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PROCEEDINGS AND DEBATES OF THE 106th CONGRESS, FIRST SESSION

SENATE—*Wednesday, August 4, 1999*

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

PRAYER

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

Almighty God, source of strength for those who seek to serve You, we praise You for that second wind of Your power that comes when we feel depleted. You have promised that, ''As your days so shall Your strength be.''

Lord, You know what these days are like before the August recess. The Senators and all who work with them feel the pressure of the work and the little time left to accomplish it. In days like these, stress mounts and our emotional reserves are strained. Physical tiredness invades effectiveness and relationships can be strained. In this quiet moment, we open ourselves to the infilling of Your strength. We admit our dependence on You, submit to Your guidance, and commit our work to You. Give us that healing assurance that You will provide strength to do what You guide and that there will always be enough time in any one of these days to do what You have planned for us to do. In Your all-powerful name. Amen.

PLEDGE OF ALLEGIANCE

The Honorable WAYNE ALLARD, a Senator from the State of Colorado, 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 ACTING MAJORITY LEADER

The PRESIDING OFFICER (Mr. ALLARD). The acting majority leader is recognized.

SCHEDULE

Mr. COCHRAN. Mr. President, today the Senate resumes consideration of the Agriculture appropriations bill and, by previous order, will begin 40 minutes of debate on the dairy amendment, to be followed by a cloture vote at 9:45 a.m. Following the vote, the Senate will resume consideration of the pending Ashcroft amendment. Further amendments and votes are expected throughout today's session of the Senate with the anticipation of completing action on the bill.

For the remainder of the week, the majority leader has asked it be announced that he hopes the Senate can complete action on the tax reconciliation conference report and the Interior appropriations bill. Therefore, Senators should expect votes throughout the day and into the evenings prior to adjourning for the August recess.

RESERVATION OF LEADER TIME

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

AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS ACT, 2000

The PRESIDING OFFICER. The Senate will now resume consideration of S. 1233, which the clerk will report.

The legislative clerk read as follows:

A bill (S. 1233), making appropriations for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies programs for the fiscal year ending September 30, 2000, and for other purposes.

Pending:

Lott (for Daschle) amendment No. 1499, to provide emergency and income loss assistance to agricultural producers.

Ashcroft amendment No. 1507 (to amendment No. 1499), to provide stability in the United States agriculture sector and to promote adequate availability of food and medicine for humanitarian assistance abroad by requiring congressional approval before the imposition of any unilateral agricultural or medical sanction against a foreign country or foreign entity. (By 28 yeas to 70 nays (Vote No. 251), Senate failed to table the amendment.)

The PRESIDING OFFICER. Under the previous order, there will now be 40 minutes for debate to be equally divided between the proponents and opponents prior to the vote on a cloture motion.

Mr. KOHL. Mr. President, I yield myself up to 5 minutes.

I rise today in strong opposition to cloture on the majority leader's motion to recommit. If it carries, the Agriculture appropriations bill will be reported back to the floor with what is known as the Jeffords dairy compact amendment and will be subject to 30 hours of continuous debate.

Now, as most in the Senate know by now, I am committed to fighting the creation, expansion, or continuation of the price-fixing cartels known as dairy compacts. They embody bad national policy, bad economic policy, bad precedent, and disastrous implications for farmers who are forced to operate outside the protectionist walls these compacts throw up.

But that is not only why I oppose the Jeffords amendment. I oppose the Jeffords amendment because it would do something much worse. It would remove the Federal Government from the milk market order system. The Jeffords compact amendment would specifically disallow USDA from spending money to administer the milk market order system. What would be the result of that? According to the Secretary of Agriculture, with whom I spoke yesterday, the result would be ''chaos and confusion'' in the dairy industry. USDA would have no way to enforce any price system, so processors would end up setting the price of milk. Farmers would have no recourse to USDA or anywhere else if they thought they were receiving an unfair price.

What does the amendment achieve by creating this mess? Certainly not what its proponents claim. The amendment would not continue the current pricing system, or 1–A, as many of you know it. Regardless of whether this amendment passes or not, the old pricing system will expire on October 1.

I have a letter from the general counsel of USDA that says just that, and I ask unanimous consent that it be printed in the RECORD.

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

There being no objection, the material was ordered to be printed in the RECORD, as follows:

U.S. DEPARTMENT OF AGRICULTURE,
OFFICE OF THE GENERAL COUNSEL,
Washington, DC, August 2, 1999.

Hon. HERB KOHL,
U.S. Senate,
Washington, DC.

DEAR SENATOR KOHL: In your letter of July 23, 1999, you ask several questions concerning our issuance of a final rule to implement the milk marketing order reform required by the Agricultural Market Transition Act and the effect of a possible appropriations bill prohibition on the use of fiscal year 2000 funds to implement the reform.

As you know, the final dairy reform order was published in the Federal Register on April 2, 1999, and we are now in the process of conducting referenda to determine if the orders should be implemented. This will be completed and a final implementing order published at the end of August. Implementation will thereafter occur on October 1st without further action by the Department. You are correct in your understanding that existing marketing orders and the Northeast Interstate Dairy Compact will expire upon implementation of milk marketing order reform on October 1st. If the Department were prohibited from spending appropriations to carry out the order reform, it would not be able to provide oversight for the milk marketing order system. Day-to-day operation of the respective order areas could continue, however, because such operations are funded through industry assessments, not appropriated funds. As you correctly point out, the specific implementation date requirement contained in Public Law 105–277 prohibits the Department from altering the effective date. The issue of whether the statutory language also prevents the Secretary from rescinding the order presents novel questions which will require further analysis.

Sincerely,

CHARLES R. RAWLS,
General Counsel.

Mr. KOHL. The amendment will not create new dairy compacts in the Southeast or open up the current Northeast Compact to any new members. None of those items is contained in this amendment.

The amendment will not extend the life of the Northeast Dairy Compact. USDA has made it clear that the compact will expire on October 1, whether this amendment passes or not.

So, then, why are we even considering this amendment? I can only imagine it is because the proponents of the amendment are betting that they will get some of the things they promised—most notably, an extension of the Northeast Dairy Compact—in conference.

I think that is a cynical and an irresponsible bet, especially by Senators who are not even on the conference committee. Under an uncertain and unregulated system, dairy farmers across the country stand to lose $194 million a year. Furthermore, this very week dairy farmers all across America are voting on what sort of milk market system they want. So should we not wait to see what farmers have to say before we bet their farms on the Jeffords amendment?

The Jeffords amendment is not 1–A. It is not a dairy compact. It is a desperate last attempt to carve a dairy cartel for the Northeast out of the current pricing system. Unfortunately, the authors of the amendment used an ax rather than a knife, and the result will be a milk market order system that will be a bloody mess.

The proponents of this amendment have accused us of describing their amendment in a way that makes it more terrifying than the ''Blair Witch Project.'' They are correct. Their amendment is more terrifying. That is because the chaos it would create would not be a fiction; it would be real.

The Jeffords amendment is opposed by the 300,000 farmers of the National Farmers Union and the 300,000 taxpayers of the National Taxpayers Union. I urge my colleagues to join the taxpayers and the farmers of your States and oppose cloture on the Jeffords amendment.

The PRESIDING OFFICER. Who seeks recognition?

Mr. JEFFORDS. Mr. President, has the Senator from Wisconsin finished?

The PRESIDING OFFICER. The Senator from Vermont.

Mr. JEFFORDS. Mr. President, first of all, the reason we are here today is to talk about cloture, whether we should have time to fully discuss and be able to make sure that this body knows the importance of what we want to do, and that is to protect the dairy farmers of the United States. We are not here to discuss the fine points of the issues which the Senator from Wisconsin has brought out, with which we sincerely most heartily disagree, but whether or not we ought to have the opportunity and whether it is important enough to this country and to the dairy farmers to have a full discussion by getting cloture. If we don't get cloture, then chaos will happen in many areas, in especially New England which has a compact which would go out of being and would require dramatic action in order to repair the damage that would be done.

Dairy farmers around the country are watching the actions of the Senate this week with great anticipation and anxiety. They know that under the 1996 farm bill, Congress instructed the Secretary of Agriculture to develop much needed new pricing formulas for how milk is priced. Unfortunately, they also know that Secretary Glickman's resulting informal rulemaking process is developing pricing formulas that are fatally flawed and contrary to the will of Congress.

The Nation's dairy farmers are counting on this Congress to prevent the dairy industry from being placed at risk and instead to secure its sound future.

This chart says it all. This is the devastation that will come from the proposed order of the Secretary. What this shows is, with the new order 1–B, there is only one area of this country that will substantially benefit. Guess what area that is? Wisconsin and Minnesota. The rest, clearly delineated by the red, will lose money—all of them. There is a little green in the tip of Florida, there is a little green on the coast of California, and there is a little green in a couple of States, but the rest all lose money.

The question is whether 1–A, which was studied, should be replaced to make sure that does not occur. Mr. President, 1–A, which is supported by a letter to the Secretary by 61 Members of the Senate, will not create this devastation. In fact, it will provide an orderly system for farmers all over this country to make a decent income.

Secretary Glickman's final pricing rules, scheduled to be implemented on October 1, will cost dairy farmers, not the Government, millions of dollars in lost income from their pockets. There are no Federal funds involved with this. That is something that may be confusing because in the past, the dairy program cost millions of dollars. It does not cost anyone anything now.

This amendment will prevent the Secretary's rule from being implemented, thereby maintaining the current law for dairy pricing for another year.

Do not be taken in by any of the misleading claims made by the opposition, including their references to the letter from USDA supposedly indicating the amendment does not accomplish its purpose. First of all, it can be easily modified in conference and, secondly, it does accomplish its purpose. This will allow a new rulemaking procedure for the Secretary to carry out the will of Congress for a new and improved pricing structure. It will also allow the Northeast Dairy Compact pilot project—remember, this is a pilot project which was put into law in 1996 to see if by States gathering together they can organize an order system which would protect them from high prices to the consumers and low prices to farmers because of the fact, when you get into milk situations, you can get devastation with a little bit of surplus.

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

The PRESIDING OFFICER. About 15½ minutes.

Mr. JEFFORDS. I thank the Chair. I yield 5 minutes to the Senator from Vermont, Mr. LEAHY.

The PRESIDING OFFICER. The Senator from Vermont.

Mr. LEAHY. Mr. President, I strongly support this amendment which helps dairy farmers across the country.

I think the least the Senate should do when debating a relief bill for farmers is to not reduce farm income.

The Department of Agriculture's milk marketing order—the so-called

modified ''option 1–B''— would reduce farm income by about a million dollars per day. That doesn't sound like farm aid to me. It sounds like a recipe for disaster.

Why should dairy farmers in Mississippi, North Carolina, Georgia, or California, for example, have their income cut by USDA rules when other farmers will get helped under this bill? I think dairy farmers are as deserving as other farmers.

Isn't it enough that the price of milk paid to dairy farmers dropped by almost 40 percent recently? Why should the Secretary be allowed to change current policy to punish dairy farmers even more by reducing their income?

Sixty-one Senators signed a letter to Secretary Glickman opposing the cuts in farm income that would result from implementing the so-called option 1–B.

Those sixty-one Senators pointed out that ''dairy farmers . . . are receiving essentially the same price for their milk that they received fifteen years ago while the cost of production has increased. Option 1–B would further reduce the price of milk received by farmers in almost all regions of the country, thereby reducing local supplies of fresh, fluid milk and increasing costs for consumers.''

This amendment—the Lott amendment—mandates that current law be continued and that option 1–B be put on ice.

I must address some unfortunate misinformation that is being spread about the amendment.

We received a ''Dear Colleague'' letter from Senator FEINGOLD that incorrectly suggests that the Lott amendment would terminate the milk marketing order system.

That, of course, is not the case. Probably only a few Senators want to eliminate milk differentials and the marketing order system. The great majority of Senators, including myself, believe that this is not the time to terminate the milk order system.

The Lott amendment would not terminate that system and a letter from the General Counsel of USDA that is being used by opponents of the Lott amendment does not even make that point.

Indeed, the General Counsel says: ''the issue of whether the statutory language also prevents the Secretary from rescinding the order presents novel questions which will require further analysis.''

But, we already know this amendment does not terminate the marketing order system since it is drafted the same way we drafted a similar extension of the milk marketing order system last year.

Section 738 of last year's appropriations bill provided a similar extension. No one at USDA argued that last year's extension terminated all milk marketing orders.

Indeed, Congress can pass laws that supercede rules issued by Departments.

Of course any drafting glitch could be fixed at Conference, but there is no glitch since we are simply extending current law, just like we did last year.

I want to address other misinformation that is being spread. Some have been saying that the amendment could mean higher prices for consumers.

I will compare milk prices in New England against the Upper Midwest any day of the week.

A General Accounting Office, GAO, report dated October, 1998, compared retail milk prices for various U.S. cities.

For example for February, 1998, the average price of a gallon of whole milk in Augusta, ME, was $2.47 per gallon.

The price for Milwaukee, WI, was $2.63 per gallon. Prices in Minneapolis, MN, were much higher—they were $2.94 per gallon.

Let's pick another New England city—Boston. The price of a gallon of milk was $2.54 as compared to Minneapolis, MN, which was $2.94 per gallon.

Let's look at the cost of 1% milk for November, 1997, for example.

In Augusta, ME, it was $2.37 per gallon, the same average price as for Boston, New Hampshire and Rhode Island. In Minnesota, the price was $2.82 per gallon.

I could go on and on comparing lower New England retail prices with higher prices in other cities for many different months.

It is clear that our Compact is working as it was intended to by benefitting consumers, local economies and farmers. I will submit a lengthy list of additional price comparisons to prove my point for the record.

I conclude by saying that sixty-one Senators warned the Secretary of Agriculture to not cut farm income by implementing option 1–B.

What we are offering is narrowly tailored, sensible and modest. It simply extends current law. Punishing dairy farmers in New England and other regions of the country makes no sense.

I urge my colleagues to join with me in protecting farm income for dairy farmers by voting for cloture for this amendment.

Mr. President, I would also like to make a few additional comments on the Northeast Dairy Compact.

The success of the Northeast Dairy Compact is undeniable. In fact, thanks to the Northeast Compact, the number of farmers going out of business has declined throughout New England for the first time in many years.

If you are a proponent of States rights, regional compacts are the answer. Compacts are State initiated, State ratified, and State supported programs which assure a continuous safe supply of milk for consumers.

If you support interstate trade, then regional compacts are the answer. The Northeast Dairy Compact has prompted an increase of milk sales from neighboring States into the northeast compact region.

If you support a balanced budget, then regional compacts are the answer. The Northeast Compact does not cost taxpayers a single cent, and this is a lot different than most farm programs.

If you support farmland protection programs, then regional compacts are the answer. Major environmental groups have endorsed the Northeast Dairy Compact because they know it helps preserve farmland and prevent urban sprawl.

If you are concerned about the impact of prices on consumers, then regional compacts are the answer. Retail milk prices within the compact region are lower on average than in the rest of the country, something the opponents do not point out.

The Northeast Compact has done exactly what it was established to do: stabilize fluctuating dairy prices, assure a fair price for dairy farmers, keep farmers in business, and protect consumer supplies of fresh milk.

Many of our friends in the South have seen how the compact provides a modest but crucial safety net for struggling dairy farmers, and I think all of us should look at these compacts as a way to help farmers without costing the taxpayers.

There are many additional areas to discuss. I am going to reserve my time, but in closing I do want to say this: It is clear that our compact is working as intended by benefiting consumers, local economies, and farmers.

Sixty-one Senators have warned the Secretary of Agriculture to not cut dairy farm income by implementing option 1–B. What we are offering is narrowly tailored, sensible, and modest. It simply extends current law.

We are here to protect hard-working dairy farmers. I urge the 61 Senators, plus everyone else, to join with us and vote for cloture on this amendment. The 61 Senators who signed that letter to Secretary Glickman should, and I hope that other Senators, having listened to this debate, will as well.

Mr. KOHL. I yield 5 minutes to the Senator from Wisconsin.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. FEINGOLD. I first thank the senior Senator from Wisconsin for his leadership and dedication on this issue. He has been determined, and I think effectively, in fighting this battle that we have to fight on behalf of Wisconsin dairy farmers, upper Midwestern dairy farmers, and I think dairy farmers all over this country. I thank him and join in his words that we will fight this thing as hard and as long as we have to, to prevent this extremely unfair idea of trying to continue the New England Dairy Compact.

But the really interesting thing about the measure before us, the issue

the cloture is going to be about, is that it really does not have the impact that a lot of Senators think it might have.

The Jeffords-Leahy amendment that they have offered will withhold funding—it will withhold funding—for implementation of the Federal milk marketing order reform in an attempt to preserve the Northeastern Interstate Dairy Compact.

They thought this amendment would produce the same result it did when a similar amendment was offered during the appropriations bill last year—and that is a delay of milk marketing order reform—and then an extension of the compact. But it does not do that. As the senior Senator from Wisconsin has indicated, it does not do that.

This isn't what the 61 Senators whom the Senator from Vermont was talking about signed a letter about. It isn't about picking 1–B or 1–A. That isn't what it does. What it simply does is create chaos. That is exactly what Senator KOHL has indicated. And we are not asking you to just take our word for it. Take the word of the general counsel of the USDA, who has made it clear that he believes the legal effect of this latest dairy initiative by the Senators from Vermont will be uncertainty and no Federal oversight of the system.

A lack of funding at USDA will throw administration of the Federal Milk Marketing Order Program into chaos, effectively leaving no program at all.

The Senator from Vermont hangs his hat on the notion that this letter says, at the end, that the issue involves novel questions. But that ignores the heart of the letter, which I want to repeat. It is a letter addressed to Senator KOHL, dated August 2, 1999, from Charles Rawls, general counsel, U.S. Department of Agriculture. It says:

> You are correct in your understanding that existing marketing orders and the Northeast Interstate Dairy Compact will expire upon implementation of milk marketing order reform on October 1st. If the Department were prohibited from spending appropriations to carry out the order reform, it would not be able to provide oversight for the milk marketing order system. Day-to-day operation of the respective order areas could continue, however, because such operations are funded through industry assessments, not appropriated funds.

So it is not equivocal about whether, in fact, this will happen. It simply says that the compact will expire and that in fact at this point we will not have an order system. That is not ambiguous.

I think it is very ironic that the Senator from Vermont came up and tried to argue that somehow our position on this is unfair to the rest of the country. It is just the reverse. The amendment that has been offered actually makes things much worse for almost the entire country than the current status under the bill.

Under the Jeffords-Leahy amendment, the impact on dairy income in various regions is startling. For the Northeast—if you can believe this—it involves a net loss of $225 million in dairy income, if this chaos ensues; in the Appalachia area, $122 million in lost dairy income; in Florida, $100 million; in the Southeast, $112 million in lost dairy income—and down the line.

Overall, I believe the figure is a total loss of some $194 million net income if this amendment goes through and the consequence that we believe occurs.

Mr. President, I ask unanimous consent to have printed in the RECORD a letter from the National Farmers Union, also addressed to Senator KOHL, of August 3, indicating opposition and concerns about this amendment.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

NATIONAL FARMERS UNION,
Washington, DC, August 3, 1999.

Hon. HERBERT H. KOHL,
U.S. Senate,
Washington, DC.

DEAR SENATOR KOHL: I write today on behalf of the 300,000 members of the National Farmers Union to express our concern regarding the Jefford's amendment that would prohibit the use of funds for USDA to implement or administer dairy marketing order reform later this year.

As you know, expiration of the current national marketing order is due October 1st, and with the passage of the Jefford's amendment, dairy farmers across the nation could be left without any federal marketing order that could risk destroying the remnants of the dairy safety net.

We have deep concerns about pitting region versus region in agricultural policy, especially dairy policy. We strongly encourage a policy that will benefit all dairy producers nationally.

Specifically, we support legislation to establish dairy compacts and amend the federal order system if those provisions are coupled with legislation to establish the national dairy support price at $12.50 per hundredweight. If Congress chooses to amend the federal order system, the amendment should strike the provision in the final rule that increases the processors' manufacturing allowance at the expense of family farmers.

Thank you for your consideration of our position on dairy policy.

Sincerely,

LELAND SWENSON,
President.

The PRESIDING OFFICER. The Senator's 5 minutes have expired.

Mr. FEINGOLD. I ask the Senator from Wisconsin if I could be granted 1 more minute.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. FEINGOLD. I thank the Chair and Senator KOHL.

The other piece that I think ought to be printed in the RECORD, especially in light of the comments of the Senator from Vermont with regard to some of the groups interested in this issue, is a letter from the National Taxpayers Union strongly opposing this amendment and specifically saying that, ''the Dairy Compact concept acts as a cartel system that only a Robber Baron could admire.'' I ask unanimous consent that the letter be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

NATIONAL TAXPAYERS UNION,
Alexandria, VA, August 3, 1999.

Vote NO on Cloture on Tomorrow's Ag Approps Dairy Amendment—And Keep the Glass Half Full for Taxpayers

DEAR SENATOR: Tomorrow the Senate will vote on cloture for an amendment to the Agriculture Appropriations Bill that is intended to halt the progress of dairy subsidy reform. In order to prevent this consumer rip-off and preserve the prospect of modest gains towards a competitive dairy market, the 300,000-member National Taxpayers Union (NTU) urges you to vote ''NO'' on this cloture motion.

The U.S. Department of Agriculture's (USDA's) final rule on Milk Marketing Order reform was, at best, an imperfect solution. In an ideal legislative and regulatory climate, the cumbersome 893-page document would be jettisoned in favor of a comprehensible blueprint that simply substitutes a free market for the current cartel. In the absence of this approach, taxpayers' interests can best be served by ongoing Congressional oversight of the results of USDA's plan, rather than legislative micro-mandates that only further cloud a murky reform.

Price-setting mechanisms such as the Northeast Dairy Compact can not only cost consumers millions due to overinflated prices, they can also raise omnious Interstate Commerce issues. Rather than promoting trade and preventing abusive tariffs among states—the clear intent of the Constitution's Commerce Clause—the Dairy Compact concept acts as a cartel system that only a Robber Baron could admire.

The 1996 Freedom to Farm Act held the promise of finally phasing out the dairy price support system as well as sunsetting the Northeast Dairy Compact. The bill passed Congress by strong bipartisan margins. Today, some Members believe that this timetable for reform should be discarded entirely or that new compacts should be authorized. Either action would signal a move in the wrong direction. NTU, along with many Members, would actually support a more aggressive timetable towards wholesale elimination of dairy subsidies.

The impact of tomorrow's amendment, which would withhold USDA implementation of milk marketing order reform, may not be entirely predictable. But its original intent is clear to sabotage the bipartisan consensus in Congress toward a freer milk market, and open the door for re-regulation in conference. For this reason, NTU urges you to play it safe for taxpayers, and vote ''NO'' on cloture on the Dairy Amendment to Agriculture Appropriations.

Sincerely,

PETE SEPP,
Vice President for Communications.

Mr. FEINGOLD. Mr. President, I, of course, join with my senior Senator and friend from Wisconsin, Senator KOHL, in asking that we not take what is, frankly, an irrational step of using this mechanism that was forced because of the rule XVI change to pretend that somehow this will extend the dairy compact. It will not do that. It will just lead to a chaotic situation—that the Department of Agriculture

cannot do their job of administering the milk marketing order system.

I thank the Senate and the Senator from Wisconsin.

Mr. KOHL. I yield Senator GRAMS up to 4 minutes.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. GRAMS. Mr. President, I rise in opposition to the cloture motion on the motion to recommit the appropriations bill to committee with instructions to include the Jeffords/Leahy amendment.

First, I would like to express my displeasure with this attempt to dodge the clear purpose of Rule 16.

I am at a loss to understand how we can reinstate Rule 16 one week then turn around and justify offering what is an extremely controversial policy change that is clearly non-germane on a major appropriations bill. Drafted to circumvent Rule 16 restrictions, Mr. JEFFORDS' proposed changes to the farm bill almost guarantee litigation and confusion in the milk marketing system due to the uncertainty over its effect. It is a controversial, non-germane issue that does not belong on an appropriations bill as a floor amendment.

It is important that I remind some of my colleagues that this amendment does not extend authorization of the compact to your states. Also, this August 2nd letter from Charles Rawls, General Counsel for USDA, states that funds have already been spent to implement the milk marketing order reform and the reform could still operate without oversight from USDA. The order reform is administered by producer assessments so no other federal funds are required to implement it. Thus, though the Jeffords Amendment intends to maintain the status quo in milk marketing orders by not funding implementation, counsel for USDA states that the specific implementation date requirement contained in Public Law 105–277 remains unaltered. Any uncertainty in the effect of this amendment is between whether the reform can be implemented without USDA oversight or whether we will have no dairy marketing orders at all. Reinstating the current system similar to 1A is simply not an option here.

Mr. President, as the letter from Mr. Rawls shows, it's not clear this amendment would save the Northeast Compact, and it certainly does not solve any problems for the other states seeking to form compacts. Not only does the amendment fail to extend compacts to other areas of the country outside the Northeast, it also does not implement Option 1–A.

Despite the fact that I do not believe Mr. JEFFORDS' amendment accomplishes its intended goal I also urge you to vote against cloture on the simple grounds of rejecting the concept of providing a benefit to producers in one area of the country which gives them a competitive advantage over dairy farmers in other regions of the United States.

Dairy farmers are suffering all over the country. Why support this compact legislation that helps mainly one area of the country at the expense of others? Why support an effort that would send the signal that we can consider endless controversial non-germane issues on appropriations bills in the future? Why risk passage of needed relief to America's farmers?

Besides addressing the narrow issue of the pending amendment, I would like to remind you why compacts that penalize consumers, particularly low-income consumers, milk processors, and regional dairy producers are so dangerous, and urge my colleagues to reject this blatantly unfair barrier that penalizes some of the best and most efficient dairy farmers in America.

First, I would like to explain what dairy compacts are. The Northeast Dairy Compact raises the price of Class I fluid milk above the prevailing federal milk marketing order price within the participating states, and, I might add, above what the market would pay. Milk processors have to pay the higher price for the raw milk they process, and this higher price is passed along to the consumer at the grocery store. With higher prices, consumption goes down, and children are the biggest losers. I don't argue against a fair price—or honest price for any dairy farmer in Minnesota or Vermont, but I cannot support price fixing that distorts the free market.

The Northeast Compact was authorized in 1996 during consideration of the larger Federal Agriculture Improvement and Reform (FAIR) Act. This controversial issue was inserted in the conference committee, avoiding a separate vote, after the measure had been overwhelmingly defeated on the floor. While most of the FAIR Act was designed to help farmers compete in world markets and reduce government involvement in agriculture, the Northeast Interstate Dairy Compact established a regional price-fixing cartel within our very own country that promotes higher production which depresses prices outside the compact. The Northeast Dairy Compact has harmed dairy farmers in Minnesota, and this kind of unfair subsidy should be terminated.

When this issue came to the fore, compacts were roundly condemned in the major newspapers of the compact region. The New York Times, Boston Herald, the Connecticut Post, and the Hartford Courant all weighed in against the cartel, in addition to national publications such as USA Today and the Washington Post.

Again, compacts were hardly consensus legislation to begin with. The House refused to put the provision in its broader farm bill. And I must reiterate, the Senate voted on the floor to strip the Compact language from its bill. Despite these defeats, the compact provision was slipped into the bill in conference and signed by the President. The compact legislation could not withstand the scrutiny of a fair debate on the floor, and had to be muscled in at the last minute in conference.

Knowing that this scheme was a bad idea from the start, Congress limited the life of the compact. That's why proponents will seek an extension by amendment today.

Retail prices of milk jumped immediately after the higher Compact price was implemented. As predicted, the milk produced in New England increased by four times the national rate of increase in a six-month period following compact implementation. The surplus milk was converted into milk powder, leading to a 60% increase in milk powder production.

Soon after implementation, the Northeast Compact had to begin reimbursing school food service programs for the increases in cost caused by the milk price hikes; an admission that prices have gone up and consumers are being affected. However, low-income families that need milk in their diet are not being reimbursed by the Compact for their increased costs. Milk is a food staple, and are we going to vote today to extend this milk tax that hits low-income citizens hardest who spend a high percentage of their income on food? What's next, a special tax on bread, eggs, ground beef, or potatoes? Consider the low-income families with small children and the elderly on fixed incomes in your state and ask if this is the population you want bearing the brunt of this regressive milk tax.

I cannot stress to my colleagues enough that you simply cannot contain the market distortions and economic hardship that these compact schemes cause. Proponents present an idyllic picture of the compacts as only a few cents hike in the price of milk to preserve the small, rural dairy farmer. This is simply not true. Dairy compacts are an economic zero-sum game in which there are many losers—most importantly the consumer (especially the low-income consumer) and dairy farmers in non-compact regions. The real winners in this zero-sum game are large dairy producers in the Northeast that receive literally tens of thousands of dollars in subsidies for their already profitable businesses, not the small dairy farmer who supporters said was the focus of this idea. The average six month subsidy for large Northeast dairy farms is projected to be $78,400. Dairy farmers in Minnesota would relish that income over the whole year, but Minnesota farmers wisely reject this effort to distort the system and harm their fellow farmers in other states.

It also is erroneous to characterize this issue as small family farms in one

region falling victim to large, corporate-style farming conglomerates in another. There are no, if you will, ''Wal-Marts'' of dairy farming in Minnesota. In our state, we have families that farm as a way of life, know that they must stay efficient to remain competitive, and want desperately to compete on a level playing field. Minnesota has thousands of family farms—passed from generation to generation—that are struggling to stay afloat in a rigged market that unfairly favors producers in a different part of the country. And many have failed. Compacts are not a policy that saves family farms.

As Wayne Bok, President of the Minnesota-based co-op Associated Milk Producers has put it, consider what would happen if the Northern states decided they wanted to produce oranges, and formed a compact to do so. Oranges sold in the North would receive a higher price than oranges sold in other regions. As a result, production of oranges would increase in the North. Prices in the South would drop until production decreased to compensate for the increase in Northern production. Moreover, Northern farmers would begin to convert from, say, corn and dairy farming, to the now more profitable farming of oranges.

Would this be good for the country's most efficient orange growers in Florida and California? Absolutely not.

Would this be good for consumers?

Absolutely not.

This outrageous scenario demonstrates the ridiculousness of current dairy policy. Let each farm region of the country do what it does best and don't erect artificial barriers that keep the products of the most efficient producers out of the hands of the consumers.

In 1996 Congress and the President committed to a new farm policy, moving our country away from artificial price and supply controls, and freeing farmers to compete on the world market. American farmers are the most skilled and efficient in the world, and they deserve the opportunity to compete and expand their markets. At the same time that we are calling upon our global trading partners to bring down their trade barriers for the benefit of both consumers and producers, we attempt to continue or construct new barriers between regions in our own country that discourage the free flow of commerce and create significant market distortions and price increases. Its hypocritical for us to demand free trade at a global level but enact trade barriers within our own country.

I urge my colleagues today to commit to fairness in dairy policy. Please be fair to consumers and dairy producers—vote against this or any other compact amendment.

I must also address the other intended effect of the dairy amendment, the proposal to zero out funding for implementation of the final rule presumably to maintain the status quo in federal milk marketing orders and to extend the Northeast Dairy Compact. I believe that Mr. JEFFORDS' amendment fails to accomplish this intent.

The current milk marketing system requires processors to pay higher minimum prices for fluid milk the further the region is located from Eau Claire, Wisconsin. To reform this antiquated, Depression-era method for supplying milk to consumers, which basically picks winners and losers in the dairy industry, Congress, through the 1996 FAIR Act, required USDA to significantly reduce the number of milk marketing orders (regions) in the country and transition to a more market-oriented system of milk distribution. After many months of study and having received comments from hundreds of market participants, USDA proposed Options 1–A and 1–B. The Option 1–A proposal made minimal changes to the old marketing order pricing system, while Option 1–B contained some basic free market reforms and modernizations of the system. The Midwest did not like what we saw in 1B, actually, and like the compromise even less, but it was a small step in the right direction.

The compromise came after the USDA received testimony concerning the two alternatives, and its final rule again takes steps toward simplifying and modernizing the milk marketing order system. The new compromise orders will be effective October 1, 1999. I hoped for a proposal closer to 1–B, but accepted the need for compromise and have supported it.

Option 1–A is basically no reform, and would ignore the direction of Congress in the FAIR Act. It would increase prices for consumers by $74 million per year, affecting most the low-income consumer that spends a high percentage of their wages on food. Option 1–A also keeps in place a regionally discriminatory milk pricing system that benefits producers in some parts of the country at the expense of dairy farmers in other regions, much like compacts. Again, it's a government program that picks winners and losers, not allowing the market to set the prices. It is opposed by free market taxpayer advocacy groups, consumer groups, regional producer groups, and processor groups, and it does nothing to protect the nation's supply of fresh fluid milk; our nation produces an abundance of milk that is sufficient to supply consumers' needs.

Secretary Glickman, writing about the final rule, said that:

> USDA's own analysis shows that nationally, dairy farmers will realize virtually the same cash receipts under the new, fairer plan as they do now, and when aggregated, the all-milk price will remain essentially unchanged from that under the existing program, which virtually all sides agree sorely needs changing[.]

Moreover, Chairman LUGAR said that the final compromise rule ''is a good first step toward a policy that places the nation's dairy industry in a position to better meet the challenges of the global markets of the new century[.]''

Again, the final rule is a compromise, not the best for either 1A or 1B advocates but a middle ground. We should not rush to reverse a process that took months to complete in order to keep the status quo.

What we have here is a double whammy. Compacts are bad enough, but retaining the failed dairy policies of the past is just incomprehensible.

Finally, what we need to ask ourselves even more is why are we considering these controversial issues on this appropriations bill. The Judiciary Committee has jurisdiction over compacts and Agriculture over milk marketing orders. Please respect these committees' opposition to these amendments which circumvent their jurisdiction, respect the reimplementation of Rule 16, and vote against this attempt to legislate through the appropriations process. And most of all, reject an amendment that doesn't even accomplish its intended purpose.

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

Mr. HATCH. Mr. President, I rise to voice my opposition to the proposed amendment that would effectively extend the Northeast Interstate Dairy Compact and open the door to the creation of additional interstate dairy compacts. I urge my colleagues to vote against the cloture motion. These interstate compacts would allow states to form alliances that would create economic barriers and foster economic warfare between the states. First, I want to commend my colleagues for their efforts on behalf of their states. In particular, Senator JEFFORDS has been a forceful advocate for dairy compacts. But although I share the concerns of my colleagues for the future of all American farmers, we cannot authorize interstate compacts that would encourage activities which are contrary to the constitutional principle of establishing and maintaining a national free market for the products of all citizens.

To date, only one dairy compact, the Northeast Interstate Dairy Compact, has been authorized by Congress. It initially passed as an amendment in conference to the 1996 farm bill, after the Senate had stripped the compact language out of the bill on the Senate floor. The compact authorization was for 2 years only, but was extended last year, until October 1, 1999, by an amendment to appropriations legislation. Since the creation of this compact, a number of state legislatures have authorized the creation of new interstate dairy compacts. And today,

once again, an amendment to the Agriculture appropriations bill has been introduced that would extend the life of the Northeast Interstate Dairy Compact and possibly lead in conference to the authorization of a Southern Compact.

The Framers of the Constitution intended the compact clause to help preserve national unity by prohibiting States from entering into interstate compacts without congressional approval. See *Virginia* v. *Tennessee*, 148 U.S. 503 (1893). Like the commerce clause, the compact clause prevents States from joining forces to the detriment of the national interest. It is true that the overwhelming majority of compacts serve benign purposes that are not intended to insulate States from competition or to harm the national economy, or otherwise adversely affect the national interest. Indeed, Congress has approved hundreds of interstate compacts. These compacts have facilitated nationally beneficial projects such as the development of highway, railroad, and subway transportation, the construction of bridges, the allocation of water-control rights, the establishment of boundary lines, and protection against forest fires. These are precisely the type of agreements the compact clause was intended to facilitate.

The proposed dairy compacts, however, would frustrate, rather than facilitate, free trade among the States. In essence, dairy compacts prohibit interstate competition by preventing non-compact dairy farmers from freely setting the price for their dairy goods sold in compact states. These compacts represent economic protectionism, pure and simple. Indeed, this is an attempt by a group of states to dictate to the rest of the country's dairy farmers the terms under which they can sell their goods into compact regions. It is unimaginable that the Senate would vote to embrace a form of economic protectionism that flies in the face of the Constitutional principle of a free market society.

As the Supreme Court stated in *H.P. Hood* v. *DuMond*, 336 U.S. 525, 529 (1949):

> . . . our system, fostered by the Commerce Clause, is that every farmer and every craftsman shall be encouraged to produce by the certainty that he will have free access to every market in the Nation, that no home embargoes will withhold his exports, and no foreign state will by customs duties or regulations exclude them. Likewise, every consumer may look to the free competition from every producing area in the Nation to protect him from exploitation by any. Such was the vision of the Founders . . .

If we continue to approve dairy compacts, that vision will be forsaken. And, if we continue down this road, I ask my colleagues: ''what's next?'' Will we be asked to protect the poultry industry? Why not protect regional software or Internet companies? If the logic behind these dairy compacts is that states or regions should be allowed to collude to raise artificially the price of dairy products to protect farmers and producers at the expense of the consumer, then why not give certain states or regions the right to collude to raise artificially the prices of other goods and services? Because AOL employs so many people in Maryland and Virginia, shouldn't those two states be permitted to agree to prevent any company from offering Internet access to consumers in Maryland or Virginia at a price below that offered by AOL? The minimum price could be justified by stating its purpose is to protect the jobs created by AOL in these states. Certainly, the argument would go, the purpose is not to eliminate competition—that is just an unfortunate circumstance of protecting an industry that contributes significantly to the states' economies.

This hypothetical may sound far-fetched, but it is not. The logic is the same: ''We need to protect our state's industries regardless of the effects on competition or consumers.'' No, my colleagues, we simply cannot start down the road of protecting one region's industries against others, regardless of how significant an industry may be to one state's interests. We cannot elevate one region's concerns over the nation's interest in ensuring a stable, free market that thrives on competition.

A vote against these compacts is not a vote against dairy farmers. All of the Senators who are opposed to these compacts, myself included, sympathize with the plight of so many of America's farmers who are struggling to stay in business, but we cannot solve this problem by pitting one industry against consumers, or one region against the nation. As chairman of the Judiciary Committee, I cannot support dairy compacts that allow states to collude to thwart competition, the results of which ultimately harm America's consumers. I urge my colleagues to vote against the dairy compact amendment which would allow less efficient producers in one region of the country to exclude lower priced dairy goods from other regions in an effort to protect their farmers and producers at the expense of consumers. This is not the type of agreements the founders envisioned interstate compacts would facilitate—indeed, it is exactly the type they feared.

Mr. TORRICELLI. Mr. President, I rise with Senators SPECTER and SCHUMER in support of the Northeast Interstate Dairy Compact. This issue is one of critical importance to the dairy farmers of New Jersey. It is rare that I come before this body to talk about issues affecting our Nation's farmers, however this is an issue of extreme importance to my state and family farms nationwide.

Today New Jersey has less than 200 family dairy farms. These farms have been in families for centuries, and have been handed down from generation to generation. I've met with New Jersey's family farmers, from Sussex and Warren and Hunderdon Counties, and heard their concerns. I know how important they are to my State. Dairy farming is not an easy or lavish life. They milk 7 days a week, 365 days a year, starting out long before dawn, before most of us are out and about.

These courageous farmers want to keep their farms, and pass them down to their children. However, without our help, they will not be able to realize this dream. The family farm is the backbone of agriculture in New Jersey; however, today, it is on the verge of extinction. In fact, New Jersey has lost 42 percent of its dairy farms in the past decade.

Erratic fluctuations in the prices dairy farmers receive for their raw milk is causing such losses that these farmers are forced out of business. These farms produce over 289 million pounds of milk each year, but as prices decline and costs continue to increase, farmers need help to stabilize milk prices for survival. Without a mechanism to ensure stable prices for milk, New Jersey's family dairy farms will be forced out of business.

However, this problem is not unique to my State. Family farms all across the country are hurting. Our Nation's dairy farmers recently experienced a 37 percent drop in the price they receive for their milk. This presents a dilemma for family farms, which must still pay the same amount to feed their cows, hire help, and pay utility costs. This enormous strain will no doubt force some dairy farmers out of business.

We must protect America's family farms, and ensure the future vitality of America's dairy industry by re-authorizing and expanding the Northeast Interstate Dairy Compact. I am hopeful that my colleagues will consider the farmers of my state when this issue is debated in conference.

Ms. COLLINS. Mr. President, I rise today in support of the Jeffords amendment to delay implementation of the final pricing rule on Federal milk market order reform. The intent of this amendment is to delay the expiration of the Northeast Dairy Compact. I am proud to be a strong supporter of the Compact, which is a proven success that is critical to the survival of dairy farmers in Maine and throughout New England.

First approved by Congress in the 1996 farm bill, the New England Dairy Compact already has a proven track record of quantifiable benefits to both consumers and farmers. The Compact works simply by evening out the peaks and valleys in fluid milk prices, providing stability to the cost of milk and ensuring a supply a fresh, wholesome, local milk.

This past year, the Compact has proven its worth to both dairy farmers

and consumers. As prices climbed and farmers were receiving a sustainable price for milk, the Compact turned off, allowing the market to function through principles of supply and demand. But when prices dropped sharply, the Compact was triggered to soften and slow the blow to farmers of an abrupt and dramatic drop in the volatile, often unpredictable milk market.

Consumers also benefit from the Compact. Not only does the Compact stabilize prices, thus avoiding dramatic fluctuation in the retail cost of milk, it also guarantees that the consumer is assured the availability of a supply of fresh, local milk. We've known for a long time that dairy products are an important part of a healthy diet, but recent studies are proving that dairy products provide a host of previously unknown nutritional benefits. Just as we are learning of the tremendous health benefits of dairy foods, however, milk consumption, especially among young people, is dropping. It is a crucial, common-sense, first step to reverse this trend, for milk to be available and consistently affordable for young families.

Finally, the Compact, while providing clear benefits to dairy producers and consumers in the Northeast, has proven it does not harm farmers or taxpayers from outside the region. A 1998 report by the Office of Management and Budget showed that, during the first 6-months of the Compact, it did not adversely affect farmers from outside the Compact region and added no costs to Federal nutrition programs.

Mr. President, many of Maine's dairy farmers tell me that the Compact is critical to their long-term survival and ability to continue to maintain a way of life vital to rural communities. On behalf of these farmers and consumers throughout New England and the country, I urge my colleagues to support the Jeffords amendment.

Ms. SNOWE. Mr. President, I rise in support of extending the Federal Milk Marketing Order system for one year, and in support of the preservation of small family dairy farms throughout Maine and all of New England.

As you are aware, Mr. President, the Farm Bill of 1996 authorized the USDA Secretary to fundamentally revisit the federal Milk Marketing Orders, which is a regulation voluntarily initiated and approved by a majority of producers in a given area. The regulation places requirements on the first buyers or handlers of milk from dairy farmers, such as processors who distribute fluid milk products in a designated marketing area. One of those requirements is that handlers must pay an assigned minimum price according to the use of the milk. Also, a milk order requires that all payments by handlers be pooled and the same average price is paid to individual dairy farmers.

On January 30, 1998, the USDA proposed two options to reform differentials, including Option 1–A that closely reflects the current program, which is a market-oriented option for fluid milk prices, and Option 1–B that would be accompanied by transition assistance for dairy farmers. I immediately heard from Maine dairy farmers, who asked for my support for the Option 1–A differential because it is the fairest and most equitable pricing option for them as it stabilizes prices for dairy farmers and ensures that consumers do not pay higher milk prices in the supermarket.

My response was to join 60 other Senators on April 29, 1998 and send a letter to USDA Secretary Glickman in support of Option 1–A, saying that the other option, Option 1–B, would further reduce the price of milk received by farmers in almost all regions of the country, thereby reducing local supplies of fresh, fluid milk and increasing costs for consumers.

My actions the previous year, 1997, were the same as I joined 47 other senators, in writing to Secretary Glickman stating that Option 1–A was the most viable and economically sound approach to the future pricing of fluid milk.

When the USDA announced its final rule on March 31, 1999, it selected a form of Option 1–B that will reduce monies to dairy farmers in New England by at least 2 percent. The final rule will become law in October unless there is Congressional action to stop the final rule. I believe the Congressional action to extend the Milk Marketing Order system until October 1, 2000—which also extends the Northeast Dairy Compact until that time—is required so that there is an appropriate time period to assess such a major and potentially devastating change to the pricing formula for producers throughout my region, and other regions as well.

I am currently a cosponsor of S. 1256, Senator COVERDELL's bill that will implement Option 1–A for Class I fluid milk as part of the implementation of the final rule to consolidate the federal Milk Marketing Orders.

