurement or in subparagraph (B), the Secretary shall use competitive procedures when entering into contracts under this section.

(b)(1)(A) Except as provided in laws with generally applicable to Federal acquisition and procurement or in subparagraph (B), the Secretary shall use competitive procedures when entering into contracts under this section.

(b)(1)(B) The Secretary may renew a contract with a carrier under subsection (a) from term to term without regard to section 5 of title 41, United States Code, or any other provision of law requiring competition, if the carrier has met or exceeded the performance requirements established in the current contract.

(b)(1) Functions may be transferred among carriers without regard to any provision of law requiring competition. However, the Secretary shall ensure that performance quality is considered in such transfers.”.

3520a. Exemption of any Office of Inspector General

“This chapter shall not apply with respect to any Office of Inspector General established within an agency under the Inspector General Act of 1978.”

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“This chapter shall not apply with respect to any Office of Inspector General established within an agency under the Inspector General Act of 1978.”

S. 1452. A bill to modernize the requirements under the National Manufactured Housing Construction and Safety Standards Act of 1974 and to establish a balanced consensus process for the development, revision, and interpretation of Federal construction and safety standards for manufactured homes; to the Committee on Banking, Housing, and Urban Affairs.

MANUFACTURING HOUSING IMPROVEMENT ACT.

Mr. SHELBY. Mr. President, today I rise to introduce a bipartisan bill with my colleagues, Senators BAYH, BRYAN, ROCKEFELLER, and BINGAMAN.

S. 1452. A bill to modernize the requirements under the National Manufactured Housing Construction and Safety Standards Act of 1974 and to establish a balanced consensus process for the development, revision, and interpretation of Federal construction and safety standards for manufactured homes.

Many do not realize that the majority of new manufactured homes of today are completely different from those of twenty or even ten years ago, and that this is the fastest growing segment of the housing industry. Today nearly one out of four new single family homes is a manufactured home, and the industry recently set a twenty-year sales record. There are good consumer-oriented reasons for this tremendous growth—manufactured homes offer quality and aesthetically pleasing housing at an average cost of $41,100, excluding the land.
Today, manufactured housing has lowered the threshold to the American Dream of home ownership for millions of Americans. It's affordable homes are enjoyed by an increasing number of families, especially older Americans, and single parents. I note that the industry is willing to bear this expense in order to improve the efficiency of the regulatory system.

As we strive to ensure that all Americans have access to safe, affordable, and quality housing, we need to ensure that best practices are applied to the housing industry and that we support the modernization of housing technology. Manufactured housing is a valuable housing resource and provides access to home ownership for many Americans. I look forward to working with my colleagues to enact this legislation.

Mr. ROCKEFELLER. Mr. President, once again, I am joining Senator SHELBY and other colleagues to introduce legislation intended to strengthen the manufactured housing industry. Manufactured housing provides a major source of affordable housing for American families, including seniors. This industry represents almost thirty percent of new single-family homes sold in the United States. In my state of West Virginia, manufactured housing represents over 66 percent of new homes.

Manufactured housing should play a strong role to increase the availability of affordable housing. This issue will be especially important to seniors who, according to a national survey, forty-five percent of households living in manufactured homes are headed by a person over 50 years old.

Manufactured housing is affordable housing, and it is the fastest growing type of housing nationally. The average cost of a new manufactured home without land in 1997 was $38,400, and even with land and installation fees this cost is well below the typical costs of a newly constructed site-built home.

But this industry faces challenges. Unlike other housing, manufactured housing is regulated by the 1974 National Manufactured Housing Construction and Safety Standards Act by the Department of Housing and Urban Development, (HUD). Because of reform in HUD management, the federal officials overseeing manufactured housing
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have declined from 34 staff members at its peak to less than a dozen professional staff members. This decline in staffing has occurred at the same time that the industry has grown. Unfortunately, due to a lack of staff, HUD cannot keep pace with the need to update the code on a consistent basis and timely manner. In fact, between 1989 and 1996, a consensus committee made 140 suggestions to HUD about changes for the federal codes on manufactured housing, and 80 of these provisions are still pending in the Department. For example, the 1999 National Electrical Code has new, state-of-the-art standards but a given staffing shortage, how long will it take to update the electrical standards? Should we address the staffing shortage, and get action on the lingering recommendations?

In 1960, Congress established a National Commission on Manufactured Housing, and pushed the commission to forge consensus on key issues for this important industry, unfortunately that effort collapsed in 1994.

This legislation is a new effort to address the challenges facing the industry. Introduction of the bill is just a first step. We all understand that the legislative process is designed to seek consensus and improve legislation. I believe that we must work hard to forge consensus among the industry and the consumers. This will be a challenge, but the potential rewards can be great for both sides. The industry can win and prosper with a more effective, streamlined regulatory process that keeps pace with improvements and standards. Consumers will win if safety standards and regulations are adopted more efficiently. Also, if the industry uses new standards to provide better housing, manufactured housing could be designed for a wider variety of needs including modules for assisted living.

The current system of regulations and oversight is not working for the industry, nor is it working as well as it should for consumers, according to a survey by seniors. But when there are problems and concerns, all groups need to work together on a strategy for change.

This legislation is intended to promote reform that will help both the industry and the consumers of manufactured housing. My hope is that all sides will work together to forge consensus about reform. We should use this as an opportunity to come together and develop a new, improved strategy for manufactured housing. Affordable housing is a major issue for families and communities. Manufactured housing is playing a key role in affordable housing, but more could and should be done. To achieve success, we need to develop a bipartisan, consensus approach. We need to help the industry and assure consumers that safety and standards will be respected and improved, not weakened. This is worth our combined effort to provide more affordable housing.

Mr. BINGAMAN. Mr. President, I am pleased to rise today as a cosponsor of the Manufactured Housing Improvement Act. This Act has come about as a result of much negotiation between buyers of manufactured housing, the manufactured housing and urban development agency and manufacturers and dealers of manufactured housing. I commend the industry for coming to Congress with its plan to modify the Federal Manufactured Home Construction and Safety Standards Act of 1974. Over twenty years has elapsed since we comprehensively addressed the topic of safety and manufactured housing. Manufactured housing has changed significantly in the past twenty years. With the rise in the number of manufactured homes, it is time we ensure that safety standards are up-to-date and adequate to address consumers’ concerns.

The Senate bill has eleven sections that cover everything from the establishment of the Consensus Committee to section encouraging secondary market securitization programs for FHA manufactured home loans and other loan programs. The new Consensus Committee will consist of 25 voting members and one non-voting member representing the Secretary of HUD. The Committee will represent a wide spectrum of interested parties, including but not limited to, home producers, retailers, lenders, insurers, consumers, consumer organizations, local public officials, and fire marshals. The Committee will be responsible for recommending amendments to the current safety standards and enforcement regulations to HUD.

Most importantly, there is no funding being authorized in this bill. The Secretary of HUD is authorized to use the industry label fees to carry out the responsibilities under the Act and to administer the Consensus Committee.

Not only does manufactured housing provide an affordable housing option for New Mexicans, the overall economic impact of the manufactured housing industry on New Mexico is significant. In 1998, the total economic impact on the state was over $294 million. About 35 companies are familiar with the 157 retailers in the state, many are not aware that we also have two manufacturers located in the state. Last year, these manufacturers produced over 1,000 homes and the entire industry was responsible for employing more than 2,000 people. Anyone driving the highways of New Mexico is familiar with the site of a manufactured home moving across Interstate 40 or Interstate 25. However, many New Mexicans may not know that almost 7,000 homes were shipped into the state in 1998 alone.

Manufactured housing serves an important role in New Mexico. With the rising cost of housing in the metropolitan areas, and even in the smaller northern communities, manufactured housing that has an average cost of only $22,900 enable many more individuals and families to become homeowners. Currently, 41.8% of the housing in New Mexico is manufactured housing.

I think this bill is important not only to New Mexico but to all owners of manufactured housing. With a focus on construction safety standards, consumers will be safer and more secure in their new homes. Both the manufactured housing industry and the Congress need to take the concerns raised in the survey conducted by the American Association of Retired Persons seriously. The Consensus Committee created by this bill will play an important role in addressing the concerns for construction and safety. I hope the Committee thoroughly evaluates the construction concerns and safety issues raised by those answering AARP’s survey. It is critical to the success of this program that the owners, the builders, and the retailers work together to achieve a higher level of safety and consumer satisfaction.

I thank Senator SHELBY for introducing this bill and I encourage the Senate to take up this bill and pass this worthwhile legislation.

By Mr. FRIST (for himself, Mr. FEINGOLD, Mr. BROWNBACK, and Mr. LIEBERMAN).

S. 1453. A bill to facilitate relief efforts and a comprehensive solution to the war in Sudan; to the Committee on Foreign Relations.

Mr. FRIST. Mr. President, the United States has a tradition of defining our national interests overseas to reflect our values: freedom from persecution, freedom from religious intolerance, and the inalienable rights of self-determination and economic opportunity. In the twentieth century alone, we have sacrificed so much to defend those interests worldwide, based on the belief that freedom is truly an inalienable right, not simply for Americans, but for all peoples. Even now, in Kosovo and in Bosnia, we have been the world leaders in defending against tyranny and oppression, believing that, although far away, injustice must be met with resolve.

Our response to the tragedy and injustice in Sudan has not been quite so aggressive. The radical Islamic regime in power in Sudan has coordinated a systematic campaign of terror against southern Sudan which includes calculated starvation, slavery, and the killing of innocent women and children. The war of low-level ethnic cleansing in Sudan has ground on for 16 years, claiming the lives of nearly 2 million and displacing over 4 million. That staggering number represents...
more dead than the wars in Bosnia, Kosovo, Somalia, Afghanistan, and Chechnya combined. In terms of loss of life, it has been the costliest war this century since the Second World War. After 10 years of feeding the starving, with the war no closer to resolution than it was in 1983 when it began, we must change our approach. While we have been very generous as a Nation in terms of humanitarian relief, we have done little to address the causes of the war.

Along with my colleagues, Senator FEINGOLD, Senator BROWNBACK, and Senator LIEBERMAN, I am introducing the “Sudan Peace Act,” which aims to strengthen American policy and resolve to end the status quo.

The timing of this initiative is critical. The Government of Sudan has published a plan that will allow the incoming oil revenues to increase the tempo and lethality of the war. An increase in the lethality and tempo of the war would translate into more death and destruction, more shattered lives and more refugees. Thus, time is of the essence in supporting efforts to reach a comprehensive conclusion to the hostilities. Even under such grim circumstances, a glimmer of opportunity to push for a comprehensive solution to the conflict may be at hand. We must take full advantage of that chance, for without the leadership of the United States, the war will certainly drag on for many more years.

International relief operations have been in existence for 10 years with little change. The current arrangement allows Khartoum to manipulate our food donations as a weapon of mass destruction by vetoing United Nations’ relief flight plans in areas of rebel activity. Also, at a cost of over $1 million per day, Sudan is said to be withholding the potential for extreme donor fatigue.

We need a new policy using all points of pressure and directing all efforts to a comprehensive negotiated solution. Reinvigorating and pursuing a peace process based on the Declaration of Principles, signed by the combatants in 1994, is the best means we have to push for a comprehensive solution at this time. So far, the Government of Sudan has refused to negotiate in good faith, choosing instead to continue the brutal war and create political divisions to any credible, binding process.

With a set of new or strengthened political and humanitarian tools, this legislation aims to push all players toward a comprehensive negotiated solution.

The Government of Sudan has long abetted the practice of slavery. Additionally, it has helped organize and coordinate militia, Popular Defense Forces, and more recently holy warriors (“muraheleen”) to terrorize and sometimes enslave traditional agricultural and pastoralist tribes in the south and in the Nuba Mountains.

The legislation condemns the gross violations of human rights in Sudan—including slavery, the use of the denial of food assistance as a weapon of mass destruction, and targeting of civilians—and increases pressure for action in the United Nations Security Council and for UN human rights monitors to be deployed in contested areas.

The effort to stop the conflict in Sudan has the best chance of success if it is a multinational effort. The shameful lack of resolve among the international community to pressure the combatants has been a factor in the perpetuation of the conflict.

The legislation does more than simply highlight the shameful lack of resolve internationally. It seeks to change our own policy to address the causes of the famine and the war. The legislation gives the Secretary of State clear authority to commit all necessary diplomatic efforts toward reinvigorating the Inter-governmental Authority on Development (IGAD) peace process, including any necessary supervision of a settlement. It calls upon the leadership of the members of IGAD and the IGAD Partners Forum (IFP—a grouping of donors and multilateral organizations) to give all necessary support.

The combination of a Declaration of Principles on which a peace process should be based and the engagement of the IGAD Partners’ Forum bodes well for a reinvigoration of what has been a foundering process. The fact that IGAD is a credible regional organization adds to its potential success. The Declaration of Principles provides a first critical, measurable step to which the combatants can be held accountable.

The legislation supports the President’s sanctions against Sudan, sanctioning Sudan’s military, freezing them into legal and protecting them from piecemeal erosion until Sudan makes substantial and verifiable progress toward peace. The existing sanctions must be used as a pressure point for peace.

The United States must maintain or strengthen every possible point on which to pressure Sudan to engage in a meaningful peace process. Any relaxation of any portion of the sanctions would essentially be a reward to Khartoum.

The legislation also requires the President to report to Congress on the status and means of financing the new oil fields in Sudan and that financing’s relationship to the sanctions, the number and circumstances of bombings of civilian targets by the Government of Sudan, the extent to which humanitarian operations are being compromised, and whether progress is being made toward peace by all parties. Sudan’s economic resources are especially important. The revenues from the new sources of oil will add a new source of hard currency to finance the war. A key player in making that influx of hard currency into Khartoum is a Canadian company that is listed on the New York Stock Exchange. Considering the wording of the sanctions in the President’s Executive order of 1997, such a financial instrument would seem to be something the United States would not be able to legally facilitate. It is certainly not something the United States should want to facilitate.

The United Nations-coordinated relief effort in Sudan, known as Operation Lifeline Sudan (OLS), was founded in 1989 in response to the starvation deaths of 250,000 people in southern Sudan. In March and April 1998 the Government of Sudan denied OLS access to much of Bahr el Ghazal in an effort to starve out rebels. The ban caused severe famine.

The ability of the Government of Sudan to veto OLS relief flight plans has allowed Khartoum to use food as a weapon of mass destruction. It indiscriminately targets rebels and noncombatants alike. Only with the cooperation and pressure from the members of the Security Council and those countries which continue normal trade relations with Sudan can we ever hope to achieve success on this point. Having a viable alternative to OLS would not only allow for the distribution of relief should a flight ban be imposed, it will immediately discourage Khartoum’s use of flight bans as an instrument of war.

This legislation continues to press for reform of all humanitarian assistance in Sudan. The bill includes measures to press for reform of OLS, for the continued use of relief organizations outside OLS to deliver the United States’ relief assistance, and directs the Administration to develop a possible alternative organization to deliver relief, should Khartoum again place bans on relief assistance.

The use of non-OLS groups to distribute relief has two primary benefits. First, it fills in holes where OLS is prohibited from operating either by Khartoum or by its own security concerns. It can also strengthen the hand of OLS with respect to flight bans because Khartoum is reluctant to exercise its veto power when it clearly strengthens organizations outside its control.

The legislation provides new and expanded authority for the Sudan Transition Assistance for Rehabilitation (STAR) program, which seeks to build the basic civil and economic institutions in Sudan to create a transition to a democratic future. It can also strengthen the hand of OLS by supporting development assistance critical to sustainable development.

The legislation also requires the President to report to Congress on the status and means of financing the new oil fields in Sudan and that financing’s relationship to the sanctions, the number and circumstances of bombings of civilian targets by the Government of Sudan, the extent to which humanitarian operations are being compromised, and whether progress is being made toward peace by all parties. Sudan’s economic resources are especially important. The revenues from the new sources of oil will add a new source of hard currency to finance the war. A key player in making that
the south. Again, a stronger society and economy in the south serves to disabuse Khartoum of the notion that it can win in terms of the battlefield and is thus a pressure point to push for commitment to a viable peace process. The reconciliation efforts between the Dinka and Nuer peoples is arguably the most significant development in recent years in terms of strengthening the areas outside of the government’s control and putting pressure on Khartoum to come to the table. Support for these efforts is critical. Finally, this position makes no assumption nor policy statement with regard to the eventual political status of the south.

The legislation also provides for an independent assessment of the humanitarian needs of certain regions in Sudan, which are heavily contested and thus extremely vulnerable between combatant and noncombatant forces. The Nuba Mountains and its unique and fast-disappearing people and culture is especially vulnerable.

In an effort to reduce the diversion of food resources to combatants, to strengthen the targeted population’s ability to defend themselves, and to provide for separation of combatants from ongoing humanitarian operations and the personnel who run them, the bill gives the President authority to provide direct food assistance to those forces protecting noncombatants from attacks by government or government-sponsored forces. However, such a program may only be conducted completely separate from current or future humanitarian operations and without compromising them.

Currently, the majority of relief agencies, both within and outside OLS, provide assistance only to noncombatants. Consequently, hungry rebel forces routinely divert food aid away from delivery areas, either by taxation, or by taking the food outright. The result is that normal food distribution is disrupted and any reasonable separation between combatants and noncombatants is breached. Providing a separate mechanism to feed combatants—who will be receiving food aid in one form or another, regardless of the distribution scheme—holeds the possibility of reducing diversions, maintaining a clear separation between combatant and noncombatants, and thus helping to minimize risk to relief agency personnel. Additionally, the necessity of pursuing food has seriously undermined the effectiveness of those forces to defend the population in areas outside of government control, as they must often demobilize for long periods of time to exact food from relief supplies or tend to farming or herding responsibilities. The Administration should make a determination on the potential for such a program to meet the goals outlined in the section. This legislation gives the President the authority to do so, with strong provisions to protect current humanitarian operations. Like other capacity building measures in this legislation, enhancing the ability of those forces outside of government control to defend themselves from government aggression will ultimately help to dissipate the government from continued prosecution of the war and will thus strengthen the ability to engage in a comprehensive peace process.

These are all critical measures and opportunities which the United States must seize. Our policy has not done enough to change the status quo. Our generous response, which began in 1989, has grown and continued to feed more of the starving, yet as a response to the war, it has grown tepid. Unless we do all we can to end the conflict in Sudan, we are part of the problem. For sixteen years we have watched the disintegration of a nation and the loss of millions of lives, ground into dust as the world misses opportunity after opportunity to stop it.

By Mr. ROBB (for himself, Mr. LAUTENBERG, Mr. CONRAD, Mr. HARKIN, Mr. KENNEDY, Mr. DASCHLE, Mr. REID, Mrs. MURRAY, Mr. LEVIN, Mr. CLELAND, Mr. DODD, Mr. TORRICELLI, Mr. SCHUMER, Mrs. LINCOLN, Mr. JOHNSON, Mr. WELLSTONE, Mr. KERRY, Mr. KERREY, and Mr. AKAKA):
S. 1454. A bill to amend the Internal Revenue Code of 1986 to expand the incentives for the construction and renovation of public schools and to provide tax incentives for corporations to participate in cooperative agreements with public schools in distressed areas; to the Committee on Finance.

PROVISIONS REGARDING PUBLIC SCHOOL MODERNIZATION AND OVERCROWDING RELIEF ACT OF 1999

Mr. ROBB. Mr. President, I have come before this chamber on numerous occasions to urge our colleagues to find a way to give states and localities the additional resources they so urgently need to build and renovate our nation’s schools. In January, Senator LAUTENBERG and I, with several other colleagues, introduced the Public School Modernization and Overcrowding Relief Act of 1999. In March, Senators LAUTENBERG, HARKIN, and I were unsuccessful in offering an amendment to this year’s budget resolution which called for $23.8 billion in zero-interest bonds as well as direct grants for school construction and repair. That amendment passed the Senate unanimously. Regrettably the Senate Finance Committee tax bill includes only minimal school infrastructure assistance, despite the opportunity we had in Committee to include much more substantial infrastructure relief.

Proposals regarding school construction have been offered from both sides of the aisle. Unfortunately, however, the debate about education infrastructure needs and the federal role to address those needs has too often been partisan and has been characterized by an inability or an unwillingness to recognize that there is no one-size-fits-all solution to the school construction dilemma facing many of our nation’s school districts.

So today, I am pleased to be joined by Senators LAUTENBERG, CONRAD, HARKIN, KENNEDY, DASCHLE, REID, MURRAY, LEVIN, CLELAND, DODD, TORRICELLI, SCHUMER, LINCOLN, JOHN- SON, WELLSTONE, KERRY, KERREY, and AKAKA in introducing legislation designed to combine various bipartisan school construction proposals to create a menu of school construction financing options. The Public School Modernization and overcrowding Relief Act of 1999 will help school districts build new schools to accommodate the record enrollments of elementary and secondary students. It will aid in the construction of new schools and the renovation of old ones. It will also help modernize schools to ensure that our children have the benefit of modern technology. And it will help repair old schools which have become outdated and unsafe.

Mr. President, 14 million children attend schools in need of extensive repair or replacement. Twelve million attend schools with leaky roofs, and 7 million attend schools with safety code violations. The President of the Maine Education Association testified before the Health, Education, Labor and Pensions Committee recently and stated that there are schools in Maine that actually turn the lights out when it rains because the electrical wiring is exposed under their leaky roofs.

Compounding the safety problem is the significant overcrowding in the nation’s schools. Across the country, there are thousands and thousands of trailers used for instruction—over 3,000 are in use in Virginia alone. So instead of attending science class equipped with the latest technology to conduct biological experiments, our children are going to class in poorly-ventilated portable trailers that can actually be harmful to their health.

Mr. President, Loudon County, Virginia will need to build 22 new schools over the next six years to accommodate its enormous population growth. Despite the help that our own Virginia General Assembly has approved, the state will only provide two to three percent of Virginia’s total school infrastructure needs. This isn’t just a Virginia phenomenon; it’s a national crisis. The National Center for Education Statistics estimates that by 2003, the nation will need to build 2,400 new schools to accommodate record enrollments in our elementary and secondary school systems.

In short, school boards should not be forced to choose between hiring an additional teacher or fixing a leaky roof. School superintendents should be installing computer labs, not basic air...
Build the vast majority of our nation's schools of the future, not relics of the past.

The legislation we offer today will allow school districts to issue tax-exempt bonds for school construction. Localities will be able to save significant amounts of money on capital improvement projects, as the federal government would give bondholders a tax credit in the amount of the interest that the locality would otherwise be required to pay. The legislation also knocks down a statutory hurdle which currently hinders more private sector involvement in public education by allowing private entities to pool resources with states and localities to build and renovate school buildings. Furthermore, if a state or locality has previously issued bonds, at a time when interest rates were high, this legislation would allow them to essentially refinance that debt to take advantage of today's lower interest rates. The legislation will also make it easier for small school districts to issue a greater number of bonds without being subject to onerous arbitrage requirements. All of these provisions provide states and localities with choices. Under this legislation, our states and localities will be able to avail themselves of those provisions that best suit their financial needs. The bill creates a menu of options through which states and localities can assemble their own financing packages.

Mr. President, as a former governor, I acknowledge that education is primarily a state and local responsibility. The federal government, however, can be a helpful partner in education by helping to defray the cost of capital improvements without interfering with the substantive decisions that states and localities are making. The federal government would give the key that opens the door to many of today's career opportunities, but the reality is that this diploma is becoming more and more expensive to obtain. A number of organizations have sprung up to address this problem, and many of them provide invaluable service in providing student financing, or in providing information to students concerning institutions to which those students may apply for financial assistance. Unfortunately, however, a growing number of individuals are turning student need into a scam opportunity, taking financial advantage of students in need of assistance.

Each year, individuals and businesses send thousands of letters out to enterprising students, offering bogus scholarships. The tactics used by these con-artists vary, but they nearly always involve misrepresentation and fraud. Some exclusively use the mails to consoneer students, offering bogus scholarships. The tactics used by these con-artists vary, but they nearly always involve misrepresentation and fraud. Some exclusively use the mails to cons, but many of them use their technique to defraud students. In 1996, Nwaigwe was ordered by the U.S. District Court, in which he was permanently enjoined from using materials

Mr. President, the rapid spread of scholarship scams such as Christopher Nwaigwe's makes it imperative that we step up prosecutions and impose tougher sentences. My legislation would encourage the Justice Department to pursue and prosecute more scholarship scam-artists, by providing an additional ten years' imprisonment and additional fines in fraud cases which involve the offering of educational services.

In addition, this legislation would improve the FTC's ability to enforce orders for disgorgement and redress to consumers. Senator FEINGOLD and I have been briefed by the FTC on its current problems enforcing judgments, and one particularly offensive example involves an abuse of consumer bankruptcy protections. Often, scholarship scam-artists use their fraudulent gains to buy expensive homes. When hit with disgorgement and redress orders, they file for bankruptcy. And because most states exempt at least a portion of the value of residential property from bankruptcy estates, these con-artists are able to retain their ill-gotten gains in the form of their trophy homes. After the bankruptcy proceeding clears their debts, the scam-artists may then sell their estates, keeping the money they have defrauded from students.

Our legislation would prevent con-artists from using their technique to avoid paying court judgments in this fashion. Residential property exemptions from bankruptcy are intended to aid law-abiding people who find themselves in financial difficulty; they were not meant to help scam-artists launder and protect ill-gotten gains of more than $500,000. Mr. Nwaigwe had mailed letters to students announcing scholarship offers of $2,500 to $7,500, in exchange for which students were requested to send Mr. Nwaigwe a $10 processing fee. In reality, after the students sent the check, they waited in vain for a response. Nwaigwe was ordered by the U.S. Postal Service to stop sending misleading letters in 1993, yet, he chose to ignore this warning and continue to defraud students. In 1996, Nwaigwe was the subject of a civil action in U.S. District Court, in which he was permanent

The convictions of Nwaigwe and others like the National Scholarship Foundation have sent hundreds of thousands of postcards to potential college students announcing scholarship offers of $250,000—half the dollar amount we know to be the minimum he gained through his fraud.

Mr. President, the rapid spread of scholarship scams such as Christopher Nwaigwe's makes it imperative that we step up prosecutions and impose tougher sentences. My legislation would encourage the Justice Department to pursue and prosecute more scholarship scam-artists, by providing an additional ten years' imprisonment and additional fines in fraud cases which involve the offering of educational services.

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Our legislation would prevent con-artists from using their technique to avoid paying court judgments in this fashion. Residential property exemptions from bankruptcy are intended to aid law-abiding people who find themselves in financial difficulty; they were not meant to help scam-artists launder and protect ill-gotten
gains. This legislation takes a cue from Congress’ response to the savings and loan crisis, and amends the bankruptcy code to prevent the erosion derived from college education financial assistance fraud would be excluded from homestead bankruptcy exemptions. Legitimate homeowners will still be protected by the bankruptcy laws. But con-artists will no longer be able to use these laws for their own, fraudulent ends.

In addition to these punitive and deterrent measurers. Mr. President, this legislation also includes measures to help student and their families obtain financing help from legitimate organizations. We need to make it easier for students and their families to differentiate legitimate companies from con-artists. The FTC currently warns students about fraudulent scholarship services. While this is commendable, however, in my view, the larger number of students who visit the Department of Education web site to find out about financing options makes it the logical choice for an anti-scam public relations initiative. To that end, this legislation would call on the Secretary of Education to maintain a web page on the Department’s web site listing legitimate sources of scholarship information. To ensure that this web page is not misused by unscrupulous companies and individuals, and other provision would require the Education Department to consult with the FTC before including any name on its list.

No organization would be listed on the web page if it or its operator has been prosecuted by the FTC and convicted of using unfair or deceptive practices. In addition, a business or organization would not be listed if the Department of Education receives a significant number of complaints from students alleging that the business has not in good faith delivered on its promises, or if it is under investigation by the FTC.

Taken together, Mr. President, these provision discouraging fraud disseminating information concerning legitimate sources of scholarship information will help students find the assistance they need to finance a college education. Through this legislation we can fight scholarship scams, put those who would defraud students out of business while helping our Nation’s pool of educated workers.

I ask my colleagues for their support, and ask unanimous consent that the bill and a section-by-section analysis of the bill be printed in the Record.

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

S. 1455

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

SECTION 1: SHORT TITLE.

This Act may be cited as the “College Scholarship Fraud Prevention Act of 1999”.

SEC. 2. FINDINGS.

Congress makes the following findings:

(1) A substantial amount of fraud occurs in the offering of college education financial assistance services to consumers.

(2) Such fraud includes:

(A) Misrepresentations regarding the provision of sources from which consumers may obtain financial assistance (including scholarships, grants, loans, tuition, awards, and other assistance) for purposes of financing a college education.

(B) Misrepresentations regarding the provision of financial assistance tailored to the needs of specific consumers.

(C) Misrepresentations regarding the preselection of students as eligible to receive such assistance.

(D) Misrepresentations that such assistance will be provided to consumers who purchase specified services from specified entities.

(E) Misrepresentations regarding the business relationships between particular entities and entities that award or may award such assistance.

(F) Misrepresentations regarding refunds of processing fees if consumers are not provided specified amounts of such assistance, and other misrepresentations regarding refunds.

SEC. 3. ENHANCED CRIMINAL PENALTIES FOR COLLEGE EDUCATION FINANCIAL SERVICES FRAUD.

(a) ENHANCED PENALTIES.—Chapter 63 of title 18, United States Code, is amended by adding at the end the following:

1348. Enhanced penalties for college education financial service assistance fraud

“(a) IN GENERAL.—A person who is convicted of an offense under section 1341, 1342, or 1343 of this title in connection with the obtaining or providing of any scholarship, grant, loan, tuition, discount, award, or other financial assistance for purposes of financing an education at an institution of higher education shall be fined under this title, imprisoned not more than 10 years, or both.

“(b) OTHER PENALTIES.—Any penalties imposed under this section shall be in addition to any penalties under any of the sections, referred to in subsection (a).

“(c) INSTITUTION OF HIGHER EDUCATION DEFINED.—In this section, the term ‘institution of higher education’ has the meaning given that term in section 101 of the Higher Education Act of 1965 (20 U.S.C. 1001).”.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of that chapter is amended by inserting after the following:

1348. Enhanced penalties for college education financial service assistance fraud.

SEC. 4. EXCLUSION OF DEBTS RELATING TO COLLEGE EDUCATION FINANCIAL SERVICES FRAUD FROM PERMISSIBLE EXEMPTIONS OF PROPERTY FROM ESTATES IN BANKRUPTCY.

Section 522(c) of title 11, United States Code, is amended—

(1) by striking “or” at the end of paragraph (2); and

(2) by striking the period at the end of paragraph (3) and inserting “; or”; and

(3) by adding at the end the following:

“(4) a debt in connection with fraud in the obtaining or providing of any scholarship, grant, loan, tuition, discount, award, or other financial assistance for purposes of financing an education at an institution of higher education that term is defined in section 101 of the Higher Education Act of 1965 (20 U.S.C. 1001))”.

SEC. 5. LIST OF BUSINESSES AND ORGANIZATIONS OFFERING COLLEGE EDUCATION FINANCIAL ASSISTANCE SERVICES.

(a) LIST.—The Secretary of Education shall maintain the Internet web site of the Department of Education a web page that—

(1) lists businesses and organizations that offer financial assistance (including scholarships, grants, loans, tuition, awards, and other assistance) for purposes of financing an education at institutions of higher education; and

(2) provides the Internet web site address of such businesses and organizations.

(b) APPLICATION FOR PLACEMENT ON THE LIST.—A business or organization may apply to the Secretary of Education for placement on the list.

(c) CONSULTATION.—The Secretary of Education shall consult with the Chairman of the Federal Trade Commission in an effort to ensure that a business or organization applying for placement on the list is a legitimate business or organization.

(d) INELIGIBILITY.—A business or organization shall not be listed on the list if—

(1) the business or organization was prosecuted by the Federal Trade Commission and convicted of using an unfair or deceptive act or practice under the Federal Trade Commission Act (15 U.S.C. 41 et seq.) during the 5-year period preceding the submission of an application under subsection (b);

(2) the business or organization is operated by an individual who operated a business or organization that was prosecuted by the Federal Trade Commission and convicted of using an unfair or deceptive act or practice under such Act during the 5-year period preceding the submission of an application under subsection (b);

(3) the Department of Education receives a significant number of complaints, as determined by the Secretary of Education, from students alleging that the business or organization has not in good faith delivered on promises made by the business or organization; or

(4) the business or organization is under investigation by the Federal Trade Commission.

THE COLLEGE SCHOLARSHIP FRAUD PREVENTION ACT OF 1999—SECTION-BY-SECTION ANALYSIS

A bill to enhance protections against fraud in the offering of financial assistance for college education, and for other purposes.

SECTION 1: FINDINGS

This section sets out Congressional findings concerning the high level of fraud that occurs in the offering of college education financial assistance services to consumers.

SECTION 2: ENHANCED CRIMINAL PENALTIES FOR COLLEGE EDUCATION FINANCIAL SERVICES DEFINITIONS

This section amends Chapter 63 of Title 18, United States Code by adding a section that provides for a fine, imprisonment for not more than 10 years, or both, for college education financial service assistance fraud.

SECTION 3: EXCLUSION OF DEBTS RELATING TO COLLEGE EDUCATION FINANCIAL SERVICES FROM PERMISSIBLE EXEMPTIONS OF PROPERTY FROM ESTATES IN BANKRUPTCY

This provision amends Section 522(c) of Title 11 of the United States Code to allow property otherwise exempted in bankruptcy to be subject to disgorgement and redress orders resulting from college financial assistance services fraud.
ADDITIONAL COSPONSORS

S. 50
At the request of Mrs. Hutchison, the name of the Senator from Montana (Mr. Burns) was added as a cosponsor of S. 50, a bill to improve options for excellence in education.

S. 193
At the request of Mrs. Boxer, the name of the Senator from California (Mrs. Feinstein) was added as a cosponsor of S. 345, a bill to amend the Animal Welfare Act to remove the limitation that permits interstate movement of live birds, for the purpose of fighting, to States in which animal fighting is lawful.

S. 381
At the request of Mr. Allard, the name of the Senator from Ohio (Mr. DeWine) was added as a cosponsor of S. 381, a bill to provide for payments to children's hospitals that operate graduate medical education programs.

S. 514
At the request of Mr. Cochran, the name of the Senator from Idaho (Mr. Craig) was added as a cosponsor of S. 514, a bill to improve the National Writing Project.

S. 676
At the request of Mr. Campbell, the names of the Senator from Tennessee (Mr. Frist) and the Senator from Oklahoma (Mr. Nickles) were added as cosponsors of S. 676, a bill to locate and secure the return of Zachary Baumel, a member of the United States military, who was missing in action.

S. 692
At the request of Mr. Kyl, the name of the Senator from North Carolina (Mr. Helms) was added as a cosponsor of S. 692, a bill to prohibit Internet gambling, and for other purposes.

S. 708
At the request of Mr. DeWine, the name of the Senator from California (Mrs. Feinstein) was added as a cosponsor of S. 708, a bill to improve the administrative efficiency and effectiveness of the Nation's abuse and neglect courts and the quality and availability of services, and for other purposes consistent with the Adoption and Safe Families Act of 1997.

S. 1035
At the request of Mr. Feingold, the name of the Senator from Arkansas (Mr. Lincoln) was added as a cosponsor of S. 1035, a bill to establish a program to provide grants to expand the availability of public health dentistry programs in medically underserved areas, health professional shortage areas, and other Federally-defined areas that lack primary dental services.

S. 1070
At the request of Mr. Bond, the name of the Senator from Virginia (Mr. Warner) was added as a cosponsor of S. 1070, a bill to require the Secretary of Labor to wait for completion of a National Academy of Sciences study before promulgating a standard, regulation or guideline on ergonomics.

S. 1110
At the request of Mr. Lott, the name of the Senator from Maine (Ms. Collins) was added as a cosponsor of S. 1110, a bill to amend the Public Health Service Act to establish the National Institute of Biomedical Imaging and Engineering.

S. 1144
At the request of Mr. Voinovich, the name of the Senator from New Jersey (Mr. Torricelli) was added as a cosponsor of S. 1144, a bill to provide increased flexibility in use of highway funding, and for other purposes.

S. 1199
At the request of Mr. Ashcroft, the name of the Senator from Oklahoma (Mr. Nickles) was added as a cosponsor of S. 1199, a bill to require the Secretary of State to report on United States citizens injured or killed by terrorist attacks.

S. 1200
At the request of Ms. Snowe, the name of the Senator from Montana (Mr. Baucus) was added as a cosponsor of S. 1200, a bill to require equitable coverage of prescription contraceptive drugs and devices, and contraceptive services under health plans.

S. 1207
At the request of Mr. Burns, the name of the Senator from Indiana (Mr. Lugar) was added as a cosponsor of S. 1207, a bill to amend the Internal Revenue Code of 1986 to ensure that income averaging for farmers not increase a farmer's liability for the alternative minimum tax.

S. 1293
At the request of Mr. Cochran, the name of the Senator from Utah (Mr. Bennett) was added as a cosponsor of S. 1293, a bill to establish a Congressional Recognition for Excellence in Arts Education Board.
CRAPO (AND OTHERS) AMENDMENT NO. 1372
(Ordered to lie on the table.)
Mr. CRAPO (for himself, Mr. CRAIG, and Mr. BURNS) submitted an amendment to be proposed by them to the bill (H.R. 2466) making appropriations for the Department of the Interior and related agencies for the fiscal year ending September 30, 2000, and for other purposes; as follows:

On page 10, line 16, after "herein," insert the following: "of which not less than $750,000 shall be available for the development of a voluntary enrollment habitat conservation plan for cold water fish in cooperation with the States of Idaho and Montana (of which $150,000 shall be used to fund full-time positions of personnel to assist in the development of the plan and $500,000 shall be made available to each State for data collection, organizational, and related activities), and of which not more than $64,626,000 shall be available for habitat conservation, and".

TAXPAYER REFUND ACT OF 1999
BROWNBACK AMENDMENT NO. 1373
(Ordered to lie on the table.)
Mr. BROWNBACK submitted an amendment intended to be proposed by him to the bill (S. 1429) to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2000; as follows:

Beginning on page 11, strike line 18 and all that follows through page 52, line 14, and insert the following:

SEC. 201. ELIMINATION OF MARRIAGE PENALTY IN STANDARD DEDUCTION.

(a) Taxpayers in the Same Tax Bracket.—Subsection (f) of section 63 (relating to standard deduction) is amended—

(1) by striking "1993" in paragraph (1) and inserting "1997";

(2) by striking "1992" in paragraph (3)(B) and inserting "1997", and

(3) by striking paragraph (7);

(b) Effective Date.—The amendments made by this section shall be applicable to taxable years beginning after December 31, 1999.

SEC. 202. ELIMINATION OF MARRIAGE PENALTY IN INCOME TAX RATES.

(a) General Rule.—Section 1(c) (relating to income tax rates) is amended—

(1) by striking "1993" in subsection (a) and inserting "1997";

(b) Effective Date.—In the case of any taxable year beginning in a calendar year after 1999, each dollar amount contained in paragraph (2) or (3) or section 1(d) shall be increased by an amount equal to—

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(c)(3) for the calendar year in which the taxable year begins.

(c) Application.—(1) Subsection (a) of section 1(d) is amended by striking "$8,500" and inserting "$7,000".

(2) Subsection (f) of section 63(c) is amended by striking "$19,500" and inserting "$15,250".

(d) Effective Date.—The amendments made by this section shall be applicable to taxable years beginning after December 31, 1999.
CONGRESSIONAL RECORD—SENATE

July 28, 1999

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

On page 9, line 12, strike “2000” and insert “2002”.

Beginning on page 10, strike line 17 and all that follows through page 11, line 12, and insert the following:

‘‘(1) JOINT RETURNS AND SURVIVING SPOUSES.—In the case of the table contained in subsection (a)—

Applicable dollar amount:

<table>
<thead>
<tr>
<th>Calendar year:</th>
<th>2007</th>
<th>2008</th>
<th>2009 and thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td>dollar amount:</td>
<td>$1,000</td>
<td>$2,000</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

‘‘(ii) OTHER TABLES.—In the case of the table contained in subsection (b), (c), or (d)—

Applicable dollar amount:

<table>
<thead>
<tr>
<th>Calendar year:</th>
<th>2007</th>
<th>2008</th>
<th>2009 and thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td>dollar amount:</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

‘‘(B) COST-OF-LIVING ADJUSTMENT.—In the case of any taxable year beginning in any calendar year after 2009, the applicable dollar amount shall be increased by an amount equal to—

(i) such dollar amount, multiplied by

(ii) the cost-of-living adjustment determined under paragraph (3) for the calendar year in which the taxable year begins, determined by substituting ‘‘calendar year 2007’’ for ‘‘calendar year 1992’’ in subparagraph (B) thereof.

GREGG AMENDMENTS NOS. 1374–1375

(Ordered to lie on the table.)

Mr. GREGG submitted two amendments intended to be proposed by him to the bill, S. 1429, supra; as follows:

Amendment No. 1374.

At the appropriate place in the bill, insert the following:

SEC. 1. ONE-YEAR EXTENSION OF PERIOD OF TIME TO CLAIM EXEMPTION FROM TAX MORATORIUM UNDER INTERNET TAX FREEDOM ACT.

Section 110(a) of the Internet Tax Freedom Act (title XI of division C of Public Law 105-277, 112 Stat. 2356-2357; 2 U.S.C. 151 note) is amended by striking “3 years after the date of the enactment of this Act” and inserting “1 years after October 21, 1998”.

Amendment No. 1375.

On page 21, before line 1, insert:

(c) MINIMUM DEPENDENT CARE CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—Section 21(e) (relating to special rules) is amended by adding at the end the following:

‘‘(11) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS—'

‘‘(A) IN GENERAL.—Notwithstanding subsection (d), in the case of any taxpayer with 1 or more qualifying individuals described in subsection (b)(1)(A) under the age of 1, such taxpayer shall be deemed to have employment-related expenses for the taxable year with respect to each such qualifying individual in an amount equal to the sum of—

(i) $200 for each month in such taxable year during which such qualifying individual is under the age of 1, and

(ii) the amount of employment-related expenses otherwise incurred for such qualifying individual for the taxable year (determined under this section without regard to this paragraph).

‘‘(B) ELECTION TO NOT APPLY THIS PARAGRAPH.—This paragraph shall not apply with respect to any qualifying individual for any taxable year if the taxpayer elects not to have this paragraph apply to such qualifying individual for such taxable year.”

On page 21, line 1, strike “(c)” and insert “(d)”.

On page 195, strike lines 4 through 23.

DASCHLE (AND OTHERS) AMENDMENT NO. 1376

(Ordered to lie on the table.)

Mr. DASCHLE (for himself, Mr. BYRD, Mr. BINGAMAN, and Mr. KERREY) submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

At the end of the bill add the following:

DIVISION II—ENERGY SECURITY TAX INCENTIVES

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This division may be cited as the “Energy Security Tax Act of 1999.”

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this division an amendment or repeal is expressed to apply to a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code cited as the “Energy Security Tax Act of 1999.”

(c) TABLE OF CONTENTS.—

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—ENERGY-EFFICIENT PROPERTY USED IN BUSINESS

Sec. 101. Credit for certain energy-efficient property used in business.

TITLE II—NONBUSINESS ENERGY SYSTEMS

Sec. 201. Credit for certain nonbusiness energy systems.

TITLE III—ALTERNATIVE FUELS

Sec. 301. Allocation of alcohol fuels credit to patrons of a cooperative.

TITLE IV—AUTOMOBILES

Sec. 401. Credit for purchase of fuel cell, electric, and hybrid electric vehicles.

TITLE V—CLEAN COAL TECHNOLOGIES

Sec. 501. Credit for investment in qualifying clean coal technology.

Sec. 502. Credit for production from qualifying clean coal technology.

Sec. 503. Risk pool for qualifying clean coal technology.

TITLE VI—METHANE RECOVERY

Sec. 601. Expansion of section 29 tax credit.

Sec. 602. Credit for capture of coaled methane gas.

TITLE VII—OIL AND GAS PRODUCTION

Sec. 701. Credit for production of re-refined lubricating oil.

Sec. 702. Repeal certain adjustments based on adjusted current earnings relating to oil and gas assets.

Sec. 703. 10-year freeze for percentage depletion for oil and gas property.

TITLE VIII—RENEWABLE POWER GENERATION

Sec. 801. Credit for investment in photovoltaic and wind property manufacturing facilities.

Sec. 802. Modifications to credit for electricity produced from renewable resources.

Sec. 803. Proportional credit for producing electricity through co-firing.

Sec. 804. Credit for capital costs of qualified biomass-based generating systems.

Sec. 805. Pass-through of renewable energy production incentive payments to end-users.

TITLE IX—STEELMAKING

Sec. 901. Credit for energy-efficient steelmaking capacity.

Sec. 902. Extension of credit for electricity to production from steel cogeneration.

TITLE X—AGRICULTURE

Sec. 1001. Agricultural conservation tax credit.

TITLE I—ENERGY-EFFICIENT PROPERTY USED IN BUSINESS

Sec. 101. Credit for certain energy-efficient property used in business.

(a) IN GENERAL.—Subpart E of part IV of subchapter A of chapter 1 (relating to rules for computing investment credit) is amended by inserting after section 48 the following:

SEC. 48A. ENERGY CREDIT.

(a) IN GENERAL.—For purposes of section 46, the credit for any taxable year is the sum of—

(1) the amount equal to the energy percentage of the basis of each energy property placed in service during such taxable year, and

(2) the credit amount for each qualified hybrid vehicle placed in service during the taxable year.

(b) ENERGY PERCENTAGE.—

(1) IN GENERAL.—The energy percentage is

(A) except as otherwise provided in this subparagraph, 10 percent,

(B) in the case of energy property described in clauses (i), (iii), (vi), (vii), and (viii) of section 48(c)(1)(A), 20 percent,

(C) in the case of energy property described in subsection (c)(1)(A)(v), 15 percent, and

(D) in the case of energy property described in subsection (c)(1)(A)(ii) relating to a high risk geothermal well, 20 percent.

(2) COORDINATION WITH REHABILITATION.—The energy percentage shall not apply to that portion of the basis of any property which is attributable to qualified rehabilitation expenditures.

(c) ENERGY PROPERTY DEFINED.—

(1) IN GENERAL.—For purposes of this subpart, the term ‘‘energy property’’ means any property—

(A) which is—

(i) solar energy property,

(ii) geothermal energy property,

(iii) energy-efficient building property,

(iv) combined heat and power system property,

(v) low core loss distribution transformer property,

(vi) fuel-efficient farm equipment property,

(vii) qualified aerobic digester property, or

(viii) qualified wind energy systems equipment property.

(2) ‘‘(B)(i) the construction, reconstruction, or erection of which is completed by the taxpayer, or

(ii) which is acquired by the taxpayer if the original use of such property commences with the taxpayer,

(C) which can reasonably be expected to remain in operation for at least 5 years,

(D) with respect to which depreciation (or amortization in lieu of depreciation) is allowable, and

(E) which meets the performance and quality standards (if any) which—
“(i) have been prescribed by the Secretary by regulation (including the Secretary’s designation with the Secretary of Energy), and

“(ii) are in effect at the time of the acquisition of the property.

"(g) General solar energy property. —

“(A) PUBLIC UTILITY PROPERTY.—Such term shall not include any property which is public utility property (as defined in section 46(f)(5)) or any property installed on the day before the date of the enactment of the Revenue Reconciliation Act of 1990, except for property described in paragraph (1)(A)(iv).

“(B) GENERAL SOLAR ENERGY PROPERTY.—

The term ‘general solar energy property’ means property which—

(i) when installed in connection with a structure, uses solar energy for the purpose of providing hot water for use within such structure,

(ii) LIMITATION ON AMOUNT OF CREDIT.—The credit under subsection (a)(1) for the taxable year with respect to solar water heating property shall not exceed $1,000.

(iii) ELECTION TO TREAT PROPERTY AS SOLAR WATER HEATING PROPERTY.—Property that is both general solar energy property and solar water heating property shall be treated as general solar energy property for purposes of this section unless the taxpayer elects to treat such property as being only solar water heating property. If such an election is made the energy percentage under section (a)(1) for the taxable year may not exceed 10 percent.

(iv) LIMITATION ON AMOUNT OF CREDIT.—

The credit under subsection (a)(1) for the taxable year with respect to photovoltaic property shall not exceed $2,000.

(E) SWIMMING POOLS, ETC., USED AS STORAGE MEDIUM.—The term ‘solar energy property’ shall not include property with respect to which conduits are properly allocable to a swimming pool, hot tub, or any other energy storage medium which has a function other than the function of such storage.

(F) SOLAR PANELS.—No solar panel or other property installed as a roof (or portion thereof) shall fail to be treated as solar energy property solely because it constitutes a structural component of the structure on which it is installed.

(G) GEOThermal ENERGY PROPERTY.—

“(A) IN GENERAL.—The term ‘geothermal energy property’ means equipment used to produce, distribute, or use energy derived from a geothermal deposit (within the meaning of section 613(e)(2)) which requires high risk drilling techniques. Such deposit may not be located in a State or national park or in an area provided for by the National Park Service or the Secretary of the Interior.

“(B) ACCOUNTING RULES FOR PUBLIC UTILITY PROPERTY.—Such term includes equipment which, when installed in connection with a structure, uses a geothermal energy property for purposes of this section unless the taxpayer elects to treat such property as being only a geothermal energy property.

“(C) WATER HEATING PROPERTY.—Such term includes equipment which, when installed in connection with a structure, uses solar energy for the purpose of providing hot water for use within such structure.

“(D) PHOTOVOLTAIC PROPERTY.—

“(i) IN GENERAL.—The term ‘solar energy property’ means equipment which uses solar energy to generate electricity, to heat or cool a structure, or to provide solar process heat.

“(ii) LIMITATION ON AMOUNT OF CREDIT.—The credit under subsection (a)(1) for the taxable year may not exceed (A) $1,000 in the case of a natural gas heat pump described in subparagraph (A)(i), and

(B) $1,500 in the case of a solar water heating property.

“(iii) QUALIFIED HYBRID VEHICLE.—The term ‘qualified hybrid vehicle’ means a vehicle that—

(A) has a fuel efficiency rating of at least 50 miles per hour to 0 miles per hour braking chargeable energy storage system that provides the applicable percentage of the maximum available power shall be the amount specified in the following table:

<table>
<thead>
<tr>
<th>Applicable percentage</th>
<th>Credit amount in:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than or equal to—Less than—</td>
<td>$</td>
</tr>
<tr>
<td>5 percent</td>
<td></td>
</tr>
<tr>
<td>10 percent</td>
<td></td>
</tr>
<tr>
<td>20 percent</td>
<td></td>
</tr>
<tr>
<td>30 percent</td>
<td></td>
</tr>
<tr>
<td>50 percent</td>
<td></td>
</tr>
<tr>
<td>60 percent</td>
<td></td>
</tr>
<tr>
<td>100 percent</td>
<td></td>
</tr>
</tbody>
</table>

“(B) INCREASE IN CREDIT AMOUNT FOR REGENERATIVE BRAKING SYSTEM.—In the case of a qualified hybrid vehicle that actively employs a regenerative braking system which supplies to the rechargeable energy storage system the applicable percentage of the energy available from braking in a typical 60 miles per hour to 0 miles per hour braking event, the credit amount determined under subparagraph (A) shall be increased by the amount specified in the following table:

<table>
<thead>
<tr>
<th>Applicable percentage</th>
<th>Credit amount increase in:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than or equal to—Less than—</td>
<td>$</td>
</tr>
<tr>
<td>20 percent</td>
<td></td>
</tr>
<tr>
<td>40 percent</td>
<td></td>
</tr>
<tr>
<td>60 percent</td>
<td></td>
</tr>
<tr>
<td>80 percent</td>
<td></td>
</tr>
</tbody>
</table>

“(C) QUALIFIED HYBRID VEHICLE.—The term ‘qualified hybrid vehicle’ means an automatic vehicle that meets the applicable efficiency requirements and that can draw propulsion energy from both of the following on-board sources of stored energy:

“(A) A consumable fuel.

“(B) A rechargeable energy storage system.

“(C) MAXIMUM AVAILABLE POWER.—The term ‘maximum available power’ means the maximum value of the summation of the heat engine and electric drive system power or other...
non-heat energy converter devices available for a driver's command for maximum acceleration at vehicle speeds under 75 miles per hour.

(4) AUTOMOBILE.—The term 'automobile' has the same meaning as such term in section 406F(b)(1) (without regard to subparagraphs (B) and (C) thereof). A vehicle shall not fail to be treated as an automobile solely by reason of weight if such vehicle is rated at 8,500 pounds gross vehicle weight rating or less.

(5) DOUBLE BENEFIT: PROPERTY USED OUTSIDE UNITED STATES, ETC., NOT QUALIFIED.—No credit shall be allowed under subsection (a)(2) with respect to—

(A) any property for which a credit is allowed under section 25B or 30;

(B) any property referred to in section 50(b), and

(C) the portion of the cost of any property taken into account under section 179 or 179A.

(6) REGULATIONS.—

(A) TREASURY.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subpart.

(B) ENVIRONMENTAL PROTECTION AGENCY.—The Administrator of the Environmental Protection Agency shall prescribe such regulations as may be necessary or appropriate to specify the testing and calculation procedures that would be used to determine whether a vehicle meets the qualifications for a credit under this subsection.

(7) TERMINATION.—Paragraph (2) shall not apply with respect to any vehicle placed in service in a calendar year ending before January 1, 2003, or after December 31, 2006.

(8) SPECIAL RULES.—For purposes of this section—

(1) SPECIAL RULE FOR PROPERTY FINANCED BY SUBSIDIZED ENERGY FINANCING OR INDUSTRIAL DEVELOPMENT BONDS.—

(A) REDUCTION OF BASIS.—For purposes of applying the energy percentage to any property, if such property is financed in whole or in part by—

(i) subsidized energy financing, or

(ii) the proceeds of a private activity bond (within the meaning of section 141) the interest on which is exempt from tax under section 103, the amount taken into account as the basis of such property shall not exceed the amount of such financing which (but for this subparagraph) would be so taken into account multiplied by the fraction determined under subparagraph (B).

(B) DETERMINATION OF FRACTION.—For purposes of subparagraph (A), the fraction determined under this subparagraph is 1 reduced by a fraction—

(i) the numerator of which is that portion of the basis of the property which is allocable to such financing or proceeds, and

(ii) the denominator of which is the basis of the property.

(C) SUBSIDIZED ENERGY FINANCING.—For purposes of subparagraph (A), the term 'subsidized energy financing' means financing provided under a Federal, State, or local program a principal purpose of which is to provide subsidized financing for projects designed to conserve or produce energy.

(2) APPLICATION RULES MADE APPLICABLE.—Rules similar to the rules of subsections (c)(4) and (d) of section 46 (as in effect on the day before the date of the enactment of section 48A) shall apply for purposes of this section.

(3) APPLICATION OF SECTION.—

(A) IN GENERAL.—Except as provided by paragraph (2) and subsection (e), this section shall apply to property placed in service after December 31, 1999, and before January 1, 2003.

(B) EXCEPTIONS.—

(A) SOLAR ENERGY, GEOTHERMAL ENERGY, AND LOW CORE LOSS DISTRIBUTION TRANSFORMER PROPERTY.—Paragraph (1) shall not apply to a qualified solar energy property or geothermal energy property.

(B) PHOTOVOLTAIC PROPERTY.—In the case of photovoltaic property, this section shall apply to property placed in service after December 31, 1999, and before January 1, 2006.

(C) FUEL CELL PROPERTY.—In the case of fuel cell property, this section shall apply to property placed in service after December 31, 1999, and before January 1, 2005.

(D) ENERGY CREDIT ALLOWABLE AGAINST ENTIRE REGULAR TAX AND ALTERNATIVE MINIMUM TAX.—

(1) IN GENERAL.—Section 38(c) (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following:

(3) SPECIAL RULES FOR ENERGY CREDIT.—

(A) IN GENERAL.—In the case of a C corporation, this section and section 39 shall be applied separately—

(i) first with respect to so much of the credit allowed by subsection (a) as is not attributable to the energy credit, and

(ii) then with respect to the energy credit.

(B) RULES FOR APPLICATION OF ENERGY CREDIT.—

(1) IN GENERAL.—In the case of the energy credit of applying the preceding paragraphs of this subsection, the amount of such credit allowed under subsection (a) for any taxable year shall not exceed the net chapter 1 tax.

(ii) NET CHAPTER 1 TAX.—For purposes of clause (i), the term 'net chapter 1 tax' means the sum of the regular tax liability for the taxable year and the tax imposed by section 55 for the taxable year, reduced by the sum of the credits allowable under this part for the taxable year other than under section 39 and other than the energy credit.

(C) ENERGY CREDIT.—For purposes of this paragraph, the term 'energy credit' means the portion of the credit under subsection (a) for any taxable year which is equal to the amount of the credit determined under section 48A and allowable under section 46 (relating to energy credit).

(2) CONFORMING AMENDMENT.—Section 38(c)(2)(A)(i)(II) is amended by striking ''section 48(a)(5)'' and inserting ''section 48A(a)(5)''.

(3) CONFORMING AMENDMENTS.—

(a) IN GENERAL.—For purposes of section 48, the reforestation credit for any taxable year which is equal to the amount of the credit determined under section 48A is treated as an allowance for the net decreased chapter 1 tax for such year.

(b) APPLICATION OF SECTION.—

(1) Section 48 is amended to read as follows:

SEC. 48. REFORESTATION CREDIT.

(1) IN GENERAL.—For purposes of section 46, the reforestation credit for any taxable year is 20 percent of the portion of the amortizable basis of any qualified timber property which was acquired during such taxable year and which is taken into account under section 194 (after the application of section 194(b)(1)).

(2) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 1999, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).
during the taxable year which is a qualified hybrid vehicle (as defined in section 48A(f)(2)), and

"(C) the credit amount specified in the following table for a new, highly energy-efficiency principal residence:

**New, Highly Energy-Efficient Principal Residence**

<table>
<thead>
<tr>
<th>Residue</th>
<th>Credit Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 percent</td>
<td>$1,000.00</td>
</tr>
<tr>
<td>40 percent</td>
<td>$1,500.00</td>
</tr>
<tr>
<td>50 percent</td>
<td>$2,000.00</td>
</tr>
</tbody>
</table>

"(2) APPLICABLE PERCENTAGE.—(A) In general.—The applicable percentage shall be determined in accordance with the following table:

| Column A—De- | Column B—Applicable Percentage | Column C—Period |
| Description | | | |
|---|---|---|
| 20 percent energy-efficient building property | 20 percent | 1/1/2000 - 12/31/2003 |
| 30 percent energy-efficient building property | 30 percent | 1/1/2000 - 12/31/2001 |
| Solar water heating property | 15 percent | 1/1/2000 - 12/31/2006 |
| Photovoltaic property | 15 percent | 1/1/2000 - 12/31/2006 |

"(B) PERIODS FOR WHICH PERCENTAGE NOT SPECIFIED.—In the case of any residential energy property, the applicable percentage shall be zero for any period for which an applicable percentage is not specified for such property under subparagraph (A).

"(2) MAXIMUM CREDIT.—

"(1) IN GENERAL.—In the case of property described in the following table, the amount of the credit allowed under subsection (a)(1)(A) for the taxable year for each item of such property with respect to a dwelling unit shall not exceed the amount specified for such property in such table:

<table>
<thead>
<tr>
<th>Description of property item</th>
<th>Maximum allowable credit amount is</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 percent energy-efficient building property (other than a fuel cell or natural gas heat pump)</td>
<td>$500.00</td>
</tr>
<tr>
<td>50 percent energy-efficient building property, fuel cell described in section 48A(e)(3)(B) natural gas heat pump described in section 48A(e)(3)(D)</td>
<td>$500 per each kw/hr</td>
</tr>
<tr>
<td>Solar water heating property</td>
<td>$250.00</td>
</tr>
<tr>
<td>Photovoltaic property</td>
<td>$2,000.00</td>
</tr>
</tbody>
</table>

"(2) COORDINATION OF LIMITATIONS.—If a credit is allowed to the taxpayer for any taxable year by reason of an acquisition of a new, highly energy-efficient principal residence, no other credit shall be allowed under subsection (a)(1)(A) with respect to such residence during the 1-taxable year period beginning with such taxable year.

"(3) DEFINITIONS.—For purposes of this section:

"(1) RESIDENTIAL ENERGY PROPERTY EXPENDITURES.—The term ‘residential energy property expenditures’ means expenditures made by the taxpayer for qualified energy property installed on or in connection with a dwelling unit which—

"(A) is located in the United States, and

"(B) is used by the taxpayer as a residence.

Such term includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

"(2) QUALIFIED ENERGY PROPERTY.—

"(A) IN GENERAL.—The term ‘qualified energy property’ means—

"(i) energy-efficient building property,

"(ii) solar water heating property, and

"(iii) photovoltaic property.

"(B) SWIMMING POOL, ETC., USED AS STORAGE PROPERTY.—For purposes of this paragraph, the provisions of subparagraphs (D) and (E) section 48A(e)(1) shall apply.

"(C) ENERGY-EFFICIENT BUILDING PROPERTY.—

"(1) The term ‘energy-efficient building property’ has the meaning given to such term by paragraphs (3) and (4) of section 48A(e).

"(2) SOLAR WATER HEATING PROPERTY.—The term ‘solar water heating property’ means property which, when installed in connection with a structure, uses solar energy for the purpose of providing hot water for use within such structure.

"(D) PHOTOVOLTAIC PROPERTY.—The term ‘photovoltaic property’ has the meaning given to such term by section 48A(e).

"(E) NEW, HIGHLY ENERGY-EFFICIENT PRINCIPAL RESIDENCE.—

"(1) IN GENERAL.—Property is a new, highly energy-efficient principal residence when—

"(i) such property is a dwelling unit which—

"(I) is a property under subparagraph (A).

"(2) APPLICABLE PERCENTAGE.—

"(1) IN GENERAL.—The applicable percentage is not specified for such structure.

"(2) APPLICABLE PERCENTAGE.—

"(1) In general.—The applicable percentage is zero for any period for which an applicable percentage is not specified for such property under subparagraph (A).

"(2) Coordination of limitations.—If a credit is allowed to the taxpayer for any taxable year by reason of an acquisition of a new, highly energy-efficient principal residence, no other credit shall be allowed under subsection (a)(1)(A) with respect to such residence during the 1-taxable year period beginning with such taxable year.

"(c) Definitions.—For purposes of this section:

"(1) Residential energy property expenditures.—The term ‘residential energy property expenditures’ means expenditures made by the taxpayer for qualified energy property installed on or in connection with a dwelling unit which—

"(A) is located in the United States, and

"(B) is used by the taxpayer as a residence.

Such term includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

"(2) Qualified energy property.—

"(A) In general.—The term ‘qualified energy property’ means—

"(i) energy-efficient building property,

"(ii) solar water heating property, and

"(iii) photovoltaic property.

"(B) Swimming pool, etc., used as storage property.—For purposes of this paragraph, the provisions of subparagraphs (D) and (E) section 48A(e)(1) shall apply.

"(3) Energy-efficient building property.—

"(1) The term ‘energy-efficient building property’ has the meaning given to such term by paragraphs (3) and (4) of section 48A(e).

"(2) Solar water heating property.—The term ‘solar water heating property’ means property which, when installed in connection with a structure, uses solar energy for the purpose of providing hot water for use within such structure.

"(3) Photovoltaic property.—The term ‘photovoltaic property’ has the meaning given to such term by section 48A(e).

"(4) New, highly energy-efficient principal residence.—

"(1) In general.—Property is a new, highly energy-efficient principal residence when—

"(i) such property is a dwelling unit which—

"(I) is a property under subparagraph (A).

"(ii) the original use of such property commenced with the taxpayer and is, at the time of such use, the principal residence of the taxpayer, and

"(iii) such property is certified before such use commenced as being 50 percent property, 40 percent property, or 30 percent property.

"(2) 50, 40, or 30 PERCENT PROPERTY.—

"(1) IN GENERAL.—For purposes of subparagraph (A), property is 50 percent property, 40 percent property, or 30 percent property if the projected energy usage of such property is reduced by 50 percent, 40 percent, or 30 percent, respectively, compared to the energy usage of a reference house that complies with minimum standard practice, such as the 1998 International Energy Conservation Code of the International Code Council, as determined according to the requirements specified in clause (ii).

"(ii) Procedures.—

"(1) IN GENERAL.—For purposes of clause (i), energy usage shall be determined either by a component-based approach or a performance-based approach.

"(II) Component approach.—Compliance by the component approach is achieved when all of the components of the house comply with the requirements of prescriptive packages established by the Secretary of Energy, in consultation with the Administrator of the Environmental Protection Agency, such that they are equivalent to the results of using the performance-based approach of subclause (III) to achieve the required reduction in energy usage.

"(III) Performance-based approach.—Performance-based compliance shall be demonstrated in terms of the required percentage reductions in projected energy use. Computer software used in support of performance-based approach must meet all of the procedures and methods for calculating energy savings reductions that are promulgated by the Secretary of Energy. Such regulations for this software shall be based in the 1998 California Residential Alternative Calculation Method Approval Manual, except that the calculation shall be developed such that the same energy efficiency measures qualify a home for tax credits regardless of whether the home uses a gas or oil furnace or boiler, or an electric heat pump.

"(IV) Approval of software submissions.—The Secretary of Energy shall approve software submissions that comply with the calculation requirements of subclause (III).

"(C) Determinations of compliance.—A determination of compliance made for the purposes of this paragraph shall be filled with the Secretary of Energy within 1 year of the date of such determination and shall include the TIN of the certifier, the address of the property in compliance, and the identity of the person for whom such determination was performed. Determinations of compliance filed with the Secretary of Energy shall be available for inspection by the Secretary.

"(D) Compliance.—

"(1) In general.—The Secretary of Energy in consultation with the Secretary of the Treasury shall establish requirements for certification and compliance procedures after examining the requirements for energy consumption procedures specified by the Mortgage Industry National Accreditation Procedures for Home Energy Rating Systems.

"(2) Individuals qualified to determine compliance.—Individuals qualified to determine compliance shall be only those individuals who are recognized by an organization identified by the Secretary of Energy for such purposes.

"(E) Principal residence.—The term ‘principal residence’ has the same meaning as used in section 121, except that in the case of a structure which is treated as a principal residence for purposes of this section (other than a fuel cell or natural gas heat pump described in section 48A(e)(3)(B) or (D)) first be treated as his principal residence.

"(F) Special rules.—For purposes of this section:

"(1) Dollar amounts in case of joint occupancy.—In the case of any dwelling unit which if jointly occupied and used during any calendar year as a residence by 2 or more individuals the following shall apply:

"(A) The amount of the credit allowable under subsection (b) for expenditures made during such calendar year by any of such individuals with respect to such dwelling unit shall be determined by treating such individual as 1 tenant whose taxable year is such calendar year.

"(B) There shall be allowable with respect to such expenditures to each of such individuals, a credit under subsection (a) for the taxable year in which such calendar year ends in an amount which bears the same ratio to the amount determined under paragraph (A) as the amount of such expenditures made by such individual during such calendar year bears to the aggregate of such expenditures made by all of such individuals during such calendar year.

"(2) Tenant-stockholder in cooperative housing corporation.—In the case of an individual who is a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual shall be treated as having made his tenant-stockholder contributions (as defined in section 216(b)(3)) of any expenditures of such corporation.

"(3) Condominiums.—In general.—In the case of an individual who is a member of a condominium association management with respect to a condominium which he owns, such individual shall be treated as having made his proportional share of any expenditures of such association.
(b) CONFORMING AMENDMENTS. —

(1) Section 1016(a) is amended by striking “and” at the end of paragraph (26), by striking the period at the end of paragraph (27) and a semicolon, and by adding at the end the following:

“(28) to the extent provided in section 25B(e), in the case of amounts with respect to which a credit has been allowed under section 25B.”

(2) The tables of sections for subpart A of part IV of subchapter A of chapter 1 are amended by striking the item relating to section 25A the following:

“Sec. 25B. Nonbusiness energy property.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to expenditures after December 31, 1999.

TITLE III—ALTERNATIVE FUELS

SEC. 301. ALLOCATION OF ALCOHOL FUELS CREDIT TO PATRONS OF A COOPERATIVE.—

(a) IN GENERAL.—Section 40(d) (relating to alcohol used as fuel) is amended by adding at the end the following:

“(6) ALLOCATION OF SMALL ETHANOL PRODUCE CREDIT TO PATRONS OF COOPERATIVE.—

“(A) IN GENERAL.—In the case of a cooperative organization described in section 1381(a), any portion of the credit determined under subsection (a)(3) for the taxable year may, at the election of the organization made on a timely filed return (including extensions) for such year, be allocated among patrons of the organization on the basis of the quantity or value of business done with or for such patrons for the taxable year. Such allocation shall be irrevocable for such taxable year.

“(B) TREATMENT OF ORGANIZATIONS AND PATRONS.—The amount of the credit apportioned to patrons pursuant to subparagraph (A)—

“(i) shall not be included in the amount determined under subsection (a) for the taxable year of the organization, and

“(ii) shall be included in the amount determined under subsection (a) for the taxable year of each patron in which the patronage dividend for the taxable year referred to in subparagraph (A) is includible in gross income.

(C) SPECIAL RULE FOR INCREASING CREDIT FOR TAXABLE YEAR.—If the amount of the credit of a cooperative organization determined under subsection (a)(3) for a taxable year is less than the amount of such credit shown on the cooperative organization’s return for such year, an amount equal to the excess of such reduction over the amount not apportioned to the patrons under subparagraph (A) shall be treated as an increase in tax imposed by this chapter on the organization. Any such increase shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit under this subpart or subpart A, B, E, or G of this part.”

(b) TECHNICAL AMENDMENT.—Section 1388 relating to definitions and special rules for cooperative organizations is amended by adding at the end the following:

“(c) CROSS REFERENCE.—

“For provisions relating to the apportionment of the alcohol fuels credit between cooperative organizations and their patrons, see section 40(d)(6).”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

TITLE IV—AUTOMOBILES

SEC. 401. EXTENSION OF CREDIT FOR QUALIFIED ELECTRIC VEHICLES.—

(a) EXTENSION OF CREDIT FOR QUALIFIED ELECTRIC VEHICLES.—Subsection (f) of section 30 (relating to termination) is amended by striking “December 31, 2004” and inserting “December 31, 2006.”

(b) REPEAL OF PHASEOUT.—Subsection (b) of section 30 (relating to limitations) is amended by striking paragraph (2) and redenominating paragraph (2) (as so amended) paragraph (3).”

(c) NO DOUBLE BENEFIT.—

(1) Subsection (d) of section 30 (relating to special rules) is amended by adding at the end the following:

“(5) NO DOUBLE BENEFIT.—No credit shall be allowed under subsection (a) with respect to any vehicle if the taxpayer claims a credit for such vehicle under section 25A(a)(1)(B) or 48A(e).”

(2) Paragraph (3) of section 30(d)(6) (relating to property used outside United States, etc.) is amended by striking “section 50(b)” and inserting “section 25B, 48A, or 50(b).”

(3) Paragraph (5) of section 179A(e) (relating to property used outside United States, etc., not qualified) is amended by striking “section 50(b)” and inserting “section 25B, 48A, or 50(b).”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.

TITLE V—CLEAN COAL TECHNOLOGIES

SEC. 301. CREDIT FOR INVESTMENT IN QUALIFYING CLEAN COAL TECHNOLOGY.—

(a) ALLOWANCE OF CREDIT.—Section 46 (relating to credit for qualified clean coal technology investment) is amended by striking “and” at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting “; and”, and by adding at the end the following:

“(4) the qualifying clean coal technology facility credit.”

(b) AMOUNT OF CREDIT.—Subpart E of part IV of subchapter A of chapter 1 (relating to rules for computing investment credit), as amended by section 101(a), is amended by inserting after section 48A the following:

“SEC. 48B. QUALIFYING CLEAN COAL TECHNOLOGY FACILITY CREDIT.—

“(a) IN GENERAL.—For purposes of section 46, the qualifying clean coal technology facility credit for any taxable year is an amount equal to 10 percent of the qualified investment in a qualifying clean coal technology facility for such taxable year.

“(b) QUALIFYING CLEAN COAL TECHNOLOGY FACILITY.—

“(1) IN GENERAL.—For purposes of subsection (a), the term ‘qualifying clean coal technology facility’ means a facility of the taxpayer—

“(A)(i) the original use of which commences with the taxpayer or the reconstruction of which is completed by the taxpayer (but only with respect to that portion of the
basis which is properly attributable to such
reconstruction, or
(b) that is sold and leased back by such
person, or is leased to such person, within
3 months after the date such facility was
originally placed in service, for a period of
not less than 12 years,
such facility shall be treated as originally
placed in service not earlier than the date on
which such property is used under the lease-
back (or lease) referred to in subparagraph
(B). The preceding sentence shall not apply
to any property if the lessee and lessor of
such property is related within the meaning of
section 267 or 721.
(2) SPECIAL RULE FOR SALE-LEASEBACKS.—For
purposes of subparagraph (A) of para-
graph (1), in the case of a facility that—
(A) is originally placed in service by a
person, or
(B) is sold and leased back by such
person, or is leased to such person, within
3 months after the date such facility was
originally placed in service, in a period of
not less than 12 years,
the basis of a qualifying clean coal
technology facility property shall be treated
as a basis which is properly attributable to
such property.
(3) QUALIFIED PROGRESS EXPENDITURES DE-
FINED.—For purposes of this subsection,
the term ‘qualified progress expenditures’
means the amount paid during the taxable
year with respect to property which is not
self-constructed by or for the taxpayer when it is
placed in service.
(c) QUALIFIED INVESTMENT.—For purposes
of this subsection, the term ‘qualified
investment’ means—
(A) in the case of any progress expenditure property,
the amount or alternate minimum tax ‘qualified
progress expenditures’ means property which is
not self-constructed by or for the taxpayer when it is
placed in service.
(B) NON-SELF-CONSTRUCTED PROPERTY.—In
the case of non-self-constructed property, the term ‘qualified progress expenditures’
means the amount which, for purposes of this
subpart, is properly chargeable (during such tax-
able year) to capital account with respect to
such property.
(d) CONVENTIONAL TECHNOLOGY.—The
term ‘conventional technology’ means—
(i) applications totaling 1,500 megawatts of
pressurized fluidized bed combustion
technology installed as a new, retrofit, or
repowering and operated between 2000 and 2013
that has a design average net heat rate of
not more than 8,500 Btu’s per kilowatt hour,
(ii) applications totaling 1,500 megawatts of
fluidized bed combustion technology
installed as a new, retrofit, or
repowering and operated between 2000 and 2013
that has a design average net heat rate of
not more than 8,550 Btu’s per kilowatt hour,
(iii) applications totaling 1,500 megawatts of
integrated gasification combined cycle
technology installed as a new, retrofit, or
repowering and operated between 2000 and 2013
that has a design average net heat rate of
not more than 8,500 Btu’s per kilowatt hour,
(iv) applications totaling 2,000 megawatts of
integrated gasification combined cycle
technology installed as a new, retrofit, or
repowering and operated between 2000 and 2013
that has a design average net heat rate of
not more than 8,500 Btu’s per kilowatt hour,
and
(3) SPECIAL RULE FOR CLEAN COAL TECHNOLOGY FACILITY.—For
purposes of the rules described in paragraph
(2), the following shall apply:
(A) GENERAL RULE.—In lieu of the amount
of the increase in tax described in subparagraph
(A) of paragraph (2), the increase in tax shall be
an amount equal to the increase in tax credit allowed under
section 38 for all prior taxable years with re-
spect to the property which is the qualifying clean
technology facility disposed of, and whose
denominator is the total number of years over which such facility would other-
wise have been subject to depreciation. For
purposes of the preceding sentence, the year of
disposition of the qualifying clean coal
technology facility property shall be treated
as a year of remaining depreciation.
(B) PROPERTY CRASHEES TO QUALIFY FOR PROGRESS EXPENDITURES.—Rules similar to
the rules of paragraph (2) shall apply in the
case of a taxpayer who has made an
election under paragraph (5), the amount of
the increase in tax paid during the taxable
year with respect to the credit allowed under
section 38 for all prior taxable years with re-
spect to the property which is the qualifying clean
technology facility disposed of, and whose
denominator is the total number of years over which such facility would other-
wise have been subject to depreciation. For
purposes of the preceding sentence, the year of
disposition of the qualifying clean coal
technology facility property shall be treated
as a year of remaining depreciation.
(C) CREDIT ALLOWED AGAINST MINIMUM
TAX.—(1) IN GENERAL.—Section 101(c)(2), amends by adding at the end the
following:
(1) NO CARRYBACK OF SECTION 48B CREDIT BEFORE EFFECTIVE DATE.—No portion of the
unused business credit for any taxable year
which is attributable to the qualifying clean
technology facility credit determined under
section 48B shall be carried back to a tax-
able year ending before the date of the
enactment of this subsection.
(e) CREDIT ALLOWED AGAINST MINIMUM
TAX.—(1) IN GENERAL.—Section 48B, relating to
minimum tax, is amended in the case of any
creditable amount in the case of any
creditable amount which is attributable to the
qualifying clean coal technology facility credit determined under
section 48B, the following shall apply:
(A) GENERAL RULE.—In lieu of the amount
of the increase in tax described in subparagraph
(A) of paragraph (2), the increase in tax shall be
an amount equal to the increase in tax credit allowed under
section 38 for all prior taxable years with re-
spect to the property which is the qualifying clean
technology facility disposed of, and whose
denominator is the total number of years over which such facility would other-
wise have been subject to depreciation. For
purposes of the preceding sentence, the year of
disposition of the qualifying clean coal
technology facility property shall be treated
as a year of remaining depreciation.
(D) ONLY CONSTRUCTION OF QUALIFYING CLEAN COAL TECHNOLOGY FACILITIES TO BE TAKEN INTO ACCOUNT.—Construction shall be
taken into account only if, for purposes of this
subpart, expenditures therefor are prop-
erating property and
(C) each of the last 12 months after the
date such facility was originally placed in service;
(D) are of the kind of property for which a
construction expenditure allowance is provided by
the Internal Revenue Code of 1986;
(E) are for the construction, reconstruction,
or repair of property which is not self-constructed by
or for the taxpayer when it is placed in service;
(F) are material and substantial; and
(G) the aggregate cost of such property
is not more than $10,000,000.
(3) SPECIAL RULES FOR CLEAN COAL TECH-
NOLGY CREDIT.—(A) APPLICATION OF PROVISION.—This section shall not apply to any property
with respect to which the rehabilitation
credit under section 47 or the energy credit
under section 46A is allowed unless the tax-
payer elects to waive the application of such
credit to such property.
(B) RECAPTURE.—Section 50(a) (relating to
other special rules) is amended by adding at the
electrical output from the qualifying clean
technology facility.
(ii) natural gas-fired combustion tech-
ology with a design average net heat rate of
not less than 0.24 pounds of carbon per
kilowatt hour.
(iii) natural gas-fired combustion tech-
ology with a design average net heat rate of
not less than 7,500 Btu’s per kilowatt hour.
(iv) natural gas-fired combustion tech-
ology with a design average net heat rate of
not less than 0.53 pounds of carbon per
kilowatt hour; or
(v) electric power
producing or scheduled to receive funding under the
Clean Coal Technology Program of the De-
partment of Energy.
(2) NON-SELF-CONSTRUCTED PROPERTY.—In
the case of non-self-constructed property, the term ‘qualified progress expenditures’
means the amount paid during the taxable
year with respect to property which is being
constructed by or for the taxpayer when it is
placed in service.
(3) QUALIFIED PROGRESS EXPENDITURES DE-
FINED.—For purposes of this subsection—
(A) SELF-CONSTRUCTED PROPERTY.—In the case of any self-constructed property, the term ‘qualified progress expenditures’
means any property being constructed by or for
the taxpayer and which it is reasonable to be-
lieve will be ready for use as a clean coal
technology facility which is being con-
built by or for the taxpayer when it is
placed in service.
(B) NON-SELF-CONSTRUCTED PROPERTY.—In
the case of non-self-constructed property, the term ‘qualified progress expenditures’
means property which is not self-constructed by
or for the taxpayer during such taxable year.
(C) CONSTRUCTION, ETC.—The term ‘con-
structed’ includes reconstruction, repair,
and the term ‘constructed’ includes re-
constructed and erected.
(4) ELECTION.—An election under this sub-
section may be made at any time during the
taxable year in which such property is
placed in service.
(e) COORDINATION WITH OTHER CREDITS.—
This section shall not apply to any property
with respect to which the rehabilitation
credit under section 47 or the energy credit
under section 46A is allowed unless the tax-
payer elects to waive the application of such
credit to such property.
(2) ELECTRONIC APPRAISAL OF TAXPAYERS
RELATING TO QUALIFYING CLEAN COAL TECHNOLOGY FACILITY.—For purposes of the rules of paragraph
(2), in the case of any credit allowable by reason of section
48B, the following shall apply:
(A) GENERAL RULE.—In lieu of the amount
of the increase in tax described in subparagraph
(A) of paragraph (2), the increase in tax shall be
an amount equal to the increase in tax credit allowed under
section 38 for all prior taxable years with re-
spect to the property which is the qualifying clean
technology facility disposed of, and whose
denominator is the total number of years over which such facility would other-
wise have been subject to depreciation. For
purposes of the preceding sentence, the year of
disposition of the qualifying clean coal
technology facility property shall be treated
as a year of remaining depreciation.
(B) PROPERTY CRASHEES TO QUALIFY FOR PROGRESS EXPENDITURES.—Rules similar to
the rules of paragraph (2) shall apply in the
case of a taxpayer who has made an
election under paragraph (5), the amount of
the increase in tax paid during the taxable
year with respect to the credit allowed under
section 38 for all prior taxable years with re-
respect to the property which is the qualifying clean
technology facility disposed of, and whose
denominator is the total number of years over which such facility would other-
wise have been subject to depreciation. For
purposes of the preceding sentence, the year of
disposition of the qualifying clean coal
technology facility property shall be treated
as a year of remaining depreciation.
(C) CREDIT ALLOWED AGAINST MINIMUM
TAX.—(1) IN GENERAL.—Section 101(c)(2), amends by adding at the end the
following:
(1) NO CARRYBACK OF SECTION 48B CREDIT BEFORE EFFECTIVE DATE.—No portion of the
unused business credit for any taxable year
which is attributable to the qualifying clean
technology facility credit determined under
section 48B shall be carried back to a tax-
able year ending before the date of the
enactment of this subsection.
(e) CREDIT ALLOWED AGAINST MINIMUM
TAX.—(1) IN GENERAL.—Section 101(c)(2), amends by adding at the end the
following:
(1) NO CARRYBACK OF SECTION 48B CREDIT BEFORE EFFECTIVE DATE.—No portion of the
unused business credit for any taxable year
which is attributable to the qualifying clean
technology facility credit determined under
section 48B shall be carried back to a tax-
able year ending before the date of the
enactment of this subsection.
(A) In General.—In the case of the qualifying clean coal technology facility credit—

(1) this section and section 39 shall be applied separately with respect to the credit, and

(2) in applying paragraph (1) to the credit—

(I) subparagraph (A) shall not apply, and

(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the credits described in this paragraph and paragraphs (2) and (3))

(B) Qualifying Clean Coal Technology Facility Credit.—For purposes of this paragraph, the term ‘qualifying clean coal technology facility credit’ means the portion of the credit under subsection (a) which is attributable to the credit determined under section 48B.