Mr. President, since the Northeast Compact was put in place in 1996, there has been no groundswell of opposition from the consumers of New England, but they have actually preferred to protect a cultural way of life for the region. In addition, for this August, the Maine dairy producers will be receiving an extra $2.28 per hundred weight for their milk because the Compact is currently in place—and this is still not bringing in enough money to the dairy farmers to meet their cost of production. No one is getting rich off of the Compact, Mr. President, but they will get poorer or go out of business after this October if the Compact is allowed to expire.

The Compact has only helped stabilize the dairy industry in the Northeast and protected farmers and consumers against volatile price swings. The Compact has protected against the loss of small family owned dairy farms and protected against a decrease in the fresh local supply of milk at a fair price for consumers.

Mr. President, Maine had over 2,000 dairy farms in the 1980s. We now have less than 500. The Compact has helped stem the tide of the loss of small family owned dairy farms—and a way of life. We have been talking on the floor for two days now about how natural disasters are affecting the family farmer. I urge you not to create a manmade disaster by allowing the Northeast Compact to expire. I urge my colleagues to support the extension of the federal Milk Marketing Orders—which will also extend the Northeast Dairy Compact—and I thank the Chair.

The PRESIDING OFFICER. The Senator from Vermont.

Mr. JEFFORDS. Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator from Vermont has 10 minutes remaining.

Mr. LEAHY. Will the Senator yield me 1 minute?

Mr. JEFFORDS. I yield 1 minute to the Senator from Vermont.

Mr. LEAHY. The distinguished Senator from Wisconsin and his colleague discussed the National Farmers Union. I hope everybody reads the letter dated June 18, 1999, because it says:

> . . . we support legislation to establish dairy compacts and amend the federal order system if those provisions are coupled with the legislation to establish the dairy support price of $12.50 per hundredweight.

Even though my distinguished colleagues from Wisconsin quote from the National Farmers Union as somebody we should be listening to, my colleagues specifically oppose what the National Farmers Union says they want. I would vote for that NFU proposal in a minisecond; I had hoped that since the NFU proposal benefits all dairy farmers that we could have worked together on this. But the distinguished Senator from Wisconsin opposes it.

There are a lot of quotes going around here. The National Grange strongly supports the Northeast Dairy Compact. They represent 300,000 members nationwide, and they say that ''regional dairy compacts offer the best opportunity to preserve family dairy farms.''

If we are going to quote some of these organizations, let us be honest in what they say. They support the dairy compacts. These farm organizations strongly support it. A few processors and the Senators from Wisconsin do not.

Mr. JEFFORDS. Mr. President, I yield 1 minute to the Senator from New York.

Mr. SCHUMER. I thank the Senator from Vermont for yielding.

I rise today to express my strong support for the dairy compact and urge my colleagues to vote for cloture on the dairy amendment offered by Senators LEAHY and JEFFORDS. I believe the dairy compact will not only help stem the tide of farm closures but will help New York consumers by halting the trend of consolidation within the dairy industry into a few large farms that control most of the market. This proposal gives two hopes for New Yorkers: 1–A, which is far better for us than 1–B; and second, if the dairy compact is kept alive, we hope to be added. We realize that because of technical rules, we couldn't do it here, but we are hopeful that will go forward.

In conclusion, I am well aware of the strong objections of my colleagues from Wisconsin and Minnesota. But for upstate New York, one of the few areas of the country losing population and not sharing in the Nation's current prosperity, the dairy compact is a matter of economic survival. I sincerely hope that we can find some common ground——

The PRESIDING OFFICER. The Senator's 1 minute has expired.

Mr. SCHUMER. That will allow the dairy industry to prosper in both regions.

The PRESIDING OFFICER. Who yields time?

Mr. KOHL. Before I yield to the Senator from Minnesota, I will quote from the National Farmers Union letter:

> . . . with the passage of the Jeffords amendment, dairy farmers across the nation could be left without any federal marketing order that could risk destroying the remnants of the dairy safety net.

The National Farmers Union is not supportive of the Jeffords amendment. It is categorically clear. I yield up to 3 minutes to Senator WELLSTONE.

Mr. WELLSTONE. Mr. President, to add to what my colleague said from the same letter:

> We have deep concerns about pitting region versus region in agricultural policy, especially dairy policy. We strongly encourage a policy that will benefit all dairy producers nationally.

I don't have time to engage in a long discussion by way of policy. There is just no time for doing that. Let me make an appeal to my colleagues. In Minnesota, we have 8,700 dairy farmers. We rank fifth in the Nation's milk production. It is $1.2 billion for our farmers. We are losing three family farmers a day.

What the Secretary of Agriculture is now trying to do is change the milk marketing order system, in the words of the Farmers Union, that will benefit dairy producers nationally, to try to bring about some fairness. Now what we have is an effort on the part of some of my colleagues to basically block the Secretary of Agriculture from implementing this reform.

I say to every single colleague, Democrat and Republican alike, I don't have time to argue all of the policy implications, but I make an appeal as a Senator from Minnesota to not vote for cloture. I make an appeal as a Senator from Minnesota to support the kinds of changes that the Secretary of Agriculture is trying to make that will bring about some fairness and won't pit region against region and will give dairy farmers in our country, family farmers, a chance to make it.

This is an incredibly important question for my State of Minnesota. Other Senators would argue the same way if it were their State. I hope they will vote against cloture, and I appeal to them to do so.

Mr. KOHL. Mr. President, how much time is remaining, please?

The PRESIDING OFFICER. Eight minutes remain for the opponents; 2 minutes 49 seconds for the proponents. The Senator has 8 minutes.

To correct that, the Senator from Wisconsin has 2 minutes 45 seconds.

Mr. KOHL. And the other side?

The PRESIDING OFFICER. The other side has 8 minutes.

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

The PRESIDING OFFICER. The Senator from Vermont.

Mr. JEFFORDS. Mr. President, this is my 20th year dealing with dairy programs, and I understand the confusion that results in Members' minds who have not been in this body or had the exposure of sitting on the Agriculture Committee. Let me try to correct, as best I can, some of the statements that have been made.

First of all, this amendment conforms with the dictates of rule XVI. We cleared that with the Parliamentarian. Also, the amendment is legally sound and the intent is clear. The letter from USDA was expected, as will be further lawsuits. What they state in the last part of the letter is: Rescinding the order presents novel questions which will require further analysis.

Let me correct the situation about who makes the money in this country with respect to the dairy farmers. For each period of time the USDA reports what the mailbox price is to the dairy farmer. They go region by region. The charts that we have seen show that, for instance, New England, in 1998, received $14.89 per hundredweight, 10 cents below the national average. More importantly, the Midwestern farmer received $15.27 per hundredweight average, 28 cents above the national average. So who is making money right now? They are making money, not us.

Incidentally, the American Farm Bureau supports the 1–A option, which is all this is about. This is a cloture vote. It is designed for us to have an opportunity to demonstrate the importance and the necessity to Vermont and New England and the whole country that we must change what now is in the offing. The dairy farmers, as this chart shows, will be devastated, as will be the rest of the country. The only exception is where? Minnesota and Wisconsin and surrounding areas. They are the ones that are going to make the money if we can't change this situation.

Also, the compact has worked extremely well. California, for instance, is so big as a State they don't need a compact, but they are doing exactly what the six States in New England are doing. Theirs is working fine. And the New England compact is working fine.

Incidentally, the opponents asked for a study. The study they wanted was from OMB, from whom they thought they would get a friendly study. They did a study of the compact. What did they find out? The compact worked fine. It worked well. It has helped save the farmers. The consumers had a 5-percent lower price than the rest of the country. Why? Because the States got together. They formed a compact. They take care of matters by having consumers on board and everybody sets the price. It is working beautifully. That is why almost half the States in the Nation decided to take a look and said, hey, this is a good idea. We ought to have compacts. We can protect our consumers. We can protect our farmers. Vermont has demonstrated to the country a way to help dairy farmers. We ought to have that opportunity. All we are talking about is a chance to do that, a chance to get everybody together for a lengthy, solid debate which is allowable when you get cloture.

This issue is only cloture, so that we can discuss these things and remove all of the statements that have been made which are contrary to the facts.

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

The PRESIDING OFFICER. Who yields time?

Mr. KOHL. Mr. President, I yield 1 minute to the Senator from Minnesota.

Mr. GRAMS. Mr. President, I will talk a little bit about the numbers the Senator from Vermont was using. He said that somehow right now Minnesota and Wisconsin dairy farmers are making more money than the other farmers around the country. That is simply not true. By $2, $3, $4 per hundredweight, the rest of the country is getting more money today than what Minnesota and Wisconsin dairy farmers are allowed to receive for their milk.

And that is why I say under this old, arcane program, if we were going to go start a new dairy program today, it would never look anything like this. But when they say we are getting more money, that is not true. They are way up in prices, $17, $18, $19 a hundredweight for milk, and we are at $10, $11, $12, $13. If ours comes up 20 cents a hundredweight under this arrangement and theirs stays about the same, we are not even close to them yet.

So this is a very small move in the right direction for reforms. But it by

no means is putting Minnesota or Wisconsin ahead of anybody in the country. I still think it is unfair for all the other States under this old program to stand and discriminate against dairy farmers in Minnesota and Wisconsin. We want fairness in this program—nothing more, nothing less.

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

Mr. JEFFORDS. How much time remains?

The PRESIDING OFFICER. Four minutes remain.

Mr. JEFFORDS. I yield 2 minutes to the Senator from Vermont, Mr. LEAHY.

Mr. LEAHY. Mr. President, to reiterate, we have to wonder what is going on. I know the upper Midwest massively overproduces milk. We are simply asking to produce the milk we are going to consume in our area. They massively overproduce it. As the Minneapolis Star Tribune explained, Minnesota farmers want to sell ''reconstituted milk in Southern markets.'' They talk about drawing water out and shipping down some ''glop.'' I will let the reporter of debates figure out how to spell that. I don't know how. It sort of looks like it sounds.

All we want is fresh milk in our region. We are not trying to take over any other part of the country. We have something that we have proved works. It doesn't cost the taxpayers anything. It helps stabilize farm income. Consumers have a voice in it and like it in the area. All we are saying is let us make some determination in our own part of the world. We are talking about billions and billions of dollars in farm aid in this bill. The amendment that Senator JEFFORDS, Senator LOTT, and I, and others support says we don't want any Federal money; we want to set things the way we are now doing it, protecting our consumers and our farmers.

Mr. President, I know the Upper Midwest massively overproduces milk—they overproduce far more than they can consume—and thus want to sell this milk in the South.

I have read the press reports about how they want to dehydrate milk—take the water out of milk—and then hydrate it by adding water in distant states. The Minneapolis Star Tribune explained that Minnesota farmers want to sell ''reconstituted milk in Southern markets.''

The article from February 12, 1992, points out that ''technology exists for them to draw water from the milk in order to save shipping costs, then reconstitute it.''

Regular milk needs refrigeration and weighs a lot and is thus expensive to ship. Also, only empty tanker trucks can come back since nothing else can be loaded into the milk containers.

But dehydrated milk can be shipped in boxes.

By taking the water out of milk, the Upper Midwest can supply the South with milk.

I realize that according to a St. Louis Post-Dispatch article in 1990 that Wisconsin farmers defended the taste of reconstituted milk. The article points out that Dan Hademan, of Wisconsin, ''says fluid milk should be treated the same nationwide, whether it is fresh whole milk or reconstituted milk.''

That article notes ''Upper Midwest farmers say technological advances in making powdered milk and other concentrates has improved the taste and texture of reconstituted milk.''

However, the House National Security Committee had a hearing on this reconstituted milk issue in 1997. I will quote from the hearing transcript:

> . . . the Air Force on Okinawa decided that the reconstituted milk was not suitable for the military and as a quality of life decision they closed the milk plant and opted to have fluid milk transported in from the United States.

There was a great article in the Christian Science Monitor a few years ago that talks about the school lunch program. It mentions the first time that the author, as a first-grader, was given reconstituted milk.

He said: ''Now, I like milk. . . . But not this stuff. Not watery, gray, hot, reconstituted milk that tasted more like rusty pump than anything remotely connected with a cow. We wept. We gagged. We choked.''

The second problem with the strategy of Wisconsin and Minnesota farmers selling their milk down South is what about ice storms or snow? What happens when flooding or tornado damage or other problems stop these trucks laden with milk?

Southern parents might not be able to buy milk at any price any time an ice storm hits the Upper Midwest if the South does not have fresh, local, supplies of fresh milk. Just remember the panic that affects Washington, D.C., when residents think we might get what is called in Vermont a ''dusting of snow.''

Most Americans do not remember why Friday, March 5, 1999, is significant. But most dairy farmers will remember that date as long as they live.

On that date, the Department of Agriculture announced the largest cut in milk prices ever—a month-to-month drop of $6.00 per hundredweight.

This was the largest month-to-month drop in history—yet retail store milk prices remained high. Processors made huge windfall profits. And, while the milk prices received by farmers dropped by almost 40 percent the prices stores charged to consumers hardly dropped.

Imagine a month-to-month drop in other commodity prices of almost 40 percent. Imagine what that would do to your family farmers.

The only region in the country that enjoyed some modest protection against this huge drop in farm prices was New England—because of the Northeast Dairy Compact.

Half of the states have approved a similar system regarding dairy pricing. While a regional diary compact does not offer complete protection against huge and unexpected drops in the price of milk for farmers, it does provide a modest measure of relief.

It is a safety net that prevents farmers from hitting rock bottom.

THE COMPACT INCREASED INTERSTATE TRADE

Contrary to the views of opponents of the compact, note that OMB reports that the Northeast Compact has increased interstate trade in fluid milk.

This only makes sense. Dairy farmers fortunate enough to be living in states neighboring the Northeast compact region have increased milk sales into the compact area to gain the benefits of the higher compact price. OMB reported an 8 percent increase in trade—increased sales of milk into the compact region from New York and other neighboring states to take advantage of the higher prices.

If other states could trade places with New York, I am certain that those farmers would quickly figure out that they should sell milk into the Compact region to take advantage of the modestly higher benefits of the compact.

The Northeast Compact does not cost taxpayers a single cent. This is different from the costliness of many farm programs.

If you support farmland protection programs, regional compacts are the answer. Major environmental groups have endorsed the Northeast Dairy Compact because they know it helps preserve farmland and prevent urban sprawl.

And if you are concerned about the impact of prices on consumers, regional compacts are the answer. Retail milk prices within the compact region are lower on average than in the rest of the nation.

The Northeast Compact has done exactly what it was established to do: stabilize fluctuating dairy prices, ensure a fair price for dairy farmers, keep them in business, and protect consumers' supplies of fresh milk.

Many of our friends in the South have seen how the compact provides a modest but crucial safety net for struggling farmers. They, too, want the same for their farmers, and their farmers deserve that same opportunity.

Congress should not stand in the way of these state initiatives that protect farmers and consumers without costing taxpayers a penny.

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

Mr. JEFFORDS. Mr. President, how much time remains on the opposition side?

The PRESIDING OFFICER. One minute 45 seconds for the opposition, and 2 minutes remain on the Senator's side. If neither side seeks recognition, time runs equally.

Mr. JEFFORDS. Mr. President, I yield myself 1 minute.

The PRESIDING OFFICER. The Senator from Vermont is recognized for 1 minute.

Mr. JEFFORDS. Mr. President, I think it is important to understand why we are here. First of all, this is a cloture vote. There are obvious disputes and they ought to be resolved. But complicated issues such as this can't be resolved in 40 minutes. We need to have a full debate on these issues. It is important to dairy farmers and all farmers. We must not end today by refusing to allow us to go forward, to take the Vermont/New England compact, a model that is being looked at by States all over the country because it works so well to protect its farmers and consumers. We should be able to debate that fully and not to run out of time by virtue of the rules.

In addition to that, this chart shows it all. It shows who is going to win and lose.

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

Mr. KOHL. Mr. President, before I close, I want to make it known that some other Senators, including Senators LUGAR and GRASSLEY, wanted to be down on the floor to speak in favor of this side, but they could not get here.

I simply want to say to my colleagues, if we invoke cloture on this bill now, then we will kill the bill. But if we pass the Jeffords amendment, I believe we will kill the dairy industry.

I urge my colleagues to vote no on cloture.

The PRESIDING OFFICER. Who yields time? One minute remains on each side.

Mr. KOHL. I yield to Senator CRAIG.

The PRESIDING OFFICER. The Senator from Idaho.

DAIRY COMPACTS; ANTICONSUMER, ANTIFARMER, REGIONALLY DIVISIVE, CONTRARY TO THE HEART OF THE CONSTITUTION, INEFFECTIVE AND INEFFICIENT

Mr. CRAIG. Mr President, I rise today to make a few remarks concerning dairy compacts.

When most people think of dairy states they think of Wisconsin, Vermont, or Minnesota—not California, Texas, or Idaho. However, Idaho is now sixth in total milk production, just ahead of Texas. Dairy cow numbers in Idaho are projected to grow from 292,000 in 1988 to 398,000 in 2008. While potatoes are still ranked first as the top agriculture commodity in Idaho, dairy products are a close second. I tell you this so you know that dairy policy is important to me and my state.

Although I am speaking, in part, on behalf of the interests of Idaho dairy farmers, let me assure you that the national debate about dairy compacts is far more than just an old fashioned regional squabble between Northeast and Southern dairy interests, on the one hand, and the interests of the rest of the country's dairy farmers, on the other. This debate is all about whether the Senate will say ''enough is enough'' and put an end to an incredibly bad policy proposal.

In my 19 years in Congress I cannot remember any major farm legislation that has been as overwhelmingly contrary to the interests of farmers, consumers, public health, the U.S. economy, and our Constitution as the amendment to extend and expand interstate dairy compacts. This is a lose, lose, lose situation if there ever was one. It's bad for the country and it's bad for the Senate, which it is needlessly dividing along regional lines.

An expanded Northeast Compact and a new Southern Compact will combine to impose an enormous milk tax on consumers in compact states. If compact commissions raise prices to the limit allowed by the proposed amendment, the costs to Eastern, Mid-Atlantic and Southern consumers would be enormous. Based on USDA data and USDA's estimates of milk prices for the rest of this year and for next year, the costs could soar to as high as $2.6 billion a year.

It only gets worse. Higher milk prices there will reduce milk consumption and increase milk production. Consumers will lose in two ways; they will have to pay more and they will drink less of a calcium-rich product. That's not very good public policy at a time when the National Academy of Sciences is urging Americans to take steps to eliminate their dangerous calcium intake deficit. The scope of the consumption decline is suggested by a January 1999 study of the economic impacts of an expanded Northeast Dairy Compact and a new Southern Dairy Compact conducted by the University of Missouri's Commercial Agriculture Program. The study was endorsed by the federally funded Food and Agricultural Policy Research Institute, otherwise known as FAPRI. Findings of that study suggest that milk consumption could drop by more than 200 million gallons a year if compacts expand into the Mid-Atlantic and Southern states.

The damage doesn't stop there. It reaches into every corner of the nation. Because dairy farmers in compact states will get paid more, they will produce much more milk. If you doubt that, just look back to what happened when Congress pushed milk prices to unprecedented levels in the 1980's. Increased production and lower consumption will mean that the nation, which already had record milk production last year, will be awash in milk.

That impact is even worse for dairy farmers in states like Idaho, which are not covered by dairy compacts. First of all, their incomes will be drastically reduced because dairy compacts ultimately drive everyone else's milk prices down. As milk production increases and consumption drops in dairy compact states, the nation's milk surplus will grow and milk prices will fall. The University of Missouri study showed that dairy farms in states outside of dairy compact regions would lose $310 million in the first year alone. And that study was based on an unrealistically-low, minimum, dairy compact price hike. It also did not include all of the states covered by today's amendment. If all states are included and compact commissions boost prices as high as the proposed legislation would allow, the loss of income will be roughly four times as large as estimated by the Missouri study.

In addition, the overproduction in dairy compact states will flood the market in compact states with dairy products made from surplus milk produced in compact states. That means sharply less market access for low-cost, efficient dairy farms in the Upper Midwest, Plains, and Mountain regions. Just like all protectionist schemes, dairy compacts penalize efficiency and reward inefficiency.

If this seems hard to believe as we head into the 21st century, just remember this: by definition, dairy compacts prevent cheaper milk, produced by more-efficient farmers in noncompact states, from entering into compact states at less than the compact price. Dairy compact proponents argue that dairy compacts do not impose interstate trade barriers because they allow other states to sell milk into compact regions at the compact price.

Technically that's true. In practice, it's completely misleading. The problem with the argument is that the increased production caused by higher prices in compact states will virtually eliminate the local demand for milk from efficient producers outside of compact states. While the market remains open in theory, compact states will be saying to Idaho and other noncompact farmers, ''sorry, but we don't need your milk anymore.'' Let's face it, dairy compacts are nothing more than a mean spirited attack on other states, skillfully disguised as a cure for small dairy farmers.

If the regional inequities and schisms created by interstate dairy compacts are not reason enough for my fellow senators to reject this amendment, then I hope you will vote against it simply because it violates the basic premises of our Constitution. The establishment of regional trade barriers through interstate dairy compacts would undermine the interstate competition that fostered the birth of the nation and that has been so critical for the sanctity of our Constitution. No amount of repeating the unsupportable claim that interstate dairy compacts are a manifestation of states' rights will make it so. The Founding Fathers would surely cringe if they were subjected to that argument in defense of

dairy compacts. They knew that the nation would not last if they permitted some regions to be walled off at the expense of others. That's why they rejected an Articles of Confederation and chose a Constitution anchored by the Interstate Commerce Clause. That's also why three Constitutional scholars who appeared at a House Judiciary Subcommittee hearing last week testified against interstate dairy compacts.

If dairy compacts pit region against region in the Senate, damage dairy farmers in noncompact states, cause great harm to consumers, and undermine the Constitution, then why are we even having this debate? It should be an open and shut case. Perhaps it has to with the desire of some of my colleagues to do something for the small family dairy farmers in their states. That may be an important objective. However, make no mistake about it. Dairy compacts are a terribly inefficient and ineffective way of achieving that goal. If you want to help small dairy farms, this is the worst way to do it.

The chart on my right (left) makes this abundantly clear. Here are 14 of the 28 states that the proposed amendment would allow to join the Northeast and Southern Dairy Compacts. The chart shows that small farms—those with less than 50 cows—on average, would receive only between $1,100 to $5,200 a year from dairy compacts. This is hardly surprising since each farmer receives the same price increase for every gallon of milk they produce. Thus, the large farms receive huge subsidies, while the small farms receive only a drop in the bucket. The bottom line is that a few thousand dollars in extra income is not sufficient to ensure long-term economic viability for these small farms.

The Commissioner of Agriculture in Massachusetts, who is a member of the Northeast Dairy Compact Commission, seems to agree. Last October, he put before the Commission a formal proposal that would have redistributed the Compact's revenues away from big farms and to the small farms. The proposal, which was essentially dead on arrival, has never been adopted. Why? Because dairy compacts have nothing to do with saving small family farms.

For the sake of argument, however, let's assume that the primary goal of dairy compacts is to increase the incomes of small family farms. That would make sense since the Census of Agriculture reveals that in New England, Mid-Atlantic states, and the South, 76%, 86% and 88% of the farms that have left the dairy business since 1982 have had less than 50 cows. Clearly, small dairy farmers are the most vulnerable ones. Let's also assume, for the sake of argument, as compact proponents insist, that dairy compacts keep small farms in business.

Then we can answer the question: is this a good use of the public's money. If we look at the table to my right (left), we can see how amazingly inefficient dairy compacts are at transferring money to small dairy farms. The relevant question here is: how much do dairy compacts cost consumers for each small dairy farmers saved? The answers provided in the table are alarming. For the 14 New England, Mid-Atlantic and Southern states it takes anywhere between $90,000 and $632,000 a year in higher milk prices to provide a single small dairy farmer with a meager subsidy of only $1,000 and $5,200. At the extreme, for every one dollar of subsidy the compact gives to a single small dairy farmer, it costs the public roughly $632 in higher milk prices! $632 dollars spent to achieve a one dollar impact! That is truly a public policy embarrassment!

Is this really how the Senate wants to force the public to spend their money? I certainly hope not! Dairy compacts give new meaning to the expressions ''bureaucratic ineptness'' and ''government inefficiency''. Remember the legendary stories about the Pentagon spending thousands of dollars for a toilet seat? When you take the time to look at the evidence, it becomes clear that dairy compacts make those expenditures look efficient by comparison. This is surely not the legacy that any members of this body will want to carry with them through their careers.

In closing, this is no way to legislate dairy policy. We need to work on a national policy that is fair to all farmers and that makes us more competitive on the world market. Dairy compacts are anti-consumer, regionally divisive, anti-farmer, contrary to the heart of the Constitution, ineffective and hopelessly inefficient. I urge Senators to vote no on the Jeffords amendment.

Mr. President, again, when we think of dairy, oftentimes we think of Wisconsin, Minnesota, and Vermont. Let me tell you when we think that way, we are not thinking total because California, Texas, and Idaho are some of the leading dairy producers in the Nation. My State is sixth in the Nation right now and growing very rapidly into fifth place, and within a few years it could even be fourth place.

What is being proposed today is not good for our Nation's dairy industry. It is regionalism at its worst. It is establishing economic barriers that don't allow the reasonable flow of commerce, and while it is early on argued as good for producers, let me suggest that in the end when you create these barriers it is wrong and bad for producers. When we struggle to create agriculture policy in this country, we struggle to create uniformity.

In the dairy industry, uniformity is critically important for the growth and the overall strength of that industry, both for the producers and for the consumers.

I hope we will oppose the cloture motion.

Mr. President, I ask unanimous consent to print a chart on the effects of the compact on small dairy farms.

There being no objection, the chart was ordered to be printed in the RECORD, as follows:

DAIRY COMPACTS ARE THE WORST WAY TO TRY TO HELP SMALL DAIRY FARMS

State	Annual consumer cost of compacts (in millions)	No. farms with less than 50 cows	Annual compact subsidy per small farm	Annual consumer cost to save one small farm
AL	$20	52	$1,100	$385,000
CT	14	100	3,800	140,000
FL	43	68	2,500	632,000
GA	35	176	3,900	199,000
LA	16	143	4,000	112,000
MA	27	157	4,300	172,000
MD	25	256	1,200	97,000
MS	12	115	5,000	104,000
NJ	38	67	3,400	567,000
NC	35	180	5,100	194,000
SC	17	60	4,300	283,000
TX	82	603	2,900	135,000
VA	32	355	5,200	90,000
WV	12	134	4,700	90,000

The PRESIDING OFFICER. The Senator from Vermont has 1 minute.

Mr. JEFFORDS. Mr. President, I must state a deep disagreement with my friend from Idaho. We are not talking about any kind of limitations at all. The compact we have in Vermont allows anybody to be able to come and sell in our market. We are talking about the ability of States to do what California and Idaho already do because they are so large, and that is to have their own milk orders. All we want to do is be able to form together—and I point out that when the opposition asked OMB to make a determination as to whether or not our farmers were in any way, through this pact, violating anything, they came back and said it would even save money for some. Look at this chart. This is the end. This shows what happens. If you go with 1–B instead of 2–A, the whole country, including Idaho, loses money. Why my good friend wants to have his farmers lose money, I don't know.

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

Mr. JEFFORDS. I urge a vote for cloture so we can fully debate this.

CLOTURE MOTION

The PRESIDING OFFICER. The clerk will report the motion to invoke cloture.

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 pending motion regarding the dairy compact amendment:

Trent Lott, Jim Jeffords, Susan M. Collins, John H. Chafee, Fred Thompson, Richard Shelby, Olympia J. Snowe, Christopher Bond, Jesse Helms, Paul Coverdell, John Ashcroft, Strom Thurmond, John Breaux, Jay Rockefeller, Arlen Specter, and Patrick Leahy.

CALL OF THE ROLL

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

VOTE

The PRESIDING OFFICER. The question is, Is it the sense of the Senate that debate on the motion to recommit the bill, S. 1233, with instructions to report back forthwith with an amendment, shall be brought to a close?

The yeas and nays are required under the rule.

The clerk will call the roll.

The legislative clerk called the roll.

The yeas and nays resulted—yeas 53, nays 47, as follows:

[Rollcall Vote No. 252 Leg.]

YEAS—53

Ashcroft	Gregg	Reed
Biden	Helms	Robb
Bond	Hollings	Rockefeller
Boxer	Hutchinson	Roth
Breaux	Hutchison	Santorum
Bunning	Inhofe	Sarbanes
Byrd	Jeffords	Schumer
Chafee	Kennedy	Sessions
Cleland	Kerry	Shelby
Cochran	Landrieu	Smith (NH)
Collins	Leahy	Snowe
Coverdell	Lieberman	Specter
Dodd	Lincoln	Stevens
Edwards	Lott	Thompson
Feinstein	Mack	Thurmond
Frist	Mikulski	Torricelli
Gorton	Moynihan	Warner
Graham	Murray	

NAYS—47

Abraham	Domenici	Kyl
Akaka	Dorgan	Lautenberg
Allard	Durbin	Levin
Baucus	Enzi	Lugar
Bayh	Feingold	McCain
Bennett	Fitzgerald	McConnell
Bingaman	Gramm	Murkowski
Brownback	Grams	Nickles
Bryan	Grassley	Reid
Burns	Hagel	Roberts
Campbell	Harkin	Smith (OR)
Conrad	Hatch	Thomas
Craig	Inouye	Voinovich
Crapo	Johnson	Wellstone
Daschle	Kerrey	Wyden
DeWine	Kohl	

The PRESIDING OFFICER (Mr. BUNNING). On this vote the yeas are 53, the nays are 47. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected.

Mr. DASCHLE. Mr. President, I suggest the absence of a quorum.

Mr. COCHRAN. Mr. President, I move to reconsider the vote.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. COCHRAN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

AMENDMENT NO. 1507

The PRESIDING OFFICER. The question is on agreeing to the Ashcroft amendment.

The amendment (No. 1507) was agreed to.

Mr. COCHRAN. I move to reconsider the vote by which the Ashcroft amendment was agreed to.

The PRESIDING OFFICER. In my capacity as a Senator from the State of Kentucky, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. ROBERTS addressed the Chair.

The PRESIDING OFFICER. The Senator from Kansas.

AMENDMENT NO. 1509 TO AMENDMENT NO. 1499

(Purpose: To make a perfecting amendment)

Mr. ROBERTS. Mr. President, I send a second-degree amendment to the desk.

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Kansas [Mr. ROBERTS], for himself, Mr. SANTORUM, Mr. CRAIG, Mr. GORTON, Mr. BURNS, Mr. BROWNBACK, Mr. HAGEL, Mr. GRAMS, and Mr. GRASSLEY, proposes an amendment numbered 1509 to amendment No. 1499.

Mr. ROBERTS. 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.'')

Mr. ROBERTS. Mr. President, we have had a great deal of discussion in regard to the kind of emergency assistance we would all like to see happen in the Senate. We have heard quite a bit of debate as to what is appropriate.

I have a package that has been endorsed by about six or seven Senators—Senator BURNS and Senator SANTORUM, more especially, who have been especially helpful—Senator CRAIG, Senator GRASSLEY, Senator GRAMS, Senator HAGEL, all of the cosponsors, to try to reach some accommodation. I am not sure, but perhaps we could conclude this debate and simply have a vote within, I would say, a half hour. I do not know what my friends and colleagues on the other side would say about that, but I make a recommendation and seek unanimous consent that debate on this amendment be for 30 minutes, with 15 minutes divided equally.

Could there be an agreement on that? I see the distinguished Democratic leader nodding his head.

Mr. DASCHLE. If the Senator from Kansas would yield.

Mr. ROBERTS. I would be glad to yield.

Mr. DASCHLE. I think a 30-minute timeframe, equally divided, would be appropriate. We have debated the issue now for some time. This is another iteration, in our view, that is completely unacceptable, but we would be happy to talk about it. Thirty minutes would be acceptable to us.

The PRESIDING OFFICER. Is there objection?

Mr. DORGAN. Reserving the right to object, I ask the Senator from Kansas if the amendment has been made available to others of us on the floor. I think the Senator mentioned seven Senators he has worked with, but is the amendment available at this point?

Mr. ROBERTS. Basically, the amendment is the same as I have discussed with my friend and colleague, with the addition of $400 million for disaster assistance, after talking to the Secretary of Agriculture as of this morning. But we have a summary of the amendment, and we will endeavor to make as many copies as we can during the debate.

I think most of my colleagues on that side—and we have been trying to work together—understand what is in the amendment. But without question we will make the copies available to you.

Mr. MCCAIN addressed the Chair.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. MCCAIN. Mr. President, after the disposal of the Roberts amendment, it is my understanding that there would then be room for amendments; is that correct? I ask the parliamentary situation after the disposal of the Roberts amendment.

The PRESIDING OFFICER. Yes, sir, additional amendments would be in order.

Mr. MCCAIN. I ask unanimous consent that my amendment be in order after the disposal of the Roberts amendment.

The PRESIDING OFFICER. Is there objection?

Mr. DASCHLE. Reserving the right to object, could the Senator share with us what his amendment is about?

Mr. MCCAIN. It is the elimination of the sugar quota.

Mr. DASCHLE. I have no objection to the offering of the amendment.

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

Mr. MCCAIN. I thank my friend.

The PRESIDING OFFICER. The request is agreed to.

The Senator from Kansas.

Mr. ROBERTS. I thank the Chair.

I say to the distinguished Democratic leader, I would have hoped that he could have described my amendment as perhaps acceptable as opposed to the completely unacceptable amendment by the Senator from Arizona, and I would hope that would be the case.

It is my understanding now we have 30 minutes of time and 15 minutes on a side. I am going to yield time to the distinguished Senator from Pennsylvania who has been a real help to us in trying to put together an amendment that will be acceptable to all parties.

I do also thank my friends across the aisle, more particularly Senator DORGAN and Senator CONRAD and Senator HARKIN. We had a discussion yesterday. I know this amendment does not cross every ''t'' or dot every ''i'' in their

eyes, but I would say to them that we on our side have tried to move at least to a compromise bill that could be worked out.

I had a telephone conversation with Agriculture Secretary Dan Glickman about 45 minutes ago. I want to point out that the Secretary of Agriculture, and many on the other side, and many on this side, have had the opportunity to work on many farm bills together.

There have been 13 emergency or supplemental bills in the last 10 years in regard to agriculture. That shows you the tremendous change that occurs in global agriculture. We have worked together on many of these bills. Secretary Glickman and I are very good friends. We have very strong differences of opinion from time to time; there is no question about that, but we have tried to work together as a team on behalf of agriculture.

In regard to this debate, I suggest to everybody that today is the day for compromise and teamwork on behalf of our hard-pressed farmers and ranchers. I do not think they want us debating over and over again the philosophy or the ideology in regard to farm bills. What they want is emergency assistance, and we can then address the problems that we have all talked about in regard to a long-term agenda on behalf of agriculture.

Today is not the day to express strong opinions about the current farm bill or assess blame or make the political rhetoric. We have had those days.

Today is the day to pass an emergency bill. Senators BURNS and GORTON and SANTORUM and GRASSLEY and GRAMS and HAGEL and I have offered an amendment, now endorsed by the National Association of Wheat Growers, the American Soybean Association, and the American Farm Bureau. Obviously, we have not had enough time to contact all of the commodity organizations, all the farm groups. But I think, without question, most of the farm groups, if not all, certainly support this approach.

What does it do? The purpose of this amendment is to provide direct income assistance to farmers and ranchers in the fastest way possible. I know my colleagues across the aisle would prefer a different way, or at least a portion of this assistance to come in a different way, in what is called the LDP program. That is an acronym for the Loan Deficiency Payment.

This amendment does provide the assistance through the transition payment, which will provide assistance to farmers in 10 days. We went the LDP route during the last emergency assistance—or to be more accurate, there was emergency assistance granted in the last emergency bill.

It took the Secretary of Agriculture 6 to 8 months to get assistance to farmers. We do not need to do that. So it is the fastest way possible. As I have indicated, it is through the structure called the additional transition payments that are contained in the farm bill. It does it with additional payments of 100 percent.

Let me say something about the 100 percent for those farms that are in program crops. It means not only do you get a transition payment; you get another transition payment 100 percent equal to that. I will venture to say, with that payment most farmers in America, in terms of wheat and corn and your basic crops—and, yes, in regard to cotton and step 2, which is another program—that extra income assistance will move those prices at least to the cost of production and maybe even more.

As opposed to other amendments, this approach that has been offered does not change current farm program policy. You do not need to rewrite the farm bill during the appropriations process or during an emergency bill.

You may have very strong beliefs about this farm bill. I do. But now is not the time to rewrite the farm program in regard to this emergency bill. We can do that next year. I hope we do not in the middle of an election year, but obviously people have strong beliefs. I do not believe this is the appropriate place.

The bill also provides assistance to soybean and oil seed producers. It provides assistance to livestock producers, to cotton producers, with regard to the step 2 program that has been so eloquently described by the distinguished chairman of the Appropriations Committee, Senator COCHRAN, and to specialty crop producers and others who do not receive program crops.

I say to Senators paying attention—I hope they are, either in their officers or wherever they are—all of you who represent farmers who do not have program crops not covered by the farm bill, this amendment provides the most assistance to those who are in specialty crops and others. We do not go down every commodity and raise amendments such as the one that is going to be introduced by the Senator from Arizona. Some of these commodities, some of these programs raise a lot of objections. We have had historic debates in that regard. Let's not go down that path. We give money to the Secretary of Agriculture for specialty crops. Only the USDA can determine which of those crops, which of those regions really need the assistance. I think that approach is best.

Most important, it contains funds for crop insurance reform to keep the crop insurance premiums at current levels. We reduced them last year. They will spike up again. So we have money to keep those at that level.

I tell my colleagues, finally, those of us who have tried to keep this bill under $7 billion for budgetary concerns, we have also provided another $400 million for disaster assistance as a result of talking to the Secretary of Agriculture, who was in West Virginia with Senator BYRD yesterday. We have all seen on television the effects of drought. Anybody who comes from farm country understands the effects of drought. Secretary Glickman said: I need money immediately. So we provided $400 million. Will it be enough? I don't know. But at least in terms of that request, I think it is appropriate. As I say, Secretary Glickman was in West Virginia with Senator BYRD, and the need is very crucial. That brings the total of the package to $7.5 billion, but we have a drought on hand and we have an emergency.

All this assistance is provided without each commodity or specialty crop coming to the table in a bidding war. We have already had that, reopening, as I have indicated, the historic and unneeded debates of the past. Instead we have emergency assistance that will provide farmers needed assistance down the road. If you want to look at farm program policy in future debates with hearings, perhaps that is appropriate.

How much time does the Senator require?

Mr. SANTORUM. Three minutes.

Mr. ROBERTS. Mr. President, might I inquire how much time remains?

The PRESIDING OFFICER. Seven minutes.

Mr. ROBERTS. I yield 3 minutes to the distinguished Senator from Pennsylvania, who, I might add, is a valuable member of the Agriculture Committee and who talks with us continually about farmers who are not in the program crop arena, the value of crop insurance, and the value of disaster assistance, because there are some areas of the country that need assistance that are not covered by the farm bill. I thank the Senator for his contribution.

Mr. SANTORUM. I thank the distinguished former chairman of the House Ag Committee and obviously one of the most knowledgeable people on agriculture in this country. It has been a pleasure to work with him.

To pick up on the point he just made, I will speak to Senators who do not come from areas which have program crops, places such as Pennsylvania, many of them, places such as Pennsylvania, New York, and Maryland, and most of the New England States, where previous emergency packages had very little to offer for those of us who have farmers experiencing difficulty in that area of the country.

Obviously, we are experiencing horrible difficulties with the drought that is occurring in the Mid-Atlantic region. I did not vote for either of the packages yesterday because I didn't think they offered anything of real value to the farmers that I represent and to the region of the country that I try to represent on the Agriculture Committee. But this package does.

Three things the Senator from Kansas just mentioned: No. 1, the money for specialty crops—most of the crops that are grown in Pennsylvania are specialty crops; they are not program crops—$300 million; $400 million for help with crop insurance premiums. We need to get more people in the Crop Insurance Program in Pennsylvania. If my farmers said one thing to me overwhelmingly, it was: Of all the things you can do to help us, give us some money to help us begin to get into crop insurance, to begin to insure ourselves against these losses and against the fluctuations of the market.

Farmers want to be self-sufficient. They don't want disaster payments. They don't get AMTA payments. What they want is some mechanism where they can begin to control their destiny and ensure some income for their family. That is what we are trying to do, to help them in transitioning.

Finally, $400 million, as the Senator from Kansas just mentioned, for disaster assistance for this year's 1999 crops. Obviously, we have no idea what the extent of the drought is going to be and the damage, but it is going to be extensive. It is going to be very tough on our farmers in Pennsylvania and throughout the Mid-Atlantic States.

I say to all those Senators who represent that area of the country, you now have a bill you can vote for that is going to do something meaningful for your farmers. I hope we can get bipartisan support for this amendment and get this acted upon quickly.

I thank the former chairman and distinguished member of the Agriculture Committee for his terrific work on this amendment.

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

The PRESIDING OFFICER. Who yields time?

Mr. DORGAN addressed the Chair.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. DORGAN. Mr. President, I will take a couple of minutes, and I think my colleague, perhaps both of my colleagues, would like to add a comment.

My hope has been, and still is, that we will have a bipartisan solution to this issue today. This is not such a solution.

A number of discussions have taken place with a number of Senators from both sides of the aisle. We face the same crises: collapsed prices in rural America and a drought that is spreading across our country.

There is not a Republican or a Democratic way to go broke on the family farm. It is just human misery and tragedy that allows those to lose their hopes and dreams and lose their farms because of economic collapse in Asia or price collapse in the U.S. or the worst crop disease of a century or a wet cycle that means 3 million acres can't be planted in our State this spring. It is not the farmer's fault. So we need to do something. The question is, What do we do?

We have had several different plans. This is the third, I guess, that will be voted on in the Senate. It is short on disaster aid, as we know. We know there is a disaster occurring. Turn on the television set and listen to the newscasts. They say it is the worst drought in a century in some parts of this country. We might as well be prepared to face that. We ought to add some of that to this legislation.

Second, my colleague, in his presentation of the amendment, talked about dollars going to producers immediately. As we all know, AMTA is going to get dollars to people who aren't producing. That is one of the problems. AMTA is a payment scheme based on 1991 and 1995 production history. They are going to be sending money to the people who aren't producing anything.

One other point: My expectation is that this amendment does not change the payment limits. I wonder how many of my colleagues know that the potential, under this approach—and I am able to be corrected, if I am inaccurate—the potential under this approach is to pay $460,000 essentially to a farmer, $460,000 as a new payment limitation. The $80,000 payment limit under current law is doubled. So for AMTA and LDPs, the potential is $460,000 for a producer.

Who wants to tell a wage earner in some community someplace that we want you to pay taxes so we can give a little help to family farmers? And by the way, some might get $460,000. What kind of a payment limit is that? How does one describe this as help to family-sized farms?

We don't need to help agrifactories in America. We don't need a Department of Agriculture. We don't need a farm program. If our future is in agrifactories, we don't need to construct these kinds of programs or have a Department of Agriculture, for my money.

The purpose is to try to protect and help and nurture family farming as an enterprise in this country because it strengthens our country. But $460,000 in payment limits? A potential farmer will get $460,000? What kind of nonsense is this? My expectation is that it is still part of the amendment. My hope is that we will still have an opportunity for a bipartisan solution today.

Those of us who come from farm country, in both the Republican and Democratic Parties here, serve the same interests, have the same desire, and have the same passion to try to help family farmers get through this troubled period.

Mr. President, I yield the floor.

Mr. HARKIN addressed the Chair.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. HARKIN. Mr. President, how much time remains on our side?

The PRESIDING OFFICER. Eleven minutes 20 seconds.

Mr. HARKIN. Mr. President, I wonder if my friend from Kansas will yield for a couple of questions so I can better discern what we have here. I ask the author of the amendment exactly how this differs from the last package, the Cochran amendment, which is set aside right now. As I look at it, the difference between this package and what we voted on yesterday, the Cochran amendment, is $400 million for crop insurance premium reductions and $400 million for disaster payments for 1999 crop losses. Is that correct?

Mr. ROBERTS. That is correct. That is not all of the differences, but the Senator has accurately described two of the differences.

Mr. HARKIN. Well, I have looked at other things in the bill and I can't find any differences other than that.

Mr. ROBERTS. If the Senator will yield, what we tried to do with the approach, rather than specifically mentioning some of the crops that have been in controversy on the floor from time to time—and I am talking about sugar and peanuts and tobacco—we have simply provided a fund for the Secretary of $300 million for specialty crops and others not specifically mentioned elsewhere in the amendment.

In talking to Secretary Glickman as of this morning and going over specified funding for these crops, which may or may not need assistance in regard to weather problems or lost income problems, he indicated he would rather have that at his discretion. After all, it is the USDA, in the end result, that would be able to determine at the end of the crop years, after harvest, specifically what the situation is.

When I mention specific numbers for these particular programs, I am not going to indicate that the Secretary is endorsing this bill in total by any means, but I think his preference would be that he would have the discretion to address these as needed, as opposed to saying we are getting X number of dollars for this particular program. Then we get into a bidding war, and the Senator knows that is what has happened in the past.

Mr. HARKIN. Again, I ask the Senator, there was, if I am not mistaken, in the Cochran amendment $300 million for specialty crops; is that right? I thought that was in the Cochran amendment.

Mr. ROBERTS. If the Senator will yield, I don't have a copy of the Cochran amendment with me. In our original amendment it was $200 million. We increased that to $300 million. The Senator may be correct.

Mr. HARKIN. I am told it was $50 million in the Cochran.

Mr. ROBERTS. That is correct. I thank the Senator for reminding me.

Mr. HARKIN. The other point—and, again, I ask the Senator; maybe he

can't figure it out now, but maybe his staff can pencil it out—as I look at the bill, you have reduced the livestock and dairy portion of the Cochran amendment from $325 million to $250 million.

Mr. ROBERTS. If the Senator has those figures, I am sure that is correct.

Mr. HARKIN. I am just looking, and it is hard to discern things sometimes in these bills. I am told by my staff the total amount of funds for livestock is reduced from $325 million to about $250 million. If I am wrong, correct me.

Mr. ROBERTS. I now have staff here; I now have my brains on the floor, so I am happy to respond.

Mr. HARKIN. In examining this amendment now before us, the difference is about $800 million, give or take a little bit. So while the package yesterday was about 6.9, this raises it to about 7.7, if I am not mistaken.

My opinion on this, Mr. President, is that while we are making some movements here, I think things are working right.

I yield again to my friend from Kansas.

Mr. ROBERTS. Mr. President, it is my understanding that the Cochran amendment had—I apologize to my friend and colleague because I don't have the specifics of the Cochran amendment here, and I should. Staff has informed me that there was $350 million for livestock payments at the discretion of the Secretary, and we provided $250 million. I am making an assumption, but most of the problems we are experiencing now are in the Senator's area in regard to hog producers.

In talking with Secretary Glickman today, I don't think we can make a determination yet as to where most of that money would go—the extra $100 million, if in fact we can call it extra. Well, it goes from $350 million to $250 million. It went to crop insurance, and it went to adding $100 million more on the disaster side. It was a matter of priorities.

Mr. HARKIN. I thank the Senator for clarifying that.

Again, I make the point that I think we do see some movement. I am still hopeful we can reach a decent compromise on these packages. I believe that is accomplishable. I think we can accomplish that.

I might just say that I think the $400 million in disaster payments for this year, I say to my friend from Kansas, is still inadequate, too low. From all of the indications we get from disasters up and down the east coast, in the Mid-Atlantic States, plus some of the disaster we have had out in North Dakota and other places, and flooding, as we have had in my State of Iowa, $400 million is simply not going to be enough to handle the disasters this year. I think we need to work a little bit more on that in terms of disaster payments for this year.

The $400 million you put in for the crop insurance, I applaud. We had that in our bill. I think that is a good measure. I am a little concerned about the payments for oilseeds. Here is where we get into the policy issue on the AMTA payments and LDP.

Mr. ROBERTS. May I ask a question of the Senator? Would he yield for a question?

Mr. HARKIN. I think I am probably running out of time.

Mr. ROBERTS. I will make it brief. We have $400 million for the disaster program. That is a commitment to agriculture to know that the Secretary can begin to work on the problem in the Atlantic States. That doesn't mean if down the road we have continued droughts—it is the worst in a hundred years in the Atlantic region—that we will not be committed to doing what we have to do. But to do it here, we have no way of knowing what that crop damage will be. So I urge the Senator to say here is $400 million in regard to all of the problems we are experiencing in terms of national disasters, and it doesn't mean that down the road that could not be addressed; we just don't know at this particular time. I don't think it would be responsible to add a whole bunch more money when we don't even know.

I thank the Senator for yielding.

Mr. HARKIN. I appreciate that. We can work on that. The Senator may not be wrong on that. That may be closer to what we probably should be doing. There are other things in that disaster part I tell the Senator to look at. We did not completely fill the needs of last year's disaster. I think the Senator from North Dakota can talk about that. We had about $300 million in our bill just to meet the disaster needs of last year that were not fully paid for. So I ask you to look at that. You may be right on not anticipating or knowing exactly where the Mid-Atlantic States are right now. But there are other things we had in our disaster bill that we do know about and that do need to be addressed.

Lastly, I want to say again, on the payments to oilseeds, which is in the Senator's bill, which is about $500 million, this really gets to the heart of whether we should have all AMTA payments or some mix of that and LDPs. Under AMTA payments, of course, you don't get any payments for soybeans. Under LDP, you do. Under the proposal we had, which our side offered yesterday, under LDP, we estimated there would be about $1 billion that would go to soybean producers for their losses this year. Under the amendment offered by the Senator from Kansas, there is $500 million in payments to all oilseeds, including soybeans. So we had not only $1 billion in the LDP, we had about $1 billion in purchases. So the $500 million is about a fourth of what we estimated the need would be for oilseeds.

That is why I still hope we can reach some compromise on having a blend of AMTA payments and LDP payments, because I think LDP payments would more adequately respond to the needs of oilseeds than would a $500 million payment.

Other than that, as I said, I think there is some good progress here, and I think there is some basis for reaching some kind of compromise agreement before the Sun sets today.

I yield the floor.

The PRESIDING OFFICER (Mr. HUTCHINSON). Who yields time?

Mr. CONRAD. Mr. President, I yield time off the Democratic side.

The PRESIDING OFFICER. The Senator from North Dakota is recognized.

Mr. CONRAD. Mr. President, we are making progress. I can feel the concrete breaking. I don't think we are quite there yet because at this point this is not a bipartisan proposal before us. There has not really been a negotiation between the two sides. There has been a negotiation on the other side.

There are a number of things I believe are deficient in terms of the proposal that is before us. We do not keep the promise of the disaster package of last year. We devised a formula. We didn't fully fund it. The result was that people got 85 percent of what was promised.

No. 2, there is not sufficient money for the crop losses that are occurring now. Some say, well, we don't know the full amount. That is true. But I can tell you that we know enough to know that $400 million is not going to solve the problem. In my State alone, we know the flooded land losses. We absolutely know what has occurred there. Three million acres have not even been planted and millions more planted late.

In the Democratic alternative, we have $250 million for flooded lands. I don't see anything specifically set aside in this proposal—not $1 is set aside—specifically to address the problem of flooded lands. That is just not acceptable. Partly because of the way this came about, I suppose it is the result.

We have not had a true discussion. We basically had the other side saying this is it, take it or leave it. On that basis, we don't have much choice but to leave it because it does not address the needs of the people we represent.

I say that as a preface to the remarks that are more positive; that is, there are some very good parts of the proposal the Senator has advanced, the chief being the crop insurance of $400 million. That goes in exactly the right direction.

The PRESIDING OFFICER. All time of the opponents has expired.

Mr. COCHRAN. Mr. President, may I inquire how much time is available?

The PRESIDING OFFICER. The Senator has 4 minutes remaining

The Senator from Kansas.

Mr. ROBERTS. Mr. President, I yield 1 minute to the distinguished Senator from Montana, Mr. BURNS, who has worked very hard on this proposal.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BURNS. Mr. President, I thank my friend from Kansas. I will be very brief.

I do not know of any piece of legislation that has ever been proposed having to do with agriculture that has been perfect. If there is one place where it is hard to find a one size fits all, it is in this business of agriculture because we are diverse in climate, in growing conditions, in crops, and everything else. It is pretty tough to find that perfect bill.

What we have sought is balance. On balance, I think this addresses the needs as we think they are now, and also it is a step towards what we think it will be at the end of the crop year. I think it is very important that the commitment to agriculture is here. Without changing programs, putting cash on the farm as fast as we possibly can is in this piece of legislation.

Let's take it for what it is. Sure, we can sit and pick it apart. Yes, we would like to see some things changed for Montana that won't fit the things in Mississippi. But I think what we have is balance.

With the leadership of Senator ROBERTS and Senator CRAIG, and a lot of us who have worked very hard on this for a long time, knowing the prospects in front of us, I thank them for their leadership.

I yield the floor.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. ROBERTS. Mr. President, I yield 1 additional minute to the distinguished Senator from Idaho, Mr. CRAIG, who has also worked extremely hard on this compromise.

The PRESIDING OFFICER. The Senator from Idaho.

Mr. CRAIG. Mr. President, in the course of the last 2 days, we have attempted to understand and define the situation in agriculture. The chairman of the Agriculture Appropriations Subcommittee yesterday did an excellent job of crafting a package that goes to the heart of the problem.

Yesterday, I had hoped we could include crop insurance in it so we could keep that management tool alive, shaping it so that it becomes more usable to farmers, so that we are not here again after a disaster occurs trying to define that disaster. As we have heard in conversation this morning, it is nearly impossible to define at this time.

This particular amendment offers $400 million to maintain the 1999 level for crop insurance premium write-downs. It also deals with speciality crops in a way that I think is very important in understanding farming diversity. At the same time, it still strikes that balance in working to limit well beyond what those on the other side had offered, and I support it.

The PRESIDING OFFICER. The Senator from Mississippi.

Mr. COCHRAN. Mr. President, I move to table the amendment and ask for the yeas and nays.

Mr. ROBERTS. Mr. President, can I ask the distinguished Senator, if I could finish up my time?

Mr. COCHRAN. I thought the chair had announced that all time had expired.

The PRESIDING OFFICER. The time of the Senator from Idaho has expired.

Mr. COCHRAN. I apologize to the distinguished Senator.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. ROBERTS. I may go step 1 instead of step 2.

Mr. President, on the definition of ''bipartisan,'' bipartisan is where you accept our view and not your view, and different Senators can define that depending on their strong opinion.

Let me point out that when this started, the amount of funding was somewhere between $4 billion and $5 billion, and many thought that was too much. It is now $7.5 billion. If that isn't compromise, and some would think in the wrong direction, I don't know what compromise is.

Let me point out that Senators came to me from both sides of the aisle. This has not been exclusively a Republican initiative by any means. They worried that too many of these programs were not specified, and they had a lot of problems with those individual programs.

Let me point out that when I met with my good friends and colleagues in that Cloakroom and discussed this issue for about 20 minutes, if that isn't bipartisan, colleagues, I must have been in the wrong Cloakroom.

Now we are into a discussion as to whether or not there is enough disaster assistance when the Secretary of Agriculture indicated that $400 million was at least a first step for him to take a look at it. Then we are into these acronyms of LDP and AMTA. That is why people's eyes glaze over when we have any debate on farm program policy. We ought to give the money out. Under AMTA, you get it in 10 days. Under LDP, it takes months. We are arguing about acronyms and we are arguing about numbers.

Let's get the assistance to farmers and end this debate and don't change the farm program policy.

I yield the floor.

Mr. COCHRAN. Mr. President, has all time been yielded or used?

The PRESIDING OFFICER. All time has expired.

Mr. COCHRAN. Mr. President, I move to table the amendment, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to table amendment No. 1509. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The legislative assistant called the roll.

Mr. NICKLES. I announce that the Senator from Florida (Mr. MACK) is necessarily absent.

The result was announced—yeas 66, nays 33, as follows:

[Rollcall Vote No. 253 Leg.]

YEAS—66

Akaka	Feingold	Lincoln
Baucus	Feinstein	Lott
Bayh	Frist	Lugar
Biden	Graham	McConnell
Bingaman	Gramm	Mikulski
Bond	Gregg	Moynihan
Boxer	Harkin	Murray
Breaux	Helms	Reed
Bryan	Hollings	Reid
Bunning	Hutchison	Robb
Byrd	Inouye	Rockefeller
Chafee	Jeffords	Sarbanes
Cleland	Johnson	Schumer
Cochran	Kennedy	Sessions
Conrad	Kerrey	Shelby
Coverdell	Kerry	Thompson
Daschle	Kohl	Thurmond
Dodd	Landrieu	Torricelli
Domenici	Lautenberg	Voinovich
Dorgan	Leahy	Warner
Durbin	Levin	Wellstone
Edwards	Lieberman	Wyden

NAYS—33

Abraham	Enzi	Murkowski
Allard	Fitzgerald	Nickles
Ashcroft	Gorton	Roberts
Bennett	Grams	Roth
Brownback	Grassley	Santorum
Burns	Hagel	Smith (NH)
Campbell	Hatch	Smith (OR)
Collins	Hutchinson	Snowe
Craig	Inhofe	Specter
Crapo	Kyl	Stevens
DeWine	McCain	Thomas

NOT VOTING—1

Mack

The motion was agreed to.

Mr. COCHRAN. Mr. President, I move to reconsider the vote.

Mr. CRAIG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. COCHRAN. Mr. President, as I understand it, the order is the Senator from Arizona will offer an amendment at this point. My purpose for rising is to confirm that and also to ask if we can get an agreement to limit time for debate on the McCain amendment.

The PRESIDING OFFICER. The Senator is correct, that is the order.

The Senator from Arizona.

AMENDMENT NO. 1510 TO AMENDMENT NO. 1499

(Purpose: To prohibit the use of appropriated funds for the sugar program, other than the marketing assessment)

Mr. McCAIN. Mr. President, I have an amendment at the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Arizona [Mr. MCCAIN], for himself and Mr. GREGG, proposes an amendment numbered 1510.

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

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

The amendment is as follows:

At the appropriate place, insert the following:

SEC. 7 . SUGAR PROGRAM.

(a) IN GENERAL.—None of the funds appropriated or otherwise made available by this Act may be used to pay the salaries and expenses of personnel of the Department of Agriculture to carry out section 156 of the Agricultural Market Transition Act (7 U.S.C. 7272), other than subsection (f).

(b) MARKETING ASSESSMENT.—Notwithstanding any other provision of this Act, funds appropriated or otherwise made available by this Act or any other Act shall be used to pay the salaries and expenses of personnel of the Department of Agriculture to carry out and enforce section 156(f) of the Agricultural Market Transition Act (7 U.S.C. 7272(f) through fiscal year 2001.

Mr. MCCAIN. Mr. President, if it is agreeable with the distinguished managers on both sides, I offer a unanimous consent agreement for 1 hour equally divided, 30 minutes on either side.

Mr. SPECTER. Mr. President, reserving the right to object.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SPECTER. I ask unanimous consent that following the disposition of the MCCAIN amendment, I be recognized to offer an amendment on dairy compacts.

The PRESIDING OFFICER. Is there objection?

Mr. LOTT addressed the Chair.

The PRESIDING OFFICER. The majority leader.

Mr. LOTT. Reserving the right to object, I was not able to hear what the Senator from Pennsylvania was suggesting. Will the Senator repeat the request?

Mr. SPECTER. Mr. President, if I may respond to the distinguished majority leader, I have been trying to get this amendment up. In order to get it sequenced, I have asked unanimous consent to bring up an amendment on dairy compacts. A number of Senators intend to discuss it briefly and not to press it to a vote because it is legislation on an appropriations bill, but we think it important to consider the matter so it may be taken up in conference.

Mr. LOTT. I withdraw my reservation.

Mr. FEINGOLD. Mr. President, I object.

The PRESIDING OFFICER. Objection is heard.

Is there objection to the request of the Senator from Arizona regarding time? Is there objection?

Mr. CRAIG. Mr. President, reserving the right to object, did we agree to an hour equally divided?

The PRESIDING OFFICER. Is there objection?

Mr. SCHUMER. Mr. President, reserving the right to object, and I will not, I want to let my colleague, the Senator from Wisconsin, know that I have been working with Senator SPECTER on this issue.

Mr. MCCAIN. Mr. President, I ask for the regular order.

The PRESIDING OFFICER. Regular order.

Is there objection to the unanimous consent request?

Without objection, it is so ordered.

Mr. MCCAIN. I ask to be recognized for as much time as I may use.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. MCCAIN. Mr. President, I have offered this amendment for myself, Senator GREGG—I am sure Senator FEINSTEIN—that will prohibit the Agriculture Department from using Federal funding for administering the various and sundry programs that benefit the sugar industry. This amendment is carefully tailored by just cutting off funds so that it is not in violation of rule XVI.

The amendment is to send a strong signal to my colleagues that it is time to end the heavily subsidized sugar program. The Federal Government is burdened with an unnecessary and unprofitable loan program for big sugar producers and enforcing mandated import quotas on foreign sugar.

The sugar program has long since outlived its purpose. It was originally enacted in the Depression era to aid our flailing economy. As our economy resurged, the need for sugar subsidies diminished. Congress recognized this by eliminating the program in 1974, but proponents of the sugar program were able to resurrect it in 1981 proving again that in this city nothing is ever effectively killed if it is subsidized to special interests. Efforts were made to abolish the program once again in the 1996 farm bill, but defenders of the sugar program kept it alive and even extended it.

The sugar program is a system of Federally-subsidized loans, import restrictions and protective price supports that equates to little more than corporate welfare. The present program restricts foreign competition and ensures a high domestic price for sugar far in excess of world prices. The Agriculture Department also guarantees loans for sugar processors and producers that may not be fully repaid in dollars back to the Government. The current law allows loan borrowers to pledge sugar as collateral to satisfy repayment obligations.

Several independent reviews of the sugar program have demonstrated that the biggest economic burden of this program falls on the American taxpayers. The Heritage Foundation stated that ''the sugar program is big government and corporate welfare at its worst.'' Given the big government and corporate welfare we have in this town, that is a pretty impressive statement. The Coalition for Sugar Reform, counting among its members such groups as the National Audubon Society and Citizens Against Government Waste, and others, has touted this program as burdensome and unfair to the consumer. These groups are leaders in advocating for reform and eventual elimination of this costly subsidy.

The continuing existence of the sugar program has resulted in U.S. consumers paying three times the current world price for sugar and sugar-contained products. The General Accounting Office estimates that sugar price supports force American consumers to pay $1.4 billion every year in artificially inflated sugar prices. Mandatory price quotas keep the price of American-grown sugar at roughly 22 cents a pound compared to 6 cents a pound for sugar grown in other parts of the world.

This is truly outrageous. Defenders of the sugar program support these inflated consumer prices by claiming that the sugar program is critical to the viability of our domestic sugar industry. Reports have shown that we are hurting our viability as a domestic sugar industry by continuing this program because America's farmers cannot compete with foreign markets and are forced to close sugar refineries. Since this program has been in effect, 12 of the 22 U.S. sugar refineries have been forced to close, eliminating thousands of jobs.

In the February 1998 Reader's Digest, there is a story about the Nation's largest candy-cane manufacturer opening a plant in Jamaica in order to stay competitive with foreign companies. Sugar prices in Jamaica are as much as 50 percent cheaper than in the U.S.

Yet, the sugar program continues to reap benefits for a small sector of the sugar economy. Only by political clout has this corporate welfare program survived.

A close examination of this program reveals that its true benefits are only realized by big sugar tycoons. Less than one percent of the Nation's sugar growers gobble up 58 percent of the program benefits. These are not small family farmers. In a recent year, 33 cane sugar growers obtained more than $1 million each from this Government boondoggle. In fact, one grower received $65 million.

The average consumer is not aware that food products, like candy, cereal or ice cream, are subject to a higher price dictated by the Federal Government—and it is a price that is likely to be twice as high because of sugar price supports. Not too many average grocery shoppers realize they are paying

at least 10 cents more per pound of sugar because of these costly sugar mandates.

We cannot ask American consumers to continue to pay more for sugar than the rest of the world. This richly sweet program for big sugar producers has a sour aftertaste for average citizens and our Nation's economy.

What I am proposing, because of rule XVI, is simply a one-year halt to the sugar program. The American consumers would be held harmless for one year to give us time to undertake a long overdue debate on legislation to reform and phase out the sugar program.

This amendment retains the sugar industry's responsibility to pay a miniscule assessment on domestic sugar, although I would be glad to eliminate that. I do not think that is a very important aspect of this amendment. With all the benefits received by the sugar industry, this relatively small assessment is supposed to be the sugar industry's sole contribution to reducing annual budget deficits. Last year, this assessment generated $37.8 million in revenues. With all that the Federal Government and the American consumers have spent over the years to support this inflated sugar program, this modest return of revenues to the treasury is certainly warranted, although I would be glad to eliminate it.

I believe we should end the subsidies to the sugar industry and eliminate the sugar program that is unfair to consumers. I urge my colleagues to support this amendment and bring fairness back to our American consumers.

Mr. President, in the New York Times of Monday, July 14, 1997, they talked about:

> . . . $1.5 billion a year from consumers to a handful of large sugar growers. Almost half of the benefits from the sugar program go to little more than 1 percent of growers. . . .
>
> There is a second, powerful reason to eliminate sugar subsidies. They breed excessive production of sugar cane in environmentally sensitive areas. In the Florida Everglades, about a half-million acres of wetlands have been converted to sugar cane production. Excessive sugar cane production has interrupted water flows and contaminated the Everglades with polluted agricultural run-off.

When I argue for campaign finance reform, I refer to a well-known family in Florida that has realized the American dream, the Fanjul brothers. Alfonso Fanjul is the chairman and chief executive officer of Flo-Sun, a prominent Democrat who cochaired President Clinton's 1992 Florida campaign.

Jose ''Pepe'' Fanjul, is a prominent Republican who served on the campaign finance committee of 1996 GOP Presidential candidate Bob Dole. He also is vice chairman of the National Republican Party's finance committee.

They are major—major—givers of soft money, major contributors.

I will include in the RECORD that during the 1995–1996 election cycle, members of the Fanjul family contributed $774,500 to Federal campaigns. It is an excellent investment. In return, a grateful Congress maintains a sugar price support program worth approximately $65 million annually to the Fanjuls.

That is a pretty good investment; and they are getting a great return on it.

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

Mr. GREGG. Will the Senator yield?

Mr. McCAIN. Mr. President, I think we have to go back and forth.

Mr. CRAIG. Mr. President, I am willing to accommodate the Senator from New Hampshire. I understand he has a time conflict.

Mr. McCAIN. I yield 10 minutes to the Senator.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. GREGG. I thank the Chair.

I thank the Senator from Arizona and appreciate the opportunity to join him on this amendment which is one of those amendments that comes to the floor of the Senate supported by logic, common sense, and good economics, but is opposed, regrettably, by the forces who wish to take advantage of the farm program for the purposes of promoting a product in a noncompetitive, nonmarket-type process.

The Senator from Arizona has outlined some of the harm that is done by the President's sugar program. Most of that harm is directed at the American consumer who ends up paying $1.4 billion in taxes for all intents and purposes because it is a fee, a cost of sugar, they now incur which exceeds the market price of sugar they end up paying—a $1.4 billion surcharge on the American consumer in order to keep in place a sugar industry which is totally noncompetitive.

If you were to describe the sugar industry, you would think you were describing the Cuban sugar industry, not the American sugar industry. The sugar industry sets the price. The price is at least twice the cost of sugar on the world market. And then essentially it guarantees that the sugar grower and the processors will be able to realize that price.

Who pays the burden? The consumer. They end up paying twice as much for sugar as sugar is worth on the open market. What does that describe? That describes a nonmarket system of selling a product. That describes essentially a socialist system of selling a product. That describes a system that might have worked in Eastern Europe 15 years ago or might have been used in Eastern Europe 15 years ago—it obviously didn't work—or a system which may still be in place today in Cuba. But it certainly doesn't describe a system one would expect the United States, the force for a free market economy in the world, would be putting forward for the purposes of producing a commodity such as sugar. The effect, however, goes well beyond the fact that consumers in America are paying this $1.4 billion in extra cost, which is essentially a tax on them.

This sugar program stifles competition. Seventeen growers get 38 percent of the benefit of this program, 17 growers. Why is that? Because there isn't any competition in the system. It discourages international trade. We look at our Caribbean neighbors and we say: How can we help you? Then we essentially invade Haiti and spend literally hundreds of millions, if not billions of dollars to try to stabilize that economy to no avail, where at the same time we are saying to Haiti and all the other Caribbean nations who are capable of producing sugar, no, we are not going to purchase your sugar because we are going to subsidize our sugar, and we are going to essentially close you out of our markets.

It harms the environment. As has been pointed out by the Senator from Arizona, the sugar cane growing in Florida has had a serious impact on the quality of the environment of the Everglades, a key area of natural regeneration in the southern Florida area.

It affects jobs. Why does it affect jobs? Because if you don't have a competitive industry, you don't have a marketplace approach, you are essentially putting in a straitjacket the production capabilities of the American economy.

Why is America the most productive country in the world? Because we are the most free market country in the world. That free market creates jobs. People have the opportunity to compete. People have the opportunity to grow their industries. In the sugar industry, we have no competition because we have a process which is essentially a socialized system, and it requires unnecessary government involvement in the production of a commodity.

Why should the American people have to depend on the Federal Government to price the product of sugar? It makes absolutely no sense. Why shouldn't the marketplace price the product of sugar? That is what we do with everything else. If you go out and you buy a Ford car, the Federal Government doesn't say to Ford: It doesn't matter how many cars you sell or who you sell them to, we are going to pay you $20,000 per car; and if you only sell the cars for $17,000, it doesn't matter because we are going to pay you $20,000 anyway.

We don't say it to Apple Computer. We don't say it to Microsoft. We don't say it to the housing industry. But we do say it to the sugar producers in this country. It doesn't matter how much sugar you produce; it doesn't matter if your production costs are twice what they may be in the world market; it

doesn't matter. We are going to set the price. We are going to pay you the price and the price is going to have no relation to demand. It is going to have no relation to competition. The only thing it is going to have a relation to is the amount of revenue that is going to fall into the pockets of a very small number of growers in this country today who benefit from this program.

It is interesting, as we look at the farm programs in this country, there is only sugar left that has this sort of a protection. It is able to accomplish this because it has diffused the issue of the maintenance of this outrageous subsidy across the entire American consumer base. Rather than having it flow directly out of the American Treasury into the growers' pockets, this program has been structured so that it flows directly out of the consumer into the growers' pockets. Because of that, there has been a winking at this program; this program has sort of slipped through the cracks, where the rest of the farm commodities in this country have been forced to have some relationship, under Freedom to Farm, of having their product production tied to the product demand. Sugar has not been subjected to that test at all.

So we have a program that should never have been put in place in the first instance because it is so atypical to a marketplace economy. But clearly, with the passing of Eastern Europe and the concept of a socialized marketplace, it clearly should not be surviving today, yet it does survive.

I think the Senator from Arizona may have touched the reason. It is political influence. It is the capacity of the grower community to assert its influence within the legislative process. But it still is not fair, and it is not right. It is not appropriate to ask the American consumer to spend $1.4 billion of their hard-earned money on a commodity simply to benefit a small group of growers—17 growers getting 38 percent of the benefit.

That $1.4 billion could go a long way towards educating children, towards getting better child care, towards improving the lifestyle, the health care, even the nutrition of the people who are paying that price. Yet that money is not going to go to those purposes. Instead, that money is going to flow simply to support an industry which has totally separated itself from the free market.

I strongly endorse this amendment. I have offered it in the past myself. I hope this time the Congress will step up and recognize that it should vote on behalf of the consumers and abolish this outrageous tax and put to rest this last vestige of Eastern European economics in the United States.

Mr. President, I reserve the remainder of my time to the Senator from Arizona.

The PRESIDING OFFICER (Mr. BURNS). Who yields time?

Mr. CRAIG. Mr. President, I yield myself 3 minutes.

The PRESIDING OFFICER. The Senator is recognized for 3 minutes.

Mr. CRAIG. Mr. President, I would like to tell the Senators from New Hampshire and Arizona that this is a sweet deal, but I can't say that because they are obviously deadly serious and, in my opinion, are dramatically misrepresenting a program that has not slipped through the cracks at all. It was negotiated and put in the 1996 farm bill to benefit hundreds of growers in my State and in other States across the Nation. It is to develop a program that doesn't cost the taxpayers of this country one dime.

For the Senator from New Hampshire to say that a consumer goes to the marketplace and buys a candy bar, and therefore is paying a government tax is false on its face and false by its fact. They are paying what the candy bar company retails the product for.

Let me repeat for the record and for all listening, sugar farmers, cane or beet sugar raisers, in this country do not receive one Government payment. There is no subsidy involved. Instead, there are loan programs they can use for marketing purposes, and they pay them back with current interest rates. The Senator from Arizona knows that. That is the way the program works. He is striking that out, but he is leaving the assessment in place. So he is saying: You can't have a relationship to your Government where we are going to tax you if you raise or produce sugar in this country.

USDA estimates the sugar program saves taxpayers $500 to $700 million per year in deficiency payments on corn farmers and others who are paying an added 25 cents for the value of that product. These are the facts with which we are dealing. Governments of all sugar-producing countries have directly intervened in their production and have dramatically subsidized that production, driving down prices in the world market. Those are the facts that our growers deal with on an annual basis. American workers in 42 States benefit from the sugar policy. The sweetener industry has a positive annual impact of about $26.6 billion in the U.S. economy, and they add about 420,000 jobs to that economy.

Here is the strange fact: You are being told sugar producers are making lots of money and the consumer is paying for it.

When we passed this new farm program in 1996, from that time forward, the price of cane sugar has dropped about 5 percent to the producer. The cost of beet sugar has dropped about 13 percent.

Now, it is interesting that sugar products have gone up 20 to 30 percent, so the consumer is paying more, but the producer is getting less under this program. So when you have a Senator standing on the floor saying the producer is making out like a bandit, well, if a 13-percent reduction in beet costs and a 5-percent reduction in cane is real—and it is—who is making out like a bandit? I guess it is the retailer or manufacturer that has nothing to do with this. It is the marketplace at work.

Mrs. FEINSTEIN addressed the Chair.

The PRESIDING OFFICER. The Senator from California is recognized.

Mrs. FEINSTEIN. Mr. President, I yield myself 10 minutes.

I rise in support of the McCain amendment. I first got involved in the sugar program when the last remaining West Coast sugar refinery came into my office to essentially say they were in the process of being put out of business by this program because they could not buy enough sugar on the world market to refine it. That refinery is C&H Sugar. I found that the sugar program is little more than a system of import restrictions, subsidized loans, and price supports that benefit a limited number of sugar growers.

Recently, Congressman GEORGE MILLER and I asked the GAO to take a look at the sugar program. A week ago, they put out this report entitled ''Sugar Program: Changing the Method For Setting Import Quotas Could Reduce Costs to Users.'' In short, the GAO found that the USDA's policy has allowed too little sugar to be imported into the country. This has increased costs to consumers and restricted our domestic refineries' access to sufficient quantities of sugar.

The GAO found:

> USDA has continued to target the same stocks-to-use ratios for determining annual tariff-rate quotas, despite the fact that the resulting quotas have maintained domestic market prices that are 2 or more cents higher than necessary for avoiding loan forfeitures. This imposes unnecessary costs on U.S. sugar users—about $400 million annually.

They also found that:

> USTR's current process for allocating the sugar tariff-rate quota does not ensure that all sugar allowed under the quota reaches the United States market.

This finding is particularly troubling to me. By limiting the amount of raw cane sugar available for production, 40 percent of the jobs in the sugarcane refining industry have been lost in this country. Since 1982, 9 out of 21 cane sugar refineries in the United States have been forced out of business by this program. Those that have remained open are struggling to survive under onerous import restrictions.

I first became involved in this issue in 1994 when David Koncelik, the president and CEO of the California and Hawaiian Sugar Company, informed me his refinery was forced to temporarily close because it had no sugar. This 93-year-old refinery is the Nation's largest, and the only such facility on the

West Coast. C&H refines about 15 percent of the total cane sugar consumed in the United States.

C&H requires in excess of 700,000 tons of raw cane sugar to meet its sales demand. Hawaii is C&H's sole source for its domestic raw cane sugar needs. But Hawaii's cane sugar industry has been in decline for over 10 years. This has meant that C&H is forced to cover over half of its annual consumption through imports from other countries.

The highly restrictive sugar import system forces C&H to pay an inflated price for raw sugar from both domestic and foreign suppliers. This is just plain wrong. Even more devastating, however, the quota system limits the amount of sugar available to the refinery. Simply put, C&H has been unable to get enough sugar to refine, and it has been forced to close its doors on several occasions. This is as a result of the sugar program.

In a letter to me, Mr. Koncelik notes:

> The C&H Sugar refinery in Crockett, California, was forced to close from November 8 to November 15 because it ran out of raw sugar. This closing is extremely costly. Other competitor refineries, Savannah and Domino, have had similar experiences. The Government-imposed shortage is forcing up the market price for raw sugar to levels that are bankrupting refiners.

Mr. President, I ask unanimous consent that this letter be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

> DEAR SENATOR FEINSTEIN: The USDA is unnecessarily disrupting operations and injuring the nation's cane sugar refining industry by failing to increase the annual sugar import quota to adequate levels.
>
> The C&H Sugar refinery in Crockett, California was forced to close from November 8 to November 15 because it ran out of raw sugar. This closing is extremely costly. Other competitor refineries, Savannah and Domino, have had similar experiences.
>
> The Government-imposed shortage is forcing up the market price for raw sugar to levels that are bankrupting refiners. The tight import quota is keeping the price of raw sugar well above the Government support level, and well above the level at which Government loan forfeitures might occur. The increase in the cost of raw sugar since 1994 has cost the refining industry in excess of $80 million.
>
> The structure of the market is such that refiners cannot cover these increase costs in the refined sugar market. As a result, C&H and all other refiners are losing money, and some have for three years.
>
> In addition, the deplorable condition of the refining industry has triggered justifiable concern within the food processing industry over the sugar supply. In the absence of a viable refining industry, which accounts for over 50 percent of refined sugar sold in the United States, the specter of temporary food plant closing is real and not imagined.
>
> There is an urgent need for an immediate and, this time, meaningful increase in the sugar import quota. I would appreciate it if you would discuss this matter with Secretary Glickman and Ambassador Kantor.
>
> Sincerely,
>
> DAVID KONCELIK,
> *President and CEO.*

Mrs. FEINSTEIN. The reduced production capacity has resulted in a severe downsizing of the workforce at this refinery. As recently as 1987, C&H employed over 1,400 people. These are not minimum wage jobs we are talking about; the average employee in the cane refining industry earns about $43,000 a year. In 1995, C&H had to eliminate 30 percent of its workforce just to remain viable under the quota system mandated by the sugar program.

C&H now employs just over 500 people. These jobs and many others around the Nation are at risk if reforms are not made to the sugar program.

In addition to choking off the refineries' access to sugar, the U.S. sugar policy also has had an adverse impact on consumers. An earlier report by the GAO found that the program costs sugar users an average $1.4 billion annually, as has been mentioned. That equates to $3.8 million a day in hidden sugar taxes.

The report found that:

> Although the sugar program is considered a no-net-cost program because the Government does not make payments directly to producers, it places the cost of the price supports on sweetener users—consumers and manufacturers of sweetener-containing products—who pay higher sugar and sweetener prices.

What this means is that, unlike traditional subsidy programs, the funds don't come directly from the Treasury. Instead, the sugar program places the cost on consumers by restricting the supply of available sugar which causes higher domestic market prices. This is our Government program; it makes no sense.

On numerous occasions over the past 5 years, I have asked the administration to reform the sugar program. Simply increasing the amount of sugar available through the import program would provide immediate relief to C&H and all other domestic refineries. To date, no such permanent reform of the program has occurred. In the absence of these reforms, Congress must take stronger action.

Congress has had opportunities in the past to kill this program and we have not taken them. As a result, workers have lost jobs and consumers have lost money.

Regardless of what happens with this amendment, the effort to reform the sugar program is not going to end. Senators SCHUMER, CHAFEE, GREGG, MOYNIHAN, myself, and others have introduced legislation that would phase out the subsidy over the next several years.

If the administration refuses to work with us to make the program responsive to the needs of the domestic sugar refinery industry and to our consumers, we will have no choice but to push for passage of this bill.

I thank the Chair.

I yield the floor.

The PRESIDING OFFICER. The Senator from Idaho.

Mr. CRAIG. Mr. President, I yield the Senator from Louisiana 5 minutes.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. Mr. President, I thank the Senator for yielding time.

It is not unusual that we are doing the sugar amendment again. It seems that we do it about every 2 years. We have been doing it for probably the last 20 years.

It is interesting that this time we are doing it on a bill that is designed to help American agriculture, except that I think this amendment is being offered to try to eliminate an entire farm program for only one commodity. But this amendment is on a bill we are working on to try to help American agriculture. So I guess the only thing unusual is not that we are doing a sugar amendment but that we are doing it on a bill that is designed to help American farmers. And, of course, the amendment would do the exact opposite.

It is interesting that some of my colleagues said, well, the program only helps a couple of folks in south Florida when in truth the fact is that about 420,000 people earn their living every day either directly or indirectly because of the sugar industry.

The distinguished Senator from Hawaii knows its importance in the State of Hawaii. He has been involved not only with sugarcane-producing States but also sugar-beet-producing States. It is a program that has actually undergone a great deal of change and modification and improvement over the years.

In the last farm bill, which was in 1986, we made some serious changes in the sugar program. I think most people involved in it said: Look, we are going to try to make the program better than it has been, and we are trying to address some of the legitimate concerns but also trying to provide some protection for this very important American industry, to do it consistent with our international obligations. We have done that. Domestic production controls were eliminated. There is no limit on how much you can produce in beets or in sugar. You can do as much as the market will bear.

The guaranteed minimum price was eliminated. It is one of the few commodity crops that doesn't have a minimum guarantee of what the farmer is going to be receiving from the Government.

We had a special tax for deficit reduction in the last farm bill, which was increased by 25 percent.

This means sugar farmers were actually given an assessment to pay for the Federal deficit. Of course, now that the deficit is gone, it makes a great deal of sense to eliminate the assessment.

Minimum imports—talking about not getting enough sugar—in the last farm bill were increased by about 20 percent, a substantial increase over the previous years' pattern on the amount of

sugar being imported from about 41 countries that are greatly helped by the program.

Forfeiture of sugar crop penalties were imposed.

The point is that we made some serious changes to the program in order to improve it. So to come before the Senate, on a bill that is designed to help farmers, and offer an amendment to hurt farmers sort of seems inconsistent. But, well, what else is new?

The other point I would make is how many Members of Congress have letters from constituents complaining about the price of a candy bar?

How many of us have stacks and stacks of letters complaining about the price of a soft drink, or stacks of letters complaining about the price of a 5-pound bag of sugar in the supermarket?

They don't do that because it is not a price that is out of proportion to what it has been in the past. Because of the program, it has not spiked upward or crashed downward but has remained fairly stable so that people can predict what it is going to cost for a 5-pound bag of sugar.

It is interesting that the only real complaints about the price of sugar come from the large industrial users and not from consumers in America.

I remember my colleague, Senator CRAIG, was here back in the old days, I would say, when we first started these debates, and Senator INOUYE was there, of course. It was the soft drink manufacturers who complained about the price of sugar. It made them charge too much for their soft drinks because they had sugar in them. Then they eliminated the sugar, and the price of the soft drinks went up even more. The actual can of soft drink with no sugar was selling for more than the price of a can of soft drink with sugar. They said, well, the price of sugar is making us raise the price of the soft drink.

Then they went to sugar-free drinks, and they charged more for that than they did for the can with sugar in it. They actually increased the price of soft drinks about four times because it said the sugar price went up.

Guess what happened when the price of sugar went down? Did they reduce the price of a soft drink? Don't hold your breath. They did not. The price of soft drinks kept going up.

The only complaint we have about the sugar program to any extent outside the Chamber is from the professional lobbyists and the large industrial users which, for the most part, have changed over to the use of corn sweeteners and other things in the soft drink industry.

I suggest that what we have is a program that works better than most farm programs because it doesn't have any Federal tax subsidy being used to hurt the income for sugar farmers. We use it by trying to regulate foreign companies from dumping cheap subsidized sugar from other countries onto the U.S. market. Some would way that is pretty good. Why don't you let them do that because then the price of sugar would be much lower? The problem with that theory is if they knocked out all of the American beet farmers and sugar cane farmers, the price would be lower for a short period of time, but when they monopolize the market and again control the market, they certainly would have the ability to exercise a sugar cartel and charge whatever they wanted, and we couldn't compete.

In summary, we made great changes in 1996. The program is working. Consumers are not complaining. They have a stable price for a very important product.

Like we say back home in Louisiana, ''If it ain't broke, don't fix it.'' Not only is it ''ain't broke,'' but it works very well, and should be maintained.

The PRESIDING OFFICER. Who yields time?

Mr. CRAIG. Mr. President, I yield to the Senator from Hawaii 30 seconds.

The PRESIDING OFFICER. The Senator from Hawaii.

Mr. INOUYE. Mr. President, I wish to associate myself with the eloquence and wisdom of the statement of my friend from Louisiana.

Thank you very much.

Mr. CRAIG. Mr. President, I yield 3 minutes to the Senator from North Dakota.

The PRESIDING OFFICER. The Senator from North Dakota is recognized for 3 minutes.

Mr. CONRAD. Mr. President, it is kind of fun to have these debates. I look forward to a chance to once again talk about how the world sugar industry works.

The Senator from Arizona indicated that we are having to pay three times the world market price because of the sugar program. It is just not right. That isn't the case. It appears to be the case, but it is wrong. Here is the reason it is wrong.

The vast majority of sugar in the world doesn't sell on the world market. The vast majority of sugar in the world sells under contract. Those contract prices are much higher than the so-called world market price. The world market price is a dumping price. It is what happens when producers produce more than they contracted for. They take that excess and they dump it on the market and sell it at fire sale prices.

The world market price they talk about is, in fact, not a world market price. It does not represent what sugar sells for. It is totally misleading. As a result, you come to a wrong conclusion.

The truth is that the last time we took away the sugar program, what happened to the price of sugar? Did the price of sugar go down? Does anybody remember? The price of sugar shot up. My, what a surprise.

This sugar program is supposed to be producing higher prices. Yet when it was removed the last time, sugar prices did not go down; they went up. In fact, they went up dramatically.

It is because people do not understand how the sugar market works. This program in effect stabilizes prices.

Every country has a sugar program. In fact, every country that is a producer has a program. Our major competitors spend much more on theirs than we do on ours.

This program helps stabilize prices for consumers and for producers.

When sugar prices fall, do candy prices fall? Let's go back and look. Let's check the record. Interestingly enough, the last time we saw sugar prices fall we also saw candy prices go up. We saw cereal prices go up. The fact is there is almost no relationship between the price of sugar and the finished products that some are talking about. In fact, this program stabilizes prices for consumers and for producers.

Finally, on the question of who benefits, those who are producers clearly benefit from stabilization. I believe those who are consumers benefit from stabilization. In my State, we are not talking about a bunch of rich folks; we are talking about family farmers who are in deep trouble right now. If we take away this program, they will be in even deeper trouble.

The PRESIDING OFFICER. The Senator from Idaho.

Mr. CRAIG. Mr. President, I inquire the amount of time remaining.

The PRESIDING OFFICER. The Senator from Idaho has 18 minutes.

Mr. CRAIG. I yield 5 minutes to the Senator from Wyoming.

The PRESIDING OFFICER. The Senator from Wyoming is recognized for 5 minutes.

Mr. THOMAS. Mr. President, I want to endorse the comments of my associates who have spoken in the last few minutes. This is an interesting program. We have been through this before. We went through it in 1996. There were extensive changes made in the farm bill in 1996 that resulted in a number of changes. We have a program that has provided consumers with low, stable prices. It operates at no direct cost to the taxpayers. It helps reduce the Federal deficit and creates 420,000 jobs.

The Senator from California was talking about the closing of one plant. I am talking about growers, family farmers in Wyoming. I don't recognize the description by the Senator from Arizona of the people who are involved. That is not the way we do it.

A number of things have changed that I think are very important. It was mentioned, when we didn't have a sugar program, the average cost of raw sugar was up to nearly 70 cents. It is now somewhere in the neighborhood of 20. Sugar policy benefits consumers. In

developed countries, the average price is 60 cents; the highest is 92. The U.S. price is 41. We are 32 percent below the average consumer price for sugar.

It has been pointed out that at the same time raw sugar prices have gone down almost 6 percent, the cost of products such as cereal have gone up 18 percent; ice cream, 18 percent; candy, 20 percent; cookies and cakes, up 25 percent. That is not the reason the cost of goods has gone up.

Under the farm bill, there is no minimum price guarantee. They have no recourse loans other than when there is an exception to the imports. Sugar farmers receive no Government payment and have not since the 1970s. Indeed, they do pay a marketing assessment that goes to reduce the deficit, an unusual characteristic.