(2) CONFORMING AMENDMENT.—Section 38(c)(2)(A)(i)(II) of such Code, as amended by section 101(b)(2), is amended by striking “(other than the credits described in this paragraph and paragraph (3))” and inserting “(other than the credits described in this paragraph and paragraphs (3) and (4))”.

(5) TECHNICAL AMENDMENTS.—

(1) Section 49(a)(3)(C) is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “and”, and by adding at the end the following:

(iv) the portion of the basis of any qualifying clean coal technology facility attributable to any qualified investment (as defined below)

(2) Section 50(a)(4) is amended by striking “and” (2)” and inserting “(2), and (6)”.

(3) The table of sections for subpart E of part IV of chapter A of chapter 1, as amended by section 101(e), is amended by inserting after the item relating to section 48A the following:

``Sec. 48B. Qualifying clean coal technology facility credit.”

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31, 1999, and before January 1, 2013, similar to the applicability of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1986).

SEC. 502. CREDIT FOR PRODUCTION FROM QUALIFYING CLEAN COAL TECHNOLOGY.

(a) Credit for Production From Qualifying Clean Coal Technology.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following:

``Sec. 45D. Credit for production from qualifying clean coal technology.”

(b) Applicable Amount.—For purposes of this section, the applicable amount with respect to production from a qualifying clean coal technology facility shall be determined as follows:

(1) In the case of a facility originally placed in service before 2006, if—

<table>
<thead>
<tr>
<th>The facility design average net heat rate, Btu/kWh (HHV) is equal to:</th>
<th>The applicable amount is:</th>
<th>For 1st 5 years of such service</th>
<th>For 2nd 5 years of such service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net more than 8600 ...</td>
<td>$0.010</td>
<td>$0.010</td>
<td></td>
</tr>
<tr>
<td>More than 8460 but not more than 8550 ...</td>
<td>$0.010</td>
<td>$0.0085</td>
<td></td>
</tr>
<tr>
<td>More than 8550 but not more than 8750 ...</td>
<td>$0.0097</td>
<td>$0.0070</td>
<td></td>
</tr>
</tbody>
</table>

(2) In the case of a facility originally placed in service after 2005 and before 2010, if—

<table>
<thead>
<tr>
<th>The facility design average net heat rate, Btu/kWh (HHV) is equal to:</th>
<th>The applicable amount is:</th>
<th>For 1st 5 years of such service</th>
<th>For 2nd 5 years of such service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net more than 7770 ...</td>
<td>$0.0105</td>
<td>$0.0085</td>
<td></td>
</tr>
<tr>
<td>More than 7770 but not more than 8125 ...</td>
<td>$0.0085</td>
<td>$0.0065</td>
<td></td>
</tr>
<tr>
<td>More than 8125 but not more than 8750 ...</td>
<td>$0.0070</td>
<td>$0.0055</td>
<td></td>
</tr>
</tbody>
</table>

(3) In the case of a facility originally placed in service after 2009 and before 2014, if—

<table>
<thead>
<tr>
<th>The facility design average net heat rate, Btu/kWh (HHV) is equal to:</th>
<th>The applicable amount is:</th>
<th>For 1st 5 years of such service</th>
<th>For 2nd 5 years of such service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net more than 7770 ...</td>
<td>$0.0085</td>
<td>$0.0070</td>
<td></td>
</tr>
<tr>
<td>More than 7770 but not more than 7880 ...</td>
<td>$0.0070</td>
<td>$0.0045</td>
<td></td>
</tr>
</tbody>
</table>

(c) Inflation Adjustment Factor.—Each amount in paragraphs (1), (2), and (3) shall each be adjusted by multiplying such amount by the inflation adjustment factor for the calendar year in which the amount is applied. If any amount as increased under the preceding sentence is not a multiple of 0.01 cent, such amount shall be rounded to the nearest multiple of 0.01 cent.

(d) Definitions and Special Rules.—For purposes of this section—

(1) any term used in this section which is also used in section 48B shall have the meaning given such term in section 48B.

(2) the rules of paragraphs (3), (4), and (5) of section 45 shall apply.

(3) the term ‘inflation adjustment factor’ means, with respect to a calendar year, a fraction the numerator of which is the GDP implicit price deflator for the preceding calendar year and the denominator of which is the GDP implicit price deflator for the calendar year 1998, and

(4) the term ‘GDP implicit price deflator’ means the most recent revision of the implicit price deflator for the gross domestic product as computed by the Department of Commerce before March 15 of the calendar year.

(b) Credit Treated as Business Credit.—Section 38(b) is amended by striking “plus” at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting “, plus”, and by adding at the end the following:

(12) the qualifying clean coal technology production credit determined under section 45D(a).

(c) Transitional Rule.—Section 39(d) (relating to transitional rules), as added by section 501(d), is amended by adding at the end the following:

(11) No Carryback of Certain Credits Before 2013.—For purposes of the unbusiness credit for any taxable year which is attributable to the credits allowable under any section added to this subpart by the amendments made by the Energy Security Act of 1992 which shall be carried back to a taxable year ending before the date of the enactment of such Act.

(d) Credit Allowed Against Minimum Tax.—

(1) In General.—Section 38(c) (relating to limitation based on amount of tax), as amended by section 501(e)(1), is amended by redesignating paragraph (3) as paragraph (6) and by inserting after paragraph (4) the following:

(5) Special Rules for Clean Coal Production Credit.—

(A) In General.—In the case of the qualifying clean coal technology production credit—

(1) this section and section 39 shall be applied separately with respect to the credit, and

(2) in applying paragraph (1) to the credit—

(I) subparagraph (A) shall not apply, and

(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the credits described in this paragraph and paragraphs (2), (3), and (4)).

(B) Qualifying Clean Coal Technology Production Credit.—For purposes of this paragraph, the term ‘qualifying clean coal technology production credit’ means the portion of the credit under subsection (a) which is attributable to the credit determined under section 45D.

(2) Conforming Amendment.—Section 38(c)(2)(A)(i)(II), as amended by section 501(e)(2), is amended by striking “other than the credits described in this paragraph and paragraphs (3) and (4))” and inserting “other than the credits described in this paragraph and paragraphs (3), (4), and (5))”.

(c) Clerical Amendment.—The table of sections for subpart D of part IV of chapter A of chapter 1 is amended by adding at the end the following:

``Sec. 45D. Credit for production from qualifying clean coal technology.”

(f) Effective Date.—The amendments made by this section shall apply to periods after the date of the enactment of this Act.

SEC. 503. RISK POOL FOR QUALIFYING CLEAN COAL TECHNOLOGY.

(a) Establishment.—The Secretary of the Treasury shall establish a financial risk pool which shall be available to any United States owner of qualifying clean coal technology (as defined in section 48B(b)(3)) of the Internal Revenue Code of 1986 to offset for the first 3 years of the operation of such technology the costs (not to exceed 5 percent of the total cost of installation) for modifications resulting from the technology’s failure to achieve its design performance.

(b) Authorization of Appropriations.—There is authorized to be appropriated such sums as are necessary to carry out the purposes of this section.

TITLE VI—METHANE RECOVERY

SEC. 601. EXPANSION OF SECTION 29 TAX CREDIT.

(a) IN GENERAL.—Section 29 of title 26 (relating to application of section) is amended—

(1) by inserting “and after December 31, 1998, and before January 1, 2008,” after “1993,” in paragraphs (1)(A) and (1)(B), and

(2) by striking “2003” in paragraph (2) and inserting “2013”.

(b) Expansion of Definition of Biomass.—

(1) In General.—Section 29(c)(3) is amended to read as follows:
“(1) IN GENERAL.—The term ‘biomass’ means—

(A) any organic material other than—

(i) oil, and natural gas (or any product thereof), and

(ii) coal (including lignite) or any product thereof, and

(B) any solid, nonhazardous, cellulosic waste material, which is segregated from other waste materials, and which is derived from—

(i) any of the following forest-related resources: mill residues, precommercial thinnings, slash, and brush, but not including old-growth timber;

(ii) urban sources, including waste pallets, crates, and dunnage, manufacturing and construction wood wastes, and landscape or right-of-way tree trimmings, but not including unsegregated municipal solid waste (garbage), or

(iii) agricultural sources, including orchard tree crops, vineyard, grain, legumes, poultry litter, animal manure, sugar, and other crop by-products or residues.”

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to production after the date of the enactment of this Act.

SEC. 602. CREDIT FOR CAPTURE OF COALBED METHANE GAS.

(a) CREDIT FOR CAPTURE OF COALBED METHANE GAS.—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits), as amended by section 502(a), is amended by adding at the end the following:

“SEC. 45E. CREDIT FOR CAPTURE OF COALBED METHANE GAS.

“For purposes of section 38, the coaled methane gas capture credit of any taxpayer for any taxable year is $10 for each ton of carbon-equivalent coaled methane gas captured by the taxpayer during such taxable year.”

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b) (relating to current year business credit), as amended by section 502(b), is amended by striking “plus” at the end of paragraph (13) and inserting “,, plus”, and by adding at the end the following:

“(14) the coaled methane gas capture credit determined under section 45E(a).”

(c) CREDINAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 502(e), is amended by adding at the end the following:

“Sec. 45E. Credit for capture of coaled methane gas.”

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

TITLE VII—OIL AND GAS PRODUCTION

SEC. 701. CREDIT FOR PRODUCTION OF RE-FINED LUBRICATING OIL.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits), as amended by section 602(a), is amended by adding at the end the following:

“SEC. 45F. CREDIT FOR PRODUCING RE-FINED LUBRICATING OIL.

“(a) GENERAL RULE.—For purposes of section 38, the re-refined lubricating oil production credit of any taxpayer for any taxable year is equal to $4.05 per barrel of qualified re-refined lubricating oil produced which is attributable to the taxpayer (within the meaning of section 38(d)(3)).

(b) REFINED LUBRICATING OIL PRODUCTION.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified re-refined lubricating oil manufactured from at least 95 percent used oil and not more than 2 percent of previously unused oil by a re-refining process which effectively removes physical and chemical impurities and deposits and additives to the extent that such base oil meets industry standards for engine oil as defined by the American Petroleum Institute document API 1509 as in effect on the date of the enactment of this section.

“(2) LIMITATION ON AMOUNT OF PRODUCTION WHICH MAY BE TREATED.—No lubricating oil produced during any taxable year shall not be treated as qualified re-refined lubricating oil production but only to the extent average daily production during the taxable year exceeds 7,000 barrels.

“(3) BARREL.—The term ‘barrel’ has the meaning given such term by section 613A(e)(4).

“(c) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 1999, the dollar amount contained in subparagraph (A) shall be increased by an amount equal to such dollar amount multiplied by the inflation adjustment factor for such calendar year (determined under section 29(d)(2)(B) by substituting ‘1996’ for ‘1979.’”

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b) (relating to current year business credit), as amended by section 602(b), is amended by striking “plus” at the end of paragraph (13), by striking the period at the end of paragraph (14) and inserting “, plus”, and by adding at the end the following:

“(15) the re-refined lubricating oil production credit determined under section 45F(a).”

(c) CREDINAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 602(c), is amended by adding at the end the following:

“Sec. 45F. Credit for producing re-refined lubricating oil.”

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

SEC. 702. REPEAL CERTAIN ADJUSTMENTS BASED ON ADJUSTED CURRENT EFFECT ON OIL AND GAS ASSETS.

(a) INTANGIBLE DRILLING COSTS.—Clause (I) of section 56(g)(4)(D) (relating to other earnings and profits adjustments) is amended by inserting the second sentence and inserting the following: “In the case of any oil or gas well, this clause shall not apply to amounts paid or incurred in taxable years beginning after December 31, 1999.”

(b) DEPLETION.—Clause (ii) of section 56(g)(4)(F) (relating to depletion) is amended to read as follows:

“(ii) EXCEPTION FOR OIL AND GAS WELLS.—In the case of any taxable year beginning after December 31, 1999, clause (i) (and subparagraph (C)(i)) shall not apply to any deduction for depletion computed in accordance with section 613A.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 202. 10-YEAR CARRYBACK FOR PERCENTAGE DEPLETION FOR OIL AND GAS PROPS.

(a) IN GENERAL.—Subsection (d)(1)(C) of section 613A (relating to limitations on percentage depletion in case of oil and gas wells) is amended by striking “7,000” and inserting “10,000”.

(b) LEVY.—In the case of any taxable year beginning after December 31, 1999, clause (i) shall not apply to any percentage depletion allowable to the taxpayer electing under subparagraph (C) if the disallowed as a deduction for the taxable year (in this subparagraph referred to as the “unreduced depletion year”) by reason of the application of subparagraph (A), the disallowed amount shall be treated as an amount allowable as a deduction under subsection (c) for—

(I) each of the 10 taxable years preceding the unreduced depletion year,

(II) the taxable year following the unreduced depletion year, subject to the application of subparagraph (B) if such year begins after December 31, 1999.

(III) ELECTION TO WAIVE CARRYBACK.—Any taxpayer entitled to a carryback period under this subparagraph may elect to waive such carryback for any of the taxable years to which such carryforward would apply. Such an election made in any taxable year may be re-elected in the next succeeding taxable year in such manner as the Secretary may prescribe.

(c) ALLOCATION OF DISALLOWED AMOUNTS.—For purposes of basis adjustments and determining what cost depletion excessive percentage depletion with respect to the production from a property, any amount disallowed as a deduction on the application of this paragraph shall be allocated to the respective properties from which the oil or gas was produced in proportion to the percentage depletion otherwise allowable to such properties under subsection (c).”

(d) EFFECTIVE DATE.—The amendment by this section shall apply to taxable years beginning after December 31, 1999, and to any taxable year beginning on or before the last day of the fifth month in 1970, and the law in the jurisdiction in which such trust was created requires all or a portion of the gross or net proceeds of any royalty or other interest in oil, gas, or other mineral properties of any percentage depletion allowance to be allocated to the principal of the trust.

SEC. 703. CREDIT FOR INVESTMENT IN PHOTO-VOLTAIC AND WIND PROPERTY MANUFACTURING FACILITIES.

(a) ALLOWANCE OF PHOTO-VOLTAIC AND WIND PROPERTY MANUFACTURING FACILITY CREDIT.—Section 46 (relating to amount of credit), as amended by section 501(a), is amended by striking “and” at the end of paragraph (3), by striking the end of paragraph (4) and inserting “, and”, and by adding at the end the following:
"(5) the photovoltaic or wind property manufacturing facility credit."

(b) AMOUNT OF CREDIT.—Subpart E of part IV of subchapter A of chapter 1 (relating to rules for computing investment credit), as amended by section 504(f), is amended by striking "and (6)" and inserting "and (7)" 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:

"The term 'non-self-constructed property' means property which is not self-constructed property."
sugar, and other crop by-products or residues, or 'poultry waste.'

(9) EXTENSION AND MODIFICATION OF PLACED IN SERVICE RULES.—Paragraph (3) of section 46(c) is amended to read as follows:

'(3) QUALIFIED FACILITY.—

''(A) WIND FACILITIES.—In the case of a facility using wind to produce electricity, the term 'qualified facility' means any facility owned by the taxpayer which is originally placed in service after December 31, 1993, and before July 1, 2004.

''(B) BIOMASS FACILITIES.—

''(1) IN GENERAL.—In the case of a facility using biomass to produce electricity, the term 'qualified facility' shall include a facility using biomass to produce electricity and ethanol.

''(2) PROPORTIONAL CREDIT FOR CO-FIRING.—

''(4) PROPORTIONAL CREDIT FOR CO-FIRING.—

In the case of a facility using biomass to produce electricity, the term 'qualified facility' means any facility owned by the taxpayer which is originally placed in service before July 1, 2004.

''(5) EFFECTIVE DATE.—The amendment made by this section shall apply to the taxable year for which made and elections prescribed. Such an election shall apply to the taxable year for which made and to all subsequent taxable years. Such an election, once made, may not be revoked except with the consent of the Secretary.

''(6) DETERMINATION OF QUALIFIED INVESTMENT.—For purposes of subparagraph (A) of paragraph (2), the term 'qualified investment' means, with respect to any taxable year, the aggregate of each qualified progress expenditure property.

For purposes of this subsection, a taxpayer shall be treated as a year of remaining taxable year for the taxable year with respect to a qualified biomass-based generating system facility (as defined by section 38 for all prior taxable years with respect to a qualified biomass-based generating system facility credit).
the rules of paragraph (2) shall apply in the case of expenses other than those of a qualified biomass-based generating system facility under section 48D, except that the amount of the increase in tax under subparagraph (A) of this paragraph shall be substituted in lieu of the amount described in such paragraph (2).

‘‘(C) APPLICATION OF PARAGRAPH.—This paragraph shall be applied separately with respect to the credit allowed under section 38 regarding a qualified biomass-based generating system facility.

(3) CONFORMING AMENDMENTS.—

(1) Section 49(a)(1)(C), as amended by section 801(d), is amended by striking ‘‘and’’ and inserting ‘‘and (7)’’.

(2) The table of sections for subpart E of part IV of subchapter A of chapter 1, as amended by section 801(d), is amended by inserting after the item relating to section 48C the following:

‘‘Sec. 48D. Qualified biomass-based generating system facility credit.’’

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31, 1999, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Rev- enue Reconciliation Act of 1990).

SEC. 805. PASS-THROUGH OF RENEWABLE ENERGY PRODUCTION INCOME TAX CREDIT.—

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1, as amended by section 801(d), is amended by inserting after the item relating to section 48C the following:

‘‘Sec. 48D. Qualified biomass-based generating system facility credit.’’

(2) the taxpayer's renewable energy public power production amount.

(b) ELIGIBLE INDIVIDUAL.—For purposes of this section, the term ‘‘eligible individual’’ means an individual who, pursuant to a written agreement, has purchased electricity from a renewable energy public power facility under a separate rate schedule for a single 10-year period.

(c) RENEWABLE ENERGY PUBLIC POWER FACILITY.—For purposes of this section, the term ‘‘renewable energy public power facility’’ means, with respect to any taxable year, a facility which would have been eligible for a credit under section 48 for electricity produced during such year if such facility had been privately owned.

(d) RENEWABLE ENERGY PRODUCTION PERCENTAGE.—For purposes of this section, the renewable energy production percentage for any taxable year is equal to

(e) RENEWABLE ENERGY PUBLIC POWER PRODUCTION AMOUNT.—For purposes of this section, the renewable energy public power production amount for any taxpayer is equal to the amount of kilowatt hours of energy produced during the 10-year period described in (b) and reported to the taxpayer by the renewable energy public power facility under the agreement described in such subsection.

(f) CARRYFORWARD OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under subpart A of part IV of subchapter A (other than this section), such excess shall be carried to each succeeding taxable year.

(g) TREATMENT OF CREDIT.—The credit allowed by this section shall be allowed in the order of the years to which such credit applies.

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to agreements entered into after December 31, 1999.

TITLE IX—STEELMAKING CAPACITY

SEC. 901. CREDIT FOR ENERGY-EFFICIENT STEELMAKING CAPACITY.

(a) ALLOWANCE OF CREDIT.—In the case of the energy-efficient steelmaking capacity credit, the term ‘‘energy-efficient steelmaking system’’ means a system which produces steel at a maximum net specific energy consumption of 17 GJ per metric ton.

(b) CREDIT TREATED AS BUSINESS CREDIT.—

(1) In general.—The credit allowed by this section shall be treated as a business credit.

(2) Treatment of increase.—In the case of qualified progress expenditures for a taxable year, the amount of the increase in tax under subpart B of section 48 is limited to the amount of the increase in tax under subsection (a) for the taxable year in excess of the tax imposed by subsection (a) for the taxable year.

(3) The credit allowed by this section for the taxable year, and the amount of the increase in tax under subsection (a) for the taxable year, shall be computed with respect to the personal credits for such taxable year reduced by the sum of the credits allowable under chapter 1, as amended by section 802(b), is amended by inserting at the end of section 38, the energy-efficient steelmaking capacity credit—

(4) STEEL COGENERATION.—The term ‘‘steel cogeneration’’ means the production of steam or other form of thermal energy of at least 20 percent of total production and the production of electricity or mechanical energy (or both) of at least 20 percent of total production which meet regulatory energy-efficiency standards established by the Secretary, to the extent that such energy is produced from—

(A) gases or heat generated during the production of coke,

(B) blast furnace gases or heat generated during the production of iron, or

(C) waste gases or heat generated from the manufacture of steel that are used at least 20 percent recycled material.

(d) MODIFICATION OF PLACED IN SERVICE RULES FOR STEEL COGENERATION FACILITIES.—

(1) Extension of credit.—The term ‘‘steel cogeneration’’ means the production of steam or other form of thermal energy of at least 20 percent of total production and the production of electricity or mechanical energy (or both) of at least 20 percent of total production which meet regulatory energy-efficiency standards established by the Secretary, to the extent that such energy is produced from—

(A) gases or heat generated during the production of coke,

(B) blast furnace gases or heat generated during the production of iron, or

(C) waste gases or heat generated from the manufacture of steel that are used at least 20 percent recycled material.

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

SEC. 902. EXTENSION OF CREDIT FOR ELECTRICITY PRODUCTION FROM STEEL COGENERATION FACILITIES.

(a) EXTENSION OF CREDIT.—

(1) In general.—

(B) blast furnace gases or heat generated during the production of iron, or

(C) waste gases or heat generated from the manufacture of steel that are used at least 20 percent recycled material.

The extension of the credit described in paragraph (1) shall be treated as a business credit.

(2) Modifying other credits.—

(C) steel cogeneration.—

(b) STEEL COGENERATION.—

SEC. 903. EXTENSION OF CREDIT FOR ELECTRICITY PRODUCTION FROM STEEL COGENERATION FACILITIES.

(a) EXTENSION OF CREDIT.—

(1) In general.—

(2) Modification of placed in service rules for steel cogeneration facilities.—

SEC. 904. EXTENSION OF CREDIT FOR ELECTRICITY PRODUCTION FROM STEEL COGENERATION FACILITIES.
(d) CONFORMING AMENDMENTS.—
(1) The heading for section 45 is amended by inserting “and waste energy” after “renewable”.
(2) The item relating to section 45 in the table of sections subpart D of part IV of subchapter A of chapter 1 is amended by inserting “and waste energy” after “renewable”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to electricity produced in taxable years beginning after December 31, 2001, and before January 1, 2005.

TITLE X—AGRICULTURE

SUBTITLE A—AGRICULTURAL CONSERVATION TAX CREDIT

(a) In General.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 901(a), is amended by adding at the end the following:

"SEC. 45H. AGRICULTURAL CONSERVATION CREDIT.

"(a) In General.—For purposes of section 38, in the case of an eligible person, the agricultural conservation credit determined under this section for the taxable year is an amount equal to—

"(1) 25 percent of the eligible conservation tillage equipment expenses, and

"(2) 25 percent of the eligible irrigation equipment expenses, paid or incurred by such person in connection with the active conduct of the trade or business of farming for the taxable year.

"(b) Eligible Person.—For purposes of this section, the term ‘eligible person’ means, with respect to any taxable year, any taxpayer who if the aggregate annual gross receipts of such person for the 3 preceding taxable years do not exceed $1,000,000. For purposes of the preceding sentence, rules similar to the rules of section 44(a)(c)(3) shall apply.

"(c) Limitation.—The amount of the credit allowed under subsection (a) for any taxable year shall not exceed $2,500 for each credit allowed under subsection (a) for any taxable year.

"(d) Conforming Amendments.—

"(1) Section 38(b), as amended by section 901(b), is amended by striking “plus” at the end of paragraph (15), by striking the period at the end of paragraph (16), and by adding at the end the following:

"(17) the agricultural conservation credit determined under section 45H.”

"(2) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 901(a), is amended by adding at the end the following:

"Sec. 45H. Agricultural conservation credit.”

"(3) Section 101(a), as amended by section 201(b)(1), is amended by striking “and” at the end of paragraph (27), striking the period preceding the semicolon at the end of paragraph (28) and inserting “; and”, and adding at the end the following:

"(29) in the case of property with respect to which a credit is allowed under section 45H, to the extent provided in section 45H(d).”

"(e) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

BUNNING AMENDMENT NO. 1377

(Ordered to lie on the table.)
Mr. BUNNING submitted an amendment to be proposed by him to the bill, S. 1420, supra, as follows:

"(vi) A trust which constitutes an individual retirement account under section 408(a), including one designated as a Roth IRA under section 408A.”

"(b) Treatment as Shareholder.—Section 1361(c)(2)(B) (relating to treatment as shareholders) is amended by adding at the end the following:

"(vi) In the case of a trust described in clause (vi) of subparagraph (A), the individual for whose benefit the trust was created shall be treated as a shareholder.”

"(c) Sale of Stock in IRA Relating to S Corporation Eligible Shareholders to Include IRAs.

(a) In General.—Section 1361(c)(2)(A) (relating to certain trusts permitted as shareholders) is amended by inserting after clause (v) the following:

"(vi) A trust which constitutes an individual retirement account under section 408(a) to the individual for whose benefit such account is established if such sale is pursuant to an election under section 1362(a).”

"(d) Conforming Amendment.—Section 1362(a)(1) is amended by inserting “1361(c)(2)(A)(vi)” or before “1361(c)(6)”.

"(e) Effective Date.—The amendments made by this section shall apply to trusts which constitute individual retirement accounts on the date of the enactment of this Act in taxable years beginning after December 31, 2000.

ALLARD AND ROBB AMENDMENT NO. 1378

(Ordered to lie on the table.)
Mr. ALLARD (for himself and Mr. ROBB) submitted an amendment to be proposed by them to the bill, S. 1420, supra, as follows:

"At the end, add the following:

TITLE —SMALL BUSINESS AND FINANCIAL INSTITUTIONS TAX RELIEF

SEC. 1. EXPANSION OF S CORPORATION ELIGIBLE SHAREHOLDERS TO INCLUDE IRAS.

(a) In General.—Section 1361(c)(2)(A) (relating to certain trusts permitted as shareholders) is amended by inserting after clause (v) the following:

"(vi) A trust which constitutes an individual retirement account under section 408(a) to the individual for whose benefit such account is established if such sale is pursuant to an election under section 1362(a).”

"(b) Treatment as Shareholder.—Section 1361(c)(2)(B) (relating to treatment as shareholders) is amended by adding at the end the following:

"(vi) In the case of a trust described in clause (vi) of subparagraph (A), the individual for whose benefit the trust was created shall be treated as a shareholder.”

"(c) Sale of Stock in IRA Relating to S Corporation Election Exempt From Prohibited Transaction Rules.—Section 4975(d) (relating to exemptions) is amended by striking “or” at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “; or”, and by adding at the end the following:

"(16) a sale of stock held by a trust which constitutes an individual retirement account under section 408(a) to the individual for whose benefit such stock is held if such sale is pursuant to an election under section 1362(a).”

"(d) Conforming Amendment.—Section 1362(a)(1) is amended by inserting “1361(c)(2)(A)(vi)” or before “1361(c)(6)”.

"(e) Effective Date.—The amendments made by this section shall apply to trusts which constitute individual retirement accounts on the date of the enactment of this Act in taxable years beginning after December 31, 2000.

CONGRESSIONAL RECORD—SENATE 18257
SEC. 2. EXCLUSION OF INVESTMENT SECURITIES FROM PASSEIVE INCOME TEST FOR BANK S CORPORATIONS.

(a) In General.—Section 1362(d)(3)(C) (defining passive investment income) is amended by adding at the end the following:

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(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 3. TREATMENT OF QUALIFYING DIRECTOR SHARES.

(a) In General.—Section 1361 is amended by adding at the end the following:

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(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 11. PREVENTION OF MISMATCHING OF DEDUCTIONS AND INCOME IN TRANSACTIONS WITH RELATED FOREIGN PERSONS.

(a) In General.—Paragraph (3) of section 267(a) (relating to losses, expenses, and interest with respect to transactions between related taxpayers) is amended to read as follows:

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(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

Subtitle B—Revenue Offsets

SEC. 12. HOLDING PERIOD REDUCED TO 12 MONTHS FOR PURPOSES OF DETERMINING WHETHER HORSES ARE SECTION 1231 ASSETS.

(a) In General.—Subparagraph (A) of section 1231(b)(3) (relating to definition of property used in the trade or business) is amended by inserting “and” and

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

On page 268, between lines 3 and 4, insert the following:

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ABRAHAM AMENDMENT NO. 1380

(Ordered to lie on the table.)

Mr. ABRAHAM submitted an amendment intended to be proposed by him to the bill. S. 1429, supra; as follows:

On page 268, lines 4 and 5, insert the following:

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CADDIE RELIEF ACT

(a) Short Title.—This section may be cited as the ‘‘Caddie Relief Act of 1999’’.

Mr. ABRAHAM submitted an amendment intended to be proposed by him to the bill. S. 1429, supra; as follows:

At the appropriate place in title XI, insert the following:

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CONGRESSIONAL RECORD—SENATE

July 28, 1999

18258
(b) TREATMENT OF GOLF CADDIES.
(1) Paragraph (a) of section 3508 of the Internal Revenue Code of 1986 (relating to treatment of real estate agents and direct sellers) is amended by striking "qualified real estate agent or as a direct seller" and inserting "qualified real estate agent, direct seller, or golf caddie.''
(2) DEFINITION.—Subsection (b) of section 3508 of such Code is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:
"(3) GOLF CADDIE.—The term "golf caddie' means an individual who performs the service of carrying golf clubs for, or otherwise assisting, a non-professional golfer and, with respect to whom, substantially all the remuneration (whether or not paid in cash) for the performance of such service is—
"(A) directly related to performing such services rather than to the number of hours worked, and
"(B) paid to such individual directly by the golfer or by a third party as an agent of the golfer where the third party incurs no obligation to pay such remuneration.''.
(3) CLERICAL AMENDMENTS.—
(A) The heading of section 3508 of such Code is amended to read as follows:
"SEC. 3508. TREATMENT OF REAL ESTATE AGENTS, DIRECT SELLERS, AND GOLF CADDIES.''
(B) The item relating to section 3508 in the table of sections for chapter 1 of such Code is amended to read as follows:
"Sec. 3508. Treatment of real estate agents, direct sellers, and golf caddies.''

(4) EFFECTIVE DATE.—The amendments made by this section shall apply to remuneration paid for services performed in taxable years ending after the date of the enactment of this Act.

HELMS AMENDMENTS NOS. 1381–1382
(Ordered to lie on the table.)

Mr. HELMS submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

AMENDMENT NO. 1381
On page 371, between lines 16 and 17, insert the following:

SEC. 3508. TREATMENT OF REAL ESTATE AGENTS, DIRECT SELLERS, AND GOLF CADDIES.

Helms Amendments Nos. 1381–1382

(4) EFFECTIVE DATE.—The amendments made by this section shall apply to remuneration paid for services performed in taxable years ending after the date of the enactment of this Act.

KENNEDY AMENDMENT NO. 1383
(Ordered to lie on the table.)
Mr. KENNEDY submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. 3508. TREATMENT OF REAL ESTATE INVESTMENT TRUST.

(a) IN GENERAL.—If a State acquires all of the outstanding stock of a real estate investment trust which is a non-operating class III railroad and substantially all of the activities of which consist of the ownership, leasing, and operation by such trust of facilities, equipment, and other property used by the trust or other persons in railroad transportation, then, for purposes of section 115 of the Internal Revenue Code of 1986—
(1) such activities shall be treated as the exercise of an essential governmental function, and
(2) income derived from such activities shall be treated as earned according to the State.
(b) GAIN OR LOSS NOT RECOGNIZED ON CONVERSION.—Notwithstanding section 337(d) of the Internal Revenue Code of 1986, no gain or loss shall be recognized under section 336 or 337 of such Code because of the change of status of the real estate investment trust to a tax-exempt entity by reason of the application of section 4981 of such Code.
(c) TAX-EXEMPT FINANCING.—Any obligation issued by the entity described in subsection (a) shall be treated as an obligation of the Commonwealth of the Northern Mariana Islands in accordance with Treasury Regulation section 1.103-1 and part IV of subchapter B of chapter 1 of the Internal Revenue Code of 1986.

(b) TREATMENT OF GOLF CADDIES.
(1) Paragraph (a) of section 103 of such Code is amended by redesignating paragraph (1) as paragraph (2) and by inserting after paragraph (1) the following new paragraph:
"(2) REAL ESTATE INVESTMENT TRUST.—The term "real estate investment trust" has the meaning given such term by section 856(a) of the Internal Revenue Code of 1986.''

(b) TREATMENT OF GOLF CADDIES.
(1) Paragraph (a) of section 103 of such Code is amended by redesignating paragraph (1) as paragraph (2) and by inserting after paragraph (1) the following new paragraph:
"(2) REAL ESTATE INVESTMENT TRUST.—The term "real estate investment trust" has the meaning given such term by section 856(a) of the Internal Revenue Code of 1986.''

AMENDMENT NO. 1382
At the end of title XI, insert the following:

SEC. 3508. TREATMENT OF REAL ESTATE AGENTS, DIRECT SELLERS, AND GOLF CADDIES.

Helms Amendments Nos. 1381–1382

(4) EFFECTIVE DATE.—The amendments made by this section shall apply to remuneration paid for services performed in taxable years ending after the date of the enactment of this Act.

KENNEDY AMENDMENT NO. 1383
(4) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning on or after such date of enactment if—
(i) there has been a decision by a Federal court on or before such date reaching a result inconsistent with the provisions of this subsection, and
(ii) such decision is not overturned on appeal.

KENNEDY AMENDMENT NO. 1383
(4) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning on or after such date of enactment if—
(i) there has been a decision by a Federal court on or before such date reaching a result inconsistent with the provisions of this subsection, and
(ii) such decision is not overturned on appeal.

KENNEDY AMENDMENT NO. 1383

(4) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning on or after such date of enactment if—
(i) there has been a decision by a Federal court on or before such date reaching a result inconsistent with the provisions of this subsection, and
(ii) such decision is not overturned on appeal.
MOYNIHAN (AND OTHERS)

AMENDMENT NO. 1384

Mr. MOYNIHAN (for himself, Mr. BAUCUS, Mr. ROCKEFELLER, Mr. BREAUX, Mr. CONRAD, Mr. GRAHAM, Mr. BRYAN, Mr. KERREY, and Mr. ROBB) proposed an amendment to the bill, S. 1429, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the “Tax and Public Debt Reduction Act of 1999”.

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

(c) SECTION IS NOT TO APPLY.—No amendment made by this Act shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.

(d) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—TAX RELIEF FOR WORKING FAMILIES

Sec. 101. Increase in standard deduction.

Sec. 102. Deduction for two-earner married couples.

TITLE II—HEALTH CARE

AFFORDABILITY AND ACCESSIBILITY

Sec. 201. Deduction for 100 percent of health insurance costs of self-employed individuals.

Sec. 202. Refundable credit for health insurance costs of employees.

Sec. 203. Deduction for premiums for long-term care insurance.

Sec. 204. Long-term care tax credit.

Sec. 205. Credit for clinical testing research expenses attributable to certain qualified academic institutions including teaching hospitals.

Sec. 206. Treatment of certain hospital support organizations as qualified organizations for purposes of determining acquisition indebtedness.

Sec. 207. Technical amendments related to Vaccine Injury Compensation Trust Fund.

TITLE III—ESTATE TAX PROVISIONS

Sec. 301. Increase in unified estate and gift tax credit.

Sec. 302. Increase in estate tax deduction for family-owned business interest.

TITLE IV—ALTERNATIVE MINIMUM TAX REFORMS

Sec. 401. Allowance of nonrefundable personal credits fully against regular tax liability.

Sec. 402. Repeal of foreign tax credit limitation under alternative minimum tax.

Sec. 403. Income averaging for farmers not to increase alternative minimum tax liability.

Sec. 404. Long-term unused credits allowed against minimum tax.

TITLE V—EXTENSION OF EXPIRING INCENTIVES

Sec. 501. Work opportunity credit and welfare-to-work credit.

Sec. 502. Electricity produced from certain nonrenewable resources credit.

Sec. 503. Subpart F exemption for active financing income.

Sec. 504. Extension of expensing of environmental restoration costs.

Sec. 505. Virgin Islands and Puerto Rico rum cover over.

Sec. 506. Modifications of Puerto Rican economic activity tax credit.

TITLE VI—QUALITY EDUCATION INITIATIVES

Sec. 601. Expansion of incentives for public schools.

Sec. 602. Modifications to qualified tuition programs.

Sec. 603. Elimination of 60-month limit on student loan interest deductibility.

Sec. 604. Additional increase in arbitrage rebate exception for governmental bonds used to finance educational facilities.

Sec. 605. Treatment of qualified public educational facility bonds as exempt facility bonds.

Sec. 606. Permanent limitation on exclusion for employer-provided educational assistance.

Sec. 607. Expansion of deduction for contributions to K-12 education.

Sec. 608. Credit for information technology training program expenses.

Sec. 609. Charitable contributions to certain low-income schools may be made in next taxable year.

Sec. 610. Exclusion of National Service Educational Awards.

TITLE VII—ENVIRONMENTAL CONSERVATION AND PROTECTION

Subtitle A—Better America Bonds

Sec. 701. Credit for holders of Better America bonds.

Sec. 702. Better America Bonds Board.

Subtitle B—Conservation Incentives

Sec. 711. Tax exclusion for cost-sharing payments under Partners for Wildlife Program.

Sec. 712. Enhanced deduction for the donation of a conservation easement.

Sec. 713. National wildlife refuge conservation easements.

Sec. 714. Exclusion of 50 percent of gain on sales of land or interests in land or water to eligible entities for conservation purposes.

Subtitle C—Alternative Fuels Incentives

Sec. 721. Extension and expansion of credit for purchase of electric vehicles.

Sec. 722. Additional deduction for cost of installation of alternative fueling stations.

Sec. 723. Credit for retail sale of clean burning fuels as motor vehicle fuel.

Subtitle C—Other Provisions

Sec. 731. Expansion of section 29 tax credit.

Sec. 732. Uniform dollar limitation for all types of transportation fringe benefits.

TITLE VIII—SAVINGS AND PENSION PROVISIONS

Subtitle A—Expanding Coverage for Small Business

Sec. 801. Plan loans for subchapter S owners, partners, and sole proprietors.

Sec. 802. Contributions to IRAs through payroll deductions.

Sec. 803. Modification of top-heavy rules.

Sec. 804. Credit for small employer pension plan contributions and start-up costs.

Sec. 805. Increasing limits for deferrals to simple plans.

Sec. 806. Elective deferrals not taken into account for purposes of limits.

Subtitle B—Increasing Access and Fairness for Women

Sec. 811. Equitable treatment for contributions of employees to defined contribution plans.

Sec. 812. Faster vesting of certain employer matching contributions.

Sec. 813. Deferred annuities for surviving spouses of federal employees.

Sec. 814. Clarification of tax treatment of division of section 457 plan benefits upon divorce.

Sec. 815. Spouses’ rights to know proposal.

Subtitle C—Increasing Portability of Pension Plans

Sec. 821. Rollovers allowed among various types of plans.

Sec. 822. Rollovers of IRAs into workplace retirement plans.

Sec. 823. Rollovers of after-tax contributions.

Sec. 824. Hardship exception to 60-day rule.

Sec. 825. Treatment of forms of distribution.

Sec. 826. Rationalization of restrictions on distributions.

Sec. 827. Purchase of service credit in governmental defined benefit plans.

Sec. 828. Employers may disregard rollovers for purposes of cash-out amounts.

Subtitle D—Strengthening Pension Security and Enforcement

Sec. 831. Treatment of multiemployer plans under section 415.

Sec. 832. Extension of missing participants program to multiemployer plans.

Sec. 833. Civil penalties for breach of fiduciary responsibility.

Sec. 834. Failure to provide notice by defined benefit plans significantly reducing future benefit accruals.

Subtitle E—Encouraging Retirement Education

Sec. 841. Periodic pension benefits State elections.

Sec. 842. Clarification of treatment of employer-provided retirement advice.

Subtitle F—Reducing Red Tape

Sec. 851. ESOP dividends may be reinvested without loss of dividend deduction.

Sec. 852. Reduced PBGC premium for new plans of small employers.

Sec. 853. Reduction of additional PBGC premium for new plans.

Sec. 854. Elimination of user fee for requests to IRS regarding new pension plans.

Sec. 855. Distributional analysis of pension tax benefits.

Subtitle G—Other Provisions

Sec. 861. Tax credit for matching contributions to Individual Retirement Accounts.

Sec. 862. Federal employee retirement contributions.

Sec. 863. Exclusion from income of severance payment amounts.

Subtitle H—Plan Amendments

Sec. 871. Provisions relating to plan amendments.

TITLE IX—FARM RELIEF AND ECONOMIC DEVELOPMENT

Sec. 901. Farm and ranch risk management accounts.
Sec. 1121. Modifications to asset diversification rules.
Sec. 908. Certain cash rentals of farmland not to cause recapture of special estate tax valuation.
Sec. 904. Exemption of small issue agricultural bonds from State volume cap.
Sec. 905. Capital gain realized from transfer of farm property in complete or partial satisfaction of qualified farm indebtedness excluded from gross income.
Sec. 906. Exclusion of discharge of qualified farm indebtedness from gross income increased for certain tenant farmers.
Sec. 907. Net operating loss of farmers.
Sec. 908. Certain cash rentals of farmland not to cause recapture of special estate tax valuation.
Sec. 909. Declaratory judgment remedy relating to status and classification of farmers’ cooperatives.

TITLE X—TECHNOLOGY AND ECONOMIC DEVELOPMENT
Sec. 1001. Permanent extension and modification of research credit.
Sec. 1002. New markets tax credit.
Sec. 1003. Increase in State ceiling on low-income housing credit.
Sec. 1004. Increase in volume cap on private activity bonds.
Sec. 1005. Spaceports treated like airports for purposes of State-created organizations providing property and services lending money.
Sec. 1006. Increase in expense treatment for small businesses.

TITLE XI—MISCELLANEOUS INCENTIVES
Subtitle A—Miscellaneous Provisions
Sec. 1101. Oil and gas incentives.
Sec. 1102. Treatment of certain revenues of electric cooperatives.
Sec. 1103. Tax-exempt bond financing of certain electric facilities.
Sec. 1104. Modifications to special rules for nuclear decommissioning costs.
Sec. 1105. Modification of dependent care credit.
Sec. 1106. Allowance of credit for employer expenses for child care assistance.
Sec. 1107. Recovery period for depreciation of certain leasehold improvements.
Sec. 1108. Exemption from income tax for State-created organizations providing property and casualty insurance for property for which such coverage is otherwise unavailable.
Sec. 1109. Disclosure of tax information to facilitate combined employment REIT status reporting.
Sec. 1110. Increase in limit on certain charitable contributions as percentage of AGI.
Sec. 1111. Low-income second mortgage tax credit.
Sec. 1112. Coordination of child tax credit and earned income credit with certain means-tested programs.
Sec. 1113. No Federal income tax on amounts received by Holocaust survivors from their heirs.
Sec. 1114. Tax treatment of special pay for members of the Armed Forces.

Subtitle B—Provisions Relating to Real Estate Investment Trusts
PART I—TREATMENT OF INCOME AND SERVICES PROVIDED BY TAXABLE REIT SUBSIDIARIES
Sec. 1121. Modifications to asset diversification test.
Sec. 1122. Treatment of income and services provided by taxable REIT subsidiary.
Sec. 1123. Taxable REIT subsidiary.
Sec. 1124. Limitation on earnings stripping.
Sec. 1125. 100 percent tax on improperly allocated amounts.
Sec. 1126. Effective date.

PART II—HEALTH CARE REITS
Sec. 1131. Health care REITs.

PART III—CONFORMITY WITH REGULATED INVESTMENT COMPANY RULES
Sec. 1141. Conformity with regulated investment company rules.

PART IV—CLARIFICATION OF EXCEPTION FROM IMPERMISSIBLE TENANT SERVICE INCOME
Sec. 1151. Clarification of exception for independent operators.

PART V—MODIFICATION OF EARNINGS AND PROFITS RULES
Sec. 1161. Modifications of earnings and profits rules.

TITLE XII—REVENUE OFFSETS
Subtitle A—General Provisions
Sec. 1201. Modification to foreign tax credit carryback and carryover periods.
Sec. 1202. Limitation on use of non-accrual experience method of accounting.
Sec. 1203. Returns relating to cancellations of indebtedness by organizations lending money.
Sec. 1204. Extension of Internal Revenue Service user fees.
Sec. 1205. Charitable split-dollar life insurance, annuity, and endowment contracts.
Sec. 1206. Transfer of excess defined benefit plan assets for retiree health benefits.
Sec. 1207. Limitations on welfare benefit funds of 10 or more employer plans.
Sec. 1208. Modification of installment method and repeal of installment method for accrual method taxpayers.
Sec. 1209. Inclusion of certain vaccines against streptococcus pneumoniae to list of taxable vaccines.
Sec. 1210. Restoration of phase-out of unified credits.
Sec. 1211. Repeal of lower-of-cost-or-market method of accounting for intangibles.
Sec. 1212. Consistent amortization periods for intangibles.
Sec. 1213. Extension of hazardous substance Superfund taxes.
Sec. 1214. Controlled entities ineligible for REIT status.
Sec. 1215. Increase in elective withholding rate for nonperiodic distributions from deferred compensation plans.
Sec. 1216. Treatment of gain from constructive ownership transactions.
Sec. 1217. Restriction on use of real estate investment trusts to avoid estimated tax payment requirements.
Sec. 1218. Prohibited allocations of corporate stock held by an ESOP.
Sec. 1219. Modification of anti-abuse rules related to assumption of liability.
Sec. 1220. Allocation of basis on transfers of intangibles in certain non-recognition transactions.
Sec. 1221. Distributions to a corporate partner of stock in another corporation.

TITLE I—TAX RELIEF FOR WORKING FAMILIES

SEC. 101. INCREASE IN STANDARD DEDUCTION.
Subsection (c) of section 63 (relating to standard deduction) is amended by adding at the end the following new paragraph:

(7) INCREASE IN AMOUNT.—
(A) IN GENERAL.—In the case of taxable years beginning in any calendar year beginning after 2000, the dollar amounts determined under paragraph (2) (after any increase under paragraph (4) shall be increased by the applicable dollar amount for such calendar year.

(B) APPLICABLE DOLLAR AMOUNT.—
(i) AMOUNT.—The applicable dollar amount for any calendar year shall be determined as follows:

(I) joint returns and surviving spouses.—In the case of the $5,000 amount under paragraph (2)(A)—

Applicable dollar amount:
2001 or 2002 .................................. $1,000
2003 or 2004 .................................. $1,300
2005 or 2006 .................................. $1,600
2007 and thereafter ................................ $2,000.

(II) single or head of household.—In the case of the $4,400 amount under paragraph (2)(B)—

Applicable dollar amount:
2001 or 2002 .................................. $500
2003 or 2004 .................................. $650
2005 or 2006 .................................. $800
2007 and thereafter ................................ $1,000.

(III) head of household.—In the case of the $6,000 amount under paragraph (2)(C)—

Applicable dollar amount:
2001 or 2002 .................................. $300
2003 or 2004 .................................. $450
2005 or 2006 .................................. $600
2007 and thereafter ................................ $750.

(ii) COST-OF-LIVING ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2007, the applicable dollar amount under clause (i) shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for the calendar year which is taxable year begins, except that subparagraph (B) thereof shall be applied by substituting ‘calendar year 2006’ for ‘calendar year 1992’.

(iii) APPLICABLE DOLLAR AMOUNT.—In the case of any taxable year beginning in a calendar year after 2007, the applicable dollar amount under clause (i) shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for the calendar year which is taxable year begins, except that subparagraph (B) thereof shall be applied by substituting ‘calendar year 2006’ for ‘calendar year 1992’.

SEC. 102. DEDUCTION FOR TWO-EARNER MARRIED COUPLES.

(a) IN GENERAL.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by redesignating section 222 as section 223 and by inserting after section 222 the following:

SEC. 222. DEDUCTION FOR MARRIED COUPLES TO ELIMINATE THE MARRIAGE PENALTY.

(a) IN GENERAL.—In the case of a joint return under section 6013 for the taxable year, there shall be allowed as a deduction an amount equal to the lesser of—
poses of this section—

"(1) IN GENERAL.—The term 'applicable percentage' means 20 percent, reduced (but not below zero) by 1 percentage point for each $1,000 (or fraction thereof) by which the taxpayer's modified adjusted gross income for the tax year exceeds $75,000.

"(2) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this subsection, the term 'modified adjusted gross income' means adjusted gross income determined—

"(A) after application of sections 86, 219, and 469, and

"(B) without regard to sections 135, 137, 221, or the deduction allowable under this section.

"(c) APPLICABLE DOLLAR AMOUNT.—For purposes of this section—

"(1) IN GENERAL.—The applicable dollar amount shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>Taxable year beginning in calendar year</th>
<th>Applicable dollar amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001 or 2002</td>
<td>$1,000</td>
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<tr>
<td>2003 or 2004</td>
<td>$2,000</td>
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<td>2005 or 2006</td>
<td>$3,000</td>
</tr>
<tr>
<td>2007 and thereafter</td>
<td>$4,350</td>
</tr>
</tbody>
</table>

"(2) COST-OF-LIVING ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2007, the applicable dollar amount under paragraph (1) shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, except that subparagraph (B) thereof shall be applied by substituting 'calendar year 2006' for 'calendar year 1992'. If any amount as adjusted under this paragraph is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.

"(d) QUALIFIED EARNED INCOME DEFINED.—

"(1) IN GENERAL.—For purposes of this section, the term 'qualified earned income' means an amount equal to the excess of—

"(A) the earned income of the spouse for the taxable year, and

"(B) an amount equal to the sum of the deductions described in paragraphs (1), (2), (7), and (15) of section 62(a) to the extent such deductions are properly allocable to or chargeable against earned income described in subparagraph (A).

The amount of qualified earned income shall be determined without regard to any community property laws.

"(2) EARNED INCOME.—For purposes of paragraph (1), the term 'earned income' means income which is earned income within the meaning of section 83(a), except that—

"(A) such term shall not include any amount—

"(i) not includible in gross income,

"(ii) received as a pension or annuity,

"(iii) paid or distributed out of an individual retirement plan (within the meaning of section 7701(a)(37)),

"(iv) received as deferred compensation, or

"(v) received for services performed by an individual in the employ of his spouse (within the meaning of section 3121(b)(3)(A)).

"(B) section 911(d)(2)(B) shall be applied without regard to the phrase 'not in excess of 30 percent of his share of net profits of such trade or business'><br>

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<tr>
<th>TAXABLE YEAR BEGINNING IN CALENDAR YEAR</th>
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<tbody>
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"(2) COST-OF-LIVING ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2007, the applicable dollar amount under paragraph (1) shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, except that subparagraph (B) thereof shall be applied by substituting 'calendar year 2006' for 'calendar year 1992'. If any amount as adjusted under this paragraph is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.

"(d) QUALIFIED EARNED INCOME DEFINED.—

"(1) IN GENERAL.—For purposes of this section, the term 'qualified earned income' means an amount equal to the excess of—

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"(B) an amount equal to the sum of the deductions described in paragraphs (1), (2), (7), and (15) of section 62(a) to the extent such deductions are properly allocable to or chargeable against earned income described in subparagraph (A).

The amount of qualified earned income shall be determined without regard to any community property laws.

"(2) EARNED INCOME.—For purposes of paragraph (1), the term 'earned income' means income which is earned income within the meaning of section 83(a), except that—

"(A) such term shall not include any amount—

"(i) not includible in gross income,

"(ii) received as a pension or annuity,

"(iii) paid or distributed out of an individual retirement plan (within the meaning of section 7701(a)(37)),

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"(v) received for services performed by an individual in the employ of his spouse (within the meaning of section 3121(b)(3)(A)).

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"(d) QUALIFIED EARNED INCOME DEFINED.—

"(1) IN GENERAL.—For purposes of this section, the term 'qualified earned income' means an amount equal to the excess of—

"(A) the earned income of the spouse for the taxable year, and

"(B) an amount equal to the sum of the deductions described in paragraphs (1), (2), (7), and (15) of section 62(a) to the extent such deductions are properly allocable to or chargeable against earned income described in subparagraph (A).

The amount of qualified earned income shall be determined without regard to any community property laws.

"(2) EARNED INCOME.—For purposes of paragraph (1), the term 'earned income' means income which is earned income within the meaning of section 83(a), except that—

"(A) such term shall not include any amount—

"(i) not includible in gross income,

"(ii) received as a pension or annuity,

"(iii) paid or distributed out of an individual retirement plan (within the meaning of section 7701(a)(37)),

"(iv) received as deferred compensation, or

"(v) received for services performed by an individual in the employ of his spouse (within the meaning of section 3121(b)(3)(A)).

"(B) section 911(d)(2)(B) shall be applied without regard to the phrase 'not in excess of 30 percent of his share of net profits of such trade or business'><br>

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"(d) QUALIFIED EARNED INCOME DEFINED.—

"(1) IN GENERAL.—For purposes of this section, the term 'qualified earned income' means an amount equal to the excess of—

"(A) the earned income of the spouse for the taxable year, and

"(B) an amount equal to the sum of the deductions described in paragraphs (1), (2), (7), and (15) of section 62(a) to the extent such deductions are properly allocable to or chargeable against earned income described in subparagraph (A).

The amount of qualified earned income shall be determined without regard to any community property laws.

"(2) EARNED INCOME.—For purposes of paragraph (1), the term 'earned income' means income which is earned income within the meaning of section 83(a), except that—

"(A) such term shall not include any amount—

"(i) not includible in gross income,

"(ii) received as a pension or annuity,

"(iii) paid or distributed out of an individual retirement plan (within the meaning of section 7701(a)(37)),

"(iv) received as deferred compensation, or

"(v) received for services performed by an individual in the employ of his spouse (within the meaning of section 3121(b)(3)(A)).

"(B) section 911(d)(2)(B) shall be applied without regard to the phrase 'not in excess of 30 percent of his share of net profits of such trade or business'><br>

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<td>$3,000</td>
</tr>
<tr>
<td>2007 and thereafter</td>
<td>$4,350</td>
</tr>
</tbody>
</table>
(a) IN GENERAL.—The term ‘social security taxes’ shall not include any taxes to the extent the taxpayer is entitled to a special refund of such taxes under section 6425.

(b) COORDINATION WITH SPECIAL REFUND OF SOCIAL SECURITY TAXES.—The term ‘social security taxes’ shall not include any taxes to the extent the taxpayer is entitled to a special refund of such taxes under section 6425.

(c) SPECIAL RULE.—Any amounts paid pursuant to an agreement under section 3121(a) (relating to agreements entered into by American employers with respect to foreign affiliates) which are equivalent to the foreign taxes allowable under such section shall be treated as taxes referred to in such subparagraph.

(d) COORDINATION WITH OTHER PROVISIONS.—

(1) DEDUCTION FOR MEDICAL EXPENSES.—The amount taken into account in computing the credit under subsection (a) shall not be taken into account in computing the amount allowable to the taxpayer as a deduction under section 213(a).

(2) DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.—No amount included with respect to any calendar year shall be taken into account for the purposes of subsection (a) unless such amount is included as wages or self-employment income for the purposes of title I of subchapter B of chapter 1.

(e) EXPENSES MUST BE SUBSTANTIATED.—A payment for insurance which subsection (a) applies may be taken into account under this section only if the taxpayer substantiates such payment in such form as the Secretary may prescribe.

(h) SECTION NOT TO APPLY TO LONG-TERM CARE INSURANCE.—This section shall not apply to any long-term care insurance for which the insured is entitled to a deduction under section 213(d)(10).

(b) CLERICAL AMENDMENT.—The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by striking the last item and inserting the following new item:

“Sec. 35. Health insurance costs of employers.”

“Sec. 36. Overpayments of tax.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 205. DEDUCTION FOR PREMIUMS FOR LONG-TERM CARE INSURANCE.

(a) IN GENERAL.—Part VII of subchapter B of chapter 1 is amended by redesignating section 222 as section 222 and by inserting after section 222 the following new section:

“SEC. 222. PREMIUMS FOR LONG-TERM CARE INSURANCE.

(a) IN GENERAL.—In the case of an individual, there shall be allowed as a deduction an amount equal to the applicable percentage of any qualified long-term care insurance contract (as defined in section 7702B(h)) which constitutes medical care for the taxpayer, his spouse, and dependents.

(b) APPLICABILITY.—For purposes of subsection (a), the applicable percentage shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001 and 2002</td>
<td>10</td>
</tr>
<tr>
<td>2003 and 2004</td>
<td>25</td>
</tr>
<tr>
<td>2005 and 2006</td>
<td>35</td>
</tr>
<tr>
<td>2007 and thereafter</td>
<td>50</td>
</tr>
</tbody>
</table>

(c) LIMITATION BASED ON COVERAGE UNDER CERTAIN SUBSIDIZED EMPLOYER PLANS.—

(1) IN GENERAL.—Subsection (a) shall not apply to any taxpayers for any calendar month for which the taxpayer participates in any plan which includes coverage for long-term care services (as so defined) or is a qualified long-term care insurance contract (as so defined) maintained by any employer and the spouse of the spouse of the taxpayer if 50 percent or more of the cost of coverage under such plan (determined under section 4980B) is paid or incurred by the employer.

(2) EMPLOYER CONTRIBUTIONS TO CAFE-TERIA PLANS OR FLEXIBLE SPENDING ARRANGEMENTS.—Employer contributions to a cafeteria plan or a flexible spending arrangement which are excluded from gross income under section 106 shall be treated for purposes of paragraph (1) as paid by the employer.

(3) AGGREGATION OF PLANS OF EMPLOYER.—A plan which is not otherwise described in paragraph (1) shall be treated as described in such paragraph if such plan is a single employer under subsections (b), (c), (m), or (o) of section 414 treated as one plan.

(d) DEDUCTION LIMITED TO QUALIFIED LONG-TERM CARE INSURANCE CONTRACTS.—In the case of a qualified long-term care insurance contract, only eligible long-term care premiums (as defined in section 213(d)(10)) may be taken into account under subsection (a).

(e) SPECIAL RULES.—For purposes of this section—

(1) COORDINATION WITH DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.—The amount taken into account by the taxpayer in computing the deduction under section 162 shall not be taken into account under this section.

(2) COORDINATION WITH MEDICAL EXPENSE DEDUCTION.—The amount taken into account by the taxpayer in computing the deduction under section 213 shall not be taken into account under this section.

(f) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out this section, including regulations requiring employers to report to their employees and the Secretary such information as the Secretary determines to be appropriate.

(g) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER ITEMIZES OTHER DEDUCTIONS.—

(1) IN GENERAL.—The deduction allowed by section 222 is not allowed in addition to any other deduction.

(2) LIMITATION.—The deduction allowed by section 222 shall be reduced by the lesser of—

(1) 10 percent of the taxpayer’s adjusted gross income for the taxable year, and

(2) the taxpayer’s gross income for the taxable year.

(h) SECTION NOT TO APPLY TO LONG-TERM CARE INSURANCE COSTS.—This section shall not apply to any taxpayer described in section 222.

(i) SEC. 223. CROSS REFERENCE.
(A) IN GENERAL.—The term ‘applicable individual’ with respect to any taxable year, any individual who has been certified, before the due date for filing the return of tax for the taxable year (without extensions), as defined in section 1515(c)(1)(A) of the Social Security Act as being an individual with long-term care needs described in subparagraph (B) for a period—

(i) which is at least 120 consecutive days, and

(ii) a portion of which occurs within the taxable year.

Such period shall not include any individual otherwise meeting the requirements of the preceding sentence unless within the 39-month period ending on such due date (or such other period as the Secretary prescribes) a physician (as so defined) has certified that such individual meets such requirements.

(B) INDIVIDUALS WITH LONG-TERM CARE NEEDS.—An individual is described in this subparagraph if the individual meets any of the following requirements:

(i) The individual is at least 6 years of age and—

(I) is unable to perform (without substantial assistance of another individual) at least 3 activities of daily living (as defined in section 7702(b)(2)(B)) due to a loss of functional capacity, or

(II) requires substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment and is unable to perform at least 1 activity of daily living (as so defined) or to the extent provided in regulations prescribed by the Secretary (in consultation with the Secretary of Health and Human Services), is unable to engage in age-appropriate activities.

(ii) The individual is at least 2 but not 6 years of age and is unable due to a loss of functional capacity to perform (without substantial assistance from another individual) at least 2 of the following activities: eating, transferring, or mobility.

(iii) The individual is under 2 years of age and requires specific durable medical equipment by reason of a severe health condition or requires a skilled practitioner trained to address the individual’s condition to be available if the individual’s parents or guardians are absent.

(3) ELIGIBLE CAREGIVER.—

(A) IN GENERAL.—A taxpayer shall be treated as an eligible caregiver for any taxable year with respect to the following individuals:

(i) The taxpayer’s spouse.

(ii) An individual with respect to whom the taxpayer is allowed a deduction under section 151 for the taxable year.

(iii) An individual who would be described in clause (ii) for the taxable year if section 1515(c)(1)(A) were amended by substituting for the exemption amount an amount equal to the sum of the exemption amount, the standard deduction under section 63(c)(2)(C), and any additional standard deduction under section 63(c)(3) which would be applicable to the individual if clause (iii) applied.

(ii) a portion of which occurs within the taxable year.

(ii) IN GENERAL.—If more than 1 individual is an eligible caregiver with respect to the same applicable individual for taxable years ending in the same calendar year, a taxpayer shall be treated as the eligible caregiver if each such individual (other than the taxpayer) files a written declaration (in such form and manner as the Secretary may prescribe) that such individual will not claim such applicable individual for the credit under this section.

(4) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term ‘qualified medical innovation expenses’ shall not include any amount which is paid by Federal funds, whether by grant, contract, or otherwise, by another public or private entity for the benefit of an eligible individual with respect to any clinical testing research activities conducted outside the United States.

(5) LIMITATION ON FOREIGN TESTING.—No credit shall be allowed under this section with respect to any clinical testing research activities conducted outside the United States.

(6) Coordination with Credit for Clinical Testing Research Activities.—

(A) IN GENERAL.—The term ‘clinical testing research activities’ means human clinical testing conducted at any qualified academic institution or teaching hospital for the development of any product, which occurs before—

(i) the date on which an application with respect to such product is approved under section 505(b)(1), 505(b)(2), or 505(a)(2)(B) of the Federal Food, Drug, and Cosmetic Act,

(ii) the date on which a license for such product is issued under section 355 of the Public Health Service Act, or

(iii) the date classification or approval of such product which is a device intended for human use is given under section 513, 514, or 515 of the Federal Food, Drug, and Cosmetic Act.

(B) PRODUCT.—The term ‘product’ means any drug, biological, or medical device.

(7) Coordination with Credit for Medical Innovation Expenses.—

(A) IN GENERAL.—The term ‘medical innovation credit’ means the amounts determined under section 38, the medical innovation credit determined under this section for the taxable year for which the credit is allowed under such section, or the medical innovation base period amount.

(B) TREATMENT OF AMOUNTS.—The term ‘medical innovation base period amount’ means the average annual qualified medical innovation expenses paid by the taxpayer during the 3 taxable year period ending with the taxable year immediately preceding the first taxable year of the taxpayer beginning after December 31, 2000.

(C) SPECIAL RULES WHERE MORE THAN 1 ELIGIBLE CAREGIVER.—If there are more than 1 eligible caregiver during the taxable year, the eligible caregiver shall be treated as an eligible caregiver with respect to such individual for the credit under this section.

(2) CLINICAL TESTING RESEARCH ACTIVITIES.—

(A) IN GENERAL.—The term ‘clinical testing research activities’ means human clinical testing conducted at any qualified academic institution or teaching hospital for the development of any product, which occurs before—

(i) the date on which an application with respect to such product is approved under section 505(b)(1), 505(b)(2), or 505(a)(2)(B) of the Federal Food, Drug, and Cosmetic Act,

(ii) the date on which a license for such product is issued under section 355 of the Public Health Service Act, or

(iii) the date classification or approval of such product which is a device intended for human use is given under section 513, 514, or 515 of the Federal Food, Drug, and Cosmetic Act.

(B) PRODUCT.—The term ‘product’ means any drug, biological, or medical device.

(3) QUALIFIED ACADEMIC INSTITUTION.—The term ‘qualified academic institution’ means any of the following institutions:

(A) FOUNDATION.—A qualified organization described in section 501(c)(3) which is owned or affiliated with an institution of higher education as described in section 170(b)(1)(A)(iii).

(B) TEACHING HOSPITAL.—A teaching hospital which—

(1) is publicly supported or owned by an organization described in section 501(c)(3), and

(ii) is affiliated with an organization meeting the requirements of subparagraph (A), or

(C) MEDICAL INNOVATION BASE PERIOD AMOUNT.—For purposes of this section, the term ‘medical innovation base period amount’ means the average annual qualified medical innovation expenses paid by the taxpayer during the 3 taxable year period ending with the taxable year immediately preceding the first taxable year of the taxpayer beginning after December 31, 2000.

(D) SPECIAL RULES.—

(1) LIMITATION ON FOREIGN TESTING.—No credit shall be allowed under this section with respect to any clinical testing research activities conducted outside the United States.

(2) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of subsections (f) and (g) of section 41 shall apply for purposes of this section.

(3) ELECTION.—This section shall apply to any taxpayer for any taxable year only if such taxpayer elects to have this section apply for such taxable year.

(4) COORDINATION WITH CREDIT FOR INNOVATION EXPENDITURES AND WITH CREDIT FOR CLINICAL TESTING EXPENSES FOR CERTAIN DRUGS FOR RARE DISEASES.—Any qualified medical innovation expense for a taxable year to which an election under this section applies shall not be taken into account for purposes of determining the credit

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allowable under section 41 or 45C for such taxable years.

(e) Termination.—This section shall not apply to any expense paid or incurred after the date specified in section 41(b)(1)(B).

(2) TRANSITION RULE.—Section 39(d) is amended by adding at the end the following new subsection:

"(9) No carryback of section 41A credit before enactment.—No portion of the unused business credit for any taxable year which is attributable to the medical innovation credit determined under section 41A may be carried back to a taxable year beginning before January 1, 1999.

(d) DEDUCTION FOR UNUSED PORTION OF MINIMUM TAX.—

(1) IN GENERAL.—No deduction shall be allowed for that portion of the qualified medical innovation expenses (as defined in section 41A) otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit determined for such taxable year under section 41A.

(2) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (2), (3), and (4) of subsection (c) shall apply for purposes of this subsection.

(e) DESTRUCTION FOR UNUSABLE PORTION OF CREDIT.—

Section 196(d) (defining qualified business credits) is amended by redesigning paragraphs (5) through (9) as paragraphs (6) through (9), respectively, and by inserting after paragraph (4) the following new paragraph:

"(d) CREDIT FOR INCREASING MEDICAL INNOVATION EXPENSES.—

"(1) IN GENERAL.—No deduction shall be allowed for that portion of the qualified medical innovation expenses credit determined under section 41A(a) other than such credit determined under the rules of section 260C(d)(2).

"(2) CREDITS TO BE PART OF GENERAL BUSINESS CREDIT.—

"(a) IN GENERAL.—Section 280C(d)(2),"',

"such credit determined under the rules of paragraph (4) (other than

(d) DEDUCTION FOR UNUSED PORTION OF MINIMUM Tax.—

the fair market value of the organization's unimproved real estate acquired, directly or indirectly, by gift or devise, exceeded 10 percent of the fair market value of all investment assets held by the organization immediately before the time that the indebtedness was incurred, and

"(ii) no member of the organization's governing body was a disqualified person (as defined in section 41) but not including any foundation manager) at any time during the taxable year in which the indebtedness was incurred.

In the case of any refinancing not in excess of the indebtedness incurred under subparagraph (A), the amount of the credit determined under clauses (ii) and (iii) shall be made by reference to the earliest date indebtedness meeting the requirements of subparagraph (A) of section 514(c)(9) that did not exceed the amount of indebtedness being refinanced was incurring.

"(B) EFFECTIVE DATE.—The amendments made by this section shall apply to indebtedness incurred in taxable years beginning after December 31, 2000.

SECTION 207. TECHNICAL AMENDMENTS RELATED TO VACCINE INJURY COMPENSATION TRUST FUND.

(a) REPEAL OF MUTUALLY CONFLICTING AMENDMENTS.—

(1) IN GENERAL.—The table in section 265(c) of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (relating to Vaccine Injury Compensation Trust Fund) is repealed.

"(1) IN GENERAL.—The Internal Revenue Code of 1986 shall be applied and administered as if the section repealed by paragraph (1) had never been enacted.

"(3) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2002.

TITLE IV—ALTERNATIVE MINIMUM TAX REFORMS

SEC. 401. ALLOWANCE OF NONREFUNDABLE PERSONAL CREDITS FULLY AGAINST REGULAR TAX LIABILITY.

The second sentence of section 59(a) (relating to limitations based on amount of tax) is amended by striking "$975,000" and inserting "$1,000,000".

SEC. 402. REPEAL OF FOREIGN TAX CREDIT LIMITATION UNDER ALTERNATIVE MINIMUM TAX.

(a) IN GENERAL.—Section 59(a) (relating to alternative minimum tax foreign credit tax) is amended by striking paragraph (2) and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(b) CONFORMING AMENDMENT.—

Section 59(d)(1)(B)(i)(1) is amended by striking "and" and inserting "or" and "and" before paragraph (1)(A).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2002.

TITLE IV—ALTERNATIVE MINIMUM TAX REFORMS

SEC. 403. INCOME AVERAGING FOR FARMERS NOT TO INCREASE ALTERNATIVE MINIMUM TAX LIABILITY.

(a) IN GENERAL.—Section 55(c)(1) (of the Internal Revenue Code of 1986 (defining regular tax) is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (2) the following:

"(b) AMOUNT OF CREDIT.—For purposes of subparagraph (A), the amount of the credit shall be equal to the least of the following for the taxable year:

"(1) The long-term unused minimum tax credit.

"(ii) 20 percent of the taxpayer's tentative minimum tax.

"(iii) The excess (if any) of the amount under paragraph (1)(B) over the amount under paragraph (1)(A).

"(C) ALLOWED AGAINST MINIMUM TAX.—For purposes of this paragraph—

"(a) IN GENERAL.—The long-term unused minimum tax credit for any taxable year is the portion of the minimum tax credit determined under subsection (b) attributable to the adjusted net minimum tax for taxable years beginning after 1986 and before 2000 and which was added before the year immediately preceding the taxable year for which the determination is being made.
"(1) IN GENERAL.—The term ‘credit allowed under subsection (a) for any taxable year’ does not include any excess of—

(A) the sum of the regular tax liability (as defined in section 55) plus the tax imposed by section 55, over

(B) the sum of the credits allowable under part IV of subchapter A (other than subpart C thereof, relating to refundable credits).

(2) RULES APPLICABLE TO CREDIT ALLOWED UNDER SUBSECTION (a) OF Sec. 1400F.—If the credit allowable under subsection (a) exceeds the limitation imposed by paragraph (1) for such taxable year, such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.

(3) QUALIFIED PUBLIC SCHOOL MODERNIZATION BOND.—For purposes of this paragraph, the term ‘qualified public school modernization bond’ means—

(a) A qualified school construction bond, and

(b) A qualified zone academy bond.

(4) CREDIT ALLOWANCE DATE.—The term ‘credit allowance date’ means—

(A) March 15,

(B) June 15,

(C) September 15, and

(D) December 15.

Such term includes the last day on which the bond is outstanding.

(e) OTHER DEFINITIONS.—For purposes of this subchapter—

(1) LOCAL EDUCATIONAL AGENCY.—The term ‘local educational agency’ has the meaning given to such term by section 14101 of the Elementary and Secondary Education Act of 1965. Such term includes the local educational agency that serves the District of Columbia but does not include any other State agency.

(2) BOND.—The term ‘bond’ includes any obligation issued by a local educational agency.

(f) CREDIT INCLUDED IN GROSS INCOME.—The term ‘credit included in gross income’ includes any facility which is not owned by a State or local government or any agency or instrumentality of a State or local government.
the rules of section 1266 shall apply to the qualified school construction bond as if it were a stripped bond, and to the credit under this section as if it were a stripped coupon.

(1) TREATMENT FOR ESTIMATED TAX PURPOSES.—Solely for purposes of sections 6654 and 6655, the credit allowed by this section to a taxpayer by reason of holding a qualified public school modernization bond on a credit allowance date shall be treated as if it were a payment of estimated tax made by the taxpayer on such date.

(2) TRANSFERRED.—Nothing in any law or rule of law shall be construed to limit the transferability of the credit allowed by this section through sale and repurchase agreements.

(3) REPORTING.—Issuers of qualified public school modernization bonds shall submit reports similar to the reports required under section 149(e). Such limitation for each calendar year. Such limitation shall be allocated among the States in proportion to the respective amounts such State received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

(4) ALLOCATIONS TO CERTAIN POSSESSIONS.—The amount to be allocated under paragraph (1) to any possession of the United States other than Puerto Rico shall be the amount which would have been allocated if all allocations under paragraph (1) were made on the basis of respective populations of individuals below the poverty line as defined by the Office of Management and Budget. In making other allocations, the amount to be allocated under paragraph (1) shall be reduced by the aggregate amount allocated under this paragraph to possessions of the United States.

(5) ALLOCATIONS FOR INDIAN SCHOOLS.—In addition to the amounts otherwise allocated under paragraph (1), the Secretary shall allocate $11,800,000,000 for calendar year 2001, and $200,000,000 for calendar year 2005, shall be allocated by the Secretary of the Interior for purposes of the construction, rehabilitation, and repair in the State for the most recent fiscal year ending before such calendar year.

(6) APPROVED STATE APPLICATION.—For purposes of paragraph (1), the term ‘approved State application’ means an application which is approved by the Secretary of Education and which includes—

(A) the results of a recent publicly-available survey (undertaken by the State with the involvement of local education officials, members of the public, and experts in school construction and management) of such State’s needs for public school facilities, in proportion to the respective amounts each such agency received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

(B) 1 of not more than 25 local educational agencies (other than those described in subparagraph (A)) that are in particular need of assistance, based on the most recent data available from the Department of Commerce that are satisfactory to the Secretary (as defined in section 7611) shall be treated as qualified issuers for purposes of this subparagraph.

(7) USE OF LIMITATION.—For purposes of paragraph (1), the term ‘use’ means the expenditure of the credit allowed by this section for capital outlay incurred by qualified issuers for purposes of this paragraph, including descriptions of—

(A) the results of a recent publicly-available survey (undertaken by the State with the involvement of local education officials, members of the public, and experts in school construction and management) of such State’s needs for public school facilities, in proportion to the respective amounts each such agency received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

(B) a description of how the State will allocate, use, and report the amount allocated under this paragraph to local educational agencies in such State for such year,

is not less than an amount equal to such State’s minimum percentage of the amount to be allocated under paragraph (1) for the calendar year.

(8) ALLOCATION FORMULA.—The amount to be allocated under paragraph (1) shall be allocated under paragraph (2) by the Secretary among States in accordance with the plan approved under this paragraph.

(9) USE OF LIMITATION.—For purposes of paragraph (1), the term ‘use’ means the expenditure of the credit allowed by this section for capital outlay incurred by qualified issuers for purposes of this paragraph, including descriptions of—

(A) the results of a recent publicly-available survey (undertaken by the State with the involvement of local education officials, members of the public, and experts in school construction and management) of such State's needs for public school facilities, in proportion to the respective amounts each such agency received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

(B) a description of how the State will allocate, use, and report the amount allocated under this paragraph to local educational agencies in such State for such year.

(10) USE OF LIMITATION.—For purposes of paragraph (1), the term ‘use’ means the expenditure of the credit allowed by this section for capital outlay incurred by qualified issuers for purposes of this paragraph, including—

(A) the results of a recent publicly-available survey (undertaken by the State with the involvement of local education officials, members of the public, and experts in school construction and management) of such State's needs for public school facilities, in proportion to the respective amounts each such agency received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

(B) a description of how the State will allocate, use, and report the amount allocated under this paragraph to local educational agencies in such State for such year.

is not less than an amount equal to such State’s minimum percentage of the amount to be allocated under paragraph (1) for the calendar year.

(11) ALLOCATION FORMULA.—The amount to be allocated under paragraph (1) shall be allocated under paragraph (2) by the Secretary among States in accordance with the plan approved under this paragraph.

(12) USE OF LIMITATION.—For purposes of paragraph (1), the term ‘use’ means the expenditure of the credit allowed by this section for capital outlay incurred by qualified issuers for purposes of this paragraph, including descriptions of—

(A) the results of a recent publicly-available survey (undertaken by the State with the involvement of local education officials, members of the public, and experts in school construction and management) of such State's needs for public school facilities, in proportion to the respective amounts each such agency received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

(B) a description of how the State will allocate, use, and report the amount allocated under this paragraph to local educational agencies in such State for such year.

is not less than an amount equal to such State’s minimum percentage of the amount to be allocated under paragraph (1) for the calendar year.

(13) ALLOCATION FORMULA.—The amount to be allocated under paragraph (1) shall be allocated under paragraph (2) by the Secretary among States in accordance with the plan approved under this paragraph.

(14) USE OF LIMITATION.—For purposes of paragraph (1), the term ‘use’ means the expenditure of the credit allowed by this section for capital outlay incurred by qualified issuers for purposes of this paragraph, including descriptions of—

(A) the results of a recent publicly-available survey (undertaken by the State with the involvement of local education officials, members of the public, and experts in school construction and management) of such State's needs for public school facilities, in proportion to the respective amounts each such agency received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

(B) a description of how the State will allocate, use, and report the amount allocated under this paragraph to local educational agencies in such State for such year.

is not less than an amount equal to such State’s minimum percentage of the amount to be allocated under paragraph (1) for the calendar year.