This business of the ''world price'' that has been discussed is clearly a dump price. The average production cost is 18 cents; the average world price is 9 cents. Figure out if that is really the market working. Of course it isn't. It is a dumped price.

The farm bill is not the time to discuss the sugar bill. It was extended in 1996 in the farm bill, to be reviewed again in the year 2002. The sugar industry is very happy to reduce the import quotas if the rest of the world does the same thing.

We are talking about small producers, not huge money conglomerates. I am a little offended at the idea that soft money is the reason that people support this program. This is a program that has served us well. The time when we are talking about strengthening agriculture is not the time to do this.

I urge my associates in the Senate to reject this amendment.

I yield back the remainder of my time.

Mr. CRAIG. I yield the Senator from Louisiana 2 minutes.

Ms. LANDRIEU. Mr. President, I rise to associate myself with the remarks of my senior Senator from Louisiana who has led this fight successfully for many years and who has crafted a program that is working not only for sugar growers in 40 States around the country, with over 400,000 jobs represented directly or indirectly, it is also actually working for the refineries and the consumer.

I am surprised that this amendment has come up, particularly at this time. I don't believe it is good to kick farmers while they are down. That is what this amendment does. The rural economies in our country are really struggling. Commodity prices from the west coast to the east coast, to Louisiana, up to the Dakotas, have been at historic lows. We are struggling to find the balance as to how our agricultural community can compete.

The sugar growers in Louisiana are highly efficient. We can compete with farmers all over the world, but we can't compete with foreign governments. That is what this whole issue is about. This sugar program is working for everyone. It costs the taxpayer nothing. It has actually been a revenue raiser since 1991. Now is simply not the time to kick the farmers when they are down.

I associate myself with the remarks of my senior colleague from Louisiana. I thank the manager for giving me and other Senators time to speak on this important issue, and I yield back the remainder of my time.

Mr. CRAIG. Mr. President, I thank the Senator from Louisiana for her very important and direct statements about this issue.

I yield 5 minutes to the Senator from North Dakota.

Mr. DORGAN. Mr. President, I am pleased to join my colleagues, Senator CRAIG, Senator BREAUX, and others on the floor, in opposing this amendment.

I find it interesting; whenever we talk about sugar, we talk about the ''world price,'' which doesn't have any relationship to anything of importance. The people who describe ''world price'' are people who go to a sidewalk sale in front of a store and pick up some odds or ends that somebody is trying to sell at 90 percent off list price and then say: Look what I bought this for; this is the price for that product.

No, it is not; it is a sidewalk sale.

The same is true with sugar. Most sugar is traded country to country by long-term contract. Very little sugar is moved on the open market. That which is represents an overhang and surplus and represents the dump price or the surplus price. Those are the facts.

Somehow there is a notion we should be the victims in this country as a group of producers; whatever the lowest common denominator is, we ought to ride the elevator to the bottom with everybody. Calling the price of sugar on the world market the world price is a misnomer. Most sugar is traded by contract, and it is traded in circumstances where at least you get back the cost of production and a decent profit.

This price they are talking about, don't be fooled by it. It doesn't mean anything. It is not related to the production of sugar in this country.

Now, who is producing sugar? I find it ironic that in the middle of this discussion about the farm crisis, in the middle of the discussion about the plight of families out there struggling to survive, when the Asian economy has collapsed, exports are down, and prices have collapsed, and in my State we have had the worst crop disease in 100 years, and my State had 3 million acres that could not be planted because it was too wet this spring, we are told there is one part of the farm program that ought to be dismantled.

At least this is a part of the farm program that works and has historically worked. It doesn't cost Federal money. It doesn't cost the taxpayer anything. It provides stability of sugar prices for the American consumer. It provides some modicum of stability for the producers.

Who are the producers? Family farmers. I was in a room with 1,000 of them in Fargo, ND. These are folks who work on that tractor in the winter, get it all ready, and then take all the risk to put the crop in, plant those beets, take the risk of the harvest, and take the risk through their cooperative. These are good people, and they are going through tough times. The last thing in the world we ought to do is pull the rug out from under those people who are producing our beets and cane and decide we should dismantle this program.

There is so much in the farm program that doesn't work, and I have been on the floor for days talking about it. Why go to the part of the farm program that has worked historically to help the producer and say, by the way, let's find something that does work and get rid of it? It doesn't make any sense at all.

Let me conclude by saying this is about family farmers as far as I am concerned. It is not about the theory of sugar production or a sugar program or a world price. It is about providing stability for consumers, yes but it is about providing stability of income for some families that are trying to make a living on the land in this country. It is not easy for them. This program is helping them without cost to the American taxpayer. This program has helped them without injury or cost to the American consumer.

This program is well conceived and well constructed, is contributing something, and is an asset to American family farmers in this country. The last thing in the world we should do, and the last time we ought to do it, would be to get rid of the sugar program at this point in this debate on the farm program. We ought to preserve the sugar program. We ought to fight for it and preserve it because it works. We ought to do that in the context in which we are working today, to help family farmers in other ways as well, with the disaster program, the response to the farm crisis, and perhaps a change in the underlying farm law at some point in the future.

But this is narrow. This is an amendment that says let's get rid of the sugar program. I was unaware of this amendment until an hour or so ago. I did not see any organization developing in the Congress or in the Senate to say let's have a discussion about this. This is a program that has worked so well. Then we have an amendment and then debate for an hour. I think that describes the difficulty.

Let us support the sugar program. Let us defeat this amendment. It is important for family farmers in this country to do so.

I yield the floor.

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

Mr. CRAIG. Mr. President, how much time remains on my side?

The PRESIDING OFFICER. The Senator from Idaho has 7 minutes.

Mr. CRAIG. Mr. President, let me yield to the distinguished Senator from Louisiana, Mr. BREAUX, for his closing comments. Before doing so, let me say both the cane interests that he represents and the beet interests that I represent have worked together over the years to build a program that many have outlined today. It works well in the market. The Senator from Wyoming has played an important role in helping define that program.

Let me yield to the Senator from Louisiana for his closing comments.

Mr. BREAUX. Mr. President, I say to our colleagues who may be watching some of this debate, the last time this amendment was offered—and it is offered to the Senate on an annual basis—was on the Senate Agriculture appropriations bill in 1997. The distinguished Senator from Mississippi, Mr. COCHRAN, at that time moved to table the effort to do away with the program. I remind all Senators we had a recorded vote and 63 Senators voted to table it at that time.

I hope people understand the program is working. We made major changes in 1996. It operates at no cost to the taxpayers and has provided a stable floor of prices for the product, sugar, that we import and produce domestically.

The point again is, ''If it ain't broke, don't fix it.'' It is working as we in the Congress intended it to work. It is working for producers and consumers. This is something that is almost a rarity in agricultural programs. It has been very difficult to come up with a proper balance.

This program is working. It is working as Congress intended. We should keep it and not try to kill it when it is working as well as it is.

I yield the floor.

The PRESIDING OFFICER. The Senator from Idaho.

Mr. CRAIG. Mr. President, I yield the Senator from Florida 1 minute.

Mr. GRAHAM. Mr. President, I would like to respond to the statement that was made earlier relative to the role of the Florida sugar industry and the Florida Everglades. As one who grew up in the Florida Everglades and feels deeply about the importance of the State and national effort which is underway to restore them, I think it is important to set the record straight.

The sugar industry has appropriately been designated for a major part of the effort to restore the Everglades. Thus far, they have not only met but exceeded the requirements that have been imposed for the reduction of phosphorus from the waters before they enter the main part of the Everglades. Sugar has participated in the development of a restudy plan, which will soon be debated by this Senate, and sugar has been a strong supporter of the restoration of the Everglades through the Corps of Engineers restudy plan.

It is important for the success of the salvation of the Everglades that each of the stakeholders play their role. I can state at this time that sugar is playing its appropriate role and a strong sugar industry is going to be a key element in achieving the objective of saving the Florida Everglades.

The PRESIDING OFFICER. Who yields time? The Senator from Idaho.

Mr. CRAIG. Mr. President, let me close out the debate on this side of this issue by saying to Senators that you will have an opportunity to vote to table the McCain amendment in a few moments. It is an amendment that really does not face the reality of the situation today. While product prices across the country, are low, we have one program in agriculture that is working reasonably well. That is a program that, in value to the farmer, beet or cane, since 1990, has actually gone down. But it has not translated through to the consumer because the sweetener industry, and the confectionery industry have continually raised their prices. This is not a subsidy, nor is it a cost to the taxpayer. There is no net cost to the taxpayer. All of these recourse loans are repaid at current interest rates. It is important to recognize it is a way of marketing and effectively distributing the product of this agricultural producer.

It has also been clearly pointed out that you cannot compare current values and markets with world markets because most sugar around the world is sold on contract. That which is not is dumped to the bottom. So to compare that, it is not even apples and oranges; it is apples compared with nothing.

It is important this program be retained. We revised it dramatically in 1996 in the new farm program, and it has worked effectively since that time. I hope those who supported us in 1996 on a similar amendment will stand with us today, in behalf of the American producer, both cane and sugar beet and the American consumers. American consumers find themselves paying substantially less than other consumers, some nearly $1 billion less on an annualized basis than other comparable consumers around the world in developed nations that are large consumers of sugar.

I hope my colleagues will join me in voting to table the McCain amendment.

I yield the remainder of my time.

Mr. AKAKA. Mr. President, as I listen to all the evils attributed to the sugar program during today's debate on the McCain amendment, I hardly recognize the tiny white crystals that sweeten my cereal each morning.

Sugar is an essential element of human nutrition. It's also one of the least expensive food items you will find in an American kitchen. When you go to a restaurant, there are only two things available at no charge and in unlimited quantity: water and sugar. Despite these achievements, sugar is being abused and maligned on the Senate floor.

As I listen to the criticism of the sugar program,I think that some of my colleagues have lost sight of a basic fact that American consumers clearly understand: sugar is probably the best bargain you can find at the grocery store today. A pound of refined sugar costs 39 cents. American sugar farmers and the U.S. sugar program help make sugar affordable.

Consumers elsewhere around the globe do not enjoy the low prices we have in America. If you visit a grocery store in other industrialized nations you will get ''sticker shock'' when you pass the sugar display. In Tokyo, consumers pay nearly 90 cents for a pound of sugar, more than twice the U.S. price. In Europe, prices average 50 to 70 cents per pound. Obviously, sugar is no bargain in Europe and Japan.

On average, the retail price for a pound of sugar is 54 cents in developed countries—38 percent more than the price in American supermarkets. Consumers in developing countries pay a significant premium for sugar. When they go to market, all they get is the same one-pound box of sugar as we do in America, but they pay substantially more for it—38 percent more.

Thanks to a farm program that assures stable supplies at reasonable prices, sugar is a remarkable bargain for American consumers. U.S. consumers pay an average of 17 cents less per pound of sugar than their counterparts in other industrialized nations. Low U.S. prices save consumers $1.4 billion annually. That's why I say that the sugar program is a great deal for American consumers. Thanks to the sugar program, U.S. consumers enjoy a plentiful supply of sugar at bargain prices.

I thank my colleagues for rejecting this amendment. If Congress terminates the sugar program, not only will a dynamic part of the economy disappear from many rural areas, but consumers will also lose a reliable supply of high-quality, low-price sugar.

Mr. ENZI. Mr. President, I rise in opposition to the McCain amendment and urge my colleagues to support American agriculture by supporting a program that has consistently proven its worth to American consumers.

Our current sugar program provides consumers one of the cheapest prices for sugar in the developed world. In

1998, U.S. sugar prices were approximately 32 percent below other developed countries.

One reason for these low prices has been the obvious success of the current Sugar program. The purpose of the program is to protect the incomes of domestic sugar producers by supporting domestic prices. The program does this by making available loans to sugar processors and by restricting sugar imports. There is no cost, therefore, to the American taxpayer.

Because of the support this program has given America's sugar producers, American consumers have benefitted from a healthy industry that has provided us a steady, quality product. Consider, however, what could happen if our domestic sugar industry was suddenly forced out of business by heavily-subsidized, low-quality foreign sugar. Could we guarantee that sugar prices would continue at an affordable level, or that American consumers would receive a high-quality product that was produced under safe, healthy conditions?

When we compare the cost of U.S. sugar with the price of sugar on the world market we must also not forget the other benefits that come from a healthy domestic sugar industry, including the benefit of increased employment for our rural communities. Economies in rural communities are not like economies in more urban settings. Rural economies cannot make the kind of rapid adjustments that are available to more populated areas. When a sugar processing plant of about 250 people goes out of business in rural America, even though its number of employees may seem small under urban standards, those 150 employees can make up a large percentage of the local work force. The impact of this sudden high unemployment can resound through such a community for many, many years.

Furthermore, it is unfair to compare the cost of U.S. sugar with the price of sugar on the world market because when we look at the actual source of the world price we learn it is not an accurate or comparable price. In reality, it is a dump price, or in other words it is the price sugar-exporting countries get for dumping their highly-subsidized sugar on world markets.

In conclusion, Mr. President, I urge my colleagues to support America's farmers and to support America's consumers by opposing this amendment.

AMENDMENT NO. 1510, AS MODIFIED

The PRESIDING OFFICER. The Senator from Arizona.

Mr. McCAIN. Mr. President, I ask unanimous consent to modify my amendment by removing part (b) of this amendment. That has to do with the marketing assessment.

The PRESIDING OFFICER. Is there objection? Hearing none, the amendment is modified.

The amendment as modified is as follows:

At the appropriate place insert the following:

SEC. 7. SUGAR PROGRAM.

(a) IN GENERAL.—None of the funds appropriated or otherwise made available by this Act may be used to pay the salaries and expenses of personnel of the Department of Agriculture to carry out section 156 of the Agricultural Market Transition Act (7 U.S.C. 7272), other than subsection (f).

Mr. McCAIN. Mr. President, I am always entertained by this debate, especially by my friend. I understand the argument of my friends on the other side of the aisle because they have a philosophy concerning big government and government has the answer to our problems and we should subsidize industries and also practice protectionism. I understand that.

It is a little harder for me to understand the philosophy on this side of the aisle, which is supposed to be less government, less regulation, fewer subsidies, lower taxes, and looking out for the individual.

The combination of import restrictions, guaranteed prices, and subsidized loans keep the prices artificially high. There is no objective economist in America who will disagree with that. There will be people in the sugar growing industry and those who represent States where sugar is grown, but that is a fact. It transfers about $1.5 billion a year from consumers to a handful of large sugar growers. Almost half the benefits from the sugar program go to little more than 1 percent of growers. The high prices act as a tax on food, and it hits hardest at poor families who typically spend a large fraction of their budget on food and other necessities.

If this proposal passes, according to any objective economist, including our much respected Heritage Foundation and others, the sugar price could fall 20 cents for a 5-pound bag.

The advocates justify their subsidies as needed to counter foreign subsidized imports and protect the jobs of domestic workers. Neither argument withstands scrutiny. There are ample rules to prevent foreign countries from dumping Government-subsidized sugar in the U.S. markets. Also, by propping up raw sugar prices, the program has driven half the U.S. sugar refiners out of business or out of the country, taking the jobs with them.

Mr. President, I am sorry to see the Senator from Florida defend the sugar growers because everybody knows, and any environmental organization will agree, that what has happened in the Everglades has caused enormous damage.

I ask unanimous consent for 60 more seconds.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. McCAIN. Whether they are willing to kick in and fix it is one thing, but I think any environmental organization would attest to the fact that the increase of a half million acres of sugar growing around the Everglades has done significant damage to the Everglades.

I am glad they are being forced to pay for part of the cleanup since they are clearly a great part of the problem. I also think it is wrong when one family gets $35 million in subsidies—35 million of taxpayer dollars. I think it is wrong. I think most Americans think it is wrong, too. I do not expect to win this amendment, but some day we are going to realize that by subsidizing big producers, whether they be for sugar or anything else, the American people will grow a little weary of this kind of expenditure of their taxpayer dollars and demand we change.

I yield back my remaining time. I ask for the yeas and nays on the motion.

The PRESIDING OFFICER. The Senator from Mississippi.

Mr. COCHRAN. Has all time been used or yielded back?

The PRESIDING OFFICER. All time has been used or yielded back.

Mr. COCHRAN. Mr. President, I move to table the amendment and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to table amendment No. 1510, as modified. The yeas and nays have been ordered. The clerk will call the roll.

The legislative assistant called the roll.

Mr. NICKLES. I announce that the Senator from Florida (Mr. MACK) is necessarily absent.

The result was announced—yeas 66, nays 33, as follows:

[Rollcall Vote No. 254 Leg.]

YEAS—66

Abraham	Dodd	Leahy
Akaka	Domenici	Levin
Allard	Dorgan	Lieberman
Ashcroft	Durbin	Lincoln
Baucus	Edwards	Lott
Bayh	Enzi	McConnell
Bennett	Graham	Murkowski
Bingaman	Gramm	Murray
Bond	Grams	Reid
Boxer	Grassley	Robb
Breaux	Hagel	Roberts
Bryan	Harkin	Rockefeller
Bunning	Hatch	Sessions
Burns	Helms	Shelby
Campbell	Hollings	Smith (OR)
Cleland	Hutchison	Stevens
Cochran	Inhofe	Thomas
Conrad	Inouye	Thurmond
Coverdell	Jeffords	Torricelli
Craig	Johnson	Warner
Crapo	Kerrey	Wellstone
Daschle	Landrieu	Wyden

NAYS—33

Biden	Collins	Fitzgerald
Brownback	DeWine	Frist
Byrd	Feingold	Gorton
Chafee	Feinstein	Gregg

Hutchinson	McCain	Sarbanes
Kennedy	Mikulski	Schumer
Kerry	Moynihan	Smith (NH)
Kohl	Nickles	Snowe
Kyl	Reed	Specter
Lautenberg	Roth	Thompson
Lugar	Santorum	Voinovich

NOT VOTING—1

Mack

The motion was agreed to.

Mr. COCHRAN. Mr. President, I move to reconsider the vote.

Mr. SPECTER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. SPECTER addressed the Chair.

The PRESIDING OFFICER (Mr. BUNNING). The Senator from Pennsylvania is recognized.

AMENDMENT NO. 1512 TO AMENDMENT NO. 1499

(Purpose: To reauthorize, and modify the conditions for, the consent of Congress to the Northeast Dairy Compact, to grant the consent of Congress to the Southern Dairy Compact, and to require the Secretary of Agriculture to use certain methods for pricing milk under consolidated Federal milk marketing orders)

Mr. SPECTER. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Pennsylvania [Mr. SPECTER], proposes an amendment numbered 1512 to amendment No. 1499.

Mr. SPECTER. 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.'')

Mr. SPECTER. This amendment calls for the creation of a dairy compact that would extend beyond the New England States, which currently have a dairy compact, and would include a number of other States, such as Pennsylvania, New York, and others. The purpose of this dairy compact is to stabilize the price of milk. The price of milk has fluctuated enormously. In December of last year, it was as high as $17.34 per hundredweight; in June of this year, it went down to $11.42 per hundredweight.

There is currently a dairy compact in effect for the Northeastern States—not including Pennsylvania or New York—which will expire in October of this year. The compact will provide some stability in the industry and will guarantee consumers an uninterrupted supply of milk. There has been some concern expressed about the cost to the consumers. When the Northeast Compact went into effect, the prices for milk within the compact region were 5 cents lower than retail prices in the rest of the Nation.

This bill would authorize member States to enter into a voluntary agreement to create a minimum price for milk in the compact region that takes into account the regional differences in the costs of production. In addition to providing the stability, it will ensure, with an appropriate safety net, that milk can be produced and be available for very important programs like WIC—Women, Infants, and Children—and the availability generally.

Pennsylvania passed legislation that will enable Pennsylvania to enter into this compact if it is authorized by the Congress. Some 40 Senators have cosponsored similar legislation, and Governor Ridge signed legislation that would permit my State of Pennsylvania to enter into the compact.

Mr. President, as I outlined earlier, when seeking a unanimous consent agreement, I do not intend to press this issue to a vote. I do not intend to do so because of the rule of the Senate that bars legislation on an appropriations bill—a recently revived rule. But I am putting it in the RECORD today and outlining its basic purpose, with the intent to bring it up in the conference with the House to try to get this enacted into law.

I am pleased now to yield to the distinguished Senator from New York, Mr. SCHUMER.

The PRESIDING OFFICER. The Senator from New York is recognized.

Mr. SCHUMER. Mr. President, I thank my friend and colleague from Pennsylvania. I am proud to work with him on this amendment. As was stated, this would reauthorize the Northeast Dairy Compact and extend it to New York and Pennsylvania, as well as New Jersey, Maryland, Delaware, and Ohio. It also implements the 1–A pricing structure.

I have visited dairy farms throughout New York State, and I have become an enthusiastic supporter of the compact, which will preserve the economy and a rural way of life in my State and throughout the country. Over the last 10 years, New York State has lost a third of its dairy farms, dropping from 13,000 to 8,600. These are not just 8,600 farms; they are the backbone of a rural economy. We in New York State have the third largest rural population of any State, and the dairy compact is vital.

I have talked to constituents in New York City, and they would, in some cases, pay a little bit more for milk. But we need to bring both parts of the State together. As I have asked my upstate constituents to sometimes consider the problems we have downstate and be mindful of those, I ask the same of my downstate constituents about upstate.

The cost is not great. The New England compact price of milk has not risen by more than 4 cents a year; that is, $3.50 a family. WIC is exempt. There is a move I support to exempt senior citizen programs.

So it is not going to cost anyone very much to help preserve a portion of our State and a way of life. I am disappointed, of course, that we were unable to garner the 60 votes for the New England compact. I understand why the Senator from Pennsylvania—and I agree with him—will not pursue this to a vote at this point, but we do this in hopes that in conference we can be added to the compact.

Both of my good friends from Wisconsin led a strong, valiant fight on the other side. The only thing I would ask them to understand is how desperately our State needs this compact. I am hopeful that we can find some common ground that will benefit both areas.

But in the meantime, New York needs entry into the compact. We need 1–A, and I hope that my colleagues will look at this amendment and might be able to support it in conference.

I yield whatever remaining time I have. I thank the Senator from Pennsylvania for yielding time to me.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. KOHL. Mr. President, I had hoped that the last vote had ended the debate on dairy compacts. But if my colleagues wish to eulogize these cartels, I am happy to join them.

First, I want to explain why I care so much about this issue. Wisconsin is the dairy state. We have 22,000 farms, and almost all of them family-owned businesses. We have thousands more residents who make their living buying and selling dairy products, farm equipment, barns, feed, even the early morning coffee served to the farmers who come to town straight from their milking barns each morning. Dairy compacts do not only strike at an industry in my state. They strike at the heart and soul of Wisconsin, at our way of life.

The Northeast dairy compact legislatively raises the price of class I milk above the prevailing federal milk marketing order price for farmers in the States lucky enough to be in the compact region. By a complicated formula, all dairy farmers in the region—regardless of what class milk they produce or for what use—receive some extra subsidy from the region's milk processors based on their overall milk production. Of course, this is a classic anti-market incentive for these farmers to produce more milk than the region needs or demands.

Besides having a very real cost to the Treasury, the overproduction of all sorts of milk in the compact region causes prices to fall in non-compact states for milk used to produce cheese, butter, milk powder and other products likely to be exported out of State. If the Northeast dairy compact becomes permanent, the oversupply problem will grow exponentially as Northeast farmers make the capital investments

warranted by their permanent guarantee of an artificially high price for all of their milk. If compacts spread to other regions of the country, non-compact regions—the fewer and fewer farmers operating in a free market—will be squeezed even more by even more overproduction. The cost to the Treasury would be unjustifiable. The cost to efficient family farms in the Midwest would be unbearable.

This is more than bad economic policy. The regional favoritsm it embodies is downright un-American. What other industry sees prices set based soley on what region of the country the producer produces? What other industry faces trade barriers erected within the United States?

You may support dairy compacts today based on the hope your State might join a dairy compact soon or based on indifference to a dairy industry problem that doesn't have much to do with your State. But remember your support tomorrow when your neighboring state or region throws up a wall to keep you from selling fruit or vegetables or grain or beef or cars or computers in their State. That is no way to run a country. That is no policy for States that are allegedly united into one country. Mr. President, I hope we can put this issue to rest for the year and move forward with this important agricultural appropriations bill. I yield the floor.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. FEINGOLD. Mr. President, let me associate myself with all of the comments of the senior Senator from Wisconsin with regard to the merits of this amendment.

Again, I agree that this has to be one of the most bizarre pieces of the American economy that the Congress ever sought to set up.

We are extremely pleased and happy with the vote on cloture. There was a full court press to try to get cloture on this very hard fought issue.

Frankly, the proponents of the compact didn't even come close. That is the message that is sent.

So when the Senator from Pennsylvania indicates that he is going to withdraw this amendment, which certainly is within his rights, and then fight for it in conference, let me simply point out at this point that I could offer a point of order, which I assume would be agreed to by the Presiding Officer, which would make it clear and indisputable that this simply does not belong on an appropriations bill under rule XVI. That is clear.

So if it isn't appropriate in the Senate to do it, and it is against our rules, I would suggest it doesn't belong in conference either.

The message from the Senate is clear. All the efforts were made on both sides to try to win that cloture vote. The message is very simple. This body is not representing to the conference or anyone else any other conclusion other than that the compact should come to an end, as the Secretary of Agriculture has proposed.

I will not offer that point of order in deference to the Senator from Pennsylvania. But I want to be very clear in the RECORD that that is the posture from the Senate as this bill ultimately goes to conference.

I yield the floor.

The PRESIDING OFFICER. The Senator from Vermont.

Mr. LEAHY. Mr. President, I understand the parliamentary situation. But I want to strongly support the amendment of both Senator SPECTER and Senator SCHUMER.

The distinguished Senator from New York has been a tremendous advocate for his dairy farmers, and this amendment is critical to keeping them in business. Upstate New York, just as Vermont, needs a compact to keep their dairy industry alive.

The distinguished senior Senator from Pennsylvania, Mr. SPECTER, has taken the lead on this issue for years for his dairy farmers in Pennsylvania. He recognizes that participating in our regional compact will increase farm income at a time when dairy farmers around the Nation are in dire straits.

I will continue to fight for them—for a Southern compact and for a Northeast compact. There will be other opportunities this year. I stand united with them. Congress should not stand in the way of the wishes of 25 Governors, 25 State senates, and 25 State assemblies, or house of representatives—especially when all they want is to provide a safety net for their dairy farmers without raiding the Federal Treasury.

We talk about billions of dollars in farm programs. We are asking everybody to embrace these compacts because they do not cost the taxpayers anything.

Napoleon said that ''sometimes the most trifling thing decides the fate of battle.'' In this case, the new rule changes of rule XVI coupled with bringing up the Senate Agriculture appropriations bill makes it difficult to extend the compact to the additional 19 States that already have approved compacts. Eventually it will be done. I will do everything possible to get it done.

The National Grange pointed out that ''regional dairy compacts offer the best opportunity to preserve family dairy farms.''

The Grange goes on to support the Southern Dairy compact since a Southern Compact would ''provide dairy farmers in that region with a stable price structure for the milk they produce while assuring the region a viable supply of locally produced milk.''

I support both the Senator from Pennsylvania, Mr. SPECTER, and the Senator from New York, Mr. SCHUMER, and appreciate all of the tremendous work they have done for the dairy farmers.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SPECTER. Mr. President, I take sharp exception to the argument of the Senator from Wisconsin, Mr. FEINGOLD, where the assertion is made that we fell far short of cloture. We had 53 Senators who voted in favor of cloture. We are moving up the line toward the requisite 60 number.

I might point out that on the campaign finance reform bill after some substantial years of effort there are 52 votes. I am one of the 52. I believe the campaign finance bill is going to get to 60 just as I think the chances are excellent that we may well get to 60 on this cloture vote.

But the important point is that 53 Senators signified their desire to support strong dairy prices. That is much more significant in terms of being two votes over the majority. It is hard to get 51 Senators in this body to agree to anything. It is harder yet to get 52, and harder still to get 53.

There is a widespread recognition in this body, including the 40 Senators who have cosponsored this legislation. I believe there is a lot of support signified by 53 votes for cloture.

We will have an opportunity to move ahead with this bill when it gets to conference.

We will let the conference work its will and it may return to the floor. There are very good reasons for this bill. I understand there are regional differences, and what may benefit the farmers of Pennsylvania may detract to some extent from the farmers in other States.

In our Government, in our democracy, we work these things out as best we can. I hope we can find some common ground. If we can't, let the Congress work its will.

AMENDMENT NO. 1512, WITHDRAWN

Mr. SPECTER. Mr. President, I formally withdraw the amendment.

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

SPECTER DAIRY COMPACT AMENDMENT

Mr. JEFFORDS. Mr. President, I rise along with my colleagues to support this important amendment. On April 27, I introduced S.J. Res. 22, along with 39 of my colleagues. Support for S.J. Res. 22, which reauthorizes the Northeast Dairy Compact and ratifies the creation of the Southern Dairy Compact, is impressive.

As we know, Secretary Glickman's final pricing rule, which is scheduled to be implemented on October 1, 1999, will cost dairy farmers millions of dollars in lost income. In addition, successful pilot program of the Northeast Dairy Compact will expire on October 1, 1999, unless congressional action is taken.

This amendment would: Extend the Northeast Dairy Compact until 2002

and ratify a Southern Dairy Compact as a pilot program until 2002; Mandate Option 1–A for the pricing formula for Class 1 milk; and Require the Secretary of Agriculture to use formal rule making to determine the pricing formula for Class III milk.

This amendment must be addressed before the October 1, 1999, deadline. We have an opportunity to give the states the right to help protect their farmers with no cost to the federal government and correct the Secretary of Agriculture's flawed pricing rules.

This amendment is about fairness to both farmers and consumers. It has the broad support of governors, state departments of agriculture, the American Farm Bureau, and dairy cooperatives and coalitions from throughout the country. Even the Land-O-Lakes Cooperative in the Upper Midwest supports this important amendment.

However, I am aware that some of my colleagues oppose our efforts to bring fairness to our states and farmers. Also, unfortunately, Congress has been bombarded with misinformation from an army of lobbyists representing the national milk processors, led by the International Dairy Foods Association (IDFA) and the Milk Industry Foundation. These two groups, backed by the likes of Philip Morse, have funded several front groups to lobby against this amendment.

I would like to set the record straight. It is crucial that Congress debate the issues presented on the merits, rather than based on misinformation. When properly armed with the facts, I believe you will conclude that the Northeast Dairy Compact was a successful experiment that works and that other states should be given the opportunity to prove whether a dairy compact would work for them.

This amendment reauthorizes the very successful Northeast Dairy Compact pilot program and allows the Southern Dairy Compact to operate as a pilot program until 2002, when Congress would have an opportunity to revisit and carefully consider the Northeast and Southern Compacts in the 2002 farm bill.

Currently the bill to reauthorize the Northeast and ratify the Southern compact has 40 cosponsors. Twenty-five states have passed dairy compacts and now even more than half the states in the county are interested in having the right to form dairy compacts. During the past year Alabama, Arkansas, Kentucky, Louisiana, Mississippi, Oklahoma, North Carolina, South Carolina, Tennessee, Virginia, West Virginia, Georgia, Missouri and Kansas, have all passed legislation to form a southern dairy compact. Texas is also considering joining the Southern Compact.

The Oregon legislature is in the process of developing a Pacific Northwest Dairy Compact as well. New Jersey, Maryland, Delaware, Pennsylvania, and New York have passed state legislation enabling them to join the Northeast Dairy Compact.

The Northeast Dairy Compact, which was authorized by the 1996 farm bill as a three-year pilot program, has been extremely successful. The Compact has been studied, audited, and sued—but has always come through with a clean bill of health. Because of the success of the Compact it has served as a model for the entire country.

One look at the votes cast by each state legislature, and you can see that there is little controversy over what is in best interest for the consumers and farmers in each respected state. For example, in Alabama and Arkansas, both legislative chambers passed compact legislation unanimously. It passed unanimously in the North Carolina Senate and by a vote of 106–1 in the North Carolina House. In the Oklahoma State Senate, it passed by a vote of 44–1 and unanimously in the Oklahoma House. It passed unanimously in the Virginia State Senate and by a vote of 90–6 in the Virginia House. In Kansas, the bill passed in the Senate by a vote of 39–1 and an impressive 122–1 in the Kansas House.

A 1998 report by the Office of Management and Budget (OMB), requested by Members from the Upper Midwest, on the economic effects of the Dairy Compact illustrates the Compact's success. The OMB reported that during the first six months of the Compact, consumer prices for milk within the Compact region were five cents lower than retail store prices in the rest of the nation.

OMB concluded that the Compact added no federal costs to nutrition programs during this time, and that the Compact did not adversely affect farmers outside the Compact region. This is an important fact to remember as some of my colleagues may debate that the Compact harms the farmers in the compact region.

Congressional opponents of the Compact also requested an audit of the Dairy Compact Commission by the USDA's Office of Inspector General and federal auditors gave the Compact Commission a clean bill of health. The auditors stated unequivocally that the Commission has properly administered funds and provided $46 million to dairy farmers.

The courts also agree that the Compact is legally sound. Last January, a Federal appeals court rejected a challenge to the Dairy Compact by the Milk Industry Foundation. The Court found that the Compact was constitutional and the U.S. Agriculture Secretary's approval of the Compact was justified.

Recently seventeen Governors from throughout the Northeast and Southeast sent a letter to the Majority Leader of the Senate and House, urging Congress to consider and support the Dairy Compact legislation. The Governors of the Compact regions speak not only for their farmers and consumers but for the rights of the States. The message to Congress from Governors nationwide has been clear. ''Increase the flexibility of states and support legislation that promotes state and regional policy initiatives.''

I would now like to address the actual and potential impact of dairy compacts on milk production and the cost to taxpayers. In short, dairy compacts have and should have little impact on production and operates without cost to taxpayers and the federal government, not one penny. Opposition claims to the contrary, even accounting for the admitted uncertainty of dairy economics, are overblown and distorted.

First, these compacts contain specific provisions designed to ensure the prevention of surplus production attributable to operation of the compacts. The compacts are entirely self-funded, without any recourse to the federal (or state) treasury and preclude any cost to taxpayers. Additionally, the states have agreed to the condition of consent contained in S.J. Res. 22 which requires the compact commissions to reimburse USDA for any surplus purchases made, should the internal protection devices fail. While the latter provision does not directly prevent the potential adverse impact of surplus production on the national marketplace, it does act as a further restraint on the commission's function. It is only logical to see that the last thing the commissions would want is to end up as funding USDA purchases of surplus powdered milk production for the national milk market!

With this analysis in mind, I would like to briefly respond to the claims about milk production and taxpayers costs made by opponents of dairy compact legislation. The International Dairy Foods Association, the trade organization for the processors' lobby which is leading the opposition to S.J. Res. 22, claims that the Northeast Compact has resulted in an estimated 60 percent increase in milk powder production while national powder production increased only by 2 percent, and that the USDA has expended $11 million in surplus production purchases attributable to the regional production increase. In various statements against dairy compacts, opponents have cited the percentage increase in milk powder production and purchase costs with approval.

Anyone who has worked in the area of dairy pricing and statistics knows of the hazards of attempting to quantify analysis of this most complex sector of our economy. The above analysis proves the point. It is certainly true that milk powder production in the northeast increased during the first six months of operation of the Northeast

Compact at a rate above the national average. Yet the reasons are not as simple—only because of operation of the Northeast Compact—as opponents of dairy compacts would have us believe. First, one of the largest cheese processing plants in the region shut down during this time, and the raw milk supply had to be converted from cheese to powder production. On the other side of the equation, national production during this period was quite depressed, despite the apparent two percent increase, because of a dramatic downturn in California and southwest production. Hence the otherwise seeming disparities in rates of production.

Furthermore, the claim that USDA spend $11 million in surplus purchases attributable to the Northeast Compact's operation is blatantly misleading. In fact, $1.7 million in such reimbursement was provided—nowhere near the $11 million amount claimed by the opposition. In addition, whether the $1.7 million represents purchases which more reflect the increase in powder production attributable to the shut down of the cheese plant, and other factors, remains an open question of economic analysis, despite the reimbursement provided also by the Compact Commission.

Opponents further cite with approval the claim of IDFA that operation of the Northeast Compact will cost taxpayers an estimated $400 million annually. This claim is made without basis or analysis and must not be relied upon at all. Simply put, CBO gave the Northeast Compact a zero source, which is a long, long, way from $400 million.

I feel I should take some time to explain just how the Compact operates. The Northeast Dairy Compact Commission has the authority to regulate Class 1 (or fluid) milk prices. The commission, which consists of consumer, processor and farmer representatives appointed by each state's governor, determines both the price necessary to yield a reasonable return to producers and distributors as well as the purchasing power of the public through a formal rule making procedure. Any regulation is subject to a two-thirds vote by a state delegation as well as a producer referendum.

All milk consumed in compact-affected areas is uniformly regulated. This provision ensures an equal benefit to New York or California farmers who supply milk to the compact states. The Compact Commission's price regulation works in conjunction with the federal government's pricing program, which establishes minimum prices paid by processors and received by dairy farmers for raw milk produced on farms.

The Compact regulation raises these minimum prices as they relate to the market for fluid, or bottled milk. Part of the difference between the Compact's minimum price and the federal minimum price is set aside to compensate any cost that may be associated to the WIC programs and school lunch programs.

Processors purchasing milk to produce other dairy products such as cheese or ice cream are not subject to the Compact's pricing regulations, although all farmers producing milk in the region, for any purpose, share equally in the regulation's benefits.

Here is how it works. The Commission established $16.94 per hundredweight as the Compact over-order price for Class 1 milk. All milk processors having sales of fluid milk in New England are required to pay a monthly over-order obligation. This obligation is the difference between $16.94 and the price established monthly by federal regulation for the same milk.

For instance, if the federal price for Class 1 milk was $13.94 for a particular month, the processors' over-order obligation for that month would be $16.94 minus $13.94—or $3.00. Processors multiply their total fluid milk sales by this amount and that is what they pay into the Compact Commission.

Three percent of the pooled price regulation proceeds are then set aside to hold harmless the impact on New England WIC programs. At least 4 cents but no more than 5 cents is deducted from the pooled proceeds each month and placed in a reserve fund established in the event of late payments by handlers.

Approximately half of the unobligated balance of this fund is added back into the pool for redistribution in the following month in order to prevent the reserve fund from growing too large.

Farmers receive the balance of the proceeds in accordance with the Class 1 utilization rate—the percentage of milk produced that actually goes towards drinking milk, not cheese or other manufactured products. Therefore, the producer price is derived by dividing the balance of the pool proceeds by the total number of pounds of all producer milk in the region.

The Compact Commission makes disbursements to farmer cooperatives and milk handlers, who then make the individual payments to farmers based on their production.

When the Compact regulation first took effect in July of 1997, the Compact over-order obligation was $3.00. During that month, 245,001,960 pounds of milk, or 46.14% of the total milk in the region was sold as Class 1 milk. This resulted in a pool paid into the Commission of $7,350,058.80. After the WIC and reserve fund adjustments were made, the balance of the pool proceeds was $6,903,009.44. When this number was divided by the total number of pounds of all producer milk, in this case 531,000,726 pounds, the resulting producer price was $1.30.

For many farmers in Vermont and New England, the Compact payments have meant the difference between keeping the farm and calling the auctioneer.

Federal dairy policy is difficult to explain at best. As a Member of the House of Representatives, I served as the ranking member of the Dairy and Livestock Subcommittee. During my years in the House, I worked very closely with the programs that impacted dairy farmers and consumers. Of all the programs and efforts by the federal government to help our nation's dairy farmers, the most effective and promising solution have seen thus far is the creation and operation of the Northeast Dairy Compact.

I would like to address the actual and potential impact of dairy compacts on consumer prices. In short, opposition claims about the actual and possible impact of dairy compacts on consumers, including low income consumers, are unfounded and grossly distorted.

While farm milk prices have fluctuated wildly, remaining constant overall during the last ten years, consumers prices have risen sharply. The explanation for this is apparently that variations in store prices do not mirror the wild fluctuations in farm prices.

In other words, when farm prices go up, the store prices go up, but when the farm prices recede, the store prices do not come back down as quickly or at the same rate. Hence, and quite logically, if you take away the fluctuations in farm prices, you take away the catalyst for unwarranted increases in store prices.

Let's take a look at what the retail price has done in the Compact region compared to other areas that do not have Compacts in place. This demonstrates several extremely important points that dispute the claims that the compact hits consumers with higher retail prices compared to other regions. The average price per gallon of milk in Boston remained steady at $2.89 for February, March and April of 1999 in the Compact areas. Meanwhile retail prices across the country widely fluctuated and were most often higher than in the Compact area of New England.

Again, I would like to make it very clear that the Compact only regulates fluid milk used for drinking, called Class I milk. Although not shown on this chart, milk prices in suburban areas of New England can often be found for $2.00 or less per gallon. Generally, the shelf price of milk has increased proportionally to increases in producer prices, yet, has not decreased at the same rate when farm prices have dropped. The result has been an upward price ratcheting in the retail milk price—a rise of about 30 percent between 1985 and 1993 while the farm price actually fell.

Even with the Northeast Dairy Compact, New England retail milk prices are among the lowest in the country!

Contrary to the claims of the opposition, regional compact regulation remain open to the interstate commerce of all producer milk and processor milk products, from whatever source. Compacts establish neither ''cartels'', ''tariffs'' nor ''barriers to trade'' and are not economic ''protectionism.''

According to the opponents characterizations, dairy compacts somehow establish a ''wall'' around the regions subject to compact regulation, and thereby prohibit competition from milk produced and processed from outside the regions.

These are entirely misleading characterizations. It is really quite simple and straightforward: All fluid, or beverage milk sold in a compact region is subject to uniform regulation, regardless of its source within or outside the compact region. This means that all farmers, including farmers from the Upper Midwest, providing milk for beverage sale in the region, receive the same pay prices without discrimination.

Despite what some of my colleagues have said, the Northeast Dairy Compact is working as it was intended to. Instead of trying to destroy an initiative that works to help dairy farmers with cost to the federal government, I urge my colleagues from the Upper Midwest to respect the states' interest and initiative to help protect their farmers and encourage that region of the country to explore the possibility of forming your own interstate dairy compact.

When the June 1999 Compact payments were paid, the Compact will have returned an average of 51 cents per hundredweight of milk to farmers over the past two years of operation. The average Vermont family farm realized an additional $13,000 net income during the life of the Compact. For seven of those months no payments were made because market prices were above the Compact floor.

In April of this year, farmers felt the effect of a record $6.00 per hundredweight drop in the Basic Formula Price. In New England, blend prices dropped an unprecedented $3.93 per hundredweight from the previous month, but the Compact payment of $1.43 made up nearly half of the loss for Northeast farmers.

We would like every region of the country to have the same opportunity to provide stability for their farmers and consumers that the Northeast Dairy Compact provides for our region.

Earlier today, when we were debating the cloture vote on the dairy amendment, I responded to my colleague from Minnesota statement that the dairy compact somehow lowered his farmer's price of milk. I would again, refer to the USDA mailbox price. The mailbox price is the net price that dairy farmers receive for the milk that is marketed under the Federal milk marketing program.

The average prices shows on this chart include all payments received for milk sold and deducts all costs associated with marketing milk. As you can see, in 1998 New England received $14.89 per hundredweight, ten cents below the national average.

Most importantly, despite claims that the Northeast Dairy Compact means smaller checks for Midwest farmers, they received $15.27 per hundredweight, twenty-eight cents above the national average, and thirty-eight more cents per hundredweight than New England producers.

The amendment also mandates that the Secretary use Option 1–A as the pricing formula for fluid milk. As I discussed earlier today, the Secretary's rule, known as 1B, is sue to be implemented on October 1, unless congressional action is taken.

Sixty-one Senators and more than 240 House members signed letters to Secretary Glickman last year supporting the pricing option known as Option A–1, for the pricing of fluid milk. The majority of the country and dairy industry support Option 1–A.

Most all areas of the country are better off under Option 1–A, including the Upper Midwest. Option 1–A is based on solid economic analysis, benefiting both farmers and consumers. It takes into account; transportation costs for moving fluid milk; regional supply and demand needs; costs of producing and marketing milk; and the need to attract milk to regions that occasionally face production deficits.

Finally, the amendment requires the Secretary of Agriculture to hold formal hearings to determine how the Class II, and Class IV price will be calculated. There is concern that the Secretary's final rule will drop the price paid for cheese by as much as $.40 per hundredweight. The amendment would give both producers and processors the opportunity to have input on the formula through the formal rule making process.

This amendment is about helping farmers and protecting consumers. Farmers deserve our support and recognition. It is sometimes easy to forget just how fortunate we are in this country to have the world's cheapest and safest food supply.

I listened with great interest to the sugar debate earlier today. I support this Federal no-cost that provides stability to farmers and consumers in sugar growing states. I don't have sugar growers in Vermont. I have dairy farmers. But that does not mean I should not support a commodity program that helps protect farmers in other states with no cost to the federal government.

I noticed that during the debate several of my colleagues that argued so pationately about protecting the sugar program, did not support my efforts to protect the dairy program. Agriculture, nationwide needs our collective help. Let's not divide agriculture, but join together to protect our nation's most important resources.

I am certain that my colleagues will agree with me that dairy farmers deserve a fair price for their products. What does it say about our values when some of the hardest working people, our farmers, are underpaid and unappreciated? In the last couple of days we have debated providing billions of dollars in assistance to farmers who face the current disasters. This amendment would help prevent a disaster for America's dairy farmers by giving the states and the dairy farmers the tools to face the challenges of improving and stabilizing farm prices.

In Vermont, dairy farmers help define the character of the state. I am proud to work to protect them and to protect the traditions and special qualities of the state.

I realize that this amendment is not in order at this time, however, I urge my colleagues to give great consideration to the importance of this amendment and the need to address these important issues as soon as possible. Supporting this amendment respect the interstate cooperation among states, protects the interests of consumers, and supports America's dairy farmers.

I ask unanimous consent that two ''Dear Colleague'' letters be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

UNITED STATES SENATE,
Washington, DC, July 15, 1999.

SETTING THE RECORD STRAIGHT: DAIRY COMPACTS AND INTERSTATE COMMERCE

DEAR COLLEAGUE: We would like to set the record straight regarding the relationship between dairy compacts and interstate commerce. Contrary to the claims of the opposition, regional milk markets subject to dairy compact regulation remain open to the interstate commerce of all producer milk and processor milk products, from whatever source. Compacts establish neither ''cartels,'' ''tariffs'' nor ''barriers to trade'' and are not ''economic protectionism.''

Opponents of dairy compacts, most particularly the International Dairy Foods Association (IDFA) have variously claimed that dairy compacts operate to the benefit of dairy farmers and processors within the compact regions and to the detriment of those outside the compact regions. According to the opponent's characterizations, dairy compacts somehow establish a ''wall'' around the regions subject to compact regulation, and thereby prohibit competition from milk produced and processed from outside the regions.

These are entirely misleading characterizations. Yet despite all these misleading descriptions, the regulatory theory of compacts is really quite simple and straightforward: All fluid, or beverage milk sold in a compact region is subject to uniform regulation, regardless of its source within or outside the compact region. This means that all

farmers, including farmers from the Upper Midwest, providing milk for beverage sale in the region, receive the same pay prices under the regulation without discrimination. Similarly, all processors with sales in the region must pay the same price for raw milk used for those sales, regardless of the location of the processing facility or the location of the farm sources of their raw milk supplies.

Hence, there is no ''economic protectionism'' or the erection of barriers to trade. except for the uniform regulation, the market remains open to all, and the benefits of the regulations are provided without discrimination to all participating in the market, including those who participate in the market from beyond the territorial boundaries of the region.

We hope you will conclude as have 40 of our colleagues that dairy compacts provide fair and equitable milk market regulation, that promotes the interests of the regions which have proposed the compacts without discrimination against farmers or processors from other regions.

Thank you for your consideration.

Sincerely,

JIM JEFFORDS.
ARLEN SPECTER.
TED KENNEDY.
CHARLES SCHUMER.

UNITED STATES SENATE,
Washington, DC, July 20, 1999.

SETTING THE RECORD STRAIGHT: THE IMPACT OF DAIRY COMPACTS ON CONSUMER PRICES

DEAR COLLEAGUE: Over the past number of months, the milk processors lobby has bombarded Congress with disinformation about the impact of dairy compacts on consumer prices. Consistent with the time-honored tradition of industry lobbyists working to defeat legislation contrary to their vested interest, this storm of paper is only intended to confuse the issues involved so as to convince you to oppose the dairy compact legislation, regardless of the actual facts.

Twenty-five states have formally presented these compacts for review and approval. Congress must respond by debating the issues presented on the merits. This is especially true with regard to the critical question of the impact of dairy compacts on consumers. On this issue, the opponent's claims are particularly distorted and unfounded.

Can we truly believe that twenty-five governors and the host of state legislative committees and deliberative bodies which have approved these compacts would have approved them if they were likely to have the horrific impact on consumers proclaimed by the opposition?

The opponents claim that the Northeast Compact has caused milk prices to rise ''15 to 20'' cents per gallon. They also claim that in its first year, the Northeast Compact cost New England consumers $65 million in higher milk prices, and that with the creation of a southern compact, consumers would pay $600 million a year in higher milk prices. These claims are nothing but the grossest of scare tactics.

The opponents base their analysis on the OMB study which reviewed the economic impacts of the Northeast Compact during its first six months of operation. In fact, the OMB study concluded that the potential impact of the Northeast Compact on prices might be as low as approximately five cents a gallon. In any event, OMB carefully prefaced its assessment by stating that no reliable conclusions could be drawn based upon a limited data set of six months.

Perhaps more to the point, the design of the dairy compacts and the actual operation of the Northeast Compact Commission should assure Congress that the interests of low income consumers are adequately protected. Each state delegation to the commissions created by dairy compacts must include a consumer representative. This assures that consumers have a voice in pricing decisions, and means that they will certainly have more of a voice than they now have in today's highly concentrated marketplace.

Moreover, the Northeast Compact Commission has acted to provide for reimbursement of the state WIC programs of even potential adverse impacts, regardless of actual impact, and for reimbursement to the School Lunch programs for any documented adverse impact. In design and actual practice, then, dairy compacts work to protect rather than harm consumers, particularly low income consumers.

We hope you will side with the states' actual judgement that these compacts are in the public interest, and choose to support this vital legislation.

Sincerely,

Jesse Helms, Max Cleland, Daniel Moynihan, Mary L. Landrieu, Patrick Leahy, Jim Jeffords, Olympia Snowe, Charles Schumer, Arlen Specter.

Mr. SPECTER addressed the Chair.

The PRESIDING OFFICER. The Senator from Pennsylvania.

(The remarks of Mr. SPECTER pertaining to the introduction of S. 1484 are located in today's RECORD under ''Statements on Introduced Bills and Joint Resolutions.'')

AMENDMENT NO. 1513 TO AMENDMENT NO. 1499

(Purpose: To make a perfecting amendment)

Mr. COCHRAN. Mr. President, I send an amendment to the desk and ask it be reported.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Mississippi [Mr. COCHRAN] proposes an amendment numbered 1513 to amendment No. 1499.

Mr. COCHRAN. 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. COCHRAN. Mr. President, this is an amendment relating to economic and disaster assistance. This is the amendment that the Senate voted against tabling when a motion to table the amendment was made by the distinguished Democratic leader, Mr. DASCHLE.

A vote has already been taken on a motion to table this amendment, but it was then, under leadership agreement on how to proceed to this bill, withdrawn.

This action that has just been taken puts this amendment back before the Senate. There was an amendment offered by the Democratic leader and the Senator from Iowa, Mr. HARKIN, which was also the subject of a motion to table. That motion to table was agreed to.

Before the Senate now is the issue of economic and disaster assistance for farmers in the form of the so-called Cochran amendment.

To refresh the memory of Senators, this is an amendment that seeks to give the Secretary of Agriculture authority and funds with which to deal with the economic crisis that exists in production agriculture today. This is funding for the fiscal year that begins next October 1, so it is not an endeavor to deal with all of the existing problems in agriculture in the current fiscal year, but it is an effort to deal with economic problems during the harvesting and marketing of the 1999 crop throughout the country.

There is already in place a $6 billion disaster program that was approved last year that has been administered by the Department. Some of those checks for weather-related disasters went out to farmers as recently as June. We are hopeful if any additional funds are needed for this crop-year, the President will submit a budget request asking for additional funds.

There has been some discussion during the debate on the floor that there is nothing in this amendment that provides immediate assistance for drought victims and the like. The point is, in a recent supplemental that we had on funding the military action in Kosovo, that subject was raised and an amendment was offered, which was rejected, that would provide additional disaster assistance funds in this crop-year and in the next crop-year as well. What we did was adopt the sense-of-the-Senate language that would ask the President to submit a supplemental request if additional funds were needed over and above that amount that had already been provided by the Congress. No request has been made.

A letter was written to the President in June, signed by 22 Senators, reiterating the fact that we approved language requesting a supplemental request if one was needed and that nothing had been heard. We did get an acknowledgment to the letter, but we have had no subsequent request.

The chairman of the Agriculture Committee, the Senator from Indiana, Mr. LUGAR, has been having hearings in the Senate Agriculture Committee, yesterday and again today, getting information, getting expert advice and testimony on the condition of agriculture in America today to determine what level of assistance is appropriate, what level is needed, and what kind and character should this assistance take. We have had a long debate. Senators on both sides have expressed their views on this subject, and we are at a point now where we have to either adopt an amendment or not adopt an amendment providing disaster assistance.

It seems to me it would be appropriate now, after hearing all the evidence, after reviewing all the arguments, to proceed with the adoption of this amendment and go to conference with the House and try to resolve whatever differences we may have on this issue with House conferees and then come back with a conference report for the consideration of the Senate. If we do not have a provision for disaster or economic assistance in our bill, this will not be an item that can be considered in conference. So I think it is very important for the Senate to approve this amendment, giving us a conference vehicle for further consideration of this issue with the House. If we do not approve this amendment or some other amendment that could be offered, then we will not have a vehicle.

We have already expressed our views as a body on the Daschle-Harkin proposal. It was rejected. This amendment was not rejected. The motion to table was not agreed to. So it is now back before the Senate for its consideration.

I am going to review briefly what this legislation contains and urge Senators to approve the amendment. We can have a record vote on that if the Senate desires or we can adopt it on a voice vote. It suits me to adopt it on a voice vote, but I am putting Senators on notice that is the issue before the Senate now. If anyone wants to request a record vote, they are free, of course, to come to the Senate floor and do that.

The bulk of the funds provided in this amendment—which now has a cost estimated by the Congressional Budget Office of almost $7 billion—the bulk of the assistance is in the form of increased payments, so-called AMTA payments. That is the agricultural market transition payments. These are payments that are made to commodity producers under existing farm law, provided to help farmers make the transition from a Government-controlled and mandated agricultural production system to a more open and free market system where farmers can make their own decisions about what they plant on their crop acreage. In the past, the Government had tight controls over not only what crops could be subsidized by the Government, but how much acreage could be planted with those crops. If you violated the rules, you lost your right to Federal assistance.

Under the new program, Federal assistance is provided without regard to what crop you plant or how much of the acreage you use. There is no mandatory set-aside of acreage, telling farmers you cannot plant but so much of your acreage this year, as was the case under preexisting agricultural legislation. The amount of money that would be paid directly to farmers as authorized in this legislation would represent 100 percent of the total of the 1999 producers AMTA payment. So in effect, by the passage of this amendment, we would double the amount of money that would go to farmers who are entitled to agriculture market transition assistance payments. That comes to a total of $5.54 billion. There is no redtape. There is no discretion in the Department of Agriculture. There is no special procedure for establishing eligibility. If you are eligible under current law for a transition payment, you are eligible for this additional payment. The checks go out.

It was shown in the experience this year in administering the current disaster assistance program that the AMTA payment system was the most efficient way of providing assistance to farmers who were entitled to add additional benefits under an economic assistance program. So that is why in this amendment we have elected to use that vehicle to disseminate funds for disaster and economic assistance to farmers because of this year's economic stress in agriculture. But not all farmers are eligible for AMTA payments. Because they are not, most of the rest of the funds in the bill are used for disaster assistance for those farmers that they may need.

The Secretary of Agriculture is, for example, given discretion to establish a program to provide assistance to livestock and dairy producers. There is a livestock assistance program in place now which was utilized to deliver disaster assistance provided last year. So, because of that experience, it seems logical that the Department of Agriculture will be able to provide regulatory guidance and eligibility standards for those who suffered by reason of drought or other conditions that have adversely affected them if they are in the livestock business. This applies to beef cattle production; it applies to hog production; and it applies to dairy.

So it is a program that is included in this legislation. Other specialty crops are included as well—fruits and vegetables. Other crops and other commodities that are grown by landowners who are involved in production agriculture are intended to be included in this program, and the Secretary of Agriculture is given the authority to use funds appropriated in this amendment to provide assistance to those farmers as well.

We do not try to pick and choose among farmers, whether you are eligible or not eligible for benefits. The intent is we want all farmers to benefit from this program under this amendment.

There is also, at the conclusion of our bill, a provision that states the sense of the Congress with respect to a more aggressive policy with agricultural trade issues. There have been situations that have developed around the world where our producers and exporters have been shut out of markets or have been discriminated against because of tariffs or other rules and regulations adopted by other countries or groups of countries that have made it impossible for us to have access to markets that we have traditionally enjoyed or which we ought to by right have an opportunity to enjoy.

We are urging the administration to be more aggressive in strengthening trade negotiating authority for American agriculture, and we express Congress' objectives for future trade negotiations. We ask the President to evaluate and make recommendations on the effectiveness of our existing export and food aid programs.

I think we have heard enough about what the facts are. Senators who have been to their own States have had an opportunity to view the situation, to talk with their farmers, and to understand the stress that is confronting American agriculture today.

Here are some of the Department of Agriculture's own facts and estimates that had been given to our subcommittee when we had our hearings earlier this year: 1999 net cash farm income is expected to decline $3.6 billion below last year's level. Incidentally, in 1998, net farm income for wheat, corn, soybeans, cotton, and rice was 17 percent below the previous 5-year average. For this crop-year, 1999, the projections indicate that income for the same crops will be 27 percent below the previous 5-year average.

Those are the projections that persuade me that disaster and economic assistance is not only important for us to consider but is necessary for us to deliver if we have the expectation of maintaining health and vitality in American agriculture.

I think the facts are clear and justify the amendment we are offering today to provide disaster assistance and economic assistance to agricultural producers for the 1999 crop-year. The bulk of the assistance is going to be made available in the most efficient way possible: through the disbursement of the market transition payments providing a 100-percent bonus, in effect, to all who are eligible for those payments.

Those who are soybean farmers or who grow other oilseeds will be entitled to benefits under a special program. They do not receive these transition payments, but they will receive benefits under this amendment. The same is true of livestock farmers, whether they are beef cattle, pork producers, or dairymen.

We think we have created a balanced program, one that is fair to all farmers, one that will help put money in the pockets of farmers, not just give them a promise of loans or technical assistance or other advice from the Government. Our amendment does not just add money to Government agencies; it does not just increase the size of Government agencies; it sends the money directly to the producers.

We have also agreed to add to this bill, at the request of other Senators, additional funds for crop insurance benefits. That was not included in the original amendment that was offered as a part of the Cochran amendment, but it will be added to this amendment in the form of a modification. We have heard the persuasive arguments in support of that suggestion, and we have agreed to accommodate those Senators who are interested in that additional benefit.

My hope is Senators will review the amendment as we are modifying the amendment and will support it, and we can then move on to the final conclusion of this legislation.

Mr. President, if there is no Senator seeking recognition, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. VOINOVICH). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DURBIN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. DURBIN. Mr. President, I was prepared at this time to offer an amendment, but I will not be offering an amendment because Senator COCHRAN, Senator KOHL, and myself have worked out an agreement on an amendment which will ultimately be part of the bill, and I will leave it to the chairman of the subcommittee to decide the best course to bring it into the bill. I am happy we have been able to work this out because I think it is a critically important issue and to which I want to take a few minutes to alert the membership.

I happened to read a few months ago an article in Forbes magazine which was an eye opener. It really disturbed me, and I asked my staff to take a look at it a little more closely. The article is entitled ''Blood Money.'' It documented that many medical devices that were approved and manufactured for a single use had been cleaned and reused on patients without any demonstration to the Food and Drug Administration that the devices are, in fact, safe and fully functional after this reprocessing.

When I tell you these devices, it may give you some pause to consider the types of things that have been manufactured and labeled for a single use and are being reprocessed and used over and over again. Here are some of the most commonly recycled disposables: electrophysiology catheters for heart catheterizations; sequential compression devices; biopsy forceps; pulse—this is where my liberal arts education will fail me—oximeter sensors; laparoscopic instruments. Think of all the laparoscopic procedures going on now. One of the things we find is that many of the instruments that are being used have been labeled single use and are being so-called cleaned and reprocessed and used again.

Continuing with some of the most commonly recycled disposables—drills, bits, blades, catheters, and many other things.

At least a third of the hospitals ignore the manufacturer's warnings and recycle these so-called disposable products for their patients without telling their patients.

As you can see, we are not talking about bedpans here. We are talking about highly invasive and high-risk devices, devices that come in contact with the patient's blood or other bodily fluids. This reuse is happening without the knowledge of patients and without a requirement that the devices be shown to still be safe and effective after reprocessing.

Here in the United States we have a Food and Drug Administration which oversees the safety of drugs, medical devices, biologics, foods, and cosmetics. Let me say that I am one of the biggest fans in Washington of the Food and Drug Administration.

Dr. Jane Henney, who is now the head of that agency, is an extraordinarily talented person. Though she and I have had some debates on various issues, I am grateful that she has left the private practice of medicine to give these years of public service to the Food and Drug Administration because this FDA literally inspects and approves devices, instruments, prescription drugs—all sorts of things—that we take for granted in our everyday life.

FDA approval is considered the gold standard all around the world. Yet that gold standard is only being applied to devices when they first come on the market. The FDA takes a look at these various devices as they are being sold to determine whether or not they are safe and effective, as they should. With that approval, they are sold to hospitals around America.

But when it comes to the issue of reprocessing this disposable device, which is used a second, third, or fourth time, I am afraid the FDA has not been as effective as they should be. The Los Angeles Times ran an article 2 days ago reporting a bacterial outbreak in a Colorado hospital due to contaminated reused cardiac catheters. One of the patients involved died because of that outbreak.

This chart makes reference to the Federal MEDWATCH program which is an effort to get a report from any hospital if it shows that a device has resulted in some problem. One of the adverse event reports that was reported to FDA's MEDWATCH shows that the tip of a catheter that had been reused six times broke and lodged in a 32-year-old man's right atrium—if you recall from biology, that is inside the heart—where it is still lodged today.

The Los Angeles Times article also talks about another incident where a 4-inch-long tip traveled from a patient's heart to his stomach, leading to additional surgery in which the doctors opened the man's stomach in an attempt to remove it.

I find this shocking. You or I could be admitted to a hospital tomorrow, and without our knowledge we could be exposed to a device of completely unknown standard.

I have here some charts that depict some reused devices that were retrieved from hospitals in exchange for new devices. They show that many of the devices had either remaining blood or tissue on them or were damaged, so they could not have met the standards FDA had for original manufacturers.

This is an example of a cutting device. It shows, unfortunately, that it was still contaminated when it was removed from the hospital.

There are other photographs as well, each one raising a question as to whether or not these devices, when used, were sufficiently cleaned or up to the job that they were called to do. We have several other photographs. I think they all demonstrate that.

The amendment which I have offered, and which has been accepted by both the majority and minority, is supported by various consumer groups—Public Citizen, the Consumer Federation of America, and the Consumers Union—and patient groups such as AIDS Action, the Alzheimer's Association, the National Organization for Rare Diseases, the National Women's Health Network, and by health professionals, such as the American Nurses Association, that say we should reserve a very small amount of FDA's medical device money—in this case $1 million—out of the $154 million allocated for medical and radiological devices to provide oversight for these reused medical devices.

One has to wonder why we spend any money on device safety if the device only has to be safe when it is used initially. In the case of the catheter that is now lodged in a patient's heart, it was reused six times. This was supposed to have been used once.

When you go in for heart surgery or these diagnostic treatments, it never crosses your mind to ask the doctor: Incidentally, will all the devices you are going to use in the course of my treatmment be used for the first time only? Has someone else used this catheter before? Has it been reprocessed? Is it being reused?

That never dawns on the patient, but in fact we find a third of the hospitals are reusing these devices. That is why I think this amendment is so necessary.

I think we can do a lot better. In fact, I believe we can go a lot further than my amendment goes. I will be introducing a bill shortly that will completely overhaul this system to provide patients with assurance that all medical devices used on them are of a high

standard and that we can accurately track injuries and infections due to reprocessed devices.

My amendment attempts to take a small step to encourage the FDA to provide necessary oversight of reprocessed devices. America uses the FDA to make sure that products, including medical devices, are safe. It does not make sense to have safety equipment for devices when they are brand new but to turn a blind eye thereafter. All medical devices should be required to be safe.

I might add, in closing, that at a recent hearing before the Governmental Affairs Committee, I asked Dr. Henney about the efforts being made by the Food and Drug Administration to deal with this problem. She referred me to Dr. Jacobson. Dr. Jacobson is currently the acting director of the Center for Devices. He acknowledged my question about reusing medical devices was a difficult one. He also acknowledged that the FDA is in the process of establishing standards and procedures to make sure that these reused devices are safe. I am heartened that, when brought to his attention, the FDA was responsive. Frankly, I think we need a lot more. That is the purpose of this amendment.

I thank the Chair for the time. I also extend my thanks to Senator COCHRAN of Mississippi and Senator KOHL of Wisconsin for agreeing to this amendment which will be made part of the bill, so that $1 million in the Food and Drug Administration is going to be directed toward the efforts to clean up the reuse of these medical devices.

I yield the floor.

Mr. KENNEDY. In an effort to reduce costs under managed care, more than a third of all hospitals across the country are now reusing medical devices that are labeled by the original manufacturer as ''disposable'' or ''for single-use only.'' More than a million devices a year are being reprocessed and then used on patients without their knowledge, in violation of the original manufacturer's recommendation or warning, and without a determination by the FDA that these devices are safe and effective.

To protect patient safety, FDA requires that before a medical device manufacturer can begin selling a single-use device as reusable by additional patients, the manufacturer must file the appropriate premarket notification to prove the safety and efficacy of the reused device.

But this requirement only applies to original equipment manufacturers, and not to hospitals, other providers, or third party reprocessors. When hospitals, or third-party reprocessors, prepare a ''single-use only'' device for use again in another patient, they do not supply the FDA with any information on the safety and efficacy of the device and they do not notify the FDA of their intent to remarket the used device.

The FDA does require third-party reprocessors to register with the Agency and to conform to the ''Good Manufacturing Practices'' required of device manufacturers. The larger reprocessors are registered with the FDA and may be inspected for compliance. But there are numerous smaller reprocessors that do not register with FDA, and hospitals that reprocess in-house do not register either.

Even when registration takes place, is not a form of approval. Compliance with Good Manufacturing Practices does not assure that the reprocessing results in a safe and effective device. The reprocessing industry is, for the most part, unregulated.

Some of the disposable devices that are reprocessed and reused are highly invasive and are contaminated with blood and tissue during use. A few examples include:

Balloon angioplasty catheters for dilating coronary arteries;

Electrophysiology catheters for cardiac testing;

Biopsy forceps and biopsy needles for removing tissues and cells;

Laparoscopic instruments for surgical procedures.

Inadequate cleaning and sterilization of these devices prior to reuse can lead to cross-contamination of patients and hospital staff.

Single-use devices are often made from heat sensitive plastics, and have intricate, inaccessible parts which can be difficult, if not impossible, to clean. They often contain long narrow tubing, acute angles, crevices, coils, joints, and porous surfaces where contaminants can collect. The potential is high for contamination by blood, respiratory secretions, gastric secretions, and fecal matter.

Cleaning and resterilizing can also threaten the operation of a used single-use device. Physical, mechanical or electrical properties can be altered when the device is subject to harsh chemicals, high temperatures, pressure, gases, and physical removal of debris. Proper use of the device in the initial patient may also alter the performance of the device.

Reprocessors say that they test these devices. But any testing is done without the benefit of the data and other proprietary information in the original manufacturer's Premarket Notification to the FDA.

The FDA has conducted studies on balloon angioplasty catheters. These devices are threaded from an artery in the leg into the heart, and then inflated to open the coronary arteries. The studies concluded that many of the narrow spaces in these catheters were contaminated with blood, and that the balloons no longer inflated properly.

Studies by FDA on reprocessed electrophysiology catheters have found debris accumulated at the edges of the electrodes. These devices are also threaded into the heart, and measure electrical activity to locate abnormal heart tissue and burn it away.

FDA concluded that the determination as to which devices can be safely reused must be made on a model-by-model basis, and should not be made for an entire class or type of device.

Other independent studies on biopsy forceps used to collect samples from the colon and digestive tract showed that over 80% were contaminated with blood, tissue, or fecal matter. The devices in this study were taken from hospital shelves where they were waiting for reuse on future patients.

Injuries and product failures have also been associated with reused disposable devices. In January of this year, metal from an electrophysiology catheter electrode fell off and lodged in the heart of a 32-year-old woman in Kansas. The device had been reprocessed six times.

In another case, a reprocessed catheter partially separated, and the tip was retained only by a small piece of wire. In this case, fortunately, the patient was not injured, but the potential for serious injury was great.

The Medical Device Amendments of 1976 gave FDA the authority to exercise pre-market control over medical devices for the first time. The Safe Medical Devices Act of 1990 required hospitals and other facilities that use medical devices to report adverse events to FDA. A box on the MedWatch adverse event form asks if the device was being used for the first time or was reused.

Additional information is needed on how many times a device has been reused and the name of the reprocessor, so that the Agency can identify signs or trends of problems with the reuse of a particular class or model of device, or with a particular reprocessor or process.

The amendment we offer today will help ensure the safety and effectiveness of reprocessed medical devices.

I commend the FDA for its continuing efforts to improve the premarket review program. This effort has resulted in reduced review times of Premarket Notifications, so that in 1997 and 1998, FDA had no backlog of these marketing applications.

FDA should now move forward and require medical device reprocessors to demonstrate that reprocessed devices are safe and effective for use.

Mr. DURBIN. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. COCHRAN. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mrs. HUTCHISON). Without objection, it is so ordered.

AMENDMENT NO. 1513, AS MODIFIED

Mr. COCHRAN. Madam President, I send a modification of my amendment to the desk and ask that it be reported.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Mississippi [Mr. COCHRAN] proposes an amendment numbered 1513, as modified.

Mr. COCHRAN. I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

Beginning on page 1, line 3, strike all that follows ''SEC.'' to the end of the amendment and insert the following:

____. EMERGENCY AND MARKET LOSS ASSISTANCE.—(a) MARKET LOSS ASSISTANCE.—

(1) IN GENERAL.—The Secretary of Agriculture (referred to in this section as the ''Secretary'') shall use not more than $5,544,453,000 of funds of the Commodity Credit Corporation to provide assistance to owners and producers on a farm that are eligible for payments for fiscal year 1999 under a production flexibility contract for the farm under the Agricultural Market Transition Act (7 U.S.C. 7201 et seq.).

(2) AMOUNT.—The amount of assistance made available to owners and producers on a farm under this subsection shall be proportionate to the amount of the contract payment received by the owners and producers for fiscal year 1999 under a production flexibility contract for the farm under the Agricultural Market Transition Act.

(3) TIME FOR PAYMENT.—The assistance made available under this subsection for an eligible owner or producer shall be provided not later than 45 days after the date of enactment of this Act.

(b) SPECIALTY CROPS.—

(1) ASSISTANCE TO CERTAIN PRODUCERS.—The Secretary shall use not more than $50,000,000 of funds of the Commodity Credit Corporation to provide assistance to producers of fruits and vegetables in a manner determined by the Secretary.

(2) PAYMENTS TO CERTAIN PRODUCERS.—

(A) IN GENERAL.—The Secretary shall use such amounts as are necessary to provide payments to producers of quota peanuts or additional peanuts to partially compensate the producers for continuing low commodity prices, and increasing costs of production, for the 1999 crop year.

(B) AMOUNT.—The amount of a payment made to producers on a farm of quota peanuts or additional peanuts under subparagraph (A) shall be equal to the product obtained by multiplying—

(i) the quantity of quota peanuts or additional peanuts produced or considered produced by the producers under section 155 of the Agricultural Market Transition Act (7 U.S.C. 7271); by

(ii) an amount equal to 5 percent of the loan rate established for quota peanuts or additional peanuts, respectively, under section 155 of that Act.

(3) CONDITION ON PAYMENT OF SALARIES AND EXPENSES.—None of the funds appropriated or otherwise made available by this Act or any other Act may be used to pay the salaries and expenses of personnel of the Department of Agriculture to carry out or enforce section 156(f) of the Agricultural Market Transition Act (7 U.S.C. 7272(f)) through fiscal year 2001, if the Federal budget is determined by the Office of Management and Budget to be in surplus for fiscal year 2000.

(c) LIMITATION ON MARKETING LOAN GAINS AND LOAN DEFICIENCY PAYMENTS.—Notwithstanding section 1001(2) of the Food Security Act of 1985 (7 U.S.C. 1308(1)), the total amount of the payments specified in section 1001(3) of that Act that a person shall be entitled to receive under the Agricultural Market Transition Act (7 U.S.C. 7201 et seq.) for 1 or more contract commodities and oilseeds during the 1999 crop year may not exceed $150,000.

(d) UPLAND COTTON PRICE COMPETITIVENESS.—

(1) IN GENERAL.—Section 136(a) of the Agricultural Market Transition Act (7 U.S.C. 7236(a)) is amended—

(A) in paragraph (1), by striking ''or cash payments'' and inserting ''or cash payments, at the option of the recipient,'';

(B) by striking ''3 cents per pound'' each place it appears and inserting ''1.25 cents per pound'';

(C) in the first sentence of paragraph (3)(A), by striking ''owned by the Commodity Credit Corporation in such manner, and at such price levels, as the Secretary determines will best effectuate the purposes of cotton user marketing certificates'' and inserting ''owned by the Commodity Credit Corporation or pledged to the Commodity Credit Corporation as collateral for a loan in such manner, and at such price levels, as the Secretary determines will best effectuate the purposes of cotton user marketing certificates, including enhancing the competitiveness and marketability of United States cotton''; and

(D) by striking paragraph (4).

(2) ENSURING THE AVAILABILITY OF UPLAND COTTON.—Section 136(b) of the Agricultural Market Transition Act (7 U.S.C. 7236(b)) is amended—

(A) by striking paragraph (1) and inserting the following:

''(1) ESTABLISHMENT.—

''(A) IN GENERAL.—The President shall carry out an import quota program during the period ending July 31, 2003, as provided in this subsection.

''(B) PROGRAM REQUIREMENTS.—Except as provided in subparagraph (C), whenever the Secretary determines and announces that for any consecutive 4-week period, the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling (M) 1 3/32-inch cotton, delivered C.I.F. Northern Europe, adjusted for the value of any certificate issued under subsection (a), exceeds the Northern Europe price by more than 1.25 cents per pound, there shall immediately be in effect a special import quota.

''(C) TIGHT DOMESTIC SUPPLY.—During any month for which the Secretary estimates the season-ending United States upland cotton stocks-to-use ratio, as determined under subparagraph (D), to be below 16 percent, the Secretary, in making the determination under subparagraph (B), shall not adjust the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling (M) 1 3/32-inch cotton, delivered C.I.F. Northern Europe, for the value of any certificates issued under subsection (a).

''(D) SEASON-ENDING UNITED STATES STOCKS-TO-USE RATIO.—For the purposes of making estimates under subparagraph (C), the Secretary shall, on a monthly basis, estimate and report the season-ending United States upland cotton stocks-to-use ratio, excluding projected raw cotton imports but including the quantity of raw cotton that has been imported into the United States during the marketing year.''; and

(B) by adding at the end the following:

''(7) LIMITATION.—The quantity of cotton entered into the United States during any marketing year under the special import quota established under this subsection may not exceed the equivalent of 5 week's consumption of upland cotton by domestic mills at the seasonally adjusted average rate of the 3 months immediately preceding the first special import quota established in any marketing year.''.

(e) OILSEED PAYMENTS.—

(1) IN GENERAL.—Notwithstanding any other provision of law, the Secretary shall use not less than $475,000,000 of funds of the Commodity Credit Corporation to make payments to producers of the 1999 crop of oilseeds that are eligible to obtain a marketing assistance loan under section 131 of the Agricultural Market Transition Act (7 U.S.C. 7231).

(2) COMPUTATION.—A payment to producers on a farm under this subsection shall be computed by multiplying—

(A) a payment rate determined by the Secretary; by

(B) the quantity of oilseeds that the producers on the farm are eligible to place under loan under section 131 of that Act.

(3) LIMITATION.—Payments made under this subsection shall be considered to be contract payments for the purposes of section 1001(1) of the Food Security Act of 1985 (7 U.S.C. 1308(1)).

(f) ASSISTANCE TO LIVESTOCK AND DAIRY PRODUCERS.—The Secretary shall use $325,000,000 of funds of the Commodity Credit Corporation to provide assistance to livestock and dairy producers in a manner determined by the Secretary.

(g) TOBACCO.—The Secretary shall use $328,000,000 of funds of the Commodity Credit Corporation to make distributions to tobacco growers in accordance with the formulas established under the National Tobacco Grower Settlement Trust.

(h) SENSE OF CONGRESS REGARDING FAST-TRACK AUTHORITY AND FUTURE WORLD TRADE ORGANIZATION NEGOTIATIONS.—It is the sense of Congress that—

(1) the President should make a formal request for appropriate fast-track authority for future United States trade negotiations;

(2) regarding future World Trade Organization negotiations—

(A) rules for trade in agricultural commodities should be strengthened and trade-distorting import and export practices should be eliminated or substantially reduced;

(B) the rules of the World Trade Organization should be strengthened regarding the practices or policies of a foreign government that unreasonably—

(i) restrict market access for products of new technologies, including products of biotechnology; or

(ii) delay or preclude implementation of a report of a dispute panel of the World Trade Organization; and

(C) negotiations within the World Trade Organization should be structured so as to provide the maximum leverage possible to ensure the successful conclusion of negotiations on agricultural products;

(3) the President should—

(A) conduct a comprehensive evaluation of all existing export and food aid programs, including—

(i) the export credit guarantee program established under section 202 of the Agricultural Trade Act of 1978 (7 U.S.C. 5622);

(ii) the market access program established under section 203 of that Act (7 U.S.C. 5623);

(iii) the export enhancement program established under section 301 of that Act (7 U.S.C. 5651);

(iv) the foreign market development cooperator program established under section 702 of that Act (7 U.S.C. 5722); and

(v) programs established under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.); and

(B) transmit to Congress—

(i) the results of the evaluation under subparagraph (A); and

(ii) recommendations on maximizing the effectiveness of the programs described in subparagraph (A); and

(4) the Secretary should carry out a purchase and donation or concessional sales initiative in each of fiscal years 1999 and 2000 to promote the export of additional quantities of soybeans, beef, pork, poultry, and products of such commodities (including soybean meal, soybean oil, textured vegetable protein, and soy protein concentrates and isolates) using programs established under—

(A) the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.);

(B) section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

(C) titles I and II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701 et seq.); and

(D) the Food for Progress Act of 1985 (7 U.S.C. 1736o).

(i) CROP INSURANCE.—The Secretary shall use $400,000,000 of funds of the Commodity Credit Corporation to assist agricultural producers in purchasing additional coverage for the 2000 crop year under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.).

(j) EMERGENCY REQUIREMENT.—The entire amount necessary to carry out this section and the amendments made by this section shall be available only to the extent that an official budget request for the entire amount, that includes designation of the entire amount of the request as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, is transmitted by the President to the Congress: *Provided*, That the entire amount is designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A) of such Act.

The PRESIDING OFFICER. The amendment is so modified.

Mr. COCHRAN. Madam President, this is the modification that I mentioned in my remarks, when I sent the Cochran amendment to the desk, that we were making to add $400 million for the Crop Insurance Program to the Cochran amendment. There are other technical changes, but that is the substantive change that is made by this modification, for the information of Senators.

We are also hopeful, after talking with the distinguished Democratic leader, that it is possible we will be able to move to a vote on the Cochran amendment—the details of that are being discussed now with leaders on both sides and interested Senators—and then consider any other amendments that may be offered on this subject—we know of two suggested major amendments that may still be presented to the Senate for its consideration—to have votes on those or on motions to table those amendments, and then move on to consideration of other amendments which have been suggested by Senators.

We have a list of amendments the managers have agreed to accept. There are a few that we know of that Senators have indicated an interest in offering which we are not able to accept, but we hope that if there are Senators who have amendments they intend to offer, they will let us know about this. We have asked each Cloakroom to try to find out what we can expect in the way of additional amendments because we would like to conclude action on this bill this afternoon or early this evening. We think that is certainly possible under the arrangement that has just been discussed with the managers by the Democratic leader.

We appreciate the cooperation of all Senators.

Mr. DORGAN addressed the Chair.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. DORGAN. Madam President, my hope is that we are able to find a way this afternoon to adequately deal with this question of disaster relief. I know Senator COCHRAN has just reoffered and now modified the proposal he made previously. We had a tabling vote on that proposal and the tabling vote did not prevail. So we know at least somewhat where the votes are on the Cochran proposal.

He has modified it, as I understand, to include $400 million with respect to crop insurance. My hope is that we can move beyond this proposal, which I think is short on what is necessary, to a couple of additional proposals that we may be able to agree to with respect to procedure at least.

This proposal that is now before the Senate does not provide assistance for disaster relief. We now see, in every television and radio newscast that we turn to or refer to on the front pages of the papers, the worst drought in this century in some parts of our country. We know disaster relief is going to be necessary because of this drought. We ought to begin to get a start on that in any emergency package we pass dealing with family farmers.

There are a number of other things that are left out of the proposal that has just been offered. My hope is that we can, in the next couple of hours, improve this package to the point where most of us believe it does what we believe it should do for family farmers.

I want to mention, again, we are not on the floor dealing with an agricultural disaster or agricultural crisis issue because of something farmers have done. It is not their fault the Asian economies have collapsed. It is not the farmers' fault in my State that they have suffered the worst crop disease of the century. It is not their fault we have 3 million acres that couldn't be planted this spring because of wet conditions. Incidentally, that would not be dealt with in the Cochran proposal, flooded lands and so on. This is not the fault of family farmers.

We have faced a very serious problem at this point. There is a responsibility for the Congress to help. This is the appropriate place to do that. This is the Agriculture appropriations bill. We have been discussing this now for a number of months. The collapse in the grain and commodities and livestock markets have been spectacular and have been noticed by everyone who cares about the farm economy and family farmers. This is not a surprise to anyone that we are dealing with this question now.

While there may be disagreements on the floor of the Senate about exactly how to do it, I think in the end, when we finish this afternoon, we should have been able to pass a piece of legislation dealing with the farm crisis that provides opportunity and hope to family farmers. If we just kick it around a bit and just tune it up a little bit so that it looks better or sounds better or appears better but doesn't provide the kind of help necessary for family farmers, this has all been wasted effort. If we are not able to provide a reasonable safety net and/or during tough times some emergency help that gives family farmers a chance to get from here to there, that gives them a chance to feel that there is some hope for the ability to continue farming, then we haven't accomplished anything at all.

The test, then, this afternoon is not whether we pass the proposal before us. That proposal is insufficient. It doesn't meet the needs. The test is whether we can pass one of a couple other proposals that we will, I hope, shortly make in order by consent that will be debated under short time considerations and then will be voted upon.

Those of us from farm country understand every day the dichotomy about this economy of ours. We hear about all of the wonderful things in the American economy. Yet in farm country, we see a near total collapse of rural communities, rural counties, and the economies of family farming. We understand this Congress cannot say it doesn't matter. It does matter in this country.

I am not going to revisit all the history of the current farm bill, but the philosophy of the current farm bill is that family farmers in this country shall be transitioned out of the farm program. Farm programs shall cease to exist at some point and the transition payments shall allow farmers to get from here to no farm program.

The folly of that is to believe that family-sized farms out there by themselves, trying to float in this sea of uncertainty, with all of the potential adverse effects of weather and grain markets and all of the other catastrophes that can befall a family farmer, that

they can do this by themselves. When grain markets collapse and grain prices fall to half, that doesn't matter because family farmers can manage that.

That is folly. They can't manage that. Family farmers will not make it. They won't make it across this price valley unless Congress extends a helping hand. The helping hand ought to be an investment in this country, an investment in a disaster package that says family farmers matter to this country in many different ways, and we want to try to give them the capability and the hope that they can survive beyond this price catastrophe.

I say again, as I close, the current amendment which is before the Senate is deficient in many ways. It falls far short of doing what is necessary in the area of flooded lands, for example, and many other areas. It simply doesn't offer the kind of support we need in rural America to respond to the current disaster and to respond to the current crisis with respect to the collapse of farming commodity prices.

Most deficient is the fact that the underlying amendment doesn't address the disaster issue at all that is now enveloping large parts of our country and devastating family farm producers.

Madam President, I yield the floor.

Mr. COCHRAN. Madam President, after consultation with the Democratic leader and other Senators, my understanding of the procedure now that is agreed upon is that the Cochran amendment can now be adopted by voice vote.

Then there will be two other amendments on the subject of disaster assistance that will be offered and voted on. The times for those votes has not yet been agreed upon. But we can take the first step by adopting the Cochran amendment on a voice vote.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Mississippi.

The amendment (No. 1513), as modified, was agreed to.

Mr. COCHRAN. Madam President, I move to reconsider the vote.

Mr. GREGG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. KOHL addressed the Chair.

The PRESIDING OFFICER. The Senator from Wisconsin.

PRIVILEGE OF THE FLOOR

Mr. KOHL. Madam President, I ask unanimous consent that Cynthia Garman-Squier, Dan Alpert, and John Jennings, fellows working in Senator BINGAMAN's office, be accorded the privilege of the floor today, August 4, and during the pendency of S. 1233, the Agriculture appropriations bill and any votes thereupon.

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

Mr. COCHRAN. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative assistant proceeded to call the roll.

Ms. LANDRIEU. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

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

PRIVILEGE OF THE FLOOR

Ms. LANDRIEU. Madam President, I ask unanimous consent that my State director, Don Hutchinson, be granted the privilege of the floor.

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

Ms. LANDRIEU. Madam President, I rise for the purpose of introducing a piece of legislation as in morning business.

The PRESIDING OFFICER. The Senator may proceed.

Ms. LANDRIEU. I thank the Chair.

(The remarks of Ms. LANDRIEU pertaining to the introduction of S. 1485 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

Ms. LANDRIEU. I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. GREGG). The clerk will call the roll.

Mr. AKAKA. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. AKAKA. I ask unanimous consent to speak for 6 minutes as in morning business.

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

Mr. AKAKA. I thank the Chair.

(The remarks of Mr. AKAKA pertaining to the introduction of S. 1487 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

Mr. DORGAN addressed the Chair.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. DORGAN. I am waiting for Senator HARKIN. He should be here in a moment. We intend to offer an amendment per the previous agreement.

AMENDMENT NO. 1514 TO AMENDMENT NO. 1499

(Purpose: To provide emergency and income loss assistance to agricultural producers)

Mr. DORGAN. Mr. President, I send the amendment to the desk, an amendment in the second degree, and ask for its immediate consideration.

I offer this amendment on behalf of myself, Senators HARKIN, DASCHLE, KERREY, JOHNSON, CONRAD, BAUCUS, DURBIN, WELLSTONE, LINCOLN and SARBANES.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from North Dakota [Mr. DORGAN], for himself, Mr. HARKIN, Mr. DASCHLE, Mr. KERREY, Mr. JOHNSON, Mr. CONRAD, Mr. BAUCUS, Mr. DURBIN, Mr. WELLSTONE, Mrs. LINCOLN and Mr. SARBANES, proposes an amendment numbered 1514 to amendment No. 1499.

Mr. DORGAN. 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. DORGAN. My understanding is we have a time agreement of 15 minutes on each side.

Mr. COCHRAN. If the Senator will yield, I am happy to agree that this amendment would have 30 minutes equally divided.

Mr. DORGAN. Yes.

Mr. COCHRAN. I am advised that I need to do this. I ask unanimous consent that the time for debate prior to a motion to table the pending amendment be limited to 30 minutes, to be equally divided in the usual form.

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

Mr. COCHRAN. I thank the Senator.

Mr. DORGAN. Mr. President, in an attempt to try to find a solution to the issue of providing relief during this farm crisis, I am offering an amendment, in the second degree, on behalf of myself and Senator HARKIN and other Members here on the Senate floor.

As Members of the Senate will recall, the proposal we offered yesterday was a proposal that called for $10.7 billion in crisis relief. That $10.7 billion has been modified in this second-degree amendment, and is $9.837 billion. We have reduced it nearly $1 billion by making adjustments in a range of accounts.

The accounts include emergency short-term land diversion, disaster reserve—a number of different programs that we have adjusted, that we have thought it appropriate to adjust in order to try to find a compromise that would cost less but still provide significant support and help to family farmers.