(15) ALLOCATION FORMULA.—The amount to be allocated under paragraph (1) shall be allocated under paragraph (2) by the Secretary among States in accordance with the plan approved under this paragraph.

(16) USE OF LIMITATION.—For purposes of paragraph (1), the term ‘use’ means the expenditure of the credit allowed by this section for capital outlay incurred by qualified issuers for purposes of this paragraph, including descriptions of—

(A) the results of a recent publicly-available survey (undertaken by the State with the involvement of local education officials, members of the public, and experts in school construction and management) of such State's needs for public school facilities, in proportion to the respective amounts each such agency received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

(B) a description of how the State will allocate, use, and report the amount allocated under this paragraph to local educational agencies in such State for such year.
public, and experts in school construction (or academic program within a public academy (including state-of-the-art technology and vocational equipment),

(1) the overall condition of the local educational agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.  

(2) PRIVATE BUSINESS CONTRIBUTION REQUIREMENT.  

(A) IN GENERAL.  

For purposes of paragraph (1), the private business contribution requirement of this paragraph is met with respect to any issue if the local educational agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue. 

(B) QUALIFIED CONTRIBUTIONS.  

For purposes of subparagraph (A), the term ‘qualified contribution’ means any contribution of (a type and quality acceptable to the local educational agency) of—  

(i) equipment for use in the qualified zone academy,  

(ii) technical assistance in developing curriculum or in training teachers in order to promote adoption of market driven technology in the classroom,  

(iii) services of employees as volunteer mentors,  

(iv) internships, field trips, or other educational opportunities outside the academy for students, or  

(v) any other property or service specified by the local educational agency. 

(3) QUALIFIED ZONE ACADEMY.  

The term ‘qualified zone academy’ means any public school (or academic program within a public academy (including state-of-the-art technology and vocational equipment),

(3) EARNINGS ON PROCEEDS.  

Any earnings on proceeds during the temporary period shall be used in the proceeds of the issue for purposes of applying subsection (a)(1) and paragraph (1) of this subsection. 

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"(D)(i) such public school is located in an environment zone or community designated under the date of the enactment of this section), or  

(ii) there is a reasonable expectation (as of the date of issuance of the bonds) that at least 35 percent of the students attending such school or participating in such program (as the case may be) will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.  

(3) QUALIFIED PURPOSE.  

The term ‘qualified purpose’ means, with respect to any qualified zone academy—  

(A) constructing, rehabilitating, or repairing the public school facility in which the academy is established,  

(B) acquiring the land on which such facility is to be constructed with part of the proceeds of such issue,  

(C) providing equipment for use at such academy,  

(D) developing course materials for education to be provided at such academy, and  

(E) training teachers and other school personnel in such academy.  

(b) LIMITATIONS ON AMOUNT OF BONDS DESIGNATED.  

(1) IN GENERAL.  

There is a national zone academy bond limitation for each calendar year.  

(2) LIMITATION AMOUNT.  

The limitation amount allocated to each State under subsection (a) with respect to any qualified zone academy bond limitation for any calendar year after 1999 shall be allocated by the Secretary among the States on the basis of their respective populations of individuals below the poverty line (as defined by the Office of Management and Budget). 

(i) LIMITATION AFTER 1999.  

The national zone academy bond limitation for any calendar year after 1999 shall be allocated by the Secretary among the States in the manner prescribed by section 1400G(e)(3), except that in making the allocation by this clause, the Secretary shall take into account—  

(A) Basic Grants attributable to large local educational agencies (as defined in section 1400G(e)(4)),  

(B) the national zone academy bond limitation.  

(b) LOCAL EDUCATIONAL AGENCIES.  

The limitation amount allocated to a State under subsection (a) shall be allocated by the State educational agency to qualified zone academies within such State.

(C) DESIGNATION SUBJECT TO LIMITATION AMOUNT.  

The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) with respect to any qualified zone academy shall not exceed the limitation amount allocated to such academy under subparagraph (B) for such calendar year. 

(3) CARRYOVER OF UNUSED LIMITATION.  

If for any calendar year—  

(A) the limitation amount allocated to such State under subparagraph (B) for such calendar year is zero, and  

(B) the amount of bonds issued during such year which are designated under subsection (a) is zero, the corresponding provisions of prior law) with respect to qualified zone academies within such State,
the limitation amount under this subsection for such taxable year shall be increased by the amount of such excess.”

(b) REPORTING.—Subsection (d) of section 6211 of the Internal Revenue Code of 1986 (requiring returns containing information (i) made by the Secretary of the Treasury). Except as otherwise provided in regulations, in the case of any amount includible in gross income under section 1400P(f) and such amount shall be treated as paid on the credit allowance date (as defined in section 1400P(d)(2)).

SEC. 605. TREATMENT OF QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS.—

(1) In general.—Subtitle A (relating to qualified public school modernization bonds) is amended by inserting “(I) the aggregate distributions to which a State is entitled under section 1400P(d)(2)(A)” after “the” in “shall be reduced—” and by striking the period at the end of paragraph (2) and inserting “.”

(2) Provision of Credit on Qualified Public School Modernization Bonds.—

(a) In general.—Subsection (a) of section 1400P is amended by—

(1) inserting “(I) the aggregate distributions to which a State is entitled under section 1400P(d)(2)(A)” after “the” in “shall be reduced—” and by striking the period at the end of paragraph (2) and inserting “.”

(b) Use of Net Proceeds.—Notwithstanding any provision of law—

(1) the Internal Revenue Code of 1986 is amended by striking paragraphs (2) and (3) of section 1400P(d)(1) and redesignating subsection (d)(1) thereof as subsection (d)(2), and by inserting at the end of such section the following new paragraph:

(2) the total amount of qualified higher education expenses that are reasonably allocable to such distributions for such year shall be increased by the amount of such excess.”

(c) Conforming Amendments.—

(1) Section 135(d)(2)(A) is amended by inserting “the” “section” “135(d)(2)” and inserting “the exclusions under section 529(c)(3)(B)(1) and 530(d)(2)”.

(2) Section 221(c)(1) is amended by inserting “section” “221(c)” and “section 221(d)(1)”.

(3) Conforming Amendments.—

(a) In general.—Subsection (c)(3)(B) of section 1400P is amended by striking the period at the end of paragraph (2) and inserting “.”

(b) Exclusion From Gross Income of Educational Facilties.—

(1) Section 1400P(d)(2)(B) is amended by—

(1) striking the period at the end of paragraph (2) and inserting “.”

(2) the total amount of qualified higher education expenses that are reasonably allocable to such distributions for such year shall be increased by the amount of such excess.”

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 603. ELIMINATION OF 60-MONTH LIMIT ON STUDENT LOAN INTEREST DEDUCTION.—

(a) Elimination of 60-Month Limit.—Section 221 (relating to interest on education loans) is amended by striking (d) and by redesignating paragraphs (e), (f), and (g) respectively as paragraphs (f), (g), and (h).

(b) Conforming Amendment.—Section 6060(k)(3)(A) is amended by adding at the end thereof the following new paragraph:

(3) Conforming Amendments.—

(a) In general.—Subsection (a) of section 1400P is amended by—

(1) inserting “(I) the aggregate distributions to which a State is entitled under section 1400P(d)(2)(A)” after “the” in “shall be reduced—” and by striking the period at the end of paragraph (2) and inserting “.”

(b) Effective Date.—The amendments made by this section shall apply to loans entering into service on or after December 31, 1999.

SEC. 604. ADDITIONAL INCREASE IN ARBITRAGE BOND EXEMPTION FOR GOVERNMENTAL BONDS USED TO FINANCE EDUCATIONAL FACILITIES.—

(a) In general.—Section 1400P(e)(4)(D)(vii) (relating to increase in exception for bonds financing public school capital expenditures) is amended by striking “$5,000,000” the second place it appears and inserting “$10,000,000”.

(b) Effective Date.—The amendments made by this section shall apply to obligations issued in calendar years beginning after December 31, 2000.

SEC. 605. TREATMENT OF QUALIFIED PUBLIC EDUCATIONAL FACILITY BONDS AS EXEMPT FACILITY BONDS.—

(a) Treatment as Exempt Facility Bond.—Subsection (a) of section 142 (relating to exempt facility bonds) is amended by striking “or” at the end of paragraph (11) and inserting “or” in its place.

(b) Qualified Public Educational Facilities.—Subsection (c)(2)(A) of section 142 is amended by striking “Public educational facility” and inserting “qualified public educational facility” in its place.

(c) Effective Date.—The amendments made by this section shall apply to obligations issued in calendar years beginning after December 31, 1999.
(1)  by the taxpayer with respect to a program, established under subsection (a) an employer, a community designated under part I of subchapter U, or a school district in which at least 50 percent of the students attending schools in such district are eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act,

(2)  an area designated as a disaster area by the Secretary of Agriculture or by the President under the Disaster Relief and Emergency Assistance Act in the taxable year or the 4 preceding taxable years,

(3)  a rural enterprise community designated under section 7706 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999,

(4) an area designated by the Secretary of Agriculture as a Rural Economic Area Partnership Zone, or

(5) an area designated by the Secretary of Agriculture as a Champion Community, or

(6) a small employer.

(c) LIMITATION.—The amount of information technology training program expenses an employer may take into account under subsection (a) for the taxable year shall not exceed $6,000.

(d) INFORMATION TECHNOLOGY TRAINING PROGRAM EXPENSES.—For purposes of this section—

(1) IN GENERAL.—The term ‘information technology training program expenses’ means expenses paid or incurred by reason of the participation of the employer in any information technology training program.

(2) INFORMATION TECHNOLOGY TRAINING PROGRAM.—The term ‘information technology training program’ means a program—

(A) for the training of—

(1) computer programmers, systems analysts, and computer scientists or engineers (as such occupations are defined by the Bureau of Labor Statistics), and

(ii) such other occupations as determined by the Secretary, after consultation with a working group broadly solicited by the Secretary and open to all interested information technology entities and trade and professional associations,

(B) involving a partnership of—

(i) employers, and

(ii) State training programs, school districts, university systems, tribal colleges, or certified commercial information technology training providers, and

(C) at least 50 percent of the costs of which is paid or incurred by the employers.

(3) CERTIFIED COMMERCIAL INFORMATION TECHNOLOGY TRAINING PROVIDER.—The term ‘certified commercial information technology training provider’ means a private sector provider of educational products and services utilized for training in information technology which is certified with respect to—

(A) the curriculum that is used for the training,

(B) the technical knowledge of the instructors of such provider,

(iii) by 1 or more software publishers or hardware manufacturers the products of which are a subject of the training,

(iv) SMALL EMPLOYER.—For purposes of this section, the term ‘small employer’ means, with respect to any calendar year, any employer if such employer employed 200 or fewer employees on any one day in each of 20 or more calendar weeks in such year or the preceding calendar year.

SEC. 607. EXEMPTION FROM LIMITATION ON GRADUATE EDUCATION.

(a) IN GENERAL.—Section 170(e)(6)(A) (relating to limit on reduction) is amended by inserting a semicolon at the end of clause (ii) thereof, and by inserting after clause (ii) thereof—

"(iii)  the following:

"(A)  school buildings,

"(B)  functionally related and subordinate facilities and land with respect to such buildings, including any stadium or other facility primarily used for school events, and

"(C) any property, to which section 168 applies (or would apply but for section 179), for use in the facility or facilities, and qualified public educational facilities, and qualified public educational facilities, and qualified public educational facilities, and qualified public educational facilities, and qualified public educational facilities.

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

SEC. 608. CREDIT FOR INFORMATION TECHNOLOGY TRAINING PROGRAM EXPENSES.

(a) IN GENERAL.—Subpart D of part IV of chapter 1 (relating to business-related credits) is amended by adding at the end the following:

"SEC. 45D. INFORMATION TECHNOLOGY TRAINING PROGRAM EXPENSES.

"(a) GENERAL RULE.—For purposes of section 38, in the case of an employer, the information technology training program credit determined under this section is an amount equal to 20 percent of information technology training program expenses paid or incurred by the taxpayer during the taxable year.

"(b) ADDITIONAL CREDIT PERCENTAGE FOR CERTAIN PROGRAMS.—The percentage under paragraph (a) is increased by 5 percent points for information technology training program expenses paid or incurred—

"(1) by the taxpayer with respect to a program established under subsection (a) in a small employer, located in an area designated as a disaster area under subsection (b), or in a rural enterprise community designated under part I of subchapter U, or a school district in which at least 50 percent of the students attending schools in such district are eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act,

"(2) by the taxpayer with respect to a program established under the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801), as in effect on the date of the enactment of this section,

"(3) by the taxpayer with respect to a program established under the National School Lunch Act, the Team America: World Police Act, or the Community Development Block Grant Act, or a program operated in—

"(A) an area designated by the Secretary of Agriculture as a Champion Community, or

"(B) an area designated by the Secretary of Agriculture as a Rural Economic Area Partnership Zone, or

"(C) an area designated as a disaster area under subsection (b), or

"(D) a rural enterprise community designated under part I of subchapter U, or a school district in which at least 50 percent of the students attending schools in such district are eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act,

"(E) an area designated by the Secretary of Agriculture as an area in which the carryforward may be elected is the same as the carryforward may be elected is the same as the carryforward may be elected is the same as the carryforward may be elected is the same as the carryforward may be elected is the same as the State determines appropriate.

(1) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply with respect to expenses relating to courses beginning after December 31, 1999.

(ii) STATE TRAINING PROGRAMS.—Section 127(e)(6)(B)(iii) is amended by striking ''2000'' and inserting ''2002''.

(iii) AMOUNT.—Section 127(e)(6)(B)(vi) is amended by inserting at the end the following:

"(vii)  the contribution of any reacquired computer equivalent to newly constructed computer technology or equipment,

(iv) RULES FOR CARRYFORWARD OF UNUSED LIMITATION.—A State may elect to carry forward an unused limitation for any calendar year for 3 calendar years following the calendar year in which the unused limitation arose under rules similar to the rules of section 146(f), except that the only purpose for which the carryforward may be elected is the issuance of exempt facility bonds described in subsection (a).''

(c) CONFORMING AMENDMENT.—Section 170(e)(6)(C) is amended to read—

"(C) any property, to which section 168 applies (or would apply but for section 179), for use in the facility or facilities, and qualified public educational facilities, and qualified public educational facilities, and qualified public educational facilities, and qualified public educational facilities, and qualified public educational facilities.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to courses beginning after December 31, 1999.

SEC. 567. EXEMPTION FROM LIMITATION ON USE OF TAX-EXEMPT FINANCING.

(a) IN GENERAL.—An issue shall not be treated as an issue described in subsection (a)(13) if the aggregate face amount of bonds added to the aggregate face amount of bonds issued by the State pursuant thereto (when added to the aggregate face amount of bonds previously so issued during the calendar year) exceeds an amount equal to the greater of—

"(i) $10 multiplied by the State population,

"(ii) $5,000,000.

(b) ALLOCATION RULES.—

(1) IN GENERAL.—Except as otherwise provided in this subparagraph, the State may allocate the amount described in subparagraph (A) for any calendar year in such manner as the State determines appropriate.

(2) RULES FOR CARRYFORWARD OF UNUSED LIMITATION.—A State may elect to carry forward an unused limitation for any calendar year for 3 calendar years following the calendar year in which the unused limitation arose under rules similar to the rules of section 146(f), except that the only purpose for which the carryforward may be elected is the issuance of exempt facility bonds described in subsection (a).''

(c) EXEMPTION FROM GENERAL STATE VOLUNTARY LIMITATION CAPS.—Paragraph (3) of section 146(g) is amended by adding at the end the following:

"(h)  REACQUIRED COMPUTERS ELIGIBLE FOR DONATION.—

"(i)  USE OF REACQUIRED COMPUTER EQUIVALENT TO NEWLY CONSTRUCTED COMPUTER.—Section 127(e)(6)(B)(iv) is amended by striking ''2000'' and inserting ''2002''.

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

SEC. 568. CREDIT FOR INFORMATION TECHNOLOGY TRAINING PROGRAM EXPENSES.

(a) IN GENERAL.—Subpart D of part IV of chapter 1 (relating to business-related credits) is amended by adding at the end the following:

"SEC. 45D. INFORMATION TECHNOLOGY TRAINING PROGRAM EXPENSES.

"(a) GENERAL RULE.—For purposes of section 38, in the case of an employer, the information technology training program credit determined under this section is an amount equal to 20 percent of information technology training program expenses paid or incurred by the taxpayer during the taxable year.

"(b) ADDITIONAL CREDIT PERCENTAGE FOR CERTAIN PROGRAMS.—The percentage under paragraph (a) is increased by 5 percent points for information technology training program expenses paid or incurred—

The text continues with additional amendments and references.
SEC. 610. EXCLUSION OF NATIONAL SERVICE CREDIT ALLOWANCE.

(a) IN GENERAL.—Section 117 (relating to qualified scholarships) is amended by adding at the end the following:

"(c) USE OF NATIONAL SERVICE CREDIT ALLOWANCE.—For purposes of this section, rules similar to the rules of section 45A(e)(2) and subsections (c), (d), and (e) of section 52 shall apply."

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 609. CHARITABLE CONTRIBUTIONS TO CERTAIN LOW INCOME SCHOOLS MAY BE MADE IN NEXT TAXABLE YEAR.

(a) IN GENERAL.—Section 170(f) (relating to disallowance of deduction in certain cases and special rules) is amended by adding at the end the following new paragraph:

"(11) TIME WHEN CERTAIN CONTRIBUTIONS DEEMED MADE.—(A) IN GENERAL.—At the time of the filing of the return for such taxable year, there shall be deemed contributed such amount equal to the yield on corporate bonds of such type, including any interest on such bonds, on the credit allowance date which occurs during such taxable year.

(B) QUALIFIED LOW INCOME SCHOOL CONTRIBUTION.—(i) In general.—The term 'qualified low-income school contribution' means any contribution made by a qualified low-income educational organization (as defined in section 170(b)(11)) to a qualified low-income school (as defined in section 170(b)(11)) on the day before the date of such determination.

(ii) Special rule.—In the case of a bond which is issued during the 3-month period ending on a credit allowance date, the amount of the credit determined under this subsection with respect to such credit allowance date shall be a ratable portion of the credit otherwise determined based on the portion of the 3-month period during which the bond is outstanding. A similar rule shall apply when the bond is redeemed.

(iii) Limitation based on amount of tax.

(c) LIMITATION BASED ON AMOUNT OF TAX.—(1) IN GENERAL.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

(B) the sum of the credits allowable under this part (other than this subpart and subpart A) for such taxable year.

(2) CARRYFORWARD OF UNALLOWED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by paragraph (1), the excess shall be carried to the credit allowable under subsection (a) for each such taxable year, subject to the application of paragraph (1) to such taxable year.

(d) BETTER AMERICA BOND.—For purposes of this section—

(1) IN GENERAL.—The term ‘Better America bond’ means any bond issued as part of an issue if—

(A) 95 percent or more of the proceeds of such issue are to be used for a qualified environmental infrastructure project;

(B) the bond is issued by a State or local government;

(C) the issuer designates such bond for purposes of this section;

(ii) a reasonable expectation that at least 10 percent of the proceeds of such issue will be spent for qualifying environmental infrastructure projects for 6 months of the date such bonds are issued;

(iii) certifies such proceeds will be used with due diligence for qualified environmental infrastructure projects;

(iv) has a reasonable expectation that any property acquired or improved in connection with the proceeds of such issue, other than property improved in connection with a qualified environmental infrastructure project described in paragraph (2)(A)(v), shall continue to be dedicated to a qualified use for a period of not less than 15 years from the date of such issue.

(D) such bond satisfies public approval requirements similar to the requirements of section 147(c)(2);

(E) except as provided in paragraph (4)(B), the payment of the principal of such issue is secured by taxes of general applicability imposed by a general purpose governmental unit, and

(F) the term of each bond which is part of such issue does not exceed 15 years.

(2) QUALIFIED ENVIRONMENTAL INFRASTRUCTURE PROJECT.—

(a) IN GENERAL.—The term ‘qualified environmental infrastructure project’ means—

(i) acquisition of qualified property for use as open space, wetlands, public parks, or greenways, or to improve access to public lands by non-motorized means,
“(II) construction, rehabilitation, or repair of a water facility in connection with qualified property, including natural areas, campgrounds, and hiking or biking trails,”
“(III) remediation of qualified property to enhance water quality by restoring or creating wetlands, and by the removal of hazardous substances,”
“(IV) treating conditions caused by the prior disposal of toxic or other waste,”
“(V) acquisition of a qualified easement in order to maintain the use and character of the property and be contrary to public, unless such use would change the character of the property and be contrary to the qualified use of the property,”
“(C) CERCLA PROPERTY.—Property is described in subsection (A)(v) if such property is used to redeem such bonds as if it were a qualified property for purposes of this subsection—
(A) Government securities, and
(B) private use and repayment of proceeds—
(i) required to effect a qualified environmental infrastructure project described in paragraph (2)(A)(v) and involving public infrastructure in excess of a net amount equal to 5 percent of the total amount of such proceeds used for all projects described in such paragraph (2)(A)(v),
(ii) such bond shall not be treated as a Better America bond for such taxable year and any succeeding taxable year, and
(iii) the issuer of such bond shall be liable for payment to the United States of the credit recapture amount.
Such payment shall be made at such time and in such manner as determined by the Secretary.
(B) CREDIT RECAPTURE AMOUNT.—For purposes of subparagraph (A), the credit recapture amount is an amount equal to the sum of—
(i) the aggregate amount of credit allowed with respect to such bond for the 3 preceding taxable years, plus
(ii) interest (at the underpayment rate established under section 6621) on the credit amount from the date such credit was allowed to the date payment is required.
(C) LIMITATIONS ON AMOUNT OF BONDS DESIGNATED.—
(1) In general.—There is a Better America bond limitation for each calendar year equal to—
(A) $1,900,000,000 for each of years 2001 through 2005, and
(B) except as provided in paragraph (3), zero after 2005.
(2) ALLOCATION OF LIMITATION AMONG STATES AND LOCAL GOVERNMENTS.—
(A) In general.—The limitation amount to be allocated under paragraph (1) for any calendar year shall be allocated among States and local governments with an approved application on a competitive basis by the Better America Bond Board (referred to in this paragraph as the ‘Board’). The limitation amount to be allocated under section 702 of the Tax and Public Debt Reduction Act of 1999.
(B) APPROVED APPLICATION.—For purposes of paragraph (A), the term ‘approved application’ means an application which is approved by the Board, and which includes such information as the Board requires.
(3) CARRYOVER OF UNUTILIZED LIMITATION.—If for any calendar year—
(A) the limitation amount under paragraph (1), exceeds
(B) the aggregate limitation amount allocated to States and local governments under this section.
the limitation amount under paragraph (1) for the following calendar year shall be increased by the amount by which the limitation amount under paragraph more than 3 years.
(C) OTHER DEFINITIONS; SPECIAL RULES.—For purposes of this subpart—
(1) Bond.—The term ‘bond’ includes any obligation.
(2) CREDIT ALLOWANCE DATE.—The term ‘credit allowance date’ means—
(A) March 15,
(B) June 15,
(C) September 15, and
(D) December 15.
Such term includes the last day on which the bond is outstanding.
(3) QUALIFIED EASEMENT.—The term ‘qualified easement’ means a perpetual easement—
(A) which would be a qualified conservation contribution under section 170(h) if such easement were a contribution under such section, and
(B) which is to be held by an entity described in subclause (I) or (II) of subsection (d)(2)(B).
(4) QUALIFIED USE.—The term ‘qualified use’ means, with respect to property, use which is consistent with the purpose of the qualified environmental infrastructure project related to such property.
(5) STATE.—The term ‘State’ includes the District of Columbia, any possession of the United States, and any Indian tribe (as defined in section 654(c)).
(6) PARTNERSHIP; S CORPORATION; AND OTHER PASS-THRU ENTITIES.—Under regulations prescribed by the Secretary, in the case of a partnership, trust, S corporation, or other pass-thru entity, rules similar to the rules of section 1286 shall apply to the credit allowed under this section.
(7) CREDITS MAY BE STRIPPED.—Under regulations prescribed by the Secretary—
(1) in general.—There may be a separation of credit for the ownership of a Better America bond and the entitlement to the credit under this section with respect to such bond. In case of any such separation, the credit under this section shall be allowed to the person who, on the credit allowance date, holds the instrument evidencing the entitlement to the credit and not to the holder of the bond.
(2) CERTAIN RULES TO APPLY.—In the case of a separation described in paragraph (1), the rules of section 1286 shall apply to the Better America bond and to the credit under this section as if it were a stripped coupon.
“(I) TREATMENT FOR ESTIMATED TAX PUR-
POSES.—Generally for purposes of sections 6654 and 6655, the credit allowed by this section to a taxpayer by reason of holding a Better America bond on a credit allowance date shall be treated as paid on the credit allowance date.

(2) CREDIT MAY BE TRANSFERRED.—Noth-
ing in any law or rule of law shall be con-
strued to limit the transferability of the credit allowed by this section through sale and repurchase agreements.

(i) REPORTING.—Issuers of Better America bonds shall submit reports similar to the reports required under section 19(h).

(ii) REPORTING.—Subsection (d) of section 6049 of the Internal Revenue Code of 1986 (relating to returns regarding payments of in-

SEC. 702. BETTER AMERICA BONDS BOARD.

(a) ESTABLISHMENT.—There is established a board to be known as the Better America Bonds Board (in this section referred to as the ‘‘Board’’).

(b) MEMBERSHIP.—

(1) COMPOSITION.—The Board shall be com-
posed of 12 members, as follows: (A) 3 members shall be individuals who are not otherwise Federal officers or employees and who are appointed by the President, by and with the advice and consent of the Senate.

(B) 2 members, not be affiliated with the same political party, shall be individuals who represent Governors, or other chief executive officers, of a State, mayors, and county commissioners and who are appointed by the President, by and with the advice and consent of the Senate.

(C) 1 member shall be the Administrator of the Environmental Protection Agency or the Administrator's designee.

(E) 1 member shall be the Secretary of Housing and Urban Development or the Secretary’s designee.

(F) 1 member shall be the Secretary of Interior or the Secretary's designee.

(G) 1 member shall be the Secretary of Transportation or the Secretary’s designee.

(H) 1 member shall be the Secretary of the Treasury or the Secretary’s designee.

(I) 1 member shall be the Director of the Federal Home Loan Management Agency or the Director's designee.

(2) QUALIFICATIONS AND TERMS.—

(A) QUALIFICATIONS.—Members of the Board described in paragraph (1)(A) shall be appointed without regard to political affilia-
tion and solely on the basis of their profes-
sional experience and expertise in 1 or more of the following: (i) Tax-exempt organizations which have as a principal purpose environmental protection and land conservation. (ii) Community planning. (iii) Real estate investment and bond fi-

nancing. In the aggregate, the members of the Board described in paragraph (1)(A) should collectively bring to bear expertise in all of the areas described in the preceding sentence.

(B) TERMS.—Each member who is described in subparagraph (A) or (B) of paragraph (1) shall be appointed for a term of 3 years, ex-
cept that of the members first appointed—

(i) 1 member shall be appointed for a term of 1 year,

(ii) 2 members shall be appointed for a term of 2 years, and

(iii) 3 members shall be appointed for a term of 3 years.

(C) REAPPOINTMENT.—An individual who is described in subparagraph (A) or (B) of paragraph (1) may be appointed to no more than one 3-year term on the Board.

(D) VACANCY.—Any vacancy on the Board shall be filled in the same manner as the original appointment. Any member ap-

pointed to fill a vacancy occurring before the expiration of the term for which the member's predecessor was appointed shall be ap-

pointed for the remainder of that term.

(3) INITIAL MEETING.—Not later than 30 days after the date on which all members of the Board have been appointed, the Board shall hold its first meeting. Subsequent meetings shall be determined by the Board by majority vote.

(4) QUORUM.—A majority of the members of the Board shall constitute a quorum, but a lesser number of members may hold hear-

ings.

(5) CHAIRPERSON.—The member described in paragraph (1)(C) shall serve as the Chair-

person of the Board and shall have the sole power to call a meeting of the Board.

(6) REMOVAL.—

(A) IN GENERAL.—Any member of the Board appointed under subparagraph (A) or (B) of paragraph (1) may be removed at the will of the President.

(B) SECRETARIES; DIRECTOR; ADMINIS-
TRATOR.—An individual described in subpara-

graphs (C) through (I) of paragraph (1) shall be remov-
ed upon termination of service in the office described in each such subpara-

graph.

(7) DUTIES OF THE BOARD.—

(1) IN GENERAL.—The Board shall revi-

ew applications for allocation of the Better America bond program described under sec-

tion 6049(e)(2) of the Internal Revenue Code of 1986 and approve applications in accordance with published criteria.

(D) CRITERIA FOR APPROVAL.—The Board shall consider the following criteria in ap-

proving an application under paragraph (1): (A) A distribution pattern of the overall limitation amount available for the year, which results in the financing of each cat-

egory of qualified environmental infrastruc-

ture project and results in an even distribu-
tion among different regions of the country and sizes of communities.

(B) State or local government support of proposed projects.

(C) Proposed projects which meet local and regional environmental protection or plan-

ning goals and leverage or make more effi-

cient or innovative the use of other public or private resources.

(D) Proposed projects which are intended to maintain the viability of existing central business districts, preserve the community’s distinct character and features, and encourage the reuse of property already served by pub-
lic infrastructure.

(E) The extent of expected improvement in environmental quality, outdoor recreation opportunities, and access to public lands.

(3) ANNUAL REPORT.—The Board shall annu-

ally report with respect to the conduct of its responsibilities under this section to the President and Congress and such report shall include—

(A) the overall progress of the Better America bond program,

(B) the overall limitation amount allo-

cated during the year and a description of the amount, region, and qualified environ-

mental infrastructure project financed by each allocation.

(4) CONFLICT OF INTEREST.—The Board shall carry out its duties under this subsection in a way to ensure that conflicts of in-

terest of its members are avoided.

(5) POWERS OF THE BOARD.—

(1) HEARINGS.—The Board may hold such hearings, in the United States mail, and at such times and places, take such testimony, and receive such evidence as the Board considers advis-

able to carry out the purposes of this sec-

tion.

(6) INFORMATION FROM FEDERAL AGENCIES.—The Board may secure directly from any Federal department or agency such informa-

tion as the Board considers necessary to carry out the provisions of this section, in-

cluding the published and unpublished data and analytical products of the Bureau of Labor Statistics. Upon request of the per-
son of the Board, the head of such depart-

ment or agency shall furnish such informa-

tion to the Board.

(7) SERVICES.—The Board may use the United States mails in the same manner and under the same conditions as other de-

partments and agencies of the Federal Gov-

ernment.

(e) BOARD PERSONNEL MATTERS.—

(1) COMPENSATION OF MEMBERS.—Each member of the Board who is not otherwise an officer or employee of the Federal Govern-

ment shall be compensated at a rate equal to the daily equivalent of the annual rate of basic pay prescribed for level III of the Exec-
utive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) during which such member is engaged in the performance of the duties of the Board. All members of the Board who otherwise are officers or employees of the United States shall serve without compensa-

tion in addition to that received for their services as officers or employees of the United States.

(2) TRAVEL EXPENSES.—The members of the Board shall be allowed travel expenses, in-

cluding per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their home or regular place of business in the performance of services for the Board.

(f) STAFF.—
(A) IN GENERAL.—The Chairperson of the Board, regarding the civil service laws and regulations, appoint and terminate an executive director and such other additional personnel as may be necessary to enable the Board to perform its duties. The employment of an executive director or other personnel shall be subject to confirmation by the Board.

(B) COMPENSATION.—The Chairperson of the Board shall employ an executive director and other personnel without regard to the provisions of chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification of positions and General Schedule pay rates, except that the rate of pay for the executive director and other personnel may not exceed the rate payable for level IV of the Executive Schedule under section 5316 of such title.

(4) DETAIL OF GOVERNMENT EMPLOYEES.—Any Federal Government employee may be detailed to the Board without additional remuneration (other than the employee’s regular compensation), and such detail shall be without interruption or loss of civil service status.

(5) PROCUREMENT OF TEMPORARY AND INTERMITTENT SERVICES.—The Chairperson of the Board may procure temporary and intermittent services at rates for individuals which do not exceed the daily equivalent of the annual rate of basic pay prescribed for level V of the Executive Schedule under section 5316 of such title.

(f) DEFINITIONS.—For purposes of this section—

(1) STATE.—The term ‘State’ includes the District of Columbia, any possession of the United States, and any Indian tribe (as defined in section 45(a)(6)).

(2) QUALIFIED ENVIRONMENTAL INFRASTRUCTURE PROJECT.—The term ‘qualified environmental infrastructure project’ has the same meaning given that term in section 54(h)(2) of the Internal Revenue Code of 1986.

(g) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Board such sums as are necessary to carry out the purposes of this section.

(h) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall take effect on the date of enactment of this Act.

(2) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

SEC. 711. TAX EXCLUSION FOR CONSERVATION EASEMENTS.

(a) IN GENERAL.—Section 126(a) (relating to cost-sharing payments under partners for wildlife program) is amended by redesignating paragraph (10) as paragraph (11) and by inserting after paragraph (9) the following:


(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 712. ENHANCED DEDUCTION FOR THE DONATION OF A CONSERVATION EASEMENT.

(a) IN GENERAL.—Paragraph (1) of section 170(b) of the Internal Revenue Code of 1986 (relating to percentage limitations) is amended by adding at the end the following:

"(G) SPECIAL RULES FOR QUALIFIED CONSERVATION CONTRIBUTIONS.—In the case of a qualified conservation contribution by an individual (as defined in subsection (h)(1), except that the phrase ‘or a certified historic structure’ in clause (iv) of subsection (h)(4)(A) shall not apply):

"(i) 50 PERCENT LIMITATION TO APPLY.—Such a contribution shall be treated for purposes of this section as described in subparagraph (A)(ii) thereof.

"(ii) EARLY CARRY FORWARD.—Subsection (d)(1) shall be applied by substituting ‘20 years’ for ‘5 years’ each place it appears and with appropriate adjustments in the application of subparagraph (A)(i) thereof.

"(iii) UNUSED DEDUCTION CARRYOVER ALLOWED ON TAXPAYER’S LAST RETURN.—If the taxpayer dies before the close of the last taxable year for which a deduction could have been allowed under subsection (d)(1), any portion of the deduction for such contribution which has not been allowed shall be allowed by virtue of subsection (a)(1) (without regard to this subsection) for the taxable year in which such death occurs or such portion may be used as a deduction against the gross estate of the taxpayer.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

SEC. 713. DEDUCTION FOR CONSERVATION EASEMENTS.

(a) IN GENERAL.—Subsection (d)(1) of section 170 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

"(h) EFFECTIVE DATES.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

Subtitle C—Alternative Fuels Incentives

SEC. 721. EXTENSION AND EXPANSION OF CREDIT FOR PURCHASE OF ELECTRIC VEHICLES.

(a) MODIFIED CREDIT FOR VEHICLES WHICH MEET CERTAIN RANGE REQUIREMENTS.—Section 30(e) (relating to allowance of credit) is amended to read as follows:

"(a) ALLOWANCE OF CREDIT.—

"(1) IN GENERAL.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

"(A) 19 percent of the cost of any qualified electric vehicle placed in service by the taxpayer during the taxable year, plus

"(B) in the case of any such vehicle also meeting the requirement described in paragraph (2), $5,000.

"(2) RANGE REQUIREMENT.—The requirement described in this paragraph is a driving range of at least 100 miles on a single charge of the vehicle’s rechargeable batteries, fuel cells, or other portable source of electrical current, and

"(B) measured pursuant to the urban dynamometer schedule under appendix I to part B of subchapter P of chapter 1 of the Internal Revenue Code of 1986.

(b) CREDIT EXTENDED THROUGH 2010.—

(1) IN GENERAL.—Section 30(e)(4) (relating to termination) is amended to read as follows:

"(e) TERMINATION.—This section shall not apply to any property placed in service after December 31, 2010.

(2) CONFORMING AMENDMENTS.—Section 30(b)(3) (relating to phaseout) is amended—

(A) by striking ‘‘2002’’ in subparagraph (A) and inserting ‘‘2008’’;

(B) by striking ‘‘2003’’ in subparagraph (B) and inserting ‘‘2009’’, and

(C) by striking ‘‘2004’’ in subparagraph (C) and inserting ‘‘2010’’.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service in taxable years beginning after December 31, 2000.

SEC. 722. ADDITIONAL DEDUCTION FOR COST OF INSTALLATION OF ALTERNATIVE FUELING STATIONS.

(a) IN GENERAL.—Subsection (d) of section 179(b)(2) (relating to qualified clean-
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fuel vehicle refueling property) is amended to read as follows:

“(A) IN GENERAL.—The aggregate cost which may be taken into account under subsection (a)(1)(B) with respect to qualified clean-fuel vehicle refueling property placed in service during the taxable year at a location shall not exceed the sum of—

“(i) $100,000, over

“(ii) the lesser of—

“(I) the cost of the installation of such property, or

“(II) $30,000.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service in taxable years beginning after December 31, 2000.

SEC. 723. CREDIT FOR RETAIL SALE OF CLEAN BURNING FUELS AS MOTOR VEHICLE FUEL.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 is amended by inserting after section 40 the following:

“SEC. 40A. CREDIT FOR RETAIL SALE OF CLEAN BURNING FUELS AS MOTOR VEHICLE FUEL.

“(A) IN GENERAL.—For purposes of section 38, the clean burning fuel retail sales credit attributable to the clean burning fuel retail sales credit determined under section 40A(a), as modified by this section, shall apply to fuel sold at retail in taxable years beginning after January 1, 1999.

(b) DEFINITIONS.—For purposes of this section—

“(1) CLEAN BURNING FUEL.—The term ‘clean burning fuel’ means natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, and any liquid at least 85 percent of which consists of methanol.

“(2) GASOLINE GALLOON EQUIVALENT.—The term ‘gasoline gallon equivalent’ means, with respect to any clean burning fuel, the amount which, when converted to gasoline, would yield 28.3169 gallons of gasoline.

“(3) QUALIFIED MOTOR VEHICLE.—The term ‘qualified motor vehicle’ means any motor vehicle (as defined in section 179A(e)) which may be taken into account under section 40A(a) if the Secretary determines that such vehicle is designed to be propelled by, or with the use of, such clean burning fuel.

“(A) $175 per month.”.

SEC. 731. EXPANSION OF SECTION 29 TAX CREDIT.

(a) PLACED-IN-SERVICE DATE.—Section 29(g)(1)(A) is amended by striking “July 1, 1990” and inserting “the date which is 8 months after the date of the enactment of the Tax and Public Debt Reduction Act of 1999”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after the date of the enactment of this Act.

SEC. 732. UNIFORM DOLLAR LIMITATION FOR ALL TYPES OF TRANSPORTATION FRINGE BENEFITS.

(a) IN GENERAL.—Section 132(f)(1) (relating to qualified transportation fringe benefits) is amended to read as follows:

“(B) if the employer so elects, additional contributions by the employee which, when added to contributions under subparagraph (A), do not exceed the amount allowed under section 408 of the Internal Revenue Code of 1986.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

TITILE VIII—SAVINGS AND PENSION PROVISIONS

Subtitle A—Expanding Coverage for Small Employers

SEC. 801. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS

(a) AMENDMENT TO 1986 CODE.—Subparagraph (B) of section 497(f)(6) (relating to exemptions from application to certain transactions) is amended by adding at the end the following new clause:

“(iii) LOAN EXCEPtION.—For purposes of subparagraph (A)(i), the term ‘owner-employee’ shall only include a person described in clause (ii) or (iii) of sub-paragraph (A).”.

(b) AMENDMENT TO ERISA.—Section 408(d)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1108(d)(2)) is amended by adding at the end the following new subparagraph:

“(C) For purposes of paragraph (1)(A), the term ‘owner-employee’ shall only include a person described in clause (ii) or (iii) of subparagraph (A).”.

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

SEC. 802. CONTRIBUTIONS TO IRAS THROUGH PAYROLL DEDUCTIONS.

(a) DEFINITIONS.—For purposes of this section—

“(1) CONTRIBUTION CERTIFICATE.—The term ‘contribution certificate’ means a certificate submitted by an employee to the employer’s retirement system—

“(A) identifies the employee by name, address, and social security number,

“(B) identifies the individual retirement plan to which the employee wishes to make contributions through payroll deductions, and

“(C) identifies the amount of such contributions, including the amount allowed under section 408 of the Internal Revenue Code of 1986 for the taxable year.

(2) EMPLOYEE.—The term ‘employee’ does not include an employee as defined in section 401(c)(1) of such Code.

(3) INDIVIDUAL RETIREMENT PLANS.—The term ‘individual retirement plan’ has the meaning given the term by section 7701(a)(37) of the Internal Revenue Code of 1986.

(4) SECRETARY.—The term ‘Secretary’ means the Secretary of the Treasury.

(b) ESTABLISHMENT OF PAYROLL DEDUCTION SYSTEM.—An employer may establish a system under which employees, through employer payroll deductions, may make contributions to individual retirement plans. An employer shall not incur any liability under title I of the Employee Retirement Income Security Act of 1974 in providing for such a system.

(c) CONTRIBUTIONS TO INDIVIDUAL RETIREMENT PLANS.—

“(1) IN GENERAL.—The system established under subsection (b) shall provide that contributions made to an individual retirement plan for any taxable year are—

“(A) contributions through employer payroll deductions, and

“(B) if the employer so elects, additional contributions by the employee which, when added to contributions under subparagraph (A), do not exceed the amount allowed under section 408 of the Internal Revenue Code of 1986 for the taxable year.

(2) EMPLOYEE PAYROLL DEDUCTIONS.—

“(A) IN GENERAL.—The system established under subsection (b) shall provide that an employee may establish and maintain an individual retirement plan simply by—

“(i) completing a contribution certificate, and

“(ii) submitting such certificate to the employee’s employer in the manner provided under subparagraph (D).

(B) CHANGE OF AMOUNTS.—An employee establishing and maintaining an individual retirement plan under paragraph (A) may change the amount of employer payroll deduction in the same manner as under subparagraph (A).

(C) SIMPLIFIED FORMS.—

“CCONTRIBUTION CERTIFICATE.—The Secretary shall develop a model contribution certificate for purposes of this paragraph—

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(1) which is written in a clear and easily understandable manner.

(II) the completion of which by an employee will constitute the establishment of an individual retirement plan and the request for employer payroll deductions or changes in such deductions.

(ii) AVAILABILITY.—The Secretary shall make available to all employees and employers the forms and information under this subparagraph, and shall include with such forms easy to understand explanatory materials.

(D) USE OF CERTIFICATE.—Each employer electing to adopt a system under subsection (b) shall, upon receipt of a contribution certificate from an employee, deduct the appropriate contribution as determined by such certificate from the employee's wages in equal amounts during the remaining payroll periods for the taxable year and shall remit such amounts for investment in the employee's individual retirement plan not later than the close of the 30-day period following the last day of the month in which such payroll period occurs.

(F) FAILURE TO REMIT PAYROLL DEDUCTIONS.—For purposes of the Internal Revenue Code of 1986, any amount which an employer fails to deduct from an employee's wages in accordance with a contribution certificate of such employee shall not be allowed as a deduction to the employer under such Code.

(1) ADDITIONAL INFORMATION.—

(a) In General.—The system established under subsection (b) shall provide for the furnishing of information to employees of the opportunity of establishing individual retirement plans and of transferring amounts to such plans.

(b) TREATMENT INFORMATION.—The employer shall also make available to employees information on how to make informed investment decisions and how to achieve retirement objectives.

(2) INFORMATION NOT INVESTMENT ADVICE.—Information provided under this subsection shall not be treated as investment advice for purposes of any Federal or State law.

SEC. 802. MODIFICATION OF TOP-HEAVY RULES.

(a) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—Subsection 415(g) is amended by adding at the end the following:

"(1) 25 percent of the qualified employer contributions of the employer for the taxable year, and

"(2) 50 percent of the qualified employer contributions paid or incurred by the taxpayer during the taxable year.

"(b) LIMITATIONS.—

"(1) LIMITS ON CONTRIBUTIONS.—For purposes of subsection (a)(1):

"(A) qualified employer contributions may only be taken into account for each of the first 3 taxable years ending after the date the employer establishes the qualified employer plan to which the contribution is made, and

"(B) the amount of the qualified employer contributions taken into account with respect to any qualified employer plan for any such taxable year shall not exceed—

"(i) $2,000 for the first taxable year ending after the date the employer establishes the qualified employer plan to which such contributions relate, and

"(ii) $1,000 for each of the second and third taxable years thereafter.

"(c) DEFINITIONS.—For purposes of this section—

"(1) ELIGIBLE EMPLOYER.—

"(A) IN GENERAL.—The term 'eligible employer' means, with respect to any year, an employer who—

"(i) is eligible to participate in the qualified employer plan to which the employer contributions are made, and

"(ii) is not a highly compensated employee (within the meaning of section 414(q)) for the year for which the contribution is made.

"(B) LIMITATIONS.—The term 'employer contributions' shall not include contributions made on behalf of a qualified employee under a qualified employer plan for a plan year ending with or within the taxable year.

"(C) ZERO FOR EACH TAXABLE YEAR THEREAFTER.—The amount of the credit determined under subsection (a)(2) for any taxable year thereafter shall be zero.

"(D) F AILURE TO REMIT PAYROLL DEDUC TIONS.—In the case of an employer which has no more than—

"(i) the credit which would be allowed under paragraph (2) of section 4972(d) (defining current year business credit) is amended by striking "plus" at the end of paragraph (11), by inserting after the period at the end of paragraph (12) and inserting "plus", and by adding, after the period at the end of the following new paragraph:

"(e) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (defining current year business credit) is amended by inserting "at the end of the period of" after paragraph (11), striking the period at the end of paragraph (12) and inserting "plus", and by adding after the period at the end of the following new paragraph:

"(f) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (defining current year business credit) is amended by inserting "at the end of the period of" after paragraph (11), striking the period at the end of paragraph (12) and inserting "plus", and by adding after the period at the end of the following new paragraph:

"(g) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (defining current year business credit) is amended by inserting "at the end of the period of" after paragraph (11), striking the period at the end of paragraph (12) and inserting "plus", and by adding after the period at the end of the following new paragraph:

"(h) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (defining current year business credit) is amended by inserting "at the end of the period of" after paragraph (11), striking the period at the end of paragraph (12) and inserting "plus", and by adding after the period at the end of the following new paragraph:

"(i) the credit which would be allowed without regard to this paragraph and the limitation under paragraph (5) (relating to an aggregate limitation), and

"(ii) the amount by which the aggregate amount of credits allowed by this section...
SEC. 805. INCREASING LIMITS FOR DEFERRALS TO SIMPLE PLANS.

(a) SIMPLE RETIREMENT ACCOUNTS.—Paragraph (2)(A)(ii) of section 408(p) (relating to simple retirement accounts) is amended by striking "$6,000" and inserting "$8,000".

(b) NONDISCRIMINATION TESTS.—Section 408(p)(3)(B)(ii) is amended by striking "$6,000" and inserting "$8,000".

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

SEC. 806. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF LIMITS.

(o) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF LIMITS.—Elective deferrals (as defined in section 402(g)(3)) shall not be subject to any limitations described in this section (other than subsection (a)), and such elective deferrals shall not be taken into account in applying such limitations to any other contributions.

SEC. 811. EQUITABLE TREATMENT FOR CONSTRUCTIVE EMPLOYEES TO DEFINED CONTRIBUTION PLANS.

(a) EQUITABLE TREATMENT.—

(1) IN GENERAL.—Subparagraph (B) of section 416(b)(1) (relating to limitation for defined contribution plans) is amended to read as follows:

"(B) the greater of 50 percent of the participant's compensation or $10,000." (2) APPLICATION TO SECTION 403(b).—Section 403(b) is amended—

(A) by striking "the exclusion allowance for such taxable year" in paragraph (1) and inserting "the applicable limit under section 415", and

(B) by striking paragraph (2).

(3) NONDISCRIMINATION TESTING.—

(A) Section 401(k) of title 26 is amended by adding at the end the following: "The actual deferral percentage of eligible employees other than highly compensated employees shall be computed without regard to contributions in excess of 25 percent of compensation."

(B) Section 401(m)(4) is amended by adding at the end the following: "The actual deferral percentage of eligible employees other than highly compensated employees shall be computed without regard to contributions in excess of 25 percent of compensation."

(4) CONFORMING AMENDMENTS.—

(A) Subsection (f) of section 72 is amended by striking "section 408(b)(2)(D)(ii)") and inserting "section 408(b)(2)(D)(iii)", as in effect on December 31, 2000.

(B) Section 403(b)(3) is amended by inserting "or any amount received by a former employee taxable year in which such employee was terminated" before the period at the end of the second sentence.

(C) Section 401(k)(10) is amended by striking "the exclusion allowance under section 403(b)(2)".

(D) Section 415(a)(2) is amended by striking "the nonforfeitable".

(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation means the participant's compensation determined under section 403(b)(3)(B).

(F) Section 415(c)(3) is amended by striking at the end the following new subparagraph:

"(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation means the participant's compensation determined under section 403(b)(3)(B)."

(G) Section 415(e)(5) is amended—

(1) in paragraph (2), by striking "A plan" and inserting "Except as provided in paragraph (4), a plan";

(2) by adding at the end the following:

"(2) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

(A) by substituting '3 years' for '5 years' in subparagraph (A), and

(B) by substituting the following table for the table contained in subparagraph (B):

<table>
<thead>
<tr>
<th>Years of service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>3</td>
<td>40</td>
</tr>
<tr>
<td>4</td>
<td>60</td>
</tr>
<tr>
<td>5</td>
<td>80</td>
</tr>
<tr>
<td>6</td>
<td>100</td>
</tr>
</tbody>
</table>

(b) AMENDMENTS TO ERYSA.—Section 203(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)) is amended—

(1) in paragraph (2), by striking "A plan" and inserting "Except as provided in paragraph (4), a plan";

(2) by adding at the end the following:

"(4) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A) of the Internal Revenue Code of 1986), paragraph (2) shall be applied—

(A) by substituting '3 years' for '5 years' in subparagraph (A), and

(B) by substituting the following table for the table contained in subparagraph (B):

<table>
<thead>
<tr>
<th>Years of service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>20</td>
</tr>
</tbody>
</table>

The nonforfeitable
SEC. 813. DEFERRED ANNUITIES FOR SURVIVING SPOUSES OF FEDERAL EMPLOYEES.

(a) In General.—Section 8341 of title 5, United States Code, is amended—

(1) in subsection (h)(1), by striking "section 8338(b), and a former spouse of a deceased former employee who separated from the service with title to a deferred annuity under section 8338 if they were married to one another prior to the date of separation;"; and

(2) by adding at the end the following:

"(i) An annuity, commencing on what would have been the former employee's 62d birthday, equal to 55 percent of the former employee's deferred annuity;"

"(B) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31).

(d) Effective Date.—The amendments made by this section shall apply to transfers, distributions, and payments made after December 31, 2000.

SEC. 815. SPOUSES' RIGHT TO KNOW PROPOSAL.

(a) Spouse's Right to Know Distribution Information—

(1) Amendment of Internal Revenue Code.—Section 401(a)(3) (relating to prohibition of rollovers of certain tax-exempt employer sponsored retirement plans) is amended by adding at the end the following new subparagraph:

"(C) Explanation to Spouse.—At the time a plan provides a participant with a written explanation under subparagraph (A) or (B), such plan shall provide a copy of such explanation to such participant's spouse. If the last known address of the spouse is the same as the last known address of the participant, the requirement of the preceding sentence shall be treated as met if the copy referred to in the preceding sentence is included in a single mailing made to such address and addressed to both such participant and spouse.

(2) Amendment of ERISA.—Paragraph (3) of section 401 of the Employee Retirement Income Security Act of 1974 is amended by adding at the end the following new subparagraph:

"(C) Explanation to Spouse.—At the time a plan provides a participant with a written explanation under subparagraph (A) or (B), such plan shall provide a copy of such explanation to such participant's spouse.

(b) Effective Date.—The amendments made by this section shall apply to transfers, distributions, and payments made after December 31, 2000.

SEC. 814. TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.

(a) In General.—Section 414(p)(11) (relating to application of rules to governmental and church plans) is amended—

(1) by inserting "or an eligible deferred compensation plan (within the meaning of section 457(b)(3)) after "subsection (e)"; and

(2) in the heading, by striking "GOVERNMENTAL AND CHURCH PLANS" and inserting "CERTAIN OTHER PLANS".

(b) Effective Date.—The amendments made by this section shall apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of enactment); or

(B) January 1, 2001, or (ii) January 1, 2005.

(c) Treatment of Certain Additional Amounts—

(1) In General.—Paragraph (10) of section 414(p) is amended by striking "section 409(d)" and inserting "section 409(d), and section 457(d)".

(2) Amendment of ERISA.—Paragraph (3) of section 401(b)(7) (relating to applicable rules in the case of certain transfers) is amended by striking "and (ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible deferred compensation plan described in section 402(c)(8)(B), and".

(3) in the case of a distribution of property other than money, the amount so transferred consists of the property transferred, then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

(4) Certain Rules Made Applicable.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C) and (9) of section 401(c) and section 402(f) shall apply for purposes of subparagraph (B).

(d) Reporting.—Sections 4161 and 4102(f) (defining eligible deferred compensation plan) are amended by inserting "or rollover amounts" after "taxable year".

(e) Direct Rollover.—Paragraph 1(1) of section 401(d) is amended by striking "and" at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting "and", and, inserting after subparagraph (B) the following:

"(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31). Any amount transferred to a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.

(f) Withholding.—

(1) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

"(A) Rollover Amount.—For purposes of this subparagraph, the term "eligible rollover distribution" has the meaning given such term under section 402(c)(2)(A)."

(2) Liability for Withholding.—Subparagraph (A) of section 401(a)(31) is amended by striking "or" at the end of clause (ii), by striking the period at the end of clause (ii)
and inserting "", or", and by adding at the end the following:

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(1) Section 72(o)(4) is amended by striking "and"
by amending paragraph (8)(B), (10)(D), and
and inserting "", or 408(d)(3), or
and 457(e)(16)".

(2) Section 219(d)(2) is amended by striking '"or
and inserting "408(d)(3), or
and 457(e)(16)".

(3) Section 401(a)(31)(B) is amended by striking "and
and inserting "403(a)(4), 408(d)(3), and
and 457(e)(16)".

(4) Subparagraph (B) of section 402(f)(2) is amended by striking "or paragraph (4) of section
and inserting "", or paragraph (4) of section
and 402(f)(2) subparagraph (A) of section
and 457(e)(16)".

(5) Paragraph (1) of section 402(f) is amended
by striking "from an eligible retirement plan".

(6) Subparagraphs (A) and (B) of section
and (v) of section 402(f)(1) are amended by striking "another
eligible retirement plan" and inserting "an eligible retirement plan".

(7) Subparagraph (B) of section 403(b)(3) is amended to read as follows:
```
The preceding sentence shall not apply to any distribution from an
eligible retirement plan (as defined in section 401(a)(31)) on behalf of
an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amend-
ments made by this section.

(b) ALLOWANCE OF ROLLOVERS FROM AND TO 403(b) PLANS.—

(1) ROLLOVERS FROM 403(b) PLANS.—
Section 403(b)(8)(A)(ii)(I) (relating to rollover amounts) is amended by striking "such dis-
tribution and all that follows and inserting
"such distribution to an eligible retirement plan described in section
403(b)(3) as described in section 406(k)(4), or"
and "(II) a distribution is made from an individ-
ual retirement plan, and

(2) ROLLOVERS TO 403(b) PLANS.—
Section 402(c)(8)(B) (defining eligible retire-
ment plan), as amended by subsection (a), is amended by striking "and" at the end of clause (ii) and
inserting "at the end of the following:

```
(1) Paragraph (1) of section 403(b) is amended
by striking "section 408(d)(3)(A)(iii)" and
inserting "section 408(d)(3)(A)(ii)".

(2) Clause (i) of section 408(d)(3)(D) is amended by striking "(i), (ii), or (iii)" and
inserting "(i), (ii), or (iii)".

(3) Subparagraph (G) of section 408(d)(3) is amended to read as follows:
```
EXPANSION OF SIMPLE RETIREMENT ACCOUNTS.—In the case of a payment or distribution out of a
simple retirement account (as defined in subsection (p) to which section 72(k)(6) applies, this paragra-
ph shall not apply unless such payment or distribution is paid into another simple retirement account.
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(c) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distri-

(2) SPECIAL RULE.—Notwithstanding any
other provision of law, subsections (b)(3) and
(h)(5) of section 1122 of the Tax Reform Act
of 1986 shall not apply to any distribution from an
eligible retirement plan (as defined in subsection (ii) or (iv) of section 402(c)(2)(B) of the Internal Revenue Code of 1986) on behalf of
an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amend-
ments made by this section.

SEC. 823. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.

(a) ROLLERS FROM EXEMPT TRUSTS.—
Paragraph (2) of section 402(c) (relating to maximum amount which may be rolled over) is amended by adding at the end the fol-
lowing: "Any rollover to such plan on behalf of such individual which is permitted solely by reason of the amend-
ments made by this section.

(b) ROLLERS TO ELIGIBLE ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of section 401(a)(31) (relating to limitation) is amended by adding at the end the fol-
lowing: "Any rollover to such plan on behalf of such individual which is permitted solely by reason of the amend-
ments made by this section.

(c) RULES FOR APPLING SECTION 72 TO IRA AS.—Section 403(b)(8) (relating to rollover amounts) is amended by adding at the end the fol-
lowing:
```
The preceding sentence shall not apply to such distribution to the extent—
"(1) such portion is transferred in a direct
transfer to a qualified trust which is part of a plan which is a de-
defined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

(2) such portion is transferred to an eligi-
ble retirement plan described in clause (i) or
(ii) of paragraph (b)(9).

(3) RULES FOR APPLICATION OF SECTION 72 TO IRA AS.—Section 403(b)(8) (relating to rollover amounts) is amended by adding at the end the fol-
lowing:
```
The preceding sentence shall not apply to such distribution to the extent—
"(1) such portion is transferred to an eligi-
ble retirement plan described in clause (i) or
(ii) of paragraph (b)(9).

(2) such portion is transferred to an eligi-
ble retirement plan described in clause (i) or
(ii) of paragraph (b)(9).

(3) such portion is transferred to a quali-
df retirement plan described in clause (i) or
(ii) of paragraph (b)(9).

(4) such portion is transferred to an eligi-
ble retirement plan described in clause (i) or
(ii) of paragraph (b)(9).

(5) such portion is transferred to a quali-
df retirement plan described in clause (i) or
(ii) of paragraph (b)(9).

(6) such portion is transferred to a quali-
df retirement plan described in clause (i) or
(ii) of paragraph (b)(9).

(7) such portion is transferred to a quali-
df retirement plan described in clause (i) or
(ii) of paragraph (b)(9).

(8) such portion is transferred to a quali-
df retirement plan described in clause (i) or
(ii) of paragraph (b)(9).

(9) such portion is transferred to a quali-
df retirement plan described in clause (i) or
(ii) of paragraph (b)(9).

(10) such portion is transferred to a quali-
df retirement plan described in clause (i) or
(ii) of paragraph (b)(9).

(11) such portion is transferred to a quali-
df retirement plan described in clause (i) or
(ii) of paragraph (b)(9).

(12) such portion is transferred to a quali-
df retirement plan described in clause (i) or
(ii) of paragraph (b)(9).

(13) such portion is transferred to a quali-
df retirement plan described in clause (i) or
(ii) of paragraph (b)(9).

(14) such portion is transferred to a quali-
df retirement plan described in clause (i) or
(ii) of paragraph (b)(9).

SEC. 822. ROLLERS OF IRA INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—
```
A rollover of IRA to an eligible retirement plan.

(b) CONFORMING AMENDMENTS.—
```
The preceding sentence shall not apply to any distribution from an
eligible retirement plan (as defined in subsection (ii) or (iv) of section 402(c)(2)(B) of the Internal Revenue Code of 1986) on behalf of
an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amend-
ments made by this section.

SEC. 822. ROLLERS OF IRA INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—
```
A rollover of IRA to an eligible retirement plan.

(b) CONFORMING AMENDMENTS.—
```
The preceding sentence shall not apply to any distribution from an
eligible retirement plan (as defined in subsection (ii) or (iv) of section 402(c)(2)(B) of the Internal Revenue Code of 1986) on behalf of
an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amend-
ments made by this section.

SEC. 822. ROLLERS OF IRA INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—
```
A rollover of IRA to an eligible retirement plan.