My colleague, Senator HARKIN, and I have worked, along with Senator CONRAD and Senator DASCHLE, Senator JOHNSON of South Dakota, and others, to see if there is some way we can provide for legislation that will offer assistance at a level that is greater than that which now rests with the underlying amendment.

I had indicated previously that the amendment offered by Senator COCHRAN does not deal with disaster issues. There isn't money for disaster issues in that piece of legislation. There isn't money for flooded lands. There are a number of deficiencies in that amendment, and it simply does not reach the level that is necessary to address this farm crisis.

So in an attempt to see if we can find some middle ground, in an attempt to offer an amendment that is almost $1 billion less than we had offered previously, by making adjustments in

about seven or eight categories, we are trying to see if we can get a favorable vote on this amendment.

This amendment, if it should fail, as I understand it, will be followed by one additional amendment.

But let me at this moment call on my colleague from Iowa who has joined me in offering this amendment.

Mr. HARKIN addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. DORGAN. I yield as much time as the Senator from Iowa consumes.

Mr. HARKIN. How much time do we have?

The PRESIDING OFFICER. The Senator has 12 minutes 20 seconds.

Mr. HARKIN. Mr. President, first of all, I compliment and thank my colleague from North Dakota for crafting this new proposal and for all of his hard work on behalf of farmers and ranchers all over this country. Senator DORGAN has, indeed, been a leader in this Senate in focusing attention on the fact that so many of our farmers and ranchers are in dire straits, and that we need a substantial package of relief and help to get them through this winter and into next year.

What Senator DORGAN has now sent to the desk is, hopefully, a reaching out to our colleagues and friends on the Republican side to join us in this effort. The proposal we had yesterday that I had offered was $10.7 billion. This is now $1 billion less. So we have come down $1 billion. We have taken some money out of places which, quite frankly, this Senator thinks is going to be hard to explain to some farmers. But in order to try to reach an agreement with our colleagues on the other side, for at least a meaningful package, Senator DORGAN and I and others have crafted this new package that is $1 billion less than what we offered yesterday.

This may, indeed, be the Senate's last chance to vote on a meaningful package of support for our farmers and ranchers.

Again, the amounts that are in this package are pretty close to the minimum of what we are going to need. I cannot, for the life of me, understand why we have the proposal again before us that, as I understand it, is about $400 million more than what it was yesterday.

I don't know, the Senator from Mississippi might correct me on that, but I think it is about $400 million more. I think that includes crop insurance.

Mr. COCHRAN. That is right.

Mr. HARKIN. I thank the Senator.

That is a step in the right direction to put that $400 million for the Crop Insurance Program. That was in our initial proposal. I am delighted to see it in this one.

But I must say the entire package is still not enough. Will it help? Sure, it will help. Heck, $100 would help. I have farmers out in my area who would take $100. One thousand dollars would help. Yes; this will help.

If I might analogize it a little bit, it is the kind of help that if a person is out there drowning in deep water, and you throw him one of those little life preservers, the drowning person grabs ahold of the life preserver, only to find out there is a slow leak in it. It is going to keep that person alive for a while, give him a few more moments of life on Earth. Then the air is going to go out.

That is sort of the way I see the Republican amendment before us now. It will help. It will get some farmers through. It is going to leave a lot behind. I think it is going to hold out some false hopes. The last thing our farmers and ranchers need now is false hope. They need real hope that we are going to significantly address the problem.

Again, I point out that the amendment offered by the Senator from Mississippi includes payments that go out to farmers all as agriculture marketing transition adjustment payments, so-called AMTA payments. These payments are based upon old-fashioned, outdated ag policies. What I mean by that is that the AMTA payments are based upon something known as base acres and proven yields. Base acres has gone out the window; we don't have that any longer; and yet they reach back, years back, to take base acres and proven yields in order to make the payments.

I want to forewarn my colleagues: You are going to see a lot of stories in the paper this fall and this winter about people getting these payments who aren't even farming, aren't even raising a crop. But they are going to get them because several years ago, 10 years ago, they had some base acres and they had an established proven yield. They may not even have that any longer, but they are going to get a payment. They are going to get an AMTA payment.

Yet a young producer who may not even have been in business 10 years ago, who started up in this decade, does not have base acres, does not have proven yields, but they are out there struggling to get by, they are not going to get the same AMTA payment. They will get a modest LDP this fall that is already in the bill, but this amendment offers no further relief under the loan deficiency payments.

To be sure, I understand that Senator COCHRAN's amendment has a $500 million payment to soybeans and oilseeds. Again, that is helpful. But under our LDP program the payments to soybean producers would be in the neighborhood of about $1 billion, not $500 million. They deserve some help also. I shouldn't just say soybeans. I mean all oilseeds, whether it is safflower or canola oilseeds, would also get more under the LDP payment than they would under the AMTA payment.

That is why I believe the Cochran amendment is still insufficient and why I believe the amendment sent forward by the Senator from North Dakota, Mr. DORGAN, again may be our last best hope to get meaningful help to all the farmers—all of them, not just a few.

I thank the Senator for yielding the time.

Mr. DORGAN. How much time remains?

The PRESIDING OFFICER. The Senator has 5 minutes 15 seconds.

Mr. DORGAN. I will reserve the remainder of my time in the event the manager wishes to speak at this point.

Mr. President, if Senator COCHRAN does not have a speaker, let me then finish by saying that while I think the proposal that was offered today is improved by Senator COCHRAN—adding the $400 million for crop insurance improves it—as we indicated yesterday, it is not sufficient. It does not provide help for disaster.

It provides payments directly to farmers using AMTA. AMTA might sound like a foreign language to some people, but AMTA is a mechanism by which payments are made to people based on a 1991–1995 crop history, and we will have payments going to people who aren't producing anything. All of a sudden, they will open their mailbox and get a check. We will have payments made to people who aren't in trouble at all because AMTA is disconnected from any relationship to production.

We have proposed that the payments go with respect to a loan deficiency payment that relates to production, relates to people who are not able to receive the adequate price they need for their commodity. It tries to say let us use scarce public money here, Federal tax dollars, where they might be invested and do the most good.

It doesn't make much sense to throw a 5-foot rope to somebody drowning in 30 feet of water. One can say thanks for the rope, but it didn't save anybody. What we need to do at the end of today is to have said: Well, we have done something to try to address the farm crisis, collapsed commodity prices, collapsed livestock prices, devastating crop disease in some parts of the country, devastating drought in others, and flooding in yet other parts of the country. We need at the end of the day to say we have put together a package of help that says to those family farmers trying to do business under those circumstances: You have a chance here to survive. You can make it across these price valleys.

Putting together an inadequate package and then just going home is not solving problems. It is just prolonging the day, probably by a month or 2 or 6 months, by which farmers might have

a chance to make a decision later that they are going to have to be out of business.

That is not what we want to do for farmers. Family farmers are important to this country. I come here with a real passion for family farming. It is because I grew up in a rural area of this country and I know what it takes to raise livestock. I know what kinds of efforts and passions people put into trying to operate a family farm. I see now the tears in the eyes of family farmers who stands up at meetings with me and say: I am losing the farm. This is a farm my grand-dad operated and my dad operated, and I am losing it. I am not a bad farmer, I am a good farmer, but I can't make it with Depression-era prices for wheat and corn. I just can't make a living that way.

Members of the Senate couldn't make a living that way. People on minimum wage couldn't make a living that way. Nobody can make a living when their prices collapse. Is there anybody you know of who has half the income they used to have a couple years ago and are doing well? I don't think so. That is what this is about.

Are we going to invest in family farming? Are we going to extend a helping hand to say, you matter, we want to help you, or are we going to pass a bill that is inadequate and say, we passed it, so credit us for passing a bill?

I hope my colleagues will take a close look at this compromise, $9.837 billion, nearly $1 billion less than that which we offered yesterday. My colleagues, Senators HARKIN and CONRAD and others, sincerely hope we will be able to accept this as a compromise and then understand that we have done something significant and real, something helpful to America's family farmers and for America's family farmers.

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

The PRESIDING OFFICER. Who yields time?

Mr. COCHRAN. Mr. President, I yield myself such time as I may consume.

I don't know of any Senators on this side of the aisle who desire to debate this issue any further. We have had a full debate of all of the issues surrounding this amendment—the issues of disaster and income assistance.

I observe that the proposal that is now before the Senate, offered by the Senators from North Dakota and Iowa and others who may be cosponsors, is very similar to the amendment that has already been voted on, on a motion to table the Daschle-Harkin amendment. On that vote, the motion to table was agreed to.

There are some reductions in the individual items of assistance that are included in the bill, but the bill is basically the same bill substantively and in terms of the procedures used to deliver the disaster assistance. We were told also that the earlier bill had been estimated by the Congressional Budget Office to cost over $11 billion. It had been advertised as having a cost of $10.793 billion. This has been revised downward from that previous estimate to $9.83 billion.

The individual items we observe that have been changed: There is $100 million less for dairy. There is a reduction in the livestock assistance program from $200 million to $150 million. There was a so-called flooded land program at $250 million in the earlier proposal which is now $150 million. There is a cancellation of the so-called emergency short-term land diversion program and also of the producers erroneously denied eligibility for the 1998 relief program. There are two programs in the emergency conservation area that have been reduced in cost, and one has been canceled.

Those are the highlights of the changes that have been made in this legislation from the way it appeared when the Senate voted to table the amendment earlier in the consideration of this bill. So it is virtually the same amendment. There have been some modifications.

I urge Senators to vote to table the amendment when that motion is made. It is the intention of this manager to yield back all time that remains on this side, and I will be prepared to do that whenever the Senator from North Dakota says they are ready to vote.

Mr. DORGAN. Mr. President, how much time remains?

The PRESIDING OFFICER. One minute 11 seconds.

Mr. DORGAN. Mr. President, of those items that my colleague, Senator COCHRAN, described as having been reduced, in most cases, they were reduced from a level of funding that we thought was necessary. But I say that, in almost every case, these items have no entry on the underlying amendment. There isn't any money available in the Cochran proposal that the Senate has considered.

So it is true, we have had to reduce some accounts. But whatever is left is certainly more than exists in the farm crisis package that has been offered today by my colleague.

I hope that our colleagues will look at this in the spirit in which it is offered and believe that a compromise is important and necessary and believe it is far better during a farm crisis to try to extend the helping hand to people who are producing and provide help, because prices have collapsed for that which they have produced, than it is to concoct another approach that says: Let's just send checks out there and hope some of them get in the right mailboxes. That is what AMTA is and what it does. That is why it is not effective.

I yield the floor.

Mr. COCHRAN. Mr. President, I yield back all time remaining on this side on the amendment.

I move to table the amendment and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second.

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to table amendment No. 1514.

The clerk will call the roll.

The legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Idaho (Mr. CRAPO) is necessarily absent.

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

The result was announced—yeas 55, nays 44, as follows:

[Rollcall Vote No. 255 Leg.]

YEAS—55

Abraham	Gorton	Murkowski
Allard	Graham	Nickles
Ashcroft	Gramm	Roberts
Bennett	Grams	Roth
Bond	Grassley	Santorum
Brownback	Gregg	Sessions
Bunning	Hagel	Shelby
Campbell	Hatch	Smith (NH)
Chafee	Helms	Smith (OR)
Cochran	Hutchinson	Snowe
Collins	Hutchison	Specter
Coverdell	Inhofe	Stevens
Craig	Jeffords	Thomas
DeWine	Kyl	Thompson
Domenici	Lott	Thurmond
Enzi	Lugar	Voinovich
Feingold	Mack	Warner
Fitzgerald	McCain	
Frist	McConnell	

NAYS—44

Akaka	Durbin	Lieberman
Baucus	Edwards	Lincoln
Bayh	Feinstein	Mikulski
Biden	Harkin	Moynihan
Bingaman	Hollings	Murray
Boxer	Inouye	Reed
Breaux	Johnson	Reid
Bryan	Kennedy	Robb
Burns	Kerrey	Rockefeller
Byrd	Kerry	Sarbanes
Cleland	Kohl	Schumer
Conrad	Landrieu	Torricelli
Daschle	Lautenberg	Wellstone
Dodd	Leahy	Wyden
Dorgan	Levin	

NOT VOTING—1

Crapo

The motion was agreed to.

Mr. COCHRAN. Mr. President, I move to reconsider the vote.

Mr. LEAHY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. COCHRAN. Mr. President, as I understand it, under the agreement there was an opportunity for another disaster assistance amendment to be offered. It is my understanding that an agreement has been reached to limit the time for debate on that amendment to 30 minutes equally divided prior to a motion to table.

I make that suggestion to see if it is satisfactory with the distinguished Senator from North Dakota.

Mr. CONRAD. That is the understanding.

AMENDMENT NO. 1517 TO AMENDMENT NO. 1499

(Purpose: To make a perfecting amendment)

Mr. CONRAD. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from North Dakota [Mr. CONRAD] proposes an amendment numbered 1517 to amendment No. 1499.

Mr. CONRAD. 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.'')

Mr. CONRAD. Mr. President, this is an attempt to have a pure compromise between the two sides on the question of disaster relief for agriculture. The Democratic plan previously proposed was at $10.8 billion. The Republican plan that we started with was $6.9 billion. This is for $8.8 billion. First, it compromises on the money.

Second, on the payment methodology, it adopts what the Republicans have insisted on, the use of enhanced AMTA payments for income support. This is a sincere attempt to compromise on the question of disaster relief.

Beyond that, there are significant differences. This is a disaster bill that actually has disaster aid. Our amendment has $500 million set aside for 1999 crop income losses. There is nothing in the underlying amendment. Let me repeat that for people who are listening, and for our colleagues. Our amendment has $500 million for 1999 crop income losses from droughts and floods. The underlying amendment has zero. We are talking about a disaster bill that, on the Republican side, does not have disaster provisions. It has provisions to offset the dramatic loss from the plummeting crop prices, but it does not have provisions to address drought or flooded lands.

In addition, the underlying amendment has no money for the unmet 1998 disaster assistance promise that was made. Last year, the government came up short. We gave farmers compensation based on a formula. They got 85 percent of what Congress had promised. My amendment improves on that. It closes the gap between what was promised and what was delivered. The underlying amendment has no money for dairy. Our proposal has $200 million for dairy. The underlying amendment has no money for price reporting. We have a modest amount of money for that. The underlying amendment has no money for agricultural mediation. We have a small amount of money for that.

In addition, the underlying amendment has no money for section 32 commodity purchases to address the drought and the livestock price collapse that we have seen for hogs. Our amendment does.

The underlying amendment, the Cochran amendment, is at $7.5 billion. Our amendment is at $8.8 billion. It represents a pure compromise on the dollars. It represents an acceptance of the Republican payment mechanism—all AMTA payments. As I have indicated, the other differences are as follows: The underlying amendment has about $200 million for specialty crops; we have $300 million. The underlying amendment has $325 million for livestock assistance and section 32; we have $550 million. The underlying amendment has nothing for 1999 crop income losses; we have $500 million. The underlying amendment has nothing for dairy; we have $200 million. The underlying amendment has nothing for the unmet 1998 disaster promise; we have $162 million. The underlying amendment has money for tobacco farmers; so do we.

We also have some miscellaneous provisions and deal with raising payment limits. We have the same approach as in the Republican proposal.

This is an attempt to have a straightforward compromise between the two positions. I hope very much our colleagues will accept it. I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Mississippi.

Mr. COCHRAN. Mr. President, I yield myself such time as I may consume. I know of no Senators on this side who are requesting recognition to debate this amendment. I observe that there has been a lot of discussion and consideration in the Senate on all of the issues that are included in this proposed amendment. Nothing really has been changed except the vehicle for delivery of assistance—that has been changed—and a reduction in total cost.

We still observe this is not a CBO estimate of the cost. The earliest cost of the Harkin amendment was over $10 billion, but then CBO sends us an estimate and it is over $11 billion. So one thing for Senators to keep in mind is that the cost of this proposed amendment is still considerably higher than the Cochran amendment that has previously been agreed to by the Senate on a voice vote this afternoon.

I hope Senators will continue to support the managers' effort to table this amendment and proceed to then consider the remaining amendments we have available to be disposed of in connection with this legislation. We think the underlying amendment fully addresses the need for action to deal with the problem of lost income and disaster assistance. It may not be perfect. There is no provision in the House bill on this subject. So we have an opportunity in conference to work out differences. If there are developments between now and the time when we do go to conference with the House, we will have an opportunity to address those issues.

I am hopeful Senators will understand this is our first action on this subject by the Congress. We have had no support from the administration in terms of trying to identify an appropriate level of disaster assistance for current problems. We already have a disaster program that is still being administered by the Department of Agriculture which was approved in the last Congress. That is a $6 billion program. We are willing to continue to work with the administration and with Senators in this Chamber to design the best possible economic assistance program.

We think this is a very strong effort and is a sign that we are serious about dealing with the problems in agriculture. It is a strong commitment. It is a $7 billion effort that has already been agreed to this afternoon. So we will continue to talk to Senators on both sides of the aisle to try to reach a point where we have a consensus and we have an understanding that will be acceptable not only to Congress but get the signature of the White House as well. We realize that is a fact of legislative life. But this is an important issue.

We appreciate the way Senators have responded to the challenge, discussing the options and voting for the measures that have been before us. But it is my intention, once the Senator has used his time or yielded it back, to yield the time that remains on this side and move to table the amendment.

The PRESIDING OFFICER. Who yields time?

Mr. CONRAD. Mr. President, I yield 5 minutes to the Senator from Nebraska.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. KERREY. Mr. President, first of all, I thank both Senator CONRAD from North Dakota and Senator GRASSLEY from Iowa. This is the first bipartisan effort we have had.

I also want to key on what the Senator from Mississippi just said. I appreciate very much what the Senator from Mississippi did earlier with the voice vote, basically saying let's try to get some agreement on what our baseline is going to be.

I am wondering. I say to the Senator from Mississippi, it seems some things put together in the package by Senators GRASSLEY and CONRAD might be agreeable to the Senator from Mississippi. Perhaps all of them are not. I wonder if the Senator will be willing to consider adding by voice vote some of the things? Look, for example, at the 1999 agricultural disaster losses. That almost on the face cries out for funding, it seems to me.

I wonder if the Senator from Mississippi will respond to that. I know earlier we had a voice vote that set

down a foundation of what we were going to do. Since this is the first truly bipartisan effort we have had, which is exactly what we are going to need in order to get the President's signature and the House to come along, we have a ways to go before we can get something signed and assistance out to farmers who are in need.

As I said, I appreciate very much the Senator from Mississippi—there is no question he understands there is a real need there, and it is not a question of whether or not he wants to help. He has a problem with some of the details of it and the timing of it. I wonder if there is anything on this list that the Senator from Mississippi by voice vote will be able to add in at this stage of the game?

Mr. COCHRAN. Mr. President, if the Senator will yield, no, there is not.

Mr. KERREY. Let me ask specifically on the ag disaster income loss, it seems to me—this is for 1999 that had been promised previously—this is just a matter of keeping a promise that was made previously. The Senator still would not—he can shake his head no if the answer is no. I am seeking some way to build on what Senator GRASSLEY and Senator CONRAD have done, which is trying to split the difference here and come up with a proposal.

Their proposal, for example, the most controversial one right off the bat, was they have all the money going out in an AMTA payment. As the Senator from Mississippi knows, the earlier effort reached by partisan agreement was one of the most difficult issues. Democrats wanted the money to go out in LDPs, and Republicans wanted it to go out in AMTA. We yielded in the bipartisan proposal of which I am fully supportive. It seems to me it would be reasonable at least to consider putting this 1999 assistance that has been promised on the appropriations bill. Does the Senator not agree with that?

Mr. COCHRAN. Mr. President, if the Senator will yield, I am happy to discuss this. I do not think we are going to make any progress in reaching an agreement in the way the Senator from Nebraska has undertaken to try to explore the options. This is, is it the third day? It seems as if it has been 3 days. Maybe it has just been 2. Time passes so fast when you are having fun trying to work something out.

We have undertaken in good faith to try to arrive at a package of assistance that will address the needs, as we understand them, in agriculture. If the Senator has listened to the debate, as I am sure he has, there have been some Senators who do not think there should be any funds made available at this time for this purpose because the harvests have not been completed and we do not know what the losses are in some areas of the country.

This year, some farmers are predicted to make more money than they did last year. In my State, aquaculture is considered to be having a very good year. There was a big feature story just this week in our State's press about that. But there are some farmers who are having a terrible time. Many of them are in the newspapers and photographs where drought has hit crops in this region of the country.

We are all aware of those problems. To suggest to me that I should now look at this last amendment that has a long list of things in it and I should select things that I could be willing to accept puts me in a position that is really untenable. I think the Senator understands that. So I think his questions are not only facetious but not well intended to really achieve the result of a compromise.

I cannot speak for all Senators on this side of the aisle when trying to respond to a question such as that. I can say that there is a lot of diversity in the Senate. We have come together to agree on an approach. It is a generous approach, and I think we are willing to go to conference with that. I am willing to take that to conference and defend it and improve it if we can, if the House has some better ideas.

The PRESIDING OFFICER. The time of the Senator from Nebraska has expired.

Mr. COCHRAN. Mr. President, I yield back all the time remaining on this side on the amendment. I move to table the amendment, and I ask for the yeas and nays.

Mr. CONRAD. Will the Senator withhold until Senator GRASSLEY has a chance to speak? I am not out of time.

Mr. COCHRAN. I will be happy to withhold if the Senator wants to talk.

The PRESIDING OFFICER. I believe the Senator from North Dakota has 4 minutes, 56 seconds.

Mr. CONRAD. I give 4 minutes to the Senator from Iowa.

Mr. GRASSLEY. Mr. President, yesterday I spoke about the hope that we could get a bipartisan agreement. I spoke also about the fact that I consider ag programs and Social Security and Medicare as social contracts that we have with segments of our population and the Government, and the extent to which, for the most part, those social contracts have been bipartisan when there have been changes made.

I welcomed the opportunity yesterday to have Democratic leaders and people interested in agricultural issues wanting to meet with Republicans to reach that bipartisan accord. An accord such as this is one where each side gives some. I think Republicans have given, the extent to which this is more than some magic $7.5 billion, but, there again, as the Senator from North Dakota explained, it is about halfway between the extremes of what both parties were offering.

What I know is very strongly felt by a lot of people on the other side of the aisle is that there should be a division of the cash infusion into agriculture between AMTA payments and LDPs. We on this side of the aisle believe more strongly about that than almost any other issue—that that is the wrong way to go, for two reasons: One, LDP is a convoluted way to get money to farmers; and the second one is that when we have an emergency such as this, we ought to be able to get the money to the community as fast as we can. This can be done within 10 days after the President signs the bill.

On the other side of the aisle, at least I can say for the Senator from North Dakota, they have given a lot in order to reach this compromise. It is very deeply felt by Republicans that all of this money should go out through AMTA. This is give and take on both sides, and I hope that it does get a massive amount of support so we can say we did something with a social contract that is bipartisan, which is a tradition of this body.

I yield the floor.

Mr. CONRAD. Mr. President, I ask unanimous consent for an additional 5 minutes so that two other Senators may speak.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. CONRAD. I thank my colleague from Mississippi for the accommodation.

I yield 3 minutes to the Senator from Iowa, Senator HARKIN.

Mr. HARKIN. I thank the Chair, and I thank the Senator from Mississippi for letting us have this additional time.

Again, I rise to support the amendment offered by the Senator from North Dakota and my colleague from Iowa. Sure, there are some things in this with which I do not agree. I do not think it all ought to go out in AMTA payments.

Obviously, the body has spoken. The Republicans have the votes on that. So it is done.

There is a better way of putting it out through the LDP system, but that is a moot point right now. What we are down to is really how much we are going to put out there and whether or not we are going to dribble it out or do something meaningful.

We keep coming down from the amendment we offered the other day for about 10.7; then we came down to 9.8, and I guess this now is about 8.5.

Mr. CONRAD. Mr. President, 8.8.

Mr. HARKIN. It is 8.8.

So, again, I hope that Senators will see fit to at least endorse and vote for this package. The amendment offered by Senator COCHRAN has no money for section 32 purchases, which I think is going to be very important for our pork and cattlemen, to buy up some of this excess stuff we have and put it into food banks, school lunch programs, and things such as that.

I also must say there is no money in the Cochran amendment for price reporting. Quite frankly, I still think we have an obligation to do something about the unmet needs from the 1998 floods we had that so devastated North Dakota and some other parts of this country. Quite frankly, in this amendment, this compromise proposal that Senator CONRAD and Senator GRASSLEY have offered, there is money for that.

So I think it does represent a true compromise. It represents a sort of meeting between where we started yesterday and where the manager of the bill started. Again, I think there are some provisions in there I wish we could have changed, but we had our votes and we were not on the winning side of that.

So I think we can at least now have an agreement to get the amount of money out there, even though it is through the AMTA payments, that is needed and to provide some of the money for some of the areas that the Cochran amendment has omitted.

I thank the managers, and I thank Senator CONRAD for yielding me this time. I urge support of the amendment.

Mr. CONRAD. I yield 1 minute to the Senator from Arkansas.

The PRESIDING OFFICER. The Senator from Arkansas.

Mrs. LINCOLN. I thank the Chair and thank the Senator for yielding me this time.

I am one of the newer Members of the Senate. I have not taken to the floor of the Senate often to speak yet. But I have been on the floor of the Senate five times already to speak on this issue of the agricultural crisis. I think it is immensely important to this Nation and certainly vital to the rural areas of our country.

I compliment my colleague from North Dakota, Senator CONRAD. I think the spirit in which this bipartisan effort has been crafted is essential in being able to produce good policy for this country.

I also agree with the words of my colleague from Mississippi that without a doubt this is a diverse body, and especially when it comes to agriculture, oftentimes we certainly see our diversity in terms of regions more than parties. I compliment his leadership in many of these areas.

But I do think the debate and the differences we have seen are certainly reflective of the necessity now to review agricultural policy in this country. I truly encourage my colleagues to take a look at this bipartisan approach that has been presented by Senator CONRAD.

I thank the Senator for yielding.

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

Mr. CONRAD. I yield 1 minute to the Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota is recognized for 1 minute.

Mr. WELLSTONE. Mr. President, this is not all that I hoped for for farmers in Minnesota, but I thank Senator CONRAD and Senator GRASSLEY for this compromise effort.

I think we are doing more for dairy. I think we are doing more for livestock producers. I think we are doing much more for disaster relief, which is terribly important to farmers in my State and farmers all across the Nation.

I hope that we get a very strong vote. I think at this point in time in the week this is the very best we can do. I am pleased to support this effort.

Mr. CONRAD addressed the Chair.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I just urge my colleagues to give our amendment close consideration. This is the only amendment that is bipartisan. We have compromised on the dollar amounts almost down the middle. We have provided the Republican payment mechanism.

We have $500 million to address drought and flooded lands. There is nothing in the underlying amendment for that. We have $200 million to address the crisis in dairy. There is nothing in the underlying amendment for that.

This is $8.8 billion, in a bipartisan proposal, to deal with the disaster. I hope my colleagues can support it on a bipartisan basis.

I thank the Chair and yield the floor and yield back our time.

Mr. COCHRAN addressed the Chair.

The PRESIDING OFFICER. The Senator from Mississippi.

Mr. COCHRAN. Mr. President, all time has been consumed or yielded back.

I move to table the amendment and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to table amendment No. 1517. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Idaho (Mr. CRAPO), is necessarily absent.

The result was announced—yeas 51, nays 48, as follows:

[Rollcall Vote No. 256 Leg.]

YEAS—51

Abraham	DeWine	Helms
Allard	Domenici	Hutchinson
Bennett	Enzi	Hutchison
Bond	Feingold	Inhofe
Brownback	Fitzgerald	Jeffords
Bunning	Frist	Kyl
Chafee	Gorton	Lott
Cochran	Graham	Lugar
Collins	Gramm	Mack
Coverdell	Gregg	McCain
Craig	Hagel	McConnell
Murkowski	Shelby	Thomas
Nickles	Smith (NH)	Thompson
Roberts	Smith (OR)	Thurmond
Roth	Snowe	Torricelli
Santorum	Specter	Voinovich
Sessions	Stevens	Warner

NAYS—48

Akaka	Dorgan	Lautenberg
Ashcroft	Durbin	Leahy
Baucus	Edwards	Levin
Bayh	Feinstein	Lieberman
Biden	Grams	Lincoln
Bingaman	Grassley	Mikulski
Boxer	Harkin	Moynihan
Breaux	Hatch	Murray
Bryan	Hollings	Reed
Burns	Inouye	Reid
Byrd	Johnson	Robb
Campbell	Kennedy	Rockefeller
Cleland	Kerrey	Sarbanes
Conrad	Kerry	Schumer
Daschle	Kohl	Wellstone
Dodd	Landrieu	Wyden

NOT VOTING—1

Crapo

The motion was agreed to.

Mr. COCHRAN. Mr. President, I move to reconsider the vote.

Mr. CRAIG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. COCHRAN. Mr. President, at the time the Ashcroft amendment was agreed to, it was offered in a form that related to the Harkin-Daschle amendment.

The PRESIDING OFFICER. The Senate will come to order. The Senator from Mississippi.

Mr. COCHRAN. Mr. President, I have been asked to seek unanimous consent that it be in order to reoffer the Ashcroft amendment regarding sanctions, that the amendment be considered agreed to, and the motion to reconsider be laid upon the table.

I announce that I have been asked to seek that consent. I know a copy of the agreement has been furnished to staff on both sides, and it has been hotlined. I don't have a response as to whether it has been agreed to. So I am raising the question as to whether or not that consent can be granted.

Mr. GRAHAM. Mr. President, I will object if that unanimous consent request is placed.

The PRESIDING OFFICER. Objection is heard.

Mr. COCHRAN. In that event, as I understand the parliamentary situation, the Senator from Missouri could offer his amendment on sanctions for the consideration of the Senate and, at this time, it would be parliamentarily permissible for him to do it.

The PRESIDING OFFICER. That is correct.

Mr. ASHCROFT. Mr. President, it is my intention to send an amendment to the desk and ask for its immediate consideration.

AMENDMENT NO. 1516 TO AMENDMENT NO. 1499

(Purpose: To provide stability in the United States agriculture sector and to promote adequate availability of food and medicine abroad by requiring congressional approval before the imposition of any unilateral agricultural or medical sanction against a foreign country or foreign entity)

Mr. ASHCROFT. Mr. President, it is my intention to send an amendment to the desk. I ask unanimous consent that the amendment be considered as read, the amendment be considered agreed to, and the motion to reconsider be laid upon the table.

Mr. GRAHAM. Mr. President, I object to the unanimous consent request.

The PRESIDING OFFICER. Objection is heard.

The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Missouri (Mr. ASHCROFT), for himself, and Mr. HAGEL, Mr. BAUCUS, Mr. ROBERTS, Mr. KERREY, Mr. DODD, Mr. BROWNBACK, Mr. GRAMS, Mr. WARNER, Mr. LEAHY, Mr. CRAIG, Mr. FITZGERALD, Mr. DORGAN, Mr. SESSIONS, Mrs. LINCOLN, Mrs. LANDRIEU, Mr. HARKIN, Mr. CHAFEE, and Mr. INHOFE, proposes an amendment numbered 1516 to amendment No. 1499.

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

Mr. GRAHAM. Mr. President, I object.

The PRESIDING OFFICER. Objection is heard.

The assistant legislative clerk read as follows:

At the appropriate place, insert the following:

(____) REQUIREMENT OF CONGRESSIONAL APPROVAL OF ANY UNILATERAL AGRICULTURAL OR MEDICAL SANCTION.—

(1) DEFINITIONS.—In this subsection:

(A) AGRICULTURAL COMMODITY.—The term ''agricultural commodity'' has the meaning given the term in section 402 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1732).

(B) AGRICULTURAL PROGRAM.—The term ''agricultural program'' means—

(i) any program administered under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et. seq.);

(ii) any program administered under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

(iii) any commercial sale of agricultural commodities, including a commercial sale of an agricultural commodity that is prohibited under a unilateral agricultural sanction that is in effect on the date of enactment of this Act; or

(iv) any export financing (including credits or credit guarantees) for agricultural commodities.

(C) JOINT RESOLUTION.—The term ''joint resolution'' means—

(i) in the case of paragraph (2)(A)(ii), only a joint resolution introduced within 10 session days of Congress after the date on which the report of the President under paragraph (2)(A)(i) is received by Congress, the matter after the resolving clause of which is as follows: ''That Congress approves the report of the President pursuant to section ____(____)(2)(A)(i) of the _____ Act ____, transmitted on _____.'', with the blank completed with the appropriate date; and

(ii) in the case of paragraph (5)(B), only a joint resolution introduced within 10 session days of Congress after the date on which the report of the President under paragraph (5)(A) is received by Congress, the matter after the resolving clause of which is as follows: ''That Congress approves the report of the President pursuant to section ____(____)(5)(A) of the _____ Act ____, transmitted on _____.'', with the blank completed with the appropriate date.

(D) UNILATERAL AGRICULTURAL SANCTION.—The term ''unilateral agricultural sanction'' means any prohibition, restriction, or condition on carrying out an agricultural program with respect to a foreign country or foreign entity that is imposed by the United States for reasons of foreign policy or national security, except in a case in which the United States imposes the measure pursuant to a multilateral regime and the other member countries of that regime have agreed to impose substantially equivalent measures.

(E) UNILATERAL MEDICAL SANCTION.—The term ''unilateral medical sanction'' means any prohibition, restriction, or condition on exports of, or the provision of assistance consisting of, medicine or a medical device with respect to a foreign country or foreign entity that is imposed by the United States for reasons of foreign policy or national security, except in a case in which the United States imposes the measure pursuant to a multilateral regime and the other member countries of that regime have agreed to impose substantially equivalent measures.

(2) RESTRICTION.—

(A) NEW SANCTIONS.—Except as provided in paragraphs (3) and (4) and notwithstanding any other provision of law, the President may not impose a unilateral agricultural sanction or unilateral medical sanction against a foreign country or foreign entity for any fiscal year, unless—

(i) not later than 60 days before the sanction is proposed to be imposed, the President submits a report to Congress that—

(I) describes the activity proposed to be prohibited, restricted, or conditioned; and

(II) describes the actions by the foreign country or foreign entity that justify the sanction; and

(ii) Congress enacts a joint resolution stating the approval of Congress for the report submitted under clause (i).

(B) EXISTING SANCTIONS.—

(i) IN GENERAL.—Except as provided in clause (ii), with respect to any unilateral agricultural sanction or unilateral medical sanction that is in effect as of the date of enactment of this Act for any fiscal year, the President shall immediately cease to implement such sanction.

(ii) EXEMPTIONS.—Clause (i) shall not apply to a unilateral agricultural sanction or unilateral medical sanction imposed with respect to an agricultural program or activity described in clause (ii) or (iv) of paragraph (1)(B).

(3) EXCEPTIONS.—The President may impose (or continue to impose) a sanction described in paragraph (2) without regard to the procedures required by that paragraph—

(A) against a foreign country or foreign entity with respect to which Congress has enacted a declaration of war that is in effect on or after the date of enactment of this Act; or

(B) to the extent that the sanction would prohibit, restrict, or condition the provision or use of any agricultural commodity, medicine, or medical device that is—

(i) controlled on the United States Munitions List;

(ii) an item for which export controls are administered by the Department of Commerce for foreign policy or national security reasons; or

(iii) used to facilitate the development or production of a chemical or biological weapon.

(4) COUNTRIES SUPPORTING INTERNATIONAL TERRORISM.—This subsection shall not affect the current prohibitions on providing, to the government of any country supporting international terrorism, United States government assistance, including United States foreign assistance, United States export assistance, or any United States credits or credit guarantees.

(5) TERMINATION OF SANCTIONS.—Any unilateral agricultural sanction or unilateral medical sanction that is imposed pursuant to the procedures described in paragraph (2)(A) shall terminate not later than 2 years after the date on which the sanction became effective unless—

(A) not later than 60 days before the date of termination of the sanction, the President submits to Congress a report containing the recommendation of the President for the continuation of the sanction for an additional period of not to exceed 2 years and the request of the President for approval by Congress of the recommendation; and

(B) Congress enacts a joint resolution stating the approval of Congress for the report submitted under subparagraph (A).

(6) CONGRESSIONAL PRIORITY PROCEDURES.—

(A) REFERRAL OF REPORT.—A report described in paragraph (2)(A)(i) or (5)(A) shall be referred to the appropriate committee or committees of the House of Representatives and to the appropriate committee or committees of the Senate.

(B) REFERRAL OF JOINT RESOLUTION.—

(i) IN GENERAL.—A joint resolution shall be referred to the committees in each House of Congress with jurisdiction.

(ii) REPORTING DATE.—A joint resolution referred to in clause (i) may not be reported before the eighth session day of Congress after the introduction of the joint resolution.

(C) DISCHARGE OF COMMITTEE.—If the committee to which is referred a joint resolution has not reported the joint resolution (or an identical joint resolution) at the end of 30 session days of Congress after the date of introduction of the joint resolution—

(i) the committee shall be discharged from further consideration of the joint resolution; and

(ii) the joint resolution shall be placed on the appropriate calendar of the House concerned.

(D) FLOOR CONSIDERATION.—

(i) MOTION TO PROCEED.—

(I) IN GENERAL.—When the committee to which a joint resolution is referred has reported, or when a committee is discharged under subparagraph (C) from further consideration of, a joint resolution—

(aa) it shall be at any time thereafter in order (even though a previous motion to the same effect has been disagreed to) for any member of the House concerned to move to proceed to the consideration of the joint resolution; and

(bb) all points of order against the joint resolution (and against consideration of the joint resolution) are waived.

(II) PRIVILEGE.—The motion to proceed to the consideration of the joint resolution—

(aa) shall be highly privileged in the House of Representatives and privileged in the Senate; and

(bb) not debatable.

(III) AMENDMENTS AND MOTIONS NOT IN ORDER.—The motion to proceed to the consideration of the joint resolution shall not be subject to—

(aa) amendment;

(bb) a motion to postpone; or

(cc) a motion to proceed to the consideration of other business.

(IV) MOTION TO RECONSIDER NOT IN ORDER.—A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order.

(V) BUSINESS UNTIL DISPOSITION.—If a motion to proceed to the consideration of the joint resolution is agreed to, the joint resolution shall remain the unfinished business of the House concerned until disposed of.

(ii) LIMITATIONS ON DEBATE.—

(I) IN GENERAL.—Debate on the joint resolution, and on all debatable motions and appeals in connection with the joint resolution, shall be limited to not more than 10 hours, which shall be divided equally between those favoring and those opposing the joint resolution.

(II) FURTHER DEBATE LIMITATIONS.—A motion to limit debate shall be in order and shall not be debatable.

(III) AMENDMENTS AND MOTIONS NOT IN ORDER.—An amendment to, a motion to postpone, a motion to proceed to the consideration of other business, a motion to recommit the joint resolution, or a motion to reconsider the vote by which the joint resolution is agreed to or disagreed to shall not be in order.

(iii) VOTE ON FINAL PASSAGE.—Immediately following the conclusion of the debate on a joint resolution, and a single quorum call at the conclusion of the debate if requested in accordance with the rules of the House concerned, the vote on final passage of the joint resolution shall occur.

(iv) RULINGS OF THE CHAIR ON PROCEDURE.—An appeal from a decision of the Chair relating to the application of the rules of the Senate or House of Representatives, as the case may be, to the procedure relating to a joint resolution shall be decided without debate.

(E) COORDINATION WITH ACTION BY OTHER HOUSE.—If, before the passage by 1 House of a joint resolution of that House, that House receives from the other House a joint resolution, the following procedures shall apply:

(i) NO COMMITTEE REFERRAL.—The joint resolution of the other House shall not be referred to a committee.

(ii) FLOOR PROCEDURE.—With respect to a joint resolution of the House receiving the joint resolution—

(I) the procedure in that House shall be the same as if no joint resolution had been received from the other House; but

(II) the vote on final passage shall be on the joint resolution of the other House.

(iii) DISPOSITION OF JOINT RESOLUTIONS OF RECEIVING HOUSE.—On disposition of the joint resolution received from the other House, it shall no longer be in order to consider the joint resolution originated in the receiving House.

(F) PROCEDURES AFTER ACTION BY BOTH THE HOUSE AND SENATE.—If a House receives a joint resolution from the other House after the receiving House has disposed of a joint resolution originated in that House, the action of the receiving House with regard to the disposition of the joint resolution originated in that House shall be deemed to be the action of the receiving House with regard to the joint resolution originated in the other House.

(G) RULEMAKING POWER.—This paragraph is enacted by Congress—

(i) as an exercise of the rulemaking power of the Senate and House of Representatives, respectively, and as such this paragraph—

(I) is deemed to be a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of a joint resolution; and

(II) supersedes other rules only to the extent that this paragraph is inconsistent with those rules; and

(ii) with full recognition of the constitutional right of either House to change the rules (so far as the rules relate to the procedure of that House) at any time, in the same manner and to the same extent as in the case of any other rule of that House.

(7) EFFECTIVE DATE.—This subsection takes effect 180 days after the date of enactment of this Act.

Mr. ASHCROFT. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. ABRAHAM). The clerk will call the roll.

The legislative assistant proceeded to call the roll.

AMENDMENT NO. 1094

Mr. SANTORUM. Mr. President, I rise to talk about the issue of farmland preservation. I have an amendment that was filed. It is amendment No. 1094. I will not call up that amendment, but I do want to speak on it for a couple of minutes.

The reason I will not call the amendment up is the amendment is now subject to rule XVI. It is on farmland preservation, which was an authorized program under the farm bill in 1996, but because the program was so successful, all the money has been used in the authorization. So while I would very much like to see more money be appropriated for this program that shares very broad bipartisan support, the job before us is to get this program authorized. Since legislating on appropriations bills is now not the order of the day, and I support that, we are going to have to work through the authorization process.

But the Farmland Preservation Program, I think, has probably been shown to be one of the most successful pieces of legislation in preserving open space and critical farmland that we have seen in this country. In fact, last year, $7 billion of farmland protection money, preservation money, was approved via voter referendum throughout the country. That is an enormous commitment on the part of States and localities to preserve this vital agricultural land and at the same time preserve a way of life and preserve vital open space in places where the pressure for development is extremely high.

The area of my State that is under the most development pressure is the southeastern corner of Pennsylvania. The counties there, from Lancaster County to Chester County, Bucks County, York County, and others, have done a great job in their own programs. In fact, all those programs I mentioned, county programs, were started long before the Federal Government ever even thought of participating in helping them acquire land. In fact, we have helped. The $35 million—that is all it was, $35 million—from the Federal level which was spent over the first 3 years of the farm bill preserved over 127,000 acres of land that is under great pressure of development on 460 farms.

In Pennsylvania alone, we have a 10-year backlog, a 10-year waiting list of farmers who voluntarily want to preserve their land and preserve, as a result, the family farm to be able to pass it on from generation to generation. States and localities, in partnership with the Federal Government—and as I said, in some cases without the Federal partnership—have bought these development rights so they can get some money to help keep this farm within the family. In fact, in a third of the cases—and we will be dealing with the tax bill tomorrow—these development rights were sold by farmers so they could pay death taxes, they could pay inheritance taxes, estate taxes—call them what you want. They sold their development rights on the farm so they could keep the farm in the family because of what the Federal Government has done in taxing their estates upon death.

That is a remarkable situation. Hopefully, if we can get the President to sign the tax bill we will pass tomorrow, we can go a long way toward avoiding that kind of use for these development rights. These development rights can then be used to modernize, to upgrade, and to make more competitive these agricultural lands that are under this intense development pressure.

I am disappointed we are not going to be successful in agreeing to the $10 million that is in this amendment. It would go a long way to relieve that backlog, not only in Pennsylvania but in the 19 other States that have participated in the Federal program. Since the Federal program was enacted, many more States have passed laws—in fact, 52 jurisdictions in States and localities have adopted some sort of farmland preservation program that would dovetail very nicely with the Federal effort.

This is an important issue to the people, particularly in the eastern part of the State of Pennsylvania. It is an important issue, I know, to my colleagues all throughout the Mid-Atlantic and New England States, many of whom are cosponsors of this legislation; also in California, where Senator BOXER and Senator FEINSTEIN worked to pass the original farmland preservation amendment back in 1996.

I am hopeful that the Agriculture Committee on which I serve will bring up this legislation and reauthorize it for the remaining part of the farm bill so we can include this in the Agriculture appropriations bill next time. I

commend and thank Senator LUGAR who, a couple of weeks ago, held a hearing in the Agriculture Committee about this subject. We had some very enlightened testimony. It shows how incredibly popular this program is across the country and how important it is to preserve a way of life in rural America, particularly those areas that are threatened by development pressure.

I am hopeful, again, while we will not be able to accomplish it here today, that soon in this session of Congress we will pass a reauthorization of this program and be able to fund it in future appropriations bills.