(b) CONFORMING AMENDMENTS.—
```
The preceding sentence shall not apply to any distribution from an
eligible retirement plan (as defined in subsection (ii) or (iv) of section 402(c)(2)(B) of the Internal Revenue Code of 1986) on behalf of
an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amend-
ments made by this section.
as follows:

(1) section 72 shall be applied separately to such participation and such consent meets requirements similar to the requirements imposed by section 417(a)(2); and

(2) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

(5) Except to the extent provided in regulations, any single sum payment shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

(A) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated; and

(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.

(6) AMENDMENT TO ERISA.—The last sentence of paragraph (6)(B) of section 411(d)(6) of the Internal Revenue Code of 1986 (relating to distributions upon termination of participation) is amended by adding after subparagraph (H) the following new subparagraph:

"(I) the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the "transferee plan") to the extent that—

(i) the forms of distribution previously available under the transferee plan applied to the account of a participant or beneficiary under the transferee plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferee plan;

(ii) the terms of both the transferee plan and the transferee plan authorize the transfer described in clause (i),

(iii) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan;

(iv) the election described in subclause (I) was made after the participant or beneficiary received a notice describing the consequences of making the election;

(v) if the transferee plan provides for an annuity as the normal form of distribution under the plan in accordance with section 417, the transfer is made with the consent of the participant's spouse (if any), and such consent meets requirements similar to the requirements imposed by section 417(a)(2); and

(vi) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

(7) ELECTION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, any single sum payment shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

(A) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated; and

(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.

(8) BONAFIDE TRANSFER. —The Secretary may waive the 60-day requirement under subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.

(9) AO A defines contribution plan (in this paragraph referred to as the 'transferor plan') shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This subparagraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

(A) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated, and

(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.

(11) Compensation.—Sections 410 of the Internal Revenue Code of 1986 and section 412 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054 and 1082) are amended by adding after the 60th day following the day on which the participant received a notice describing the consequences of making the election.

(12) Election.—An election described in clause (i) shall not be treated as failing to meet the requirements of this subsection merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

(A) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated; and

(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.
plan without establishment or maintenance of an effective defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7)).''

(C) Section 401(k)(10) is amended—
(i) in subparagraph (B)—
(I) by striking "An event" in clause (i) and inserting "A termination", and
(II) by striking "the event" in clause (i) and inserting "the termination";
(b) The heading for paragraph (11) of section 402(b) is amended by striking "separates from service" and inserting "has a severance from employment".

SEC. 827. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.
(a) 402(b) PLANS.—Subsection (b) of section 402(b) is amended by adding at the end the following new paragraph:

"(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

(A) for the purchase of permissive service credit (as defined in section 415(d)(3)(A)) under such plan, or

(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof;"

(b) 457 PLANS.—
(1) Subsection (e) of section 457 is amended by adding after paragraph (17) the following new paragraph:

"(18) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

(A) for the purchase of permissive service credit (as defined in section 415(d)(3)(A)) under such plan, or

(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof;"

(2) Section 457(b)(2) is amended by striking "(other than rollover amounts)" and inserting "(other than rollover amounts and amounts received in a transfer referred to in subsection (e)(10))".

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

SEC. 828. TREATMENT OF MULTIEMPLOYER PLANS REDUCING BENEFIT ACCRUALS.
(a) QUALED PLANS.—
(1) AMENDMENT.—Section 414(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

"(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (as defined in subparagraph (A) thereof).

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

SEC. 830. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.
(a) COMBINING OF PLANS.—Subsection (f) of section 415 shall not be combined with another plan if the Secretary determines that the resulting plan fails to meet the requirements of section 415.

(b) COMBINING AND AGGREGATION OF PLANS.—
(1) COMBINING OF PLANS.—Subsection (f) of section 415 relating to combining of plans is amended to read as follows:

"(f) COMBINING OF PLANS.—Subsection (f) of section 415 relating to combining of plans is amended to read as follows:

"(1) EXCEPT AS PROVIDED IN SUBSECTION (C), THE SECRETARY MAY—

(A) COMBINE TWO OR MORE PLANS INTO ONE PLAN, OR

(B) MAINTAIN TWO OR MORE PLANS AS SEPARATE PLANS.

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

SEC. 832. EXTENSION OF MISSING PARTICIPANTS PROGRAM TO MULTIPLE EMPLOYER PLANS.
(a) IN GENERAL.—Section 1405 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(a)(1)) is amended by striking "or (A)

(b) COMFORMING AMENDMENT.—The amendments made by this section shall apply to any action or claim, including any action or claim commenced by the Secretary of Labor, pending on or after the date of enactment of this Act.

SEC. 834. FAILURE TO PROVIDE NOTICE BY DEFINED BENEFIT PLANS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.
(a) EXCISE TAX.—
(1) IN GENERAL.—Chapter 43 of subtitle D relating to qualified plans, etc., is amended by adding after subsection (a) the following:

"(e) NOTICE REQUIREMENTS.—

SEC. 838. FAILURE TO SATISFY NOTICE REQUIREMENTS.

(1) by striking "shall" and inserting "may", and

(2) by striking "equal to" and inserting "not greater than".

(b) APPLICABLE RECOVERY AMOUNT.—Section 502(f)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(f)(2)) is amended to read as follows:

"(2) For purposes of paragraph (1), the term 'applicable recovery amount' means any amount which is recovered from (or on behalf of) any fiduciary or other person with respect to a breach or violation described in paragraph (1) on or after the 90th day following receipt by such fiduciary or other person of written notice from the Secretary of the violation, whether paid voluntarily or by order of a court in a judicial proceeding instituted by the Secretary under subsection (a)(1) or (a)(5). The Secretary may, in the Secretary's sole discretion, extend the 90-day period described in the preceding sentence.

(c) OTHER RULES.—Section 502(f)(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(f)(1)) is amended—

(1) by striking "(C)" and inserting "(D)",

(2) in clause (A)(2) or (a)(5). The Secretary may, in the Secretary's sole discretion, extend the 90-day period described in the preceding sentence.

"(a) IMPOSITION AND AMOUNT OF PENALTY.

(b) APPLICABLE RECOVERY AMOUNT.

(c) EFFECTIVE DATE.

"(6) No penalty shall be assessed under this subsection unless the person against whom the penalty is assessed is given notice and an opportunity for a hearing with respect to the violation and applicable recovery amount."
with respect to any applicable individual shall be $300 for each day in the noncompliance period with respect to such failure.

(2) Noncompliance Period.—For purposes of this section, the term ‘noncompliance period’ means, with respect to any failure, the period beginning on the date the failure first occurs and ending on the date the failure is corrected.

(3) Minimum Tax for Noncompliance Period Where Failure Discovered After Notice of Examination.—Notwithstanding paragraphs (1) and (2) of subsection (c)—

(1) In General.—In the case of 1 or more failures with respect to an applicable individual—

(i) which are not corrected before the date a notice of examination of income tax liability is sent to the employer, and

(ii) which occurred or continued during the period under examination, the amount of tax imposed by subsection (a) by reason of such failures with respect to such beneficiary shall not be less than the lesser of $2,500 or the amount of tax which would be imposed by subsection (a) without regard to such paragraphs.

(2) Higher Minimum Tax Where Violations Are More Than De Minimis.—To the extent violations by the employer (or, in the case of a multiemployer plan, the employer (or such plan).) for any plan year are more than de minimis, subparagraph (A) shall be applied by substituting $15,000 for $2,500 with respect to the employer (or such plan).

(3) Limitation on Amount of Tax.—

(1) Tax Not to Apply Where Failure Not Discovered Exercising Reasonable Diligence.—No tax shall be imposed by subsection (a) on any failure during any period for which it would otherwise be provided. The Secretary shall not be treated as failing to meet the requirements of this paragraph merely because the statement or notice setting forth the plan amendment and its effective date to each employee organization representing participants in the plan.

(2) Tax Not to Apply to Failures Corrected Within 30 Days.—No tax shall be imposed by subsection (a) on any failure if—

(A) in general, in the case of a failure which is due to reasonable cause and not to willful neglect, and

(B) such failure is corrected before the end of any period of 30 days beginning on the date the failure occurred.

(3) Overall Limitation for Unintentional Failures.—

(A) In General.—In the case of failures that are due to reasonable cause and not to willful neglect, the tax imposed by subsection (a) for failures during the taxable year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed $20,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as 1 plan.

(B) Taxable Years in the Case of Certain Controlled Groups.—For purposes of this paragraph, if all persons who are treated as a single employer for purposes of this section do not have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1563.

417(e)(3)(A). The Secretary may prescribe regulations under which information other than that described in this paragraph includes the following:

(1) Notice setting forth the plan amendment and its effective date.

(2) A statement of benefit change described in paragraph (2) to each applicable individual.

(3) Information contained in statement of benefit change described in this subparagraph—

(A) be written in a manner calculated to be understood by the average plan participant, and

(B) include the information described in paragraph (B).

(4) Information Contained in Statement of Benefit Change.—The information described in this paragraph includes the following:

(A) Notice setting forth the plan amendment and its effective date.

(B) A comparison of the following amounts calculated with respect to an applicable individual, determined both with and without regard to the plan amendment:

(i) The accrued benefit and the present value of the accrued benefit as of the effective date of the plan amendment.

(ii) The projected accrued benefit and the projected present value of the accrued benefit as of the date which is 5 years, 5 years, and 10 years from the effective date and as of the normal retirement age.

Such comparison may include a statement that ‘The projected benefits were computed using assumptions required under Federal law and may not prove accurate over time.’

(C) A table of all annuity factors used to calculate benefits under the plan, presented in the form provided in section 72 and the regulations thereunder.

Benefits described in subparagraph (B) shall be stated separately and shall be calculated by using the applicable mortality table and the applicable interest rate under section 417(e)(3)(A). The Secretary may prescribe regulations under which information other than that described in this paragraph may be provided in cases where the comparative benefits are not needed.

(D) Employer Held Harmless.—A plan and (any employer maintaining the plan) shall meet the requirements of this subsection (or as being liable to any applicable individual) by reason of any projected amounts under paragraph (a) which, if such amounts were computed in accordance with such paragraph,

(5) Large Defined Benefit Plan; Applicable Individual.—For purposes of this subsection—

(A) Large Defined Benefit Plan.—The term ‘large defined benefit plan’ means any defined benefit plan which had 1,000 or more participants who had accrued a benefit under the plan (whether or not nonforfeitable) as of the last day of the plan year preceding the plan year in which the plan amendment became effective.

(B) Applicable Individual.—The term ‘applicable individual’ means—

(i) each participant in the plan, and

(ii) each beneficiary who is an alternate payee (within the meaning of section 414(p)(8) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)) to whom a nonforfeitable benefit is payable under the plan.

(6) Accrued Benefit; Projected Retirement Benefit.—For purposes of this subsection—

(A) Present Value of Accrued Benefit.—The present value of an accrued benefit of any applicable individual shall be calculated as if the accrued benefit were in the form of a single life annuity commencing at the participant’s normal retirement age (and taking into account any early retirement subsidy).

(B) Projected Accrued Benefit.—

(i) In General.—The projected accrued benefit of any applicable individual shall be calculated as if the benefit were payable in the form of a single life annuity commencing at the participant’s normal retirement age (and by taking into account any early retirement subsidy).

(ii) Compensated and Other Assumptions.—Such benefit shall be calculated by assuming that compensation and all other benefit factors would increase for each plan year beginning after the effective date of the plan amendment at a rate equal to the median average of the CPI increase percentage (as defined in section 255(i) of the Social Security Act) for the 5 calendar years immediately preceding the calendar year in which such effective date occurs.

(B) Benefit Factors.—For purposes of clause (ii), the term ‘benefit factors’ means social security benefits and all other relevant factors under section 411(b)(1)(A) used to compute benefits under the plan which had increased from the 24 plan year preceding the plan year in which the effective date of the plan amendment occurs to the 1st such preceding plan year.

(C) Normal Retirement Age.—The term ‘normal retirement age’ means the later of—

(i) the date determined under section 41(a)(7) of the Internal Revenue Code of 1986; or

(ii) the date a plan participant attains age 65.

5. Conforming Amendment.—The table of sections for chapter 43 of subtitle D is amended by adding at the end the following new item:

“Sec. 4980F. Failure of defined benefit plans reducing benefit accruals to satisfy notice requirements.”

(b) Amendments to ERISA—
(1) BENEFIT STATEMENT REQUIREMENT.—Section 204(h) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(h)) is amended by adding at the end the following new paragraphs:

"(9)(A) If paragraph (1) applies to the adoption of a plan amendment by a large defined benefit plan, the plan administrator shall, after adoption of such amendment and not less than 15 days before its effective date, provide in the notice under paragraph (1) a written statement of benefit change described in subparagraph (B) to each applicable individual. The Secretary may provide that part of the amendment shall not apply to an amendment by reason of a failure under this paragraph if such application would be an excessive penalty relative to the failure involved.

"(B) A statement of benefit change described in this subparagraph shall—

"(i) be written in a manner calculated to be understood by the average plan participant, and

(ii) include the information described in subparagraph (C).

"(C) The information described in this subparagraph includes the following:

"(i) a comparison of the following amounts under the plan with respect to an applicable individual both with and without regard to the plan amendment:

"(I) The accrued benefit and the present value of the accrued benefit as of the effective date.

"(II) The projected accrued benefit and the projected present value of the accrued benefit as of the date which is 3 years, 5 years, and 10 years from the effective date and as of the normal retirement age.

Such comparison shall include a statement that ‘The projected benefits were computed using assumptions required under Federal law and may not prove accurate over time.’

"(ii) A table of all annuity factors used to calculate benefits under the plan, presented in the form provided in section 72 of the Internal Revenue Code of 1986 and the regulations thereunder.

Benefits described in clause (i) shall be stated separately and shall be calculated by using the applicable mortality table and the applicable scale of annuity factors under section 417(e)(3)(A) of such Code. The Secretary may prescribe regulations under which information other than that described in this subparagraph may be provided in cases where the comparative benefits are not needed.

"(D) A plan (and any employer maintaining the plan) shall not be treated as failing to meet the requirements of this paragraph (or as being liable to any applicable individual) by reason of any projected amounts under subparagraph (C) being wrong if such amounts were computed in accordance with such subparagraph.

"(E) For purposes of this paragraph—

"(i) The term ‘large defined benefit plan’ means a defined benefit plan which had 1,000 or more participants who had accrued a benefit under the plan (whether or not nonforfeitable) as of the last day of the plan year preceding the plan year in which the plan amendment becomes effective. Such term shall not include a governmental plan (within the meaning of section 3(32)) or a church plan (within the meaning of section 3(33)).

"(ii) The term ‘applicable individual’ means an individual described in subparagraph (B) who is a nonforfeitable benefit under the plan as of the effective date of the plan amendment and who may reasonably be expected to be affected by the plan amendment.

"(F) For purposes of this paragraph—

"(i) The present value of an accrued benefit of any applicable individual shall be calculated as if the accrued benefit were in the form of a single life annuity commencing at the participant’s normal retirement age (and by taking into account any early retirement subsidy).

"(ii) The projected accrued benefit of any applicable individual shall be calculated as if the benefit were payable in the form of a single life annuity commencing at the participant’s normal retirement age (and by taking into account any early retirement subsidy).

"(II) Such benefit shall be calculated by assuming that compensation and all other benefit factors would increase for each plan year beginning after the effective date of the plan amendment at a rate equal to the median average of the CPI increase percentage (as defined in section 251(b) of the Social Security Act) for the 5 calendar years immediately preceding the calendar year before the calendar year in which such effective date occurs.

"(III) For purposes of subclause (II), the term ‘benefit factors’ means social security benefits and all other relevant factors under section 204(b)(1)(A) used to compute benefits under the plan which had increased from the 2d plan year preceding the plan year in which the effective date of the plan amendment occurs to the last such preceding plan year.

"(iii) The term ‘normal retirement age’ means the later of—

"(I) the date determined under section 3(24),

"(II) the date a plan participant attains age 62.

"(4) A plan administrator shall not be treated as failing to meet the requirements of this subsection merely because the notice or statement is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

(2) CONFORMING AMENDMENT.—Section 204(h)(1) of such Act (29 U.S.C. 1054(h)(1)) is amended by inserting “(including any written statement if required by paragraph (3))” after “written notice”.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan amendments taking effect in plan years beginning on or after the earlier of—

"(A) the later of—

"(i) January 1, 1999, or

"(ii) the date on which the last of the collective bargaining agreements pursuant to which the plan is maintained terminates (determined without regard to any extension thereof after the date of the enactment of this Act),


(2) EXCEPTION WHERE NOTICE GIVEN.—The amendments made by this section shall not apply to any plan amendment for which written notice was given to participants or their representatives before March 17, 1999, unless written notice of the amendment was adopted before such date.

(3) SPECIAL RULE.—The period for providing any notice required by, or any notice the contents of which are changed by, the amendments made by this section shall not begin before the date which is 6 months after the date of the enactment of this Act.
striking "or" at the end of clause (ii), by redesignating clause (ii) as clause (iv), and by inserting after clause (ii) the following:

"(iii) is, at the election of such participants or their beneficiaries,

"(1) payable as provided in clause (i) or (ii), or

"(II) paid to the plan and reinvested in qualifying employer securities, or:".

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 852. REDUCED PBGC PREMIUM FOR NEW SINGLE-EMPLOYER PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended by adding at the end the following new subparagraph:

"(i) in clause (i), by inserting "other than a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined)," after "single-employer plan,"

(2) in clause (ii), by striking the period at the end and inserting ", and", and

(3) by adding at the end the following new clause:

"(iv) in the case of a new single-employer plan (as defined in subparagraph (F)) maintained by an employer (as so defined) for the plan year, $5 for each individual who is a participant in such plan during the plan year."

(b) DEFINITION OF NEW SINGLE-EMPLOYER PLAN.—Section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)) is amended by adding at the end the following new subparagraph:

"(F) (1) For purposes of this paragraph, a single-employer plan maintained by a contributing sponsor shall be treated as a new single-employer plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of such plan, the sponsor or any member of such sponsor's controlled group (or any predecessor thereof) did not establish or maintain a plan to which this title applies with substantially the same employees as are in the new single-employer plan.

(2) In the case of a plan maintained by 2 or more contributing sponsors that are not part of the same controlled group, the amount determined under clause (i) and the applicable percentage. For purposes of this clause, the term "eligible matching contributions" means a dollar-for-dollar matching contribution (or any predecessor thereof) that does not exceed (A) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (B) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (C) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (D) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (E) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (F) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (G) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (H) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (I) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (J) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (K) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (L) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (M) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (N) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (O) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (P) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (Q) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (R) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (S) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (T) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (U) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (V) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (W) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (X) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (Y) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group, (Z) the sum of aggregate matching contributions made by all contributing sponsors that are not part of the same controlled group.

(c) EFFECTIVE DATE.—The provisions of this section shall apply to plans established after December 31, 2000.

SEC. 853. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR PLANS EXITING THE PBGC SYSTEM.

(a) IN GENERAL.—Subparagraph (A) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended by adding at the end the following new subparagraph:

"(ii) paid to the plan and reinvested in qualifying employer securities, or:

"(I) 10 percent, for the first plan year.

"(II) 20 percent, for the second plan year.

"(III) 40 percent, for the third plan year.

"(IV) 60 percent, for the fourth plan year.

"(V) 80 percent, for the fifth plan year.

For purposes of this clause, a defined benefit plan (as defined in section 3(35)) maintained by a contributing sponsor shall be treated as a new defined benefit plan if for its first 5 plan years if, during the 36-month period ending on the date of the adoption of the plan, the sponsor and each member of any controlled group to which the sponsor or any predecessor thereof did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new plan.

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

SEC. 854. ELIMINATION OF USER FEE FOR QUESTIONS WITH RESPECT TO THE QUALIFIED STATUS OF ADDITIONAL PBGC PREMIUM FOR NEW PLANS.

(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary shall not require payment of user fees under the program established under section 7527 of the Internal Revenue Code of 1986 for Internal Revenue Service for ruling letters, opinion letters, and determination letters or similar requests with respect to the qualified status of a new single-employer plan or any trust which is part of the plan.

(b) NEW PENSION BENEFIT PLAN.—For purposes of this section—

(1) IN GENERAL.—The term "new pension benefit plan" means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan which is part of the plan.

(2) ELIGIBLE EMPLOYER.—The term "eligible employer" means an employer (or any predecessor thereof) which has not established or maintained a qualified employer plan with respect to which contributions were made, or benefits were accrued for service, in the 3 most recent taxable years ending prior to the first taxable year in which the request is received.

(c) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 2000.

SEC. 855. DISTRIBUTIONAL ANALYSIS OF PENSION PLANS.

(a) ANALYSIS.—The Secretary of the Treasury shall, not later than June 30, 2000 conduct a distributional analysis of the tax benefits of major pension and retirement savings arrangements by income group.

(b) REPORT.—The Secretary shall report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives the results of the analysis under subsection (a). To the extent feasible, the Secretary shall report preliminary results of such analysis within 60 days of the date of the enactment of this Act.

Subtitle G—Other Provisions

SEC. 303. TAX CREDIT FOR MATCHING CONTRIBUTIONS TO INDIVIDUAL DEVELOPMENT ACCOUNTS.

(a) IN GENERAL.—Subchapter F of chapter 1 of subtitle A of part IV of subchapter A of chapter 1 of subtitle B of title 26 (relating to exempt organizations) is amended—

"(1) by adding at the end the following new part:

"(PART IX—INDIVIDUAL DEVELOPMENT ACCOUNTS

"(Sec. 530A. Individual development accounts.

"(a) INDIVIDUAL DEVELOPMENT ACCOUNT.—For purposes of this section, the term 'Individual Development Account' means a custodial account established for the exclusive benefit of an eligible individual or such individual's beneficiaries, but only if the written instrument creating the account meets the following requirements:

"(1) Except in the case of a qualified roll-over (as defined in subsection (c)(2)(E))—

"(b) contributions will be accepted for the taxable year in excess of the lesser of—

"(ii) an amount equal to the compensation includible in the eligible individual's gross income for such taxable year.

"(3) The interest of an eligible individual in the balance of the account (determined without regard to any amount described in a common trust fund or common investment fund.

"(4) Except as provided in subsection (c), any amount in the account may be paid out only for qualified expense distributions.

"(b) MATCHING CONTRIBUTIONS WITH RESPECT TO INDIVIDUAL DEVELOPMENT ACCOUNTS.—

"(1) IN GENERAL.—If an eligible individual establishes an Individual Development Account with a qualified financial institution, the qualified financial institution may deposit into a separate, parallel, individual or pooled matching account an eligible matching contribution for the taxable year. The qualified financial institution shall maintain a separate accounting of matching contributions and earnings thereon.

"(2) ELIGIBLE MATCHING CONTRIBUTION.—For purposes of this section, the term 'eligible matching contribution' means a dollar-for-dollar matching contribution (or any predecessor thereof) made by the eligible individual into the Individual Development Account described in paragraph (1) with respect to any taxable year.

"(C) CREDIT TREATED AS ALLOWED UNDER ELIGIBLE MATCHING CONTRIBUTIONS.—

"(a) IN GENERAL.—In the case of a qualified financial institution, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 85 percent of the eligible matching contributions made by such institution with respect to an eligible individual under this subsection for such taxable year (determined without regard to any amount described in paragraph (4)(B)). If any amount determined under this paragraph is a multiple of $10, such amount shall be rounded to the next highest multiple of $10.

"(B) LIMITATION ON AMOUNT OF TAX.—The credit allowed under subparagraph (A) for any taxable year shall not exceed the excess of—

"(I) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

"(II) the sum of the credits allowable under part IV of chapter A of this chapter.

"(C) CREDIT ALLOWABLE UNDER PART IV OF SUBCHAPTER A.—For purposes of subparagraph (B), the credit allowed under subparagraph (A) shall be treated as a credit allowable under part IV of subchapter A of this chapter.

"(4) FORFEITURE OF MATCHING FUNDS.—
("A") IN GENERAL.—Amounts in the matching account under this subsection for an eligible individual shall be reduced by the amount of any distribution from an Individual Development Account of such individual which is not a qualified expense described in subparagraph (B) thereof or which shall be not re-contributed as part of a qualified rollover (as defined in subsection (c)(2)(E)).

(2) USE OF FORFEITED FUNDS.—Eligible matching contributions which are forfeited by an eligible individual under subparagraph (A) shall be used by the qualified financial institution to make matching contributions for other Individual Development Account contributions by eligible individuals.

(5) EXCLUSION FROM INCOME.—Gross income of an eligible individual shall not include any eligible matching contribution and the earnings thereon deposited into a matching account under paragraph (1) on behalf of such individual.

(6) REPORTING OF MATCHING CONTRIBUTIONS.—Any qualified financial institution shall report matching contributions to eligible individuals with Individual Development Accounts on not less than a quarterly basis.

(7) INDIVIDUAL DEVELOPMENT ACCOUNTS.—No eligible matching contribution may be made for any taxable year beginning after December 31, 2005.

(c) QUALIFIED EXPENSE DISTRIBUTION.—For purposes of this section—

(1) IN GENERAL.—The term 'qualified expense distribution' means any amount paid or distributed out of an Individual Development Account and the matching account established under subsection (b) for an eligible individual if such amount—

(A) is used exclusively to pay the qualified expenses of such individual or such individual's spouse or dependents,

(B) is paid by the qualified financial institution directly to the person to whom the funds were contributed, and

(C) is paid after the holder of the Individual Development Account has completed an economic treatment offered by a qualified financial institution, a nonprofit organization, or a government entity.

(2) QUALIFIED EXPENSES.—

(A) IN GENERAL.—The term 'qualified expenses' means any of the following:

(i) Qualified higher education expenses.

(ii) Qualified first-time homebuyer costs.

(iii) Qualified business capitalization costs.

(iv) Qualified rollovers.

(B) QUALIFIED HIGHER EDUCATION EXPENSES.—

(iv) Qualified rollovers.

(B) QUALIFIED BUSINESS EDUCATION.—The term 'qualified business expenses' means the amount of any of the following:

(i) Any qualified expenses of a business for the taxable year which does not exceed $10,000.

(ii) The amount allowable as a contribution to a qualified business plan.

(iii) Any qualified expenses of a business for the taxable year which does not exceed $10,000.

(B) QUALIFIED BUSINESS EDUCATION.—The term 'qualified business expenses' means any business that does not exceed $10,000.

(iv) QUALIFIED BUSINESS PLAN.—The term 'qualified business plan' means a business plan which meets such requirements as the Secretary of Housing and Urban Development may specify.

(c) QUALIFIED ROLLOVERS.—The term 'qualified rollover' means, with respect to any distribution from an Individual Development Account, the payment, within 120 days of such distribution, of all or a portion of such distribution to such account or to another Individual Development Account established in another qualified financial institution for the benefit of the eligible individual. The rules similar to the rules of section 408(d)(6) (other than subparagraph (C) thereof) shall apply for purposes of this subparagraph.

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

(1) ELIGIBLE INDIVIDUAL.—

(A) IN GENERAL.—The term 'eligible individual' means an individual who—

(i) has attained the age of 18 years,

(ii) is a citizen or legal resident of the United States, and

(iii) is a member of a household—

(II) the obligations or debts of any member of the household,

(III) the gross income of which does not exceed 60 percent of the area median income (as determined by the Department of Housing and Urban Affairs) and the net worth of which does not exceed $10,000.

(B) HOUSEHOLD.—The term 'household' means all individuals who share use of a dwelling unit as primary quarters for living and eating separate from other individuals.

(C) DETERMINATION OF NET WORTH.—

(i) IN GENERAL.—For purposes of subparagraph (A)(iii), the net worth of a household is the amount equal to—

(II) the aggregate fair market value of all assets that are owned in whole or in part by any member of the household,

(D) PROOF OF COMPENSATION AND STATUS AS AN ELIGIBLE INDIVIDUAL.—Statements under section 6601 and other forms specified by the Secretary providing the eligible individual's wages and other compensation and the status of the individual as an eligible individual shall be presented to the custodian at the time of the establishment of the Individual Development Account and at least once annually thereafter.

(2) QUALIFIED FINANCIAL INSTITUTION.—The term 'qualified financial institution' means any person authorized to be a trustee of any individual retirement account under section 408(a)(2).

(3) INVESTMENT OF MORE THAN ONE ACCOUNT.—All Individual Development Accounts of an individual shall be treated as one account.

(4) OTHER RULES TO APPLY.—Rules similar to the rules of paragraphs (1), (2), and (3) of section 219(f), section 220(c)(8), paragraphs (4) and (6) of section 408(d), and section 408(m) shall apply for purposes of this section.

(5) REPORTS.—The custodian of an Individual Development Account shall make such reports regarding such account to the Secretary each year following the calendar year to which such reports relate, and

(ii) in such manner as the Secretary prescribes in such regulations.

(e) APPLICATION OF SECTION.—This section shall apply to amounts paid to an Individual Development Account for any taxable year beginning after December 31, 2000, and before January 1, 2006.

(f) TAX ON EXCESS CONTRIBUTIONS.—

(1) IN GENERAL.—(a) Section 530A is amended by striking "or" at the end of paragraph (3), adding "or" at the end of paragraph (4), and inserting after paragraph (4) the following new paragraph:

"(4) an Individual Development Account (within the meaning of section 530A(a))",.

(2) EXCESS CONTRIBUTIONS.—Section 408(d) is amended by adding at the end the following new subsection:

"(g) INDIVIDUAL DEVELOPMENT ACCOUNTS.—For purposes of this section, in the case of Individual Development Accounts, the term 'excess contributions' means the excess (if any)—

(I) the amount contributed for the taxable year which does not exceed $10,000, and

(II) the amount allowable as a contribution under section 530A.

For purposes of this subsection, any contribution which is distributed from the Individual Development Account in a distribution to which rules similar to the rules of section 408(d)(4) apply by reason of section 530A(d)(4) shall be treated as a distribution from an Individual Development Account described in section 408(a) (other than section 408(a)(3)) after section 219; and

(b) by inserting ("or" section 530A) after "section 219"; and

(d) FOR FAILURE TO PROVIDE REPORTS ON INDIVIDUAL DEVELOPMENT ACCOUNTS.—Paragraph...
(2) of section 6493(a) is amended by striking "and" at the end of subparagraph (C), by striking the period and inserting "and" at the end of subparagraph (D), and by adding at the end the following new subparagraph:

"(E) section 530(d)(5) relating to Individual Development Accounts." 

(e) CLERICAL AMENDMENT.—The table of parts for subchapter F of chapter 1 is amended by adding at the end the following new items:

"Part IX. Individual development accounts."

(7) FINDS IN ACCOUNTS DISREGARDED FOR PURPOSES OF CERTAIN MEANS-TESTED FEDERAL PROGRAMS.—Notwithstanding any other provision of the Internal Revenue Code of 1986 or the Social Security Act that requires consideration of 1 or more financial circumstances of an individual, for the purpose of determining eligibility to receive, or the amount of, any assistance or benefit authorized by such provision to be provided to or for the benefit of such individual, contributions (including earnings thereon) in any Individual Development Account and applicable matching account under section 530A of such Code shall be disregarded for such purpose.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 862. FEDERAL EMPLOYEE RETIREMENT CONTRIBUTIONS.

(a) DEDUCTIONS, CONTRIBUTIONS, AND DEPOSITS.—

(1) CIVIL SERVICE RETIREMENT SYSTEM.—The table under section 8334(c) of title 5, United States Code, is amended—

(A) in the matter relating to an employee by striking:

7.5 After December 31, 1999.";

and inserting the following:

"7 After December 31, 1999;"

(B) in the matter relating to a Member or employee for Congressional employee service by striking:

7.5 After December 31, 2002;"

and inserting the following:

"7 After December 31, 1999;"

(C) in the matter relating to a Member for Member service by striking:

8 After December 31, 2002;"

and inserting the following:

"8 After December 31, 1999;"

(D) in the matter relating to a law enforcement officer for law enforcement service and firefighter for firefighter service by striking:

7.5 After December 31, 2002;"

and inserting the following:

"7.5 After December 31, 1999;"

(E) in the matter relating to a bankruptcy judge by striking:

8 After December 31, 2002;"

and inserting the following:

"8 After December 31, 1999;"

(F) in the matter relating to a judge of the United States Court of Appeals for the Armed Forces for service as a judge of that court by striking:

8 After December 31, 2002;"

and inserting the following:

"8 After December 31, 1999;"

(G) in the matter relating to a United States magistrate by striking:

8 After December 31, 2002;"

and inserting the following:

"8 After December 31, 1999;"

(H) in the matter relating to a Court of Federal Claims judge by striking:

8 After December 31, 2002;"

and inserting the following:

"8 After December 31, 1999;"

(I) in the matter relating to the Capitol Police by striking:

7.5 After December 31, 2002;"

and inserting the following:

"7.5 After December 31, 1999;"

(2) FEDERAL EMPLOYEES’ RETIREMENT SYSTEM.—Section 8422(f)(4) of title 5, United States Code, is amended by striking paragraph (3) and inserting the following:

"(3) The applicable percentage under this paragraph for civilian service shall be as follows:

Employee

<table>
<thead>
<tr>
<th>Date</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before December 31, 1999</td>
<td>7%</td>
</tr>
<tr>
<td>After December 31, 1999</td>
<td>7.25%</td>
</tr>
<tr>
<td>After December 31, 1999</td>
<td>7.5%</td>
</tr>
<tr>
<td>After December 31, 1999</td>
<td>7.75%</td>
</tr>
<tr>
<td>After December 31, 1999</td>
<td>8%</td>
</tr>
</tbody>
</table>

(3) MILITARY AND VOLUNTEER SERVICE UNDER FERS.—

(1) MILITARY SERVICE.—Section 8422(e)(6) of title 5, United States Code, is amended to read as follows:

"(6) The percentage of basic pay under section 204 of title 37 payable under paragraph (1), with respect to any period of military service performed during January 1, 1999, through December 31, 1999, shall be 3.25 percent;"

(2) VOLUNTEER SERVICE.—Section 8422(f)(4) of title 5, United States Code, is amended to read as follows:

"(4) The percentage of the readjustment allowance or stipend (as the case may be) payable under paragraph (1), with respect to any period of volunteer service performed during January 1, 1999, through December 31, 1999, shall be 3.25 percent;"

(c) OTHER FEDERAL RETIREMENT SYSTEMS.—

(1) CENTRAL INTELLIGENCE AGENCY RETIREMENT AND DISABILITY SYSTEM.—

(A) DEDUCTIONS, WITHHOLDINGS, AND DEPOSITS.—Section 7001(c)(2) of the Balanced Budget Act of 1997 (Public Law 105-33; 111 Stat. 659) is amended to read as follows:

"(2) INDIVIDUAL DEDUCTIONS, WITHHOLDINGS, AND DEPOSITS.—Notwithstanding section 211(a)(1) of the Central Intelligence Agency Retirement Act (50 U.S.C. 2082(a)(1)) beginning on January 1, 1999, through December 31, 1999, the percentage deducted and withheld from the basic pay of an employee participating in the Central Intelligence Agency Retirement and Disability System shall be 7.25 percent;"

(B) MILITARY SERVICE.—Section 252(h)(1)(A) of the Central Intelligence Agency Retirement Act (50 U.S.C. 2082(h)(1)(A)), is amended to read as follows:

"(h)(1)(A) Each participant who has performed military service before the date of separation on which entitlement to an annuity under this title is based may pay to the Agency an amount equal to 7 percent of the
(a) Exclusion from income of severance payment amounts—Part III of subchapter E of chapter 1 (relating to a tax year subsequent to the taxable year for which deductions taken) is amended by striking the item relating to section 139 and inserting the following new item:

"Sec. 139. Severance payments.

''(1) IN GENERAL.—The term 'qualified severance payment' means any payment received by an individual if—

(A) such payment was paid by such individual's employer on account of such individual's separation from employment,

(B) such separation was in connection with a reduction in the work force of the employer, and

(C) such individual does not attain employment within 6 months of the date of such separation in which the amount of compensation is equal to or greater than 85 percent of the amount of the employment that is related to such payment.

''(2) LIMITATION.—Such term shall not include any payment received by an individual if the aggregate amount received with respect to the separation from employment exceeds $75,000.

(b) Clerical amendment—The table of sections for part III of subchapter B of chapter 1 is amended by striking the item relating to section 139 and inserting the following new item:

''Sec. 140. Cross references to other Acts.''

(c) Effective date—The amendments made by sections (a) and (c) shall apply to taxable years beginning after December 31, 2000, and before January 1, 2003.

Subtitle H—Plan Amendments

SEC. 871. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) In general—This section applies to any plan or contract amendment.

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b), and

(2) such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 or section 204(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(e)) by reason of such amendment.

(b) Amendments to which section applies—

(1) in general.—This section shall apply to any amendment to any plan or annuity contract which is made—

(A) pursuant to any amendment made by this title, or pursuant to any regulation issued under this title, and

(B) on or before the 30th day of the first plan year beginning on or after January 1, 2004.

In the case of a government plan (as defined in section 403 of the Internal Revenue Code of 1986) or section 204(e) of the Employee Retirement Income Security Act of 1974), this paragraph shall be applied by substituting "2003" for "2004".

(2) Conformity.—This section shall not apply to any amendment unless—

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the date specified by the plan), and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect, and

(B) such plan or contract amendment applies retroactively for such period.

TITLE IX—FARM RELIEF AND ECONOMIC DEVELOPMENT

SEC. 901. FARM AND RANCH RISK MANAGEMENT ACCOUNTS.

(a) Definition.—The term "FARM Account" means any farming business (as defined in section 403 of the Internal Revenue Code of 1986, as amended) which is not a passive activity (within the meaning of section 469(c) of the taxpayer).

(b) FARM account.—For purposes of this section—

(1) in general.—The term "FARM Account" means a trust created or organized in the United States for the exclusive benefit of the taxpayer, but only if the written governing instrument creating the trust contains the following requirements:

(A) no contribution will be accepted for any taxable year in excess of the amount allowed as a deduction under subsection (a) for any taxable year;

(B) the trustee is a bank (as defined in section 403(a)(2)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with the requirements of this section;

(C) the assets of the trust consist entirely of cash or of obligations which have adequate stated interest (as defined in section 1274(c)(2)) and which pay such interest not less often than annually;

(D) all income of the trust is distributed currently to the grantor.

(E) the assets of the trust will not be commingled with other property except in a common trust fund or common investment fund;

(2) Account taxed as grantor Trust.—The grantor of a FARM Account shall be treated for income tax purposes as the owner of such Account and shall be subject to tax thereon in accordance with subpart E of part I of chapter 1 of this title (relating to grants and others treated as substantial owners).

(3) Inclusion of amounts distributed.—(1) in general.—Except as provided in paragraph (2), there shall be includible in the gross income of the taxpayer for any taxable year—

(2) amounts distributed by a FARM Account.
(A) any amount distributed from a FARRM Account of the taxpayer during such taxable year; and
(B) any deemed distribution under—
(i) subsection (f)(1) (relating to deposits not distributed within 5 years),
(ii) subsection (f)(2) (relating to cessation in eligible farming business), and
(iii) subparagraph (A) or (B) of subsection (f)(3) (relating to prohibited transactions and pledging account as security),

(2) EXCEPTIONS.—Paragraph (1)(A) shall not apply to—
(A) any distribution to the extent attributable to income of the Account, and
(B) the distribution of any contribution paid during a taxable year to a FARRM Account to the extent that such contribution exceeds the limitation applicable under subsection (b) if requirements similar to the requirements of section 408(d)(4) are met.

For purposes of subparagraph (A), distributions shall be treated as first attributable to income and then to other amounts.

(f) SPECIAL RULES.—
(1) TAX ON DEPOSITS IN ACCOUNT WHICH ARE NOT DISTRIBUTED WITHIN 5 YEARS.—
(A) At the close of any taxable year, there is a nonqualified balance in any FARRM Account—
(i) there shall be deemed distributed from such account an amount equal to such balance, and
(ii) the taxpayer’s tax imposed by this chapter for such taxable year shall be increased by 10 percent of such deemed distribution.

The preceding sentence shall not apply if an amount equal to such nonqualified balance is distributed from such Account to the taxpayer before the due date (including extensions) for filing the return of tax imposed by this chapter for such year (or, if earlier, the date the taxpayer files such return for such year).

(B) NONQUALIFIED BALANCE.—For purposes of subparagraph (A), the term ‘nonqualified balance’ means any balance in the Account on the last day of the taxable year which is not attributable to amounts deposited in such Account before the 4th preceding taxable year.

(C) ORDERING RULE.—For purposes of this paragraph, distributions from a FARRM Account (other than distributions of current income) shall be treated as made from deposits in the order in which such deposits were made, beginning with the earliest deposits.

(2) CESSATION IN ELIGIBLE FARMING BUSINESS.—At the close of the first disqualification period after a period for which the taxpayer was engaged in an eligible farming business, there shall be deemed distributed from the FARRM Account of the taxpayer an amount equal to the balance in such Account (if any) at the close of such disqualification period. For purposes of the preceding sentence, the term ‘disqualification period means any period of 2 consecutive taxable years for which the taxpayer is not engaged in an eligible farming business.

(3) CERTAIN RULES TO APPLY.—Rules similar to the following rules shall apply for purposes of this section:
(A) Section 220(f)(8) (relating to treatment on death),
(B) Section 408(e)(2) (relating to loss of exemption of account where individual engaged in prohibited transactions),
(C) Section 408(e)(4) (relating to effect of pledging account as security),
(D) Section 408(g) (relating to community property laws),

(4) THE BALANCE IN SUCH ACCOUNTS SHALL BE TREATED AS AN AMOUNT NOT EXCEEDING 160 ACRES.

(E) Section 408(h) (relating to custodial accounts),
(F) Section 408(i) (relating to certain annuity trusts),
(G) Section 408(j) (relating to retirement installments contracts),

(3) TIME WHEN PAYMENTS DEEMED MADE.—For purposes of this section, a taxpayer shall be deemed to have made a payment to a FARRM Account for any taxable year if such payment is made on account of such taxable year and is made on or before the due date (without regard to extensions) for filing the return of tax for such taxable year.

(5) INDIVIDUAL.—For purposes of this section, the term ‘individual’ shall not include an estate or trust; and

(6) DEDUCTION NOT ALLOWED FOR SELF-EMPLOYMENT TAX.—The deduction allowable by reason of subsection (a) shall not be taken for purposes of—
(A) Section 408(f)(8) (relating to community property accounts),
(B) Section 408(f)(9) (relating to self-employment accounts),
(C) Section 408(g)(3) (relating to self-employment accounts),

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 902. LEASE AGREEMENT RELATING TO EXCLUSION OF CERTAIN FARM RENTAL INCOME FROM TAXES ON SELF-EMPLOYMENT.

(a) INTERNAL REVENUE CODE.—Section 162(a)(1)(A) of the Internal Revenue Code is amended by striking ‘arrangement’ and inserting ‘lease agreement’.

(b) SOCIAL SECURITY ACT.—Section 211(a)(1)(A) of the Social Security Act is amended by striking ‘arrangement’ and inserting ‘lease agreement’.

SEC. 1002. EXCLUSION OF GAIN FROM SALE OF CERTAIN FARM LAND.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 of title 26 is amended by striking ‘an arrangement’ and inserting ‘a lease agreement’.

(b) LIMITATION ON AMOUNT OF EXCLUSION.—
(1) IN GENERAL.—The amount of gain excluded from gross income under subsection (a) with respect to any taxable year shall not exceed $500,000 ($250,000 in the case of a married individual filing a separate return), reduced by the aggregate amount of gain excluded under subsection (a) for all preceding taxable years.

(2) SPECIAL RULE FOR JOINT RETURNS.—The amount of the exclusion under subsection (a) on a joint return for any taxable year shall be allocated equally between the spouses for purposes of applying the limitation under paragraph (1) for any succeeding taxable year.

(c) QUALIFIED FARMLAND.—
(1) QUALIFIED FARM PROPERTY.—For purposes of this section, ‘qualified farm property’ means real property located in the United States if—
(A) during periods aggregating 3 years or more of the 5-year period ending on the date of the sale or exchange of such real property—

SEC. 903. EXCLUSION OF GAIN FROM SALE OF CERTAIN FARM LAND.

(1) IN GENERAL.—The amount of gain excluded from gross income under subsection (a) with respect to any taxable year shall not exceed $500,000 ($250,000 in the case of a married individual filing a separate return), reduced by the aggregate amount of gain excluded under subsection (a) for all preceding taxable years.

(2) SPECIAL RULE FOR JOINT RETURNS.—The amount of the exclusion under subsection (a) on a joint return for any taxable year shall be allocated equally between the spouses for purposes of applying the limitation under paragraph (1) for any succeeding taxable year.

(3) QUALIFIED FARM PROPERTY.—For purposes of this section, ‘qualified farm property’ means real property located in the United States if—
(A) during periods aggregating 3 years or more of the 5-year period ending on the date of the sale or exchange of such real property—

SEC. 121A. EXCLUSION OF GAIN FROM SALE OF QUALIFIED FARM PROPERTY.

(a) EXCLUSION.—In the case of a natural person, gross income shall not include gain from the sale or exchange of qualified farm property, to the extent such property does not exceed 160 acres.

(b) LIMITATION ON AMOUNT OF EXCLUSION.—
(1) IN GENERAL.—The amount of gain excluded from gross income under subsection (a) with respect to any taxable year shall not exceed $500,000 ($250,000 in the case of a married individual filing a separate return), reduced by the aggregate amount of gain excluded under subsection (a) for all preceding taxable years.

(2) SPECIAL RULE FOR JOINT RETURNS.—The amount of the exclusion under subsection (a) on a joint return for any taxable year shall be allocated equally between the spouses for purposes of applying the limitation under paragraph (1) for any succeeding taxable year.

(3) QUALIFIED FARM PROPERTY.—For purposes of this section, ‘qualified farm property’ means real property located in the United States if—
(A) during periods aggregating 3 years or more of the 5-year period ending on the date of the sale or exchange of such real property—

SEC. 562. FARM DISCOUNTS AND PROHIBITED TRANSACTIONS.

(1) TAX ON PROHIBITED TRANSACTIONS.—
(A) For purposes of this chapter, there shall be deemed distributed—
(i) subsection (f)(1) (relating to deposits in account which are not distributed within 5 years),
(ii) subsection (f)(2) (relating to cessation in eligible farming business), and
(iii) subparagraph (A) or (B) of subsection (f)(3) (relating to prohibited transactions and pledging account as security),

(2) SECTION 408(g) (RELATING TO SELF-EMPLOYMENT ACCOUNTS).—
(3) SECTION 408(h) (RELATING TO COMMUNITY PROPERTY ACCOUNTS).—
(4) SECTION 408(i) (RELATING TO SELF-EMPLOYMENT ACCOUNTS).—
(5) SECTION 408(j) (RELATING TO RETIREMENT INSTALLMENTS CONTRACTS).—

(1) TAN ON DEPOSITS IN ACCOUNT WHICH ARE NOT DISTRIBUTED WITHIN 5 YEARS.—

(2) TAX ON EXCESS CONTRIBUTIONS—
(3) EXCESS CONTRIBUTIONS TO FARRM ACCOUNTS.—
(4) EXCEPTIONS TO FARRM ACCOUNTS.—
(5) INDIVIDUAL.—
(6) DEDUCTION NOT ALLOWED FOR SELF-EMPLOYMENT TAX.—

(1) IN GENERAL.—The amount of gain excluded from gross income under subsection (a) with respect to any taxable year shall not exceed $500,000 ($250,000 in the case of a married individual filing a separate return), reduced by the aggregate amount of gain excluded under subsection (a) for all preceding taxable years.

(2) SPECIAL RULE FOR JOINT RETURNS.—The amount of the exclusion under subsection (a) on a joint return for any taxable year shall be allocated equally between the spouses for purposes of applying the limitation under paragraph (1) for any succeeding taxable year.

(3) QUALIFIED FARM PROPERTY.—For purposes of this section, ‘qualified farm property’ means real property located in the United States if—
(A) during periods aggregating 3 years or more of the 5-year period ending on the date of the sale or exchange of such real property—

SEC. 468C. FARM AND RANCH RISK MANAGEMENT ACCOUNTS.

(1) TAN ON DEPOSITS IN ACCOUNT WHICH ARE NOT DISTRIBUTED WITHIN 5 YEARS.—

(2) TAX ON EXCESS CONTRIBUTIONS—
(3) EXCESS CONTRIBUTIONS TO FARRM ACCOUNTS.—
(4) EXCEPTIONS TO FARRM ACCOUNTS.—
(5) INDIVIDUAL.—
(6) DEDUCTION NOT ALLOWED FOR SELF-EMPLOYMENT TAX.—

(1) IN GENERAL.—The amount of gain excluded from gross income under subsection (a) with respect to any taxable year shall not exceed $500,000 ($250,000 in the case of a married individual filing a separate return), reduced by the aggregate amount of gain excluded under subsection (a) for all preceding taxable years.

(2) SPECIAL RULE FOR JOINT RETURNS.—The amount of the exclusion under subsection (a) on a joint return for any taxable year shall be allocated equally between the spouses for purposes of applying the limitation under paragraph (1) for any succeeding taxable year.

(3) QUALIFIED FARM PROPERTY.—For purposes of this section, ‘qualified farm property’ means real property located in the United States if—
(A) during periods aggregating 3 years or more of the 5-year period ending on the date of the sale or exchange of such real property—

SEC. 562. FARM DISCOUNTS AND PROHIBITED TRANSACTIONS.
SEC. 904. EXEMPTION OF SMALL ISSUE AGRICULTURE BONDS FROM STATE VOLUNTARY SATISFACTION.

(a) In General.—Section 144(g) (relating to exception for certain bonds) is amended by striking the period at the end of paragraph (b), by striking the word "and" at the end of paragraph (c), by striking the word "and" before and after such discharge is equal to $25,000, or

(ii) 150 percent of the excess (if any) of—

(I) the tax imposed by this chapter determined with regard to this section and section 108, and

(ii) the sale or lease of assets used in such trade or business, or

(iii) both, and

"(d) Taxpayer Discharged in This Subsection.—

(1) In General.—A taxpayer is described in this subsection if—

"(b) EFFECTIVE DATE.—The amendments made by this section shall apply to all sales or exchanges before December 31, 2000, in taxable years ending after such date.

SEC. 905. CAPITAL GAIN REALIZED FROM TRANSFER OF FARM PROPERTY IN COMPLETE OR PARTIAL SATISFACTION OF QUALIFIED FARM INDEBTEDNESS EXCLUDED FROM GROSS INCOME.

(a) In General.—Part III of subchapter B of chapter 1 is amended by adding after the item relating to section 121 the following new item:

"(b) EFFECTIVE DATE.—The amendments made by this section shall apply to all sales or exchanges after December 31, 2000, in taxable years ending after such date.

SEC. 912A. EXCLUSION OF CAPITAL GAIN REALIZED FROM TRANSFER OF FARM PROPERTY IN COMPLETE OR PARTIAL SATISFACTION OF QUALIFIED FARM INDEBTEDNESS.

(a) In General.—Section 108(g) (relating to partial satisfaction of qualified farm indebtedness as does not exceed $300,000) is amended by redesignating subsection (a) as subsection (a)(1) by inserting after such subsection the following new subsection (a)(2):—

"(ii) the fair market value of such property, minus

"(b) increased by the amount of interest received or accrued by the taxpayer during the taxable year which is exempt from tax.

"(3) Equity.—For purposes of this subsection, the term ‘equity’ means, with respect to all property held by the taxpayer, an amount equal to—

"(I) the trade or business of farming (within the meaning of section 2032A(e)(5)), or

"(II) the sale or lease of assets used in such trade or business (within the meaning of section 2032A(e)(6)).

"(4) Special Limitations for Certain Solvent Farmers.

(I) more than 50 percent of the gross receipts of the taxpayer for 6 of the 10 taxable years preceding such taxable year are attributable to—

"(III) both,

"(d) Taxpayer Described in This Subparagraph.—

"(A) determined with regard to this section and section 108, and

"(B) capital gain realized from the transfer of farm property in complete or partial satisfaction of such indebtedness, is excluded from the taxpayer’s gross income under this subsection or section 139, respectively, for purposes of this paragraph in the taxable year with respect to such discharge by reducing the dollar amount contained in such subparagraph by the amount described in subparagraph (B) of such paragraph.

"(C) Taxpayer Described in This Subparagraph.—A taxpayer is described in this subparagraph if—

"(I) the trade or business of farming (within the meaning of section 2032A(e)(6)), or

"(II) the sale or lease of assets used in such trade or business, or

"(III) both,

"(A) the fair market value of such property, minus

"(d) Taxpayer Described in This Subparagraph.—

"(A) determined with regard to this section and section 108, and

"(d) Taxpayer Described in This Subparagraph.—

"(A) the trade or business of farming (within the meaning of section 2032A(e)(6)), or

"(II) the sale or lease of assets used in such trade or business, or

"(III) both,

"(a) In General.—Section 108(g) (relating to special rules for discharge of qualified farm indebtedness) is amended by adding at the end thereof the following new paragraph:

"(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers occurring after December 31, 2000, in taxable years ending after such date.

SEC. 906. EXCLUSION OF DISCHARGE OF QUALIFIED FARM INDEBTEDNESS FROM GROSS INCOME INCREASED FOR CERTAIN SOLVENT FARMERS.

(a) In General.—Section 108(g) (relating to special rules for discharge of qualified farm indebtedness) is amended by adding at the end thereof the following new paragraph:

"(b) IN GENERAL.—With respect to a taxpayer who is described in subparagraph (C) of this paragraph and who elects the application of this paragraph—

"(III) both,

"(C) Taxpayer Described in This Subparagraph.—A taxpayer is described in this subparagraph if—

"(i) the trade or business of farming (within the meaning of section 2032A(e)(6)), or

"(II) the sale or lease of assets used in such trade or business, or

"(III) both,

"(a) In General.—Section 108(g) (relating to special rules for discharge of qualified farm indebtedness) is amended by adding at the end thereof the following new paragraph:

"(b) IN GENERAL.—With respect to a taxpayer who is described in subparagraph (C) of this paragraph and who elects the application of this paragraph—

"(III) both,

"(a) In General.—Section 108(g) (relating to special rules for discharge of qualified farm indebtedness) is amended by adding at the end thereof the following new paragraph:

"(b) IN GENERAL.—With respect to a taxpayer who is described in subparagraph (C) of this paragraph and who elects the application of this paragraph—

"(III) both,

"(a) In General.—Section 108(g) (relating to special rules for discharge of qualified farm indebtedness) is amended by adding at the end thereof the following new paragraph:

"(b) IN GENERAL.—With respect to a taxpayer who is described in subparagraph (C) of this paragraph and who elects the application of this paragraph—

"(III) both,

"(a) In General.—Section 108(g) (relating to special rules for discharge of qualified farm indebtedness) is amended by adding at the end thereof the following new paragraph:

"(b) IN GENERAL.—With respect to a taxpayer who is described in subparagraph (C) of this paragraph and who elects the application of this paragraph—

"(III) both,
"(D) Definitions.—For purposes of this paragraph—

"(i) Farm property.—The term ‘farm property’ means real and personal property used by the taxpayer in the trade or business of farming (within the meaning of section 2032A(e)(5)).

"(ii) Modification adjusted gross income.—The term ‘modified adjusted gross income’ means adjusted gross income—

"(D) Net operating loss.—Section 172 is amended by inserting after subsection (h) the following new subsection:

"(E) Qualified farming business.—The term ‘qualified farming business’ means a trade or business of farming (within the meaning of section 2032A(e)(4)), the amount of which is exempt from tax.

"(3) Return.—For purposes of subsection (2) for any taxable year beginning after December 31, 1997, the carryback period with respect to such loss shall be 3 years beginning after the taxable year in which the carryback period begins.

"(4) Coordination with subsection (b)(2).—For purposes of subsection (b)(2), a farming loss for any taxable year shall be treated as a separate net operating loss for such taxable year to be taken into account in the 10-year carryback under subsection (b)(1)(G). For purposes of subsection (2) for any taxable year beginning after December 31, 1997, the carryback period with respect to such loss shall be 3 years beginning after the taxable year in which the carryback period begins.

"(5) Election.—Any taxpayer entitled to a 2-year carryback under subsection (b)(1)(G) from any loss year may elect to have the carryback period with respect to such loss year, and any farming loss for such year, determined without regard to subsection (b)(1)(G). Such election shall be made in such manner as may be prescribed by the Secretary, and the Secretary, by the due date of the return (including extensions of time) for filing the taxpayer’s return for the taxable year of the net operating loss. Such election, once made for any taxable year, shall be irrevocable for the taxable year.

"SEC. 908. CERTAIN CASH RENTALS OF FARMLAND NOT TO CAUSE RECAPTURE OF SPECIAL ESTATE TAX VALUATION.

"(a) In general.—Subsection (c) of section 2032A (relating to treatment of dispositions and sales used for qualified use) is amended by adding at the end the following new paragraph:

"(b) Certain cash rental, not to cause recapture.—For purposes of this subsection, a qualified heir shall not be treated as failing to use property in a qualified use solely because such heir rents such property on a net basis during the taxable year in which the property is owned by the qualified entity or such heir leases such property on a net basis.

"(c) Effective date.—The amendment made by this subsection shall apply to disposals occurring after December 31, 1976.

"SEC. 909. DECLARATORY JUDGMENT REMEDY RELATING TO STATUS AND CLASSIFICATION OF FARMERS’ COOPERATIVES.

"(a) In general.—(1) Section 7428 (relating to creation of remedy) is amended by striking ‘or’ at the end of subsection (a), and by inserting after subparagraph (C) the following new subparagraph:

"(2) Credit allowance date.—The term ‘credit allowance date’ means, with respect to any qualified equity investment—

"(a) In general.—Subsection (b) of section 2032A (relating to creation of remedy) is amended by striking ‘or’ at the end of subsection (a), and by inserting after subparagraph (C) the following new subparagraph:

"(b) Effective date.—The amendment made by this subsection shall apply with respect to pleadings filed with the United States Tax Court, the district court of the United States for the District of Columbus, or the United States Court of Federal Claims after the date of enactment of this Act but only with respect to determinations (or requests for determinations) made after January 1, 1998.

"TITLE X—TECHNOLOGY AND ECONOMIC DEVELOPMENT

"SEC. 1001. PERMANENT EXTENSION AND MODIFICATION OF RESEARCH CREDIT.

"(a) Permanent extension.—

"(1) In general.—Section 41 (relating to credit for increasing research activities) is amended by striking subsection (a)(1) and inserting in lieu thereof—

"(2) Conforming amendment.—Paragraph (1) of section 45(b) is amended by striking subparagraph (D).

"(c) Effective date.—The amendments made by this subsection shall be in effect for taxable years beginning after June 30, 1999.

"SEC. 1002. NEW MARKETS TAX CREDIT.

"(a) In general.—Subpart D of part IV of chapter 41 of the United States Code is amended by striking ‘Notwithstanding section 45C (relating to the credit attributable to foreign research) is amended by inserting ‘the Commonwealth of Puerto Rico, or any possession of the United States’ after ‘United States’.

"(2) Effective date.—The amendment made by this subsection shall apply to taxable years beginning after June 30, 1999.
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“(d) QUALIFIED LOW-INCOME COMMUNITY INVESTMENTS.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified low-income community investment’ means any equity investment in a qualified community development entity if—

“(A) such investment is acquired by the taxpayer (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) EQUITY INVESTMENT.—For purposes of this section—

“(A) the term ‘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,

“(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.

“(4) TREATMENT OF SUBSEQUENT PURCHASE.—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 paragraph (1)(B) shall apply for purposes of this subsection.

“(6) EQUITY INVESTMENT.—The term ‘equity investment’ means—

“(A) any investment in a qualified community development entity which is a corporation, and

“(B) any capital interest in a qualified community development entity which is a partnership.

“(c) QUALIFIED COMMUNITY DEVELOPMENT ENTITY.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified community development entity’ means any domestic corporation or partnership if—

“(A) the primary mission of the entity is serving persons of this section, and

“(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.

“(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)(1)), and

“(B) any community development financial institution (as defined in section 103 of the Community Development Banking 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.

“(d) LOW-INCOME COMMUNITY.—For purposes of this section—

“(1) IN GENERAL.—The term ‘low-income community’ means any population census tracts (as defined in section 1397B(d); except that—

“(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 is at least 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 or equivalent county subdivisions (as defined in section 274(df) (for the Census for purposes of defining poverty areas) shall be used for purposes of determining poverty rates and median family income.

“(f) NATIONAL LIMITATION ON AMOUNT OF INVESTMENTS DESIGNATED.—

“(1) IN GENERAL.—There is a new markets tax credit limitation of $750,000,000 for each of calendar years 2000 through 2004 and zero for any succeeding calendar year.

“(2) ALLOCATION OF LIMITATION.—The limitation under paragraph (1) shall be allocated by the Secretary among qualified community development entities selected by the Secretary. In making allocations under the preceding sentence, the Secretary shall give priority to entities with records of having successfully provided capital or technical assistance to disadvantaged businesses or communities.

“(3) CARRYOVER OF UNUSED LIMITATION.—If the new markets tax credit limitation for any calendar year exceeds the aggregate amount allocated under paragraph (2) for such year, such limitation for the succeeding calendar year shall be increased by the amount of such excess.

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

“(1) IN GENERAL.—If, at any time during the 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 45 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.

"(2) 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 any credits 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 38 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.

"(3) BASIS REDUCTION.—The basis of any equity investment shall be reduced by the amount of any credit determined under this section with respect to such investment.

"(4) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out this section, including regulations—

(a) which limit the credit for investments which are directly or indirectly subsidized by other Federal benefits (including the credit under section 42 and the exclusion from gross income under section 159);

(b) which prevent the abuse of the provisions of this section through the use of related parties;

(c) which impose appropriate reporting requirements;

(d) which apply the provisions of this section to newly formed entities.

(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—

"(1) IN GENERAL.—Subsection (b) of section 38, as amended by section 608(b), is amended by striking "plus" at the end of paragraph (3), by striking the period at the end of paragraph (4) and inserting "plus", and by adding at the end of the following new paragraph:

"(5) the new markets tax credit determined under section 45E(a).

"(2) LIMITATION ON CARRYBACK.—Subsection (d) of section 39, as amended by section 608(c) is amended by adding at the end the following new paragraph:

"(11) NO CARRYBACK OF NEW MARKETS TAX CREDIT BEFORE JANUARY 1, 2000.—No portion of the unused business credit for any taxable year which is attributable to the credit under section 45E may be carried back to a taxable year ending before January 1, 2000.

"(c) DEDUCTION FOR UNUSED CREDIT.—Subsection (e) of section 196, as amended by section 263A(c)(3), as amended by subsection (a)(2), is amended by striking "the" at the end of the second sentence and by adding at the end of the subsection the following new paragraph:

"(10) the new markets tax credit determined under section 45E(a).

"(d) AMENDMENTS.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 608(d), is amended by adding at the end the following new heading:

"SEC. 45E. New markets tax credit.

"(e) EFFECTIVE DATE.—The amendments made by this section shall apply to investments made after December 31, 1999.
“(iii) from revenues received from non-member sales of electric energy in the base year, but not in excess of the kilowatt hours purchased by such person in such year.

“(IV) BASE YEAR.—The term ‘base year’ means 1996 or, at the election of such unit, in 1995 or other year.

“(V) JOINT ACTION AGENCIES.—A member of a joint action agency that is entitled to make a sale described in clause (ii) of section 141(b)(6)(A) in a year may transfer entitlement to the joint action agency in accordance with rules of the Secretary.

“(VI) GOVERNMENT-OWNED FACILITY.—An electric output facility (as defined in subsection (f)(4)(A)) which is leased by a governmental unit or in which a governmental unit has capacity rights acquired with the proceeds of tax-exempt bonds issued before the date of the enactment of this subparagraph shall be treated as owned by such governmental unit.”

“(b) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts made by this section shall apply to amounts received after December 31, 1989.

SEC. 1103. TAX-EXEMPT BOND FINANCING OF CERTAIN ELECTRIC FACILITIES.

(a) PERMITTED OPEN ACCESS TRANSACTIONS NOT A PRIVATE BUSINESS USE.—Section 141(b)(6) of the Internal Revenue Code of 1986 (defining private business use) is amended by adding at the end the following:

“(C) PERMITTED OPEN ACCESS TRANSACTIONS NOT A PRIVATE BUSINESS USE.—

“(i) IN GENERAL.—For purposes of this subsection, the term ‘private business use’ shall not include a permitted open access transaction.

“(ii) PERMITTED OPEN ACCESS TRANSACTION DEFINED.—For purposes of clause (i), the term ‘permitted open access transaction’ means any of the following transactions or activities with respect to an electric output facility (as defined in subsection (f)(4)(A)) owned by a governmental unit:

“(I) providing open access transmission services and ancillary services which meet the reciprocity requirements of Federal Energy Regulatory Commission Order No. 888, which implements section 206 of the Federal Energy Regulatory Commission Act, and which are provided in accordance with a transmission tariff of an independent system operator approved by such Commission, or which are consistent with State administered laws, rules, or orders providing for open transmission access.

“(II) Participation in an independent system operator (or, with respect to a qualifying T&D facility, or a joint action agency) in accordance with rules of an independent system operator, in a regional transmission organization, or in a power exchange, in accordance with an agreement approved by such Commission.

“(III) Delivery on an open access basis of electric energy sold by other entities to end-users served by such governmental unit’s distribution facilities.

“(IV) If open access service is provided under subclauses (i) and (III), the sale of electric output of electric output facilities on terms other than those available to the general public if such sale is to an on-system purchaser or is an existing off-system sale.

“(V) Such other transactions or activities as may be provided in regulations prescribed by the Secretary.

“(iii) DEFINITIONS; SPECIAL RULES.—For purposes of this subparagraph—

“(A) ON-SYSTEM PURCHASER.—The term ‘on-system purchaser’ means a person who purchases electric energy from a governmental unit on a non-interchange basis.

“(B) EXISTING OFF-SYSTEM TRANSACTION.—The term ‘off-system purchaser’ means a purchaser of electric energy from a governmental unit other than an on-system purchaser.

“(C) FACILITY.—The term ‘electric output facility’ means an output facility that is an electric generation, transmission, and/or distribution facility. The term ‘qualifying T&D facility’ means—

“(1) electric output facility; and

“(2) electric output facility that is owned by a governmental unit and is used in connection with the transfer of control of transmission facilities to an independent system operator, in a regional transmission organization, or in an electric exchange, in accordance with an agreement approved by such Commission.

“(D) ELECTRIC OUTPUT FACILITY.—The term ‘electric output facility’ means an output facility that is an electric generation, transmission, and/or distribution facility.

“(E) ENSURING CONTINUITY OF SERVICE.—In the case of an electric output facility (other than a qualifying T&D facility) that is owned by a governmental unit and is used in connection with the transfer of control of transmission facilities to an independent system operator, the Secretary may, in accordance with rules prescribed by the Secretary, authorize an independent system operator to provide electric service on behalf of such governmental unit.

“(F) ENSURING CONTINUITY OF SERVICE.—In the case of an electric output facility (other than a qualifying T&D facility) that is owned by a governmental unit and is used in connection with the transfer of control of transmission facilities to an independent system operator, the Secretary may, in accordance with rules prescribed by the Secretary, authorize an independent system operator to provide electric service on behalf of such governmental unit.

“(G) EXISTING OFF-SYSTEM TRANSACTION.—The term ‘off-system transaction’ means a sale of electric energy to a person that was an off-system purchaser of electric energy in the base year, but not in excess of the kilowatt hours purchased by such person in such year.

“(H) BASE YEAR.—The term ‘base year’ means 1996 or, at the election of such unit, in 1995 or other year.

“(I) JOINT ACTION AGENCIES.—A member of a joint action agency that is entitled to make a sale described in clause (ii) of section 141(b)(6)(A) in a year may transfer entitlement to the joint action agency in accordance with rules of the Secretary.

“(J) GOVERNMENT-OWNED FACILITY.—An electric output facility (as defined in subsection (f)(4)(A)) which is leased by a governmental unit or in which a governmental unit has capacity rights acquired with the proceeds of tax-exempt bonds issued before the date of the enactment of this subparagraph shall be treated as owned by such governmental unit.”

“(b) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts made by this section shall apply to amounts received after December 31, 1989.

SEC. 1104. MODIFICATIONS TO SPECIAL RULES FOR NUCLEAR DECOMMISSIONING COSTS.

(1) REPEAL OF LIMITATION ON DEPOSITS INTO FUND BASED ON COST OF SERVICE.—Section (b) of section 468A is amended to read as follows:

“(b) LIMITATION ON AMOUNTS PAID INTO FUND.—The amount which a taxpayer may pay into the Fund for any taxable year shall not exceed the amount payable to such taxable year.

“(2) CLARIFICATION OF TREATMENT OF FUND TRANSFERS.—Subsection (e) of section 468A is amended by adding at the end the following paragraph:

“(b) TREATMENT OF FUND TRANSFERS.—If, in connection with the transfer of the taxpayer’s interest in a nuclear powerplant, the taxpayer transfers the Fund with respect to such powerplant to the transferee of such interest and the transferee elects to continue the application of this section to such Fund—

“(A) the transfer of such Fund shall not cause such Fund to be disqualified from the application of this section, and

“(B) any amount shall be treated as distributed from such Fund, or be includible in gross income, by reason of such transfer.”

“(C) TRANSFERS OF BALANCES IN NON-QUALIFIED FUNDS.—Section 468A is amended by redesignating subsections (f) and (g) as subsections (g) and (k), respectively, and by inserting after subsection (e) the following new paragraph:

“(f) TRANSFERS OF BALANCES IN NON-QUALIFIED FUNDS.—

“(1) IN GENERAL.—Notwithstanding subsection (e), any taxpayer maintaining a Fund to which this section applies with respect to a nuclear powerplant may transfer...
SEC. 45F. EMPLOYER-PROVIDED CHILD CARE CREDIT.

(a) IN GENERAL.—For purposes of section 38, the employer-provided child care credit determined under this section for the taxable year of any employer shall be increased by an amount equal to the applicable recapture percentage with respect to any qualified child care facility of the taxpayer, then the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

(A) the applicable recapture percentage, and

(B) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1) were treated as being from prior taxable years with respect to such facility had been zero.

(2) APPLICABLE RECAPTURE PERCENTAGE.—

(A) IN GENERAL.—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

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(b) DENIAL OF DEDUCTION FOR PREVIOUSLY DEDUCTED AMOUNTS.—No deduction shall be allowed for any transfer under this subsection of an amount for which a deduction was allowed when such amount was paid into the nonqualified fund. For purposes of the preceding sentence, a ratable portion of each transfer shall be treated as being from the nonqualified fund as transferred under paragraph (1).

(c) TRANSFERS OF QUALIFIED FUNDS.—If—

(i) any transfer permitted by this subsection is made to any Fund to which this section applies, and

(ii) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1) were treated as being from prior taxable years with respect to such facility had been zero.

(3) RECAPTURE EVENT DEFINED.—For purposes of this subsection, the term ‘recapture event’ means—

(A) CESSATION OF OPERATION.—The cessation of the operation of the facility as a qualified child care facility.

(B) CHANGE IN OWNERSHIP.—

(i) IN GENERAL.—Except as provided in clause (ii), the disposition of a taxpayer’s interest in a qualified child care facility with respect to which the credit described in subsection (a) was allowable.

(ii) AGREEMENT TO ASSUME RECAPTURE LIABILITY.—If the person acquiring such interest in the facility agrees in writing to assume the recapture liability of the person disposing of such interest in effect immediately before such disposition, in the event of such an assumption, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability (computed as if there had been no change in ownership).

(4) SPECIAL RULES.

(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

(B) NO CREDITS AGAINST.—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 an in credit under subpart A, B, or D of this part.

(5) NO RECAPTURE BY REASON OF CASUALTY.—The increase in tax under this chapter for such taxable year shall be reduced by an amount equal to the product of—

(A) the applicable recapture percentage, and

(B) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1) were treated as being from prior taxable years with respect to such facility had been zero.

(6) NO BASIS IN QUALIFIED FUNDS.—Notwithstanding any other provision of law, the basis of any Fund to which this section applies shall not be increased by reason of any transfer permitted by this subsection.

(7) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 105. MODIFICATION OF DEPENDENT CARE CREDIT.

(b) INCREASE IN LIMIT ON EMPLOYMENT-RELATED EXPENSES.—Section 32(d) (relating to dollar limit on amount creditable) is amended—

(1) by striking "$2,400" in paragraph (1) and inserting "$3,700", and

(2) by striking "$4,800" in paragraph (2) and inserting "$5,000".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 1106. ALLOWANCE OF CREDIT FOR EMPLLOYE EXPENSES FOR CHILD CARE ASSISTANCE.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 1002(a), is amended by adding at the end the following:
the extent such loss is restored by reconstruction, and the period established by the Secretary.

"(e) SPECIAL RULES.—For purposes of this section—

(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

(2) CONFORMING AMENDMENTS.—In the case of estates and trusts.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

(3) ELECTION OF PARTNERSHIPS.—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

(4) NO DOUBLE BENEFIT.—

"(1) REDUCTION IN BASIS.—For purposes of this subtitle—

"(A) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit determined.

"(B) CERTAIN DISPOSITIONS.—If, during any taxable year, there is a recapture amount determined with respect to any property the basis of which was reduced under subparagraph (A), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to such recapture amount. For purposes of the preceding sentence, the term 'recapture amount' means any increase in tax (or adjustment in carrybacks or carryovers) determined under subsection (d).

"(2) OTHER DEDUCTIONS AND CREDITS.—No deduction or credit shall be allowed under any other provision of this chapter with respect to the amount of the credit determined under this section.

(b) CONFORMING AMENDMENTS.—

(1) Section 28(b), as amended by section 1002(b)(1), is amended by striking "plus" at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting a semicolon; and by striking out at the end the following new paragraph:

"(14) the employer-provided child care credit determined under section 45F.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 1002(d), is amended by adding at the end the following:

"Sec. 45F. Employer-provided child care credit.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 1107. RECOVERY PERIOD FOR DEPRECIATION OF CERTAIN LEASEHOLD IMPROVEMENTS.

(a) 15-YEAR RECOVERY PERIOD.—Subparagraph (e) of section 168(e)(9) (relating to 15-year property) is amended by striking "and" at the end of clause (ii), by striking the period at the end of clause (iii) and inserting a semicolon; and by striking out at the end the following new clause:

"(iv) any qualified leasehold improvement property.

(b) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—Subsection (e) of section 168 is amended by adding at the end the following new paragraph:

"(e) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—

"(A) IN GENERAL.—The term 'qualified leasehold improvement property' means any improvement to an interior portion of a building which is nonresidential real property if—

"(i) such improvement is made under or pursuant to a lease (as defined in subsection (b)(7)),

"(II) by the lessee (or any sublessee) of such portion, or

"(ii) the original use of such improvement begins with the lease and after December 31, 2000.

"(ii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and

"(iv) such improvement is placed in service more than 5 years before the date the building was first placed in service.

"(B) CERTAIN IMPROVEMENTS NOT INCLUDED.—Such term shall not include any improvement for which the expenditure is attributable to—

"(i) the enlargement of the building,

"(ii) any elevator or escalator,

"(iii) any structural component benefiting a common area, and

"(iv) the internal structural framework of the building.

(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

"(1) COMMITMENT TO LEASE TREATED AS LEASE.—A commitment to enter into a lease shall be treated as a lease, and the parties to such commitment shall be treated as lessor and lessee, respectively, if the lease is in effect at the time the property is placed in service.

"(2) RELATED PERSONS.—A lease between related persons shall not be considered a lease. For purposes of the preceding sentence, the term 'related persons' means—

"(A) members of an affiliated group (as defined in section 1504), and

"(B) persons having a relationship described in subsection (b) of section 267(b) or 707(b)(1); except that, for purposes of this clause, the phrase '80 percent or more' shall be substituted for the phrase 'more than 50 percent' each place it appears in such subsections.

(d) REQUIREMENT TO USE STRAIGHT LINE METHOD.—Paragraph (3) of section 168(b) is amended by adding at the end the following new subparagraph:

"(G) Qualified leasehold improvement property described in subsection (e)(6).

(e) EFFECTIVE DATE.—The amendments made by this section which is subject to approval by the chief executive officer or other executive branch official of the State, by the State legislature, or both, and

(v) the assets of the association revert upon dissolution to the State, the State's designee, or an entity designated by the State law governing the association, or State law does not permit the dissolution of the association.

"(B)(i) An entity described in clause (ii) shall be disregarded as a separate entity and treated as part of the association described in paragraph (A). The term 'remittances described in clause (ii) if an election is made within 30 days after the date that such association is determined to be exempt from tax.

"(ii) An entity is described in this clause if it is an entity or fund created before January 1, 1999, pursuant to State law and organized and operated exclusively to provide, hold, and invest remittances from an association described in subparagraph (A) and exempt from tax under subsection (a) and to make disbursements to pay claims on insurance contracts issued by such association, and to make disbursements to support governmental programs to prepare for or mitigate the effects of natural catastrophic events.

SEC. 1108. EXEMPTION FROM INCOME TAX FOR STATE-CREATED ORGANIZATIONS PROVIDING PROPERTY AND CASUALTY INSURANCE FOR PROPERTY WHICH SUCH COVERAGE IS OTHERWISE UNAVAILABLE.

(a) IN GENERAL.—Subsection (c) of section 501 relating to exemption from tax on corporations, certain trusts, etc. is amended by adding at the end the following new paragraph:

"(6A) Special rule applicable to organizations described in section 501(c)(28).—In the case of an organization described in section 501(c)(28), the term 'unrelated business taxable income' means the unrelated business taxable year computed without the application of section 501(c)(28) if, at the end of the immediately preceding taxable year, the organization's net equity exceeded 15 percent of the total coverage in force under insurance contracts issued by such organization and to make disbursements to support governmental programs to prepare for or mitigate the effects of natural catastrophic events.

(b) UNRELATED BUSINESS TAXABLE INCOME.—Subsection (a) of section 512 relating to unrelated business taxable income is amended by adding at the end the following new paragraph:

"(6) SPECIAL RULE APPLICABLE TO ORGANIZATIONS DESCRIBED IN SECTION 501(c)(28).—In the case of an organization described in section 501(c)(28), the term 'unrelated business taxable income' means the unrelated business taxable year computed without the application of section 501(c)(28) if, at the end of the immediately preceding taxable year, the organization's net equity exceeded 15 percent of the total coverage in force under insurance contracts issued by the organization and outstanding at the end of such preceding year.

(c) TRANSITIONAL RULE.—No income or gain shall be recognized by an association as a result of a change in status to that of an association described by section 501(c)(28) of the Internal Revenue Code of 1986, as amended by subsection (a).

(d) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2000.
SEC. 1109. DISCLOSURE OF TAX INFORMATION TO FACILITATE COMBINED EMPLOYMENT TAX REPORTING.

Section 6103(d)(4) is amended to read as follows:

"(4) DISCLOSURE FOR COMBINED EMPLOYMENT TAX REPORTING.—The Secretary may disclose taxpayer identity information and signatures to any agency, body, or commission of any State for the purpose of carrying out with such agency, body, or commission a combined Federal and State employment tax reporting program, as approved by the Secretary. Subsections (a)(2) and (p)(4) and sections 7213 and 7213A shall not apply with respect to disclosures or inspections made pursuant to this subsection.

SEC. 1110. INCREASE IN LIMIT ON CERTAIN CHARITABLE CONTRIBUTIONS AS PERCENTAGE OF AGI.

(a) IN GENERAL.—Section 170(b)(1) (relating to percentage limitations) is amended by striking "30 percent" each place it appears in subparagraphs (B) and (C) and inserting "29 percent".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2016.

SEC. 1111. LOW-INCOME SECOND MORTGAGE TAX CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 1002(a), is amended by adding at the end the following:

"SEC. 43F. LOW-INCOME SECOND MORTGAGE TAX CREDIT.

"(a) ALLOWANCE OF CREDIT.—

"(1) Amount of credit. For purposes of section 38, the amount of the low-income second mortgage tax credit determined under this section for any taxable year in the credit period shall be an amount equal to the applicable percentage of the low-income second mortgage tax credit amount allocated such mortgage by a State housing finance agency in the credit allocation year under subsection (b).

"(2) APPLICABLE PERCENTAGE.—For purposes of this section, the Secretary shall prescribe regulations to determine the percentage, for any year, in which the taxpayer is a qualified lender. Such percentage with respect to any month in the credit period with respect to such taxpayer shall be determined in the same manner as the percentage to which subparagraphs (F), (H), and (I) of section 38, the amount of the low-income second mortgage tax credit amount allocated such mortgage by a State housing finance agency in the credit allocation year under subsection (b).

"(3) METHOD OF DISCOUNTING.—The present value under paragraph (2) shall be determined in the same manner as the low-income housing credit under section 42(b)(2)(C).

"(b) ALLOCATION OF LOW-INCOME SECOND MORTGAGE TAX CREDIT AMOUNTS.—

"(1) Amount of credit.—Each qualified State shall receive a low-income second mortgage tax credit dollar amount for each calendar year in an amount equal to the sum of—

"(A) an amount equal to—

"(i) 10 cents multiplied by the State popula-

"(ii) 10 cents multiplied by the State popu-

"(B) APPROVED ALLOCATION PLAN.—For purposes of this paragraph, the 'approved allocation plan' means a written plan, certified by the Secretary, which includes—

"(c) QUALIFIED LENDER.—For purposes of this section—

"(A) IN GENERAL.—The term 'qualified lender' means an entity which is a qualified lender as defined in section 101 of the Community Economic Development Act of 1981 (42 U.S.C. 9802)."
(A) IN GENERAL.—In the case of a calendar year beginning after the financing is provided, the mortgagor within a reasonable time expected to become the principal residence of the mortgagor and area median gross income shall be determined in accordance with section 143(f)(2).

(B) HOUSING PRICE INDEX.—For purposes of subparagraph (A), the housing price index means the housing price index published by the Federal Housing Finance Board (as established in section 2A of the Federal Home Loan Bank Act (12 U.S.C. 1422a)) for the calendar year.

(d) MORTGAGOR.—

(1) IN GENERAL.—A loan meets the requirements of this subsection if it is made to a mortgagor—

(A) whose family income for the year in which the mortgagor applies for the loan is 80 percent or less of the area median gross income as determined under subparagraph (A) in the credit allowable under subsection (a)(2) the fraction—

(i) the numerator of which is the sum of the applicable percentages determined under subsection (a)(2) as of the close of each full month of such taxable year in which the taxpayer was a qualified lender, and

(ii) the denominator of which is 12.

(B) for whom the loan would not result in a housing debt-to-income ratio, with respect to the taxable year in which the credit is allowable under subsection (a), which is greater than 36 percent.

(C) who attends pre-purchase homeowner- ship counseling provided by the qualified lender or the lender’s designee.

(2) DETERMINATION OF FAMILY INCOME.—For purposes of this subsection and subsection (h), the family income of a mortgagor and area median gross income shall be determined in accordance with section 143(f)(2).

(e) RESIDENCE REQUIREMENTS.—A loan meets the requirements of this subsection if it is secured by a residence that is—

(1) a single-family residence (including a cooperative home (within the meaning of section 25(e)(10))) which is the principal residence (within the meaning of section 121) of the mortgagor, or can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after the financing is provided,

(2) purchased by the mortgagor with a down payment in an amount not less than the lesser of—

(A) 2 percent of the purchase price, or

(B) $1,000, and

(3) in the case of a mortgagor with a family income greater than 50 percent of the area median gross income, as determined under subsection (d)(1)(A), not financed in connection with a qualified mortgage issued under section 143(f)(2).

(f) DEFINITION AND SPECIAL RULES RELATING TO CREDIT PERIOD.—

(1) IN GENERAL.—For purposes of this section, the term ‘credit period’ means the period of 10 taxable years beginning with the taxable year in which a low-income second mortgage tax credit is allocated to the taxpayer.

(2) SPECIAL RULE FOR 1ST YEAR OF CREDIT PERIOD.—

(A) IN GENERAL.—The credit allowable under subsection (a) with respect to any taxable year for which a low-income second mortgage tax credit is allocated to the taxpayer is—

(i) in the case of a calendar year beginning after the financing is provided, the mortgagor within a reasonable time expected to become the principal residence of the mortgagor and area median gross income shall be determined in accordance with section 143(f)(2),

(ii) in the case of a calendar year following the credit period, the mortgagor shall be attributable to the loan which is attributable to such mortgage.

(g) LOSS OF CREDIT.—If, during the taxable year, a qualified low-income second mortgage tax credit loan is repaid prior to the expiration of the credit period with respect to such loan, the portion of the low-income second mortgage tax credit attributable to such loan is no longer available under subsection (a), such credit shall be allocated between the parties on the basis of the number of days during such taxable year in which such repayment occurs for which the loan is outstanding, determined in the same manner as provided in subsection (c).

(h) RECAPTURE OF PORTION OF FEDERAL SUBSIDY FROM HOME-OWNER.—

(1) IN GENERAL.—If, during the taxable year, any taxpayer described in paragraph (3) disposes of an interest in a residence with respect to which a low-income second mortgage tax credit amount applies, then the taxpayer’s tax imposed by this chapter for such taxable year shall be increased by 50 percent of the tax imposed by this chapter for such taxable year following the credit period.

(2) EXCEPTIONS.—Paragraph (1) shall not apply to any disposition—

(A) in the case of a mortgagor by reason of death,

(B) in the case of a mortgagor, if the mortgagor is a member of a joint return, and the disposition occurs during the taxable year of the mortality of a member of the joint return, or

(C) if the mortgagor is a member of a joint return, and the disposition occurs during the taxable year of a joint return member who is not a member of the joint return.

(i) OTHER DEFINITIONS.—

(1) IN GENERAL.—In the case of a calendar year beginning after the financing is provided, the mortgagor shall be attributable to the qualified lender which is attributable to such mortgage.

(2) DEFINITIONS.—For purposes of this section—

(A) IN GENERAL.—The term ‘qualified lender’ means the mortgagor and area median gross income shall be determined in accordance with section 143(f)(2).

(B) DISALLOWED 1ST YEAR CREDIT ALLOWED.—

(i) the numerator of which is the sum of the applicable percentages determined under subsection (a)(2) as of the close of each full month of such taxable year in which the taxpayer was a qualified lender, and

(ii) the denominator of which is 12.

(C) HOUSING PRICE INDEX.—For purposes of subparagraph (A), the housing price index means the housing price index published by the Federal Housing Administration (or any other ratio as determined by the State housing finance agency or lender if such ratio is less than such guidelines), and

(D) WHO ATTENDS PRE-PURCHASE HOMEOWNER- SHIP COUNSELING.—For purposes of this section, the term ‘who attends pre-purchase homeowner-ship counseling’ means the mortgagor which allocates any low-income second mortgage tax credit loan to a mortgagor and area median gross income shall be determined in accordance with section 143(f)(2).

(E) DISALLOWED.—For purposes of this section, rules similar to the rules of section 143(m)(8) shall apply.

(F) CERTIFICATION AND OTHER REPORTS TO THE SECRETARY.—

(1) CERTIFICATION WITH RESPECT TO STATE ALLOCATION OF LOW-INCOME SECOND MORTGAGE TAX CREDITS.—The Secretary—

(A) on a finding of noncompliance, revoke the certification of a qualified State and revoke any qualified low-income second mortgage tax credit amounts allocated to such State or allocated by such State to a qualified lender,

(B) with respect to each qualified lender—

(i) the principal amount of the aggregate qualified low-income second mortgage tax credit loans made by such lender in such year, and

(ii) the number of qualified low-income second mortgage tax credit loans made by such lender in such year.

(2) ANNUAL REPORT FROM HOUSING FINANCE AGENCIES.—Each State housing finance agency which allocates any low-income second mortgage tax credit amount to any qualified lender for any calendar year shall submit to the Secretary (at such time and in such manner as the Secretary shall prescribe) an annual report specifying—

(A) the low-income second mortgage tax credit amount allocated to each qualified lender for such year,

(B) with respect to each qualified lender—

(i) the principal amount of the aggregate qualified low-income second mortgage tax credit loans made by such lender in such year and the outstanding amount of such loans in such year, and

(ii) the number of qualified low-income second mortgage tax credit loans made by such lender in such year.

(3) STATE HOUSING FINANCE AGENCY.—The term ‘State housing finance agency’ means the housing finance agency, another body politic or other instrumentality of a State that has the authority to provide residential mortgage loan financing throughout the State.

(4) CERTIFICATION.—The term ‘State’ includes a possession of the United States.

(5) HOUSING PRICE INDEX.—The term ‘housing price index’ means the median home value index, or the price index, or other index that is similar to the rules of section 143(m)(6) shall apply.

(6) SPECIAL RULES.—For purposes of this subsection—

(A) IN GENERAL.—In the case of a calendar year beginning after the financing is provided, the mortgagor within a reasonable time expected to become the principal residence of the mortgagor and area median gross income shall be determined in accordance with section 143(f)(2).

(B) HOUSING PRICE INDEX.—For purposes of subparagraph (A), the housing price index means the housing price index published by the Federal Housing Finance Board (as established in section 2A of the Federal Home Loan Bank Act (12 U.S.C. 1422a)) for the calen-
be carried back to a taxable year ending be-
fore the date of the enactment of section 45F.

(1) CONFORMING AMENDMENTS.—
(a) Section 36(b), as amended by section
1003(b)(1), is amended—
(A) by striking “plus” at the end of para-
geraph (14),
(B) by striking the period at the end of para-
geraph (14), and inserting “,” plus, and
(C) by adding at the end the following:
“(16) the low-income second mortgage tax
credit determined under section 45F.

(2) Amendments for subpart D of part
IV of subchapter A of chapter 1, as amended
by section 1002(d), is amended by adding at
the end the following:
“Sec. 45F. Low-income second mortgage tax
credit.”

(d) REGULATIONS.—The Secretary of the
Treasury shall, by regulation, make any nec-
essary adjustments to the amount of credit
allocated under section 45F(b)(1) of the Inter-
national Revenue Code of 1986, as added by sub-
section (a), to ensure that the decrease in
revenues in the Treasury, resulting from the
amendments made by this section, in cal-
endar years before 2011 does not exceed
$1,000,000,000.

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

SEC. 1112. COORDINATION OF CHILD TAX CREDIT
AND EARNED INCOME CREDIT WITH CERTAIN
MEANS-TESTED PROGRAMS.

(a) CHILD TAX CREDIT.—Section 24 (relating
to child tax credit) is amended by adding at
the end the following new paragraphs:
“(f) Earnings credit for child tax credit:
The term ‘earnings credit for child tax credit’ means
the amount (determined under subsection (b)) that
shall be treated in the same manner as if it were
a combat zone (as determined under section 112):
(1) Section 2(a)(3) (relating to special rules
where deceased spouse was in missing stat-
tus),
(2) Section 112 (relating to the exclusion of
the tax on certain combat pay of members of the
Armed Forces),
(3) Section 692 (relating to income taxes
of members of Armed Forces on death).

(c) SPECIAL PAY AREA.—For purposes of
this section, the term ‘special pay area’ means any area
in which an individual residing in such area
dies or receives special pay under section
310 of title 37, United States Code, for service
in a combat zone.

(d) REGULATIONS.—The Secretary of the
Treasury shall, by regulation, make any nec-
essary adjustments to the amount of credit
allocated under section 45F(b)(1) of the Inter-
national Revenue Code of 1986, as added by sub-
section (a), to ensure that the decrease in
revenues in the Treasury, resulting from the
amendments made by this section, in cal-
endar years before 2011 does not exceed
$1,000,000,000.

(e) EFFECTIVE DATE.—The amendments
made by this section apply to calendar years
after 2000.
(B) Special rules.—So long as any taxable REIT subsidiary has not provided services to any tenant of such real estate investment trust to whom a tax equal to 15 percent of the net lease income of such tenant is imposed for each taxable year of the real estate investment trust, a tax equal to 100 percent of the net lease income of such tenant is imposed for each taxable year of the real estate investment trust.

(3) Exceptions.—Clause (i) shall not apply to any service rendered by a taxable REIT subsidiary of a real estate investment trust to a tenant of such trust if—

(I) such subsidiary renders a significant amount of services to persons other than such trust tenants and tenants of such trust who are unrelated (within the meaning of section 485(d)(7)(B)) to such subsidiary, trust, or tenants of such trust.

(II) only to the extent the charge for such service so rendered is substantially comparable to the charge for the similar services rendered to tenants referred to in subclause (I).

(V) EXCEPTION FOR CERTAIN SEPARATELY CHARGED SERVICES.—Clause (i) shall not apply to any service rendered by a taxable REIT subsidiary of a real estate investment trust to a tenant of such trust if—

(I) the rents paid to the trust by tenants (leasing at least 25 percent of the net leasable space in the trust’s property) who are not receiving such service from such subsidiary are substantially comparable to the rents paid by tenants leasing comparable space who are receiving such service from such subsidiary.

(II) the charge for such service from such subsidiary is separately stated.

SEC. 1125. 100 PERCENT TAX ON IMPROPERLY ALLOCABLE INCOME.

(a) In General.—Subsection (b) of section 857 (relating to method of taxation of real estate investment trusts and holders of shares of real estate investment trust stock) is amended by redesigning paragraphs (7) and (8) as paragraphs (9) and (9), respectively, and by inserting after paragraph (6) the following sentence:

"(7) INCOME FROM REDETERMINED RENTS, REDETERMINED DEDUCTIONS, AND EXCESS INTEREST.

(A) IMPOSITION OF TAX.—There is hereby imposed for each taxable year of the real estate investment trust a tax equal to 100 percent of redetermined rents, redetermined deductions, and excess interest.

(B) REDETERMINED RENTS.—

(1) IN GENERAL.—The term ‘redetermined rents’ means rents from real property as defined in paragraph (8) of section 856(d) (except as provided in subparagraph (E) thereof) as treated under paragraph (1) or (2) of section 856(d)."
the amendment made by section 1121 does not apply to such corporation by reason of paragraph (1), and
(B) such election first takes effect before January 1, 2004,
such election shall be treated as a reorga-
nization, qualifying under section 368(a)(1)(A) of such Code.

PART II—HEALTH CARE REITS
SEC. 1131. HEALTH CARE REITS.
(a) SPECIAL FORCLOSURE RULE FOR HEALTH CARE REITS.—Section (e) of section 856 (relating to special rules for for-
closure property) is amended by adding at the end the following new paragraph:
(3) SPECIAL RULE FOR QUALIFIED HEALTH CARE PROPERTIES.—For purposes of this sub-
section—
(A) ACQUISITION AT EXPIRATION OF LEASE.—The term ‘forclosure property’ shall include any qualified health care prop-
erty acquired by a real estate investment trust as the result of the termination of a lease of such property (other than a term-
ination by reason of a default, or the immi-
nence of a default, on the lease).
(B) REDETERMINED DEDUCTIONS.—The term ‘qualified health care property’ which is for-
closure property solely by reason of subpara-
graph (A), in lieu of applying paragraphs (2) and (3), includes—
(i) the qualified health care property shall cease to be foreclosure property as of the close of the second taxable year after the taxable year in which such trust acquired such property, and
(ii) if the real estate investment trust es-
tablishes to the satisfaction of the Secretary that the grace period beyond the close of the year in which such lease or tenancy period is to expire was necessary or appropriate in order to complete the trust’s acquisition of the qualified health care property, the secretary may grant 1 or more extensions of the grace period for such qualified health care prop-
erty.

Any such extension shall not extend the grace period beyond the close of the 6th year after the taxable year in which such trust acquired such qualified health care property.

(b) INCOME FROM INDEPENDENT CONTRACTORS.—Paragraph (b)(4) of section 856(d) (relating to income from independent contractors) is amended by adding the following new subpara-
graph:
(iv) securities received by such trust (or a
related person) as compensation for activities
undertaken under terms of a lease of
property (including interests therein), and any
interests in such property acquired directly or indi-
directly, more than 5 percent of
such class of stock shall be taken into ac-
count as owning any of the stock of such
class for purposes of applying the 35 percent
limitation set forth in subparagraph (B) (but all
outstanding of this particular class shall be
considered outstanding in order to compute the denominator for purpose of de-
termining the applicable percentage of own-
ership).

SEC. 1151. CLARIFICATION OF EXCEPTION FOR QUALIFIED HEALTH CARE PROPERTIES.
(a) IN GENERAL.—(Paragraph (3) of section 856(d) (relating to independent contractor de-
fined) is amended by adding at the end the following flush sentence:
“In the event that any class of stock of ei-
ther the real estate investment trust or such
person is regularly traded on an established securities market, only persons who own, di-
rectly or indirectly, more than 5 percent of
such class of stock shall be treated for pur-
poses of section 856(d) as owning any of the stock of such
class for purposes of applying the 35 percent
limitation set forth in subparagraph (B) (but all
outstanding of this particular class shall be
considered outstanding in order to compute the denominator for purpose of de-
termining the applicable percentage of own-
ership).”

(b) EFFECTIVE DATE.—The amendment
made by this section shall apply to taxable years beginning after December 31, 2000.

PART IV—CLARIFICATION OF EXCEPT-
ION FROM IMPOSSIBLE TENANT SER-
VICE INCOME
SEC. 1161. MODIFICATION OF EARNINGS AND PROFITS RULES.
(a) RULES FOR DETERMINING WHETHER REG-
ULATED INVESTMENT COMPANY HAS EARN-
INGS AND PROFITS FROM NON-RIC YEAR.—Sub-
section (c) of section 852 is amended by add-
ing at the end the following new paragraph:
(i) any lease of property in effect on the
date the real estate investment trust ac-
quired the qualified health care property
(without regard to its renewal after such date so long as such renewal is pursuant to the terms of such lease as in effect on such date), or
(ii) any lease of property entered into after such date if—
(I) on such date, a lease of such property from the trust was in effect, and
(II) the terms of such lease are pursuant to subpara-
graph (1)(A) of subsection (C), and the
qualified health care property.—
(i) IN GENERAL.—The term ‘qualified health care property’ means any real prop-
erty (including interests therein), and any
personal property incident to such real prop-
erty, which—
(I) is a health care facility, or
(II) is necessary or incidental to the use of a health care facility.
(ii) HEALTH CARE FACILITY.—For purposes of clause (i), the term ‘health care facility’ means a hospital, nursing facility, assisted living facility, continuing care retirement community, or a qualified continuing care facility (as defined in section 7702(y)(4)), or other licensed facil-
ity which includes medical or nursing or ancil-
lary services to patients and which, imme-
dately before the termination, expiration, default, or breach of the lease of mortgage secured by such facility, was operated by a hospital or a nursing facility.

Any distribution which is made in order to comply with the requirements of subsection (a)(2)(B) (as so defined) shall be treated for purposes of this subsection and subsection (a)(2)(B) as made from the earliest earnings and profits accumu-
lated in any taxable year to which the distribution is attributable rather than the most recently accumulated earnings and profits, and
“(B) to the extent treated under subparagraph (a) as made from accumulated earnings and profits, shall not be treated as owning any of the stock of such class for purposes of applying subsection (a)(2) to the non-RIC year.”

(c) APPLICATION OF DEFICIENCY DIVIDEND PROCEDURES.—Paragraph (1) of section 852(e) is amended by adding at the end the following new sentence: “If the determination under subparagraph (A) is solely as a result of the failure to meet the requirements of subsection (a)(2), the preceding sentence shall also apply for purposes of applying subsection (a)(2) to the non-RIC year.”

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

TITLE XII—REVENUE OFFSETS

Subtitle A—General Provisions

SEC. 1201. MODIFICATION TO FOREIGN TAX CREDIT CARRYBACK AND CARRYOVER PERIODS.

(a) IN GENERAL.—Section 904(c) (relating to limitation on credit) is amended—

(1) by inserting “in fields described in paragraph (2)(A)” after “services by such person”, and

(2) by inserting “CERTAIN PERSONAL” before “services” in the heading.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to credits arising in taxable years beginning after December 31, 1999.

SEC. 1202. LIMITATION ON USE OF NON-ACCRUAL EXPERIENCE METHOD OF ACCOUNTING.

(a) IN GENERAL.—Section 448(d)(5) (relating to special rule for services) is amended—

(1) by inserting “in fields described in paragraph (2)(A)” after “services by such person”, and

(2) by inserting “CERTAIN PERSONAL” before “services” in the heading.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions after December 31, 2000.

(c) EFFECTIVE DATE.—This section shall apply to taxable years beginning after December 31, 2000.

SEC. 1151. CLARIFICATION OF EXCEPTION FOR IMPERMISSIBLE TENANT SERVICING INCOME

(a) IN GENERAL.—Paragraph (3) of section 856(d) (relating to independent contractor definition) is amended by adding at the end the following flush sentence: “In the event that any class of stock of either the real estate investment trust or such person is regularly traded on an established securities market, only persons who own, directly or indirectly, more than 5 percent of such class of stock shall be taken into account for purposes of the stock of such class for purposes of applying the 35 percent limitation set forth in subparagraph (B) (but all of the outstanding stock of such class shall be computed in order to determine the denominator for purpose of determining the applicable percentage of ownership).”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

PART V—MODIFICATION OF EARNINGS AND PROFITS RULES

SEC. 1161. MODIFICATION OF EARNINGS AND PROFITS RULES.

(a) RULES FOR DETERMINING WHETHER REGISTERED INVESTMENT COMPANY HAS EARNINGS AND PROFITS FOR YEAR.—Subsection (c) of section 852 is amended by adding at the end the following new paragraph:

“(3) DISTRIBUTIONS TO MEET REQUIREMENTS OF SUBSECTION (a)(2)(B).—Any distribution which is made in order to comply with the requirements of subsection (a)(2)(B)—

“(A) shall be treated for purposes of this subsection and subsection (b)(2)(D) as made from the earliest earnings and profits accumulated in any taxable year to which the provisions of this part did not apply rather than the most recently accumulated earnings and profits, and

“(B) to the extent treated under subparagraph (A) as made from accumulated earnings and profits, shall be taken into account in determining the applicable percentage of ownership for purposes of subsection (b)(2)(D) and section 855.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

(b) CLARIFICATION OF APPLICATION OF REIT SPILLOVER DIVIDEND RULES TO DISTRIBUTIONS TO MEET QUALIFICATION REQUIREMENT.—Subparagraph (B) of section 857(d)(3) is amended by striking “or fifth” and inserting “or sixth” therefor.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

(d) EFFECTIVE DATE.—The term “participant’s compensation” means the participant’s includible compensation determined under section 401(b)(5).
SEC. 1203. RETURNS RELATING TO CANCELLATIONS OF INDEBTEDNESS BY ORGANIZATIONS ENGAGED IN TRADE OR BUSINESS.

(a) In General.—Paragraph (2) of section 6050P(c) (relating to definitions and special rules) is amended by striking ‘‘and’’ at the end of subparagraph (A), by striking the period at the end of subparagraph (C) and inserting ‘‘, and’’, and by inserting after subparagraph (C) the following new subparagraph (D):

‘‘(D) any organization that would be considered to have a significant trade or business if it had obtained its income solely from lending money.’’

(b) Effective Date.—The amendment made by subsection (a) shall apply to discharges of indebtedness after December 31, 1999.

SEC. 1204. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.

(a) In General.—Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end of the following new section:

‘‘Sec. 7527. INTERNAL REVENUE SERVICE USER FEES.

‘‘(a) General Rule.—The Secretary shall establish a program requiring the payment of fees for:

‘‘(1) requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters,

‘‘(2) other similar requests.

‘‘(b) Program Criteria.—

‘‘(1) In General.—The fees charged under the program established by subsection (a)—

‘‘(A) shall vary according to categories (or subcategories) established by the Secretary,

‘‘(B) shall be determined after taking into account the average time for (and difficulty of) complying with requests in each category (and subcategory), and

‘‘(C) shall be payable in advance.

‘‘(2) Exemptions, etc.—The Secretary shall provide for such exemptions (and reduced fees) under such program as the Secretary determines to be appropriate.

‘‘(3) Average Fee Requirement.—The average fee charged under the program required by subsection (a) shall not be less than the amount determined under the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Average Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee plan ruling and opinion</td>
<td>$320</td>
</tr>
<tr>
<td>Exempt organization ruling</td>
<td>$30</td>
</tr>
<tr>
<td>Employee plan determination</td>
<td>$30</td>
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<tr>
<td>Exempt organization determination</td>
<td>$275</td>
</tr>
<tr>
<td>Chief counsel ruling</td>
<td>$200</td>
</tr>
</tbody>
</table>

‘‘(c) Termination.—No fee shall be imposed under this section with respect to requests made after September 30, 2009.’’

(b) Conforming Amendments.—

(1) The table of sections for chapter 77 is amended by adding at the end the following new section:

‘‘Sec. 7527. Internal Revenue Service user fees.’’

(2) Section 16511 of the Revenue Act of 1987 is repealed.

(c) Effective Date.—The amendments made by this section shall apply to requests made after the date of the enactment of this Act.

SEC. 1205. CHARITABLE SPLIT-DOLLAR LIFE INSURANCE, ANNUITY, AND ENDOWMENT CONTRACTS.

(a) In General.—Subsection (l) of section 170 (relating to disallowance of deduction in certain cases and special rules), as amended by section 807, is amended by adding at the end the following new subsection:

‘‘(l) SPLIT-DOLLAR LIFE INSURANCE, ANNUITY, AND ENDOWMENT CONTRACTS.—

‘‘(A) In General.—Nothing in this section or in section 55(b)(2), 566(b)(2), 662(c), 2555, 2606(a)(2), or 2522 shall be construed to allow a deduction, and no deduction shall be allowed, for any transfer to or for the use of an organization described in subsection (c) if in connection with such transfer—

‘‘(i) the organization directly or indirectly pays, or has previously paid, any premium on any personal benefit contract with respect to the transferor, or

‘‘(ii) there is an understanding or expectation that any person will directly or indirectly pay any premium on any personal benefit contract with respect to the transferor.

‘‘(B) Personal Benefit Contract.—For purposes of subparagraph (A), the term ‘personal benefit contract’ means, with respect to the transferor, any life insurance, annuity, or endowment contract if any direct or indirect beneficiary under such contract is the transferor, any member of the transferor’s family, or any other person (other than an organization described in subsection (c)) designated by the transferor.

‘‘(C) Application to Charitable Remainder Trusts.—In the case of a transfer to a trust referred to in subparagraph (B), reference in subparagraphs (A) and (B) to an organization described in subsection (c) shall be treated as a reference to such trust.

‘‘(D) Exception for Certain Annuity Contracts.—If, in connection with a transfer to, or for the use of an organization described in subsection (c), such organization incurs an obligation to pay a charitable gift annuity (as defined in section 501(m)) and such organization purchases any annuity contract to fund such obligation, persons receiving payments under the charitable gift annuity shall not be treated for purposes of subparagraph (B) as in direct beneficiaries under such contract if—

‘‘(I) such organization possesses all of the incidents of ownership under such contract, and

‘‘(II) such organization is entitled to all the payments under such contract, and

‘‘(III) the timing and amount of payments under such contract are substantially the same as the timing and amount of payments to each person under such obligation (as such obligation is in effect at the time of such transfer).

‘‘(E) Exception for Certain Contracts Held by Charitable Remainder Trusts.—A person shall not be treated for purposes of subparagraph (B) as an indirect beneficiary under any life insurance, annuity, or endowment contract held by a charitable remainder trust if the charitable remainder unitrust (as defined in section 664(d)) solely by reason of being entitled to any payment referred to in paragraph (1)(A) or (2)(A) of section 664(d) is entitled to (i) such trust possesses all of the incidents of ownership under such contract, and (ii) such trust is entitled to all the payments under such contract.

‘‘(F) Exemptions Paid.—

‘‘(I) In General.—There is hereby imposed on any organization described in subsection (c) an excise tax equal to the premiums paid by such organization on any life insurance, annuity, or endowment contract if the payment of premiums on such contract is in connection with a transfer for which a deduction is not allowable under paragraph (1) or subparagraph (A), determined with out regard to when such transfer is made.

‘‘(II) Payments by Other Persons.—For purposes of clause (I), premiums paid by any other person pursuant to an understanding or expectation referred to in subparagraph (A) shall be treated as made by the organization.

‘‘(III) Reporting.—Any organization on which tax is imposed by clause (i) with respect to any premium shall file an annual return which includes—

‘‘(1) the amount of such premium paid during the year and the name and TIN of each beneficiary under the contract to which the premium relates, and

‘‘(2) such other information as Secretary may require.

The penalties applicable to returns required under section 6038 shall apply to returns required under this clause. Returns required under this clause shall be furnished at such time and in such manner as the Secretary shall by forms or regulations require.

‘‘(IV) Certain Rules to Apply.—The tax imposed by this subparagraph shall be treated as imposed by chapter 42 for purposes of this title other than subchapter B of chapter 42.

‘‘(G) Special Rule Where State Requires Specification of Charitable Remainder in Contract.—In the case of an obligation to pay a charitable gift annuity referred to in subparagraph (D) which is entered into after the laws of the State which require, in order for the charitable gift annuity to be exempt from insurance regulation by such State, that each beneficiary under the charitable gift annuity be named as a beneficiary under an annuity contract issued by an insurance company authorized to transact business in such State, the requirements of clauses (i) and (ii) of subparagraph (D) shall be treated as met if—

‘‘(I) such State law requirement was in effect on February 8, 1999,

‘‘(II) each such beneficiary under the charitable gift annuity is a bona fide resident of such State at the time the obligation to pay a charitable gift annuity is entered into, and

‘‘(III) the only person entitled to payments under such contract is persons entitled to payments as beneficiaries under such obligation on the date such obligation is entered into.

‘‘(H) Member of Family.—For purposes of this paragraph, an individual’s family consists—

‘‘(i) of the individuals who are lineal descendants of such individual, the lineal descendants of such grandparents, and any spouse of such a lineal descendant.

‘‘(1) Regulations.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purpose of this paragraph, including regulations to prevent the avoidance of such purposes.”

(b) Effective Date.—Except as otherwise provided in this section, the amendments made by this section shall apply to transfers made after December 31, 1987.

(c) Effect on Effective Date.—The Revenue Act of 1978 (Public Law 95-600, November 6, 1978) is hereby amended by striking ‘‘August 8, 1986’’ and inserting ‘‘February 8, 1989’’.
SEC. 1207. LIMITATIONS ON WELFARE BENEFIT FUNDS OF 10 OR MORE EMPLOYER PLANS.

(a) BENEFITS TO WHICH EXCEPTION APPLIES.—Section 419A(a)(6)(A) (relating to exception for 10 or more employer plans) is amended by adding at the end the following:

"(c) Modification of Pledge Rules.—Paragraph (1), in the case of sales on or before the date on which the Centers for Disease Control makes a final recommendation for routine administration to children of an HPV vaccine against human papillomavirus, shall be considered the sale date."

SEC. 1208. MODIFICATION OF INSTALLMENT METHOD FOR ACCRUAL METHOD TAXPAYERS.

(a) REPEAL OF INSTALLMENT METHOD FOR ACCRUAL METHOD TAXPAYERS. (1) IN GENERAL.—Subsection (a) of section 453 (relating to installment method) is amended by adding the following new paragraph:

"(c) Modification of Pledge Rules.—Paragraph (1), in the case of sales on or before the date on which the Centers for Disease Control makes a final recommendation for routine administration to children of an HPV vaccine against human papillomavirus, shall be considered the sale date."

SEC. 1210. RESTORATION OF PHASE-OUT OF UNIFORM AMORTIZATION PERIODS FOR INTANGIBLES.

(a) START-UP EXPENSES. (1) ALLOWANCE OF DEDUCTION.—Subsection (b) of section 196 (relating to start-up expenditures) is amended by striking paragraph (1), by redesignating paragraph (2) as paragraph (3), and by inserting before paragraph (3), as so redesignated, the following new paragraph:

"(2) A GGREGATION RULE .—For purposes of paragraph (1), in the case of sales on or before the date described in such paragraph for which delivery is made after such date, the delivery date shall be considered the sale date."

SEC. 1211. REPEAL OF LOW-COST-OF-MARKET METHOD OF ACCOUNTING FOR INVENTORIES.

(a) IN GENERAL.—Subsection (d) of section 471 (relating to general rule for inventories) is amended by redesignating subsection (c) and (b) as subsections (b) and (c), respectively, and by inserting before subsection (b) the following new subsection:

"(c) Modification of Pledge Rules.—Paragraph (1), in the case of sales on or before the date on which the Centers for Disease Control makes a final recommendation for routine administration to children of an HPV vaccine against human papillomavirus, shall be considered the sale date."

SEC. 1212. CONSISTENT AMORTIZATION PERIODS FOR INTANGIBLES.

(a) START-UP EXPENSES. (1) ALLOWANCE OF DEDUCTION.—Subsection (b) of section 196 (relating to start-up expenditures) is amended by striking paragraph (1), by redesignating paragraph (2) as paragraph (3), and by inserting before paragraph (3), as so redesignated, the following new paragraph:

"(2) M ARK-DOWNS REQUIRED TO BE TAKEN.—(A) In general.—The amendments made by this section shall apply to taxable years beginning after the date of enactment of this subsection.

(B) Limitation on use of amounts for other purposes. —Section 419A(b)(6) (relating to prohibition on use of amounts for other purposes) is amended by striking "before January 1, 2001" and inserting "made after December 31, 2000" and inserting "made after December 31, 2000" and inserting "2001".

(C) Exclusion of certain welfare benefit funds. —In the case of any taxpayer required by this section to change its method of accounting for its first taxable year beginning after the date of the enactment of this subsection, the taxpayer (or any predecessor) met the requirements of section 453(i)(1), 453(k), and 453(k) are each amended by striking "(i) in a taxable year beginning before January 1, 2001" and inserting "(i) in a taxable year beginning after December 31, 2000" and inserting "made after December 31, 2000" and inserting "2001".

(D) Pledge Rules.—The amendments made by this section shall be considered done on the day after the date on which the Centers for Disease Control makes a final recommendation for routine administration to children of a conjugate vaccine against streptococcus pneumoniae.

(2) DELIVERIES.—For purposes of paragraph (1), in the case of sales on or before the date described in such paragraph for which delivery is made after such date, the delivery date shall be considered the sale date.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this subsection.

(c) MODIFICATION OF PLEDGE RULES.—(A) In general.—The amendments made by this section shall be treated as direct sales for purposes of this section, including regulations relating to wash-sale-type transactions.

(B) Modification of pledge rules. —The amendments made by this section shall apply to sales or other dispositions occurring on or after the date of the enactment of this Act.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to sales or other dispositions occurring on or after the date of the enactment of this Act.
amended to read as follows: 

"(a) Election to Deduct.— 

(1) if a corporation elects the application of this subsection (in accordance with regulations prescribed by the Secretary of the Treasury) with respect to any organizational expenditures— 

"(A) the corporation shall be allowed a deduction in the taxable year in which the corporation begins business in an amount equal to the lesser of— 

(i) the amount of organizational expenditures with respect to the taxpayer, or 

(ii) $5,000, reduced (but not below zero) by the amount by which such organizational expenditures exceed $50,000, and 

"(B) the remainder of such organizational expenditures shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the corporation begins business. 

(2) Aggregation Rule.—For purposes of paragraph (1), all persons which are treated as a single employer under subsection (a) or (b) of section 52 shall be treated as a single person. 

(c) Treatment of Organizational and Syndicated活动s or Partnerships.—Section 709(b) (relating to amortization of organization fees) is amended by redesignating paragraph (2) as paragraph (4) and by amending paragraph (1) to read as follows: 

"(1) Allowance of Deduction.—If a taxpayer elects the application of this subsection (in accordance with regulations prescribed by the Secretary) with respect to any organizational expenditures— 

"(A) the taxpayer shall be allowed a deduction for the taxable year in which the partnership begins business in an amount equal to the lesser of— 

(i) the amount of organizational expenses with respect to the partnership, or 

(ii) $5,000, reduced (but not below zero) by the amount by which such organizational expenses exceed $50,000, and 

"(B) the remainder of such organizational expenses shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the partnership begins business. 

(3) Investments Before Close of Amortization Period.—In any case in which a partnership is liquidated before the end of the period to which paragraph (1)(B) applies, the deferred expenses attributable to the partnership which were not allowed as a deduction by paragraph (1) may be deducted to the extent allowable under section 165. 

(4) Aggregation Rule.—For purposes of paragraph (1), all persons which are treated as a single employer under subsection (a) or (b) of section 52 shall be treated as a single person.
"(C) an S corporation, "(D) a partnership, "(E) a trust, "(F) a common trust fund, "(G) a passive foreign investment company (as defined in section 1296(b)), and "(J) a REMIC.

"(d) CONSTRUCTIVE OWNERSHIP TRANSACTION.—For purposes of this section—

"(1) if the taxpayer shall be treated as having entered into a constructive ownership transaction with respect to any financial asset if the taxpayer—

"(A) holds a long position under a notional principal contract with respect to the financial asset, "(B) enters into a forward or futures contract to acquire the financial asset, "(C) is the holder of a call option, and is the grantor of a put option, with respect to the financial asset and such options have substantially contemporaneous maturities, or "(D) to the extent provided in regulations prescribed by the Secretary, enters into 1 or more other transactions (or acquires 1 or more positions) that have substantially the same effect as a transaction described in any of the preceding subparagraphs.

"(2) EXCEPTION FOR POSITIONS WHICH ARE MARKED TO MARKET.—This section shall not apply to any constructive ownership transaction carried out for the purposes of this section, including regulations—

"(A) which provides that the taxpayer shall be treated as having entered into a constructive ownership transaction with respect to any financial asset if the taxpayer—

"(A) enters into a forward contract with respect to any financial asset, and such options have substantially contemporaneous maturities, or "(D) is the holder of a call option, and is the grantor of a put option, with respect to the financial asset and such options have substantially contemporaneous maturities, and "(E) a passive foreign investment company, "(F) a trust, "(G) an S corporation, and "(J) a REMIC.

"(e) NET UNDERLYING LONG-TERM CAPITAL GAIN.—For purposes of this section, in the case of any constructive ownership transaction with respect to any financial asset, the term ‘net underlying long-term capital gain’ means the aggregate net capital gain that the taxpayer would have had if—

"(1) the financial asset had been acquired for fair market value on the date such transaction was opened and sold for fair market value on the date such transaction was closed, and "(2) only gains and losses that would have resulted under ownership under paragraph (1) were taken into account.

The amount of the net underlying long-term capital gain with respect to any financial asset shall be treated as zero unless the amount thereof is established by clear and convincing evidence.

"(f) SPECIAL RULE WHERE TAXPAYER TAKES DELIVERY.—Except as provided in regulations prescribed by the Secretary, if a constructive ownership transaction is closed by reason of taking delivery, this section shall be applied as if the taxpayer had sold all the constructive ownership transactions which were part of such transaction for fair market value on the closing date. The amount of gain recognized under the preceding sentence shall not exceed the amount of gain treated as ordinary income under subparagraph (a).

"(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section, including regulations—

"(1) to permit taxpayers to mark to market constructive ownership transactions in lieu of applying this section, and "(2) to exclude certain forward contracts which do not convey substantially all of the economic return with respect to a financial asset.

"(h) CLERICAL AMENDMENT.—The table of sections for part IV of chapter 1 is amended by adding at the end the following new section—

"Sec. 1290. Gains from constructive ownership transactions.

"(i) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after June 30, 1997.

SEC. 1217. RESTRICTION ON USE OF REAL ESTATE INVESTMENT TRUSTS TO AVOID ESTIMATED TAX PAYMENT REQUIREMENTS.

"(a) IN GENERAL.—Section 665 (relating to estimated tax by corporations) is amended by adding at the end the following new paragraph—

"(5) TREATMENT OF CERTAIN RETD DIVIDENDS.

"(A) IN GENERAL.—Any dividend received from a closely held real estate investment trust by any person who owns (after application of subsections (d)(6) and (1)(3)(B) of section 866) 10 percent or more (by vote or value) of the stock or beneficial interests in the trust shall be taken into account in computing annualized income installments under paragraph (3). In a manner similar to the manner under which partnership income inclusions are taken into account.

"(B) CLOSELY HELD RETD.—For purposes of subparagraph (A), any dividend received from a closely held real estate investment trust means a real estate investment trust with respect to which 5 or fewer persons own (after application of subsection (d)(6) and (1)(3)(B) of section 866) 50 percent or more (by vote or value) of the stock or beneficial interests in the trust.

"(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to estimated tax payments due on or after September 15, 1999.

SEC. 1218. PROHIBITED ALLOCATIONS OF 8 CORP. STOCK HELD BY AN ESOP.

"(a) IN GENERAL.—Section 409 (relating to qualifications for tax credit employee stock ownership plans) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (q) the following new subsection—

"(p) PROHIBITED ALLOCATION OF SECURITIES IN AN S CORPORATION.

"(1) IN GENERAL.—An employee stock ownership plan holding employer securities constituting 10 percent or more of the stock of such corporation, in the case of any allocation of such stock made by the employer after the date of the plan, shall provide that no portion of the assets of the plan attributable to (or allocable in lieu of) such employer securities may, during a nonallocation year, be allocated directly or indirectly under any plan of the employer meeting the requirements of section 401(a) for the benefit of any disqualified individual.

"(2) FAILURE TO MEET REQUIREMENTS.—If a plan fails to meet the requirements of paragraph (1)—

"(A) the plan shall be treated as having distributed to any disqualified individual the amount allocated to the account of such individual in violation of paragraph (1) at the time of such allocation, and "(B) the provisions of section 4975 shall apply, and

"(C) the statutory period for the assessment of any tax imposed by section 4975 shall not expire before the date which is 3 years from the later of—

"(i) the allocation of employer securities relating to the transaction under paragraph (1) giving rise to such tax, or "(ii) the date on which the Secretary is notified of such failure.

"(3) NONALLOCATION YEAR.—For purposes of this subsection—

"(A) IN GENERAL.—The term ‘nonallocation year’ means, in the case of any allocation of such stock made by an employee stock ownership plan if, at any time during such plan year—

"(i) such plan holds employer securities constituting 10 percent or more of the stock of such plan, and "(ii) disqualified individuals own at least 50 percent of the number of outstanding shares of stock in such S corporation.

"(B)ATTRIBUTION RULES.—For purposes of subparagraph (A)—

"(i) IN GENERAL.—The rules of section 318(a) shall apply for purposes of determining ownership, except that—

"(I) in applying paragraph (1) thereof, the members of an individual’s family shall include members of the family described in paragraph (4)(D), and "(II) paragraph (4) thereof shall not apply.

"(ii) DEEMED-OWNED SHARES.—Notwithstanding the employment trust exception in section 318(a)(2)(B)(i), disqualified individuals shall be treated as owning deemed-owned shares.

"(4) DISQUALIFIED INDIVIDUAL.—For purposes of this subsection—

"(A) IN GENERAL.—The term ‘disqualified individual’ means any individual who is a participant or beneficiary under the employee stock ownership plan if—

"(I) the aggregate number of deemed-owned shares of such individual and the members of the individual’s family is at least 20 percent of the number of outstanding shares of stock in the S corporation constituting employer securities of such plan, or "(II) if such individual is not described in clause (i), the number of deemed-owned shares of such individual is at least 10 percent of the number of outstanding shares of stock in such corporation.

"(B) TREATMENT OF FAMILY MEMBERS.—In the case of a disqualified individual described in subparagraph (A)(i), any member of the individual’s family with deemed-owned shares shall be treated as a disqualified individual if not otherwise a disqualified individual under subparagraph (A).

"(C) DEEMED-OWNED SHARES.—For purposes of this paragraph—

"(I) IN GENERAL.—The term ‘deemed-owned shares’ means, with respect to any participant or beneficiary under the employee stock ownership plan—

"(I) the stock in the S corporation constituting employer securities of such plan which is allocated to such participant or beneficiary under the plan, and "(II) such participant’s or beneficiary’s shares in any stock of such corporation which is held by such trust but which is not allocated under the plan to employees.
**SEC. 1219. ALLOCATION OF BASIS ON TRANSFERS OF CONTROL IN CERTAIN NON-RECOGNITION TRANSACTIONS**

(a) TRANSFERS TO CORPORATIONS.—Section 351 (relating to transfer to corporation controlled by transferor) is amended by redesignating subsection (h) or subsection (i) and by inserting after subsection (g) the following new subsection:

(1) TRANSFERS OF LESS THAN ALL SUBSTANTIAL RIGHTS.—

(A) IN GENERAL.—A transfer of an interest in intangible property (as defined in section 367(h)(3)(B)) shall be treated under this section as a transfer of property even if the transfer is of less than all of the substantial rights of the transferor in the property.

(B) ALLOCATION OF BASIS.—In the case of a transfer of less than all of the substantial rights of the transferor in the intangible property, the transferor's basis immediately before the transfer shall be allocated among the rights retained by the transferor and the rights transferred, in accordance with their respective fair market values.

(C) NONRECOGNITION NOT TO APPLY TO INTANGIBLE PROPERTY DEVELOPED FOR TRANSFERNER.—This section shall not apply to a transfer of an intangible property developed by the transferor if the transferor or any related person if such development was pursuant to an arrangement with the transferee.

(b) TRANSFERS TO PARTNERSHIPS.—Subsection (d) of section 721 is amended to read as follows:

(1) TRANSFERS OF INTANGIBLE PROPERTY.—

(A) IN GENERAL.—Rules similar to the rules of section 367(h)(2) shall apply for purposes of this section.

(B) TRANSFERS TO FOREIGN PARTNERSHIPS.—For regulatory authority to treat intangibles transferred to a partnership as sold, see section 367(d)(3).

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

**SEC. 1221. DISTRIBUTIONS TO A CORPORATE PARTNER OF STOCK IN ANOTHER CORPORATION**

(a) IN GENERAL.—Section 302(b)(1) (relating to stock appreciation right, phantom stock, sock appreciation right, phantom stock held by the trust in the amount of the individual's share of unallocated S corporation stock or other property held by the trust) is amended—

(1) by striking "the principal purpose" and inserting "a principal purpose", and

(2) by striking "on the exchange" in sub-paragraph (A).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers on or after December 31, 2009.

**TITLE XIII—COMPLIANCE WITH CONGRESSIONAL BUDGET ACT**

SEC. 1301. SUNSET OF PROVISIONS OF ACT

All provisions of, and amendments made by, this Act which are in effect on September 30, 2009, shall cease to apply as of the close of September 30, 2009.
At the appropriate place add the following:

To amend the Internal Revenue Code of 1986 to clarify that any amount allowable as a child tax credit under section 24 or an earned income credit under section 32 shall not be treated as income for purposes of any means-tested Federal program.

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

SECTION 1. COORDINATION OF CHILD TAX CREDIT WITH CERTAIN MEANS-TESTED PROGRAMS.

Section 24 of the Internal Revenue Code of 1986 (relating to child tax credit) is amended by adding at the end the following new subsection:

(3) Coordination with certain means-tested programs.—Any refund or credit made to an individual by reason of this section shall not be treated as income or receipts (or taken into account in determining resources) for purposes of determining—

(1) the eligibility of the individual or any other individual for any month for benefits or assistance under any Federal program or any State or local program financed in whole or in part with Federal funds, or

(2) the amount or extent of such benefits or assistance.

SECTION 2. FLAT TAX ON INDIVIDUAL TAXABLE EARNED INCOME AND BUSINESS INCOME.

(a) In General.—Subchapter A of chapter 1 of title 26 shall be as follows:

"Subchapter A—Determination of Tax Liabilities

′Part I. Tax on individuals.

′Part II. Tax on business activities.

′PART I—TAX ON INDIVIDUALS

′Sec. 1. Tax imposed.

′Sec. 2. Standard deduction.

′Sec. 3. Deduction for cash charitable contributions.

′Sec. 4. Deduction for home acquisition indebtedness.

′Sec. 5. Definitions and special rules.

′SECTION 1. TAX IMPROVED.

′(a) Imposition of Tax.—There is hereby imposed on every individual a tax equal to 20 percent of the taxable earned income of such individual.

′(b) Taxable Earned Income.—For purposes of this section, the term 'taxable earned income' means the excess (if any) of—

(I) the earned income received or accrued during the taxable year, over

(II) the sum of—

(A) the standard deduction,

(B) the deduction for cash charitable contributions, and

(C) the deduction for home acquisition indebtedness, for such taxable year.

′(c) Earned Income.—For purposes of this section:

(1) In General.—The term 'earned income' means wages, salaries, or professional fees, and other amounts received from sources within the United States as compensation for personal services actually rendered, but does not include that part of compensation derived by the taxpayer for personal services rendered by the taxpayer to a corporation which represents a distribution of earnings or profits rather than a reasonable allowance as compensation for the personal services actually rendered.

(2) Taxpayer engaged in trade or business.—In the case of a taxpayer engaged in a trade or business in which both personal services and capital are material income-producing factors, under regulations prescribed by the Secretary, a reasonable allowance as compensation for the personal services rendered may be multiplied, if the compensation derived by the taxpayer from personal services actually rendered is in excess of 30 percent of the taxpayer's share of the net profits of such trade or business, shall be considered as earned income.

′SECTION 2. STANDARD DEDUCTION.

′(a) In General.—For purposes of this subchapter, the term 'standard deduction' means the sum of—

(I) the basic standard deduction, plus

(II) the additional standard deduction.

′(b) Basic Standard Deduction.—For purposes of subsection (a), the basic standard deduction is—

(1) $17,500 in the case of—

(A) a joint return, and

(B) a surviving spouse (as defined in section 5(b)), and

(2) $15,000 in the case of a head of household (as defined in section 5(b)), and

(3) $10,000 in the case of an individual—

(A) who is not married and who is not a surviving spouse (as defined in section 5(b)), and

(B) who is a married individual filing a separate return.

′(c) Additional Standard Deduction.—For purposes of subsection (a), the additional standard deduction is—

$5,000 for each dependent (as defined in section 5(d))—

(1) whose earned income for the calendar year in which the tax year begins is less than the basic standard deduction specified in subsection (b)(3), or

(2) who is a child of the taxpayer and who—

(A) has not attained the age of 19 at the close of the calendar year in which the taxable year of the taxpayer begins, or

(B) a student who has not attained the age of 24 at the close of the calendar year.

′(d) Inflation Adjustment.—

(1) In General.—In the case of any taxable year beginning after 1999, each dollar amount contained in subsection (b) and (c) shall be increased by an amount equal to—

such dollar amount, multiplied by

(2) the cost-of-living adjustment under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 1996' for 'calendar year 1992' in subparagraph (B) of such section.

′(2) Rounding.—If any increase determined under paragraph (1) is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.

′(e) Charitable Contribution Defined.—

(1) State, a possession of the United States, or any political subdivision of any of the foregoing, or the United States, and the District of Columbia, but only if the contribution or gift is made for exclusively public purposes.

(2) A corporation, trust, or community chest, fund, or foundation—

(A) created or organized in the United States or in any possession thereof, or under the laws of the United States, any State, the District of Columbia, or any possession of the United States, or

(B) organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the production of athletic facilities or equipment), or for the prevention of cruelty to children or animals.

(C) no part of the net earnings of which inures to the benefit of any private shareholder or individual, and

(D) which is not disqualified for tax exemption under section 501(c)(3) by reason of attempting to influence legislation, and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf (or in opposition to) any candidate for public office.

A contribution or gift by a corporation to a trust, chest, fund, or foundation shall be deductible by reason of this paragraph only if it is to be used within the United States or any of its possessions exclusively for purposes specified in subparagraph (B), Rules similar to the rules of section 501(c)(3) shall apply for purposes of this paragraph.

(3) A post or organization of war veterans, or an auxiliary unit or society of, or trust or foundation for, any such post or organization may not be treated as excluded from the limitation of section 501(c)(3) by reason of attempting to influence legislation, and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf (or in opposition to) any candidate for public office.

A contribution or gift by a corporation to a trust, chest, fund, or foundation shall be deductible by reason of this paragraph only if it is to be used within the United States or any of its possessions exclusively for purposes specified in subparagraph (B), Rules similar to the rules of section 501(c)(3) shall apply for purposes of this paragraph.

(4) Any political organization or national or international amateur sports activity described in section 501(c)(3) which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf (or in opposition to) any candidate for public office.

A contribution or gift by a corporation to a trust, chest, fund, or foundation shall be deductible by reason of this paragraph only if it is to be used within the United States or any of its possessions exclusively for purposes specified in subparagraph (B), Rules similar to the rules of section 501(c)(3) shall apply for purposes of this paragraph.

(5) Any campaign organization or national or international amateur sports activity described in section 501(c)(3) which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf (or in opposition to) any candidate for public office.

A contribution or gift by a corporation to a trust, chest, fund, or foundation shall be deductible by reason of this paragraph only if it is to be used within the United States or any of its possessions exclusively for purposes specified in subparagraph (B), Rules similar to the rules of section 501(c)(3) shall apply for purposes of this paragraph.
"(B) no part of the net earnings of which serves the purpose of any private shareholder or individual.

"(4) In the case of a contribution or gift by an individual, a domestic fraternal society, order, or association, or corporation structured solely for the purpose of providing medical care to patients, as a medical institution, but only if such contribution or gift is to be used exclusively for religious, charitable, scientific, literary, or educational purposes for the prevention of cruelty to children or animals.

"(5) A cemetery company owned and operated exclusively for the benefit of its members, or an organization chartered solely for the purpose of conducting activities for the benefit of any private shareholder or individual, is not operated for profit and none of the net earnings of such company or corporation inures to the benefit of any private shareholder or individual. For purposes of this section, the term 'charitable contribution' also means an amount treated under subsection (d) as paid for the use of an organization described in paragraph (2), (3), or (4).

"(c) ALLOWANCE OF DEDUCTION IN CERTAIN CASES AND SPECIAL RULES.—

"(1) SUBSTANTIATION REQUIREMENT FOR CERTAIN CONTRIBUTIONS.—

"(A) GENERAL RULE.—No deduction shall be allowed under subsection (a) for any contribution of $250 or more unless the taxpayer substantiates the contribution by contemporaneous written acknowledgment of the contribution by the donee organization that meets the requirements of subparagraph (B).

"(B) CONTENT OF ACKNOWLEDGMENT.—An acknowledgment meets the requirements of this subparagraph if it includes the following information:

(i) The amount of cash contributed.

(ii) Whether the donee organization provided any goods or services in consideration, in whole or in part, for any contribution described in clause (i).

(iii) A description and good faith estimate of the value of any goods or services referred to in clause (ii) or, if such goods or services consist solely of intangible religious benefits, a statement to that effect.

For purposes of this subparagraph, the term 'intangible religious benefit' means any benefit other than a dependent, as defined in section 5(d), or a relative of the taxpayer) as a member of the taxpayer's household during the period the individual is a member of the taxpayer's household under a written agreement between the taxpayer and the organization described in paragraph (2), (3), or (4).

(B) NO PART OF THE NET EARNINGS OF WHICH SERVES THE PURPOSE OF ANY PRIVATE SHAREHOLDER OR INDIVIDUAL.—

"(i) The amount paid to maintain certain students as members of taxpayer's household.

"(I) IN GENERAL.—Subject to the limitations provided by paragraph (2), amounts paid by the taxpayer to maintain an individual (other than a dependent, as defined in section 5(d), or a relative of the taxpayer) as a member of the taxpayer's household during the period the individual is a member of the taxpayer's household under a written agreement between the taxpayer and the organization described in paragraph (2), (3), or (4), shall be treated as amounts paid for the use of the organization.

"(ii) Compensation or reimbursement.—If the taxpayer receives any money or other property as compensation or reimbursement for maintaining the individual in the taxpayer's household during the period described in paragraph (1), the amount described in paragraph (1) shall be treated as amounts paid for the use of the organization.

"(B) NO OTHER AMOUNT ALLOWED AS DEDUCTION.—

"(i) The date on which the taxpayer files a return for the taxable year in which the contribution was made.

"(ii) The due date (including extensions) for filing such return.

"(D) SUBSTANTIATION NOT REQUIRED FOR CONTRIBUTIONS REPORTED BY THE DONOR ORGANIZATION.—Subparagraph (A) shall not apply to a contribution if the donee organization files a return, on such form and in accordance with such regulations as the Secretary may prescribe, which includes the information described in subparagraph (B) with respect to the contribution.

"(E) PENALTY.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations that may provide that some or all of the requirements of this paragraph do not apply in appropriate cases.

"(2) DENIAL OF DEDUCTION WHERE CONTRIBUTIONS SUPPORTS CERTAIN ACTIVITIES.—No deduction shall be allowed under this section for a contribution to an organization which conducts activities to which section 11(d)(2)(C)(i) applies unless matters of direct financial interest to the donor or his business, if a principal purpose of the contribution was to avoid Federal income tax by securing a deduction for such activities under section 11(d)(2)(C) if the donor had conducted such activities directly. No deduction shall be allowed under section 11(d)(2)(C) if any amount for which a deduction is disallowed under the preceding sentence.

"(d) AMOUNTS PAID TO MAINTAIN CERTAIN STUDENTS AS MEMBERS OF TAXPAYER'S HOUSEHOLD.—

"(1) IN GENERAL.—Subject to the limitations provided by paragraph (2), amounts paid by the taxpayer to maintain an individual as a member of the taxpayer's household under a written agreement between the taxpayer and an organization described in paragraph (2), (3), or (4).

"(ii) the due date (including extensions) for filing such return.

"(b) OTHER CROSS-REFERENCES.—

"(1) For treatment of certain organizations providing child care, see section 501(k).

"(2) For charitable contributions of partners, see section 702.

"(3) For treatment of gifts for benefit of or use in connection with the Naval Academy as gifts to or for the use of the United States, see section 6973 of title 10, United States Code.

"(4) For treatment of gifts accepted by the Secretary of State, the Director of the International Communication Agency, or the Director of the United States International Development Cooperation Agency, as gifts to or for the use of the United States, see section 25 of the State Department Basic Authorities Act of 1966.

"(5) For treatment of gifts of money accepted by the Attorney General for credit to the 'Commissary Funds, Federal Prisons' as gifts to or for the use of the United States, see section 402 of title 42, United States Code.

"(6) For charitable contributions to or for the use of Indian tribal governments (or subdivisions of such governments), see section 7871.

§§ 4. DEDUCTION FOR HOME ACQUISITION INDEBTEDNESS.

"(a) GENERAL RULE.—For purposes of this part, there shall be allowed as a deduction all qualified residence interest paid or accrued within the taxable year.

"(b) QUALIFIED RESIDENCE INTEREST DEFERRED.—The term 'qualified residence interest' means any interest which is paid or accrued during the taxable year on acquisition indebtedness with respect to any qualified residence to which the preceding sentence applies.

"(c) ACQUISITION INDEBTEDNESS.—

"(1) IN GENERAL.—The term 'acquisition indebtedness' means any indebtedness which is incurred in connection with the acquisition, construction, or substantially improving any qualified residence of the taxpayer, and...
"(B) is secured by such residence.

Such term ' indebtedness ' means—

"The aggregate amount treated as acquisition indebtedness for any period shall not exceed $100,000 ($50,000 in the case of a married individual filing a separate return).

"(d) Treatment of Indebtedness Incurred or On or Before October 13, 1987.—

"(1) In General.—In the case of any pre-October 13, 1987, indebtedness—

"(A) such indebtedness shall be treated as acquisition indebtedness, and

"(B) the limitation of subsection (c)(2) shall not apply.

"(2) Reduction in $100,000 Limitation.—The limitation of subsection (c)(2) shall be reduced (but not below zero) by the aggregate amount of outstanding pre-October 13, 1987, indebtedness.

"(3) Pre-October 13, 1987, Indebtedness.—The term 'pre-October 13, 1987, indebtedness' means—

"(A) any indebtedness which was incurred on or before October 13, 1987, and which was secured by a qualified residence on October 13, 1987, and thereafter before the interested is paid or accrued, or

"(B) any indebtedness which is secured by the qualified residence and was incurred after October 13, 1987, to refinance indebtedness described in subparagraph (A) (or refinance indebtedness meeting the requirements of this subparagraph) to the extent (immediately before the refinancing) the principal amount of the indebtedness resulting from the refinancing does not exceed the principal amount of the refinanced indebtedness (immediately before the refinancing).

"(4) Limitation on Period of Refinancing.—Subparagraph (B) of paragraph (3) shall not apply to any indebtedness after—

"(A) the final determination of the term of the indebtedness described in subparagraph (A), or

"(B) if the principal of the indebtedness described in subparagraph (A) is not amortized over the stated term of such indebtedness, the first refinancing of such indebtedness (or if earlier, the date which is 30 years after the date of such first refinancing).

"(e) Other Definitions and Special Rules.—For purposes of this section—

"(1) Qualified Residence.—For purposes of this subsection—

"(A) In General.—Except as provided in subparagraph (B), the term 'qualified residence' means the principal residence of the taxpayer.

"(B) Married Individuals Filing Separate Returns.—If a married couple does not file a joint return for the taxable year—

"(i) such couple shall be treated as 1 taxpayer for purposes of subparagraph (A), and

"(ii) each individual shall be entitled to take into account ½ of the principal residence unless both individuals consent in writing to the individual taking into account the principal residence.

"(C) Pre-October 13, 1987, Indebtedness.—In the case of any pre-October 13, 1987, indebtedness, any qualified residence has the meaning given that term in section 168(h)(4), as in effect on the day before the date of enactment of this subparagraph.

"(2) Certain Married Individuals Living Apart.—Any indebtedness secured by stock held by the taxpayer as a tenant-stockholder in a cooperative housing corporation shall be treated as secured by the house or apartment which the taxpayer is entitled to occupy as such a tenant-stockholder.

"(3) Special Rule where Deceased Spouse was in Missing Status.—If an individual was—

"(i) in a missing status (within the meaning of section 6013(f)(3)) as a result of service in a combat zone and if such individual remains in such status until the date referred to in subparagraph (A)(ii) of paragraph (1)(A), the date on which such individual dies shall be treated as the earlier of the date determined under subparagraph (A) or the date determined under subparagraph (B):

"(A) The date on which the determination is made under section 566 of title 37 of the United States Code (relating to title 5 of such Code (whichever is applicable) that such individual died while in such missing status, or

"(B) Except in the case of the combat zone designated for purposes of the Vietnam conflict, the date which is 2 years after the date designated as the date of termination of such zone.
‘(A) A son or daughter of the taxpayer, or an standoff of either.

‘(B) A stepparent or a step-daughter of the taxpayer.

‘(C) A brother, sister, stepbrother, or stepsister of the taxpayer, or a stepchild of either.

‘(D) The taxpayer’s parent, the taxpayer’s spouse, or an ancestor of either.

‘(E) A stepfather or stepmother of the taxpayer.

‘(F) A son or daughter of a brother or sister of the taxpayer.

‘(G) A brother or sister of the father or mother of the taxpayer.


‘(I) An individual (other than an individual who at any time during the taxable year was the spouse, determined without regard to section 7103, of the taxpayer) who, for the taxable year of the taxpayer, has as such individual’s principal place of abode the home of the taxpayer and is a member of the taxpayer’s household.

‘(2) RULES RELATING TO GENERAL DEFINITION.—For purposes of this section—

‘(A) BROTHER; SISTER.—The terms ‘brother’ and ‘sister’ include a brother or sister by the half blood.

‘(B) CHILD.—In determining whether any of the relationships specified in paragraph (1) or subparagraph (A) of this paragraph exists, a legally adopted child of an individual (and a child who is a member of an individual’s household, if placed with such individual by an authorized placement agency for legal adoption by such individual), or a foster child of an individual (if such child satisfies the requirements of paragraph (1)(a) with respect to such individual), shall be treated as a child of such individual by blood.

‘(C) CITIZENSHIP.—The term ‘dependent’ does not include any individual who is not a citizen or national of the United States unless such individual is a resident of the United States or of a country contiguous to the United States. The preceding sentence shall not exclude from the definition of ‘dependent’ the noncustodial parent (as defined in paragraph (2)(B)) of a child if—

‘(i) the noncustodial parent is not the custodial parent.

‘(ii) the noncustodial parent attaches such written declaration (in such manner and form as the Secretary may by regulations prescribe) that such person will not claim such individual as a dependent for any taxable year beginning in such calendar year.

‘(3) SPECIAL SUPPORT TEST IN CASE OF STUDENTS.—For purposes of paragraph (1), in the case of any individual, (A) a student, or (B) a student’s parent.

‘(4) SUPPORT TEST IN CASE OF CHILD OF DIVORCED PARENTS, ETC.—For purposes of paragraph (1), ‘(A) a child, and (B) the custodial parent, if—

‘(i) the custodial parent signs a written declaration (in such manner and form as the Secretary may by regulations prescribe) that such custodial parent will not claim such child as a dependent for any taxable year beginning in such calendar year, and

‘(ii) the noncustodial parent attaches such written declaration to the noncustodial parent’s return for the taxable year beginning in such calendar year.

‘(5) SUPPORT RELEASES CLAIM TO EXEMPTION FOR THE TAXABLE YEAR BEGINNING IN SUCH CALENDAR YEAR.—For purposes of this clause, the term ‘noncustodial parent’ means the parent who is not the custodial parent.

‘(B) EXCEPTION FOR MULTIPLE SUPPORT AGREEMENT.—This paragraph shall not apply in any case in which the support of the child is treated as having been received from a taxpayer under the provisions of paragraph (3).

‘(C) EXCLUSION FOR CERTAIN PRE-1985 INSTRUMENTS.—

‘(i) IN GENERAL.—A child of parents described in subparagraph (A) shall be treated as having received over one-half of such child’s support during a calendar year from the noncustodial parent if—

‘(1) a qualified pre-1985 instrument between the parents applicable to the taxable year beginning in such calendar year provides that the noncustodial parent shall be entitled to any deduction allowable under section 151(b) for such child during such calendar year.

‘(ii) (I) the noncustodial parent provides at least $600 for the support of such child during such calendar year.

‘(ii) (II) the noncustodial parent has provided amounts for such support in any of the 3 preceding calendar years.

‘(ii) (III) the noncustodial parent shall not be considered to have received the support of such child during any of such 3 calendar years.

‘(ii) (IV) the noncustodial parent has not provided for such child any qualified pre-1985 instrument that applies to the current taxable year.

‘(B) PURCHASES OF GOODS AND SERVICES EXCLUDED.—Such term shall not include purchases of goods and services provided to employees performing services in such activity, and

‘(C) CERTAIN LOBBYING AND POLITICAL EXPENDITURES EXCLUDED.—

‘(i) IN GENERAL.—Each such term shall not include any amount paid or incurred in connection with—

‘(ii) influencing legislation,
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SEC. 5. EFFECTIVE DATES.

(a) IN GENERAL.—Except as provided in subsection (b), the amendments made by this Act apply to taxable years beginning after December 31, 1999.

(b) REPEAL OF ESTATE AND GIFT TAXES.—

The repeal made by section 3 applies to estates of decedents dying, and transfers made, after December 31, 1999.

(c) TECHNICAL AND CONFORMING CHANGES.—

The Secretary of the Treasury or the Secretary’s delegate shall, as soon as practicable but in any event not later than 90 days after the date of enactment of this Act, submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a draft of any technical and conforming changes in the Internal Revenue Code of 1986 which are necessary to reflect throughout such Code the changes in the substantive provisions of law made by this Act.

GRASSLEY AMENDMENTS NOS. 1387–1388

Ordered to be printed on the table.}

Mr. GRASSLEY submitted two amendments intended to be proposed by him to the bill, S. 1429, supra; as follows:

AMENDMENT NO. 1387

On page 38, after line 24, add the following:
Section 517 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1147) is amended—

(1) in subsection (a), by striking “2001 and 2005 on or after September 1 of each year involved” and inserting “2001, 2005, and 2009 in the month of September of each year involved”; and

(2) in subsection (b), by adding at the end the following new sentence: “To effectuate the purpose of this paragraph, the Secretary may enter into a cooperative agreement, pursuant to the Federal Grant and Cooperative Agreement Act of 1977 (31 U.S.C. 6301 et seq.), with the American Savings Education Council.”

SEC. 11. PLACED-IN-SERVICE DEFINITION.

(1) IN GENERAL.—Section 402(f) of the Internal Revenue Code of 1986 is amended—

(A) by inserting “and the Workforce of the House of Representatives;” after “the Committee on Education and the Workforce of the House of Representatives;”;

(B) by redesignating subparagraph (J) as subparagraph (K); and

(C) by redesignating subparagraph (K) as subparagraph (J).

(2) EFFECTIVE DATE.—The amendments made by this section apply to contributions made after December 31, 1999.
(d) Section 29(g) is amended by adding new paragraphs (A)(i), (B)(i), and (C) of subsection (A). (e) Section 48(i) is amended by adding new paragraphs (c) and (d).

SEC. 4A. ENERGY CREDIT.

(a) In general.—For purposes of section 48(i), the energy credit for any taxable year is the amount equal to the energy percentage of the basis of energy property placed in service during such taxable year.

(b) Energy Percentage.—(1) In general.—Except as otherwise provided in this subsection, the energy percentage is 10 percent.

(2) Combined heat and power property.—The energy percentage is 8 percent in the case of combined heat and power property.

(3) Period for which credit is allowed for combined heat and power property.—In the case of combined heat and power property, the credit under subsection (a) shall be allowed only for the period beginning on January 1, 2000 and ending on December 31, 2002.

(4) Coordination with rehabilitation.—The energy percentage does not apply to that portion of the basis of any property which is attributable to qualified rehabilitation expenditures.

(5) Transition rules.—Rules similar to the rules of section 46(h) (as in effect on the date before the date of the enactment of the Revenue Reconciliation Act of 1990) shall apply for purposes of this subsection.

(c) Energy Property Defined.—(1) In general.—For purposes of this subsection, the term ‘energy property’ means any property—

(A) which is used in the generation of electricity for primary use—

(i) in a nonresidential real or residential rental property used in the taxpayer’s trade or business, or

(ii) in the taxpayer’s industrial manufacturing process or plant activity, with a rated total capacity in excess of 500 kilowatts,

(B) which also may produce usable thermal or mechanical energy for use in a heating or cooling application, as long as at least 40 percent of the total useful energy produced consists of—

(i) with respect to assets described in subparagraph (A)(i), electrical power (whether sold or used by the taxpayer), or

(ii) with respect to assets described in subparagraph (A)(ii), electrical power (whether sold or used by the taxpayer) and thermal or mechanical energy used in the taxpayer’s industrial manufacturing process or plant activity,

(C) which is not used to transport primary fuel to the generating facility or to distribute energy within or outside of the facility, and

(D) where it is reasonably expected that not more than 50 percent of the produced electricity will be sold to, or used by, unrelated persons.

For purposes of subparagraph (B), energy output is determined on the basis of expected annual output levels, measured in British thermal units (Btu), using standard conversion factors established by the Secretary.

(2) Subparagraph (B) of section 168(g)(3) is amended by inserting after the item relating to subparagraph (E)(iii) in the table contained therein the following new line:

(E)(iv) ‘(iv) 22’.

(c) Effective date.—The amendments made by this section are effective for property placed in service on or after the date of enactment.

SEC. 2. TAX CREDIT FOR COMBINED HEAT AND POWER SYSTEM PROPERTY.

(a) In general.—Subpart E of part IV of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 61(c)(2)(B) the following new section:

‘‘SEC. 61A. ENERGY CREDIT.—

(1) Definition of term.—The term ‘combined heat and power system property’ means property comprising a system—

(A) to generate electricity, up to (but not including) the electrical transmission stage,

(B) with electrical capacity of more than 50 kilowatts or a mechanical energy capacity of more than 67 horsepower or both, in combination with the generation of steam or other forms of useful thermal energy (including heating and cooling applications), and

(C) which produces—

(i) at least 20 percent of its total useful energy in the form of thermal energy, and

(ii) at least 20 percent of its total useful energy in the form of mechanical or electrical power (as a combination thereof), and

(iv) the energy efficiency percentage of which exceeds 60 percent (70 percent in the case of a system with an electrical capacity of 67,000 horsepower (or a combination thereof).

(B) Special rules.—(i) Energy efficiency percentage.—For purposes of subparagraph (A)(iv), the energy efficiency percentage of a system is the fraction—

(A) with respect to the numerator of which is the total useful electrical, thermal, and mechanical power produced by the system at normal operating rates, and

(B) with respect to the denominator of which is the lower heating value of the primary fuel source for the system.

(ii) Determinations made on an annual basis.—The term ‘combined heat and power system property’ does not include property used to transport the energy source to the facility or to distribute energy produced by the facility.

(iv) Accounting rule for public utility property.—In the case that combined heat and power system property is public utility property as defined in section 48(f)(6) as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990, the taxpayer may claim the credit under subsection (a)(1) only, if with respect to such property, the taxpayer uses a normal accounting method of accounting.

(v) Determination of basis.—No credit shall be allowed for any combined heat and power system property unless the taxpayer elects to treat such property for purposes of section 168 as having a class life of not less than 22 years.

(e) Special rules.—(i) Special rule for property financed by subsidized energy financing or industrial development bonds.—

(1) Reduction of basis.—For purposes of paragraph (a), the term ‘combined heat and power system property’, for purposes of section 168 as having a class life of not less than 22 years.

(ii) Special rules.—

(A) Subsection (a) applies to property to the extent that such property is financed in whole or in part by—

(i) a federal, state, or local government (or a qualified private activity bond (within the meaning of section 141) the interest on which is exempt from tax under section 103, the amount taken into account as interest on such bond, or any combination thereof.

(ii) a public energy corporation (as defined in section 48(f)(6)(B) as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990), the amount taken into account as interest on such bond, or any combination thereof.

(E) to provide solar process heat.

(D) with special characteristics, as such term is defined in section 168(f)(1)(A), or

(ii) which is acquired by the taxpayer if

(A) the construction, reconstruction, or alteration is done by the taxpayer (or a person related to the taxpayer), and

(B) which has an electrical capacity of

(i) which uses the same energy source for

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CONGRESSIONAL RECORD—SENATE

July 28, 1999
"Mr. SPECTER submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

SEC. 48. REFORESTATION CREDIT.
(a) In General.—For purposes of section 46, the credit for any taxable year is 10 percent of the portion of the amortizable basis of any qualified timber property which was acquired during such taxable year and which is taken into account under section 194 (after the application of section 194(b)(1)).
(b) Definitions.—For purposes of this subsection, the terms 'amortizable basis' and 'qualified timber property' have the respective meanings given to such terms by section 48A.

(2) Subsection (d) section 39 of such Code is amended by adding at the end the following new paragraph:

"No carryback of energy credit before effective date.—No portion of the unused business credit for any taxable year which is attributable to the energy credit determined under section 48A, except for the credit determined with respect to solar energy property and geothermal energy property, may be carried back to a taxable year ending before the date of the enactment of section 48A."

(c) Paragraph (3) of section 50(c) of such Code is amended by adding at the end the following new clause:

"In the case of the energy credit, the preceding sentence shall apply only to such credit as relates to solar energy property and geothermal property (as such terms are defined in section 69A(e))."

(d) Subclause (III) of section 29(b)(3)(A)(I) of such Code is amended by striking "section 48A(a)(4)(C)" and inserting "section 48A(g)(1)(C)".

(e) Subparagraph (E) of section 50(a)(2) of such Code is amended by striking "section 48A(g)(1)(C)" and inserting "section 48A(g)(1)(B)".

(f) Subparagraph (B) of section 168(e)(3) of such Code is amended—

(A) in clause (vi)(I) by striking "section 48A(c)(3)" and inserting "paragraphs (1) and (2) of section 48A(d)", and

(B) in the last sentence by striking "section 48A(c)(3)" and inserting "section 48A(c)(2)".

(g) Subparagraph (E) of section 168(e)(3) of such Code, as amended by section 60(g)(3), is further amended by striking "and" at the end of clause (ii), by striking the period at the end of clause (iv) and inserting "and", and by inserting after clause (iv) the following new clause:

"(v) any combined heat and power system property (as defined in section 48A(d)(4)) for which a credit is followed under section 48A and which, but for this clause, would have a recovery period of less than 15 years."

The table contained in subparagraph (B) of section 168(g)(3) of such Code, as amended by section 60(g)(3), is further amended by adding at the end the following new item:

"11. "(c) Clerical Amendment.—The table of sections for part IV of chapter 1 of such Code is amended by striking the item relating to section 48 and inserting the following new items:

"Sec. 48. Reforestation credit.
"Sec. 46A. Energy credit.

(d) Effective Date.—The amendments made by this section shall apply to periods after December 31, 1999, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SPECTER AMENDMENT NO. 1392
(Order to lie on the table.)
Mr. SPECTER. Mr. President, for the record, I would like to present the following:

SEC. 48. BIOTECHNOLOGY INVESTMENT TAX CREDIT.
(a) Allowance of Credit.—Section 46(a) (relating to amount of investment credit) is amended by striking "and" at the end of clause (ii), by striking the period at the end of paragraph (3) and inserting "and", and by adding at the end the following new paragraph:

"(4) the biotechnology investment credit."

(b) Amount of Credit.—Section 48 is amended by adding at the end the following new subsection:

"(c) Biotechnology Investment Credit.—
"(1) In General.—For purposes of this subparagraph, the term 'biotechnology property' means a property which is used by a taxpayer during such taxable year which is attributable to the energy credit determined under section 48A, except for the credit determined with respect to solar energy property and geothermal property, may be carried back to a taxable year ending before the date of the enactment of section 48A."

(c) Paragraph (3) of section 50(c) of such Code is amended by adding at the end the following new clause:

"In the case of the energy credit, the preceding sentence shall apply only to such credit as relates to solar energy property and geothermal property (as such terms are defined in section 69A(e))."

(d) Subclause (III) of section 29(b)(3)(A)(I) of such Code is amended by striking "section 48A(a)(4)(C)" and inserting "section 48A(g)(1)(C)".

(e) Subparagraph (E) of section 50(a)(2) of such Code is amended by striking "section 48A(g)(1)(C)" and inserting "section 48A(g)(1)(B)".

(f) Subparagraph (B) of section 168(e)(3) of such Code is amended—

(A) in clause (vi)(I) by striking "section 48A(c)(3)" and inserting "paragraphs (1) and (2) of section 48A(d)", and

(B) in the last sentence by striking "section 48A(c)(3)" and inserting "section 48A(c)(2)".

(g) Subparagraph (E) of section 168(e)(3) of such Code, as amended by section 60(g)(3), is further amended by striking "and" at the end of clause (ii), by striking the period at the end of clause (iv) and inserting "and", and by inserting after clause (iv) the following new clause:

"(v) any combined heat and power system property (as defined in section 48A(d)(4)) for which a credit is followed under section 48A and which, but for this clause, would have a recovery period of less than 15 years."

The table contained in subparagraph (B) of section 168(g)(3) of such Code, as amended by section 60(g)(3), is further amended by adding at the end the following new item:

"11. "(c) Clerical Amendment.—The table of sections for part IV of chapter 1 of such Code, as amended by section 803(b)(2), is further amended by inserting after clause (iv) the following new clause:

"(v) the basis of any new biotechnology property and the cost of any used biotechnology property."

(2) Subparagraph (E) of section 50(a)(2) is amended by striking "section 48A(g)(1)(A)" and inserting "section 48A(g)(1)(B)".

(3) Paragraph (5) of section 50a(a) is amended by adding at the end the following new subparagraph:

"(D) Special Rules for Certain Property.—In the case of any biotechnology property which is 3-year property (within the meaning of section 168(e))—

(i) the percentage set forth in clause (ii) of the table contained in paragraph (1)(B) shall be 66 percent,

(ii) the percentage set forth in clause (iii) of such table shall be 33 percent, and

(iii) clauses (iv) and (v) of such table shall not apply.

(A) The section heading for section 48 is amended to read as follows:

"SEC. 48. OTHER CREDITS.

Part IV of chapter 1 of subchapter A of chapter 1 of such Code is amended by striking the item relating to section 48 and inserting the following:

"Sec. 48. Other Credits."

(d) Effective Date.—The amendments made by this section shall apply to property placed in service after December 31, 1999.

GREGG AMENDMENTS NOS. 1393—1394
(Ordered to lie on the table.)
Mr. GREGG submitted two amendments intended to be proposed by him to the bill, S. 1429, supra; as follows:

AMENDMENT NOS. 1393
On page 265, strike lines 13 through 19, and insert:

(1) In General.—Section 2031(c)(8)(A) (defining land subject to a qualified conservancy agreement) is amended by striking clause (i) and by redesignating clauses (ii) and (iii) as clauses (i) and (ii), respectively.

(2) Certain Progress Expenditure Rules Made Applicable.—Rules similar to rules of subsections (c)(4) and (d) of section 46 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) shall apply for purposes of this subsection.
SECTION 01. PURPOSES.—The purposes of this title are—

(A) choice among public, private, and religious schools for their children;

(B) access to the same academic options as parents in wealthy families have for their children.

SEC. 02. AUTHORIZATION OF APPROPRIATIONS.

(a) IN GENERAL.—There is authorized to be appropriated to carry out this title (other than section 10) $1,000,000,000 for each of fiscal years 2001 through 2003.

(b) EVALUATION.—There is authorized to be appropriated to carry out section 10 $17,000,000 for fiscal years 2001 through 2004.

SEC. 03. PROGRAM AUTHORITY.

(a) IN GENERAL.—The Secretary shall make grants to States, from allotments made under section 04 to enable the States to carry out educational choice programs that provide scholarships, in accordance with this title.

(b) LIMIT ON FEDERAL ADMINISTRATIVE EXPENDITURES.—The Secretary may reserve not more than $1,000,000 of the amounts appropriated under section 02(a) for a fiscal year (other than funds reserved under section 03(b)) as the number of covered children in the State bears to the number of covered children in all such States.

(c) FORMULA.—Not later than 90 days after the date of enactment of this Act, the Secretary shall issue regulations specifying the formula referred to in subsection (a).

(d) LIMIT ON STATE ADMINISTRATIVE EXPENDITURES.—The State shall not be required under this title to pay more than 1 percent of the funds made available under the grant to pay for administrative expenses.

(e) DETERMINATION.—In the case of an application under subsection (a) the term "covered child" means a child who is enrolled in a public school (including a charter school) that is an elementary school or secondary school.

SEC. 04. ALLOTMENTS TO STATES.

(a) ALLOTMENTS.—The Secretary shall make the allotments to States in accordance with a formula specified in regulations issued in accordance with subsection (b). The formula shall provide that the Secretary shall allocate to each State an amount that bears the same relationship to the amounts appropriated under section 02(a) for a fiscal year (other than funds reserved under section 03(b)) as the number of covered children in the State bears to the number of covered children in all such States.

(b) FORMULA.—Not later than 90 days after the date of enactment of this Act, the Secretary shall issue regulations specifying the formula referred to in subsection (a).

(c) LIMIT ON STATE ADMINISTRATIVE EXPENDITURES.—The State shall not be required under this title to pay more than 1 percent of the funds made available under the grant to pay for administrative expenses.

SEC. 05. ELIGIBLE SCHOOLS.

(a) ELIGIBILITY.—Schools identified by a State under paragraph (2) shall be considered to be eligible schools under this title.

(b) PERFORMANCE.—The State shall determine the academic performance of a school under this section based on such criteria as the State may consider to be appropriate.

SEC. 06. SCHOLARSHIPS.

(a) IN GENERAL.—With funds awarded under this title, each State awarded a grant under this title shall provide scholarships to the parents of eligible children, in accordance with subsections (b) and (c).

(b) SCHOLARSHIP AMOUNT.—The amount of each scholarship shall be $2000 per year.
shall be—

(1) a child who is enrolled in a public elementary school or secondary school that is an eligible school; and

(2) a member of a family with a family income that is not more than 200 percent of the poverty line.

(c) AWARD RULES.—

(1) IN GENERAL.—Scholarships under this title shall be considered to aid families, not institutions. For purposes of determining Federal assistance under Federal law, a parent’s eligibility for assistance under this title at a school or for supplementary academic services shall not constitute Federal financial aid or assistance to that school or to the provider of supplementary academic services.

(2) SUPPLEMENTARY ACADEMIC SERVICES.—