Mr. President, seeing no one else seeking the floor, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative assistant proceeded to call the roll.

Mr. ASHCROFT. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

AMENDMENT NO. 1516, AS MODIFIED

Mr. ASHCROFT. Mr. President, I modify my amendment with the modification that is at the desk.

The modification is as follows:

GUIDELINES WITH RESPECT TO STATE SPONSORS OF INTERNATIONAL TERRORISM.—(A) Notwithstanding any other provision of the Act, the export of agricultural commodities or medicine or medical devices to the government of a country that has been determined by the Secretary of State to have repeatedly provided support for acts of international terrorism under section 620A of the Foreign Assistance Act of 1961 (22 U.S.C. 2371) shall only be made——

(1) pursuant to one year licenses issued by the United States Government for contracts entered into during that one year period and completed within a twelve-month period after the signing of the contract; and

(2) without benefit of federal financing, direct export subsidies, federal credit guarantees or other federal promotion assistance programs.

(B) Quarterly reports to the appropriate congressional committees shall be submitted by the applicable agency charged with issuing licenses in subparagraph (A)(1).

Mr. ASHCROFT. Mr. President, I ask unanimous consent that the amendment, as modified, be considered agreed to and the motion to reconsider be laid upon the table. I further ask unanimous consent that any rule XVI objections to the amendment be inappropriate and out of order and be waived.

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

The amendment (No. 1516), as modified, was agreed to.

Mr. COCHRAN. Mr. President, I thank the distinguished Senator from Missouri and others who were interested in the sanctions amendment that he had offered and which had been approved in a different form earlier in the consideration of the bill for working to put this legislation together in a form that could be adopted by the Senate tonight. I know the Senators from Florida and New Jersey were interested in this legislation, and the author of the amendment has shown strong leadership in bringing this issue to the Senate and in pushing it the way he did to get it approved. I compliment him and those who worked with him to try to resolve this issue.

The PRESIDING OFFICER. The Senator from Missouri.

Mr. ASHCROFT. Mr. President, I want to make a couple of remarks by way of appreciation to the other Senators as well, to Senator HAGEL, to Senator GRAHAM of Florida, Senator MACK of Florida, Senator TORRICELLI, and to all the Senators who worked together. It was important for us to make the fine-tuning adjustments that make this a better piece of legislation, and I commend them for their cooperation.

I trust, even expect, that in implementing this process, the administration will endeavor to streamline to the maximum extent possible the process by which food and medicine can be exported pursuant to this provision. This is what our farmers and ranchers and those who produce our medicinal supplies expect from their Government and the people expect from America. For example, I urge the implementing agencies to use general licenses to the maximum extent possible, but obviously this provision provides some judgment and exercise by the administration in this regard.

I thank my colleagues, and I thank the Senator from Mississippi for his patience in this respect. I am grateful to him and pleased to have had this opportunity to make this contribution to the measure. I yield the floor.

The PRESIDING OFFICER. The Senator from Mississippi.

Mr. COCHRAN. Mr. President, I think progress is being made by the managers and our staff members with those Senators who have suggested amendments to the bill. We are compiling a list of amendments that will be agreed upon. There are a few that have not been resolved and that probably will require either disposition by voice vote or rollcall vote either up or down or on a motion to table.

I am just suggesting we are getting to that point toward the end of the bill when we are ready to wrap this up. We hope we are not in too late tonight. If Senators will cooperate and offer the amendments they have, we will appreciate that very much.

AMENDMENT NO. 1499, AS AMENDED

Mr. COCHRAN. Mr. President, at this point in the proceeding, I know the pending business is the Cochran amendment and it is at the desk. I know of no other amendments that are going to be offered to that amendment. The bill will be open for amendment further upon the adoption of that amendment. It is an amendment that has already been voted on twice, once on a motion to table and then adopted on a voice vote. I am prepared to move forward to dispose of that disaster assistance issue.

I am awaiting the advice of the Chair. Do we have to have third reading? If we do, I will request it.

The PRESIDING OFFICER. The yeas and nays have been ordered on amendment No. 1499, as amended. Does the Senator wish a rollcall vote?

Mr. COCHRAN. The staff is advising me that the yeas and nays have been ordered.

The PRESIDING OFFICER. The Senator is correct. Is there further debate?

The Senator from Kansas.

Mr. BROWNBACK. Mr. President, point of inquiry of the manager of the bill to understand where we are. We will be voting on the managers' base bill as has been put forward in amendments so far; is that where we are? I want to understand where we are.

Mr. COCHRAN. The Senator is correct.

Any parliamentary inquiries can be directed to the Chair.

I tried to explain the vote. It is on the Cochran amendment. We have voted on it twice—on a motion to table; and it was adopted on a voice vote. It was an amendment to the Daschle-Harkin amendment.

Mr. BROWNBACK. I want to understand for sure what all this contains in it, whether or not I am looking at the proper bill, the Cochran amendment No. 1499 to S. 1233. I want to make sure I have the right section, section G, regarding the tobacco program in the base bill.

Mr. COCHRAN. Mr. President, if the Senator would yield, I will be glad to suggest the absence of a quorum and go over the bill and try to answer any questions the Senator has.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative assistant proceeded to call the roll.

Mr. COCHRAN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. MACK. Mr. President, I rise today to express my opposition to the amendment before us today by the Senator from Mississippi. While I know my friends who support this amendment have the best of intentions in offering the agricultural relief package, I must say I am concerned with the direction of this debate.

We find ourselves today, Mr. President, in an increasingly familiar place. Once again, there is a crisis in farm country and the Congress is called on to construct a comprehensive package

of relief and support. The amendment before us would spend more than $7 billion on—among other things—direct cash payments to farmers. This follows our efforts last year when we provided just short of $6 billion in emergency payments to America's farmers. Since 1988 emergency supplemental acts and farm disaster acts have amounted to approximately $17 billion in emergency supplemental funding for USDA programs.

Now I understand that much of this money was spent helping farmers who had suffered crop losses through drought, seasonal storms and other natural disasters. In fact, a portion of last year's emergency appropriations went to farmers who were harmed by weather conditions related to the El Nino phenomenon and other acts of God.

In other words, we were attempting to help farmers in previous years because times were bad. What concerns me about this effort today is that we are helping farmers because times are good. Increasingly in these relief bills we are seeing the bulk of support going in response to low commodity prices. In fact, much of the rhetoric we're hearing is going to the issue of declining farm income and the difficulty farmers in the heartland and elsewhere are having finding markets for their goods.

Today we're not addressing a crisis borne of declining productivity. It is not that America's farmer's aren't extremely good at what they do. Rather exactly the opposite. We are here because—stimulated by science and technology—farm productivity has persistently grown more rapidly than other sectors of the economy. More importantly, agricultural productivity has outstripped demand. And it leaves us faced with the one of the most basic economic functions: in the face of overwhelming supply and insufficient demand, prices will fall.

In nearly all sectors, this phenomenon is a quiet one. The ''unseen hand'' of the market in most cases allocates resources among the population and prevents market saturation. But in the farm sector, Congress is often asked to intervene in this process and all too often in the past, we have. For far too long, we have allowed politics rather than economics to allocate agricultural resources and determine business success or failure. As seen by the overwhelming failure this century of centrally planned economies across the globe, political allocation leads to economic stagnation and long-term failure.

It is for these reasons I fear our continued subsidization of the farm sector thwarts the free market process and will ultimately harm well-run farms by enabling continued market saturation. I understand the production of food is essential to the past and future of our country. I also recognize the instability and risk farmers face on a year to year basis and appreciate the need for occasional assistance. The New York Times, for example, contains an article yesterday discussing the drought disaster facing farmers in Maryland and West Virginia and the need for assistance in those areas. I do not discount the need for federal disaster relief. In Florida, Agriculture is a major part of our economy, and certainly there have been circumstances when we've called on Congress to assist us after hurricanes or winter freezes. These natural events warrant Congressional consideration and our best efforts. However, it seems our debate here is increasingly about politics rather than economics or weather-related disasters.

In 1996, the Congress passed a Farm Bill which provided farmers of our major export crops with direct payments to transition them off the old subsidy programs and onto the free market. These direct payments were supposed to diminish each year until 2002. Instead, we are here—for the second year in a row—considering legislation to increase these payments. Once again, Congress is using emergency payments to undo the 1996 Farm Bill and circumvent the free market. I hear my colleagues blaming the free market for price failures and I find this to be a somewhat misguided notion. In fact, the market is working all too well; the overcapacity in agriculture that was papered over by government price supports for generations is now in full view. And the results are evident in the low commodity prices we're seeing on the markets today.

I support the ideals and practices of family farming. I do not, however, support continually subsidizing businesses that fail. This is wasteful and destructive. By paying farmers who are unable to make profits in farming, you only delay their ultimate failure, and deter them from seeking other alternatives for income and employment. In addition, these farms that would otherwise fail still can produce crops that dilute the market and drive prices down, thereby creating a vicious cycle that we are seeing realized in this year's crisis in farm country.

This problem far outstrips any two-day debate on emergency cash payments for farmers. What we need, Mr. President, is long-term structural solutions that solve the underlying problems of oversupply in the face of insufficient world demand. One major impediment to the movement of people out of the farming sector and into other areas of the economy is the punitive capital gains taxes owed by farmers who sell their land. I will be introducing legislation soon to repeal the capital gains tax on the sale of farmland. This will allow farmers to realize an additional dollar in five on the sale of their land. They can then use this money to help them in the transition to non-farm businesses or work. While I agree with my colleagues that we need solutions to the crisis in American agriculture, I submit we need solutions that solve the underlying economic problems rather than patchwork measures that do little more than treat the symptoms and defer the problem to another year and another Congress.

Mr. President, my opposition to this amendment is not based on a disdain or lack of appreciation for American agriculture. On the contrary, I believe it is a vital part of our economy and food security is clearly in our national interest. But the farming way of life is not served by government handout and bailouts of alarming size and regularity. Rather—like most other businesses—it is only preserved through sound business practices, hard work and an understanding of market fundamentals. Agriculture does not operate outside of the laws of supply and demand, and I urge my colleagues to carefully consider the long-term impact of continual subsidization on this important sector of the American economy.

I hope my colleagues will oppose this amendment and explore ways to help farmers who are facing natural disasters rather than price disasters. We cannot allow the short-term politics to deter us from the long-term effort to steer agriculture towards the free market. Nobody wants to see failure in America. Nobody wants to see families lose their farms. Nobody wants the agrarian way of life in America to fade from existence. For these very reasons, Congress has an obligation to stay the course and lay the free-market groundwork for a prosperous farm economy.

The PRESIDING OFFICER. The question is on agreeing to amendment No. 1499, as amended. The yeas and nays have been ordered. The clerk will call the roll.

The legislative assistant called the roll.

Mr. NICKLES. I announce that the Senator from Idaho (Mr. CRAPO) is necessarily absent.

Mr. REID. I announce that the Senator from Massachusetts (Mr. KENNEDY) and the Senator from Louisiana (Ms. LANDRIEU) are necessarily absent.

The result was announced—yeas 89, nays 8, as follows:

[Rollcall Vote No. 257 Leg.]

YEAS—89

Abraham	Bryan	DeWine
Akaka	Bunning	Dodd
Allard	Burns	Domenici
Ashcroft	Byrd	Dorgan
Baucus	Campbell	Durbin
Bayh	Chafee	Edwards
Bennett	Cleland	Enzi
Biden	Cochran	Feinstein
Bingaman	Collins	Fitzgerald
Bond	Conrad	Frist
Boxer	Coverdell	Gorton
Breaux	Craig	Grams
Brownback	Daschle	Grassley

Hagel	Levin	Roth
Harkin	Lieberman	Santorum
Hatch	Lincoln	Sarbanes
Helms	Lott	Schumer
Hollings	Lugar	Sessions
Hutchinson	McCain	Shelby
Hutchison	McConnell	Smith (OR)
Inhofe	Mikulski	Snowe
Inouye	Moynihan	Specter
Jeffords	Murkowski	Stevens
Johnson	Murray	Thomas
Kerrey	Nickles	Thompson
Kerry	Reed	Thurmond
Kohl	Reid	Warner
Kyl	Robb	Wellstone
Lautenberg	Roberts	Wyden
Leahy	Rockefeller	

NAYS—8

Feingold	Gregg	Torricelli
Graham	Mack	Voinovich
Gramm	Smith (NH)	

NOT VOTING—3

Crapo	Kennedy	Landrieu

The amendment (No. 1499), as amended, was agreed to.

Mr. COCHRAN. Mr. President, I move to reconsider the vote.

Mr. CRAIG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

CHANGE OF VOTE

Mr. SMITH of New Hampshire. Mr. President, I ask unanimous consent that my last recorded vote be changed to nay. I voted in error.

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

(The foregoing tally has been changed to reflect the above order.)

Mr. COCHRAN. Mr. President, there are several Senators who have amendments we want to consider. I know Senator BOXER has an amendment. She is prepared to offer it. We are trying to resolve most of the amendments that have been brought to our attention, but there are a few that may require a vote. I think Senator BOXER's amendment may be one of them.

The PRESIDING OFFICER. The Senator from California is recognized.

AMENDMENT NO. 1521

(Purpose: Expressing the sense of the Senate regarding the continued use of the fuel additive methyl tertiary butyl ether (MTBE) and its impact on drinking water)

Mrs. BOXER. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from California (Mrs. BOXER), for herself, Mr. FITZGERALD, Mr. DURBIN, Mr. HARKIN, Mr. GRASSLEY, Mr. WELLSTONE, and Mr. CRAPO, proposes an amendment numbered 1521.

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

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

The amendment is as follows:

At the appropriate place, add the following:

SEC. . (a) FINDINGS.—Congress finds that—

(1) The Clean Air Act requires that federal reformulated gasoline contain oxygen as a means of achieving air quality benefits.

(2) While both renewable ethanol and MTBE may be used to meet this Clean Air Act requirement, MTBE is in substantially greater use than ethanol.

(3) MTBE is classified as a possible human carcinogen, and when leaked into water causes water to take on the taste and smell of turpentine, rendering it undrinkable.

(4) MTBE leaking from underground fuel storage tanks, recreational watercraft and abandoned automobiles has led to growing detections of MTBE in drinking water, and has contaminated groundwater and drinking water throughout the United States.

(5) Approximately five to ten percent of drinking water supplies in areas using reformulated gasoline now show detectable levels of MTBE.

(6) MTBE poses a more pervasive threat to drinking water than the other harmful constituents of gasoline because MTBE is more soluble, more mobile and slower to degrade than those other constituents.

(7) Renewable ethanol provides air quality and energy security benefits without raising drinking water concerns.

(8) A substantial increase in renewable ethanol production would enhance the energy security of the United States by reducing dependence upon foreign oil.

(9) A substantial increase in renewable ethanol production would help alleviate the financial crisis facing farmers.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that the United States should—

(1) phase out MTBE in order to address the threats MTBE poses to public health and the environment;

(2) promote renewable ethanol to replace MTBE as a means of enhancing energy security and supporting the farm economy;

(3) provide assistance to state and local governments to treat drinking water supplies contaminated with MTBE;

(4) provide assistance to state and local governments to protect lakes and reservoirs from MTBE contamination.

The PRESIDING OFFICER. The Senator from California is recognized.

Mrs. BOXER. Mr. President, it is very unusual that an amendment has such strong bipartisan support and unlikely allies across the aisle. This is one of those. I will tell you the reason.

We have a situation in this country that has just been recognized by the Environmental Protection Agency where we have been using an oxygenate in gasoline, MTBE, methyl tertiary butyl ether, an additive which is in essence, without going into technicalities, poisoning the water across this country, and particularly in my home State where MTBE is in use. It is an oxygenate, and it has been used in the blending of gasoline. We thought it was safe, and we thought it cleaned up the air. It does help clean up the air, but it is in fact harming our water supply.

While other oxygenates such as ethanol may be used to meet the requirement of the Clean Air Act which calls for 2 percent of our gas to be reformulated, MTBE is the oxygenate of choice for most refiners, and today it fulfills 85 percent of the demand for oxygenate that the Clean Air Act requires. Ethanol fulfills only 8 percent of that demand.

Why did I offer this to the Agriculture bill? I think that is a legitimate question. Some Senators have asked me. Because I will tell you that if we can use more ethanol, it is going to help our farm States in a big way. Senator FITZGERALD is going to go into that point far more than I will. He knows the subject. If we can help our farm States increase their income, that is going to reduce the cost of subsidies to taxpayers. So this is very much related to the Agriculture bill.

Unlike other harmful constituents of gasoline, such as benzene, when MTBE leaks from underground fuel tanks, it moves through the water very fast and very far. After it is released into the environment, it resists degrading. Once in the water, MTBE, even at the very low level of 5 parts per billion, can cause that water to take on the taste and smell of turpentine, rendering it undrinkable.

My colleague from Texas said, How do you know it is undrinkable? The answer is, there have been many hearings all across my State of California. People have testified that where MTBE leaks into the drinking water supply, the water smells. We had a chance to smell that water. You wouldn't even put it close to your lips.

MTBE is a possible carcinogen in animals, and it is a probable carcinogen in humans. Why on Earth would we continue to add it to our gasoline, knowing it will leak into our drinking water supply? There is no Federal drinking water standard for MTBE to protect the public health, because the studies necessary to determine if there is a safe level of MTBE have not been performed. Let me tell you the news on this.

Many of us have been calling for a phaseout of MTBE. Senator FEINSTEIN has her own bill. I have a bill. We know there is a reason. There is a reason to ban it, because the EPA has just stated that it should be decreased dramatically. This is the first time they have ever stated that in their blue-ribbon panel.

In Santa Monica, CA, the people of that city lost 71 percent of their local water supply because of MTBE contamination. Imagine being told you cannot drink the water because it is contaminated. They were forced to close nine high-volume drinking water wells. Before the contamination, those wells served 6.5 million gallons of water per day. Efforts to clean up continue today. The city estimates that it will cost $160 million to clean up the affected wells.

I want to tell you that the EPA has spent hundreds of millions of dollars in an effort to clean up the contamination from MTBE. Just in the city of Santa Monica, they say it is going to cost $160 million to clean up those affected wells.

Why are we continuing to use MTBE? We know enough now to move away from it. We have alternatives, and our resolution talks about that. We have litigation now concerning cleanup, and alternative water supply costs continue to rise.

Santa Monica's contamination is just the tip of the iceberg. I think a lot of you have heard about Lake Tahoe. What a beautiful place that is. Yet in South Lake Tahoe, CA, we have lost 13 of 34 drinking water wells because of MTBE contamination.

If somebody stands up on the floor of the Senate and says this is premature and that we have not looked at this enough, I say: Come to California. Take a look at Lake Tahoe. Talk to the people of Santa Monica. They have lost their water supply. Read the blue-ribbon panel report of the EPA that was very reticent to take it on initially. They finally did. That blue-ribbon panel says that MTBE is bad.

In Santa Clara, CA—that is in the Silicon Valley—MTBE has been detected in the local drinking water supply reservoirs, and it is creating a real problem there. We have seen it in the ground water in that county in over 400 sites, and many of those sites are very near public water supply wells.

I don't want to have to come back here every year and talk to you about the tragedy of MTBE destroying the water. We take this first step tonight. Several of our colleagues want to speak on this. I will quickly summarize. Hopefully, we will hear from other colleagues.

We know that California isn't the only place where there is trouble. Governor Davis has signed an executive order prohibiting MTBE in California after December 31, 2002.

Last year, Maine announced it would take steps to reduce MTBE's use after a study revealed between 1,000 and 4,300 private wells could contain unhealthful levels of MTBE. New Hampshire is considering taking similar action. In New Hampshire, MTBE has been detected in more than 100 public wells.

We cannot allow the States to take on this fight by themselves. After all, it is up to Congress because of the Clean Air Act and the requirement to make sure that a safe additive is used.

In summary, I think we have a terrific chance tonight to send a very clear signal to the Environmental Protection Agency. It is simply a sense of the Senate, but I think it will have a lot of weight because we have never voted on the MTBE question before. This would be our first vote. We will have a vote most likely on a motion to table.

The bottom line is MTBE is poison. It is poisoning water supplies. It is a known danger. We have options, including ethanol. We have other options. We can do two things at once: We can send a message to the EPA, phase out MTBE; and at the same time send a message to our farmers who need a message of hope that they have a product that can fill the void.

I hope we will get a good vote on this. If there is a motion to table, I hope we will have a strong vote against that. I look forward to listening to my colleagues who have been extraordinary in helping to shape this resolution and helping get it to the floor.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. GRAMM. Mr. President, I know it is kind of late tonight and everybody is eager to go home, and I know we are dealing with a farm bill, an agriculture appropriations bill. I also know that this amendment is cloaked in the garb of being a sense-of-the-Senate resolution and sense-of-the-Senate resolutions tend to be viewed as relatively insignificant.

I want to argue that this is not insignificant, that this amendment is not based on any scientific study. We should not be making a major energy policy decision in America tonight at 7:30 as we debate the agriculture appropriations bill. I want to argue that we should table this amendment. Let me explain why.

First of all, we all have trouble pronouncing it. MTBE is an ether derivative that EPA has certified lowers the amount of pollution generated when an internal combustion engine burns gasoline. This ether derivative makes gasoline burn more thoroughly. As a result, it is the dominant oxygenate used in reformulated gasoline all over America. It has been a major contributor toward improving the environment in those areas of the country where there is both a high concentration of automobiles and people.

We have had relatively limited scientific analysis of this problem, other than a clear finding that California's underground storage tanks are leaking gasoline into the ground. If there are holes in these tanks, it seems the obvious solution to the problem is to fix those underground tanks.

When gasoline leaches into the ground, the gasoline and all of its components start to leach through the soil. What has been found, and what our dear colleague from California is referring to, is the discovery that this ether derivative, in areas surrounding leaking underground storage tanks, is starting to show up in ground water and in wells. Ultimately, if these leaks are not fixed, all the other components that make up gasoline will be found in ground water.

Here are the problems:

No. 1, compared to MTBE, ethanol is in very limited supply, and our Nation's capacity to produce more of it is substantially limited from year to year.

No. 2, ethanol has several problems that MTBE does not. Let me state two. One, it tends to vaporize at a much lower pressure. We are going to create a problem because ethanol vaporizes more rapidly than MTBE and could in itself create another environmental problem. Two, Distributors have a very difficult time getting it into various parts of the country. It is quite competitive where it is produced, but it is very difficult to transport. If this should be implemented, the result of these two problems would be a spike in gasoline prices.

Ethanol is a wonderful derivative, and I am not arguing one against the other. I am trying to explain that if you remove the dominant derivative and attempt to ban it, you force the substitution of another derivative which has a fixed supply from year to year based on agricultural production levels. You are going to produce shortages that will be exacerbated by the fact that ethanol tends to degrade in a pipeline.

I urge my colleagues to not get into a long debate on a subject that few Members are qualified to debate. Fortunately, the distinguished chairman of the Environment Committee is here, a man respected by people on both sides of the aisle, who opposes this amendment. I will let him explain why.

To sum up, here is the problem. We have leaking underground tanks. We need to fix the leaks in the underground tanks. It is bad to go around pouring gasoline, no matter what additives are in it, into the ground. Rather than California fixing its leaking underground tanks, we are being called on by the Senator from California to take a major step in going on record by encouraging Administrator Browner to ban MTBE, which she has the power to do.

This is not a trivial, throw away sense-of-the-Senate resolution. We are, by taking this position, in essence, encouraging the Administrator to take action that would produce gasoline shortages in over half the country, that would spike gasoline prices, that would create a new environmental problem because of vaporizing ethanol. Why are we doing it? Because we have leaking underground tanks. Let's fix the tanks.

If the Senate were asking support for programs to do something about the leaking tanks, that would be one thing. But to ban a gasoline additive, which is the dominant additive in producing clean air in America because you have holes in tanks that are not being fixed in California is a policy which I think is totally irresponsible. This is not a decision that should be made by the Senate on a farm bill at 7:30 tonight.

I urge my colleagues, when the motion is made to table this amendment, to vote to table it. Not because Members are not concerned about leaking underground tanks and about MTBE in

potential underground water or drinking water, because I think we ought to be concerned.

Mrs. BOXER. Will the Senator yield?

Mr. GRAMM. Let me finish and I am happy to yield.

I think we ought to be concerned. But the Committee on Environment and Public Works is holding hearings; they are working with Administrator Browner; they are trying to come up with a comprehensive policy in committee.

This is an area that is very complicated. I don't think there is anybody here, without reading it off a piece of paper, who can pronounce the ether derivative that is MTBE, much less understand its chemical makeup and its advantages in clean air and its disadvantages if you spill it in a creek.

So I do not doubt the Senator from California is well intended, trying to do something that she thinks sends a good signal. But we are not talking about signals. We are talking about the energy policy of a nation that is dependent on energy. This is not a good policy to decide on the floor when the committee of jurisdiction is working on this problem right now on a bipartisan basis. So I urge my colleagues to not support this amendment, and in tabling it, simply refer it to the committee of jurisdiction. Let's get a comprehensive look at it; let the committee decide how to deal with this problem.

Might I say, I am from one of the ten largest corn-growing States in the Union. I hope my colleagues from farm States are not going to jump onto bad science, bad environmental policy, and disastrous economic policy in the name of trying to ban the use of MTBE, which receives no Government subsidy, in favor of ethanol, which is already highly subsidized. I hope we will not get into this deal, ''I am going to support it because I have corn in my State.''

I have corn in my State and I have oil in my State. I am glad the Lord put one there and we brought the other there to grow it. But the point is, this is a serious issue that deserves more attention than it is going to get tonight in a sense-of-the-Senate resolution. I hope my colleagues will vote to table this amendment and give the committee an opportunity to do something about it.

Mrs. BOXER. Will the Senator yield for a question?

Mr. GRAMM. I am happy to.

Mrs. BOXER. I appreciate my friend's strong feelings on this point. I know he appreciates mine. I want him to know I did actually say the full name of MTBE.

Mr. GRAMM. It is tough.

Mrs. BOXER. It is very tough: Methyl tertiary butyl ether, MTBE.

Mr. GRAMM. You looked down.

Mrs. BOXER. I did look down. Methyl tertiary butyl ether, let the RECORD show I have mastered it.

The point is what I have mastered—I want to ask my friend a question—is that this is a serious problem wherever the MTBE shows up, and I have discussed in my abbreviated statement the places it has. Has the Senator had the opportunity to read the blue-ribbon committee's report? I do not know that he has because it is very fresh off the press. I wanted to say to my friend, is he aware that in this the EPA blue-ribbon panel says the new tanks are simply not the solution? Because we have had new tanks put into place in California, and it is not working. This stuff is leaking. It is leaking badly.

Also, I know my friend talked about environmentalists and I also want to know if he knows the list of environmental organizations that support what we are doing.

I ask unanimous consent to have both the blue-ribbon panel findings and the names of the environmental organizations printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

BLUE RIBBON PANEL ON OXYGENATES IN GASOLINE—EXECUTIVE SUMMARY AND RECOMMENDATIONS, JULY 27, 1999

INTRODUCTION

The Federal Reformulated Gasoline Program (RFG) established in the Clean Air Act Amendments of 1990, and implemented in 1995, has provided substantial reductions in the emissions of a number of air pollutants from motor vehicles, most notably volatile organic compounds (precursors of ozone), carbon monoxide, and mobile-source air toxics (benzene, 1,3-butadiene, and others), in most cases resulting in emissions reductions that exceed those required by law. To address its unique air pollution challenges, California has adopted similar but more stringent requirements for California RFG.

The Clean Air Act requires that RFG contain 2% oxygen, by weight. Over 85% of RFG contains the oxygenate methyl tertiary butyl ether (MTBE) and approximately 8% contains ethanol—a domestic fuel-blending stock made from grain and potentially from recycled biomass waste. There is disagreement about the precise role of oxygenates in attaining the RFG air quality benefits although there is evidence from the existing program that increased use of oxygenates results in reduced carbon monoxide emissions, and it appears that additives contribute to reductions in aromatics in fuels and related air benefits. It is possible to formulate gasoline without oxygenates that can attain similar air toxics reductions, but less certain that, given current federal RFG requirements, all fuel blends created without oxygenates could maintain the benefits provided today by oxygenated RFG.

At the same time,the use of MTBE in the program has resulted in growing detections of MTBE in drinking water, with between 5% and 10% of drinking water supplies in high oxygenate use areas[1] showing at least detectable amounts of MTBE. The great majority of these detections to date have been well below levels of public health concern, with approximately one percent rising to levels above 20 ppb. Detections at lower levels have, however, raised consumer taste and odor concerns that have caused water suppliers to stop using some water supplies and to incur costs of treatment and remediation. The contaminated wells include private wells that are less well protected than public drinking water supplies and not monitored for chemical contamination. There is also evidence of contamination of surface waters, particularly during summer boating seasons.

The major source of groundwater contamination appears to be releases from underground gasoline storage systems (UST). These systems have been upgraded over the last decade, likely resulting in reduced risk of leaks. However, approximately 20% of the storage systems have not yet been upgraded, and there continue to be reports of releases from some upgraded systems, due to inadequate design, installation, maintenance, and/or operation. In addition, many fuel storage systems (e.g. farms, small aboveground tanks) are not currently regulated by U.S. EPA. Beyond groundwater contamination from UST sources, the other major sources of water contamination appear to be small and large gasoline spills to ground and surface waters, and recreational water craft—particularly those with older motors—releasing unburned fuel to surface waters.

THE BLUE RIBBON PANEL

In November, 1998, U.S. EPA Administrator Carol M. Browner appointed a Blue Ribbon Panel to investigate the air quality benefits and water quality concerns associated with oxygenates in gasoline, and to provide independent advice and recommendations on ways to maintain air quality while protecting water quality. The Panel, which met six times from January–June, 1999, heard presentations in Washington, the Northeast, and California about the benefits and concerns related to RFG and the oxygenates; gathered the best available information on the program and its effects; identified key data gaps; and evaluated a series of alternative recommendations based on their effects on: air quality; water quality; and stability of fuel supply and cost.

THE FINDINGS AND RECOMMENDATIONS OF THE BLUE RIBBON PANEL

Findings

Based on its review of the issues, the Panel made the following overall findings:

The distribution, use, and combustion of gasoline poses risks to our environment and public health.

RFG provides considerable air quality improvements and benefits for millions of US citizens.

The use of MTBE has raised the issue of the effects of both MTBE alone and MTBE in gasoline. This panel was not constituted to perform an independent comprehensive health assessment and has chosen to rely on recent reports by a number of state, national, and international health agencies. What seems clear, however, is that MTBE, due to its persistence and mobility in water, is more likely to contaminate ground and surface water than the other components of gasoline.

MTBE has been found in a number of water supplies nationwide, primarily causing consumer odor and taste concerns that have led water suppliers to reduce use of those supplies. Incidents of MTBE in drinking water supplies at levels well above EPA and state guidelines and standards have occurred, but are rare. The Panel believes that the occurrence of MTBE in drinking water supplies can and should be substantially reduced.

MTBE is currently an integral component of the U.S. gasoline supply both in terms of

Footnotes at end of article.

volume and octane. As such, changes in its use, with the attendant capital construction and infrastructure modifications, must be implemented with sufficient time, certainty, and flexibility to maintain the stability of both the complex U.S. fuel supply system and gasoline prices.

The following recommendations are intended to be implemented as a single package of actions designed to simultaneously maintain air quality benefits while enhancing water quality protection and assuring a stable supply at reasonable cost. The majority of these recommendations could be implemented by federal and state environmental agencies without further legislative action, and we would urge their rapid implementation. We would, as well, urge all parties to work with Congress to implement those of our recommendations that require legislative action.

Recommendations to enhance water protection

Based on its review of the existing federal, state and local programs to protect, treat, and remediate water supplies, the Blue Ribbon Panel makes the following recommendations to enhance, accelerate, and expand existing programs to improve protection of drinking water supplies from contamination.

Prevention

1. EPA, working with the states, should take the following actions to enhance significantly the Federal and State Underground Storage Tank programs.

a. Accelerate enforcement of the replacement of existing bank systems to conform with the federally-required December 22, 1998 deadline for upgrade, including, at a minimum, moving to have all states prohibit fuel deliveries to non-upgraded tanks, and adding enforcement and compliance resources to ensure prompt enforcement action, especially in areas using RFG and Wintertime Oxyfuel.

b. Evaluate the field performance of current system design requirements and technology and, based on that evaluation, improve system requirements to minimize leaks/releases, particularly in vulnerable areas (see recommendations on Wellhead Protection Program in 2, below).

c. Strengthen release detection requirements to enhance early detection, particularly in vulnerable areas, and to ensure rapid repair and remediation.

d. Require monitoring and reporting of MTBE and other ethers in groundwater at all UST release sites.

e. Encourage states to require that the proximity to drinking water supplies, and the potential to impact those supplies, be considered in land-use planning and permitting decisions for siting of new UST facilities and petroleum pipelines.

f. Implement and/or expand programs to train and license UST system installers and maintenance personnel.

g. Work with Congress to examine and, if needed, expand the universe of regulated tanks to include underground and aboveground fuel storage systems that are not currently regulated yet pose substantial risk to drinking water supplies.

2. EPA should work with its state and local water supply partners to enhance implementation of the Federal and State Safe Drinking Water Act programs to:

a. Accelerate, particularly in those areas where RFG or Oxygenated Fuel is used, the assessments of drinking water source protection areas required in Section 1453 of the 1996 Safe Drinking Water Act Amendments.

b. Coordinate the Source Water Assessment program in each state with federal and state Underground Storage Tank Programs using geographic information and other advanced data systems to determine the location of drinking water sources and to identify UST sites within source protection zones.

c. Accelerate currently-planned implementation of testing for and reporting of MTBE in public drinking water supplies to occur before 2001.

d. Increase ongoing federal, state, and local efforts in Wellhead Protection Areas including: enhanced permitting, design, and system installation requirements for USTs and pipelines in these areas; strengthened efforts to ensure that non-operating USTs are properly closed; enhanced UST release prevention and detection; and improved inventory management of fuels.

3. EPA should work with states and localities to enhance their efforts to protect lakes and reservoirs that serve as drinking water supplies by restricting use of recreational water craft, particularly those with older motors.

4. EPA should work with other federal agencies, the states, and private sector partners to implement expanded programs to protect private well users, including, but not limited to:

a. A nationwide assessment of the incidence of contamination of private wells by components of gasoline as well as by other common contaminants in shallow groundwater;

b. Broad-based outreach and public education programs for owners and users of private wells on preventing, detecting, and treating contamination;

c. Programs to encourage and facilitate regular water quality testing of private wells.

5. Implement, through public-private partnerships, expanded public Education programs at the federal, state, and local levels on the proper handling and disposal of gasoline.

6. Develop and implement an integral field research program into the groundwater behavior of gasoline and oxygenates, including:

a. Identifying and initiating research at a population of UST release sites and nearby drinking waters suppliers including sites with MTBE, sites with ethanol, and sites using no oxygenate;

b. Conducting broader, comparative studies of levels of MTBE, ethanol, benzene, and other gasoline compounds in drinking water supplies in areas using primarily MTBE, areas using primarily ethanol, and areas using no or lower levels of oxygenate.

Treatment and remediation

7. EPA should work with Congress to expand resources available for the up-front funding of the treatment of drinking water supplies contaminated with MTBE and other gasoline components to ensure that affected supplies can be rapidly treated and returned to service, or that an alternative water supply can be provided. This could take a number of forms, including but not limited to:

a. Enhancing the existing Federal Leaking Underground Storage Tank Trust Fund by fully appropriating the annual available amount in the Fund, ensuring that treatment of contaminated drinking water supplies can be funded, and streamlining the procedures for obtaining funding.

b. Establishing another form of funding mechanism which ties the funding more directly to the source of contamination.

c. Encouraging states to consider targeting State Revolving Funds (SRF) to help accelerate treatment and remediation in high priority areas.

8. Given the different behavior of MTBE in groundwater when compared to other components of gasoline, states in RFG and Oxyfuel areas should reexamine and enhance state and federal ''triage'' procedures for prioritizing remediation efforts at UST sites based on their proximity to drinking water supplies.

9. Accelerate laboratory and field research, and pilot projects, for the development and implementation of cost-effective water supply treatment and remediation technology, and harmonize these efforts with other public/private efforts underway.

Recommendations for blending fuel for clean air and water

Based on its review of the current water protection programs, and the likely progress that can be made in tightening and strengthening those programs by implementing Recommendations 1–9 above, the Panel agreed broadly, although not unanimously, that even enhanced protection programs will not give adequate assurance that water supplies will be protected, and that changes need to be made to the RFG program to reduce the amount of MTBE being used, while ensuring that the air quality benefits of RFG, and fuel supply and price stability, are maintained.

Given the complexity of the national fuel system, the advantages and disadvantages of each of the fuel blending options the Panel considered (see Appendix A), and the need to maintain the air quality benefits of the current program, the Panel recommends an integrated package of actions by both Congress and EPA that should be implemented as quickly as possible. The key elements of that package, described in more detail below, are:

Action agreed to broadly by the Panel to reduce the use of MTBE substantially (with some members supporting its complete phase out), and action by Congress to clarify federal and state authority to regulate and/or eliminate the use of gasoline additives that threaten drinking water supplies;

Action by Congress to remove the current 2% oxygen requirement to ensure that adequate fuel supplies can be blended in a cost-effective manner while quickly reducing usage of MTBE; and

Action by EPA to ensure that there is no loss of current air quality benefits.

The oxygen requirement

10. The current clean Air Act requirement to require 2% oxygen, by weight, in RFG must be removed in order to provide flexibility to blend adequate fuel supplies in a cost-effective manner while quickly reducing usage of MTBE and maintaining air quality benefits.

The panel recognizes that Congress, when adopting the oxygen requirement, sought to advance several national policy goals (energy security and diversity, agricultural policy, etc) that are beyond the scope of our expertise and deliberations.

The panel further recognizes that if Congress acts on the recommendation to remove the requirement, Congress will likely seek other legislative mechanisms to fulfill these other national policy interests.

Maintaining air benefits

11. Present toxic emission performance of RFG can be attributed, to some degree, to a combination of three primary factors: (1) mass emission performance requirements, (2) the use of oxygenates, and (3) a necessary compliance margin with a per gallon standard. In Cal RFG, caps on specific components of fuel is an additional factor to which toxics emission reductions can be attributed.

Outside of California, lifting the oxygen requirement as recommended above may lead

to fuel reformulations that achieve the minimum performance standards required under the 1990 Act, rather than the larger air quality benefits currently observed. In addition, changes in the RFG program could have adverse consequences for conventional gasoline as well.

Within California, lifting the oxygen requirement will result in greater flexibility to maintain and enhance emission reductions, particularly as California pursues new formulation requirements for gasoline.

In order to ensure that there is no loss of current air quality benefits, EPA should seek appropriate mechanisms for both the RFG Phase II and Conventional Gasoline programs to define and maintain in RFG II the real world performance observed in RFG Phase I while preventing deterioration of the current air quality performance of conventional gasoline.[2]

There are several possible mechanisms to accomplish this. One obvious way is to enhance the mass-based performance requirements currently used in the program. At the same time, the panel recognizes that the different exhaust components pose differential risks to public health due in large degree to their variable potency. The panel urges EPA to explore and implement mechanisms to achieve equivalent or improved public health results that focus on reducing those compounds that pose the greatest risk.

Reducing the use of MTBE

12. The Panel agreed broadly that, in order to minimize current and future threats to drinking water, the use of MTBE should be reduced substantially. Several members believed that the use of MTBE should be phased out completely. The Panel recommends that Congress act quickly to clarify federal and state authority to regulate and/or eliminate the use of gasoline additives that pose a threat to drinking water supplies.[3]

Initial efforts to reduce should begin immediately, with substantial reductions to begin as soon as Recommendation 10 above—the removal of the 2% oxygen requirement—is implemented.[4] Accomplishing any such major change in the gasoline supply without disruptions to fuel supply and price will require adequate lead time—up to 4 years if the use of MTBE is eliminated, sooner in the case of a substantial reduction (e.g. returning to historical levels of MTBE use).

The Panel recommends, as well, that any reduction should be designed so as to not result in an increase in MTBE use in Conventional Gasoline areas.

13. The other ethers (e.g. ETBE, TAME, and DIPE) have been less widely used and less widely studied than MTBE. To the extent that they have been studied, they appear to have similar, but not identical, chemical and hydrogeologic characteristics. The Panel recommends accelerated study of the health effects and groundwater characteristics of these compounds before they are allowed to be placed in widespread use.

In addition, EPA and others should accelerate ongoing research effortsd into the inhalation and ingestion health effects, air emission transformation byproducts, and environmental behavior of *all* oxygenates and other components likely to increase in the absence of MTBE. This should include research on ethanol, alkylates, and aromatics, as well as of gasoline compositions containing those components.

14. To ensure that any reduction is adequate to protect water supplies, the Panel recommends that EPA, in conjunction with USGS, the Departments of Agriculture and Energy, industry, and water suppliers, should move quickly to:

a. Conduct short-term modeling analyses and other research based on existing data to estimate current and likely future threats of contamination;

b. Establish routine systems to collect and publish, at least annually, all available monitoring data on: use of MTBE, other ethers, and Ethanol; levels of MTBE, Ethanol, and petroleum hydrocarbons found in ground, surface and drinking water; and trends in detections and levels of MTBE, Ethanol, and petroleum hydrocarbons in ground and drinking water;

c. Identify and begin to collect additional data necessary to adequately assist the current and potential future state of contamination.

The Wintertime Oxyfuel Program

The Wintertime Oxyfuel Program continues to provide a means for some areas of the country to come into, or maintain, compliance with the Carbon Monoxide standard. Only a few metropolitan areas continue to use MTBE in this program. In most areas today, ethanol can and is meeting these wintertime needs for oxygen without raising volatility concerns given the season.

15. The Panel recommends that the Wintertime Oxyfuel program be continued (a) for as long as it provides a useful compliance and and/or maintenance tool for the affected states and metropolitan areas, and (b) assuming that the clarification of state and federal authority described above is enacted to enable states, where necessary, to regulate and/or eliminate the use of gasoline addictives that threaten drinking water supplies.

Recommendations for evaluating and learning from experience

The introduction of reformulated gasoline has had substantial air quality benefits, but has at the same time raised significant issues about the questions that should be asked before widespread introduction of a new, broadly-used product. The unanticipated effects of RFG on groundwater highlight the importance of exploring the potential for adverse effects in all media (air, soil, and water), and on human and ecosystem health, before widespread introduction of any new, broadly-used, product.

16. In order to prevent future such incidents, and to evaluate of the effectiveness and the impacts of the RFG program, EPA should:

d. Conduct a full, multi-media assessment (of effects on air, soil, and water) of any major new addictive to gasoline prior to its introduction.

e. Establish routine and stastistically valid methods for assessing the actual composition of RFG and its air quality benefits, including the development, to the maximum extent possible, of field monitoring and emissions characterization techniques to assess ''real world'' effects of different blends on emissions.

f. Establish a routine process, perhaps as a part of the Annual Air Quality trends reporting process, for reporting on the air quality results from the RFG program.

g. Build on existing public health surveillance systems to measure the broader impact (both beneficial and adverse) of changes in gasoline formulations on public health and the environment.

APPENDIX A

In reviewing the RFG program, the panel identified three main options (MTBE and other ethers, ethanol, and a combination of alkylates and aromatics) for blending to meet air quality requirements. They identified strength and weaknesses of each option:

MTBE/other ethers—A cost-effective fuel blending component that provides high octane, carbon monoxide and exhaust VOCs emissions benefits, and appears to contribute to reduction of the use of aromatics with related toxics and other air quality benefits; has high solubility and low biodegradability in groundwater, leading to increased detections in drinking water, particularly in high MTBE use areas. Other ethers, such as ETBE, appear to have similar, but not identical, behavior in water, suggesting that more needs to be learned before widespread use.

Ethanol—An effective fuel-blending component, made from domestic grain and potentially from recycled biomass, that provides high octane, carbon monoxide emission benefits, and appears to contribute to reduction of the use of aromatics with related toxics and other air quality benefits; can be blended to maintain low fuel volatility; could raise possibility of increased ozone precursor emissions as a result of commingling in gas tanks if ethanol is not present in a majority of fuels; is produced currently primarily in Midwest, requiring enhancement of infrastructure to meet broader demand; because of high biodegradability, may retard biodegradation and increase movement of benzene and other hydrocarbons around leaking tanks.

Blends of Alkylates and Aromatics—Effective fuel blending components made from crude oil; alkylates provide lower octane than oxygenates; increased use of aromatics will likely result in higher air toxics emissions than current RFG; would require enhancement of infrastructure to meet increased demand; have groundwater characteristics similar, but not identical, to other components of gasoline (i.e., low solubility and intermediate biodegradability).