(A) IN GENERAL.—Notwithstanding paragraphs (a) and (b), a school that receives scholarship funds under this title shall, as a condition of participation under this title, comply with the provisions of title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794).

(B) REGULATIONS.—The Secretary shall promulgate regulations to implement the provisions of subparagraph (A), taking into account the purpose of this title as the nature, variety, and missions of schools and providers that may participate in providing services to children under this title.

(d) ORGANIZATIONS.—No Federal, State, or local agency may, in any year, take into account Federal funds provided to a State for the payment of any of the costs of any program or services that may participate in providing any other funds from Federal, State, or local resources, or in determining the amount of such assistance, to such State or to a school attended by such child.

(e) NO DISCRETION.—Nothing in this title shall be construed to authorize the Secretary to compensate, supervise, or control over the curriculum, program of instruction, administration, or personnel of any educational institution or school participating in a program under this title.

SEC. 10. EVALUATION.

The Comptroller General of the United States shall conduct an evaluation of the program authorized by this title. Such evaluation shall, at a minimum—

(1) assess the implementation of educational programs provided under this title and their effect on participants, schools, and communities in the school districts served, including parental involvement in, and school participation in, the program and their children’s education;

(2) compare the educational achievement of participating eligible children with the educational achievement of similar non-participating children before, during, and after the program; and

(3) compare—

(A) the educational achievement of eligible children who use scholarships to attend schools other than the schools the children would attend in the absence of the program; with

(B) the educational achievement of children who attend the schools the children would attend in the absence of the program.

SEC. 11. ENFORCEMENT.

(a) REGULATIONS.—The Secretary shall promulgate regulations to enforce the provisions of this title.

(b) PRIVATE CAUSE.—No provision or requirement of this title shall be enforced through a private cause of action.

SEC. 12. DEFINITIONS.

In this title—

(1) CHARTER SCHOOL.—The term “charter school” has the meaning given the term in section 1221a of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.).

(2) ELEMENTARY SCHOOL; LOCAL EDUCATIONAL AGENCY; PRIMARY SCHOOL; STATE EDUCATIONAL AGENCY.—The terms “elementary school,” “local educational agency,” “parent,” “secondary school,” and “State educational agency” have the meanings given the terms in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801).

(3) POVERTY LINE.—The term “poverty line” means the poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2))) applicable to a family of the size involved.

(4) SECRETARY.—The term “Secretary” means the Secretary of Education.

(5) STATE.—The term “State” means each of the 50 States.

Subtitle B—Revenue Provisions

SEC. 21. PHASING OUT OF OIL AND GAS EXPENDITURES FOR SHALLOW GAS PROPERTIES.

Section 263(c) of the Internal Revenue Code of 1986 is amended by adding at the end the following new sentence: "This subsection shall not apply to the applicable percentage of costs incurred in taxable years beginning after December 31, 1999. For purposes of the preceding sentence, the applicable percentage for any taxable year shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>20</td>
</tr>
<tr>
<td>2001</td>
<td>40</td>
</tr>
<tr>
<td>2002</td>
<td>60</td>
</tr>
<tr>
<td>2003</td>
<td>80</td>
</tr>
<tr>
<td>After 2003</td>
<td>100</td>
</tr>
</tbody>
</table>

Subtitle C—Sunset of Alcohol Fuels Incentives

SEC. 22. SUNSET OF ALCOHOL FUELS INCENTIVES.

(a) IN GENERAL.—The provisions of the Internal Revenue Code of 1986 are each repealed:

(1) Section 40 (relating to alcohol used as fuel).

(2) Section 4041(b)(2) (relating to qualified methyl alcohol).

(3) Section 4041(k) (relating to fuels containing alcohol).

(4) Section 4081(c) (relating to taxable fuels mixed with alcohol).

(5) Section 4091(c) (relating to reduced rate of tax for aviation fuel in alcohol mixture, etc.).

(6) Section 6427(f) (relating to gasoline, diesel fuel, kerosene, and aviation fuel used to produce certain alcohol fuels).


(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall take effect on October 1, 1999.

Sec. 23. REPEAL OF ENHANCED OIL RECOVERY CREDIT.

Section 43 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

"(f) TERMINATION.—In the case of taxable years beginning after December 31, 1999, the enhanced oil recovery credit is zero."

Sec. 24. REPEAL OF UNLIMITED PASSIVE LOSS DEDUCTIONS FOR OIL AND GAS PRODUCTION.

Section 469(c)(3) of the Internal Revenue Code of 1986 (relating to working interests in oil and gas property) is amended by adding at the end the following:

"This paragraph shall not apply with respect to any taxable year beginning after December 31, 1999."
§ 25. SUGAR PROGRAM.  
(a) ELIMINATION OF AUTHORITY To Use SUGAR as COLLATERAL for LOANS.—Section 156 of the Agricultural Market Transition Act (7 U.S.C. 1272f) is amended—  
(1) in subsection (d)—  
(A) by striking ‘‘(d)’’ and all that follows through ‘‘A loan under’’ and inserting ‘‘(d) TERM OF LOANS.—A loan under’’;  
(B) by striking paragraph (2) and  
(C) by redesigning subparagraphs (A) and (B) as paragraphs (1) and (2), respectively, and indenting appropriately;  
(2) by redesigning paragraphs (g) and (h), respectively.  
(b) ELIMINATION OF SUGAR PRICE SUPPORT AND PRODUCTION ADJUSTMENT PROGRAMS.—  
(1) IN GENERAL.—Notwithstanding any other provision of law  
(A) a processor of any of the 2003 or subsequent crops of sugarcane or sugar beets shall not be eligible for a loan under any provision of law with respect to the crop; and  
(B) the Secretary of Agriculture may not make price support available, whether in the form of a loan, payment, purchase, or other operation, for any of the 2003 and subsequent crops of sugarcane or sugar beets by using the funds of the Commodity Credit Corporation or other funds available to the Secretary.  
(2) TERMINATION OF MARKETING QUOTAS AND ALLOTMENTS.—  
(A) IN GENERAL.—Part VII of subtitle B of title II of the Agricultural Adjustment Act of 1938 (7 U.S.C. 716a et seq.) is repealed.  
(B) CONFORMING AMENDMENT.—Section 344(f)(2) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1344(f)(2)) is amended by striking ‘‘sugar cane for sugar, sugar beets of 1938 (7 U.S.C. 1344(f)(2)) is amended by 344(f)(2) of the Agricultural Adjustment Act title III of the Agricultural Adjustment Act as subsections (g) and (h), respectively.  
(c) AMENDMENTS TO THE COMMODITY CREDIT CORPORATION.—  
(1) AGRICULTURAL BUDGET ACT OF 1994.—Section 5(a) of the Commodity Credit Corporation Charter Act of 1948 (7 U.S.C. 714d(a)) is amended by striking ‘‘commodity’’ and inserting ‘‘crop.’’  
(2) DESIGNATED NONBASIC AGRICULTURAL COMMODITIES.—Section 641; 7 U.S.C. 612c), is amended in the section beginning ‘‘and sugarcane.’’  
(d) PROVISIONS MADE BY THIS SUBSECTION SHALL APPLY.—  
(1) the $69,246,000,000 unified budget surplus achieved in fiscal year 1989 was entirely due to surpluses generated by the social security trust funds and the cumulative unified budget surpluses projected for subsequent fiscal years are primarily due to surpluses generated by the social security trust funds;  
(2) Congress and the President should balance the budget excluding the surpluses generated by the social security trust funds;  
(3) according to the Congressional Budget Office, balancing the budget excluding the surpluses generated by the social security trust funds will reduce the debt held by the public by a total of $1,859,500,000,000 by the end of fiscal year 2009; and  
(4) social security surpluses should be used for social security reform or to reduce the debt held by the public and should not be spent on other programs.  
§ 31.  PROVISIONS OF THE SOCIAL SECURITY TRUST FUNDS.  
(a) PROTECTION BY CONGRESS.—  
(1) REAFFIRMATION OF STANCE.—Congress reaffirms its stance on the provisions of section 13301 of the Budget Enforcement Act of 1990 that provides that the receipts and disbursements of the social security trust funds shall not be counted for the purposes of the budget submitted by the President, the congressional budget, or the Balanced Budget and Emergency Deficit Control Act of 1985.  
(2) PROTECTION OF SOCIAL SECURITY BENEFITS.—If there are sufficient balances in the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, the Secretary of Treasury shall give priority to the payment of social security benefits required to be paid by law.  
(b) POINTS OF ORDER.—Section 301 of the Congressional Budget Act of 1974 is amended by adding at the end the following:  
‘‘(1) SOCIAL SECURITY POINT OF ORDER.—It shall not be in order in the Senate to consider any bill, joint resolution, amendment, motion, or conference report that would—  
‘‘(A) increase the limit on the debt held by the public in section 253(a) of the Balanced Budget and Emergency Deficit Control Act of 1985; or  
‘‘(B) provide additional borrowing authority that would result in the limit on the debt held by the public in section 253(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 being exceeded.  
‘‘(2) SOCIAL SECURITY SURPLUS PROTECTION POINT OF ORDER.—  
‘‘(1) IN GENERAL.—It shall not be in order in the Senate to consider a concurrent resolution on the budget, an amendment thereto, or a conference report thereon that sets forth a deficit greater than the limit on the debt held by the public and are not spent on other programs.’’.  
(b) AMENDMENTS TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985.—The Balanced Budget and Emergency Deficit Control Act of 1985 is amended—  
(1) in section 250, by striking subsection (b) and inserting the following:  
‘‘(b) GENERAL STATEMENT OF PURPOSE.—This part provides for the enforcement of—  
‘‘(1) a balanced budget excluding the receipts and disbursements of the social security trust funds, and  
‘‘(2) a limit on the debt held by the public to ensure that social security surpluses are used for social security reform or to reduce debt held by the public and are not spent on other programs.’’.  
(2) in section 250(c)(1), by inserting ‘‘debt held by the public, ‘social security surplus’ after ‘or other programs’.’’.  
(3) by inserting after section 253 the following:  
""(B) the deficit for a fiscal year results solely from the enactment of—  
""(1) social security reform legislation, as defined in section 233a(e)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985; or  
""(2) provisions of legislation that are designated as an emergency requirement pursuant to section 251(b)(2)(A) or 252(e) of the Balanced Budget and Emergency Deficit Control Act of 1985;’’.  
(c) SUPERMAJORITY WAIVER AND APPEAL.—  
Subsections (c)(1) and (d)(2) of section 904 of the Congressional Budget Act of 1974 are amended by striking ‘‘305(b)(2),’’ and inserting ‘‘301(k), 301(l), 305(b)(2),’’.
SEC. 25A. DEBT HELD BY THE PUBLIC LIMIT.

(a) Limit.—The debt held by the public shall not exceed—

(1) for the period beginning May 1, 2000 through April 30, 2001, $3,618,000,000,000;

(2) for the period beginning May 1, 2001 through April 30, 2002, $3,488,000,000,000;

(3) for the period beginning May 1, 2002 through April 30, 2003, $3,349,000,000,000;

(4) for the period beginning May 1, 2003 through April 30, 2004, $3,145,000,000,000; and

(5) for the period beginning May 1, 2004 through April 30, 2005, $2,301,000,000,000.

(b) Adjustments for actual social security surplus levels.—

(1) Estimated levels.—The estimated level of social security surplus for the purpose of this section is—

(A) for fiscal year 1999, $125,000,000,000;

(B) for fiscal year 2000, $174,000,000,000;

(C) for fiscal year 2001, $155,000,000,000;

(D) for fiscal year 2002, $183,000,000,000;

(E) for fiscal year 2003, $172,000,000,000;

(F) for fiscal year 2004, $181,000,000,000;

(G) for fiscal year 2005, $196,000,000,000;

(H) for fiscal year 2006, $205,000,000,000;

(I) for fiscal year 2007, $217,000,000,000;

(J) for fiscal year 2008, $228,000,000,000; and

(K) for fiscal year 2009, $239,000,000,000.

(2) Limit for actual social security surplus levels.—After October 1 and no later than December 31 of each year, the Secretary shall make the following calculations and adjustments:

(A) Calculation.—After the Secretary determines the actual level for the social security surplus for the current year, the Secretary shall add the amount calculated under subparagraph (A) to—

(i) the limit set forth in subsection (a) for the period of years that includes May 1 of that calendar year, and

(ii) each subsequent limit.

(B) Baseline levels.—OMB shall calculate the changes in subparagraph (A) relative to baseline levels for each fiscal year through fiscal year 2010 using current estimates.

(C) Estimate.—OMB shall include the estimate required by this paragraph in the report required under section 251(a)(7) or section 252(d), as the case may be.

(3) Suspension of statutory limit on debt held by the public.—

(A) Low economic growth.—If the most recent of the Department of Commerce’s advance, preliminary, or final report of real economic growth indicates that the rate of real economic growth (as measured by real GDP) for each of the most recently reported quarter is less than 0.5 percent, the limit on the debt held by the public shall be reduced by 1 percentage point.

(B) War.—If a declaration of war is in effect, the limit on the debt held by the public established in this section shall be reduced.

(4) Restoration of statutory limit on debt held by the public.—

(A) Restoration of limit.—The statutory limit on debt held by the public shall be restored on May 1 following the quarter in which the level of real Gross Domestic Product in the United States, as estimated by the Department of Commerce, is equal to or is higher than the level of real Gross Domestic Product in the quarter preceding the first quarter that caused the suspension of the pursuant to paragraph (1).

(B) Adjustment.—The Secretary shall adjust the limit on the debt held by the public on October 1 of the year preceding the date referenced in subparagraph (A) and subtract the limit in subsection (a) for the period of years that includes the date referenced in subparagraph (A).

(5) President’s Budget.—

(A) Low economic growth.—If the most recent of the President’s budget for the relevant fiscal year provides more than adequate resources for Medicare reform, including prescription drug coverage, the limit on the debt held by the public for each fiscal year that begins on May 1 following the quarter in which the President’s budget for that fiscal year provides more than adequate resources for Medicare reform, including prescription drug coverage, shall be reduced by 1 percentage point.

(B) War.—If a declaration of war is in effect, the limit on the debt held by the public established in this section shall be reduced.

(6) Other.—

(A) Other factors.—The limit on the debt held by the public shall be reduced by the amount necessary to achieve the budgetary goals and objectives established in the President’s budget for the relevant fiscal year and the President’s budget resolution for the relevant fiscal year.

(b) Adjustments for actual social security surplus levels.—

(1) Limit on debt held by the public.—

(A) Calculation.—If legislation is enacted, OMB shall adjust the limits pursuant to this section if the adjustments for the current year are less than the on-budget surplus for the current year.

(B) Limit on debt held by the public.—The Secretary shall adjust the limit on the debt held by the public for the relevant fiscal years included in the report referenced in paragraph (1)(C) to—

(i) the limit set forth in subsection (a) for the period of years that includes May 1 of that calendar year, and

(ii) each subsequent limit.

(C) Exception.—The Secretary shall not make the adjustment pursuant to this subsection if the adjustments for the current year are less than the on-budget surplus for the current year.

(2) Restoration of statutory limit on debt held by the public.—

(A) Restoration of limit.—The statutory limit on debt held by the public shall be restored on May 1 following the quarter in which the level of real Gross Domestic Product in the United States, as estimated by the Department of Commerce, is equal to or is higher than the level of real Gross Domestic Product in the quarter preceding the first two quarters that caused the suspension of the pursuant to paragraph (1).

(B) Adjustment.—The Secretary shall subtract the amount calculated under clause (i) to—

(i) the limit set in subsection (a) for the period of fiscal years that includes the date referenced in subparagraph (A); and

(ii) each subsequent limit.

(C) Adjustment to the limit for social security reform provisions that affect on-budget surplus.—

(1) Estimate of legislation.—

(A) Calculation.—If social security reform legislation is enacted, OMB shall estimate the effect of the legislation on the level of total outlays and receipts excluding the impact on outlays and receipts of the Federal Old-Age and Survivors Insurance Fund and the Federal Disability Insurance Trust Fund.

(B) Baseline levels.—OMB shall calculate the changes in subparagraph (A) relative to baseline levels for each fiscal year through fiscal year 2010 using current estimates.

(C) Estimate.—OMB shall include the estimate required by this paragraph in the report required under section 251(a)(7) or section 252(d), as the case may be.
(1) by striking “2 years” and inserting “3 years”, and (2) by inserting “for the taxpayer’s own use” after “constructed by the taxpayer”.

(b) REACQUIRED COMPUTERS ELIGIBLE FOR DONATIONS.—(1) IN GENERAL.—Section 170(e)(6)(B)(ii) (defining qualified elementary or secondary educational contribution) is amended by inserting “or secondary” after “elementary” and “elementary or secondary” after “educational”.

(2) CONFORMING AMENDMENT.—Section 170(e)(6)(B)(i) is amended by inserting “or required” after “acquired”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made in taxable years ending after the date of the enactment of this Act.

SEC. 4. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by this Act, is amended by adding at the end the following:

“SEC. 45E. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS.

“(a) General Rule.—For purposes of section 38, the school computer donation credit determined under this section is an amount equal to 30 percent of the qualified elementary or secondary educational contributions made by the taxpayer during the taxable year.

“(b) Qualified Elementary or Secondary Educational Contribution.—For purposes of this section, the term ‘qualified elementary or secondary educational contribution’ includes the contribution of a computer (as defined in section 168(k)(2)(B)(ii)) only if computer software (as defined in section 197(e)(3)(B)) that serves as a computer operating system has been lawfully installed in such computer.

“(c) Increased Percentage for Contributions to Schools in Empowerment Zones, Enterprise Communities, and Indian Reservations.—The case of a qualified elementary or secondary educational contribution has the meaning given such term by section 170(e)(6)(B), except that such term shall include the contribution of a computer (as defined in section 168(k)(2)(B)(ii)) only if computer software (as defined in section 197(e)(3)(B)) that serves as a computer operating system has been lawfully installed in such computer.

“(d) Certain Rules Made Applicable.—For purposes of this section, rules similar to the rules of paragraphs (1) and (2) of section 41(d), and section 170(e)(6)(A), shall apply.

“(e) Termination.—This section shall not apply to taxable years beginning on or after the date which is 3 years after the date of the enactment of the Taxpayer Refund Act of 1999.

“(b) Current Year Business Credit Calculation.—Section 38(b) (relating to current year business credit), as amended by this Act, is amended by striking “plus” at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting plus”, and by adding at the end the following:

“(14) the school computer donation credit determined under section 45E(a).”

(c) Carryback and Carryforward of Credit.—Section 45E(f) (relating to carryback and carryforward of unused credits) is amended by adding at the end the following:

“(v) which by its terms requires interest on the loan to be paid not less frequently than monthly.

“(iv) which by its terms requires repayment on any date other than not later than the earlier of—

“(1) the date which is 15 years after the date of acquisition of the dwelling unit, or

“(2) the date of the sale or other transfer of the dwelling unit,

“(v) which by its terms treats—

“(1) any amount required to be paid under clause (iii) during any taxable year which is not paid at the time required to be paid, and

“(2) any amount remaining unpaid as of the beginning of the taxable year beginning after the period described in clause (iv), as distributed during such taxable year to the individual on whose behalf such plan is established and subject to section 72(t)(1), and

“(vi) which bears interest from the date of the loan at a rate not less than 2 percentage points below, and not more than 2 percentage points above, the rate for comparable United States Treasury obligations on such date.

“Nothing in this paragraph shall be construed to require such a loan to be secured by the dwelling unit.

“(C) Limitation on Amount of Loans.—The amendments made by section 701 shall not apply by reason of this paragraph (3) to loans that are not used to purchase a principal residence.

“(D) Denial of Interest Deduction.—No deduction shall be allowed under this chapter for interest on any qualified home purchase loan.

“(E) Definitions.—For purposes of this paragraph—

“(1) First-Time Homebuyer.—The term ‘first-time homebuyer’ has the meaning given such term by section 4975(h)(3)(B).

“(ii) Acquisition.—The term ‘acquisition’ has the meaning given such term by section 4975(h)(3)(D)(i).

“(iii) Principal Residence.—The term ‘principal residence’ has the same meaning as when used in section 121.

“(iv) Date of Acquisition.—The term ‘date of acquisition’ means the date—

“(1) on which a binding contract to acquire the principal residence to which subparagraph (B) applies is entered into, or

“(2) on which construction, reconstruction, or improvement of such a principal residence is commenced.”.

“(2) Prohibited Transaction.—Section 4975(d) (relating to exemptions from tax on prohibited transactions) is amended by striking “or” at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “; or”, and by inserting after paragraph (15) the following new paragraph—

“(16) any loan that is a qualified home purchase loan (as defined in section 408(e)(7)(B)).”

“(3) Effective Date.—The amendments made by this subsection shall apply to loans made after the date of such amendment.

“(b) Offset.—Notwithstanding section 701(c) of this Act, the effective date of the amendments made by section 701 shall be adjusted by the Secretary of the Treasury as necessary to offset the decrease in revenues to the Treasury resulting from the amendments made by subsection (a).

ROBB (AND OTHERS) AMENDMENT NO. 1401

Mr. ROBB (for himself, Mr. GRAHAM, Mr. ROCKEFELLER, Ms. MIKULSKI, Mrs. MURRAY, and Mr. BRYAN) proposed an amendment to the bill, S. 1429, supra; as follows:

 ordered to be lie on the table.)
At the end add the following:

TITLE XVI—DELAY IN EFFECTIVE DATE

Notwithstanding any other provision of, or amendment made by, this Act, no such pro-

viso or amendment shall take effect until legislation has been enacted that extends the

solvency of the Federal Old-Age and Sur-

vivors Insurance Trust Fund and the Federal

Disability Insurance Trust Fund under sec-

 tion 201 of the Social Security Act through

2075 and the Federal Hospital Insurance

Trust Fund under part A of title XVIII of

such Act through 2027.

KERRY AMENDMENT NO. 1402
(Ordered to be lie on the table.)

Mr. KERRY submitted an amend-
ment intended to be proposed by him to the
bill, S. 1429, supra; as follows:
On page 371, between lines 16 and 17, insert
the following:

SEC. 1122. DISCLOSURE OF TAX INFORMATION TO FACILITATE COMBINED EMPLOY-

MENT TAX REPORTING.
Section 6103(d)(5) of the Internal Revenue
Code of 1986 is amended to read as follows:

"(5) Disclosure for combined employment tax
returns—Secretary may disclose taxpayer
identity information and signa-
tures to any agency, body, or commission of
any State for the purpose of carrying out
with such agency, body, or commission a
combined Federal and State employment tax
reporting program approved by the Sec-

ratary. Subsections (a)(2) and (p)(4) and sec-

tions 2075 and the Federal Hospital Insurance

Trust Fund under part A of title XVIII of

such Act through 2027.

CONGRESSIONAL RECORD—SENATE

July 28, 1999

The PRESIDING OFFICER. Without

objection, it is so ordered.

COMMITTEE ON FOREIGN RELATIONS

Mr. GRAMS. Mr. President, I ask
unanimous consent that the Com-

mittee on Foreign Relations be author-

ized to meet during the session of the Senate on Wednesday, July 28, 1999 at
11:00 a.m. to hold a business meeting.

The PRESIDING OFFICER. Without

objection, it is so ordered.

COMMITTEE ON HEALTH, EDUCATION, LABOR,

AND PENSIONS

Mr. GRAMS. Mr. President, I ask
unanimous consent that the Com-

mittee on Health, Education, Labor,

and Pensions be authorized to meet in

executive session during the session of the Senate on Wednesday, July 28, 1999,
at 9:30 a.m.

The PRESIDING OFFICER. Without

objection, it is so ordered.

COMMITTEE ON INDIAN AFFAIRS

Mr. GRAMS. Mr. President, I ask
unanimous consent that the Senate
Committee on Indian Affairs be author-

ized to meet during the session of the
Senate on Wednesday, July 28, 1999 at
9:30 a.m. to conduct a hearing on S. 979,
Tribal Self-Governance Amendments of
1999. The hearing will be held in room
485, Russell Senate Office Building.

The PRESIDING OFFICER. Without

objection, it is so ordered.

COMMITTEE ON THE JUDICIARY

Mr. GRAMS. Mr. President, I ask
unanimous consent that the Com-

mittee on the Judiciary be authorized
to meet for a hearing re Combating
Methamphetamine Proliferation in America, during the session of the Sen-
ate on Wednesday, July 28, 1999 at 10
a.m., in SD-628.

The PRESIDING OFFICER. Without

objection, it is so ordered.

COMMITTEE ON RULES AND ADMINISTRATION

Mr. GRAMS. Mr. President, I ask
unanimous consent that the Com-

mittee on Rules and Administration be
authorized to meet during the session of the Senate on Wednesday, July 28, 1999 at
9:30 a.m. to receive testimony on
the operations of the Smithsonian
Institution.

The PRESIDING OFFICER. Without

objection, it is so ordered.

SELECT COMMITTEE ON INTELLIGENCE

Mr. GRAMS. Mr. President, I ask
unanimous consent that the Select
Committee on Intelligence be author-

ized to meet during the session of the
Senate on Wednesday, July 28, 1999 at 2
p.m. to hold a closed hearing on intel-

ligence matters.

The PRESIDING OFFICER. Without

objection, it is so ordered.

ADDITIONAL STATEMENTS

RETIREMENT OF COLONEL STEPHEN MCCARTNEY, LIEUTENANT

COLONEL JACK MCMAHON, AND FIRST SERGEANT THOMAS SCALAVINO

Mr. CHAFEE. Mr. President, on July
31, friends and colleagues will gather at
the U.S. Naval War College, to honor
Colonel Stephen McCartney, Lieutenant
Colonel Jack McMahon, and First Sergeant Thomas Scalavino who are
retiring from Marine Corps Reserves.
Accordingly, I want to pay tribute to
these three distinguished gentlemen
from Rhode Island as they embark on the
next phase of their private lives.

As many know, I had the privilege of
commanding a marine rifle company in
Korea in the fall of 1951 and winter of
1952. During that time, I came away
with tremendous respect for each offi-
cer and enlisted man. They were coura-
geous and displayed extraordinary en-
durance. I have never forgotten the
confidence they had in themselves, and their willingness to go into harm’s way. In those cases, when it was done, they were willing to do it. Colonel McCartney, Lieutenant Colonel McMahon, and First Sergeant Scalavino have displayed that same commitment and valor to our country.

After graduating from the Marine Corps Platoon Leader’s Course in 1968, Stephen McCartney was commissioned a Second Lieutenant in the Marine Corps in 1969 and assigned as an infantry officer. In this capacity, he served with the 1st Marine Division in the Republic of Vietnam and participated in three major combat operations against Viet Cong and North Vietnamese army units until 1971. In 1973, Colonel McCartney left active duty but remained involved in the Marine Corps Reserve, serving in various capacities. However, his tour did not end there.

During Operations Desert Shield and Desert Storm, then Lieutenant Colonel McCartney and his battalion were activated and assigned to the 1st Marine Division. There he participated in direct combat operations against Iraqi forces in Saudi Arabia and Kuwait. In 1992, McCartney was promoted to his present rank. In his nearly thirty years of active and reserve service, Colonel McCartney has served in a variety of other important Marine Corps billets with consistent and meritorious service. Indeed, Colonel McCartney’s services have ranged from infantry officer to the Providence Police Department where he retired with the rank of Major, to his most recent appointment as Chief of Police for the Warwick Police Department.

Lieutenant Colonel Jack McMahon is retiring from the Marine Corps Reserve after twenty-five years. During these years, Lieutenant Colonel McMahon’s reserve and active duty experience included service as a judge advocate, as well as a commanding officer of Rhode Island’s Marine Corps Reserve transportation unit in Fields Point and at the U.S. Naval War College.

Throughout his career, Lieutenant Colonel McMahon has been the recipient of numerous commentary letters and awards, including the “Junior Officer of the Year” award in 1973. He has been recommended for the Navy Achievement, two Navy Commendations, a Meritorious Service Medal, and the Navy-Marine Corps Medal. Finally, Lieutenant Colonel McMahon has served as a prosecutor in the Rhode Island Attorney General’s office for the past nineteen years.

A native of Sicily, First Sergeant Thomas Scalavino came to the United States in 1960 and enlisted in the Marine Corps in 1968. Without much time to spare, First Sergeant Scalavino participated in eighteen operations in the Republic of Vietnam from 1966 to 1967 as a rifleman in such military actions as Operations Big Horn and Operation Coyote. In 1971, First Sergeant Scalavino was honorably discharged, but could not stay away for long. He reenlisted in 1981 at Transport Company in Providence, Rhode Island at the rank of Corporal. His responsibilities included: Administrative Chief, Platoon Sergeant, Platoon Commander, and Company First Sergeant. Later, First Sergeant Scalavino was sent to Southwest Asia where he participated in Operation Desert Shield, Operation Desert Storm, and Operation Cease Fire. First Sergeant Scalavino also has received the “Navy Achievement Medal” for his efforts as Motor Transport Officer in Ocean Venture 93.

Mr. President, I join with all Rhode Islanders in extending to Colonel McCartney our congratulations to him on August 18, 1856. The Weekley Northwestern Gazette predicted, “it will last 1,000 years with only two forces capable of destroying it, one being an earthquake and the other a mob.” This newspaper was prophetic. The Galena Post Office has outlived every other United States post office. It continues to thrive today with a delivery area of more than 2800.

One hundred and forty years later, the Galena Post Office served as not only a post office and a social center but also as a vital part of the community. The Smithsonian National Postal Museum has bestowed Galena’s Post Office with yet another honor, The Great American Post Office Award. This month the museum will host an exhibit commemorating Galena’s Post Office for its outstanding architectural features, historical significance to the community, and outstanding record of service.

Mr. President, on Friday I will have the honor to share in the celebration of the 140th anniversary of the Galena Post Office. It is truly a remarkable accomplishment.

TRIBUTE TO THE HONORABLE ALAN KARCHER

Mr. LAUTENBERG. Mr. President, I rise today to celebrate a man who was a good friend and an extraordinary political mentor. I will miss the opportunity to consult with him on matters important to governing. His contribution to me was a valuable one and it is deep in my thought and functioning as a U.S. Senator. He was a superb role model for public service and I followed his judgement often. I am honored to offer this tribute to former New Jersey Assembly Speaker Alan Karcher, his indomitable spirit, his unshakeable conviction, his widespread talents, his love for politics in the widest sense, and his devotion to the people of New Jersey.

Alan’s death on July 27 at too young an age, was not totally unexpected—he had been battling cancer for several years—but the reality of it shocks all of us who knew him. And there are a lot of us who fought in the trenches of New Jersey politics alongside him, as well as those who fought in opposition. Alan used his considerable wit, intellect and spirit to master New Jersey politics, and all of us respected him as the consummate politician. Alan was political in the most classical sense of that word, with all of its ties to the Greek concepts of the body politic, the people and citizenship, and he was political in the most modern sense of the word—sagacious, prudent, shrewd, and artful.

Alan saw elected office as public service and an honored and honorable family tradition. Both his father, Joseph Karcher, and a great-uncle, John Quaid, also served in the New Jersey Assembly. When Alan followed them in 1974, he honed the practice of legislating to a fine art, serving as both Assembly Majority Leader and as Speaker during his sixteen-year career. He was a master of strategy in the service
of the principal of the common good. He was articulate, passionate, and so often right, that more times than not he was able to convince both natural allies and skeptics alike. Alan was a fiercely proud Democrat who believed wholeheartedly that “government” and “the people” were virtually synonymous concepts. He knew how to keep his “eye on the prize,” and he understood that “the prize” was responsive, responsible government. Alan did nothing by halves and when he believed in something it was with total engagement. His interests and his talents spanned an extraordinary range. This most political of men was also a sensitive and accomplished musician, a cellist and an opera-lover who could sing Italian arias perhaps not as well as Pavarotti, but certainly as emotionally. He was also, of course, a compelling lawyer nationally known for his insight into Constitutional issues and a respected author who examined controversial matters with perception and conviction. He has left a splendid legacy for us and for those he loved most, his wife Peggy, children Timothy, Elizabeth and Ellen, and his five grandchildren, who have his mark and his stature as enduring memories. We will miss him, but not his spirit, for that will continue to guide us. We will miss him, but not his idealism, for that will continue to inspire us. We will miss him, but not his passion, for that will continue to make us strive.

MUHAMMAD ALI BOXING REFORM ACT

On July 27, 1999, the Senate passed S. 305. The text follows:

SEC. 1. SHORT TITLE.

This Act may be cited as the “Muhammad Ali Boxing Reform Act”.

SEC. 2. FINDINGS.

The Congress makes the following findings:

(1) Professional boxing differs from other major, interstate professional sports industries in the United States in that it operates without any private sector associations, league, or centralized industry organization to establish uniform and appropriate business practices and ethical standards. This has led to repeated occurrences of disreputable and coercive business practices in the boxing industry, to the detriment of professional boxers nationwide.

(2) Professional boxers are vulnerable to exploitative business practices engaged in by certain promoters and sanctioning bodies which dominate the sport. Boxers do not have a voice to defend themselves to advocate for their interests and rights in the industry.

(3) State officials are the proper regulators of professional boxing events, and must protect the welfare of professional boxers and serve the public interest by closely supervising boxing activity in their jurisdiction. State officials have not been provided sufficient information to determine whether boxers competing in their jurisdiction are subject to contract terms or unethical business practices which may be violative of State regulations, or are onerous and confiscatory.

(4) Promoters who engage in illegal, coercive, and unethical business practices can take advantage of the lack of equitable business standards in the sport by holding boxing events in states with weaker regulatory oversight.

(5) The sanctioning organizations which have proliferated in the boxing industry have not established credible and objective criteria to rate professional boxers, and operate with virtually no industry or public oversight. Their ratings are susceptible to manipulation, have deprived boxers of fair opportunities for advancement, and have undermined public confidence in the integrity of the sport.

(6) Open competition in the professional boxing industry has been significantly interfered with by restrictive and anti-competitive business practices of certain promoters and sanctioning bodies, to the detriment of the athletes and the ticket-buying public. Common practices of promoters and sanctioning organizations represent restraints of interstate trade in the United States.

(7) It is necessary and appropriate to establish national contracting reforms to protect professional boxers and prevent exploitative business practices, and to require enhanced financial disclosures to State athletic commissions to improve the public oversight of the sport.

(8) Whereas the Congress seeks to improve the integrity and ensure fair practices of the professional boxing industry on a nationwide basis, it deems it appropriate to name this reform in honor of Muhammad Ali, whose career achievements and personal contributions to the sport, and positive impact on our society, are unsurpassed in the history of boxing.

SEC. 3. PURPOSES.

The purposes of this Act are—

(1) to protect the rights and welfare of professional boxers by preventing certain exploitative, oppressive, and unethical business practices they may be subjected to on an interstate basis;

(2) to assist State boxing commissions in their efforts to provide more effective public oversight of the sport; and

(3) to promoting honorable competition in professional boxing and enhance the overall integrity of the industry.

SEC. 4. PROTECTING BOXERS FROM EXPLOITATION.

(a) IN GENERAL.—The Professional Boxing Safety Act of 1996 (45 U.S.C. 6391 et seq.) is amended by—

(1) redesignating section 15 as 16; and

(2) inserting after section 14 the following:

SEC. 15. PROTECTION FROM EXPLOITATION.

“(a) CONTRACT REQUIREMENTS.—

“(1) IN GENERAL.—Any contract between a boxer and a promoter or manager shall—

“(A) include mutual obligations between the parties;

“(B) specify a minimum number of professional boxing matches per year for the boxer; and

“(C) set forth a specific period of time during which the contract will be in effect, including any provision for extension of that period due to the bankruptcy or insolvency of the promoter to compete because of an injury or other cause.

“(b) 1-YEAR LIMIT ON COERCIVE PROMOTIONAL RIGHTS.

“(A) The period of time for which promotional rights to promote a boxer may be granted under a contract between the boxer and a promoter or manager, with respect to a boxer, may not be greater than 12 months in length if the boxer is required to grant such rights with respect to a boxer, as a condition precedent to the boxer’s participation in a professional boxing match against another boxer who is under contract to the promoter.

“(B) A promoter exercising promotional rights with respect to such boxer during the 12-month period beginning on the day after the expiration of such contract shall be deemed to be in violation of the provisions of the Act.

“(c) ENFORCEMENT.—

“(1) Such person’s participation in a professional boxing match against the boxer during that period, and any contract to the contrary shall be deemed to be in violation of the Act.

“(2) Nothing in this subsection shall be construed as pre-empting any State law concerning interference with contracts.

“(3) PROMOTIONAL RIGHTS UNDER MANDATORY MATCH CONTRACTS.—Neither a promoter nor a sanctioning organization may require a boxer to contract for a professional boxing match that is a mandatory match, and requires a professional boxing match, nor a sanctioning organization may require a promoter for a future professional boxing match.

“(c) EMPLOYMENT AS CONDITION OF PROMOTING, ETC.—No person who is a licensed, manager, matchmaker, or promoter may require a boxer to enter into an agreement to perform a professional boxing match that is a mandatory match that the professional boxing match, nor a sanctioning organization may require a promoter to perform a professional boxing match that is a mandatory match.

“(d) EMPLOYMENT AGREEMENT.—(1) PROHIBITION.—A provision in a contract between a promoter and a boxer, or between promoters with respect to a boxer, that violates subsection (a) is contrary to public policy and unenforceable at law.

“(2) EMPLOYMENT AGREEMENT.—In any action brought against a boxer to recover money (whether as damages or as money owed) for acting as a licensee, manager, matchmaker, or promoter for the boxer, the contract should not be considered to be contrary to public policy if the employment, retention, or compensation that is the subject of the action was obtained in violation of subsection (b).

“(3) CONFLICTS OF INTEREST.—Section 9 of such Act (15 U.S.C. 6396) is amended by—

“(1) striking “No member” and inserting “(a) REGULATORY PERSONNEL.—No member; and

“(2) adding at the end thereof the following:

“(b) FIREWALL BETWEEN PROMOTERS AND MATCHMAKERS.—

“(1) IN GENERAL.—It is unlawful for—

“(A) a boxer’s promoter (or a promoter who is required to be licensed under State
law) to have a direct or indirect financial interest in a promoter or a management company; or

"(B) a licensed manager or management company (or a manager or management company that, under State law, is required to be licensed)—

"(i) to have a direct or indirect financial interest in the promotion of a boxer; or

"(ii) to have been compensated or otherwise benefited from a promoter, except for amounts received as consideration under the manager’s contract with the boxer.

"(2) EXCEPTION FOR SELF-PROMOTION AND MANAGEMENT.—Paragraph (1) does not prohibit a boxer from acting as his own promoter or manager.

"(c) EFFECTIVE DATE.—The amendments made by subsection (a) apply to contracts executed after the date of enactment of this Act.

SEC. 5. SANCTIONING ORGANIZATION INTEGRITY REFORMS.

(a) IN GENERAL.—The Professional Boxing Safety Act of 1996 (15 U.S.C. 6301 et seq.), as amended by section 4 of this Act, is amended by—

(1) redesignating section 16, as redesignated by section 4 of this Act, as section 17; and

(2) inserting after section 15 the following:

"SEC. 16. SANCTIONING ORGANIZATIONS.

"(a) OBJECTIVE CRITERIA.—A sanctioning organization shall establish objective and consistent written criteria for the ratings of professional boxers.

"(b) APPEALS PROCESS.—A sanctioning organization shall establish and publish an appeals procedure that affords a boxer rated by that organization a reasonable opportunity, without the payment of any fee, to submit information to contest its rating of the boxer. Under the procedure, the sanctioning organization shall, within 14 days after receiving a request from a boxer questioning that organization’s rating of the boxer—

"(1) provide to the boxer a written explanation of the organization’s criteria, its rating of the boxer, and the rationale or basis for its rating (including any response to any specific questions submitted by the boxer); and

"(2) submit a copy of its explanation to the President of the Association of Boxing Commissions of the United States and to the boxing commission of the boxer’s domiciliary State.

"(c) NOTIFICATION OF CHANGES IN RATING.—If a sanctioning organization changes its rating of a boxer who is included, before the change, in the top 10 boxers rated by that organization, or who, as a result of the change is included in the top 10 boxers rated by that organization, then, after changing the boxer’s rating the organization shall—

"(1) within 5 business days mail notice of the change and a written explanation of the reasons for its change to that boxer’s rating to the boxer at the boxer’s last known address;

"(2) immediately post a copy of the notice and the explanation on its Internet website or home page, if any, for a period of not less than 30 days; and

"(3) mail a copy of the notice and the explanation to the President of the Association of Boxing Commissions if the organization does not have an address for the boxer or does not have an Internet website or home page.

"(d) PUBLIC DISCLOSURE.—

"(1) FTC FILING.—Not later than January 31 of each year, a sanctioning organization shall submit to the Federal Trade Commission—

"(A) a complete description of the organization’s ratings criteria, policies, and general sanctioning fee schedule;

"(B) the bylaws of the organization; and

"(C) the appeals procedure of the organization; and

"(D) a list and business address of the organization’s officials who vote on the ratings of boxers.

"(2) FORMAT; UPDATES.—A sanctioning organization shall—

"(A) provide the information required under paragraph (1) in written form, and, for any document greater than 2 pages in length, also in electronic form; and

"(B) promptly notify the Federal Trade Commission of any material change in the information.

"(3) FTC TO MAKE INFORMATION AVAILABLE TO PUBLIC.—The Federal Trade Commission shall make information received under this subsection available to the public. The Commission may assess sanctioning organizations a fee to offset the costs it incurs in processing the information and making it available to the public.

"(4) INTERNET POSTING.—In addition to submitting the information required by paragraph (1) to the Federal Trade Commission, a sanctioning organization shall provide the information to the public by maintaining a website on the Internet that—

"(A) is readily accessible by the general public using generally available search engines and does not require a password or payment of a fee for full access to all the information;

"(B) contains all the information required to be submitted to the Federal Trade Commission by paragraph (1) in an easy to search and use format; and

"(C) is updated whenever there is a material change in the information.

"(b) CONFLICT OF INTEREST.—Section 9 of such Act (15 U.S.C. 6308), as amended by section 4 of this Act, is amended by adding at the end thereof the following:

"(c) SANCTIONING ORGANIZATIONS.—

"(1) PROHIBITION ON RECEIPTS.—Except as provided in paragraph (2), no officer or employee of a sanctioning organization may receive any compensation, gift, or benefit directly or indirectly from a promoter, boxer, or manager.

"(2) EXCEPTIONS.—Paragraph (1) does not apply to—

"(A) the receipt of payment by a promoter, boxer, or manager of a sanctioning organization’s published fee for sanctioning a professional boxing match or reasonable expenses in connection therewith if the payment is reported to the responsible boxing commission under section 17; or

"(B) the receipt of a gift or benefit of de minimis value.

"(d) SANCTIONING ORGANIZATION DEFINED.—Section 2 of the Professional Boxing Safety Act of 1996 (15 U.S.C. 6301) is amended by adding at the end thereof the following:

"(1) SANCTIONING ORGANIZATION.—The term ‘sanctioning organization’ means an organization that ranks boxers or sanctions professional boxing matches in the United States—

"(A) between boxers who are residents of different States; or

"(B) that advertises, otherwise promotes, or broadcast (including closed circuit television) in interstate commerce.

"(e) EXCEPTION.—The requirements of this section do not apply in connection with a professional boxing match scheduled to last less than 10 rounds.
SEC. 7. ENFORCEMENT.

Section 10 of the Professional Boxing Safety Act of 1996 (15 U.S.C. 6309) is amended by—

(1) inserting a comma and “other than section 9(b), 15, 16, 17,” after “this Act” in subsection (b)(1); and

(2) redesignating paragraphs (2) and (3) of subsection (b) as paragraphs (3) and (4), respectively, and inserting after paragraph (1) the following:

“(2) PROHIBITION OF ANTI-EXPLOITATION, SANCTIONING ORGANIZATION, OR DISCLOSURE PROVISIONS.—Any person who knowingly violates any provision of section 9(b), (c), 15, 16, 17, or 18 of this Act shall, upon conviction, be imprisoned for not more than 1 year or fined not more than—

(A) $100,000; and

(B) a violation occurs in connection with a professional boxing match the gross revenues for which exceed $2,000,000, an additional amount which bears the same ratio to $100,000 as the amount of the gross revenues in excess of $2,000,000 bears to $2,000,000, or both.”;

(3) striking in “section 9” in paragraph (3), as redesignated, and inserting “section 9(a)”; and

(4) adding at the end thereof the following:

“(c) ACTIONS BY STATES.—Whenever the chief law enforcement officer of any State has reason to believe that a person or organization is engaging in practices which violate any requirement of this Act, the State, as parens patriae, may bring a civil action on behalf of its residents in an appropriate district court of the United States—

(1) to enjoin the holding of any professional boxing match that involves such practices;

(2) to enforce compliance with this Act;

(3) to recover any fees and expenses provided under subsection (b) or appropriate restitution; or

(4) to obtain such other relief as the court may deem appropriate.

(d) EMPLOYEE RIGHT OF ACTION.—Any boxer who suffers economic injury as a result of a violation of any provision of this Act may bring an action in the appropriate Federal or State court and recover the damages suffered, court costs, and reasonable attorneys fees and expenses.

(e) ENFORCEMENT AGAINST FEDERAL TRADE COMMISSION, STATE ATTORNEYS GENERAL, ETC.—Nothing in this Act authorizes the enforcement of—

(1) any provision of this Act against the Federal Trade Commission, the United States Attorney General, the chief legal officer of any State for acting or failing to act in an official capacity;

(2) subsection (d) of this section against a State or political subdivision of a State, or any agency or instrumentality thereof; or

(3) section 15 against a boxer acting in his capacity as a broadcaster with whom such boxer has a contract is competing.

SEC. 8. PROFESSIONAL BOXING SAFETY ACT AMENDMENTS.

(a) DEFINITIONS.—Section 2 of the Professional Boxing Safety Act of 1996 (15 U.S.C. 6301), as amended by section 5(c) of this Act, is amended by adding at the end thereof the following:

“(12) SUSPENSION.—The term ‘suspension’ includes within its meaning the revocation of a boxing license.”;

(b) RENEWAL PERIOD FOR IDENTIFICATION CERTIFICATES.—Section 6(b)(2) of the Professional Boxing Safety Act of 1996 (15 U.S.C. 6306(b)(2)) is amended by—

(1) striking “or” in subparagraph (C);

(2) striking “documents,” at the end of subparagraph (D) and inserting “documents; or”;

and

(3) adding at the end thereof the following:

“(E) any boxers engaged in professional boxing activity and any promoter or other individual whose behavior is inconsistent with generally accepted methods of competition in a professional boxing match.”;

(c) STANDARDIZED PHYSICAL EXAMINATIONS.—Section 5(1) of the Professional Boxing Safety Act of 1996 (15 U.S.C. 6304(1)) is amended by inserting after “examination the following: “, based on guidelines endorsed by the American Medical Association, including a circulo-respiratory check and a neurological examination,

(d) CAT SCAN.—The Professional Boxing Safety Act of 1996 (15 U.S.C. 6305(b)(2)) is amended by—

(1) striking paragraph (2) and (3) of this Act, as redesignated by section 6 of this Act, as section 19; and

(2) by inserting after section 17 the following:

“SEC. 18. CONTRACTS BETWEEN BOXERS AND BROADCASTING COMPANIES.

“(a) CONTRACT REQUIREMENTS.—Any contract between a boxer and a broadcasting company for the broadcast of a boxing match in which that boxer is competing shall—

(1) include mutual obligations between the parties;

(2) specify whether—

(A) the number of bouts to be broadcast; or

(B) the duration of the contract.

(b) PROHIBITIONS.—A broadcasting company may not—

(1) require a boxer to employ a relative or other associate of the boxing in any capacity as a condition of entering into a contract with the broadcast;

(2) have a direct or indirect financial interest in the boxer’s manager or management company;

and

(3) make a payment, or provide other consideration (other than of a de minimus amount or value) to a sanctioning organization or any officer or employee of such an organization in connection with any boxer with whom the broadcaster has a contract, or against whom a boxer with whom the broadcaster has a contract is competing.

(c) NOTIFICATION OF REDUCTION IN AGREED AMOUNT.—If a broadcaster has a contract with a boxer to broadcast a match in which that boxer is competing, and the broadcaster reduces the amount it agreed to pay the boxer under that contract (whether unilaterally or by mutual agreement), the broadcaster shall notify, in writing within 48 hours after the reduction, the supervising

SEC. 9. REQUIREMENTS FOR CONTRACTS BETWEEN BOXERS AND BROADCASTING COMPANIES.

(a) IN GENERAL.—The Professional Boxing Safety Act of 1996 (15 U.S.C. 6301 et seq.), as amended by section 6, is amended—

(1) by redesigning section 18, as redesignated by section 6 of this Act, as section 19; and

(2) by inserting after section 17 the following:

“SEC. 18. CONTRACTS BETWEEN BOXERS AND BROADCASTING COMPANIES.

“(a) CONTRACT REQUIREMENTS.—Any contract between a boxer and a broadcasting company for the broadcast of a boxing match in which that boxer is competing shall—

(1) include mutual obligations between the parties;

(2) specify whether—

(A) the number of bouts to be broadcast; or

(B) the duration of the contract.

(b) PROHIBITIONS.—A broadcasting company may not—

(1) require a boxer to employ a relative or other associate of the broadcasting in any capacity as a condition of entering into a contract with the broadcaster;

(2) have a direct or indirect financial interest in the boxer’s manager or management company;

and

(3) make a payment, or provide other consideration (other than of a de minimus amount or value) to a sanctioning organization or any officer or employee of such an organization in connection with any boxer with whom the broadcaster has a contract, or against whom a boxer with whom the broadcaster has a contract is competing.

(c) NOTIFICATION OF REDUCTION IN AGREED AMOUNT.—If a broadcaster has a contract with a boxer to broadcast a match in which that boxer is competing, and the broadcaster reduces the amount it agreed to pay the boxer under that contract (whether unilaterally or by mutual agreement), the broadcaster shall notify, in writing within 48 hours after the reduction, the supervising

SEC. 10. PROFESSIONAL BOXING SAFETY ACT AMENDMENTS.

(a) DEFINITIONS.—Section 2 of the Professional Boxing Safety Act of 1996 (15 U.S.C. 6301), as amended by section 5(c) of this Act, is amended by adding at the end thereof the following:

“(12) SUSPENSION.—The term ‘suspension’ includes within its meaning the revocation of a boxing license.”;

(b) RENEWAL PERIOD FOR IDENTIFICATION CERTIFICATES.—Section 6(b)(2) of the Professional Boxing Safety Act of 1996 (15 U.S.C. 6306(b)(2)) is amended by—

(1) striking “or” in subparagraph (C);

(2) striking “documents,” at the end of subparagraph (D) and inserting “documents; or”;

and

(3) adding at the end thereof the following:

“(E) any boxers engaged in professional boxing activity and any promoter or other individual whose behavior is inconsistent with generally accepted methods of competition in a professional boxing match.”;

(c) STANDARDIZED PHYSICAL EXAMINATIONS.—Section 5(1) of the Professional Boxing Safety Act of 1996 (15 U.S.C. 6304(1)) is amended by inserting after “examination the following: “, based on guidelines endorsed by the American Medical Association, including a circulo-respiratory check and a neurological examination,

(d) CAT SCAN.—The Professional Boxing Safety Act of 1996 (15 U.S.C. 6305(b)(2)) is amended by—

(1) striking paragraph (2) and (3) of this Act, as redesignated by section 6 of this Act, as section 19; and

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(1) include mutual obligations between the parties;

(2) specify whether—

(A) the number of bouts to be broadcast; or

(B) the duration of the contract.

(b) PROHIBITIONS.—A broadcasting company may not—

(1) require a boxer to employ a relative or other associate of the boxing in any capacity as a condition of entering into a contract with the broadcaster;

(2) have a direct or indirect financial interest in the boxer’s manager or management company;

and

(3) make a payment, or provide other consideration (other than of a de minimus amount or value) to a sanctioning organization or any officer or employee of such an organization in connection with any boxer with whom the broadcaster has a contract, or against whom a boxer with whom the broadcaster has a contract is competing.

(c) NOTIFICATION OF REDUCTION IN AGREED AMOUNT.—If a broadcaster has a contract with a boxer to broadcast a match in which that boxer is competing, and the broadcaster reduces the amount it agreed to pay the boxer under that contract (whether unilaterally or by mutual agreement), the broadcaster shall notify, in writing within 48 hours after the reduction, the supervising

SEC. 10. PROFESSIONAL BOXING SAFETY ACT AMENDMENTS.

(a) DEFINITIONS.—Section 2 of the Professional Boxing Safety Act of 1996 (15 U.S.C. 6301), as amended by section 5(c) of this Act, is amended by adding at the end thereof the following:

“(12) SUSPENSION.—The term ‘suspension’ includes within its meaning the revocation of a boxing license.”;

(b) RENEWAL PERIOD FOR IDENTIFICATION CERTIFICATES.—Section 6(b)(2) of the Professional Boxing Safety Act of 1996 (15 U.S.C. 6306(b)(2)) is amended by—

(1) striking “or” in subparagraph (C);
Strike out all after the enacting clause and insert:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the “Water Resources Development Act of 1999”.

(b) TABLE OF CONTENTS.—

Sec. 1. Short title; table of contents.
Sec. 2. Secretary defined.

TITLE I—WATER RESOURCES PROJECTS

Sec. 101. Project authorizations.
Sec. 102. Small flood control projects.
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TITLE II—GENERAL PROVISIONS

Sec. 201. Small flood control authority.
Sec. 202. Use of non-Federal funds for compiling and disseminating information on floods and flood damages.
Sec. 203. Contributions by States and political subdivisions.
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Sec. 207. Support of Army civil works program.
Sec. 208. Water resources development studies for the Pacific region.
Sec. 209. Everglades and south Florida ecosystem restoration.
Sec. 211. Harbor cost sharing.
Sec. 212. Aquatic ecosystem restoration.
Sec. 213. Watershed management, restoration, and development.
Sec. 214. Flood mitigation and riverine restoration pilot program.
Sec. 215. Shoreline management program.
Sec. 216. Assistance for remediation, restoration, and reuse.
Sec. 217. Shore damage mitigation.
Sec. 218. Shore protection.
Sec. 219. Flood prevention coordination.
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Sec. 223. Lakes program.
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Sec. 226. Sense of Congress; requirement regarding notice.
Sec. 227. Periodic beach nourishment.
Sec. 228. Environmental dredging.
Sec. 229. Wetlands mitigation.

TITLE III—PROJECT-RELATED PROVISIONS

Sec. 301. Missouri River Levee System.
Sec. 302. Ozunikie Harbor, Alaska.
Sec. 303. Grs Ferry Lake, Arkansas.
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Sec. 305. Loggy Bayou, Red River below Derenton Dam, Arkansas, Louisiana, Oklahoma, and Texas.
Sec. 306. Sacramento River, Glenn-Colusa, California.
Sec. 307. San Lorenzo River, California.
Sec. 308. Tenminus Dam, Kaweah River, California.
Sec. 309. Delaware River mainstem and channel deepening, Delaware, New Jersey, and Pennsylvania.
Sec. 311. Brevard County, Florida.
Sec. 312. Brossard County and Hillsboro Inlet, Florida.
Sec. 313. Fort Pierce, Florida.
Sec. 314. North County, Florida.
Sec. 315. Miami Harbor Channel, Florida.
Sec. 316. Lake Michigan, Illinois.
Sec. 318. Little Calumet River, Indiana.
Sec. 319. Ogden Dunes, Indiana.
Sec. 320. Saint Joseph River, South Bend, Indiana.
Sec. 321. White River, Indiana.
Sec. 322. Lake Pontchartrain, Louisiana.
Sec. 323. Larose to Golden Meadow, Louisiana.
Sec. 324. Louisiana State Penitentiary Levee.
Sec. 325. Twelve-mile Bayou, Caddo Parish, Louisiana.
Sec. 326. West Bank of the Mississippi River (East of Harvey Canal), Louisiana.
Sec. 327. Tolchester Channel, Baltimore Harbor and channels, Chesapeake Bay, Kent County, Maryland.
Sec. 328. Sault Sainte Marie, Chippewa County, Michigan.
Sec. 329. Jackson County, Mississippi.
Sec. 330. Tunica Lake, Mississippi.
Sec. 331. Bois Brule Drainage and Levee District, Missouri.
Sec. 332. Meramec River Basin, Valley Park Levee, Missouri.
Sec. 333. Missouri River mitigation project, Missouri, Kansas, Iowa, and Nebraska.
Sec. 334. Wood River, Grand Island, Nebraska.
Sec. 335. Absecon Island, New Jersey.
Sec. 337. Passaic River, New Jersey.
Sec. 338. Sandy Hook to Barnegat Inlet, New Jersey.
Sec. 340. New York City watershed.
Sec. 341. New York State Canal System.
Sec. 342. Fire Island Inlet to Montauk Point, New York.
Sec. 343. Broken Bow Lake, Red River Basin, Oklahoma.
Sec. 344. Willamette River temperature control, McKenzie Subbasin, Oregon.
Sec. 345. Aglewsorth Creek Reservoir, Pennsylvania.
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Sec. 347. Delaware River, Pennsylvania and Delaware.
Sec. 348. Musser Dam, Pennsylvania.
Sec. 351. South Central Pennsylvania.
Sec. 352. Cooper River, Charleston Harbor, South Carolina.
Sec. 353. Boxie County, West Virginia.
Sec. 354. Clear Creek, Texas.
Sec. 355. Cypress Creek, Texas.
Sec. 356. Dallas Floodway Extension, Dallas, Texas.
Sec. 357. Upper Jordan River, Utah.
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Sec. 359. Bluestone Lake, Ohio River Basin, West Virginia.
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Sec. 361. Moorefield, West Virginia.
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Sec. 363. Project reallocations.
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Sec. 365. American and Sacramento Rivers.
Sec. 366. Martin, Kentucky.
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Sec. 368. Black Warrior and Tombigbee Rivers, Alabama.
Sec. 369. Tropicana Wash and Flamingo Wash, Nevada.
Sec. 370. Comite River, Louisiana.
Sec. 371. St. Mary’s River, Michigan.
Sec. 372. City of Charleston: reimbursement, Michigan.

TITLE IV—STUDIES

Sec. 401. Upper Mississippi and Illinois Rivers levees and streambanks protection.
Sec. 402. Upper Mississippi River comprehensive plan.
Sec. 403. El Dorado, Union County, Arkansas.
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Sec. 416. Western Lake Erie Basin, Ohio, Indiana, Michigan, and Michigan.
Sec. 417. Schuykill River, Norristown, Pennsylvania.
Sec. 418. Lakes Marion and Moultrie, South Carolina.
Sec. 419. Day County, South Dakota.
Sec. 420. Corpus Christi, Texas.
Sec. 421. Mitchell’s Cut Channel (Caney Fork Cut), Tennessee.
Sec. 422. Mouth of Colorado River, Texas.
Sec. 423. Kamaheka River, Fayette County, West Virginia.
Sec. 424. West Virginia ports.
Sec. 425. Great Lakes region comprehensive study.
Sec. 426. Nutrient loading resulting from dredged material disposal.
Sec. 427. Santee Delta focus area, South Carolina.
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Sec. 430. Cumberland County, Tennessee.

TITLE V—MISCELLANEOUS PROVISIONS

Sec. 501. Corps assumption of VRCs projects.
Sec. 502. Construction assistance.
Sec. 503. Contaminated sediment dredging technology.
Sec. 504. Dam safety.
Sec. 505. Great Lakes remedial action plans.
Sec. 506. Sea Lamprey control measures in the Great Lakes.
Sec. 507. Maintenance of navigation channels.
Sec. 508. Measurement of Lake Michigan diversions.
Sec. 509. Upper Mississippi River environmental management program.
Sec. 510. Atlantic Coast of New York monitoring.
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Sec. 512. Beneficial use of dredged material.
Sec. 513. Design and construction assistance.
Sec. 514. Lower Missouri River aquatics restoration projects.
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Sec. 516. Innovative technologies for watershed restoration.
Sec. 517. Environmental restoration.
Sec. 518. Expedited consideration of certain projects.
Sec. 519. Dog River, Alabama.
Title I—Water Resources Projects

Sec. 101. Project Authorizations.

(a) Projects with Chief's Reports.—The following projects for water resources development and conservation, and other purposes are authorized to be carried out by the Secretary substantially in accordance with the plans, and subject to the conditions, described in the respective reports designated in this subsection:

(1) Sand Point Harbor, Alaska.—The project for navigation, Sand Point Harbor, Alaska: Report of the Chief of Engineers dated October 13, 1998, at a total cost of $11,760,000, with an estimated Federal cost of $6,964,000 and an estimated non-Federal cost of $4,796,000.


(3) Tucson, Arizona.—The project for flood control, Tucson drainage area, Arizona: Report of the Chief of Engineers, dated May 20, 1998, at a total cost of $29,900,000, with an estimated Federal cost of $15,000,000 and an estimated non-Federal cost of $14,900,000.

(4) American River Watershed, California.—In General.—The Folsom Dam Modification portion of the Folsom Modification Plan described in the United States Army Corps of Engineers Supplemental Information Report for the American River Watershed Project, California, dated March 1996, as modified by the report entitled “Folsom Dam Modification Report, New Outlets Plan,” dated March 1996, prepared by the Sacramento Area Flood Control Agency, at an estimated cost of $150,000,000, with an estimated Federal cost of $97,300,000 and an estimated non-Federal cost of $52,700,000. The Secretary shall coordinate with the Secretary of the Interior with respect to the design and construction of modifications at Folsom Dam authorized by this paragraph.

(b) Reoperation Measures.—Upon completion of the improvements to Folsom Dam authorized by subparagraph (A), the variable flood control operation at Folsom Dam shall be reduced from the current operating condition to the extent the water heights resulting in a significant impact on recreation at Folsom Reservoir shall be replaced, to the extent the water levels, New York and New Jersey.

(5) Oakland Harbor, California.—The project for navigation, Oakland Harbor, California: Report of the Chief of Engineers dated April 21, 1999, at a total cost of $252,290,000, with an estimated Federal cost of $129,581,000 and an estimated non-Federal cost of $122,709,000.

(6) South Sacramento County streams, California.—The project for flood control and recreation, South Sacramento County streams, California: Report of the Chief of Engineers dated October 6, 1998, at a total cost of $65,500,000, with an estimated Federal cost of $41,200,000 and an estimated non-Federal cost of $24,300,000.

(7) Upper Guadalupe River, California.—The project for flood control and recreation, Upper Guadalupe River, California: Locally Preferred Plan (known as the “Bypass Channel Project”), Report of the Chief of Engineers dated August 12, 1998, at a total cost of $188,400, with an estimated Federal cost of $70,164,000 and an estimated non-Federal cost of $70,164,000.

(8) Yuba River Basin, California.—The project for flood control, Yuba River Basin, California: Report of the Chief of Engineers dated November 25, 1998, at a total cost of $26,600,000, with an estimated Federal cost of $17,330,000 and an estimated non-Federal cost of $9,250,000.

(9) Delaware Bay coastline, Delaware and New Jersey.—The project for hurricane and storm damage reduction, Delaware Bay coastline, Delaware and New Jersey: Report of the Chief of Engineers dated September 28, 1998, at a total cost of $7,644,000, with an estimated Federal cost of $4,969,000 and an estimated non-Federal cost of $2,675,000, and at an estimated average annual cost of $538,200 for periodic nourishment over the 50-year life of the project, with an estimated annual Federal cost of $349,800 and an estimated annual non-Federal cost of $189,400.

(10) Delaware Bay coastline, Delaware and New Jersey.—The project for ecosystem restoration, Delaware Bay coastline, Delaware and New Jersey: Report of the Chief of Engineers dated September 28, 1998, at a total cost of $532,000, with an estimated annual Federal cost of $349,800 and an estimated annual non-Federal cost of $182,000.

(11) Delaware Bay coastline, Delaware and New Jersey.—The project for navigation and hurricane and storm damage reduction, Delaware Bay coastline, Delaware and New Jersey: Report of the Chief of Engineers dated February 3, 1999, at a total cost of $3,393,000, with an estimated Federal cost of $2,620,000 and an estimated non-Federal cost of $783,000.
(14) JACKSONVILLE HARBOR, FLORIDA.—(A) IN GENERAL.—The project for navigation, Jacksonville Harbor, Florida: Report of the Chief of Engineers dated April 15, 1997, at a total cost of $22,305,000, with an estimated Federal cost of $14,433,000 and an estimated non-Federal cost of $7,876,000.

(B) GENERAL RULE.—Notwithstanding subparagraph (A), the Secretary may construct the project to a depth of 40 feet if the non-Federal interest agrees to pay any additional costs above those for the 40-foot plan.

(15) TAMPA HARBOR-BIG BEND CHANNEL, FLORIDA.—The project for navigation, Tampa Harbor-Big Bend Channel, Florida: Report of the Chief of Engineers dated October 6, 1998, at a total cost of $26,116,000, with an estimated Federal cost of $9,129,000 and an estimated non-Federal cost of $16,987,000.

(16) HUNTSVILLE HARBOR, GEORGIA.—The project for navigation, Brunswick Harbor, Georgia: Report of the Chief of Engineers dated October 23, 1999, at a total cost of $4,701,000, with an estimated Federal cost of $1,420,000 and an estimated non-Federal cost of $3,281,000.

(17) BEARGRASS CREEK, KENTUCKY.—The project for flood control, Beargrass Creek, Kentucky: Report of the Chief of Engineers, dated May 12, 1998, at a total cost of $1,211,300, with an estimated Federal cost of $823,100 and an estimated non-Federal cost of $388,200.

(18) AMITE RIVER AND TRIBUTARIES, LOUISIANA.—The project for flood control, Amite River and tributaries, Louisiana: Report of the Chief of Engineers dated December 23, 1998, at a total cost of $12,821,000, with an estimated Federal cost of $8,950,000 and an estimated non-Federal cost of $3,871,000.


(20) RED RIVER LAKE AT CROOKSTON, MINNESOTA—RED RIVER LAKE, CROOKSTON, MINNESOTA: Project for flood control, Red River Lake at Crookston, Minnesota: Report of the Chief of Engineers, dated April 26, 1998, at a total cost of $9,430,000, with an estimated Federal cost of $5,700,000 and an estimated non-Federal cost of $3,730,000.

(21) TURKEY CREEK BASIN, KANSAS CITY, MISSOURI, AND KANSAS CITY, KANSAS.—The project for flood control, Turkey Creek Basin, Kansas City, Missouri, and Kansas City, Kansas: Report of the Chief of Engineers dated April 21, 1999, at a total cost of $22,710,000, with an estimated average annual Federal cost of $970,000 and an estimated average annual non-Federal cost of $753,000.

(22) LOWER CAPE MAY MEADOWS, CAPE MAY POINT, NEW JERSEY.—The project for navigation and related purposes, Lower Cape May Meadows, Cape May Point, New Jersey: Report of the Chief of Engineers dated April 5, 1999, at a total cost of $12,118,000 and an estimated non-Federal cost of $4,706,000, and at an estimated average annual Federal cost of $897,000 and an estimated annual average non-Federal cost of $727,000.

(23) NEW JERSEY SHORE PROTECTION: TOWNSEND'S INLET TO CAPE MAY INLET, NEW JERSEY.—The project for hurricane and storm damage reduction, Townsend's Inlet to Cape May Inlet, New Jersey: Report of the Chief of Engineers dated September 28, 1998, at a total cost of $56,503,000, with an estimated Federal cost of $36,727,000 and an estimated non-Federal cost of $19,776,000, and at an estimated average annual Federal cost of $2,000,000 for periodic nourishment over the 50-year life of the project, with an estimated average annual Federal cost of $897,000 and an estimated average annual non-Federal cost of $727,000.

(24) GUANAJIBO RIVER, PUERTO RICO.—The project for navigation, Guanajibo River, Puerto Rico: Report of the Chief of Engineers, dated February 27, 1996, at a total cost of $27,031,000, with an estimated Federal cost of $20,273,000 and an estimated non-Federal cost of $6,757,000.


(26) RIO NIGUA AT SALINAS, PUERTO RICO.—The project for flood control, Rio Nigua at Salinas, Puerto Rico: Report of the Chief of Engineers, dated April 11, 1999, at a total cost of $13,702,000, with an estimated Federal cost of $7,645,000 and an estimated non-Federal cost of $6,057,000.

(27) SALT CREEK, GRAFTHAM, TEXAS.—The project for flood control, environmental restoration and recreation, Salt Creek, Graham, Texas: Report of the Chief of Engineers, dated January 20, 1999, at a total cost of $14,800,000, with an estimated Federal cost of $6,357,000 and an estimated non-Federal cost of $8,443,000.


(29) LITTLE TALBOT ISLAND, DUVAL COUNTY, FLORIDA.—The project for hurricane and storm damage prevention, Little Talbot Island, Duval County, Florida, at a total cost of $5,915,000, with an estimated Federal cost of $3,960,000 and an estimated non-Federal cost of $1,955,000.

(30) SAVANNAH HARBOR EXPANSION, GEORGIA.—(A) IN GENERAL.—Subject to subparagraph (B), the project for navigation, Savannah Harbor expansion, Georgia, including implementation of the mitigation plan, with such modifications as the Secretary deems appropriate, at a total cost of $230,174,000 (of which amount a portion is authorized for implementation of the mitigation plan), with an estimated Federal cost of $145,160,000 and an estimated non-Federal cost of $85,014,000.

(B) CONDITIONS.—The project authorized by subparagraph (A) may be carried out only after—

(i) the Secretary, in consultation with affected Federal, State of Georgia, State of South Carolina, local, and regional entities, has approved the selected plan and has approved an environmental impact statement for the project that includes—

(1) an analysis of the impacts of project depth alternatives ranging from 42 feet through 48 feet; and

(II) a selected plan for navigation and an associated mitigation plan as required by section 906(a) of the Water Resources Development Act of 1986 (33 U.S.C. 2283); and

(ii) the Secretary of the Interior, the Secretary of Commerce, the Administrator of the Environmental Protection Agency, and the Secretary have approved the selected plan and have determined that the mitigation plan adequately addresses the potential environmental impacts of the project.

(C) MITIGATION REQUIREMENTS.—The mitigation plan shall be implemented in advance of or concurrently with construction of the project.

(9) ADMINISTRATION.—(1) The Secretary of the Army, in carrying out the project for flood control, Des Plaines River, Illinois, at a total cost of $43,000,000 with an estimated Federal cost of $28,800,000 and an estimated non-Federal cost of $14,200,000.

(10) NEW JERSEY SHORE PROTECTION, BRIGANTINE INLET TO GREAT EGG HARBOR, BRIGANTINE ISLAND, NEW JERSEY.—The project for hurricane and storm damage reduction, Brigantine Inlet to Great Egg Harbor, Brigantine Island, New Jersey, at a total cost of $11,971,000, with an estimated Federal cost of $5,503,000 and an estimated non-Federal cost of $6,468,000.
cost of $4,970,000, with an estimated Federal cost of $2,326,000. (2) Project for flood control, Port Providence, Pennsylvania. (3) Project for flood control, Fourth Creek, Knox County, Tennessee. (4) Project for flood control, First Creek, Knox County, Tennessee. (5) Metro Center levee, Cumberland River, Nashville, Tennessee. (6) Festus and Crystal City, Missouri. (7) Project for navigation, Detroit River, Michigan. (8) FortESCUE INLET, DELAWARE BAY, NEW JERSEY.—Project for navigation, FortESCUE Inlet, Delaware Bay, New Jersey.

SEC. 105. SMALL PROJECTS FOR IMPROVEMENT OF THE ENVIRONMENT.

(a) In General.—The Secretary shall conduct a study for each of the following projects and, after completion of such study, shall carry out the project under section 1135(a) of the Water Resources Development Act of 1986 (33 U.S.C. 2304a).

(b) Project for improvement of the environment, Illinois River in the vicinity of Havana, Illinois. Project for the improvement of the environment, Lake Monroe, Florida.

(c) Project for improvement of the environment, Knitting Mill Creek, Virginia.

(d) Project for aquatic ecosystem restoration and fishery rehabilitation, Kings River, California.

(e) Project for aquatic ecosystem restoration and lagoon restoration, Indian River, Florida.

(f) Little Wekiva River, Florida.

(g) Project for aquatic ecosystem restoration and lagoon restoration, Contra Costa County, Bay Delta, California.

(h) Project for aquatic ecosystem restoration and lagoon restoration, Contra County, Bay Delta, California.

(i) Project for aquatic ecosystem restoration and lagoon restoration, Indian River, Florida.

(j) Project for aquatic ecosystem restoration and lagoon restoration, Little Wekiva River, Florida.

(k) Project for aquatic ecosystem restoration and lagoon restoration, Cook County, Illinois.

(1) Project for aquatic ecosystem restoration and fishery rehabilitation, Grand Traverse Island, Michigan.

(m) Project for aquatic ecosystem restoration and lagoon restoration, Croton County, Mississippi.

(n) Project for aquatic ecosystem restoration and lagoon restoration, Mississippi River and River Des Peres, St. Louis, Missouri.

(o) Project for aquatic ecosystem restoration and lagoon restoration, Hudson River, New York.

(p) Project for aquatic ecosystem restoration, Onedia Lake, Oneida County, New York.

(q) Project for aquatic ecosystem restoration, Otsego Lake, Otsego County, New York.

(r) Project for aquatic ecosystem restoration, North Fork of Yellow Creek, Ohio.

(s) Project for aquatic ecosystem restoration, Springfield Millrace, Oregon.

(t) Project for aquatic ecosystem restoration, Upper Amazon Creek, Oregon.

(u) Project for aquatic ecosystem restoration, Upper Amazon Creek, Oregon.

(v) Project for aquatic ecosystem restoration, Upper Amazon Creek, Oregon.

(w) Project for aquatic ecosystem restoration, Upper Amazon Creek, Oregon.

(x) Project for aquatic ecosystem restoration, Upper Amazon Creek, Oregon.

(y) Project for aquatic ecosystem restoration, Upper Amazon Creek, Oregon.

(z) Project for aquatic ecosystem restoration, Upper Amazon Creek, Oregon.
S. 2812

CONGRESSIONAL RECORD—SENATE

July 28, 1999

SEC. 211. HARBOR COST SHARING.

(a) IN GENERAL.—Sections 191 and 214 of the Water Resources Development Act of 1968 (33 U.S.C. 2211 and 2241; Public Law 99–662) are amended by striking "45 feet" each place it appears and inserting "33 feet".

(b) APPLICABILITY.—The amendments made by subsection (a) shall only apply to a project, or separable element thereof, on which a contract for construction has not been awarded before the date of the enactment of this Act.

SEC. 212. AQUATIC ECOSYSTEM RESTORATION.

Section 206 of the Water Resources Development Act of 1996 (110 Stat. 3679–3680) is amended—

(1) by adding at the end of subsection (b) the following: "Before October 1, 2003, the Federal share may be provided in the form of grants or reimbursements of project costs.", and

(2) by adding at the end of subsection (c) the following: "Notwithstanding section 221(b) of the Flood Control Act of 1970 (42 U.S.C. 1962d–5(b)), the Secretary, after coordination with the appropriate State and local government officials having jurisdiction over an area in which a project under this section will be carried out, may allow a nonprofit entity to serve as the non-Federal interest for the project.".

SEC. 213. WATERSHED MANAGEMENT, RESTORATION, AND DEVELOPMENT.

(a) NONPROFIT ENTITY AS NON-FEDERAL INTEREST.—Section 503(a) of the Water Resources Development Act of 1996 (110 Stat. 3756) is amended by adding at the end the following: "Notwithstanding section 221(b) of the Flood Control Act of 1970 (42 U.S.C. 1962d–5(b)), the Secretary, after coordination with the appropriate State and local government officials having jurisdiction over an area in which a project under this section will be carried out, may allow a nonprofit entity to serve as the non-Federal interest for the project.",

(b) PROJECT LOCATIONS.—Section 503(d) of such Act is amended—

(1) in paragraph (7) by inserting before the period the following: "; and

(2) by adding at the end the following: "(16) Blackstone River basin, Rhode Island and Massachusetts.—Project for aquatic ecosystem restoration of full scale processing facilities within the Blackstone River basin, Rhode Island and Massachusetts.",

(3) NONSTRUCTURAL APPROACHES.—The studies and projects carried out under this section shall not implement a fully allocated funding policy with respect to a water resources project if initiation of construction has occurred but sufficient funds are not available to complete the project. The Secretary shall enter into continuing contracts for such project.

(b) INITIATION OF CONSTRUCTION CLARIFIED.—For the purposes of section 221(b) of the Flood Control Act of 1970 (42 U.S.C. 1962d–5(b)), the Secretary, after coordination with the appropriate State and local government officials having jurisdiction over an area in which a project under this section will be carried out, may allow a nonprofit entity to serve as the non-Federal interest for the project.",

(c) SUPPORT.—In carrying out the program under this section, the Secretary is encouraged to utilize contracts, cooperative agreements, and grants with colleges and universities and other non-Federal entities.

SEC. 214. FLOOD MITIGATION AND RIVERINE RESTORATION PILOT PROGRAM.

(a) IN GENERAL.—The Secretary may undertake a program for the purpose of conducting projects that reduce flood hazards and restore the natural functions and values of rivers throughout the United States.

(b) STUDIES AND PROJECTS.

(1) AUTHORITY.—In carrying out the program, the Secretary may conduct studies to identify appropriate flood damage reduction, conservation, and restoration measures and may design and implement projects described in subsection (a).

(2) CONSULTATION AND COORDINATION.—The studies and projects carried out under this section shall be conducted, to the extent practicable, in consultation and coordination with the Federal Emergency Management Agency and other appropriate Federal agencies, and in consultation and coordination with appropriate State, tribal, and local agencies.

(3) NONSTRUCTURAL APPROACHES.—The studies and projects shall emphasize, to the maximum extent practicable, and appropriate, nonstructural approaches to preventing or reducing flood damages.
(4) USE OF STATE, TRIBAL, AND LOCAL STUDIES AND PROJECTS.—Any structural flood control projects shall include consideration of and coordination with any State, tribal, and local flood damage reduction or riverine and wetland restoration studies and projects that conserve, restore, and manage hydrologic and hydraulic regimes and restore the natural functions and values of floodplains.

(c) COST-SHARING REQUIREMENTS.—

(1) STUDIES.—Studies conducted under this section shall be subject to cost sharing in accordance with section 105 of the Water Resources Development Act of 1986 (33 U.S.C. 2215).

(2) ENVIRONMENTAL RESTORATION AND NON-STRUCTURAL FLOOD CONTROL PROJECTS.—The non-Federal interests shall pay 35 percent of the cost of any environmental restoration or non-structural flood control project carried out under this section. The non-Federal interests shall provide all land, easements, rights-of-way, dredged material disposal areas, and relocations shall be credited toward the payment required under this paragraph.

(3) STRUCTURAL FLOOD CONTROL PROJECTS.—Any structural flood control measures carried out under this section shall be subject to cost sharing in accordance with section 103(a) of the Water Resources Development Act of 1986 (33 U.S.C. 2213(a)).

(4) GRANT AND MAINTENANCE.—The non-Federal interests shall be responsible for all costs associated with operating, maintaining, replacing, repairing, and rehabilitating all projects carried out under this section.

(d) PROJECT JUSTIFICATION.—

(1) IN GENERAL.—Notwithstanding any other provision of law or requirement for economic justification established pursuant to section 209 of the Flood Control Act of 1970 (42 U.S.C. 1622), the Secretary may implement a project under this section if the Secretary determines that the project—

(A) will significantly reduce potential flood damages;

(B) will improve the quality of the environment; and

(C) is justified considering all costs and beneficial outputs of the project.

(2) ESTABLISHMENT OF SELECTION AND RATING CRITERIA.—Not later than 180 days after the date of the enactment of this section, the Secretary, in cooperation with State, tribal, and local agencies, shall develop and transmit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report outlining the selection criteria and rating system to be used to prioritize projects for funding under this section, including a description of the means by which the Secretary will evaluate proposals submitted under this section.

(e) PRIORITY AREAS.—In carrying out this section, the Secretary shall examine the potential for flood damage reductions at appropriate locations, including the following:

(1) Upper Delaware River, New York.

(2) Willamette River floodplain, Oregon.

(3) Gila River, Arizona, at Passel De Las Iglesias and Rillito River.

(4) Los Angeles and San Gabriel Rivers, California.

(5) Murray Creek, California.

(6) Napa County, California, at Yountville, St. Helena, Calistoga, and American Canyon.

(7) Santa Clara basin, California, at Upper Guadalupe, Upper Santa Cruz, and Franciscuito Creek, and Upper Penitencia Creek.

(8) Pine Mount Creek, New Jersey.

(9) Chautauqua Creek, New York.

(10) Blair County, Pennsylvania, at Altoona and Frankstown Township.

(11) Lincoln Creek, Wisconsin.

(f) PROGRAM JUSTIFICATION.—

(1) IN GENERAL.—The program established under this section shall be subject to an independent review to evaluate the efficacy of the program in achieving the dual goals of flood hazard mitigation and riverine restoration.

(2) REPORT.—Not later than April 15, 2003, the Secretary shall transmit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report containing the results of the review conducted under subsection (a).

(g) COST LIMITATIONS.—

(1) IN GENERAL.—No more than $30,000,000 may be expended by the United States on any single project under this section.

(2) COMMITTEE RESOLUTION PROCEDURE.—

(A) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section—

(i) $25,000,000 for fiscal year 2000;

(ii) $25,000,000 for fiscal year 2001 if $12,500,000 or more is appropriated to carry out subsection (e) for fiscal year 2000;

(iii) $25,000,000 for fiscal year 2002 if $12,500,000 or more is appropriated to carry out subsection (e) for fiscal year 2001; and

(iv) $25,000,000 for fiscal year 2003 if $12,500,000 or more is appropriated to carry out subsection (e) for fiscal year 2002.

SEC. 215. SHORELINE MANAGEMENT PROGRAM.

(a) IN GENERAL.—The Secretary shall review the implementation of the Corps of Engineers' shoreline management program, with particular attention to inconsistencies in implementation among the divisions and districts of the Corps of Engineers and complaints by or potential inequities regarding property owners in the Savannah District including an accounting of the number and disposition of complaints over the last 5 years in the District.

(b) REPORT.—As expeditiously as practicable after the date of the enactment of this Act, the Secretary shall transmit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report describing the results of the review conducted under subsection (a).

SEC. 216. ASSISTANCE FOR REMEDIATION, RESTORATION, AND REUSE.

(a) IN GENERAL.—The Secretary may provide to State and local governments assessment, planning, and design assistance for remediation, environmental restoration, or reuse of areas located within the boundaries of such State or local government jurisdiction, such remediation, environmental restoration, or reuse will contribute to the conservation of water and related resources of drainage basins and watersheds within the United States.

(b) BENEFICIAL USE OF DREDGED MATERIAL.—In providing assistance under subsection (a), the Secretary shall encourage the beneficial use of dredged material, consistent with the findings of the Secretary under section 204 of the Water Resources Development Act of 1992 (33 U.S.C. 2226).

(c) NON-FEDERAL SHARE.—The non-Federal share of the cost of assistance provided under subsection (a) shall be 50 percent.

SEC. 217. SHORE DAMAGE MITIGATION.

(a) IN GENERAL.—Section 111 of the River and Harbors Act of 1968 (33 U.S.C. 4199) is amended by inserting after navigation works the following: “and shore damages attributable to the Atlantic Intracoastal Waterway and the Gulf Intracoastal Waterway”.

(b) PALM BEACH COUNTY, FLORIDA.—The project for navigation, Palm Beach County, Florida, authorized by section 2 of the River and Harbor Act of March 2, 1945 (39 Stat. 11), is modified to authorize the Secretary to undertake beach nourishment as a dredged material disposal option under the project.

(c) THE GULF COAST.—The Secretary may place dredged material from the Gulf Intracoastal Waterway on the beaches along Rollover Pass, Galveston County, Texas, to stabilize beach erosion.

(d) PROGRAM REVIEW.—The Secretary shall transmit to Congress, for the last 5 years in the District.

SEC. 218. SHORE PROTECTION.

(a) NON-FEDERAL SHARE OF PERIODIC NOURISHMENT.—Section 103(g) of the Water Resources Development Act of 1986 (100 Stat. 4053–4056) is amended—

(1) by inserting “(1) CONSTRUCTION.—” before “Costs of constructing”;

(2) by inserting at the end the following:

“(2) PERIODIC NOURISHMENT.—(A) IN GENERAL.—Subject to subparagraph (B), the non-Federal share of costs of periodic nourishment measures for shore protection or beach erosion control at one shore location—

(i) after January 1, 2001, shall be 40 percent; and

(ii) after January 1, 2002, shall be 45 percent; and

(iii) after January 1, 2003, shall be 50 percent.

(B) BENEFITS TO PRIVATELY OWNED SHORES.—All costs assigned to benefits of periodic nourishment measures to privately owned shores (where use of such shores is limited to private interests) or to prevention of losses of private lands shall be borne by the non-Federal interest and all costs assigned to the protection of federally owned shores for such measures shall be borne by the United States.”;

(c) by indenting paragraph (1) (as designated by paragraph (A) of this subparagraph) and aligning such paragraph with paragraph (2) (as added by subparagraph (B) of this paragraph).

(b) UTILIZATION OF SAND FROM OUTER CONTINENTAL SHELF.—Section 8(7)(2)(B) of the Outer Continental Shelf Lands Act (30 U.S.C. 1337(k)(2)(B)) is amended by striking “an agency of the Federal Government” and inserting “a Federal, State, or local government agency”.

(c) REPORT ON NATION’S SHORELINES.—

(1) IN GENERAL.—Not later than 3 years after the date of the enactment of this Act, the Secretary shall report to Congress on the state of the Nation’s shorelines.

(2) CONTENTS.—The report shall include—

(A) a description of the extent of, and economic and environmental effects caused by, erosion and accretion along the Nation’s shores and the causes thereof;

(B) a description of resources committed by local, State, and Federal governments to reduce and stabilize shoreline erosion or accretion along the Nation’s shores; and

(C) a description of the systematic movement of sand along the Nation’s shores; and
(D) recommendations regarding (i) appropriate levels and methods for Federal participation in shoreline protection, and (ii) utilization of a systems approach to sand management.

(3) UTILIZATION OF SPECIFIC LOCATION DATA.—In developing the report, the Secretary shall utilize data from specific locations on the Atlantic, Pacific, Great Lakes, and Gulf of Mexico coasts.

(a) NATIONAL COASTAL DATA BANK.—

(1) ESTABLISHMENT OF DATA BANK.—Not later than 2 years after the date of the enactment of this Act, the Secretary shall establish a national coastal data bank containing data on the geophysical and biologic characteristics of the Nation’s shorelines.

(2) CONTENT.—To the extent practical, the national coastal data bank shall include data regarding current and predicted shoreline positions, information on federally authorized shore protection projects, and data on the movement of sand along the Nation’s shores, including impediments to such movement caused by natural and manmade features.

(b) ACCESS.—The national coastal data bank shall be made readily accessible to the public.

SEC. 210. AMENDMENT TO CONSERVE ENERGY

Section 206 of the Flood Control Act of 1960 (33 U.S.C. 709a) is amended—

(1) by redesignating subsections (b) and (c) as subsections (c) and (d), respectively; and

(2) by inserting after subsection (a) the following:

"(b) FLOOD PREVENTION ORGANIZATION.—The Secretary shall coordinate with the Director of the Federal Emergency Management Agency and the heads of other Federal agencies to ensure that flood control projects and plans are consistent with and integrated to the extent practicable and appropriate.".

SEC. 220. ANNUAL PASSES FOR RECREATION.

Section 208(c)(4) of the Water Resources Development Act of 1996 (16 U.S.C. 460d note; 110 Stat. 3680) is amended by striking "1999, or the date of transmittal of the report under paragraph (3)" and inserting "2003".

SEC. 221. COOPERATIVE AGREEMENTS FOR ENVIRONMENTAL, MENT, AND RECREATIONAL MEASURES.

(a) IN GENERAL.—The Secretary is authorized to enter into cooperative agreements with non-Federal public bodies and non-profit entities for the purpose of facilitating collaborative efforts involving environmental protection and restoration, natural resources conservation and recreation in connection with the development, operation, and management of water resources projects under the jurisdiction of the Department of the Army.

(b) REPORT.—Not later than 18 months after the date of the enactment of this Act, the Secretary shall transmit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report that includes—

(1) a listing and general description of the cooperative agreements entered into by the Secretary with non-Federal public bodies and entities under subsection (a);

(2) a determination of whether such agreements are facilitating collaborative efforts; and

(3) a recommendation on whether such agreements should be further encouraged.

SEC. 222. NONSTRUCTURAL FLOOD CONTROL PROJECTS.

(a) ANALYSIS OF BENEFITS.—Section 308 of the Water Resources Development Act of 1990 (33 U.S.C. 2213(c)) is amended—

(1) in the heading to subsection (a) by inserting "ELEMENTS EXCLUDED FROM" before "BENEFIT-COST";

(2) by redesignating subsections (b) through (e) as subsections (c) through (f), respectively; and

(3) by inserting after subsection (a) the following:

"(b) FLOOD DAMAGE REDUCTION BENEFITS.—In calculating the benefits of a proposed project for nonstructural flood damage reduction, the Secretary shall calculate benefits of nonstructural projects using methods similar to structural projects, including similar treatment in calculating the benefits from losses avoided from both structural and nonstructural alternatives. In carrying out this subsection, the Secretary should avoid double counting of benefits.

"(c) REEVALUATION OF FLOOD CONTROL PROJECTS.—At the request of a non-Federal interest for a flood control project, the Secretary shall conduct a reevaluation of a previously authorized project to consider nonstructural alternatives in light of the amendments made by subsection (a).

"(d) COST SHARING.—Section 193(b) of the Water Resources Development Act of 1986 (33 U.S.C. 2213(b)) is amended by adding at the end the following: "At any time during construction of the project, where the Secretary determines that a non-Federal interest is practicable and appropriate, such Federal share of such first costs may be satisfied (i) by providing credit toward future non-Federal share of the costs of the project; (ii) by providing credit toward future non-Federal share of the costs of the project; or (iii) by providing credit toward future non-Federal share of the costs of the project.

"(e) IN GENERAL.—Section 211(e)(2)(A) of such Act is amended—

(A) by inserting after "subject to amounts being made available in advance in appropriations Acts" and inserting "subject to appropriations Act";

(B) by striking "of such work" and inserting "of such work";

(C) by striking the period at the end of paragraph (2) of the request of the non-Federal interest by providing credit toward future non-Federal costs of the project.

"(f) SCHEDULING.—Nothing in this paragraph shall affect the President's discretion to schedule new construction starts.".

SEC. 223. LAKES PROGRAM.

Section 602(a) of the Water Resources Development Act of 1986 (110 Stat. 3758) is amended—

(1) by striking "and" at the end of paragraph (15);

(2) by striking the period at the end of paragraph (16) and inserting "at the end of the following:"

"(17) Clear Lake, Lake County, California, removal of silt and aquatic growth and measures to address excessive sedimentation and high nutrient concentration;"

"(19) Osgood Pond, Milford, Hillsborough County, New Hampshire, removal of silt and aquatic growth and measures to address excessive sedimentation; and"

"(20) Flints Pond, Hollis, Hillsborough County, New Hampshire, removal of silt and aquatic growth and measures to address excessive sedimentation.".

SEC. 224. CONSTRUCTION OF FLOOD CONTROL PROJECTS BY NON-FEDERAL INTERESTS.

(a) CONSTRUCTION BY NON-FEDERAL INTERESTS.—Section 211(d)(1) of the Water Resources Development Act of 1996 (33 U.S.C. 701b-13(d)(1)) is amended—

(1) by striking "(b) or";

(2) by striking "Any non-Federal" and inserting the following:

"(A) STUDIES AND DESIGN ACTIVITIES UNDER SUBSECTION (b).—A non-Federal interest may only carry out construction for which studies and design documents are prepared under subsection (b) if the Secretary approves such construction. The Secretary shall approve such construction after the Secretary determines, in writing, that the design documents do not meet standard practices for design methodologies or that the project is not economically justified or environmentally acceptable.

"(B) CONSTRUCTION.—Nothing in this paragraph shall affect the requirements for obtaining the appropriate permits required under the Secretary's authority. The Secretary shall not unreasonably withhold approval to the request of a non-Federal interest for construction of a project under this subsection."

(b) PURCHASE OF AMERICAN-MADE EQUIPMENT AND PRODUCTS.—It is the sense of Congress that, to the greatest extent practicable, all equipment and products purchased with funds made available under this Act should be American made.

(b) NOTICE TO RECIPIENTS OF ASSISTANCE.—In providing financial assistance under this Act, the Secretary shall, to the greatest extent practicable, provide to each recipient of the assistance notice describing the statement made in subsection (a).
through (D) as subparagraphs (A) through (C), respectively.

SEC. 228. ENVIRONMENTAL DREDGING.
Section 312 of the Water Resources Development Act of 1990 (104 Stat. 4639-4640) is amended—

(b)(1) by striking “50” and inserting “55”; and

(b)(2) in subsection (d) by striking “non-Federal responsibility” and inserting “shared as a cost of construction”.

SEC. 229. WETLANDS MITIGATION.
In carrying out a water resources project that involves the construction of a facility, shall not be considered separable elements of the St. Francis River Basin project.

SEC. 230. DELAWARE RIVER MAINSTEM AND CHANNEL DEEPENING, DELAWARE, NEW JERSEY, AND PENNSYLVANIA.
The project for navigation improvement for the Delaware River Mainstem and Channel Deepening, Delaware, New Jersey and Pennsylvania, authorized by section 101(6) of the Water Resources Development Act of 1992 (116 Stat. 4802), is modified as follows:

(a) HOLD HARMLESS.—The non-Federal interests shall hold the United States harmless for obligations and commitments for the construction of the projects referred to in subsection (a) of this section.

(b) CONDITIONS.—In conducting the study, the Secretary shall—

(A) ensure the implementation of the project by the non-Federal interests prior to an agreement with a non-Federal interest for the project at a Federal cost of $6,129,000.

SEC. 231. BREVARD COUNTY, FLORIDA.
(a) STUDY.—The Secretary, in cooperation with the non-Federal interests, shall conduct a study to determine if additional navigation project, after the implementation of the project by the non-Federal interests and rehabilitation provided, is necessary to maintain navigation in the region of this navigation project.

(b) CONDITIONS.—In conducting the study, the Secretary shall—

(A) conduct the study in cooperation with the non-Federal interests; and

(B) ensure the implementation of the project by the non-Federal interests prior to an agreement with a non-Federal interest for the project at a Federal cost of $6,129,000.
shall be completed within 120 days of the date of the enactment of this Act.

(c) MITIGATION OF DAMAGES.—After completion of the study, the Secretary shall mitigate any damage to the shoreline protection project that is the result of a Federal navigation project. The costs of the mitigation shall be allocated to the Federal navigation project as operation and maintenance.

SEC. 312. BROOKDALE COUNTY AND HILLSBORO INLET, FLORIDA.

The project for shoreline protection, Brooxid County and Hillsboro Inlet, Florida, authorized by section 301 of the River and Harbor Act of 1965 (79 Stat. 1099), is modified to authorize the Secretary to reimburse the non-federal share of the Federal cost of the Federal share of the cost of preconstruction planning and design for the project upon execution of a contract to construct the project if the Secretary determines that such work is compatible with and integral to the project.

SEC. 313. FORT PIERCE, FLORIDA.

(a) IN GENERAL.—The project for shore protection and harbor mitigation, Fort Pierce, Florida, authorized by section 301 of the River and Harbor Act of 1965 (79 Stat. 1099) and section 506(a)(2) of the Water Resources Development Act of 1996 (110 Stat. 3757), is modified to incorporate an additional 1 mile into the project in accordance with the approved environmental evaluation report, at a total cost for initial nourishment for the entire project of $9,128,000, with an estimated Federal cost of $7,073,500 and an estimated non-Federal cost of $2,054,500.

(b) PERIOD NOURISHMENT.—Periodic nourishment is authorized for the project in accordance with section 506(a)(2) of the Water Resources Development Act of 1996 (110 Stat. 3757).

SEC. 314. NASSAU COUNTY, FLORIDA.

The project for beach erosion control, Nassau County (Amelia Island), Florida, authorized by section 3(a)(3) of the Water Resources Development Act of 1968 (102 Stat. 4013), is modified to authorize the Secretary to construct the project at a total cost of $17,000,000, with an estimated Federal cost of $13,300,000 and an estimated non-Federal cost of $3,700,000.

SEC. 315. MIAMI HARBOR CHANNEL, FLORIDA.

The project for port protection, Miami Harbor Channel, Florida, authorized by section 101(a)(9) of the Water Resources Development Act of 1990 (104 Stat. 4606), is modified to include construction of artificial reefs and related environmental mitigation required by Federal, State, and local environmental permitting agencies for the project.

SEC. 316. LAKE MICHIGAN, ILLINOIS.

The project for storm damage reduction and shoreline erosion protection, Lake Michigan, Illinois, from Wilmot, Illinois, to the Illinois-Indiana state line, authorized by section 101(a)(12) of the Water Resources Development Act of 1996 (110 Stat. 3664), is modified to authorize the Secretary to provide a credit against the non-Federal share of the cost of the project for costs incurred by the non-Federal interest—

(1) in constructing Reach 2D and Segment 8 of Reach 4 of the project; and

(2) in constructing a floodway Drive in Chicago, Illinois, prior to entry into a project cooperation agreement with the Secretary.

SEC. 317. SPRINGFIELD, ILLINOIS.

Section 417 of the Water Resources Development Act of 1996 (110 Stat. 3743) is amended—

(1) by inserting—

"(a) IN GENERAL.—" before "the Secretary"; and

(2) by adding at the end the following:

"(b) CREDIT.—The non-Federal share of the cost of the project shall be credited to the non-Federal share of the cost of the project. The credit shall be for cost of work performed by the non-Federal interest prior to the execution of a project cooperation agreement as determined by the Secretary to be compatible with and an integral part of the project.

"(c) RECIPROCAL CREDIT.—The Secretary may provide that the amount credited to the non-Federal share of the cost of the project under subsection (a) be recouped by the Federal share of the cost of the project under subsection (b)."

SEC. 318. LITTLE CALUMET RIVER, INDIANA.

(a) STUDY.—The Secretary shall conduct a study of the river in the vicinity of the Calumet River, Indiana, authorized by section 3(a)(3) of the Water Resources Development Act of 1988 (102 Stat. 4013), to determine whether the costs of construction of the project are environmentally acceptable and that the levee was constructed in accordance with the District Engineer's Navigation of the levee along Twelve-Mile Bayou Below Denison Dam Levee approximately 26 miles upstream to its terminus at high ground in the vicinity of Black Bayou, Caddo Parish, Louisiana, if the Secretary determines that such maintenance is economically justified and environmentally acceptable and that the levee was constructed in accordance with appropriate design standards and engineering the jurisdiction to the Federal navigation project as operation and maintenance.

(b) MITIGATION.—After completion of the study, the Secretary shall mitigate any damage to the beachfront and shoreline that is the result of a Federal navigation project.

SEC. 319. OGDEN DUNES, INDIANA.

(a) STUDY.—The Secretary shall conduct a study of beach erosion in and around the town of Ogden Dunes, Indiana, to determine whether the damage is the result of a Federal navigation project.

(b) MITIGATION.—After completion of the study, the Secretary shall mitigate any damage to the beachfront and shoreline that is the result of a Federal navigation project.

SEC. 320. SAULT SAINTE MARIE, CHIPPEWA COUNTY, MICHIGAN.

The project for storm damage reduction and shoreline erosion protection, Lake Superior, Michigan, authorized by section 3(a)(12) of the Water Resources Development Act of 1996 (110 Stat. 3664), is modified to include construction of a channel to the Federal navigation project in Sault Ste. Marie, Michigan, at a total cost of $58,500,000.

SEC. 321. LITTLE CALUMET RIVER, INDIANA.

(a) STUDY.—The project for flood control, Little Calumet River, Indiana, authorized by section 401(a) of the Water Resources Development Act of 1965 (79 Stat. 1099), is modified to authorize the Secretary to construct the project substantially in accordance with the report of the Corps of Engineers, at a total cost of $170,000,000, with an estimated Federal cost of $123,000,000 and an estimated non-Federal cost of $47,000,000.

(b) PERIOD NOURISHMENT.—Periodic nourishment is authorized for the project in accordance with section 506(a)(2) of the Water Resources Development Act of 1996 (110 Stat. 3757).

(c) REVISED PROJECT COOPERATION AGREEMENT.—The Secretary shall revise the project cooperation agreement for the project referred to in subsection (a) to take into account the change in the Federal participation in the project pursuant to subsection (a).

SEC. 322. LAKE PONCHARTAIN, LOUISIANA.

(a) STUDY.—The project for hurricane-flood protection, Lake Pontchartrain, Louisiana, authorized by section 204 of the Flood Control Act of 1965 (79 Stat. 1077), is modified to—

(1) direct the Secretary to conduct a study to determine the extent of constructing a floodwall adjacent to each of the 4 proposed drainage structures for the Saint Charles Parish feature of the project; and

(2) authorize the Secretary to construct such floodwalls upon completion of the study.

(b) RECIPROCAL CREDIT.—The project for navigation, Lake Pontchartrain, Louisiana, authorized by section 204 of the Flood Control Act of 1965 (79 Stat. 1077), is modified to authorize the Secretary to provide a credit against the non-Federal share of the cost of the project for costs incurred by the non-Federal interest in accordance with the District Engineer’s Navigation Assessment Report and Environmental Assessment, dated April 30, 1997.

SEC. 323. LAROSE TO GOLDEN MEADOW, LOUISIANA.

The project for hurricane protection Laroze to Golden Meadow, Louisiana, authorized by section 204 of the Flood Control Act of 1965 (79 Stat. 1077), is modified to authorize the construction of a navigation lock if the Secretary determines that the conversion is feasible.

SEC. 324. LOUISIANA STATE PENITENTIARY LEVEE, LOUISIANA.

The Louisiana State Penitentiary Levee project, Louisiana, authorized by section 401(a) of the Water Resources Development Act of 1965 (79 Stat. 1099), is modified to direct the Secretary to provide credit to the non-Federal interest toward the non-Federal share of the cost of the project. The credit shall be for cost of work performed by the non-Federal interest prior to the execution of a project cooperation agreement as determined by the Secretary to be compatible with and an integral part of the project.

SEC. 325. WEST BANK OF THE MISSISSIPPI RIVER (EAST OF HARVEY CANAL), LOUISIANA.

(a) IN GENERAL.—The project for flood control and storm damage reduction, West Bank of the Mississippi River (East of Harvey Canal), Louisiana, authorized by section 401(b) of the Water Resources Development Act of 1965 (79 Stat. 1428) and section 101(a)(17) of the Water Resources Development Act of 1996 (110 Stat. 3665), is modified—

(1) to provide that any liability under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. 9603 et seq.) from the construction of the project is a Federal responsibility; and

(2) to authorize the Secretary to carry out operation and maintenance of that portion of the project included in the report of the Chief of Engineers, dated May 1, 1993, referred to as "Altgiers Channel", if the non-Federal sponsor reimburses the Secretary for the amount of such operation and maintenance included in the report.

(b) COMBINATION OF PROJECTS.—The Secretary shall carry out work authorized as part of the Westwego to Harvey Canal project, the Lake Pontchartrain project, and the Lake Pontchartrain Cataouatche modifications as a single project, to be known as the West Bank and vicinity, New Orleans, Louisiana, hurricane protection project, with a combined total cost of $280,000,000.

SEC. 327. TOLCHESTER CHANNEL, BALTIMORE HARBOR AND CHANNELS, CHESAPEAKE BAY, KENT COUNTY, MARYLAND.

The project for navigation, Tolchester Channel, Baltimore Harbor and Channels, Chesapeake Bay, Kent County, Maryland, authorized by section 101 of the River and Harbor Act of 1958 (72 Stat. 297), is modified to authorize the Secretary to carry out the Tolchester Channel Navigation project in accordance with the District Engineer’s Navigation Assessment Report and Environmental Assessment, dated April 30, 1997. This modification to the project is carried out in order to improve navigation safety.

SEC. 328. SAULT SAINTE MARIE, CHIPEWA COUNTY, MICHIGAN.

The project for navigation, Sault Sainte Marie, Chippewa County, Michigan, authorized by section 1149 of the Water Resources Development Act of 1986 (100 Stat. 4254-4255) and modified by section 339 of the Water Resources Development Act of 1992 (106 Stat. 3663), is further modified to provide that the amount to be paid by the non-Federal interests pursuant to section 101(a)
of the Water Resources Development Act of 1986 (33 U.S.C. 2211(a)) and subsection (a) of such section 330 shall not include any interest payments.

SEC. 329. JACKSON COUNTY, MISSISSIPPI. The project for environmental infrastructure, Jackson County, Mississippi, authorized by section 219(c)(5) of the Water Resources Development Act of 1992 (106 Stat. 4835) and modified by section 504 of the Water Resources Development Act of 1996 (110 Stat. 3757), is further modified to direct the Secretary to provide a credit, not to exceed $5,000,000, against the non-Federal share of the cost of the project for the costs incurred by the Jackson County Board of Supervisors since February 8, 1994, in constructing the project if the Secretary determines that such costs are for work that the Secretary determines is compatible with and integral to the project.

SEC. 330. TUNICA LAKE, MISSISSIPPI. The project for flood control, Mississippi River Channel Improvement Project, Tunica Lake, Mississippi, authorized by the Act entitled: "An Act for the control of floods on the Mississippi River and its tributaries, and for other purposes", approved May 15, 1928 (45 Stat. 534-538), is modified to authorize the Secretary to construct at a maximum Federal expenditure of $35,000,000.

SEC. 331. BOIS BRULE DRAINAGE AND LEVEE DISTRICT, MISSOURI. (a) Maximum Federal Expenditure.—The maximum amount of Federal funds that may be allocated for the project for flood control, Bois Brule Drainage and Levee District, Missouri, authorized pursuant to section 205 of the Flood Control Act of 1948 (31 U.S.C. 701a), shall be $15,000,000.

(b) Revision of the Project Cooperation Agreement.—The Secretary shall modify the project cooperation agreement for the project referred to in subsection (a) to take into account the change in Federal participation in the project pursuant to subsection (a).

(c) Cost Sharing.—Nothing in this section shall be construed to affect any cost-sharing requirement applicable to the project referred to in subsection (a) under title I of the Water Resources Development Act of 1986 (33 U.S.C. 2211 et seq.).

SEC. 332. PRENOYER RIVER BASIN, VALLEY PARK, LEVEE, MISSOURI. The project for flood control, Meramec River Basin, Valley Park Levee, Missouri, authorized by section 2(a) of the Act entitled "An Act to authorize the Secretary of the Army to acquire lands within the jurisdiction of the Army Corps of Engineers" (95 Stat. 1682-1683) and modified by section 1128 of the Water Resources Development Act of 1986, (100 Stat. 4098), is further modified to authorize the Secretary to construct the project at a maximum Federal expenditure of $35,000,000.

SEC. 333. MISSOURI RIVER MITIGATION PROJECT, MISSOURI, IOWA, AND NEBRASKA. (a) In General.—The project for mitigation of fish and wildlife losses, Missouri River Bank Stabilization and Navigation Project, Missouri, Iowa, and Nebraska, authorized by section 601 of the Water Resources Development Act of 1984 (33 U.S.C. 534), is modified by section 1128 of the Water Resources Development Act of 1986, (100 Stat. 4098), is further modified to authorize the Secretary to construct the project at a maximum Federal expenditure of $118,650 acres the lands and interests in lands to be acquired for the project.

(b) Study.—(1) In General.—The Secretary, in conjunction with the States of Nebraska, Iowa, Kansas, and Missouri, shall conduct a study to determine the cost of restoring, under the authority of the Missouri River fish and wildlife mitigation project, a total of 118,650 acres of lost Missouri River habitat.

(2) Report.—The Secretary shall report to Congress the results of the study not later than 6 months after the date of the enactment of this Act.

SEC. 334. WOOD RIVER, GRAND ISLAND, NEBRASKA. The project for flood control, Wood River, Grand Island, Nebraska, authorized by section 101(a)(19) of the Water Resources Development Act of 1996 (110 Stat. 3781), is further modified to authorize the Secretary to construct the project substantially in accordance with the report of the Corps of Engineers dated June 29, 1998, at a total Federal cost of $9,730,000 and an estimated non-Federal cost of $7,309,000.

SEC. 335. ABSECON INLET, NEW JERSEY. The project for storm damage reduction and shoreline protection, Absecon Inlet to Egg Harbor Inlet, Absecon Island, New Jersey, authorized by section 101(b)(13) of the Water Resources Development Act of 1996 (110 Stat. 3668), is modified to provide that, if, after October 12, 1996, the non-Federal interests carry out any work associated with the project that is later recommended by the Chief of Engineers and approved by the Secretary, the Secretary may credit the non-Federal interests toward the non-Federal share of the cost of the project an amount equal to the Federal share of the cost of such work associated with the project.

SEC. 336. NEW YORK HARBOR AND ADJACENT CHANNELS, PORT JERSEY, NEW JERSEY. The project for navigation, New York Harbor and Adjacent Channels, New York and New Jersey, authorized by section 202(b) of the Water Resources Development Act of 1986 (100 Stat. 4098), is further modified to authorize the Secretary to construct that portion of the project that is located between Military Ocean Terminal Bayonne and Global Terminal in Bayonne, New Jersey, extending from the river mouth with the report of the Corps of Engineers, at a total cost of $103,267,000, with an estimated Federal cost of $76,909,000 and an estimated non-Federal cost of $26,358,000.

SEC. 337. PASSAIC RIVER, NEW JERSEY. Section 101(a)(10)(B) of the Water Resources Development Act of 1990 (104 Stat. 4608-4609) is amended by inserting "including an esplanade for safe pedestrian access with an overall width of 600 feet" after "public access to Route 21".

SEC. 338. SANDY HOOK TO BARNEGAT INLET, NEW JERSEY. The project for shoreline protection, Sandy Hook to Barnegat Inlet, New Jersey, authorized by section 101 of the River and Harbor Act of 1958 (72 Stat. 299), is modified—(1) to include expropriation of Long Branch pier and extension of Ocean Grove pier; and (2) to authorize the Secretary to reimburse the non-Federal sponsor for the Federal share of costs associated with the demolition of Long Branch pier and the construction of the Ocean Grove pier.

SEC. 339. ARTHUR KILL, NEW YORK AND NEW JERSEY. The project for navigation, Arthur Kill, New York and New Jersey, authorized by section 262(b) of the Water Resources Development Act of 1980 (94 Stat. 4094) and modified by section 301(b)(11) of the Water Resources Development Act of 1996 (110 Stat. 3711), is further modified to authorize the Secretary to construct the portion of the project at Howland Hook Marine Terminal substantially in accordance with the report of the Corps of Engineers, dated September 30, 1998, at a total cost of $135,700,000, with an estimated Federal cost of $99,200,000 and an estimated non-Federal cost of $12,500,000.

SEC. 340. NEW YORK CITY WATERSHEDS. Section 552(i) of the Water Resources Development Act of 1982 (96 Stat. 2191) is amended by striking "$22,500,000" and inserting "$42,500,000".

SEC. 341. NEW YORK STATE CANAL SYSTEM. The project for combined beach erosion control and hurricane protection, Fire Island Inlet to Montauk Point, Long Island, New York, authorized by the River and Harbor Act of 1960 (74 Stat. 483) and modified by the River and Harbor Act of 1962, the Water Resources Development Act of 1966, and the Water Resources Development Act of 1996, is further modified to direct the Secretary, in coordination with the heads of other Federal departments and agencies, to complete all procedures and reviews expeditiously and to adopt and transmit to Congress not later than June 30, 1999, a mutually acceptable shore erosion plan for the Fire Island Inlet to Montauk Point reach of the project.

SEC. 342. BROKEN BOW LAKE, RED RIVER BASIN, OKLAHOMA. The project for flood control and water supply, Broken Bow Lake, Red River Basin, Oklahoma, authorized by section 203 of the Flood Control Act of 1958 (72 Stat. 309) and modified by section 203 of the Flood Control Act of 1962 (76 Stat. 602), is further modified to authorize the Secretary to make Federal adjustments to the top of the conservation pool at the project as follows (if the Secretary determines that the adjustments will be undertaken at no cost to the United States): (1) to adequately protect impacted water and related resources:

(1) Maintain an elevation of 599.5 from November 1 through March 1.

(2) Increase elevation gradually from 599.5 to 602.5 during April and May.

(3) Maintain an elevation of 602.5 from June 1 to September 30.

(4) Decrease elevation gradually from 602.5 to 599.5 during October.

SEC. 343. WILMAMETTE RIVER TEMPERATURE CONTROL, MCKENZIE SUBBASIN, OREGON. (a) In General.—The project for environmental control, Willamette River Temperature Control, McKenzie Subbasin, Oregon, authorized by section 101(a)(25) of the Water Resources Development Act of 1996 (110 Stat. 3665), is modified to authorize the Secretary to construct the project substantially in accordance with the Feature Memorandum dated July 31, 1998, at a total cost of $64,741,000.

(b) Report.—Not later than 90 days after the date of the enactment of this Act, the Secretary shall report to Congress on the reasons for the cost growth of the Willamette River project and outline the steps the Corps of Engineers is taking to control project costs, including the application of value engineering and other appropriate measures. In the report, the Secretary shall also include a cost estimate and recommendations on the advisability of, adding fish screens to the project.

SEC. 345. AYLESWORTH CREEK RESERVOIR, PENNSYLVANIA. The project for flood control, Aylesworth Creek Reservoir, Pennsylvania, authorized by section 203 of the Flood Control Act of 1962 (76 Stat. 602), is further modified to authorize the Secretary to transfer, in each of fiscal years 1999 and 2000, $30,000 to the Aylesworth Creek Reservoir Park Authority for recreational facilities.

SEC. 346. EASTERN PENNSYLVANIA. Section 562 of the Water Resources Development Act of 1996 (110 Stat. 3784) is amended by adding at the end the following: "The Secretary..."
shall provide design and construction assistance for recreational facilities at Curvesville Lake and, when appropriate, may require the non-Federal interest to provide not more than 25 percent of the cost of designing and constructing such facilities. The Secretary may transfer, at each of fiscal years 1999 through 2003, $100,000 to the Clearfield County Municipal Services and Recreation Authority for recreational facilities at that lake.

SEC. 347. DELAWARE RIVER, PENNSYLVANIA AND DELAWARE.

The project for navigation, Delaware River, Philadelphia to Wilmington, Pennsylvania and Delaware, authorized by section 301(12) of the Water Resources Development Act of 1988 (102 Stat. 4014), is modified to authorize the Secretary to extend the channel of the Delaware River, and to relocate the 40-foot deep Federal navigation channel, eastward within Philadelphia Harbor, from the Ben Franklin Bridge to the Walt Whitman Bridge, into deep water.

SEC. 348. MUSSERS DAM, PENNSYLVANIA.

Section 209 of the Water Resources Development Act of 1996 (33 U.S.C. 1323; 110 Stat. 3679–3680), is modified to authorize the Secretary to provide a credit toward the non-Federal share of the project for costs incurred by the non-Federal interest in preparing environmental and feasibility documentation for the project before entering into an agreement with the Corps of Engineers with respect to the project if the Secretary determines such costs are for work that is compatible with and integral to the project.

SEC. 349. NINE-MILE RUN, ALLEGHENY COUNTY, PENNSYLVANIA.

The Nine-Mile Run project, Allegheny County, Pennsylvania, carried out pursuant to section 206 of the Water Resources Development Act of 1996 (33 U.S.C. 1323; 110 Stat. 3679–3680), is modified to authorize the Secretary to provide a credit to the non-Federal share of the project for costs incurred by the non-Federal interest in preparing environmental and feasibility documentation for the project before entering into an agreement with the Corps of Engineers with respect to the project if the Secretary determines such costs are for work that is compatible with and integral to the project.

SEC. 350. RAYSTOWN LAKE, PENNSYLVANIA.

(a) Recreation Partnership Initiative.—Section 519(b) of the Water Resources Development Act of 1988 (110 Stat. 3765) is amended—

(1) in subparagraph (A), by striking paragraph (3) as a paragraph and (2) by inserting after paragraph (2) the following:

“(3) ENGINEERING AND DESIGN SERVICES.—The Secretary may, at full Federal expense, engineer and design services for project infrastructure that are associated with the development of the site at Raystown Lake, Heston, Pennsylvania.”.

(b) Construction Assistance.—(1) in subsection (b), by deleting paragraph (3) and inserting—

“(3) in subsection (b),—

(A) by striking ‘‘the Secretary, at the full Federal

expense’’; and

(B) by striking ‘‘and’’ at the end of paragraph (3) and inserting ‘‘and’’;

(2) in subsection (c), by striking ‘‘the Secretary, at the full Federal

expense’’; and

(3) in subsection (d), by striking ‘‘the Secretary, at the full Federal

expense’’.

SEC. 351. SOUTH CENTRAL PENNSYLVANIA.

(a) Authorization of Appropriations.—The Secretary may, at full Federal expense, engineer and design services for project infrastructure that are associated with the development of the site at Raystown Lake, Heston, Pennsylvania, to interpret and understand environmental conditions and trends. As a condition of the receipt of such financial assistance, officials at Junita College shall coordinate with the Baltimore District of the Army Corps of Engineers.

(b) Authorization of Appropriations.—There is authorized to be appropriated $5,000,000 for fiscal years beginning after September 30, 1998, to carry out this subsection.

(4) Corps of Engineers Expenses.—Section 313(q) of such Act (106 Stat. 4846) is amended by adding at the end the following:

“(4) Corps of Engineers Expenses.—10 percent of the cost of any project to be carried out at the project for flood control, streambank protection, stormwater management, and channel realignment, the Secretary approves the plans for construction of the nonstructural project by the non-Federal interest; and

(2) if the Secretary finds, after a review of studies and design documents prepared to carry out the nonstructural project, that the construction of such nonstructural project is economically justified and environmentally acceptable.

SEC. 352. COOPER RIVER, CHARLESTON HARBOR, SOUTH CAROLINA.

The project for reclamation, Cooper River, Charleston Harbor, South Carolina, authorized by section 101 of the River and Harbor Act of 1968 (82 Stat. 731) and modified by title I of the Energy and Water Development Act, 1992 (106 Stat. 516), is further modified to authorize the Secretary to pay to the State of South Carolina not more than $3,750,000 if the Secretary and the State enter into a binding agreement for the State to perform all future operation of, including associated studies to assess the efficacy of, the St. Stephen, South Carolina, fish lift. The agreement must specify the terms and conditions under which payment will be made and the rights of, and remedies available to, the Federal Government to recover all or a portion of such Federal payments if the State suspends or terminates operation of the fish lift or fails to operate the fish lift in a manner satisfactory to the Secretary. Maintenance of the fish lift shall remain the responsibility of the State.

SEC. 353. BOWIE COUNTY LEVEE, TEXAS.

The project for flood control, Red River Below Denison Dam, Texas and Oklahoma, authorized by section 3 of the Flood Control Act by section 203 of the Flood Control Act of 1946 (60 Stat. 647), is modified to direct the Secretary to implement the Bowie County Levee feature of the project in accordance with the plan defined in alternative B of the administrative and engineering documentation entitled “Bowie County Local Flood Protection, Red River, Texas Project Design Memorandum No. 1, Bowie County Levee”, dated April 1997. In evaluating and implementing this modification, the Secretary shall allow the non-Federal interest to participate in the financing of the project in accordance with section 903(c) of the Water Resources Development Act of 1986 (100 Stat. 4184) to the extent that the Secretary’s evaluation indicates that applying such section is necessary to implement the project.

SEC. 354. CLEAR CREEK, TEXAS.

Section 575 of the Water Resources Development Act of 1996 (110 Stat. 3789) is amended—

(1) in subsection (a),—

(A) by inserting ‘‘or nonstructural (buyout) actions’’ after ‘‘flood control works constructed’’; and

(B) by inserting ‘‘or nonstructural (buyout) actions’’ after ‘‘construction of the project’’;

and

(2) in subsection (b),—

(A) by striking ‘‘and’’ at the end of paragraph (3); and

(B) by striking the period at the end of paragraphs (3) and (4) and inserting ‘‘.’’.}

SEC. 355. CYPRESS CREEK, TEXAS.

(a) in General.—The project for flood control, Cypress Creek, Texas, authorized by section 3(a)(13) of the Water Resources Development Act of 1988 (102 Stat. 4014), is modified to authorize the Secretary to carry out a nonstructural flood control project at a total cost of $5,000,000.

(b) Reimbursement for Work.—The Secretary may reimburse the non-Federal interest for work done by the non-Federal interest on the nonstructural flood control project in an amount equal to the estimate of the Federal share, without interest, of the cost of such work.

(c) Authorization of Appropriations.—There is authorized to be appropriated $19,300,000 for the project for flood control, streambank protection, stormwater management, and channel realignment in the Lower Allegheny, Lower Monongahela, West Branch Susquehanna, and
(100 Stat. 4134) and deauthorized pursuant to 
ty, Florida, authorized by section 501 of the 
project for shore protection, Indian River Coun-
18, 1998, at a total cost of $16,086,000, with an 
General Reevaluation Report dated November 
1001(a) of such Act (33 U.S.C. 579a(a)), is au-
501 of the Water Resources Development Act of 
(3 U.S.C. 579a(b)(1)), is authorized to be carried 
by the Secretary. 
(b) INDIAN RIVER COUNTY, FLORIDA.—The project for shore protection, Indian River County, Florida, authorized by section 501 of the Water Resources and Development Act of 1986 (100 Stat. 4134) and deauthorized pursuant to section 1001(b)(1) of the Water Resources Development Act of 1986 (3 U.S.C. 579a(b)(1)), is authorized to be carried out by the Secretary. 

(100 Stat. 4121) and deauthorized pursuant to 
(3 U.S.C. 579a(b)) is authorized to be carried 
out by the Secretary. 
(b) ST. AUGUSTINE, ST. JOHNS COUNTY, FLORIDA.—

(1) IN GENERAL.—The project for shore protec-
tion and storm damage reduction, St. Augustine, St. Johns County, Florida, authorized by section 501 of the Water Resources and Development Act of 1986 (100 Stat. 4134) and deauthorized pursuant to section 1001(a)(1) of such Act (3 U.S.C. 579a(a)), is authorized to be carried out by the Secretary. (A) Project for flood protection. Lido Key, Florida, authorized by section 501 of the Water Resources Development Act of 1986 (3 U.S.C. 579a(b)(1)), is authorized to be carried out by the Secretary. 

(3) BASS HARBOR, MAINE.—The following portions of the project for navigation, Bass Harbor, Maine, authorized on May 7, 1962, under section 107 of the River and Harbor Act of 1960 (33 U.S.C. 577): (a) Beginning at a point on the westerly limit of the project to a point N148181.55, E383889.05, thence running southerly about 91.92 feet to a point N148174.90, E383877.02, thence running northwesterly about 65.00 feet to a point, N147977.86, E383825.51, thence running northwesterly about 91.92 feet to a point on the westerly limit of the project, N147924.72, E383848.39, then running northwesterly about 195.00 feet along the westerly limit of the project to the point of origin. (B) The portion of the 6-foot channel the boundaries of which begin at a point with coordinates N177,107.78, E394,197.25, then running north 11 degrees 46 minutes 29.1 seconds north 83 degrees 58 minutes 14.8 seconds east 994.93 feet to the point of origin. (C) The portion of the 10-foot settling basin the boundaries of which begin at a point with coordinates N177,107.78, E394,197.25, then running north 11 degrees 46 minutes 29.1 seconds north 83 degrees 58 minutes 14.8 seconds east 994.93 feet to the point of origin.
32 degrees 25 minutes 29.01 seconds east 160.76 feet to a point N158,594.17, E650,924.65, thence running north 24 degrees 56 minutes 42.29 seconds east 1,410.29 feet to a point N201,829.48, E645,985.97.

(11) NEW BEDFORD AND FAIRHAVEN HARBOR, MASSACHUSETTS.—That portion of the project for navigation, Green Harbor, Massachusetts, undertaken pursuant to section 107 of the River and Harbor Act of 1969 (33 U.S.C. 577), consisting of the 6-foot deep channel beginning at a point along the west limit of the existing project, North 395990.43, East 831079.16, thence running northwesterly about 33.72 feet along the west limit of the existing project to a point, North 830904.76, thence running northwesterly about 222.79 feet to a point along the west limit of the existing project, North 396444.34, East 830718.04, thence running southeasterly about 33.72 feet along the west limit of the existing project to a point, North 396410.80, East 830714.57, thence running southeasterly about 185.82 feet along the west limit of the existing project to a point, North 396704.19, East 830878.35, thence running about 544.56 feet along the west limit of the existing project to a point, North 397033.90, East 830830.51, thence running southeasterly about 198.49 feet along the west limit of the existing project to the point of beginning.

(12) NEW BEDFORD AND FAIRHAVEN HARBOR, MASSACHUSETTS.—The following portions of the project for navigation, New Bedford and Fairhaven Harbor, Massachusetts: (A) A portion of the 6-foot deep channel leading to the west of Fish Island, authorized by the River and Harbor Act of 3 March 1969, beginning at a point with coordinates N322,173.77, E758,791.32, thence running south 27 degrees 36 minutes 52.8 seconds west 38.2 feet to a point N322,139.91, E758,773.61, thence running south 87 degrees 35 minutes 31.5 seconds west 196.84 feet to a point N322,057.14, E758,756.22, thence running north 47 degrees 47 minutes 48.4 seconds west 502.72 feet to a point N322,045.36, E758,204.34, thence running north 10 degrees 10 minutes 20.3 seconds west 438.88 feet to a point N322,039.53, E758,201.03, thence running north 79 degrees 49 minutes 41.3 seconds east 121.59 feet to a point N322,923.82, E758,246.81, thence running south 29 degrees 56 minutes 22.4 seconds east 962.83 feet to a point N322,821.84, E758,203.43, thence running south 27 degrees 36 minutes 52.8 seconds west 38.2 feet to a point N322,375.92, E758,230.92, thence running south 23 degrees 56 minutes 11.2 seconds east 49.15 feet to a point N322,382.82, E758,184.06, thence running south 79 degrees 49 minutes 27.9 seconds west 88.19 feet to a point N322,809.96, E758,184.06, thence running south 10 degrees 10 minutes 25.7 seconds east 314.93 feet to a point N322,500.08, E758,239.67, thence running south 56 degrees 35 minutes 51.6 seconds east 583.67 feet to a point N322,178.82, E758,735.25, thence running south 83 degrees 35 minutes 16.0 seconds east to the point of origin.

(B) A portion of the 30-foot west maneuvering basin, authorized by the River and Harbor Act of 3 July 1965, beginning at a point with coordinates N322,139.91, E758,773.61, thence running north 41 degrees 49 minutes 30.1 seconds east 160.76 feet to a point N322,162.77, E758,932.74, thence running north 85 degrees 33 minutes 16.0 seconds west 141.85 feet to a point N322,173.77, E758,791.32, thence running south 27 degrees 36 minutes 52.8 seconds west to the point of origin.

(13) WELLS HARBOR, MAINE.—(1) PROJECT MODIFICATION.—The Wells Harbor, Maine, navigation project referred to in subsection (a)(9) shall be redesignated as part of the 6-foot anchorage: (i) The portion of the 6-foot channel the boundaries of which begin at a point with coordinates N177,020.04, E394,618.21, thence running south 83 degrees 58 minutes 40.8 seconds west 94.65 feet to a point N177,980.98, E394,726.55, thence running south 11 degrees 46 minutes 45.4 seconds west 299.90 feet to a point N177,775.02, E394,400.34, thence running south 78 degrees 13 minutes 13.7 seconds east 160.00 feet to a point N177,333.73, E394,056.97, thence running north 11 degrees 44 minutes 40.0 seconds east 300.00 feet to the point of origin.

(2) REALIGNMENT.—The following portion of the Wells Harbor, Maine, navigation project referred to in subsection (a)(9) shall be redesignated as part of the 6-foot anchorage: (i) The portion of the 6-foot channel the boundaries of which begin at a point with coordinates N177,020.04, E394,618.21, thence running north 78 degrees 13 minutes 30.5 seconds west 160.00 feet to a point N177,980.98, E396,151.58, thence running south 11 degrees 46 minutes 45.4 seconds west 299.90 feet to a point N176,775.02, E394,400.34, thence running south 78 degrees 13 minutes 13.7 seconds east 160.00 feet to a point N176,333.73, E394,056.97, thence running north 11 degrees 44 minutes 40.0 seconds east 300.00 feet to the point of origin.

(3) INSTALLING GATES.—For purposes of section 101(a)(1) of the Water Resources Development Act of 1996 (110 Stat. 3662), is modified to authorize the Secretary to include the following improvements as part of the project for the west bank of the non-Federal levee upstream of the Mayhaven Drain for a distance of 4,500 feet by an average of 2.3 feet.

25. Conveying the right bank of the American River levee from 1,500 feet upstream to 4,000 feet downstream of the Howe Avenue bridge by an average of 1 feet.

26. Modifying the south levee of the Natomas Cross Canal for a distance of 5 miles to ensure that the south levee is consistent with the level of protection provided by the authorized levee along the east bank of the Sacramento River.

27. Modifying the north levee of the Natomas Cross Canal for a distance of 5 miles to ensure that the height of the levee is equivalent to the height of the south levee as authorized by paragraph (3) of the project for flood control, Martin, Kentucky.

28. Installation of gates to the existing Mayhaven Drain culvert and pumps to prevent backup of floodwater on the Folsom Boulevard side of the gates.

29. Installation of a slurry wall in the north levee of the American River from 300 feet west of Jacob Lane north for a distance of approximately 1.2 miles.

30. Installation of a slurry wall in the north levee of the American River from 300 feet west of Jacob Lane north for a distance of approximately 1 mile to the end of the existing levee.

31. Installing gates to the existing levee referred to in paragraph (3) of the project for flood control, Martin, Kentucky.

32. Modifying the south levee of the Natomas Cross Canal for a distance of 5 miles to ensure that the levee is consistent with the levee along the east bank of the Sacramento River.

33. Installing gates to the existing levee referred to in paragraph (3) of the project for flood control, Martin, Kentucky.

34. Turning in magnitude to a 100-year flood equal in magnitude to a 100-year flood event.
SEC. 402. UPPER MISSISSIPPI RIVER COMPREHENSIVE PLAN.

The project for navigation, Black Warrior and Tombigbee Rivers, vicinity of Jackson, Alabama, as authorized by section 106 of the Energy and Water Development Appropriations Act, 1987 (100 Stat. 3341–3349), is modified to authorize the Secretary to acquire lands for mitigation of the habitat losses attributable to the project, including the navigation channel, dredged material disposal areas, and other areas directly impacted by construction of the project. Notwithstanding section 906 of the Water Resources Development Act of 1986 (33 U.S.C. 2283), the Secretary may construct the project prior to acquisition of the mitigation lands if the Secretary takes such actions as may be necessary to ensure that any required mitigation lands will be acquired not later than 2 years after initiation of construction of the new channel and such acquisition will fully mitigate any adverse environmental impacts resulting from the project.

SEC. 309. TROPICANA WASH AND FLAMINGO WASH, NEVADA.

Any Federal costs associated with the Tropicana and Flamingo Washes, Nevada, authorized by section 101(12) of the Water Resources Development Act of 1992 (106 Stat. 4802–4803) incurred by the non-Federal interest to accelerate or modify construction of the project, in cooperation with the Corps of Engineers, shall be considered to be eligible for reimbursement by the Secretary.

SEC. 370. COMITE RIVER, LOUISIANA.

The Comite River Division Project for flood control purposes, as part of the project for flood control, Amite River and Tributaries, Louisiana, by section 101(11) of the Water Resources Development Act of 1992 (106 Stat. 4802–4803) and modified by section 101(b)(3) of the Water Resources Development Act of 1996 (110 Stat. 3709–3710), is further modified to authorize the Secretary to include the costs of highway relocations as a part of the project construction feature if the Secretary determines that such treatment of costs is necessary to facilitate construction of the project.

SEC. 372. CITY OF CHARLEVOIX: REIMBURSEMENT, MICHIGAN.

The Secretary shall review and, if consistent with authorized project purposes, reimburse the City of Charlevoix, Michigan, for the Federal share of costs associated with construction of the new revetment to the Federal navigation project at Charlevoix Harbor, Michigan.

TITLe IV—STUDIES

SEC. 401. UPPER MISSISSIPPI AND ILLINOIS RIVERS LEVEES AND STREAMBANKS ...

The Secretary shall conduct a study of erosion damage to levees and infrastructure on the upper Mississippi and Illinois Rivers and the impact of increased levels of commercial and pleasure craft traffic on deterioration of levees and other flood control structures on such rivers.

SEC. 402. UPPER MISSISSIPPI RIVER COMPREHENSIVE PLAN.

(a) DEVELOPMENT.—The Secretary shall develop a plan to address water and related land resources problems and opportunities in the Upper Mississippi and Illinois Basins, extending from Cairo, Illinois, to the headwaters of the Mississippi River, in the interest of systemic flood damage reduction by means of a comprehensive plan of flood control and floodplain management strategies, continued maintenance of the navigation project, management of bank caving and erosion, wildlife and fishery management, habitat management, recreation needs, and other related purposes.

(b) CONTENTS.—The plan shall contain recommendations for Federal action where appropriate and recommendations for follow-on study for problem areas for which data or current technology does not allow immediate solutions.

(c) CONSULTATION AND USE OF EXISTING DATA.—The development plan under this section shall be at Federal expense. Feasibility studies resulting from development of such plans shall be submitted to cost sharing under section 105 of the Water Resources Development Act of 1986 (33 U.S.C. 2215).

(e) REPORT.—The Secretary shall submit a report that includes the comprehensive plan to the Committee on Transportation and Infrastructure of the Senate not later than 3 years after the date of the enactment of this Act.

SEC. 403. EL DORADO, UNION COUNTY, ARKANSAS.

The Secretary shall conduct a study to determine the feasibility of improvements to regional water supplies for El Dorado, Union County, Arkansas.

SEC. 404. SWEETWATER RESERVOIR, SAN DIEGO COUNTY, CALIFORNIA.

The Secretary shall conduct a study of the potential flood damage reduction, environmental impacts resulting from the project, management of bank caving and erosion, wildlife and fishery management, habitat management, recreation needs, and other related purposes.

(d) COST SHARING.—Development of the plan under this section shall be at Federal expense. Feasibility studies resulting from development of such plans shall be submitted to cost sharing under section 105 of the Water Resources Development Act of 1986 (33 U.S.C. 2215).

(f) REPORT.—The Secretary shall submit a report to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate not later than 3 years after the date of the enactment of this Act.

SEC. 405. WHITEWATER RIVER BASIN, CALIFORNIA.

The Secretary shall engage in a study to develop a plan for the improvement of regional water supplies for El Dorado, Union County, Arkansas.

SEC. 406. LITTLE ECONOLACHTACHEE RIVER, FLORIDA.

(a) STUDY.—The Secretary shall conduct a study of pollution abatement measures in the Little Econolachatee River basin, Florida.

(b) REPORT.—The Secretary shall submit a report to the Committee on Transportation and Infrastructure of the Senate not later than 180 days after the date of the enactment of this Act.
control, navigation, water quality, recreation, and fish and wildlife in a comprehensive manner in the western Lakes Erie basin, Ohio, Indiana, and Michigan, including watersheds of the Maumee, Ottawa, and Portage Rivers.

(b) Conducting the study, the Secretary shall cooperate with interested Federal, State, and local agencies and non-governmental organizations and consider all relevant policies.

(c) REPORT.—Not later than 1 year after the date of the enactment of this Act, the Secretary shall submit to Congress a report on the results of the study, including findings and recommendations.

SEC. 419. LAKES MARION AND MOULTRIE, SOUTH CAROLINA.

The Secretary shall conduct a study to determine the feasibility of carrying out a project for flood control for Lakes Marion and Moultrie to provide water supply, treatment, and distribution to Calhoun, Clarendon, Colleton, Dorchester, Orangeburg, and Sumter Counties, South Carolina.

SEC. 421. MITCHELL'S CUT CHANNEL (CANEY FORK CUT), TEXAS.

The Secretary shall conduct a study to determine the feasibility of carrying out a project for the Kanawha River in Fayette County, West Virginia, at a site known as “Longacre”.

SEC. 422. MOUTH OF COLORADO RIVER, TEXAS.

The Secretary shall conduct a study to determine the feasibility of carrying out a project for navigation at the mouth of the Colorado River, Texas, to provide a minimum draft navigation channel from the Colorado River through Parkers Cut (also known as “Tiger Island Cut”), or an acceptable alternative, to Matagorda Bay.

SEC. 423. KANAWHA RIVER, FAYETTE COUNTY, WEST VIRGINIA.

The Secretary shall conduct a study to determine the feasibility of developing a public port at the Kanawha River in Fayette County, West Virginia, at a site known as “Longacre”.

SEC. 424. WEST VIRGINIA PORTS.

The Secretary shall conduct a study to determine the feasibility of expanding public port developement in West Virginia along the Ohio River and navigable portion of the Kanawha River from its mouth to river mile 91.0.

SEC. 425. GREAT LAKES REGION COMPREHENSIVE STUDY.

(a) STUDY.—The Secretary shall conduct a comprehensive study of the Great Lakes region to ensure the future use, management, and protection of waters and related resources of the Great Lakes basin.

(b) REPORT.—Not later than 4 years after the date of the enactment of this Act, the Secretary shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report that includes the strategy plan for Corps of Engineers programs in the Great Lakes basin and details of proposed Corps of Engineers environmental, navigation, and flood damage reduction projects in the region.

(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $1,000,000 for fiscal years 2000 through 2004.

SEC. 426. NUTRIENT LOADING RESULTING FROM DREDGED MATERIAL DISPOSAL.

(a) STUDY.—The Secretary shall conduct a study to determine the feasibility of developing a public port at the Colorado River, Texas, to provide a minimum draft navigation channel extending from the Colorado River to the Port of Corpus Christi, Texas.

(b) REPORT.—Not later than 18 months after the date of the enactment of this Act, the Secretary shall transmit to Congress a report on the results of the study.

SEC. 427. SANTIE DELTA FOCUS AREA, SOUTH CAROLINA.

The Secretary shall conduct a study of the Santie Delta focus area, South Carolina, to determine the feasibility of carrying out a project for enhancing flood control, navigation, and public recreational opportunities in the area.

SEC. 428. DEL NORTE COUNTY, CALIFORNIA.

The Secretary shall undertake and complete a feasibility study for designating a permanent disposal site for dredged materials from Federal navigation projects in Del Norte County, California.

SEC. 429. ST. CLAIR RIVER AND LAKE ST. CLAIR, MICHIGAN.

(a) PLAN.—The Secretary, in coordination with State and local governments and appropriate Federal and provincial authorities of Canada, shall develop a comprehensive management plan for St. Clair River and Lake St. Clair.

(b) REPORT.—Not later than 1 year after the date of the enactment of this Act, the Secretary shall submit to Congress a report that includes the strategic plan for Corps of Engineers’ flood control project at Llagas Creek, Department of Agriculture may cooperate with non-Federal interests to provide, on a transitional basis, flood control storage for the Natural Resources Conservation Service Thornton Reservoir (Structure 84) in the western Lake of the Thornton quarry in advance of Corps construction.

(d) CREDITING.—The Secretary may credit against the non-Federal share of the Thornton Reservoir project all design, lands, easements, rights-of-way (as of the date of authorization), and construction costs incurred by the non-Federal interests before the signing of the project cooperation agreement.

(2) REVALUATION REPORT.—The Secretary shall determine the credits authorized by paragraph (4) that are integral to the Thornton Reservoir project and the current total project costs based on a limited reevaluation report.

SEC. 506. CONSTRUCTION ASSISTANCE.

Section 219(e) of the Water Resources Development Act of 1996 (43 U.S.C. 1496) is amended by striking paragraphs (5) and (6) and inserting the following:

(5) $25,000,000 for the project described in subsection (c)(2);

(6) $20,000,000 for the project described in subsection (c)(9);

(7) $30,000,000 for the project described in subsection (c)(16);

(8) $30,000,000 for the project described in subsection (c)(17);

(9) $20,000,000 for the project described in subsection (c)(18);

(10) $15,000,000 for the project described in subsection (c)(20);

(11) $11,000,000 for the project described in subsection (c)(21);

(12) $2,000,000 for the project described in subsection (c)(22);

(13) $1,000,000 for the project described in subsection (c)(23);

(14) $1,500,000 for the project described in subsection (c)(24);

(15) $2,000,000 for the project described in subsection (c)(25);

(16) $8,000,000 for the project described in subsection (c)(26);

(17) $8,000,000 for the project described in subsection (c)(27), of which $3,000,000 shall be available only for providing assistance for the Montoursville Regional Sewer Authority, Montoursville, County; and

(18) $10,000,000 for the project described in subsection (c)(28); and

(19) $1,000,000 for the project described in subsection (c)(29).

SEC. 503. CONTAMINATED SEDIMENT DREDGING TECHNOLOGY.

(a) CONTAMINATED SEDIMENT DREDGING PROTOTYPE PROJECTS.

(1) REVIEW.—The Secretary shall conduct a review of innovative dredging technologies designed to minimize or eliminate contamination of water bodies upon removal of contaminated sediments. The Secretary shall complete such review by June 1, 2001.

(2) TESTING.—After completion of the review under paragraph (1), the Secretary shall select the technology of those reviewed that the Secretary determines will increase the effectiveness...
of removing contaminated sediments and signifi-
cantly reducing contamination of the water col-
umn. Not later than December 31, 2001, the Sec-

(2) in subparagraph (B) by striking “long-
term resource monitoring, computing-
ized data inventory and analysis, and applied research program.”; and

(3) in subparagraph (C) and inserting the follow-
ing: “In carrying out subparagraph (A), the Sec-

(2) in subparagraph (B) by striking “long-
term resource monitoring, computing-
ized data inventory and analysis, and applied research program.”; and

(3) in subparagraph (C) and inserting the follow-
ing: “In carrying out subparagraph (A), the Sec-

(2) in subparagraph (B) by striking “long-
term resource monitoring, computing-
ized data inventory and analysis, and applied research program.”; and

(3) in subparagraph (C) and inserting the follow-
ing: “In carrying out subparagraph (A), the Sec-

(2) in subparagraph (B) by striking “long-
term resource monitoring, computing-
ized data inventory and analysis, and applied research program.”; and

(3) in subparagraph (C) and inserting the follow-
ing: “In carrying out subparagraph (A), the Sec-

(2) in subparagraph (B) by striking “long-
term resource monitoring, computing-
ized data inventory and analysis, and applied research program.”; and

(3) in subparagraph (C) and inserting the follow-
ing: “In carrying out subparagraph (A), the Sec-

(2) recommending individual environmental restoration projects, which can be considered by the Secretary for implementation under section 206 of the Water Resources Development Act of 1996 (33 U.S.C. 2230; 110 Stat. 3679–3680).

Any environmental restoration projects recommended under subsection (a) shall provide for such activities and measures as the Secretary determines to be necessary to protect and restore fish and wildlife habitat without adversely affecting private property rights or water related needs of the region surrounding the Missouri River, including flood control, and enhance water supply, and shall include some or all of the following components:

(1) Modification and improvement of navigation training structures to protect and restore fish and wildlife habitat.

(2) Modification and creation of side channels to protect and restore fish and wildlife habitat.

(3) Restoration and creation of fish and wildlife habitat.

(4) Physical and biological monitoring for evaluating the success of the project.

(5) REPORT.-To the maximum extent practicable, the Secretary shall integrate projects carried out in accordance with this section with other Federal, tribal, and State restoration projects.

(d) COST SHARING.-The report under subsection (a) shall be undertaken at full Federal expense.

SEC. 515. AQUATIC RESOURCES RESTORATION IN THE NORTHWEST.

(a) IN GENERAL.—In cooperation with other Federal agencies, the Secretary is authorized to develop and implement projects for fish screens, fish passage devices, and other similar measures agreed to by non-Federal interests and relevant Federal agencies to mitigate adverse impacts associated with irrigation systems on fish migrations by local governmental entities in the States of Oregon, Washington, Montana, and Idaho.

(b) PROCEDURE AND PARTICIPATION.—

(1) CONSULTATION REQUIREMENT; USE OF EXISTING DATA.—In providing assistance under subsection (a), the Secretary shall consult with other Federal, tribal, and local agencies and make maximum use of data and studies in existence on the date of the enactment of this Act.

(2) PARTICIPATION BY NON-FEDERAL INTERESTS.—Any non-Federal interest projects under this section shall be voluntary. The Secretary shall not take any action under this section that will result in a non-Federal interest being financially responsible for an action under a project unless the non-Federal interest has voluntarily agreed to participate in the project.

(c) COST SHARING.—Projects carried out under this section on lands owned by the United States shall be carried out at full Federal expense. The non-Federal share of the cost of any such project undertaken on lands not in Federal ownership shall be 35 percent.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $10,000,000 for fiscal years beginning after September 30, 1999.

SEC. 516. INNOVATIVE TECHNOLOGIES FOR WA TERSHED RESTORATION.

The Secretary shall use, and encourage the use of, innovative treatment technologies, including membrane technologies, for watershed and environmental restoration and protection projects.

SEC. 517. ENVIRONMENTAL RESTORATION.

(a) ATLANTA, GEORGIA.—Section 219(c)(2) of the Water Resources Development Act of 1992 (106 Stat. 4836) is amended by inserting before the period at the end thereof the following: "in the downstream portion of its principal tributaries."
SEC. 525. BEAVER LAKE TROUT PRODUCTION FACILITY, KANSAS.

(a) EXPEDITED CONSTRUCTION.—The Secretary shall construct, under the authority of section 105 of the Water Resources Development Act of 1976 (90 Stat. 902; 43 U.S.C. 509d), and section 113 of the Water Resources Development Act of 1986 (100 Stat. 4231–4252), the Beaver Lake trout hatchery as expeditiously as possible, but in no event later than September 30, 2002.

(b) MITIGATION PLAN.—Not later than 2 years after the date of the enactment of this Act, the Secretary, in conjunction with the State of Arkansas, Kansas, and Oklahoma, shall to the extent necessary to mitigate the effects of the Beaver Dam project on Beaver Lake. Such plan shall provide for construction of the Beaver Lake trout production facility and related facilities.

SEC. 526. CHINO DRY CREEK, CALIFORNIA.

(a) TECHNICAL ASSISTANCE.—The Secretary, in coordination with the heads of other Federal agencies, shall provide technical assistance to State and local agencies in the study, design, and implementation of measures for flood damage reduction and environmental restoration and protection in the vicinity of the Chino Dry Creek, California, with particular emphasis on structural and nonstructural measures in the vicinity of the Chino Dry Creek Preserve.

(b) STUDY.—The Secretary shall conduct a feasibility study to determine the most cost-effective plan for flood damage reduction and environmental restoration and protection in the vicinity of the Chino Dry Creek Preserve, Santa Ana River watershed, Orange County and San Bernardino County, California.

SEC. 527. NOVATO, CALIFORNIA.

The Secretary shall carry out a project for flood control under section 205 of the Flood Control Act of 1948 (33 U.S.C. 701s) at Rush Creek, Novato, California.

SEC. 528. ORANGE AND SAN DIEGO COUNTIES, CALIFORNIA.

The Secretary, in cooperation with local governments, may prepare special area management plans in Orange and San Diego Counties, California, to demonstrate the effectiveness of using such plans to provide information regarding aquifer resources. The Secretary may use such plans in making regulatory decisions and issue permits consistent with such plans.

SEC. 529. CALIFORNIA.

(a) TECHNICAL ASSISTANCE.—The Secretary, in coordination with other Federal agencies, shall provide technical assistance to Federal, State, and local agencies in the study, design, and implementation of measures for environmental restoration and protection of the Salton Sea, California.

(b) STUDY.—The Secretary, in coordination with other Federal, State, and local agencies, shall conduct a study to determine the most effective plan for the Corps of Engineers to assist in the environmental restoration and protection of the Salton Sea, California.

SEC. 530. SANTA CRUZ HARBOR, CALIFORNIA.

The Secretary is authorized to modify the cooperative agreement with the Santa Cruz Port District, California, to reflect unanticipated additional dredging effort and to extend such agreement for 10 years.

SEC. 531. POINT BEACH, MILFORD, CONNECTICUT.

(a) EXPEDITED CONSTRUCTION.—The maximum amount of Federal funds that may be expended for the project for hurricane and storm damage reduction, Point Beach, Milford, Connecticut (Project 98–2405–04), is $250,000.

(b) REVISION OF PROJECT COOPERATION AGREEMENT.—The Secretary shall revise the project cooperation agreement for the project referred to in subsection (a) to take into account the change in the Federal participation in such project.

(c) COST SHARING.—Nothing in this section shall be construed to affect any cost-sharing requirement applicable to the project referred to in subsection (a) under section 101 of the Water Resources Development Act of 1986 (31 U.S.C. 2211).

SEC. 532. LOWER ST. JOHNS RIVER BASIN, FLORIDA.

(a) COMPUTER MODEL.—

(1) IN GENERAL.—The Secretary may apply the computer model, under the St. Johns River basin feasibility study to assist non-Federal interests in developing strategies for improving water quality in the Loxer St. Johns River basin.

(2) COST SHARING.—The non-Federal share of the cost of assistance provided under this subsection shall be 50 percent.

(b) TOPOGRAPHIC SURVEY.—The Secretary is authorized to provide 1-foot contour topographic survey maps of the Loxer St. Johns River basin, Florida, to non-Federal interests for analyzing environmental data and establishing benchmarks for subbasins.

SEC. 533. SHORELINE PROTECTION AND ENVIRONMENTAL RESTORATION, LAKE ALLATOONA, GEORGIA.

(a) IN GENERAL.—The Secretary, in cooperation with the Administrator of the Environmental Protection Agency, is authorized to carry out the following water-related environmental restoration and resource protection activities to restore Lake Allatoona and the Etowah River in Georgia:

(1) LAKE ALLATOONA/ETOWAH RIVER SHORELINE RESTORATION DESIGN.—Develop pre-construction design measures to alleviate shoreline erosion and sedimentation problems.

(2) LITTLE RIVER ENVIRONMENTAL RESTORATION.—Conduct a feasibility study to evaluate environmental problems and recommend environmental infrastructure restoration measures for the Little River within Lake Allatoona.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated for fiscal years beginning after September 30, 1999—

(1) $630,000 to carry out subsection (a)(1); and

(2) $250,000 to carry out subsection (a)(2).

SEC. 534. MARIETTA, GEORGIA, AND COOSA RIVER, ROME, GEORGIA.

The Secretary is authorized to provide technical assistance, including planning, engineering, and design assistance, for the reconstruction of the Maygo’s Bar Lock and Dam, Coosa River, Rome, Georgia. The non-Federal share of assistance under this section shall be 50 percent.

SEC. 535. COMPREHENSIVE FLOOD IMPACT RESPONSE MODELING SYSTEM, CORALVILLE RESERVOIR AND IOWA RIVER WATERSHED, IOWA.

(a) IN GENERAL.—The Secretary, in cooperation with the University of Iowa, shall conduct a study and develop a Comprehensive Flood Impact Response Modeling System for Coralville Reservoir and the Iowa River watershed, Iowa.

(b) CONTENTS OF STUDY.—The study shall include—

(1) an evaluation of the simulated hydrologic, geomorphic, population, economic, social, and recreational impacts of operating strategies within the Iowa River watershed;

(2) development of an integrated, dynamic flood protection and impact model; and

(3) development of a rapid response system to be used during flood and other emergency situations.

(c) REPORT TO CONGRESS.—Not later than 5 years after the date of the enactment of this Act, the Secretary shall transmit to Congress a report containing the results of the study and recommendations as the Secretary determines to be appropriate.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $900,000 for each of fiscal years 2000 through 2004.

SEC. 536. ADDITIONAL CONSTRUCTION ASSISTANCE IN ILLINOIS.

The Secretary may carry out the project for Georgetown, Illinois, and the project for Olney, Illinois, referred to in House Report Number 101–311, accompanying Public Law 104–182.

SEC. 537. KANOPOLIS LAKE, KANSAS.

(a) WATER STORAGE.—The Secretary shall offer to the State of Kansas the right to purchase water storage in Kanopolis Lake, Kansas, no later than 18 months after the effective date of this Act, in a manner consistent with the terms of the memorandum of understanding entitled “Memorandum of Understanding Between the State of Kansas and the U.S. Department of the Army Concerning the Purchase of Municipal and Industrial Water Supply Storage”, dated December 11, 1985.

(b) EFFECTIVE DATE.—For the purposes of this section, the effective date of that memorandum of understanding shall be deemed to be the date of the enactment of this Act.

SEC. 538. SOUTHERN AND EASTERN KENTUCKY.

Section 531(h) of the Water Resources Development Act of 1996 (110 Stat. 3774) is amended by striking “$10,000,000” and inserting “$25,000,000”.

SEC. 539. SOUTHEAST LOUISIANA.

Section 536(c) of the Water Resources Development Act of 1996 (110 Stat. 3775) is amended by striking “$100,000,000” and inserting “$200,000,000”.

SEC. 540. SNUG HARBOR, MARYLAND.

(a) IN GENERAL.—The Secretary, in cooperation with the Director of the National Emergency Management Agency, is authorized—

(1) to provide technical assistance to the residents of Snug Harbor, in the vicinity of Berlin, Maryland, for purposes of flood damage reduction;

(2) to conduct a study of a project for nonstructural measures for flood damage reduction in the vicinity of Snug Harbor, Maryland, taking into account the relationship of both the Ocean City Inlet and Assateague Island to the flooding; and

(3) after completion of the study, to carry out the project under the authority of section 205 of the Flood Control Act of 1948 (33 U.S.C. 701s).

(b) EFFECTIVE DATE.—For the purposes of this section, the effective date of that memorandum of understanding shall be deemed to be the date of the enactment of this Act.

SEC. 541. WELCH POINT, ELK RIVER, CECIL COUNTY, AND CESPEAKE CITY, MARYLAND.

(a) SPILLAGE OF DREDGED MATERIALS.—The Secretary shall carry out a study to determine if the spillage of dredged materials that were reprocessed as part of the project for navigation, Elk River Waterway from Delaware River to Chesapeake Bay, Delaware and Maryland, authorized by the first section of the Act of August 30, 1935 (43 Stat. 819), is a significant impediment to vessels transiting the Elk River near Welch Point, Maryland. If the Secretary determines that the spillage is an impediment to navigation, the Secretary may require vessels transiting the area to take action to prevent the spillage, and such action may be required to permit navigation on the river.
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SEC. 542. WEST VIEW SHORES, CECIL COUNTY, MARYLAND.

Not later than 1 year after the date of the enactment of this Act, the Secretary shall carry out an investigation of the contamination of the well system in West View Shores, Cecil County, Maryland. If the Secretary determines that the disposal site from a Federal navigation project has contributed to the contamination of the wells, the Secretary may provide alternative water supplies, including replacement of wells, at full Federal expense.

SEC. 543. RESTORATION PROJECTS FOR MARYLAND, PENNSYLVANIA, AND WEST VIRGINIA.

Section 3 of the Water Resources Development Act of 1996 (110 Stat. 3776–3777) is amended—

(1) in subsection (a)(1) by striking “technical”;

(2) in subsection (a)(1) by inserting “(or in the case of projects located on lands owned by the United States, to Federal interests)” after “interests”;

(3) in subsection (a)(3) by inserting “or in conjunction” after “consultation”; and

(4) by inserting at the end of subsection (d) the following: “Funds authorized to be appropriated to carry out section 340 of the Water Resources Development Act of 1992 (106 Stat. 4556) are authorized to fund projects undertaken under subsection (a)(1)(B).”

SEC. 544. CAPE COD CANAL RAILROAD BRIDGE, BUZZARDS BAY, MASSACHUSETTS.

(a) ALTERNATIVE TRANSPORTATION.—The Secretary is authorized to provide up to $300,000 for alternative transportation that may arise as a result of the operation, maintenance, repair, and rehabilitation of the Cape Cod Canal Railroad Bridge.

(b) OPERATION AND MAINTENANCE CONTRACT RENEWAL.—Not later than 60 days after the date of the enactment of this Act, the Secretary shall enter into negotiation with the owner of the railroad right-of-way for the Cape Cod Canal Railroad Bridge for the purpose of establishing a non-Federal funding arrangement for the operation and maintenance of the Bridge.

The Secretary is authorized to include in any new contract the termination of the prior contract numbered EN-W175-ENG-1.

SEC. 545. ST. LOUIS, MISSOURI.

(a) DEMONSTRATION PROJECT.—The Secretary, in consultation with local officials, shall conduct a demonstration project to improve water quality in the vicinity of St. Louis, Missouri.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $1,700,000 to carry out the project.

SEC. 546. BEAVER BRANCH OF BIG TIMBER CREEK, NEW JERSEY.

Upon request of the State of New Jersey or a political subdivision thereof, the Secretary may compile and distribute information on floods and flood damages, including identification of areas subject to inundation by floods, and provide technical assistance regarding floodplain management for Beaver Branch of Big Timber Creek, New Jersey.

SEC. 547. LAKE ONTARIO AND ST. LAWRENCE RIVER LEVELS, NEW YORK.

Upon request, the Secretary shall provide technical assistance to the International Joint Commission and the St. Lawrence River Board of Control in undertaking studies on the effects of flood control on the natural environment, recreational boating, property flooding, and erosion along the shorelines of Lake Ontario and the St. Lawrence River in New York. The Commission and Board are encouraged to conduct investigations and studies in a thorough and effective manner before implementing any change to water regulation Plan 1958-D.

SEC. 548. NEW YORK RIVER BASIN, CHARBON, NEW YORK AND NEW JERSEY.

The Secretary may enter into cooperative agreements with non-Federal interests to investigate, develop, and support measures for sedimentation and erosion, water quantity in the vicinity of St. Lawrence-New York-New Jersey Harbor estuary. Such investigation shall include an analysis of the economic and environmental benefits and costs of potential sediment management and contaminant reduction measures.

SEC. 549. SEA GAP, MONOY ISLAND, NEW YORK, NEW YORK.

The Secretary is authorized to construct a project for shoreline protection which includes a study of the feasibility of replenishing the beaches of the 5th Street Break on Coney Island, New York, as identified in the March 1998 report prepared for the Corps of Engineers, New York District, entitled “Field Data Gathering, Project Performance Analysis and Design Alternative Solutions to Improve Sandfill Retention.” At a total cost of $1,300,000, with an estimated Federal cost of $800,000 and an estimated non-Federal cost of $500,000.

SEC. 550. WOODLAWN, NEW YORK.

(a) IN GENERAL.—The Secretary shall provide planning, design, and other technical assistance to non-Federal interests for identifying and mitigating contamination sources which affect the Woodlawn Beach in Woodlawn, New York.

(b) COST SHARING.—The non-Federal share of the cost of assistance provided under this section shall be 50 percent.

SEC. 551. FLOODPLAIN MAPPING, NEW YORK.

(a) IN GENERAL.—The Secretary shall provide cadastral floodplain maps identifying 100- and 500-year flood inundation areas in the State of New York.

(b) REQUIREMENTS.—Maps developed under this section shall—

(1) in subsection (a)(1) by striking “technical”;

(2) in subsection (a)(1) by inserting “or in the case of projects located on lands owned by the United States, to Federal interests” after “interests”;

(3) in subsection (a)(3) by inserting “or in conjunction” after “consultation”; and

(4) by inserting at the end of subsection (d) the following: “Funds authorized to be appropriated to carry out section 340 of the Water Resources Development Act of 1992 (106 Stat. 4556) are authorized to fund projects undertaken under subsection (a)(1)(B).”

SEC. 552. SEA GATE REACH, CONEY ISLAND, NEW YORK AND NEW JERSEY.

The Secretary is authorized to carry out a study to determine if additional compensation is required to fully compensate the City of Chesapeake, Maryland, for damage to the city’s water supply resulting from dredging of the Chesapeake and Delaware Canal project. If the Secretary determines that the Secretary is authorized to provide up to $300,000 for installation of new water supply storage at Sardis Reservoir, Oklahoma.

(b) DETERMINATION OF AMOUNT.—The amount to be paid by the State of Oklahoma under subsection (a) shall be subject to adjustment in accordance with accepted discount purchase methods for Federal Government properties as determined by an independent accounting firm designated by the Director of the Office of Management and Budget. The cost of such determination shall be paid by the State of Oklahoma or other agent of the State.

(c) EFFECT.—Nothing in this section affects any of the rights or obligations of the parties to the contract referred to in subsection (a).

SEC. 555. WAURIKA LAKE, OKLAHOMA, WATER CONVEYANCE FACILITIES.

For the project for the construction of the water conveyance systems authorized by the first section of Pub. L. 89–251 (77 Stat. 841), the requirement that the Waurika Project Master Conservancy District to repay the $2,900,000 in costs (including interest) resulting from the October 1991 settlement of the claim before the United States Claims Court, and the payment of $1,190,451 of the final cost representing the difference between the 1978 estimate of cost and the actual cost determined after completion of such project in 1991, are waived.

SEC. 556. SKINNER BUTTE PARK, EUGENE, OREGON.

(a) STUDY.—The Secretary shall conduct a study of the south bank of the Willamette River, in the area of Skinner Butte Park from Ferry Street Bridge to the Valley River footbridge, to determine the feasibility of constructing a project to stabilize the river bank, and to restore and enhance riverine habitat, using a combination of structural and bioengineering techniques.

(b) CONSTRUCTION.—If, upon completion of the study, the Secretary determines that the project is feasible, the Secretary shall participate in conjunction with non-Federal interests in the construction of the project.

(c) COST SHARE.—The non-Federal share of the cost of the project shall be 35 percent.

SEC. 557. WILLAMETTE RIVER BASIN, OREGON.

The Secretary shall carry out a study of the potential for improved shoreline protection which includes a study of the feasibility of replenishing the beaches of the Willamette River basin in Oregon in developing and implementing a comprehensive basin-wide strategy in the Willamette River basin of Oregon for coordinated and comprehensive management of water resources to improve water quality, reduce flood hazards, ensure sustainable economic activity,
and restore habitat for native fish and wildlife. The heads of Federal agencies may grant technical assistance, staff and financial support for development of the basin-wide management strategy. The heads of Federal agencies shall seek to exercise flexibility in administrative actions and allocation of funding to reduce barriers to efficient and effective implementing of the strategy.

SEC. 558. BRADFORD AND SULLIVAN COUNTIES, PENNSYLVANIA. The Secretary is authorized to provide assistance for water-related environmental infrastructure and other appropriate infrastructure projects in Bradford and Sullivan Counties, Pennsylvania, using the funds and authorities provided in title I of the Energy and Water Development Appropriations Act, 1999 (Public Law 105-245) under the heading “CONSTRUCTION, GENERAL” (112 Stat. 1840) for similar projects in Lackawanna, Luzerne, Susquehanna, Wyoming, Pike, and Monroe Counties, Pennsylvania.

SEC. 559. ERIE HARBOR, PENNSYLVANIA. The Secretary is authorized to accept voluntary participation by local agencies in the appropriate non-Federal interest not more than $73,366 for architect and engineer costs incurred in connection with the Erie Harbor basin navigation project, Pennsylvania.

SEC. 560. POINT MARION LOCK AND DAM, PENNSYLVANIA. The project for navigation, Point Marion Lock and Dam, Borough of Point Marion, Pennsylvania, as authorized by section 301(a) of the Water Resources Development Act of 1986 (106 Stat. 4110), is modified to direct the Secretary, in the operation and maintenance of the project, to mitigate damages to the shoreline, at a total cost of $2,000,000. The cost of the mitigation shall be allocated as an operation and maintenance cost of a Federal project.

SEC. 561. SEVEN POINTS’ HARBOR, PENNSYLVANIA. (a) IN GENERAL.—The Secretary is authorized, at full Federal expense, to construct a breakwater-dock combination at the entrance to Seven Points’ Harbor, Pennsylvania.

SEC. 562. BIENVILLAS, DAKOTA, STUDY. The heads of such Federal agencies may grant technical assistance to non-Federal interests in the development and implementation of the study. The Secretary shall provide technical, planning, and environmental assistance to the following interests: the Department of Interior, the Corps of Engineers, and local agencies.

SEC. 563. UPPER SUSQUEHANNA-LACKAWANNA WATERSHED RESTORATION INITIATIVE. (a) IN GENERAL.—The Secretary, in cooperation with appropriate Federal, State, and local agencies and nongovernmental institutions, is authorized to prepare a watershed plan for the Upper Susquehanna-Lackawanna Watershed (USGS Cataloging Unit 02050107). The plan shall utilize geographic information system and shall include an assessment environmental condition of the watershed’s ecosystem, a comprehensive floodplain management plan, a floodplain protection plan, water resource, and environmental assessment of the project’s water quality improvement, and other appropriate infrastructure and measures.

SEC. 564. AGUADILLA HARBOR, PUERTO RICO. The Secretary shall conduct a study to determine if erosion and additional storm damage risks that exist in the vicinity of Aguadilla Harbor, Puerto Rico, are the result of a Federal navigation project. If the Secretary determines that such erosion and additional storm damage risks are the result of the project, the Secretary shall take appropriate measures to mitigate the erosion and storm damage.

SEC. 565. OAHIE DAM TO LAKE SHARPE, SOUTH DAKOTA, STUDY. Section 441 of the Water Resources Development Act of 1996 (110 Stat. 3747) is amended—

(a) IN GENERAL.—The Secretary, in cooperation with other Federal agencies and the State of South Dakota, shall provide technical, planning, and design assistance to non-Federal interests in developing integrated water management plans and projects that will serve the cities, counties, water agencies, and participating planning regions under the jurisdiction of the State of Texas.

(b) PURPOSES OF ASSISTANCE.—Assistance provided under subsection (a) shall be in support of non-Federal planning projects for the following purposes:

(1) Plan and develop integrated, near- and long-term water management plans that address the planning region’s water supply, water conservation, and water quality needs.

(2) Study and develop strategies and plans that restore, preserve, and protect the State’s and the planning region’s natural ecosystems.

(c) COST-SHARING.—The non-Federal share of the cost of assistance provided under subsection (a) shall be 50 percent, of which up to 1/2 of the non-Federal share may be provided as in kind services.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $50,000,000 for fiscal years beginning after September 30, 1996.

SEC. 566. INTEGRATED WATER MANAGEMENT PLAN, TEXAS. The projects described in the following reports are authorized to be carried out by the Secretary substantially in accordance with the plans, and subject to the conditions, recommended in such reports:


(2) WEIRTON, WEST VIRGINIA.—Report of the Corps of Engineers entitled “Feasibility Master Plan for Weirton Port and Industrial Center, West Virginia Public Port Authority”, dated December 1997, at a total cost of $19,000,000, with an estimated Federal cost of $9,000,000, and an estimated non-Federal cost of $9,000,000.

(3) ERIE/EDGECOMBE, NORTH CAROLINA-WEST VIRGINIA.—Report of the Corps of Engineers entitled “Feasibility Master Plan for Edgemere/Wood County Port District, West Virginia Public Port Authority”, dated July 7, 1997, at a total cost of $14,000,000, with an estimated Federal cost of $7,000,000, and an estimated non-Federal cost of $7,000,000.

SEC. 567. BOLIVAR PENINSULA, JEFFERSON, TEXAS. (a) IN GENERAL.—The Secretary is authorized, at full Federal expense, to construct a breakwater along the shoreline of the Bolivar Peninsula, Texas, as a result of a Federal project.

SEC. 568. BOLIVAR PENINSULA, JEFFERSON, TEXAS. (b) ECOLOGICAL AND RECREATIONAL BENEFITS.—In evaluating the project, the Secretary shall include the ecological and recreational benefits of regrading the Bolivar Peninsula.

SEC. 569. PACKERY CHANNEL, CORPUS CHRISTI, TEXAS. (a) IN GENERAL.—The Secretary shall construct a navigation and storm protection project at Packery Channel, Mustang Island, Texas, consisting of construction of a channel and a channel jetty and placement of sand along the length of the seawall.

SEC. 570. NORTHERN WEST VIRGINIA. The projects described in the following reports are authorized and subject to the conditions, recommended in such reports:


(2) CAPERTON RAIL TO TRAIL, MONONGAHELA RIVER, WEST VIRGINIA.—Monongahela River, West Virginia, Comprehensiv Study Recommendation Report, dated September 1993, consisting of the following elements:

(a) Morgantown Riverfront Park, Morgantown, West Virginia, at a total cost of $1,600,000, with an estimated Federal cost of $800,000 and an estimated non-Federal cost of $800,000.

(b) Caperton Rail to Trail, Monongahela County, West Virginia, at a total cost of $2,120,500, with an estimated Federal cost of $1,120,500, and an estimated non-Federal cost of $1,120,500.


SEC. 571. URBANIZED PEAK FLOOD MANAGEMENT PLAN, SOUTHEASTERN PENNSYLVANIA. (a) IN GENERAL.—The Secretary shall develop and implement a research program to evaluate
opportunities to manage peak flood flows in urbanized watersheds located in the State of New Jersey.

(b) SCOPE OF RESEARCH.—The research program authorized by subsection (a) shall be accomplished through project locations in New York District, area, constituent, and soil types that can be used to determine optimal flow reduction factors for individual watersheds.

(c) IMPLEMENTATION.—The Secretary shall implement the research program described in paragraph (a) in areas that include the following:

(1) Identification of key factors in urbanized watersheds that are under development and impact flow and stream channel dynamics.

(2) Development of peak flow management models for 4 to 6 watersheds in urbanized areas located in different climate zones, different geology, area, constituent, and soil types that can be used to determine optimal flow reduction factors for individual watersheds.

(d) IMPLEMENTATION.—The Secretary shall implement the research program described in paragraph (a) in areas that include the following:

(1) Identification of key factors in urbanized watersheds that are under development and impact flow and stream channel dynamics.

SEC. 575. ABANDONED AND INACTIVE NONCOAL MINE RESTORATION.

(a) IN GENERAL.—The Secretary is authorized to provide technical, planning, and design assistance to Federal and non-Federal interests for carrying out projects to address water quality problems caused by drainage and related activities from abandoned and inactive noncoal mines.

(b) SPECIFIC MEASURES.—Assistance provided under such subsection shall be in support of projects for the following purposes:

(1) Management of drainage from abandoned and inactive noncoal mines.

(2) Restoration and protection of streams, rivers, wetlands, other waterbodies, and riparian areas degraded by drainage from abandoned and inactive noncoal mines.

(3) Demonstration of management practices and innovative and alternative treatment technologies to minimize or eliminate adverse environmental effects associated with drainage from abandoned and inactive noncoal mines.

(c) NON-FEDERAL SHARE.—The non-Federal share of the cost of assistance under subsection (a) shall be 75 percent except that the Federal share of the cost of assistance under subsection (a) shall not exceed 65 percent.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $3,000,000 for fiscal years beginning after September 30, 1999.

SEC. 576. BENEFICIAL USE OF WASTE TIRE RUBBER.

(a) IN GENERAL.—The Secretary is authorized to conduct pilot projects to encourage the beneficial use of waste tire rubber, including crumb rubber, recycled tire rubber, or tire rubber granulates, that may include marine pilings, underwater framing, floating docks with built-in flotation, utility poles, and other uses associated with construction and infrastructure projects receiving Federal funds.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $5,000,000.

SEC. 577. SITE DESIGNATION.

Section 102(c)(4) of the Marine Protection, Research, and Sanities Act of 1972 (33 U.S.C. 1412(c)(4)) is amended by striking “January 1, 2006” and inserting “January 1, 2005”.

SEC. 578. LAND CONVEYANCES.

(a) EXCHANGE OF LAND.—Subject to paragraphs (3) and (4), at such time as Holnam Inc. conveys all right, title, and interest in and to the land described in paragraph (2)(A) to the United States, Holnam Inc. shall convey all right, title, and interest in the land described in paragraph (2)(B) to Homln Inc.

(b) DESCRIPTION OF LAND.—The lands referred to in paragraphs (A) and (B) shall be located in the State of New Jersey.

(c) DETERMINATION OF FEDERAL SHARE.—The Federal share of the cost of measures undertaken under this section shall not exceed 65 percent.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $3,000,000 for fiscal years beginning after September 30, 1999.

SEC. 579. WEST BAYON ROUGE PARISH, LOUISIANA.

The Secretary shall expedite completion of the report for the West Bayon Rouge Parish, Lou-
(i) IN GENERAL.—The Secretary shall give a previous owner of land that desires to purchase the parcel of land described in subparagraph (A) that was owned by the previous owner of land, or by the individual from whom the previous owner of land is descended, a written notice to purchase the parcel of land with the Secretary not later than 180 days after the official date of notice to the previous owner of land under paragraph (3). (ii) NOTICE TO FILE HAS FIRST OPTION.—If more than 1 application is filed to purchase a parcel of land described in subparagraph (A), the first option to purchase the parcel of land shall be determined in the order in which applications for the parcel of land were filed.

(3) TERMS AND CONDITIONS.—The conveyances under this paragraph shall be subject to such terms and conditions, including payment of reasonable administrative costs and compliance with applicable Federal floodplain management and flood insurance programs, as the Secretary considers necessary and appropriate to protect the interests of the United States.

(4) CONVEYANCE OF PROPERTY IN MARSHALL COUNTY, OKLAHOMA.—(1) IN GENERAL.—The Secretary shall convey to the State of Oklahoma all right, title, and interest of the United States in and to a parcel of land consisting of approximately 5 acres located at Dexter Lake, Oregon, under lease to the Dexter Sanitary District.

(5) OTHER TERMS AND CONDITIONS.—The conveyances under this subsection shall be subject to such terms and conditions as the Secretary considers necessary and appropriate to protect the interests of the United States.

(5) OTHER TERMS AND CONDITIONS.—The conveyances under this subsection shall be subject to such terms and conditions as the Secretary considers necessary and appropriate to protect the interests of the United States.

(6) MANAGEMENT OF LANDS.—All lands that are conveyed under paragraph (1) shall be retained in public ownership or no longer used for wastewater treatment purposes, title to the land shall revert to the Secretary.

(7) TERMS AND CONDITIONS.—The conveyance under this subsection shall be subject to such terms and conditions as the Secretary considers necessary and appropriate to protect the interests of the United States.

(8) MANAGEMENT OF LANDS.—All lands that are conveyed under paragraph (1) shall be retained in public ownership or no longer used for wastewater treatment purposes, title to the land shall revert to the Secretary.

(9) TERMS AND CONDITIONS.—The conveyance under this subsection shall be subject to such terms and conditions as the Secretary considers necessary and appropriate to protect the interests of the United States.

(10) MANAGEMENT OF LANDS.—All lands that are conveyed under paragraph (1) shall be retained in public ownership or no longer used for wastewater treatment purposes, title to the land shall revert to the Secretary.

(11) TERMS AND CONDITIONS.—The conveyance under this subsection shall be subject to such terms and conditions as the Secretary considers necessary and appropriate to protect the interests of the United States.

(12) MANAGEMENT OF LANDS.—All lands that are conveyed under paragraph (1) shall be retained in public ownership or no longer used for wastewater treatment purposes, title to the land shall revert to the Secretary.

(13) TERMS AND CONDITIONS.—The conveyance under this subsection shall be subject to such terms and conditions as the Secretary considers necessary and appropriate to protect the interests of the United States.

(14) MANAGEMENT OF LANDS.—All lands that are conveyed under paragraph (1) shall be retained in public ownership or no longer used for wastewater treatment purposes, title to the land shall revert to the Secretary.

(15) TERMS AND CONDITIONS.—The conveyance under this subsection shall be subject to such terms and conditions as the Secretary considers necessary and appropriate to protect the interests of the United States.

(16) MANAGEMENT OF LANDS.—All lands that are conveyed under paragraph (1) shall be retained in public ownership or no longer used for wastewater treatment purposes, title to the land shall revert to the Secretary.

(17) TERMS AND CONDITIONS.—The conveyance under this subsection shall be subject to such terms and conditions as the Secretary considers necessary and appropriate to protect the interests of the United States.

(18) MANAGEMENT OF LANDS.—All lands that are conveyed under paragraph (1) shall be retained in public ownership or no longer used for wastewater treatment purposes, title to the land shall revert to the Secretary.

(19) TERMS AND CONDITIONS.—The conveyance under this subsection shall be subject to such terms and conditions as the Secretary considers necessary and appropriate to protect the interests of the United States.

(20) MANAGEMENT OF LANDS.—All lands that are conveyed under paragraph (1) shall be retained in public ownership or no longer used for wastewater treatment purposes, title to the land shall revert to the Secretary.

(21) TERMS AND CONDITIONS.—The conveyance under this subsection shall be subject to such terms and conditions as the Secretary considers necessary and appropriate to protect the interests of the United States.

(22) MANAGEMENT OF LANDS.—All lands that are conveyed under paragraph (1) shall be retained in public ownership or no longer used for wastewater treatment purposes, title to the land shall revert to the Secretary.

(23) TERMS AND CONDITIONS.—The conveyance under this subsection shall be subject to such terms and conditions as the Secretary considers necessary and appropriate to protect the interests of the United States.

(24) MANAGEMENT OF LANDS.—All lands that are conveyed under paragraph (1) shall be retained in public ownership or no longer used for wastewater treatment purposes, title to the land shall revert to the Secretary.

(25) TERMS AND CONDITIONS.—The conveyance under this subsection shall be subject to such terms and conditions as the Secretary considers necessary and appropriate to protect the interests of the United States.
State to manage for fish and wildlife mitigation purposes the lands under this subsection and the lands not covered by the conveyance that are designated in red in Exhibit A of Army License Number DACW21-3-85-1904.

(B) TERMS AND CONDITIONS.—The agreement shall specify the terms and conditions under which the payment will be made and the rights of, and remedies available to, the Federal Government to recover all or a portion of the payment in the event the State fails to manage the lands in a manner satisfactory to the Secretary. The agreement shall specify the terms and conditions under which the Federal Government to recover all or a portion of the payment in the event the State fails to manage the lands in a manner satisfactory to the Secretary.

(c) LAND CONVEYANCE TO MATTEWAN, WEST VIRGINIA.—

(I) LAND CONVEYANCE TO MATTEWAN, WEST VIRGINIA.—

(A) A certain parcel of land in the State of West Virginia, Mingo County, Town of Matewan, and being more particularly bounded and described as follows:

Beginning at an iron pin and cap designated as U.S.A. Corner No. M–2 on the southerly right-of-way line of the Norfolk and Western Railroad, having an approximate coordinate value of N 22° 58‘, E 61° 69‘, and being at the intersection of the southerly right-of-way line of State Route 49/20 with the right-of-way of said Railroad.

North 89° 42‘ East 45 feet to an iron pin and cap designated as U.S.A. Corner No. M–3 on the southerly right-of-way line of said Railroad, having an approximate coordinate value of N 22° 56‘, E 61° 69‘, and being at the intersection of the southerly right-of-way line of said Railroad with the right-of-way of said Highway.

North 89° 42‘ East 45 feet to a point on the southerly right-of-way line of said Railroad, having an approximate coordinate value of N 22° 56‘, E 61° 69‘, and being at the intersection of the southerly right-of-way line of said Railroad with the right-of-way of said Highway.

North 89° 42‘ East 45 feet to a point on the southerly right-of-way line of said Railroad, having an approximate coordinate value of N 22° 56‘, E 61° 69‘, and being at the intersection of the southerly right-of-way line of said Railroad with the right-of-way of said Highway.

North 89° 42‘ East 45 feet to a point on the southerly right-of-way line of said Railroad, having an approximate coordinate value of N 22° 56‘, E 61° 69‘, and being at the intersection of the southerly right-of-way line of said Railroad with the right-of-way of said Highway.
bearings and coordinate used herein are referred to as the National Geodetic Vertical Datum of 1929, and the Federal Government boundary line for Tract Numbers 102, 129, 132-1, 132-2, 132-3, 134, 135, 136-1, 136-2, 138, 139, 140, 141, 142, 143, 144, and 145, located in sections 18, 19, 25, 30, 31, and 32, Township 7 South, Range 2 West, and the SE1/4 of Township 36 South, Range 3 West, Fifth Principal Meridian, with the exception of any land designated for public park purposes.

(2) TERMS AND CONDITIONS.—Any lands conveyed under paragraph (1) shall be subject to—

(A) A Covenant Against Further Construction.—The Secretary shall convey the lands subject to a written covenant prohibiting the Secretary from further construction activities on the lands.

(B) A Reservation of Widening Rights.—The Secretary shall reserve the right to widen the stream by the construction of the flood control project.

(3) Authorization of Appropriations.—There is authorized to be appropriated to carry out this section $8,000,000.

SEC. 582. DETROIT RIVER, DETROIT, MICHIGAN.

(a) In General.—The Secretary is authorized to provide for the design and construction of additional works along the Detroit River in Detroit, Michigan.

(b) Authorization of Appropriations.—There is authorized to be appropriated for fiscal years beginning after September 30, 1999, $1,000,000 to carry out this section.

SEC. 583. NORTHEASTERN MINNESOTA.

(a) Establishment of Program.—The Secretary shall establish a pilot program providing for the design and construction of additional protection and development projects in northeastern Minnesota, including projects for wastewater treatment and related facilities, water supply and related facilities, environmental restoration, and surface water resource protection and development.

(b) Award of Assistance.—Assistance under this section may be in the form of design and construction assistance for non-Federal interests in northeastern Minnesota.

(c) Authorization of Appropriations.—There is authorized to be appropriated for fiscal years beginning after September 30, 1999, $4,000,000 to carry out this section.

SEC. 584. ALASKA.

(a) Establishment of Program.—The Secretary may establish a pilot program for providing environmental assistance to non-Federal interests in Alaska.

(b) Authorization of Appropriations.—There is authorized to be appropriated for fiscal years beginning after September 30, 1999, $4,000,000 to carry out this section.
(B) LEGAL AND INSTITUTIONAL STRUCTURES.—Establishment of legal and institutional structures as are necessary to ensure the effective long-term operation of the project by the non-Federal interest.

(3) COSTS OF DESIGN WORK.—(A) IN GENERAL.—The Federal share of the project costs under each local cooperation agreement entered into under this subsection shall be 75 percent. The Federal share may be in the form of grants or reimbursements of project costs.

(B) CREDIT FOR DESIGN WORK.—The non-Federal interest shall receive credit for reasonable costs of design work completed by the non-Federal interest prior to entering into a local cooperation agreement with the Secretary for a project. The credit for the design work shall not exceed 6 percent of the total construction costs of the project.

(C) CREDIT FOR INTEREST.—In the event of a delay in the funding of the non-Federal share of a project that is the subject of an agreement under this section, the non-Federal interest shall receive credit for reasonable interest incurred in providing the non-Federal share of a project’s cost.

(D) LAND, EASEMENTS, AND RIGHTS-OF-WAY CREDIT.—The non-Federal interest shall receive credit for land, easements, rights-of-way, and relocations toward its share of project costs (including all reasonable costs associated with obtaining permits necessary for the construction, operation and maintenance of the project on publicly owned or controlled land), but not to exceed 25 percent of total project costs.

(E) OPERATION AND MAINTENANCE.—The non-Federal interest shall receive credit for the operation and maintenance costs for projects constructed with assistance provided under this section shall be 75 percent.

(f) APPLICABILITY OF OTHER FEDERAL AND STATE LAWS.—Nothing in this section shall be construed as waiving, limiting, or otherwise affecting the applicability of any provision of Federal or State law that would otherwise apply to a project to be carried out with assistance provided under this section.

(g) AUTHORIZATION OF APPROPRIATIONS.—

There is authorized to be appropriated $10,000,000 to carry out the purposes of this section.

(1) REPORT.—Not later than December 31, 2001, the Secretary shall transmit to Congress a report on the results of the pilot program carried out under this section, together with recommendations concerning whether or not such program should be implemented on a national basis.

(2) REQUIREMENTS.—Each local cooperation agreement entered into under this subsection shall provide for the following:

(A) PLAN.—Development by the Secretary, in consultation with appropriate Federal and State officials, of a factual findings report on project protection and development plan, including appropriate engineering plans and specifications.

(B) LEGAL AND INSTITUTIONAL STRUCTURES.—Establishment of such legal and institutional structures as are necessary to ensure the effective long-term operation of the project by the non-Federal interest.

(C) COSTS.—(A) IN GENERAL.—The Federal share of the project costs under each local cooperation agreement entered into under this subsection shall be 75 percent. The Federal share may be in the form of grants or reimbursements of project costs.

(B) CREDIT FOR DESIGN WORK.—The non-Federal interest shall receive credit for the reasonable costs of design work completed by the non-Federal interest prior to entering into a local cooperation agreement with the Secretary for a project. The credit for the design work shall not exceed 6 percent of the total construction costs of the project.

(C) CREDIT FOR INTEREST.—In the event of a delay in the funding of the non-Federal share of a project that is the subject of an agreement under this section, the non-Federal interest shall receive credit for reasonable interest incurred in providing the non-Federal share of a project’s cost.

(D) LAND, EASEMENTS, AND RIGHTS-OF-WAY CREDIT.—The non-Federal interest shall receive credit for land, easements, rights-of-way, and relocations toward its share of project costs (including all reasonable costs associated with obtaining permits necessary for the construction, operation and maintenance of the project on publicly owned or controlled land), but not to exceed 25 percent of total project costs.

(E) OPERATION AND MAINTENANCE.—The non-Federal share of operation and maintenance costs for projects constructed with assistance provided under this section shall be 75 percent.

(f) APPLICABILITY OF OTHER FEDERAL AND STATE LAWS.—Nothing in this section shall be construed as waiving, limiting, or otherwise affecting the applicability of any provision of Federal or State law that would otherwise apply to a project to be carried out with assistance provided under this section.

(g) REPORT.—(A) IN GENERAL.—The Secretary shall transmit to Congress a report on the results of the pilot program carried out under this section, together with recommendations concerning whether or not such program should be implemented on a national basis.

(2) REQUIREMENTS.—The Secretary may provide assistance for a project under this section only if the project is publicly owned.

(3) LOCAL COOPERATION AGREEMENTS.—

(1) IN GENERAL.—Before providing assistance under this section, the Secretary shall enter into a local cooperation agreement with a non-Federal interest that defines the terms and conditions of the cooperation agreement. The cooperation agreement shall define the terms and conditions of the project to be carried out with the assistance.

(SECTION 585. CENTRAL WEST VIRGINIA.)

(a) IN GENERAL.—The Secretary shall establish a pilot program for providing environmental assistance to non-Federal interests in central West Virginia.

(b) FORM OF ASSISTANCE.—Assistance under this section may be in the form of design and construction assistance for water-related environmental infrastructure and resources protection and development projects in central West Virginia, including projects for wastewater treatment and related facilities, water supply and related facilities, and surface water resources protection and development.

(c) REQUIREMENT.—The Secretary may provide assistance for a project under this section only if the project is publicly owned.

(D) LOCAL COOPERATION AGREEMENTS.—

(1) IN GENERAL.—Before providing assistance under this section, the Secretary shall enter into a local cooperation agreement with a non-Federal interest that defines the terms and conditions of the cooperation agreement. The cooperation agreement shall define the terms and conditions of the project to be carried out with the assistance.

(SECTION 586. SACRAMENTO METROPOLITAN AREA WATERSHED RESTORATION, CALIFORNIA.)

(a) IN GENERAL.—The Secretary shall sponsor a demonstration project for planning and implementation of projects to provide, in coordination with the Administrators of the Environmental Protection Agency and the State of New York and political subdivisions thereof for the development and implementation of projects to restructure and manage the San Francisco Bay system to achieve the purposes of the Clean Water Act and the Eel River Act.
ORDERS FOR THURSDAY, JULY 29, 1999

Mr. ROTH. Mr. President, I can unanimous consent that when the Senate reconvenes tomorrow morning at 9:30. By previous order, the Senate will immediately begin a stacked series of votes on the Abraham Social Security lockbox amendment, the Baucus motion to recommit, and the Graham amendment regarding effective dates of the provisions in the Taxpayer Refund Act of 1999. Following the votes, Senator Gramm of Texas will be recognized to offer an amendment regarding across-the-board tax cuts, estate taxes, and capital gains taxes. By previous consent, there will be 10 hours of debate time remaining on the bill tomorrow. Therefore, it is hoped that the Senate can continue to make significant progress on the bill and that the Senate action can be completed no later than Friday.

ENERGY AND WATER DEVELOPMENT APPROPRIATIONS ACT, 2000

The PRESIDING OFFICER. Under the order of the Senate of June 14, 1999, having received H.R. 2605, the Senate will proceed to the bill, all after the enacting clause is stricken, and the text of S. 1186 is inserted. H.R. 2605, as amended, is read a third time and passed. The Senate insists on its amendment, requests a conference with the House, and the Chair appoints Mr. Domenici, Mr. Cochran, Mr. Gorton, Mr. McConnell, Mr. Bennett, Mr. Burns, Mr. Craig, Mr. Stevens, Mr. Reid, Mr. Byrd, Mr. Hollings, Mrs. Murray, Mr. Kohl, Mr. Dorgan, and Mr. Inouye conferees on the part of the Senate.

ADJOURNMENT UNTIL 9:30 A.M. TOMORROW

Mr. ROTH. If there is no further business to come before the Senate, I now ask unanimous consent that the Senate stand in adjournment under the previous order.

There being no objection, the Senate, at 10:43 p.m., adjourned until Thursday, July 29, 1999, at 9:30 a.m.

NOMINATIONS

Executive nominations received by the Senate July 28, 1999:

EXPORT-IMPORT BANK OF THE UNITED STATES


EXECUTIVE OFFICE OF THE PRESIDENT

MARTIN NEIL BAILY, OF MARYLAND, TO BE A MEMBER OF THE COUNCIL OF ECONOMIC ADVISORS. VICE JANET L. YELLEN.

SOCIAL SECURITY ADMINISTRATION

JAMES G. HUSE, JR., OF MARYLAND, TO BE INSPECTOR GENERAL, SOCIAL SECURITY ADMINISTRATION. VICE DAVID C. WILLIAMS, RESIGNED.
The Financial Freedom Act of 1999
SPEECH OF
HON. DENNIS MOORE
OF KANSAS
IN THE HOUSE OF REPRESENTATIVES
Thursday, July 22, 1999
Mr. MOORE. Mr. Speaker, I rise today to express my opposition to this tax cut package and to explain my votes on this legislation. H.R. 2488 is fiscally irresponsible and dangerous to the country's economic growth and future. The package sponsored by Representative Bill Archer would commit this Congress to cutting taxes by $792 billion over the next 10 years, dedicating the majority of an expected $1 trillion Federal budget surplus—that may or may not materialize—toward massive tax cuts. Projections by the Treasury Department suggest that the cost of the bill would explode to $3 trillion in the second 10 years. This is the same decade in which our obligation to the retiring baby boom generation comes due, the Social Security Trust Fund will begin to be drained, and the Medicare Trust Fund will be exhausted.

Mr. Speaker, I serve on the House Banking and Financial Services Committee. On July 22, the same day that this Congress acted to pass a $792 billion tax cut, Federal Reserve Chairman Alan Greenspan testified before our Committee. Chairman Greenspan not only argued that the projected surpluses on which this tax cut relies are based on spurious assumptions, but also that his preference would be to allow these surpluses, should they materialize, to buy down our $5.6 trillion debt. I listened to Chairman Greenspan and I voted against the majority tax cut bill. I voted for the motion to recommit, a proposal that would instruct the Ways and Means Committee to heed the advice of Chairman Greenspan and redraft their bill to distribute 50 percent of the surpluses to buying down our debt, 25 percent to tax cuts and 25 percent to ensure the long-term solvency of Social Security and Medicare. Unfortunately, this motion failed by nine votes.

For the first time in a generation, we have an opportunity to do the right thing, the financially responsible thing for our children, our grandchildren and our Nation—we have the opportunity to put our financial house in order by paying down our burdensome national debt. In 1998, we paid $243 billion in interest on the national debt. Paying down the debt would reduce these annual interest payments to fund future tax cuts or other needs. Paying down this debt would reduce our overall interest rates, as much as 2 or 3 percent. The benefit of such a decrease in interest rates should be readily apparent to any person in this country who borrows money from a bank or carries a credit balance.

By way of illustration, if one finances a mortgage of $115,000 for 20 years at 8 percent, the payment is $844 each month. But decrease the interest rate by only 2 percent, and the mortgage payment is $689 per month for monthly savings of $155 or an annual savings of $1,860. I call this the ultimate tax cut. By way of contrast, H.R. 2488 would only place $289 back in the average taxpayer's pocket. This, while bankrupting America's future.

I believe we should not let this opportunity pass. I believe we should be fiscally responsible and do the right thing now for our Nation and for our Nation's future. I believe that the only vote that represents this sort of resolve and discipline was "aye" on the motion to recommit.

Mr. Speaker, I also voted in favor of the minority substitute that provides substantial tax relief to working Americans who need it most. While I would have included provisions that differ somewhat from this version had I drafted this bill myself, the minority substitute contains the following provisions that are beneficial to Kansans:

- Estate Tax Relief: $26 billion in estate tax relief over 10 years to accelerate the $1 million exclusion from 2006 to 2000.
- Marriage Penalty Reduction: $74 billion in tax relief over 10 years to reduce the "marriage penalty." The bill adjusts the standard tax deduction for a joint income tax return filed by a married couple so that it is twice the standard deduction allowed to single taxpayers—$8,600 as opposed to the current $7,200.
- Permanent Extension of the Research and Development Tax Credit: $27.2 billion over 10 years to permanently extend the tax credit for businesses that engage in resource-intensive research, thereby encouraging economic expansion. A 1998 study estimated that a permanent R&D tax credit would result in an additional $41 billion in private sector research and development investment between 1998 and 2010.
- Child Credit Increase: $17 billion in tax relief over 10 years to increase the family child tax credit by $250 for each child under five.
- Limitations on Non-Refundable Credits: $36 billion in tax relief over 10 years to repeal the current limitation on the use of non-refundable credits to reduce an individual's tax liability. Non-refundable tax credits include the child credit, various education credits and the dependent care credit.
- School Construction and Modernization: $8.6 billion over 10 years for interest-free funds to State and local governments for public school construction and modernization projects.
- Life-Long Learning Support: $7 billion over 10 years to make permanent the exclusion from income amounts received from employer-provided educational assistance for both higher education and post-graduate expenses.
- Long-Term Health Care Credit: $15 billion over 10 years to extend a non-refundable income tax credit of $1,000 for each individual with long-term needs taken care of in a household.

Mr. Speaker, this plan also restricts the majority of these tax cuts from taking effect until Medicare and Social Security have achieved solvency. This plan, along with my support of the motion to recommit, is the responsible approach to providing tax relief. I hope that this Congress can work together in the weeks and months ahead to provide reasonable and responsible tax relief to working families and family businesses while also paying down the debt and strengthening Medicare and Social Security.

Thank you, Chief Gary A. Mueller.

HON. JAMES A. BARCIA
OF MICHIGAN
IN THE HOUSE OF REPRESENTATIVES
Tuesday, July 27, 1999
Mr. BARCIA. Mr. Speaker, if any of us ever face an emergency like a fire or accident, we are both most fortunate and comforted by the fact that caring professionals will respond to our needs. For nearly thirty-six years, the people of Bay City have received such service from Fire Chief Gary Mueller, who has recently retired from the Bay City Fire Department.

Gary Mueller has lived in Bay City all his life. Since his time at Zion Lutheran Grade School with the important guidance he received from his parents Otto and Marie Mueller, through his days at Handy High School, Bay City Junior College, and Delta College, Gary Mueller made friends in the community who later became the people he swore to help protect as a member of the Bay City Fire Department.

From that first day, September 12, 1963, he was an exemplary member of the Department. He was promoted to Relief Engineer on March 6, 1976, and then to Engineer on June 22, 1983. He was promoted to Lieutenant on the "C" shift on August 18, 1988. He became a Captain on April 4, 1990, and then Assistant Chief on August 4, 1992.

The work of a firefighter is one filled with danger, and our appreciation of the work done by Chief Mueller must also extend to his wife Nancy Crampton Mueller, and his children Mandi, Michel, Steven and Scott, and his stepsons Marc and Scott Uhlmann. They had the worry while the public had the benefit. Now that they can rest assured that Gary Mueller will be out of harm's way, they all know that their peace of mind is as well-deserved as Chief Mueller's retirement, and the Chief's chance to enjoy his granddaughter, Kayla.

Mr. Speaker, we certainly appreciate the work of Gary Mueller who sacrificed and risked so much over the years, I ask you and all of our colleagues to join me in thanking him.
JUDICIAL CORRUPTION IN ARGENTINA

HON. EDOLPHUS TOWNS
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 27, 1999

Mr. TOWNS. Mr. Speaker, I would like to submit the following remarks to the attention of my colleagues. These remarks were delivered on July 22nd, at a congressional human rights caucus members’ briefing on corrupt practices in Argentina’s judicial system. While Argentina has made some strides toward de-mocratization, the information shared with members at this briefing suggests that much work still remains to be done with their judicial system.

STATEMENT OF MS. VIRGINIA GOLAN, DIRECTOR OF HUMAN AFFAIRS, BUENOS AIRES YOGA SCHOOL FOUNDATION (BAYS)

Honorable Members of Congress, staff members, concerned activists, friends, ladies and gentlemen, thank you with all my heart for the opportunity to share with you our story. It is a sad one... but with your help, I hope that there may still be a happy ending for us and for democracy in Argentina.

My name is Virginia Golan. I am 28 years old. I am from Argentina. I am a member of a small institute and school of philosophy, the Buenos Aires Yoga School (BAYS). I should be in Buenos Aires today studying, but I can’t because of government oppression. I should be with my friends, but I’m not because they are in hiding. Today, I spend as much time as I am able in the United States because I am afraid to go home. In fact, I haven’t spent very much time at home since I was badly beaten four years ago by agents of the Argentine judiciary. The first time, late one evening when leaving a meeting of my school, I was attacked. They threw me against a wall, told me not to look back, and threatened me not to do anything. If I did, they said, stop my lobbying efforts in the BAYS case. The next time, in broad daylight, after I left the Argentine Legislature, a strange car pulled next to me. They beat me while shouting, “Stop causing trouble for the judges, you whore, or we’ll kill you.” The attackers concentrated on hitting my face, leaving me with black eyes and grotesque bruising of my face. Fearing for my safety, soon after I left my home and my friends to bring our story to America. And this is our story.

Six years ago, a member of BAYS, Maria Valeria Llamas, was subjected to rape, sexual abuse and psychological torture by her stepfather, Sommariva, he counter-sued by accusing our school of being a cult that brainwashed and corrupted his 24 year-old stepdaughter.

The judicial nightmare that ensued has consumed the last 6 years of my life and the lives of the 300 families of BAYS. It is about abuse of power. It is about greed and corruption. It is about fear, and violence and hatred. I have never written about these things the Argentine government would rather were never mentioned. It is about a small struggle for freedom that has come to symbolize the greater struggle for democracy and human rights throughout my country. And today, in these chambers, it is becoming a story of hope.

EXTENSIONS OF REMARKS

Since that fateful day, the many tenacles of the Argentine government has used the members of our school, especially the women. Our homes have been illegally searched, our property illegally confiscated, our phones illegally tapped, careers ruined and reputations sullied. Our young, our old, our most vulnerable have suffered. Many of our members have been subjected to the terror that is Argentine justice. Such as minor, Celeste Fain (whose brave mother is here today) a young Jewish girl, who was physically violated and raped by a member of the Argentine judiciary, the first criminal trial judge has declared her incompetent. Dr. Mariano Berges. Other BAYS members have been detained, separated from their families and forced to submit to psychiatric and psychological tests. While in judicial detention, Dr. Maria Eugenia Rossi and Carmen Graciela Alarcon, two of our more prominent members, were vaginally and anally violated, and subjected to inhumane conditions while in the court’s jail for up to 18 days.

Most recently, the Argentine judiciary appointed a third criminal trial judge to investigate the BAYS case, a procedural duplication that is highly unusual even under Argentina’s bizarre judicial system, as admitted by Argentine Supreme Court Justices Moline O’Connor and Adolfo Roberto Vazquez. The third criminal trial judge, Corvalan de la Colina, has escalated the terror, authorizing new criminal processes to be filed, based on the same meritless facts. Such is the situation with my 27-year-old friend, Carla Papparella. Her parents have mistrusted her all her life. As any sane person would do, she left that life of abuse as soon as she was of age. Now her parents continue harassing her by accusing BAYS of sexual and psychological tortures. Carla went to see Judge Corvalan to show what a farce this is, but he would not meet her. She filed a document, which I submit as evidence for the record, stating that she is of sound mind and that her parents are lying. She is here with us today. To make matters worse, Maria Valeria Llamas’ mother launched a new case based on the same unproven allegations that Maria’s stepfather Sommariva initiated 6 years earlier.

The Argentine judiciary is now using a new dirty trick to try to put BAYS by its清洗, Maria Valeria Llamas and Maria Veronica Cane are mentally incapable. The court has stripped these two young women of their civil rights, while terrorizing them with the ever present concern that they can be picked up anytime to be locked away in primitive mental institutions specializing in electro-shock therapy. They live in constant fear, and the message to the rest of us at BAYS is that we can be next.

The truth is that the official psychological examination and test done on Carla Papparella is nothing. We have seen Maria Valeria Llamas, as well as many others in BAYS who were tested, documented they are all sound, stable, normal people. I submit for the record, the forensic reports on these BAYS members. I further submit an affidavit by Dr. David Preven, a foremost expert on cults whose practice is in New York. Dr. Preven Concentrated on studying the affidavits and psychological reports that prove BAYS is a cult. Dr. Preven’s findings directly refute this lie. The Argentine judiciary, however, does not want to deal with reality.

In March 1995, the Argentine Court of Appeals instructed the Lower Court criminal trial judge to close the BAYS investigation in 45 days and resolve the case. Incredibly, the investigation continues today, a blatant violation of the Argentine Penal Code. The flaunting of Appellate Court decisions by Argentina’s criminal trial judges dangerously undermines the foundation of rule of law in Argentina. It is the respect for and enforcement of rule of law that separates true democracies from those that pretend to be.

All these years, one thread of evidence of corruption, involuntary servitude or brain-washing has been produced in a court of law. But the Argentine judiciary refuses to close the case and all BAYS members are stigmatized by a cloud of suspicion. They are treated as corrupters and corrupt people. We are condemned as mentally incompetent or called prostitutes. We have no possibility of clearing our reputation. We are stripped of our safety, our right to privacy and well being, and our very dignity as individuals.

Now, some will tell you that this is simply the way of Argentina, working with an inefficient and belabored judicial system. I do not believe this. Evidence how swiftly our judiciary issues orders of detention, puts people in jail, authorizes searches and taps telephones. Witness how quickly they strip us of our rights and destroy lives. These are not the actions of a moribund institution. On the contrary, the Argentine judiciary can be a brutally efficient and destructive body. It needs direction and reform. It is crying out for help. We are asking for your help to strengthen the institutions of justice down a better brighter path.

Some will tell you that this is not America’s concern. I am here to say that it does concern you. Not only are several members American, but as long as the people of America sell weapons to your government, sign contracts and extend debt service and support American business to make profits there, the American government must act to encourage U.S. citizens to travel and spend money there—you are investing in Argentina’s rule of law. The same rule of law that was used against me in jail, and against my family and friends there, and turn on you. The same judge who has stripped me of my rights for a dollar, will rob you blind through a miscarriage of justice. The same soldier who beats me today, may kill me tomorrow with an American gun.

Today, more than ever, I beg that you understand this should be of concern to you and all Americans. Although we were over 1,000 strong in membership, today, after 6 years of constant judicial persecution and violation of our human rights, only 300 remain. The Directors and students of BAYS have seen their honor and their dignity publicly soiled through denigrating accusations of crimes. After 6 years, we know the baseless charges will never be proven in a court of law, as they are blatant lies.

Ladies and gentlemen, every evening when we return to our homes, we are afraid to find compounders of sex and violence, who use our names and reputations further denigrated with scurrilous attacks in the yellow press. We are falling deeper and deeper into the degrading, the menacing, the torturing hell. We are sick. We are tired. And I’m sorry to say that we are losing. We fear, that this is a never-ending prosecution, haunting us day after day; year after year and the seeming endless spiral of jail and mental institutions threatens our lives daily, while we continue postponing our
dreams. I am very afraid because I do not know how much longer we will have the strength to continue this fight against oppression—a fight for our very survival, a fight for freedom for the Argentine people. I wonder, how long can we and must we endure? Use of your great Nation, America, that you help us make our dreams of a democratic Argentina come true some day. I cannot thank you more deeply from my heart for your help.

INTRODUCTION OF H. CON. RES. 163
CALLING FOR THE FULL INVESTIGATION OF THE BOMBING OF THE JEWISH CULTURAL CENTER IN BUENOS AIRES, ARGENTINA

HON. ANTHONY D. WEINER
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES
Tuesday, July 27, 1999

Mr. WEINER. Mr. Speaker, today is the Tisha B’Av, 5759 by the Hebrew calendar, the most important day of mourning in the Jewish year. It is a day of remembrance of the most tragic events in Jewish history, for it was on this day, in 3338 that the first temple in Jerusalem was destroyed by the Babylonians, and in 3828 that the second temple was destroyed by the Romans.

Although this day is primarily meant to commemorate the destruction of the Temple, it is appropriate to consider on this day the many other tragedies of the Jewish people, many of which occurred on this day, the expulsion of the Jews from Spain, Betar, the last fortress to hold out against the Romans during the Bar Kochba revolt, fell, and so many others.

But the tragedies of Jewish history are not all so ancient. This past Sunday marked the 5th anniversary of the bombing of the Jewish Cultural Center in Buenos Aires, Argentina. On July 18, 1994, the Jewish Cultural Center in Buenos Aires, Argentina was destroyed by a terrorist bomb. Eighty-six people were killed. Over 300 people were wounded. The Argentinian Mutual Aid Association’s archive of community records, which dated back to 1894, was destroyed.

While this bomb destroyed the building, and the records, and the lives of so many—Jews and non-Jews alike—it has not dampened the spirit of the Jewish population of Argentina, which at 250,000 is second only to the United states in this hemisphere.

What is dispiriting is that today, five years after that tragic bombing, we still have not brought the terrorists to justice. Though we have recently seen the arrest of more suspects, there is still no resolution, no closure for the families that still grieve for their loved ones.

That is why I am choosing today, Tisha B’Av, the ninth of Av, to introduce a concurrent resolution calling upon the Argentine Government to fully support and devote all resources necessary to the efforts of Judge Juan Jose Galeano and to fully investigate, apprehend, and prosecute those responsible for the bombing; requesting that the Argentinian security forces and the judiciary of Argentina not impede this independent investigation; and requesting that Argentine President Carlos Menem appoint an independent committee to investigate and report on the integrity and competence of Argentina’s system of justice.

I invite my colleagues to cosponsor this resolution.

PERSONAL EXPLANATION

HON. ROBERT L. EHRlich, JR.
OF MARYLAND
IN THE HOUSE OF REPRESENTATIVES
Tuesday, July 27, 1999

Mr. EHRlich. Mr. Speaker, yesterday, July 26, 1999, I missed several votes because my wife Kendel and our new baby boy were released from the hospital. Specifically, I missed the following two roll call votes: 335 (Hoefelf amendment to H.R. 1074); and 336 (passage on H.R. 1974). If I had been present, I would have voted “no” on roll call No. 335 and “aye” on roll call No. 336.

Likewise, I would have voted “aye” on Mr. MINTCOSH’s en bloc amendments to H.R. 1074; S. 604; H.R. 2565; H. Res. 172; H.R. 457; S. 1268; and S. 1258, all of which were agreed to by voice vote.

FLAG CITY USA

HON. GREG WALDEN
OF OREGON
IN THE HOUSE OF REPRESENTATIVES
Tuesday, July 27, 1999

Mr. WALDEN of Oregon. Mr. Speaker, in the vast Second Congressional District of Oregon lies a city named Redmond, also known as “Flag City USA.” Redmond is called “Flag City USA,” because currently it proudly displays 887 flags that have been flown over our Nation’s Capitol. I would like to commend our citizens of Redmond for this great project that shows a strong sense of community spirit and patriotism.

The first display of flags was on July 4, 1991, the day that our nation officially welcomed home all veterans from Desert Storm and prior wars. The initial display was the concept of Mr. Mac McShannon. With the help of City Councilman Randy Povey, it became a reality. The flags displayed included 180 flags that had once draped the caskets of fallen veterans, which were made available by American Legion Post 44.

When Mr. McShannon and Mr. Povey learned that the flags from the previous year would not be available to display in the future, the Downtown Redmond Flag Committee was born. A representative of almost every civil organization of Redmond met with the American Legion, and a mission statement was developed and it reads as follows:

It is the feeling of this committee that flags should be flown on our city streets during appropriate holidays and other special occasions. Therefore, the acquisition, display, and perpetual care of the flags are now points we must address. Since this should be a community endeavor, we would like all area organizations, clubs, businesses and interested individuals to join us in a plan to perpetuate Americanism, the display of our flag and the Redmond Community Spirit.

True to their mission, community spirit is exactly what the city has shown. Since the first formal meeting on September 20, 1991, until today, the Flag Committee has obtained 687 flags, all of which have been flown over our Nation’s Capitol and their final goal is 1,000 flags. Many local businesses have donated supplies, while local community organizations like Rotary, Kiwanis, Moose, Elks, Smokey- RVFD, Boy Scouts, Veterans of Foreign Wars, American Legion, Chamber of Commerce and the City Council have kept the program going with their support.

On Saturday, July 31, the City of Redmond will receive their 700th flag, a tremendous milestone on their way to the final goal of 1,000. I am happy that I will be a part of Redmond’s celebration in achieving this milestone.

Patriotism has rarely been more apparent than when you drive down the main streets of Redmond and on one of the special occasions when the 700 flags are flown. Each time I see this display, a strong sense of pride in my country and those who have served to protect our freedom is renewed. I know of no other city in the United States that comes close to matching Redmond’s efforts to honor our flag and American pride. I am proud to say that I represent “Flag City USA” in the United States Congress.

PRIVATE ACTIVITY BONDS

HON. JOHN J. LaFALCE
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES
Tuesday, July 27, 1999

Mr. LaFALCE. Mr. Speaker, today, I am announcing my intention to co-sponsor H.R. 864, the “State and Local Investment Opportunity Act of 1999.” This legislation would accelerate the increase in the private activity bond cap so that it would take effect at the beginning of next year, and index that cap in subsequent years for inflation.

I take this step in recognition of the value of expanding low interest rate financing for projects which include affordable housing, single family mortgages, student loans, environmental cleanup, and manufacturing job creation, and in recognition that politically, at least for the present, this may be the only way to accomplish these desired results.

However, I also feel compelled to express my reservations about expanding this and other tax-oriented measures without a more extensive Congressional review of the merits of using the tax code for these purposes. Specifically, the issues of efficiency and accountability need to be addressed much more fully.

Every dollar of foregone tax revenue impacts the federal surplus or deficit in the exact same way as does an increased dollar of spending. Yet, the combination of tight discretionary spending caps and the popularity of tax cuts seems to have convinced lawmakers that the easiest route to increase resources for important priorities is through a tax credit or tax expenditure.

The serious drawback to this approach is that it is a very inefficient and costly way to achieve the desired purpose. For every dollar
of foregone federal revenue, only a portion of that amount goes for the benefit of the project. A significant portion goes to the benefit of the taxpayer or entity directly through which the tax benefit is funneled. For example, a 1988 GAO report concluded that for every dollar of revenue foregone by the federal government through the issuance of mortgage revenue bonds, only between 12 and 45 cents of such subsidy are received by the homeowner. A more direct, and clearly more efficient, less costly approach, would be to provide the benefit directly in the form of spending. Of course, this approach can easily be demagogued as "tax and spend liberalism." Yet, direct program spending and tax expenditures are essentially indistinguishable—except that the tax expenditure is almost always less efficient, and therefore much more costly.

A second issue is that of accountability. The principle that the governmental unit that spends tax dollars should be the same entity that taxes its citizens to raise such dollars in a good one.

However, there are a growing number of federal tax expenditures and programs that transfer complete authority to states and localities to spend the funds as they see fit, subject only to broad general parameters. This is, in effect, "free money" to the states and localities. This is not to conclude that they make bad spending and allocation decisions, but just that such decisions are not grounded in the principle of accountability—i.e., of having the tax raisers answer directly to the taxpayers.

As Congress gets wrapped up in the day to day battles over how much to tax and how much to spend, it would do well to take a longer term, more comprehensive review of the best way to use federal resources to achieve the important policy objectives that we all share.

IN RECOGNITION OF TEXAS EASTMAN'S 50TH ANNIVERSARY

HON. RALPH M. HALL
OF TEXAS
IN THE HOUSE OF REPRESENTATIVES
Tuesday, July 27, 1999

Mr. HALL of Texas. Mr. Speaker, I rise today to pay tribute to "50 Years of Great Chemistry" by the Texas Eastman Division of Eastman Chemical Co., which has accomplished and contributed so much as a company and to the people of East Texas.

Eastman Chemical is a leading international chemical company that produces a wide range of chemicals, fibers, and plastics. In 1949, Longview, Texas, was selected as the location for the Texas Eastman Division. In 1950, plant construction began, and by 1952 products were being shipped out. From its modest beginning in 1950, the Eastman Division has grown into one of the largest petrochemical plants in Texas. The original plant in Longview, Texas, occupies a 6,000-acre site close to the East Texas Oil Field, which has provided the company with its principal raw materials—propane, ethane, and natural gas. The company also owns and operates a 300-acre underground storage facility in Tyler, Texas, where more than 250 million gallons of pro-

EXTENSIONS OF REMARKS

RELIGION IN PUBLIC HIGH SCHOOLS AND SAFE SCHOOLS

HON. BERNARD SANDERS
OF VERMONT
IN THE HOUSE OF REPRESENTATIVES
Tuesday, July 27, 1999

Mr. SANDERS. Mr. Speaker, I would like to have included in the Record statements by high school students from my home State of Vermont, who were speaking at my recent town meeting on issues facing young people today. I am asking that you please insert these statements in the CONGRESSIONAL RECORD as I believe that the views of these young persons will benefit my colleagues.

RELIGION IN PUBLIC HIGH SCHOOLS

(On behalf of Nathan Loizeaux, Larry Grace and Melissa Tobin)

Nathan Loizeaux: In opening, we would just like to thank Congressman Bernie Sanders and any member involved in this to give us a chance to voice our opinion. Thank you.

We would like to address the subject of religion in the public high schools. We believe that our laws need to be reformed or we need new ones, because the existing laws seem to be inadequate at this time. They seem to be very broad, and most high schools that we have attended seem to ignore most of these laws, based on the fact that we are teenagers.

I would just like to say, in the court case Rosenberg v. Reactor and Visitors of the University of Virginia, the 115th Circuit Court, 25,010, 1986, the court concluded that free speech itself was threatened if religious speech was singled out for different treatment.

We have found that, in the current high school, public high schools, that religious groups are treated in a different way, and by Vermont and federal government laws, they are required to give us equal rights.

Larry Grace: At our school, the subject of religion is needed to be addressed, because it is a major issue that concerns us teenagers who have religious beliefs. Since time in our school has past, we believe that the public school system is not upholding the state and federal government laws for equal rights for religious groups inside the public school system. The laws are ignored, and the school system gets away with it, because we, as students, don't have the funds to fight back. And there should be new laws or for the current laws to be better enforced, to be instituted. The federal government and state laws require for the public school system to give religious groups inside schools equal rights. We feel they should be the same as nonreligious groups inside the school, allowing them to express their thoughts and beliefs in forms of materials and displays. The public school system is not adhering to these laws of equal rights in a way that we feel the religious groups within the public school are being discriminated against because of what they are.

Melissa Tobin: If schools allow noncurricular student-led groups to use their facilities for meetings and displays, why couldn't the same thing be allowed for religious student-led groups? We believe the student who has religious beliefs should have the same access to the facilities inside the school. The laws are arbitrary and unequal. We believe the public school system is not adhering to the Vermont and federal government laws, they are treated in a different way, and by Vermont and federal government laws, they are required to give us equal rights.

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EXTENSIONS OF REMARKS

TROUP HIGH SCHOOL CHARACTER EDUCATION PROGRAM

HON. BOB BARR
OF GEORGIA
IN THE HOUSE OF REPRESENTATIVES
Tuesday, July 27, 1999

Mr. BARR of Georgia. Mr. Speaker, all across America, there is a growing level of concern about a perceived culture of violence and apathy among many of our young people. In response, parents, teachers, students, and political leaders have been searching for ways to counteract these trends. I am pleased to report to the House of Representatives that one high school principal in my Congressional District is truly helping to provide a solution to this problem. That principal is Bill Parsons, and the school where he serves is Troup High School in LaGrange, Georgia.

Several years ago, Bill Parsons was working at West Point Elementary School in Troup County. At the time, he came to the realization disrespectful behavior is due, at least in part, to a lack of understanding among students about what it means to develop good character, and how having moral and courteous habits can help students lead better lives. For this reason, he instituted a character education program that resulted in a significant and immediate drop in disciplinary referrals.

Word about Principal Bill Parsons' work quickly spread, and his efforts became the model for similar character education programs across the southeast. In addition to speaking about his program across the country, Bill Parsons is now working to implement a similar program that brings parents, teachers, students, businesses, and community leaders together to hammer home the message: character really does count.

I salute Bill Parsons for his crusade to make building good character a part of every child's education. I urge my colleagues in Congress to look to his example, and do everything we can to support efforts such as his.

RECOGNIZING THE HMONG YOUTH FOUNDATION

HON. GEORGE RADANOVICH
OF CALIFORNIA
IN THE HOUSE OF REPRESENTATIVES
Tuesday, July 27, 1999

Mr. RADANOVICH. Mr. Speaker, I rise today to recognize the Hmong Youth Foundation's Fourth Annual Summer Festival. This Festival is a successful answer in an effort to provide Hmong Youth, many of whom are challenged with language barriers, with opportunities to engage in fun, and educational activities.

The Foundation was organized to give Hmong Youth a place where students can congregate as colleagues holding common fears, hopes and goals. The primary objective is to give students opportunities to excel in academic pursuits and to award scholarships. Before awarding scholarships, a strong after school infrastructure must be developed to provide a learning center and good environment. Many of the students come from economically disadvantaged families due to the
fact that a majority of Hmong adults are unable to speak English. The result is that many Hmong adults are unable to hold higher paying jobs.

Hmong youth are constantly challenged due to the difficulties of social assimilation, lost opportunities and juvenile crime temptations. The Hmong Youth Foundation seeks to give every child the opportunity to succeed and overcome negative obstacles. The Foundation pursues every avenue available through collaboration with other Hmong and Southeast refugee self-help organizations, as well as non-Asian agencies. The response has been very positive, as the Foundation does not duplicate any existing service provider’s intent.

Hmong students in Fresno County have excelled in academic excellence and thus, have received many accolades. Among them are annual Hmong valedictorians in the Fresno and Clovis Unified School Districts. The Hmong Youth Foundation is a community-based organization with the intent to help as many students as possible so that even greater success will follow.

Mr. Speaker, I rise to recognize the Hmong Youth Foundation for its service to the community. I urge my colleagues to join me in wishing the foundation many more years of continued success.

IN RECOGNITION OF THE EXPANSION OF CALPINE
HON. DOUG OSE OF CALIFORNIA
IN THE HOUSE OF REPRESENTATIVES
Tuesday, July 27, 1999

Mr. OSE. Mr. Speaker, I rise today to join with the people of California’s 3rd Congressional district to support the expansion of the Calpine Sutter Power Plant, a long-standing business in Sutter County.

Sutter County, situated just north of Sacramento between the Sacramento and Feather Rivers, has access to three state universities, a major metropolitan airport, the State Capitol, and recreational areas of the Sierra Mountain Range. However, with double-digit unemployment, a local economy almost solely dependent on agriculture, the lack of adequate power, and the annual danger of flooding in the upper Sacramento Valley, Sutter County also faces many challenges.

Today, Sutter County is celebrating the groundbreaking of Calpine’s new plant site, which will increase its property tax base by at least $300 million. The new plant will provide clean, low-cost power for economic development, employ up to 250 construction workers for twenty months, create at least twenty new family-wage, full-time jobs, and provide significant revenues to local businesses.

Additionally, Calpine has proposed a 10-year, $2.5 million private funding program for improving levees and storm drainage facilities in Sutter County. The funds will be distributed directly to the Sutter County Water Agency and the County Flood Control and Water Conservation District, which will have final authority over how the funds are spent.

I commend Calpine and people of Sutter County for their commitment and investment in their community through new jobs, increased tax revenue, clean, reliable, low-cost electricity, and willingness to work together toward local flood control solutions. This another example of communities and companies working together to define a vision and successfully achieve common goals.

SERBS DESERVE PROTECTION IN KOSOVO
HON. CHRISTOPHER H. SMITH OF NEW JERSEY
IN THE HOUSE OF REPRESENTATIVES
Tuesday, July 27, 1999

Mr. SMITH of New Jersey. Mr. Speaker, I am outraged by the killing of 14 Serbs last Friday near the town of Gracko in Kosovo. The culprits of this crime are, in my view, prime candidates for the indictment for crimes against humanity by the International Tribunal which is located in The Hague. I certainly hope that the efforts of KFOR, the Organization for Security and Cooperation in Europe (OSCE), and Tribunal investigators will help identify and immediately apprehend those responsible for this crime.

The killings, however, are no isolated incidents. Since NATO air strikes ended, the Serb forces have retreated, and the Kosovar refugees have begun to return to their homes, those Serb civilians who chose to remain in the region have repeatedly been subjected to violent retribution. Certainly a Kosovo which is ethnically cleansed of Serbs—and, according to reports, cleansing of Roma as well—is not the kind of Kosovo for which the international community undertook such a risky and costly intervention. Kosovo must pursue the path of rule by law not by lawlessness, and respect for and protection of human freedoms—including life itself.

A related disturbing trend is the attempt by leaders of the Kosovo Liberation Army—the KLA—to fill the political vacuum created now that Serbian authorities have departed Kosovo. The KLA has yet to prove its democratic credentials; in many instances, its tactics have hurt the cause of responsible stewardship. These boyhood impressions of the river have inspired me to work to protect the Great Mississippi from environmental damage.

As one of the four co-chairmen of the Upper Mississippi River Congressional Task Force (UMRTF), I have had an opportunity to effectively address stewardship issues pertinent to the Upper Mississippi River and adjacent lands. With the help of the UMRTF, attention has successfully been focused on the importance of refugees in the Upper Mississippi River Basin and their need for support.

In recent years, the refugees have been asked to do more and more with less and less funding. Although the refugees have received added responsibilities, funding for maintenance, habitat restoration and outreach have all faced budget shortfalls. The Upper Mississippi Refuge currently lacks a full-time refuge manager. Although the master plan for the refuge calls for 60 staff members, only 28 staff are currently employed. With the aid of the Task Force, I am working to address this problem.

As a direct result of UMRTF efforts, the U.S. Fish and Wildlife Service will increase refuge maintenance funding for the Upper Mississippi River National Wildlife Refuge, and the Mark Twain National Wildlife Refuge by $1 million in fiscal year 1999. In the future, the Task Force will continue to focus attention on these refugees and the key roles they fill in providing essential habitat for a wide variety of plants, fish, migratory birds, and other animals.

The Mississippi River is truly an environmental treasure. The Upper Mississippi refuge system plays a crucial role in protecting this national treasure so that current and future generations can enjoy the same environmental, recreational and economic benefits that we have enjoyed in the past.
A TRIBUTE TO THE NATIONAL ASSOCIATION OF PEOPLE WITH AIDS (NAPWA)

HON. KAREN McCARTHY OF MISSOURI IN THE HOUSE OF REPRESENTATIVES
Tuesday, July 27, 1999

Ms. McCARTHY of Missouri. Mr. Speaker, I rise today to recognize the National Association of People with AIDS (NAPWA)—the leading advocate on behalf of all people living with HIV and AIDS in order to end the pandemic and human suffering caused by HIV/AIDS.

NAPWA was founded in 1983 in Denver, Colorado, at the Second National AIDS Forum. This organization has been at the forefront of the AIDS epidemic to address the issues of equality and equal access to treatment and prevention methods regardless of race, gender, class, or sexual orientation.

On Friday, July 31, 1999, NAPWA will hold its annual retreat in Kansas City, Missouri, including a public forum on "AIDS Now and in the New Millennium," where a panel of leading experts, including Sandy Thurman, Director of the Office of National AIDS Policy, will discuss the latest developments in the effort to end the AIDS crisis. This forum will provide an opportunity for city, county, state, and national leaders, AIDS Service organizations, HIV infected individuals, health departments, faith communities, and medical professionals to talk about issues surrounding the AIDS epidemic and the funding that is needed to maintain quality health care services and innovative prevention strategies.

At this forum, NAPWA will welcome Roger A. Gooden—an AIDS survivor and tireless advocate for people with AIDS—as the newly elected Chairman of the Board of Directors. Mr. Gooden has a rich history of fighting for AIDS/HIV treatment and prevention, as well as for the rights of people with AIDS. He currently serves on the State of Missouri's Governor's Council on AIDS and the Board of Directors of the National Council on Alcoholism and Drug Dependence of Greater Kansas City. Recently, Mr. Gooden was honored by the Missouri Department of Health Division of Environmental Health and Communicable Disease Prevention, Bureau of HIV/AIDS Care and Prevention Services, in recognition of his dedication and service to the State of Missouri in advocating for people living with HIV/AIDS and the prevention of the spread of HIV. Mr. Gooden was also honored by Kansas City Mayor Emanuel Cleaver and the City Council with a resolution and proclamation recognizing his election as Chairman of the Board of NAPWA and for his dedicated service and efforts in the fight against AIDS.

NAPWA is an active and effective organization, providing many services to legislators and people with AIDS/HIV. For instance, NAPWA provides Community Education, Technical Assistance, and Regional Training Workshops around the country for people with HIV, to give them the skills they need to participate in HIV prevention community planning with Ryan White CARE Act Planning Bodies. NAPWA also coordinates a diverse national network of committed public speakers through the Leadership Development Initiative. This initiative, coupled with the Youth Initiative involves outreach services where peers talk to peers about HIV and encouraging other to modify risk behavior and change attitudes toward people with AIDS/HIV.

NAPWA also participates in a wide array of prevention, health promotion, and educational efforts for those infected with and at risk for HIV. NAPWA publishes several fact sheets, alerts, and reports, as well as supporting an information and Referral Service, to provide the nation with up-to-date and accurate information about the AIDS pandemic. NAPWA also sponsors National HIV Testing Day in June of each year, to encourage early and frequent testing for HIV/AIDS, especially for those who are at higher risk.

Mr. Speaker, NAPWA's highest priority is the development of effective new treatments and a cure for HIV disease. Please join me in commending NAPWA for its tireless efforts on behalf of people with AIDS.

ELECTRONIC DISCLOSURES DELIVERY ACT OF 1999

HON. MARGE ROUKEMA OF NEW JERSEY IN THE HOUSE OF REPRESENTATIVES
Tuesday, July 27, 1999

Mrs. ROUKEMA. Mr. Speaker, millions of consumers today routinely conduct business over the Internet, buying and selling a myriad of products and services from companies large and small, near and far. Many of these consumers already conduct much of their banking business over the web, checking balances, transferring funds and paying bills without leaving their homes. This explosion of online banking offers great benefits on both sides of the transactions: even the tiniest small-town bank can have access to a national marketplace, while consumers can comparison shop for the best interest rates or services. Nonetheless, the delivery of many financial services, such as loans and mortgages, are limited by antiquated laws requiring paper documents or face-to-face transactions.

That is why I am joining today with Congressmen RICK LAZIO and JAY INSLEE to introduce the Electronic Disclosures Delivery Act of 1999. This legislation is necessary if we are to take full advantage of the current technology—and if we are to keep technology from leapfrogging ahead of the ability of our nation's laws to regulate it.

The Electronic Disclosures Delivery Act addresses the electronic delivery of disclosures, notices and other information over the Internet. It allows these actions to be provided electronically, but does not lessen the rights or responsibilities of any party or affect the content of any disclosure, including both the timing, format and information to be provided.

This legislation is a first step toward making on-line financial transactions practical. It would put Congress on record as committed to playing a leadership role in promoting electronic commerce while preserving and indeed, enhancing consumer protections. Mr. LAZIO and I plan to hold hearings in our respective subcommittees to ensure that all interested parties' views are heard.

On-line disclosures will provide consumers with a number of benefits:

On-line disclosures will provide consumers with a number of benefits:

- Convenience and time-saving—Consumers can conduct transactions virtually anywhere and at any time, 7-days-a-week, 24-hours-a-day.
- User friendly information—Legalist jargon in on-line disclosure forms can be linked to plain English definitions, making them much more readable and understandable. Consumers can electronically search documents rather than reading through reams of paper.
- Enhanced services for under-served communities—Rural and urban communities will have enhanced access to financial services, even where brick and mortar branches are not available. In areas where residents cannot afford computers, libraries and schools provide on-line access.
- Reduced cost—Electronic delivery of disclosures will cost less than providing the same information on paper or paying employees to handle face-to-face disclosures. Competition should encourage business to pass on those savings to consumers.
- Congressional guidance on electronic disclosures is needed immediately, given that most of the consumer protection laws now on the books were enacted before the Internet became popular. Congress should provide uniform standards so that disclosures will be delivered to consumers under the same set of rules by all financial service providers.
- Some regulators, notably the Federal Reserve, have begun to address these issues. But others have not, as in the case of the Department of Housing and Urban Development with respect to the Real Estate Settlement Procedures Act. Congressional action would provide uniformity and clarity among the agencies and provide guidance from the only body with the authority to amend the laws in question.
- In sponsoring this legislation, we want to make clear that we do not intend to discourage the Federal Reserve from moving ahead. Instead, we want to encourage other agencies and businesses to follow the Fed's example. We hope the pace of regulatory activity in this area will be stimulated by congressional interest and action.
- Congress and the regulators must play a leadership role in updating many of the consumer protection laws to reflect new technologies and establish a cohesive legislative framework for the delivery of financial services through electronic commerce. With the introduction of this legislation, we can begin the debate that set us on the path to enacting responsible legislation that will enhance consumer access to financial services while maintaining appropriate consumer protections.

SUMMARY OF THE ELECTRONIC DISCLOSURES DELIVERY ACT OF 1999

The "Electronic Disclosures Delivery Act of 1999" (the Act) amends the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Real Estate Settlement Procedures Act, the Truth in Savings Act and the Consumer Leasing Act to provide for the electronic delivery of disclosures, notices, and any other information that is required to be given to consumers under these acts. The legislation provides that acknowledgments given in connection with disclosures or notices may also be provided electronically.
Credits may rely upon the use of electronic communications for acknowledgments to satisfy requirements for delivery of disclosures, notices and other information through electronic communications provided that the consumer:

Expressly consents to online disclosures and/or acknowledgments and does so electronically; receives a description of the type of information to be provided electronically; receives an explanation of how to access and retain the online disclosures, including consideration of the consumer’s ability to print or download such disclosures; and receives a notice of the period of time that the information will be available to the consumer in electronic form.

The legislation provides the appropriate regulator with the authority to prescribe regulations from time to time to clarify the procedures applicable to the delivery of electronic communications. The legislation further provides the appropriate regulator with the authority to prescribe, without affecting or impairing the legal effectiveness of the delivery of electronic communications provided for in the Act, procedures which provide consumers with the option to request paper copies of any such communications if it finds that such procedures are necessary and appropriate to supplement electronic communications. The legislation would be effective upon date of enactment.

The legislation addresses only electronic delivery of information to consumers. It does not affect the substantive rights and responsibilities of any party or the content of any disclosure, including both the timing and format of disclosures and the information to be provided.

EXTENSIONS OF REMARKS

Mr. BEREUTER. Mr. Speaker, this Member highly commends to his colleagues the following portions of an editorial “Assessing HMO Curbs,” which appeared in the July 21, 1999, edition of the Omaha World-Herald. [From the Omaha World-Herald, July 21, 1999]

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EXTENSIONS OF REMARKS

KOHLS (D-Wis.). This bill is designed to ensure that all prospective employees in long-term care facilities undergo background checks. The bill is similar to a proposal in the Administration’s budget, also establishing a national registry of individuals with histories of patient abuse by utilizing data from existing state registries. The goal of the new national registry is to prevent workers with a history of abuse from being hired to provide care for the frail elderly.

Previous legislation enacted in 1998 permits—but does not require—nursing homes, skilled nursing facilities and home health agencies to conduct criminal background checks on applicants. This bill takes the next logical step by requiring that all long-term care facilities screen all applicants for employment. The bill is enthusiastically supported by the Secretary of Health and Human Services and the National Citizens’ Coalition for Nursing Home Reform. Secretary Shalala believes that this is “the toughest set of requirements ever proposed for long-term care workers.” Both letters of endorsement are attached at the conclusion of this statement.

In order to overcome industry resistance to this needed change, this bill allows long-term care facilities to include such costs on their reports submitted to the federal government for reimbursement purposes.

It is clear from several General Accounting Office analyses and hundreds of media reports that in order to improve the quality of care provided in long-term care facilities and decrease fraud and abuse, the federal government must take a more active role in making certain that those who are hired to care for seniors are fully qualified to do so. Thus, in addition to the background check requirements, the bill imposes significant civil monetary penalties—but does not require—nursing homes, in all health care settings, including home care settings, including home care, and assisted living.


HON. HERBERT H. KOHL, U.S. Senate, Washington, DC.

DEAR SENATOR KOHL: I want to commend you and Senator Reid for your leadership on the vitally important matter of assuring that our most vulnerable frail and sick elderly and disabled Medicare and Medicaid beneficiaries are protected from people with violent criminal backgrounds or a history of abuse. We in HHS appreciate working with you and your staffs to help ensure that seniors and persons with disabilities receive the safe, high quality care they deserve.

Your “Patient Abuse Prevention Act” will require nursing homes and other long term care providers to initiate background checks of prospective workers. We have a few issues with the bill that we would like to continue to work with you to address. We recognize, however, that the requirements in the current bill’s sponsors and is similar in a number of respects to proposals made by the President last year. For the many competent, caring, professionals and facilities who provide safe, quality long term care, it sends a message that we respect and value their high standards and want to find new workers who will live up to them as well. However, for criminals and those with a history of abusing or neglecting those dependent on their care, and for those who may have allowed individuals with access to vulnerable beneficiaries, it says in a clear and unmistakable way that you will not find a job in long term care paid for by Medicare or Medicaid because we will not tolerate it.

As President Clinton said when he called for such an approach, “When families have to worry as much about a loved one in a nursing home as one living alone, then we are failing our parents and we must do more.” This bill does do more. We applaud your efforts and look forward to continuing to work with you on this bill to improve the safety of sick and frail elderly and disabled people.

Sincerely,

DONNA E. SHALALA.


HON. FORSYTH STARK, U.S. House of Representatives, Washington, DC.

DEAR REPRESENTATIVE STARK: The National Citizens’ Coalition for Nursing Home Reform (NCCNHR) commends you and your staff for your initiative in seeking to improve care and conditions in long-term care facilities. NCCNHR is a non-profit consumer organization whose mission is to improve the quality of care and life for long term care residents. Our organization represents residents and their advocates. We work closely with the nation’s long-term care ombudsmen and the National Long Term Care Ombudsman Resource Center.

We strongly support your proposed legislation cited as the Long-Term Care Patient Protection Act of 1998 to include (1) a requirement that criminal background checks of employees will be conducted in all facilities (including specifically, nursing homes, home health, and hospices); (2) that applicants may not be charged for costs of the checks; (3) that applicants who challenge the accuracy of the background check will also be able to appeal the decision and (4) that there is no longer a prohibition on Medicare and Medicaid reimbursement for the costs of conducting background checks.

We strongly urge, however, that the legislation also expand its language to provide criminal background checks on all long-term care workers who have direct access to residents. Considering the vulnerability of long-term care residents, criminal background checks should be conducted on all workers, including contract workers, in all health care settings, including home care, and assisted living.

Again, NCCNHR congratulates you, Representative Stark, on your persistence and foresight. If you need further information, contact me or Ana Rivas-Beck, J.D., Law and Policy Specialist.

Sincerely,

SARAH GREENE BURGER, Executive Director.

RELIEF FROM INTEREST AND PENALTIES ON FERC REFUNDS

HON. DENNIS MOORE OF KANSAS IN THE HOUSE OF REPRESENTATIVES Tuesday, July 27, 1999

Mr. MOORE. Mr. Speaker, on July 29, the House Commerce Subcommittee on Energy and Power has scheduled a hearing on H.R. 1117, legislation introduced by my colleague from Kansas, JERRY MORAN, and cosponsored by the entire Kansas House delegation.

This legislation would provide relief from unfair interest and penalties on refunds retroactively ordered by the Federal Energy Regulatory Commission. For two decades, FERC allowed gas producers to obtain reimbursements for payment of the Kansas ad valorem tax on natural gas. In a series of orders, FERC repeatedly reaffirmed the rights of gas producers to collect the ad valorem tax, rebuking various challenges to this practice. In 1993, however, FERC reversed 19 years of precedent and ruled that the ad valorem tax was not eligible for reimbursement. FERC has since ordered all producers operating during a 5-year period in the 1980’s to refund both principal and interest associated with reimbursement of the ad valorem tax.

With this legislation hopefully headed toward consideration by the full House of Representatives, I am taking this opportunity to place in the RECORD a letter recently sent by Kansas Senate Democratic Leader Anthony Hensley to House Commerce Committee Ranking Democrat JOHN DINGELL, concerning the legislative history of ad valorem and severance taxes in Kansas. This background will be very helpful to our colleagues as they review this issue in the weeks ahead.

STATE OF KANSAS, OFFICE OF DEMOCRATIC LEADER, Topeka, KS, June 18, 1999.

Re: Kansas Ad Valorem Tax refund detriment reliance on federal law.

HON. JOHN D. DINGELL, House of Representatives, Committee on Com- merce, Rayburn House Office Building, Washington, DC.

DEAR CONGRESSMAN DINGELL: On June 8, 1999, the House Energy and Power Subcommittee held a hearing on the Kansas Ad Valorem Tax refund issue. This issue is extremely important to the State of Kansas and one of our most important industries, the production of oil and gas. It is an issue that was the subject of a 2-year veteran of the Kansas Legislature and as the Minority Leader of the Kansas Senate, I am writing to request your support of Congressmen Moran’s legislation to alleviate what I believe is a serious miscarriage of justice.

I was a member of the Kansas Legislature in 1983 when Governor John Carlin promoted and obtained passage of a severance tax on oil and gas. Prior to 1983, Kansas did not
have a severance tax, only an ad valorem tax. At that time, ad valorem tax was implemented approximately 3.1% of the value of production and was revenue used by counties and local school districts. Oklahoma and Texas, on the other hand, had severance taxes in place that had ranged from 7.5% to 10.5% of the value of gas production. Wyoming had in place a 4% severance tax on oil and gas “in addition to” a 6.5% property tax on oil and gas for a total tax burden of 10.5%. Likewise, Colorado had a severance tax on gas ranging from 2%-5% “in addition to” a 5.4% property tax, for a total tax burden of 7.4% to 10.4%.

As you know, federal law allowed purchasers to add all of these taxes on to the Federal Power Commission’s (FPC) maximum lawful price when purchasing gas. In Wyoming and Colorado, both a severance tax and a property tax were permitted to be added to the maximum lawful price. Texas had both a severance tax and a property tax, however, because of the way its property tax was structured, it was allowed to add only on the 7.5% property tax to the FPC maximum lawful price. The Kansas Attorney General requested clarification from the FPC to determine whether Kansas’ ad valorem tax could be added to the FPC maximum lawful price. The Kansas Attorney General had requested clarification from the FPC to determine whether Kansas’ ad valorem tax could be added to the FPC maximum lawful price. In 1974, Opinion 699-D clarified this issue and did allow the Kansas ad valorem tax as a lawful addition to the price. In 1981, the State of Kansas needed additional funding for education, roads and infrastructure, and Governor Carlin began studying the possibility of a severance tax. One of our state’s most valuable natural resources was being depleted and consumed out of state, pipelines were strewn across Kansas, drilling rigs were taking up valuable Kansas roads and infrastructure, and little benefit was being derived by Kansas government. The price of gas at the wellhead, sold in interstate commerce, was being controlled by the federal government at prices far below fair market value, resulting in the transfer of enormous wealth from Kansas to out of state companies. Certain oil and gas producers were collecting taxes on oil and gas at twice the Kansas rate.

Governor Carlin proposed a severance tax which, when added to the existing ad valorem tax, would be comparable to the taxes on oil and gas production collected in other producing states. The legislature studied various severance tax proposals for three years. Oil and gas severance and property tax in neighboring states were studied carefully. A comparative chart used by the Senate Tax Committee is passing the severance tax is enclosed with the attached Memo of Severance and Property Taxes prepared by the Kansas Legislative Research Department during the 1981 severance tax debate.

One of the issues raised during legislative debate was whether both a severance tax and an ad valorem tax on gas could be added to the maximum lawful price of gas as established by the Federal Energy Regulatory Commission (FERC). We were advised that this could be done if the FPC or the Kansas legislature passed an ad valorem tax on gas. FERC Order 636, passed in 1981, allowed the Kansas ad valorem tax, but will apply to ad valorem taxes paid was based on production factors. At that time, the ad valorem tax on gas and a 4.33% tax on oil. Clearly, tax policy for our state was based on the legislature’s reliance on FPC Opinion 699-D. Therefore, it is not for our reliance on Opinion 699-D, the above provision. A number of other states is also similar to a production or severance tax merely bearing the title “ad valorem tax”. The ad valorem tax in some other states is also similar to a production or severance tax inasmuch as it is based on the amount of production and the revenue therefrom. Consequently, we conclude that it is proper under Opinion No. 699 for producers to adjust the maximum lawful price for a state ad valorem tax where such tax is based on production factors.

Severance and Property Taxes on Oil and Gas:

This memorandum presents an overview of the severance taxes and property taxes levied on oil and gas properties in the major of Kansas for the next three and one-half years.

As Democrats, we need to stand up for what is right and fair in America. Consumer protection is an enormously powerful political force. But the fact is that consumers deserve no less. Kansas producers were perhaps the only innocent parties in this entire scenario, caught between consuming states whose people believe they have a right to cheap fuel, and the governments of producing states who believe they have a right to tax oil and gas producers into oblivion. This is not a consummation devoutly to be wished. I do not believe that consumers in Kansas, Missouri, Colorado, Michigan or any other state will benefit in any way from this retroactive reversal of law by the Federal Energy Regulatory Commission. A minuscule refund to a long lost consumer cannot offset the losses which will result from the destruction of honest, hardworking, productive citizens. Exploration in Kansas is almost totally dependent on small independent operators who provide an invaluable resource to communities across this country. The destruction of this vital Kansas industry is not in anyone’s best interest. I strongly urge you to support Congressman Moran’s legislation to eliminate this serious injustice.

Sincerely,

ANTHONY HENSLEY,
Kansas Senate Minority Leader.
EXTENSIONS OF REMARKS

A severance tax may be either "in lieu of" or in addition to property taxes on oil or gas properties. An "in lieu of" severance tax exempts oil and gas properties from the general property tax.

Property taxes on real and personal property have traditionally been a major source of funding for the activities carried on by state and local governments. Applying a production tax to oil and gas properties typically involves determining the value of minerals in the ground and the value of the production equipment. States imposing property taxes have usually chosen one of three methods to value the minerals: value of production; formula valuation; or token assessment.

Annual production assessment applies the property tax levy to the value of production, which might be either gross or net value.

Formula valuation attempts to value resources by estimating the average life of a well, rate of discount, and the estimated value of future production.

Token assessment would apply the property tax to a minimal amount of value, either per acre of lease or per well.

National Summary

Severance taxes on oil and gas have been enacted in 27 states, including states such as Kansas which have enacted relatively minor severance taxes based on the volume of production for regulatory, rather than revenue, purposes. Seventeen of those 27 states have enacted "significant" severance taxes—a tax at the rate of 2 percent or more of value. Six of the 17 states with significant severance taxes impose their tax in lieu of the property tax.

Kansas

Oil and gas leaseshold, including royalty interests and equipment used in production, are assessed as tangible personal property in Kansas. Guides for assessing oil and gas properties have been prepared by the Director of Property Valuation, Department of Revenue, for use by county appraisers. After appraised values are determined, the properties are assessed at 30 percent of such values and are subject to the total general property tax rate according to the situs of the property.

According to Table 3, prepared by the Department of Revenue, Division of Property Valuation, oil and gas properties passed $95 million in property taxes in 1980, up from $60.5 million in 1979.

According to the Kansas Geological Survey, oil and gas production in Kansas for the last two years was as follows:

<table>
<thead>
<tr>
<th>Extensive Remarks</th>
<th>1979</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,000 barrels</td>
<td>56,995</td>
<td>60,140</td>
</tr>
<tr>
<td>Oil per million cubic feet (mcf)</td>
<td>$2,086,499</td>
<td>$2,086,499</td>
</tr>
<tr>
<td>Natural Gas Liquids</td>
<td>33,888</td>
<td>34,000</td>
</tr>
<tr>
<td>1,000 barrels</td>
<td>56,995</td>
<td>60,140</td>
</tr>
</tbody>
</table>

Thus, using the above oil and gas property tax figures, property taxes statewide averaged 3.1 percent of value and 2.9 percent of value in 1980 and 1979, respectively. Of course, the ratio of property taxes to value varies from lease to lease and county to county.

The biggest factor in the increase in property taxes between 1979 and 1980 was the increase in the price of oil. The calculation of the value of the gross reserves of oil is the most important aspect of valuing the oil lease. This value is calculated by multiplying the total annualized production for the previous year times a net price figure times a present worth factor. The 1979 Oil and Gas Appraisal Guide, the highest price of stripper oil was $16.10; in 1980, this same oil sold for approximately $38, and the net price figure used in the 1980 Guide was $3.15. These price figures reflect actual selling prices of oil and the world-wide increases in prices. The 1981 net price figures are not yet available.

Equipment values shown in the 1980 Guide were also higher than those in the 1979 Guide. This increase was due to the fact that the equipment costs had not been updated for several years and reflected the increase in the value of equipment that has accompanied the increase in the price of oil. The number of shallow eastern Kansas wells, while an 8 year income will be used for the deeper western Kansas wells.

In addition to the property tax, oil and gas producers, like other businesses, also pay sales and income taxes. Oil and gas producers also pay taxes or fees for antipollution and conservation activities of the state. The oil and gas production tax, for pollution control, is levied at the rate of $.001 per barrel for each barrel of oil and $.0005 for each one thousand cubic feet of gas produced. The conservation assessment is $.003 per barrel of oil and $.0008 for each one thousand cubic feet of gas.

The Federal Energy Regulatory Commission has ruled that the Kansas property tax is essentially based on production and has allowed this tax to be "passed-on" to consumers. More than one production tax on some type of natural gas (the only type of energy producible) has been passed on. Other states and the F.E.R.C. have also reported that natural gas producers are able to pass-on more than one production tax on some type of natural gas. However, the Kansas property tax is levied at the rate of $.001 per barrel for each barrel of oil and $.0005 for each one thousand cubic feet of gas.

According to Table 3, prepared by the Department of Revenue, Division of Property Valuation, oil and gas properties passed $95 million in property taxes in 1980, up from $60.5 million in 1979.

According to the Kansas Geological Survey, oil and gas production in Kansas for the last two years was as follows:

<table>
<thead>
<tr>
<th>Severance tax liability</th>
<th>1979</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td>$3.04</td>
<td>$3.04</td>
</tr>
<tr>
<td>WPT</td>
<td>$3.04</td>
<td>$3.04</td>
</tr>
</tbody>
</table>

Windfall Profit Tax (WPT) was deducted from the sales price of oil. (Appended to this memorandum is a summary of the Windfall Profit Tax.) An 8 percent severance tax could lower the net price figure per barrel for oil from $31.70 to $29.16, as follows:

Current sales price—1 barrel of oil $38.00 Base price for WPT $17.00

WPT liability 6.30

Current sales price—1 barrel of oil $31.70

WPT liability 6.30

Net price with WPT $31.70

Windfall profit for WPT $21.00

WPT severance tax adjustment 1.68

Net windfall profit $19.32

WPT rate for independents on stripper oil $30.00

WPT liability 5.80

Current sales price—1 barrel of oil $38.00

WPT liability 8.84

Current sales price—1 barrel of oil $38.00
OIL AND GAS SEVERANCE AND PROPERTY TAXES IN MAJOR PRODUCING AND NEIGHBORING STATES

| State                | Oil severance tax rate | Other minerals taxed | Overburden on value of production
|----------------------|------------------------|----------------------|---------------------------------
| Alaska               | 12.25%                 |                       | NA                              |
| California           | 6.0%                   |                       | 3.8% (includes equipment).       |
| Colorado             | 3.75%                  |                       | 3.1% (includes equipment).       |
| Kansas               | 12.5%                  |                       | NA                              |
| Louisiana            | 3.75% plus privilege tax of 2.55% |                       | NA                              |
| Mississippi          | 3.25%                  |                       | NA                              |
| Nebraska             | 7.2%                   |                       | 1.6% (includes equipment).       |
| New Mexico           | 3.75%                  |                       | NA                              |
| North Dakota         | 5%                     |                       | NA                              |
| Oklahoma             | 7.08%                  |                       | NA                              |
| South Dakota         | 4.8%                   |                       | 2.0% (does not include tax on equipment). |
| Texas                | 4.0%                   |                       | 6.5% (does not include tax on equipment). |
| Wyoming              | 4.0%                   |                       | 6.5% (does not include tax on equipment). |

NOTE 1: Tax on oil and gas is based on “gross income,” defined as market value at wellhead or the value of severer’s income as computed for Colorado and federal income tax depletion purposes, whichever is higher. Gross income and rate of tax:

- Under $25,000: 2%.
- $25,000 and under $100,000: 3%.
- $100,000 and under $1000,000: 4%.
- $1,000,000 and over: 5%.

NOTE 2: Oil wells incapable of producing more than 15 barrels per day are exempt. A credit is allowed for 87.5 percent of all property taxes paid during the tax year, excluding property taxes upon equipment and facilities.

NOTE 3: Gas wells incapable of producing more than 15 barrels per day also produce at least 50 percent salt water per day. 65 percent of all property tax is paid if the producing greater than 15 barrels per day property tax is paid if the producing gas per day. natural gas liquids. 10 percent, gas at 15,000 pounds per square inch pressure, 5 cents per m.c.f. of oil from well up to 15,000 pounds per square inch pressure. 3 cents. 1975 property tax as estimated percentage of value of production.

NOTE 4: Shippers oil and a limited amount of limited interest oil is exempt from the oil extraction tax.

NOTE 5: Former lower rates on low-producing oil or gas wells were repealed in 1980.

NOTE 6: Mineral reserves are subject to property tax. No personal property is taxed in South Dakota. so oil and gas equipment forming a part of realty is subject to the property tax.

TABLE 2.—SUMMARY OF PROPERTY TAXES IN OIL AND GAS SEVERANCE TAXES LISTED IN TABLE 1.

<table>
<thead>
<tr>
<th>State</th>
<th>Oil severance tax rate</th>
<th>Severance tax in lieu of property tax</th>
<th>Exemptions or lower rates</th>
<th>Other minerals taxed</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>12.25%</td>
<td>No</td>
<td>No</td>
<td>Gas-10%</td>
</tr>
<tr>
<td>Colorado</td>
<td>3.25%</td>
<td>No</td>
<td>Yes</td>
<td>Gas-5-5% Coal-40 cents per ton, instead of price; oil shale-4%, metalic minerals.</td>
</tr>
<tr>
<td>Kansas</td>
<td>12.5%</td>
<td>Yes</td>
<td>Yes</td>
<td>Gas-7 cents per m.c.f; coal-30 cents per ton; gravel; marble; ore; salt; sand; stone; sulphur, timber.</td>
</tr>
<tr>
<td>Louisiana</td>
<td>3.75% plus privilege tax of 2.55%</td>
<td></td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>Mississippi</td>
<td>3.25%</td>
<td>No</td>
<td>No</td>
<td>Gas-5-5%</td>
</tr>
<tr>
<td>Nebraska</td>
<td>7.2%</td>
<td>No</td>
<td>No</td>
<td>Gas-11.1 cents per m.c.f. (includes sulfur tied to C.P.I.) plus privilege tax of 2.55% of value; Coal-8.57 per ton plus privilege tax tied to C.P.I. Uranium; other minerals.</td>
</tr>
<tr>
<td>New Mexico</td>
<td>3.75%</td>
<td>Yes</td>
<td>Yes</td>
<td>NA</td>
</tr>
<tr>
<td>North Dakota</td>
<td>5%</td>
<td>No</td>
<td>No</td>
<td>Gas-5-5% coal-45 cents per ton; instead of fuel taxable.</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>7.08%</td>
<td>No</td>
<td>No</td>
<td>Gas-5-5%; asphalt; lead; zinc; joll; gold; silver; or other ores.</td>
</tr>
<tr>
<td>South Dakota</td>
<td>4.8%</td>
<td>No</td>
<td>No</td>
<td>Gas-4.8%; sulfur; cement.</td>
</tr>
<tr>
<td>Texas</td>
<td>4.0%</td>
<td>No</td>
<td>No</td>
<td>Gas-4.0%; Coal-10.5%; Uranium; Toma; Oil shale-2%</td>
</tr>
<tr>
<td>Wyoming</td>
<td>4.0%</td>
<td>No</td>
<td>No</td>
<td>6.5% (does not include tax on equipment).</td>
</tr>
</tbody>
</table>

Texas. Property currently appraised by each taxing unit. In 1982 appraisal will be done by one countrywide appraisal using a standard appraisal guide. Reserves valued on formula valuation method. Equipment valued separately as personal property.

Denver. Property tax on reserves is calculated by applying mill levy to full market value of production. Equipment above ground is valued at 25 percent of its 1967 replacement cost; in 1982 the base year for equipment values may be 1981 replacement cost.

SENIOR COMMITTEE MEETINGS

Title IV of Senate Resolution 4, agreed to by the Senate on February 4, 1977, calls for establishment of a system for a computerized schedule of all meetings and hearings of Senate committees, subcommittees, joint committees, and committees of conference. The title requires such committees to notify the Office of the Senate Daily Digest—designated by the Rules committee—of the time, place, and purpose of the meetings, when scheduled, and any cancellations or changes in the meetings as they occur.

As an additional procedure along with the computerization of this information, the Office of the Senate Daily Digest will prepare this information for printing in the Extensions of Remarks section of the CONGRESSIONAL RECORD on Monday and Wednesday of each week.

Meetings scheduled for Thursday, July 29, 1999 may be found in the Daily Digest of today’s RECORD.

MEETINGS SCHEDULED

JULY 30

10 a.m.

Foreign Relations

International Operations Subcommittee

To hold hearings on United States policy toward victims of torture.
EXTENSIONS OF REMARKS

11:30 a.m.
Banking, Housing, and Urban Affairs
To hold hearings on the nomination of Harry J. Bowie, of Mississippi, to be a Member of the Board of Directors of the National Consumer Cooperative Bank; the nomination of Armando Falcon, Jr., of Texas, to be Director of the Office of Federal Housing Enterprise Oversight, Department of Housing and Urban Development; the nomination of Robert Z. Lawrence, of Massachusetts, to be a Member of the Council of Economic Advisers; the nomination of Martin Baily, of Maryland, to be Chairman of the Council Economic Advisors; and the nomination of Dorian Vanessa Weaver, of Arkansas, to be a member of the Board of Directors of the Export-Import Bank.

AUGUST 3
9:30 a.m.
Energy and Natural Resources
To hold hearings on S. 1052, to implement further the Act (Public Law 94–241) approving the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America.

Armed Services
To hold hearings on the nomination of Charles A. Blanchard, of Arizona, to be General Counsel of the Department of the Army; and the nomination of Carol DiBattiste, of Florida, to be Under Secretary of the Air Force.

10 a.m.
Indian Affairs
To hold hearings on proposed legislation to provide equitable compensation to the Cheyenne River Sioux Tribe.

Environment and Public Works
Business meeting to resume markup of S. 1090, to reauthorize and amend the Comprehensive Environmental Response, Liability, and Compensation Act of 1980.

2:30 p.m.
Indian Affairs
To hold hearings on S. 692, to prohibit Internet gambling.

AUGUST 4
8:30 a.m.
Judiciary
To hold hearings on the nomination of David W. Ogden, of Virginia, to be an Assistant Attorney General; and the nomination of Robert Raben, of Florida, to be an Assistant Attorney General.

9:30 a.m.
Indian Affairs
To hold hearings on S. 299, to elevate the position of Director of the Indian Health Service within the Department of Health and Human Services to Assistant Secretary for Indian Health; and S. 406, to amend the Indian Health Care Improvement Act to make permanent the demonstration program that allows for direct billing of medicare, medicaid, and other third party payors, and to expand the eligibility under such program to other tribes and tribal organizations; followed by a business meeting to consider pending calendar business.

10 a.m.
Judiciary
To hold hearings on S. 1172, to provide a patent term restoration review procedure for certain drug products, focusing on proposed remedies for relief, relating to pipeline drugs.

SEPTEMBER 28
9:30 a.m.
Veterans' Affairs
To hold joint hearings with the House Committee on Veterans' Affairs to review the legislative recommendations of the American Legion.

345 Cannon Building