APPENDIX B

Members of the Blue Ribbon Panel

Dan Greenbaum, Health Effects Institute, Chair.

Mark Buehler, Metropolitan Water District, So. California.

Robert Campbell, CEO, Sun Oil.

Patricia Ellis, Hydrogeologist, Delaware Department of Natural Resources and Environmental Conservation.

Linda Greer, Natural Resources Defense Council.

Jason Grumet, NESCAUM.

Anne Happel, Lawrence Livermore Nat. Lab.

Carol Henry, American Petroleum Institute.

Michael Kenny, California Air Resources Board.

Robert Sawyer, University of California, Berkeley.

Todd Sneller, Nebraska Ethanol Board.

Debbie Starnes, Lyondell Chemical.

Ron White, American Lung Assoc.

Federal representatives (non-voting)

Robert Perciasepe, Air and Radiation, U.S. EPA.

Roger Conway, US Dept. of Agriculture.

Cynthia Dougherty, Drinking Water, U.S. EPA.

William Farland, Risk Assessment, US EPA.

Barry McNutt, US DOE.

Margo Oge, Mobile Sources, US EPA.

Samuel Ng, Underground Tanks, US EPA.

Mary White, ATSDR.

John Zogorski, USGS.

SUMMARY OF DISSENTING OPINION

(By Todd C. Sneller, Member EPA Blue Ribbon Panel)

(The complete text of Mr. Sneller's dissenting opinion on the Panel's recommendation to eliminate the federal oxygen standard for reformulated gasoline has been submitted for inclusion in the final report and recommendations of the Blue Ribbon Panel.)

In its report regarding the use of oxygenates in gasoline, a majority of the Blue Ribbon Panel on Oxygenates in Gasoline recommends that action be taken to eliminate the current oxygen standard for reformulated gasoline. Based on legislative history, public policy objectives, and information presented to the Panel, I do not concur with this specific recommendation. The basis for my position follows:

1. The Panel's report concludes that aromatics can be used as a safe and effective replacement for oxygenates without resulting in deterioration in VOC and toxic emissions. In fact, a review of the legislative history behind the passage of the Clean Air Act Amendments of 1990 clearly shows that Congress found the increased use of aromatics to be harmful to human health and intended that their use in gasoline be reduced as much as technically feasible.

2. The Panel's report concludes that oxygenates fail to provide overwhelming air quality benefits associated with their required use in gasoline. The Panel recommendations, in my opinion, do not accurately reflect the benefits provided by the use of oxygenates in reformulated gasoline. Congress correctly saw a minimum oxygenate requirement as a cost effective means to both reduce levels of harmful aromatics and help rid the air we breathe of harmful pollutants.

3. The Panel's recommendation to urge removal of the oxygen standard does not fully take into account other public policy objectives specifically identified during Congressional debate on the 1990 Clean Air Act Amendments. While projected benefits related to public health were a focal point during the debate in 1990, energy security, national security, the environment and economic impact of the Amendments were clearly part of the rationale for adopting such amendments. It is my belief that the rationale behind adoption of the Amendments in 1990 is equally valid, if not more so, today.

Congress thoughtfully considered and debated the benefits of reducing aromatics and requiring the use of oxygenates in reformulated gasoline before adopting the oxygenate provisions in 1990. Based on the weight of evidence presented to the Panel, I remain convinced that maintenance of the oxygenate standard is necessary to ensure cleaner air and a healthier environment. I am also convinced that water quality must be better protected through significant improvements to gasoline storage tanks and containment facilities. Therefore, because it is directly counter to the weight of the vast majority of scientific and technical evidence and the clear intent of Congress, I respectfully disagree with the Panel recommendation that the oxygenate provisions of the federal reformulated gasoline program be removed from current law.

LYONDELL CHEMICAL COMPANY—SUMMARY OF DISSENTING REPORT

While the Panel is to be commended on a number of good recommendations to improve the current underground storage tank regulations and reduce the improper use of gasoline, the Panel's recommendations to limit the use of MTBE are not justified.

Firstly, the Panel was charged to review public health effects posed by use of oxygenates, particularly with respect to water contamination. The Panel did not identify any increased public health risk associated with MTBE use in gasoline.

Secondly, no quantifiable evidence was provided to show the environmental risk to drinking water from leaking underground storage tanks (LUST) will not be reduced to manageable levels once the 1998 LUST regulations are fully implemented and enforced. The water contamination data relied upon by the panel is largely misleading because it predates the implementation of the LUST regulations.

Thirdly, the recommendations fall short in preserving the air quality benefits achieved with oxygenate use in the existing RFG program. The air quality benefits achieved by the RFG program will be degraded because they fall outside the control of EPA's Complex Model used for RFG regulations and because the alternatives do not match all of MTBE's emission and gasoline quality improvements.

Lastly, the recommendations will impose an unnecessary additional cost of 1 to 3 billion dollars per year (3–7 c/gal. RFG) on consumers and society without quantifiable offsetting social benefits or avoided costs with respect to water quality in the future.

Unfortunately, there appears to be an emotional rush to judgment to limit the use of MTBE. For the forgoing reasons, Lyondell dissents from the Panel report regarding the following recommendations:

The recommendation to reduce the use of MTBE substantially is unwarranted given that no increased public health risk associated with its use has been identified by the Panel.

The recommendation to maintain air quality benefits of RFG is narrowly limited to the use of EPA's RFG Complex Model which does not reflect many of the vehicle emission benefits realized with oxygenates as identified in the supporting panel issue papers. Therefore, degradation of air quality will occur and the ability to meet the Nation's Clean Air Goals will suffer and under these recommendations.

FOOTNOTES

[1] Areas using RFG (2% by weight oxygen) and/or Oxyfuel (2.7% by weight Oxygen)

[2] The Panel is aware of the current proposal for further changes to the sulfur levels of gasoline and recognizes that implementation of any change resulting from the Panel's recommendations will, of necessity, need to be coordinated with implementation of these other changes. However, a majority of the panel considered the maintenance of current RFG air quality benefits as separate from any additional benefits that might accrue from the sulfur changes currently under consideration.

[3] Under §211 of the 1990 Clean Air Act, Congress provided EPA with authority to regulate fuel formulation to improve air quality. In addition to EPA's national authority, in §211(c)(4) Congress sought to balance the desire for maximum uniformity in our nation's fuel supply with the obligation to empower states to adopt measures necessary to meet national air quality standards. Under §211(c)(4), states may adopt regulations on the components of fuel, but must demonstrate that (1) their proposed regulations are needed to address a violation of the NAAQS and (2) it is not possible to achieve the desired outcome without such changes.

The panel recommends that federal law be amended to clarify EPA and state authority to regulate and/or eliminate gasoline additives that threaten water supplies. It is expected that this would be done initially on a national level to maintain uniformity in the fuel supply. For further action by the states, the granting of such authority should be based upon a similar two part test:

(1) states must demonstrate that their water resources are at risk from MTBE use, above and beyond the risk posed by other gasoline components at levels of MTBE use present at the time of the request.

(2) states have taken necessary measures to restrict/eliminate the presence of gasoline in the water resource. To maximize the uniformity with which any changes are implemented and minimize impacts on cost and fuel supply, the panel recommends that EPA establish criteria for state waiver requests including but not limited to:

a. Water quality metrics necessary to demonstrate the risk to water resources and air quality metrics to ensure no loss of benefits from the federal RFG program.

b. Compliance with federal requirements to prevent leaking and spilling of gasoline.

c. Programs for remediation and response.

d. A consistent schedule for state demonstrations, EPA review, and any resulting regulation of the volume of gasoline components in order to minimize disruption to the fuel supply system.

[4] Although a rapid, substantial reduction will require removal of the oxygen requirement, EPA should, in order to enable initial reductions to occur as soon as possible, review administrative flexibility under existing law to allow refiners who desire to make reductions to begin doing so.

Mr. GRAMM. Mr. President, let me first say I admit I have not read the study, as probably 98 other Members of the Senate tonight have not read it, which is the reason we ought to have the committee of jurisdiction look at it.

Second, when we are talking about something leaking into ground water from tanks, my point is that this is a problem with tanks. We do not have this problem in Texas. We have gone to great lengths to try to deal with underground tanks that leak. We have required the tanks to be dug up in every old filling station in the State.

I think the Senator has raised a legitimate problem about leaking and underground water sources. But the point is we need to fix the tanks. I know of no study that suggests that fixing tanks does not solve the problem.

In any case, I want to conclude so Senator CHAFEE and others can speak. But I want to remind my colleagues that the EPA has the power to act in this area. I urge my colleagues not to put the Senate on record, on a subject that we have relatively little knowledge about, on a farm bill, when we are talking about a policy that has profound environmental impact, including the potential for more air pollution because of the higher vapor pressure for ethanol as compared to MTBE; second, shortages of gasoline potentially in huge quantities of the country because of, one, eliminating the dominant oxygenate in fuels from consideration; and, second, the problem of transporting the alternative to MTBE; and, finally, the potential spike in gasoline prices that could occur.

This is simply a policy we ought to be dealing with in a systematic way. I am delighted the chairman of the committee is dealing with it because it is a serious problem.

I yield the floor. Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Illinois is recognized.

Mr. FITZGERALD. Mr. President, I am very pleased to rise in strong support of my colleague from California on this legislation. Senator GRAMM is one of my senior colleagues whom I respect as much as anybody in this body for his intelligence and hard work. On this issue, though, I respectfully disagree.

The EPA called for a study last November. They appointed a blue-ribbon committee that did come up and look into the scientific evidence. On that blue-ribbon committee there were representatives, importantly, of the oil industry, which would have an economic interest to see that MTBE not be done away with. This committee, this blue-ribbon panel, had a representative from the American Petroleum Institute and also an oil company. They said of MTBE in our Nation's fuel supply, that while all gasoline can possibly leak through an underground storage tank into the ground water, they specifically pointed out that MTBE is more dangerous when leaking into the ground water than other gasoline components. That is on page 3 of the report.

They recommend that MTBE be phased out gradually. Senator GRAMM brings up a good point. We have to have an alternative. We may not have at the current moment the production capabilities to replace the MTBE all at once. But I do believe we have to act quickly because we are talking about our Nation's ground water, and ground water contamination is very serious. In California it has been estimated that a large percentage of their ground water has been contaminated. This is a possible carcinogen. We cannot dawdle on an issue such as this. We have to move quickly.

Ethanol, as many of you know, can be used as an alternative to MTBE. We do have an alternative that is environmentally safe and sound. Yes, it does help our American farmers. Not only does it help corn growers in my State, which is a major corn-producing State, but ethanol can be derived from wheat, from rice straws, even from potatoes and, yes, potentially it could help farmers all across the country if they could produce the oxygenate for our reformulated fuel in this country.

So I am in strong support of this legislation. I think it is good public policy for us to urge the EPA to act quickly. Our Nation's ground water supply is at stake. We do not want this situation to go on any longer. We cannot afford to wait. We must act quickly.

I yield the floor.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. CHAFEE. Mr. President, this is a very complicated subject. It is not only the pronunciation of MTBE that is complicated. The whole area of oxygenates as additives to gasoline adds to the complication that we face.

There have been several references, and aptly so, to the blue-ribbon panel that EPA established to look into MTBE and decide to the best of its ability what ought to be done. This blue-ribbon panel has just reported, so we have hardly had a chance to see it. I think it was a report in the last 2 weeks. So we have hardly had a chance to see it.

I would point this out: The report looked to a reduction in the use of MTBE, whereas, if you note from the sense-of-the-Senate resolution that the Senator from California has, she looks to a complete phaseout—phaseout meaning end the production of, use of, MTBE, in order, she says, to address the threats posed by it.

As I said in my opening remarks, this is a complicated issue. We have had two hearings on it in the Committee on Environment and Public Works which has jurisdiction over this matter, and we have been waiting for the report which now has just come in. In September, I can promise everyone here that, indeed—the Senator from California is a member of our committee—we will have further hearings on it and decide what recommendations we will make to the full Congress.

As has been pointed out, to just ban MTBE is not the way to go, recognizing that even though the corn growers are anxious to fill the gap, they would themselves recognize there is just plain not enough ethanol to take care of our Nation at this time.

I greatly urge my colleague, the Senator from California, to withdraw her amendment. We are going to have a hearing on it. She is going to have an opportunity to have her views expressed come September, which is very close. Secondly, I urge my colleagues, absent the Senator from California withdrawing the amendment, to vote to table it and give us a chance within the committee to study not only the report itself but just to make up our minds in a bipartisan fashion what we think is the best route to go.

Mrs. BOXER. Will my friend yield for one question?

Mr. CHAFEE. Yes.

Mrs. BOXER. I just want to make sure my chairman, who I absolutely revere, has read that we do not say ''ban.'' We say ''phase out.'' That is a big difference. We phase it out so you make sure you are doing it in a wise fashion. That is exactly what Gov. Gray Davis said. I want to make sure that is what we are calling for.

Mr. CHAFEE. I did say ''phase out,'' that it was to end it. That is the way I read it. Perhaps others may read it differently. My point is, we have a real problem on our hands. We need a little time to examine this, to give attention to the report, to consider it, and make our recommendations.

In our committee, we are fortunate to have the chairman of the subcommittee of jurisdiction, Senator INHOFE. I am sure he has some comments in connection with this whole problem.

Mr. INHOFE. Mr. President, I do not mind yielding first to the Senator from Illinois to make his remarks and we can go back and forth.

The PRESIDING OFFICER. The Senator from Illinois is recognized.

Mr. DURBIN. Mr. President, I thank the Senator from Oklahoma for his graciousness. There will be more to the debate if we take turns expressing our points of view.

I rise in support of the amendment offered by the Senator from California and my colleague, the Senator from Illinois. I am happy to join both of them as cosponsors of this amendment.

First, when we talk about methyl tertiary butyl ether, which we are familiar with in the Midwest, we have to put it in perspective of what role it has played in terms of providing energy and whether or not it adds to problems with pollution, because that is the bottom line.

We are talking about additives to gasoline that we hope will clean up the environment. That is why we have the program. That is why we are using ethanol with MTBE because the bottom line is we want to say to Americans: When you use your automobiles, the gasoline you use should contain additives that make America a cleaner place—cleaner air and cleaner water. That is why the amendment of the Senator from California is so important because we no longer can trust MTBE to meet that mission goal.

The findings of the EPA blue-ribbon panel on oxygenates in gasoline was reported last week. The panel confirmed my long-held belief that MTBE poses a risk to ground water and to the health and safety of the American public.

I hope those who are following this debate will listen carefully to the pervasive nature of MTBE when it occurs in the natural environment. MTBE, a petroleum-derived chemical, does not biodegrade. In 5 years of widespread use, MTBE has become the second most commonly found chemical in ground water. It is second only to chloroform. One gallon of MTBE is enough to pollute 26 million gallons of water.

So when the Senator from Texas stands and says the problem is in the storage tanks, I suggest to him, no, it goes far beyond that. The problem is in two-cycle engines, for example, as you find on many boats which use MTBE additives in their fuels, and as they spray out the back of those engines, because of their fuel inefficiency, what they are spraying into reservoirs and water supplies across America is MTBE which is not biodegradable. When they test these water supplies, it is not alone from leaking storage tanks but from the fact that this additive is particularly sinister when it comes to the clean water goals that we all share.

It has been labeled by the U.S. EPA as a carcinogen. If this additive did not biodegrade and was benign, did not cause any health problems, we would not be here. The fact is, whether it is a leaking storage tank or a two-cycle engine spraying it into Lake Decatur or Lake Springfield in Illinois, which also serve as water supplies, it increases the risk of cancer. That is why it is a particularly sinister additive, and that is why the amendment of the Senator from California is so important.

Let me give an example in my home State of the dangers of MTBE. Ten years ago, a gasoline spill occurred in Kankakee, IL. To this day, MTBE still contaminates that area's drinking water supply. It does not go away, and it causes cancer. It is carcinogenic.

With MTBE's future clearly in doubt, now is the time for us to really make clear that corn-based ethanol, or many other crops which can be used as a base for ethanol, should step up to fill this void. Ethanol currently comprises about 15 percent of the reformulated gasoline program, including a successful effort in Chicago and Milwaukee. That is the top RFG, reformulated gasoline, market in the Nation, accounting for 400 million gallons of ethanol demand, or approximately one-third of the industry's production.

Many of the arguments against the amendment of the Senator from California suggest since we do not have enough supply of ethanol at this moment to replace MTBE, we ought to stick with it. As the blue-ribbon panel found, and I think common sense tells us, you would not stick with an additive that is this dangerous, one that is so pervasive, not biodegradable and carcinogenic. It is far better for us to set out a national program to expand ethanol production.

Naturally, many people are listening and we expect to hear: DURBIN, you are from Illinois where they produce most of the ethanol and primarily from one company.

I will concede that fact. I am open to suggestions for legislation to increase ethanol nationwide from a variety of sources. I think it is good. It will create better competition and may develop better standards for manufacturers to bring down the cost. I will certainly support it whatever State wants to engage in ethanol production.

It is also important to note that recent studies have found that ethanol and MTBE are essentially equivalent in terms of their effect on ozone; that is, in reducing air pollution, so we are not losing in this tradeoff moving from MTBE to ethanol. In fact, we are holding our ground with a much safer additive.

Ethanol has lower carbon monoxide emissions and reduced reactivity, along with a lower incidence of environmental contamination when compared to MTBE.

Instead of shelving the RFG oxygenate requirements—that additive that makes it safer for the requirement—it would be in our country's best interest to expand the use of a safe oxygenate such as ethanol. The U.S. Department of Agriculture and industry data demonstrate that adequate supplies of ethanol would exist to meet the oxygenate requirement in a cost-effective manner with a gradual phaseout of MTBE.

I say to my friend—a man I also respect—from the State of Rhode Island that we are not talking about an instantaneous ban on MTBE. Instead, we are talking about a phaseout of the use of this additive as we increase the production of the safer additive, the oxygenate ethanol. In fact, ethanol blends with reformulated gas would be more cost effective than nonoxygenated gasoline.

We need to look no further than rural America to understand the benefits an ethanol-based RFG program would have on our ag economy. The USDA is predicting a bumper corn crop of 9.7 billion bushels. Farm prices are in a free-fall, and we need to find alternative uses for our agricultural bounty.

Illinois annually produces about 40 percent of the nearly 1.5 billion gallons of ethanol. Illinois corn accounts for about 17 percent of the crop use for ethanol. As you drive or fly over the Midwest and look down on those cornfields, one out of six of those cornfields is dedicated to go into processing and come out as ethanol, which we burn in our automobiles. This allows ethanol to gradually replace MTBE as a great benefit to our fragile rural economy.

I am pleased to join Senator BOXER and Senator FITZGERALD on her amendment and urge my colleagues from both rural and urban States to support this important effort to encourage the phaseout of MTBE and the promotion of ethanol as an alternative.

Mrs. BOXER. Would my friend yield for a question?

Mr. DURBIN. I would be happy to yield.

Mrs. BOXER. I know Senator INHOFE is patiently waiting, and he is chair of the Clean Air Subcommittee, as my chairman, Senator CHAFEE, has stated, but it is important to know, and I want to know if my friend is aware, that the chairman of the Drinking Water Subcommittee, Senator CRAPO, is an original coauthor of this.

I want to make the point of my friend that we have a situation that this additive was to clean the air, and now we find out it is poisoning the water, and we cannot get it out of the drinking water. The more we let this thing go, without phasing it out, my friend is absolutely right, the more expensive it gets, the more of a problem it is, the more poison is spread. To sit here and wait around does not seem to make much sense.

I also ask my friend if he is aware that we have large numbers of environmental organizations that support this, along with many in the farm community, including the Sierra Club, the Audubon Society, and Communities for a Better Environment. I hope my friend asks that we place that in the RECORD. I wonder if he is aware that Senator CRAPO brings a lot of authority, I think, to this particular debate.

Mr. DURBIN. I thank the Senator from California. I was not aware of all the details.

I ask unanimous consent that the document evidencing the organizations supporting the Boxer amendment be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

BLUEWATER NETWORK,
August 3, 1999.

Hon. BARBARA BOXER,
Senate Hart Office Building, Washington, DC.

DEAR SENATOR BOXER: Bluewater Network and the following signatories strongly support S. 1037 to climinate MTBE use nationwide. Extensive investigation into the hazards of MTBE demonstrates that continued use of this oxygenate will further jeopardize U.S. water supplies and undercut the public's right to clean drinking water, shoulder water and regulatory agencies with unprecedented liabilities and cost burdens, and seriously threaten public health.

S. 1037 targets three key areas:

(1) It provides EPA with the authority to immediately prohibit MTBE in sensitive or at-risk communities. This will save many areas millions of taxpayer dollars in clean up and liability costs. California alone faces an estimated $1 to $2 billion in MTBE cost. This provision also allows EPA to react swiftly to contamination sites, and effectively prioritize public health.

(2) It immediately restricts the use of MTBE to areas where oxygenates are required by the Clean Air Act. This is a common sense approach which will minimize the use and the impacts of MTBE during the phase-out.

Voluntary use of MTBE is common throughout the country. Almost all of California's gasoline contains MTBE, while only Los Angeles, San Diego, and Sacramento are required to use oxygenates. MTBE use in non-oxygenated zones may increase during a phase-out for various economic reasons involving fuel supply and distribution. For example, Chevron and Tosco recently increased their use of MTBE in Northern California—where oxygenates are not required—despite their agreement with Governor Davis to cooperate with California's MTBE phase-out. Providing immediate restrictions on MTBE in non-oxygenated zones will prevent needless MTBE contamination, and ensure that the use of the chemical does not spread further into these areas.

(3) It provides an investigation into the impacts of ethanol, olefins, aromatics, and alkylates which will provide critical information about the impacts of banning MTBE, the general effectiveness of oxygenates, and the overall benefits of the federal Reformulated Gasoline Program. We strongly recommend Senator Boxer include the study of ''other ether-based additives'' in this section to adequately assess the feasibility and risks of chemical additives with similar properties as MTBE (e.g. TAME, ETBE). The elimination of MTBE, and especially the use of

non-oxygenated fuels proposed by some refiners, necessitates fuel blending adjustments which employ these chemicals. These studies will ensure that the impacts of non-MTBE fuels are fully realized.

We commend Senator Boxer's efforts to combat the MTBE problem nationally. Neither improving underground storage tanks, banning two-stroke engines, and/or lifting the Clean Air Act's oxygen mandate will prevent continued use of the additive, nor will such steps protect our most critical resources and public health from ongoing MTBE contamination.

S. 1037 provides critical protections against the inherent risks of MTBE use, and phases out a chemical known to be a significant threat to public health.

We look forward to working with you on this issue. If we can be of any assistance, please do not hesitate to contact us. Thank you for your consideration.

Sincerely,

BROOKE COLEMAN,
Project Coordinator.
RUSSELL LONG, PH.D.,
Executive Director.

SIGNATORIES

Friends of the Earth, Brent Blackwelder.
International Rivers Network, Patrick McCully.
Audubon Society, Cassandra Lista.
Sierra Club, National Marine Wildlife and Habitat Committee, Vivian Newman.
Communities for a Better Environment, Denny Larson.
Animal Rights Foundation, Doe McCaffrey.
Backcountry Skiers Alliance, Lynn Buhlig.
Campaign to Safeguard America's Waters, Gershon Cohen.
Concerned Citizens, Renee Chapotel.
Earth Island Institute, John Knox.
Earth Island Journal, Gar Smith.
Earth Rescue, Ian Looney.
GaiaLink, Marv Lyons.
Hells Canyon Preservation Council, Brenda Schweitzer.
Hudson River Sloop Clearwater, Andi Weiss Bartczak.
Institute of Social Studies, Isaack Otienno.
If Not Now, Phil Mitchell.
Lake Hamilton Safety Supporters, Stan Cothren.
North Farm Cooperative, Sarah Wepman.
Ocean Advocates, Fred Felleman.
Architects, Designers, Planners for Social Responsibility, Kay Yeuell.
Pinniped-Fisheries Project, Laura Seligsohn.
San Francisco BayKeeper, Mike Lozeau.
Save Our Shores, Vicki Nichols.
Coalition to Stop Vail Expansion, Emily Wolf.
Site for Social Action, Doug Casner.
Surfers Tired of Pollution, Donna Frye.
World Stewardship Institute, Sarah Nossaman.

Mr. DURBIN. Mr. President, I yield the floor.

Mr. INHOFE addressed the Chair.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. INHOFE. Mr. President, when I heard that the Senator from California was going to bring up her amendment, I came down to the floor. Quite frankly, I came down carrying the credentials of the blue-ribbon committee. I think there is one thing on which we can all agree: If you actually read the recommendations of the committee, they are not consistent with the amendment that is offered by the Senator from California.

We have 13 people on the panel. They are from industry, they are from some of the environmentalist groups, chaired by Dan Greenbaum of the Health Effects Institute. I think it is important that we read what this blue-ribbon committee recommends.

What they recommend is that they are not through yet. I will just read a couple of the recommendations here. They recommend that MTBE should be reduced but not banned. They said that oxygenate mandates should be eliminated. This amendment would increase mandates, not eliminate them. They said that benefits of ethanol need to be studied more. They did not say they have already been proven scientifically.

If there is one thing that has bothered me about the Environment and Public Works Committee, it is that some of the things that come out are not based on sound science. In this case, we do have the beginning of sound science. We have a recommendation by a blue-ribbon committee, made up of 13 people who are very professional and should represent all aspects of this issue.

Anyway, that is not what their recommendation is. They said that we should not ban MTBE, considering all alternatives and benefits. In addition to use as an oxygenate, MTBE is also used as an oxygenate enhancer. I think this has not been brought out. There is a reason for MTBE to be included.

As far as the use of ethanol, as far as the report is concerned, the environmental benefits are in question. The blue-ribbon panel recommended that it further be studied before its use is increased. That is what the recommendations were of this committee. I think we have plenty of time to have the hearings, as we have discussed.

There is another thing that has not been talked about. That is, if we were to adopt the Boxer amendment, some amount of money would have to come from the highway trust fund. Ethanol users receive a tax credit at the current time, and at the end of each year it comes out of the highway trust fund. Therefore, each of our States will have their highway funds reduced if this amendment should pass.

It is not possible to switch to ethanol right away, as the Senator from California suggests. We do not have the national infrastructure to transport the ethanol. A lot of people are not aware that this cannot be added at the refinery; it has to be added at the rack where the fuels are mixed.

On health effects, only 1 percent of the detections of MTBE in water has met the threshold for smell, which is below the threshold for human health effects. I really think if we want to use, as our basis, our decision on this amendment being the blue-ribbon panel recommendations, we ought to go ahead and not pass the amendment, allow Senator CHAFEE and me, as chairman of the subcommittee of jurisdiction, to have hearings. We are going to have hearings on this, on the blue-ribbon committee, in September. We are prepared to do that.

This is a drastic step. It is something we do not want to get into unless we are sure. If you read the report, it says: Do not do it now. Study it. The results are not in. We will have to make further recommendations.

We are willing to have the committee hearing on this. I can just give you my word at this time we will have it probably sometime in September.

I yield the floor or yield for questions.

Mr. HARKIN addressed the Chair.

The PRESIDING OFFICER. The Senator from Iowa, Senator HARKIN.

Mr. HARKIN. Mr. President, first, I just respond to my friend from Oklahoma by saying that they can still go ahead and have the hearings and everything else after we adopt the sense-of-the-Senate resolution. Nothing prevents the committee from going ahead and meeting and having the blue-ribbon panel appear, and proceed with hearings. But we ought to express ourselves here as to the health issues that confront us.

I also point out to my friend from Oklahoma that I was reading the blue-ribbon panel's page here on this, and I thought I might read the pertinent parts because it is not quite exactly as my friend from Oklahoma said.

On page 6 it says: ''Recommendations for Blending Fuel for Clean Air and Water.''

Based on its review of the current water protection programs, and the likely progress that can be made in tightening and strengthening those programs by implementing Recommendations 1–9 above, the Panel agreed broadly, although not unanimously, that even enhanced protection programs will not give adequate assurance that water supplies will be protected, and that changes need to be made to the RFG [the reformulated gasoline] program to reduce the amount of MTBE being used, while ensuring that the air quality benefits of RFG, and fuel supply and price stability, are maintained.

The next paragraph said:

The key elements of that package, described in more detail below, are:

Action agreed to broadly by the Panel to reduce the use of MTBE substantially (with some members supporting its complete phaseout), and action by Congress to clarify federal and state authority to regulate and/or eliminate the use of gasoline additives that threaten drinking water supplies. . .

So I think it is quite clear where they are headed on that: To reduce MTBE use substantially. Some members even wanted its total elimination.

Mr. President, what we are talking about here is a health issue. I find it astounding——

Mr. INHOFE. Would the Senator yield on that point?

Mr. HARKIN. I will yield without losing my right to the floor.

Mr. INHOFE. Of course.

The Senator was reading from the report. I would like to read the next paragraph that he overlooked. It says they are recommending:

Action by Congress to remove the current 2% oxygen requirement—

That is right before ethanol—

to ensure that adequate fuel supplies can be blended in a cost-effective manner while quickly reducing usage of MTBE. . . .

Exactly the opposite of what the Senator from California is trying to do with her amendment.

Mr. HARKIN. I beg to differ. The blue-ribbon panel's conclusions support the Senator's resolution. What we are talking about is phasing out MTBE, and encouraging the use of ethanol—an oxygenate that reduces air pollution and at the same time does not contaminate water supplies or adversely affect health.

That is what we are talking about. I was responding to the point of the Senator from Oklahoma about what the blue-ribbon panel was saying. They were clearly saying that we ought to substantially reduce or eliminate the use of MTBE. They want to make sure we have a fuel supply that is not a health hazard to our people. That is what they are saying. That is really the issue before us. It is a health issue, pure and simple.

Again, I find it astounding that people can argue and say: We have a lot of MTBE out there; forget that it is a possible human carcinogen; forget that it is highly polluting; let's go ahead and keep using it because, quite frankly, we don't have anything to replace it with right now. That is the sort of argument that is being used.

I thought the Senator from Illinois, Mr. DURBIN, laid out quite succinctly how dangerous MTBE is. We have been told, first by the Senator from Texas, that it is just a matter of leaking tanks. Well, that is not just it at all. Senator DURBIN pointed out motor boats, motor skis, everything else, lawn mowers, motorcycles, airplanes, everything else that is using MTBE all leak a little bit, and every time it leaks, MTBE gets into the surface water and ground water.

One might say: Well, it is the gasoline leak that is the problem, and not what is in the gasoline. But when you have a gasoline leak, most of the components in gasoline, tend to break down. MTBE breaks down very little and very slowly, and it permeates rapidly. It is highly soluble in water, when it gets in water. If you put some oil in water, it doesn't mix. It can be separated out. But when MTBE gets in water, because of its chemical properties, it permeates the water quite rapidly, and that is what makes it so tough to get it out. It is not like oil or gasoline in water at all. It is highly soluble in the water.

As Senator DURBIN pointed out, the U.S. Geologic Survey has found that MTBE is the second most commonly found contaminant in ground water. But it has been in widespread use for only about 7 years. The second most prevalent contaminant in ground water in the United States, in a matter of only 7 years. EPA estimates that MTBE already can be detected in 5 to 10 percent of water supplies nationwide.

MTBE has been found to be leaking into groundwater at over 10,000 sites in California. A state report in Maine found that anywhere from 1,000 to 4,300 private wells could contain unhealthful levels of MTBE. And in New Hampshire, MTBE has been found in 100 public wells and water supplies. Five parts per billion is enough to contaminate water and make it taste and smell like turpentine. As I said, it is highly toxic. It is a poison. It permeates rapidly.

I think I would like to review a little bit some of the history of why we are here. In 1990, when we passed the Clean Air Act, trying to reduce the pollutants in automobile gasoline, we wanted to get rid of the witch's brew—we always called it the witch's brew—of toxins that were basically used as octane enhancers, such as benzene, xylene and toluene, highly toxic, highly poisonous substances used to enhance octane and performance.

In order to get rid of those toxics, while maintaining gasoline performance, something was needed to replace them. The oxygenates make a cleaner burning gasoline while improving octane and gasoline performance. So we came up with the oxygen content standard in the Clean Air Act so that we could have cleaner gasoline, and reduce the toxics and carbon monoxide emissions. The oxygenate in the fuel does that. It reduces carbon monoxide. We all know what carbon monoxide is—a pollutant that makes you sick or kills you. So we came up with the oxygenate standard for that. We got rid of pollution and carbon monoxide. Both MTBE and ethanol were octane enhancers so they could be used to make cleaner gasoline and replace the witch's brew of toxics like xylene and benzene and toluene.

Because MTBE is a derivative of petroleum, it was much easier to get the MTBE and to use it and to have it marketed more rapidly around the country than ethanol. That is why MTBE became the largest part of the oxygenate supply for the reformulated gasoline program.

I freely admit that MTBE does do some good in reducing air pollution. I would never argue that it doesn't; of course, it does. But we have found that the downside is even worse in terms of its pollution of water supplies. So we say, are we on the horns of a dilemma? We have MTBE. It reduces air pollution. It keeps the octane up. But it terribly pollutes our ground water. Is there nothing we can do?

Well, yes, there is. We can move toward using more ethanol. Now, ethanol is a renewable fuel that provides the clean air benefits, but it will not pollute ground water. Ethanol is so safe one can drink it. It is about 190 proof. That is what it is, basically 190 proof, good old corn alcohol. That is all it is. You can drink it if you want. It is pretty strong, but it won't hurt you. So we can replace it MTBE with ethanol.

Senator GRAMM talked about the vapor pressure, the fact that when you mix ethanol with gasoline, a funny thing happens. It becomes more volatile. True. Therefore, they say because it is more volatile, it evaporates and it causes ozone. Well, I have looked at that, and quite frankly, I think the conclusions about evaporation are outdated and not valid.

First of all, it is true that the Reid vapor pressure does go up, so it is more evaporative. But if you look at the design and building of automobiles since that time, you find that automobiles are not like they were 20 years ago. The gas tanks have a sealing flap on them. All gas tanks have an airtight lock on them now, all cars built probably within the last 10 to 15 years. Almost all new cars use fuel injection. They don't have carburetors like the old cars used to have. There isn't that much evaporation from automobiles, even when they sit in the hot summer sun. It may be true of older cars, but not of the new cars that have been built within the last 10 or 15 years.

Secondly, at most of the gas pumps in the United States now, they have a recapturing mechanism to recapture the fumes from the pumps. So those that say that because we mix ethanol with gasoline and it evaporates and causes ozone, that is based upon studies that I believe are not valid and are outdated.

We do know one thing about ethanol. It reduces carbon monoxide tailpipe emissions. And carbon monoxide contributes to ozone formation. The air quality benefits of reduced carbon monoxide emissions has to be taken into account when talking about the evaporation of gasoline containing ethanol. So we have a proposition. We can replace MTBE with ethanol. We can enhance the octane. We can clean up the gasoline, cut the toxics and reduce carbon monoxide, and there is absolutely no pollution water pollution. But Senator GRAMM and others have said, and the Senator from Oklahoma, we can't do that. The reason we can't do that is because we don't have an alternative in place right now to replace MTBE.

If I read the sense-of-the-Senate resolution of the Senator from California, it doesn't say we have to do this immediately. It says: It is the sense of the Senate that the United States should, one, phase out MTBE in order to address the threats that MTBE poses to public health and the environment—

phase it out. We didn't put a time limit on it, just phase it out.

Well, let me, for the record, point out how we can, without disruptions in fuel supplies, replace MTBE with nonpolluting ethanol. We now produce about 1.5 billion gallons of ethanol annually. We use about 1.2 billion gallons of that in this country and we export the rest. We would need about an additional 2.1 to 2.2 billion gallons of ethanol production to replace MTBE. The current ethanol production capacity that we have in the United States right now is about 1.8 billion gallons annually. So to replace MTBE, the U.S. would need to have the capacity to produce about 3.3 billion gallons of ethanol each year. That is the 1.2 billion that we use domestically, plus the 2.1 it would take to replace MTBE. So that would be about 3.3 billion gallons.

In checking with the producers of ethanol, they have told me ethanol production could be ramped up anywhere in 2.5 to 3 years to meet those requirements. We already have 1.8 billion gallons of annual ethanol production capacity. We don't even have to double it in order to meet the requirements of replacing MTBE.

I point out that the U.S. Department of Agriculture's analysis supports this conclusion that we could, within 2.5 years, and at the most 3 years, ramp up the production of ethanol to replace MTBE. I would have to admit there is probably no way we can phase out MTBE in probably less than 2.5 to 3 years. So as we phase out MTBE, we could ramp up the production of ethanol.

Now, my friend from Oklahoma said we don't have the transportation facilities and things such as that. They would come along, plus, I daresay that ethanol would be produced in a lot of different places in the country. Now it is mostly produced in the Midwest, but it will probably be produced in a lot of other areas in the United States.

So for the reasons of health, for the reasons of making sure we don't further contaminate our ground water and our water supplies in this country, to ensure that we are able to replace MTBE in an orderly fashion with a renewable fuel produced here in this country, I support the sense-of-the-Senate amendment offered by the Senator from California, Senator FITZGERALD, and others.

Lastly, I want to make one more point. The Senator from Texas went on about subsidies for ethanol. I don't think he wants to get involved in that subject. Quite frankly, we have the data to show that the tax breaks to the oil industry vastly exceed the modest tax incentives for ethanol. That is just during the recent past, not to mention all the tax and other subsidies the oil industry has gotten over the last 100 years or so from the U.S. Government. So I don't think the Senator from Texas wants to get involved in talking about subsidies, especially when we can point out the huge tax subsidies the oil industry has gotten over all these years.

In conclusion, the issue before us is framed this evening primarily as an environmental and health issue, pure and simple. All of these arguments from the other side notwithstanding, what we are about is saying the Senate is going on record that we ought to phase out MTBE and to promote renewable ethanol to replace MTBE. Ethanol enhances energy security, it supports the farm economy, it improves air quality and the environment. There are many reasons to support ethanol, but when it comes down to the crux of the debate tonight we are talking about the extensive water contamination caused by MTBE and the fact that with ethanol we have a clean and safe alternative to take its place. That is what this debate is about.

I yield the floor.

Mr. GRASSLEY addressed the Chair.

The PRESIDING OFFICER. The Senator from Iowa, Mr. GRASSLEY, is recognized.

Mr. GRASSLEY. Mr. President, this is a health issue, yes, but it is more than just an issue of whether or not we are going to continue to poison the environment and the ground water and permit poison, on the one hand, or a product that you can drink, on the other hand, to take its place. This is also an economic issue, although we have almost exclusively debated the health issues tonight. We just as easily could be conjuring up the debates of previous years between big oil on the one hand and agriculture on the other hand—agriculture being the base product for the production of ethanol, and big oil because of its interest in MTBE.

So it is an economic issue, not just an issue of poisoning the environment. It is also an issue of whether or not we ought to rely upon a renewable source of energy that comes from agriculture and corn, to make ethanol, or whether you ought to rely upon a nonrenewable fuel, MTBE. It is also an issue of whether or not this country ought to be energy-dependent upon foreign sources, because like our importing more than half of our petroleum, we also import half of our MTBE. The issue should be how we are going to be less dependent upon foreign sources of energy when we fully use our own family farmers to grow our own crops and use our own agricultural products to produce ethanol, a renewable fuel.

It is an environmental issue in regards to whether or not you are going to produce MTBE from a nonrenewable source, a finite source, and poison; or whether you are going to have the more clean-burning, renewable source that doesn't poison from ethanol.

Our balance of trade is also an issue due to the fact that one-third of our unfavorable balance of trade comes from the fact that we import so much of our energy. We should use more of our domestically produced energy, a renewable source of energy which is not imported and not controlled by oil companies. This would provide the nation with a more favorable balance of trade.

Our national defense should not be devoted in part to defending foreign sources of energy. An admiral in the Navy once explained that about half of the Navy's budget is dependent upon protecting oil, the flow of oil from the Middle East to the United States. This should be considered a subsidy. This source of energy partially compromises our national defense. We should base our national defense more on energy independence through the use of renewable energy, domestically produced energy, of which ethanol is part of that equation, produced from a renewable source.

Yes, this is an issue of poison versus a product that isn't poison. Ethanol is a product that you can drink, but it has a positive economic impact, solidifies our national defense, benefits our environment, and reduces our trade deficit.

So let's look at it in a very broad vein because this is not a brand new debate. This is a debate that has been going on in this body over a period of time, dating back to 1980 when we first started the renewable resource of ethanol as a supplement to gasoline.

Now, this isn't just a recent health issue because of California and what the Governor of California has done to phase out MTBE, the poisonous product in their State. The Governor has already made that decision. But I have given evidence on the floor in this body, in previous debates on this issue, where people using MTBE in Alaska got sick and the Governor had to ask for waivers. I think I also produced evidence in those previous debates regarding a similar situation in the State of New Jersey, just as an example.

I think it has been well established that this does not just come from leaky gasoline tanks leaking into the underground water. It has been presented very clearly that this product also is emitted into the air and because of rainfall finds its way into our water supply.

In my State of Iowa, the legislature has banned MTBE. My State banned its use in the last legislative session. The Governor of California has also moved to phase the poison out of its fuel. While we have been moving forward on this issue, the debate tonight might appear new to many of my colleagues. To those colleagues it might make sense to study this more, to let the committees make the proper decisions. But there are numerous state legislatures that have made the conclusion that MTBE should be banned. I hope we will

favorably consider the Boxer amendment because I think it is very legitimate that we immediately move forward on this issue.

Obviously, my State of Iowa, as the No. 1 corn-producing State in the Nation, will benefit if this poisonous product is phased out. I stand guilty of promoting ethanol. But it is not fair to say that just because you as the traveling public—and every one of you in this body owns an automobile—who pull up to the gasoline pump and pay a little bit less gas tax because a portion of your gasoline is ethanol which doesn't have the Federal gas tax in it, that this is a subsidy. The word ''subsidy'' implies that there is money paid out of the Federal Treasury to somebody to use that product. That is not true. Do we want to raise the tax on people motoring? Then do away with the ethanol tax exemption and you would have it.

I think we have the arguments on our side. I think it is going to be easy to cloud the issue and claim this needs to be studied. Remember, there are legislative bodies elsewhere in this country that have come to the conclusion that this has had enough study and that something as poisonous as MTBE should not be in the water.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I don't address these remarks to any exporter of ethanol. But I am really astounded tonight. I think if you pull out your ledger, every time we have an ethanol vote, my friend or someone else is standing there to make sure that I vote for it and make sure that I vote the same way over and over.

Frankly, I wouldn't be voting for ethanol if I had to put up with this kind of argument and justification for being for ethanol. Just put that in your hat. Because this is an absurd argument. Most of those who support ethanol on this side of the aisle are constantly arguing that the Environmental Protection Agency oversteps all the time—that they overregulate, that they do things that cost the American taxpayers too much. And yet they come here tonight.

There is the chairman of the Committee on Environment and Public Works. Is this man antienvironment? For most of the same people, they have been arguing that he is too much in favor of the environment. He comes to the floor of the Senate a reputed chairman, and you all make this an environmental issue?

You want to make this issue one that says we will sell more corn. I don't believe that is the right way to handle environmental issues in the United States when a blue-ribbon commission issued a report, and the chairman of the committee says: I need time to study it. But it will just be a matter of a few weeks, and we will have a hearing.

That is what we should do tonight. We should say to that committee: Do your hearings quickly and give us your recommendation.

But to stand here on the floor of the Senate and make this a corn-growers versus a non-corn-growers issue, and try to say it is the environment when you are counting heads, to every head you are counting, you are sending a memo: This is for corn.

Is that why we want you to vote for it? Right. In fact, my friend, who I greatly respect, tried to cover that up in a 15-minute speech about it being something else. But it is an effort to say let us get rid of this thing that we are using to make our gasoline better, more oxygenated, and better for the clean air of our country when there is a study that is only 5 days old—6 days, whatever it is. You have the chairman of the subcommittee and the chairman of the full committee saying: Wouldn't you give us time to look at it?

Here we have an agriculture bill and somebody making an issue that now what you would do is make PETE DOMENICI tonight, who is not going to vote with you anti-corn growers, says listen, corn growers. You are more apt to make me an anti-corn grower with this kind of approach than if you leave it in the committee and let them do their work.

I hope some others will join me in that respect because I am not against corn growers. I don't have very many in my State. But I think it is ridiculous to come to the floor and make this kind of argument in behalf of the environment and leaking underground tanks when you won't even give the most esteemed environmental chairman we have had around here since Ed Muskie a chance to conduct some hearings on it.

Frankly, I hope we either table it or somebody offers a substitute so we can do what is right here tonight.

Mr. HARKIN. Mr. President, will the Senator yield for a question?

Mr. DOMENICI. I am finished. But I would be glad to answer a question.

Mr. HARKIN. I understand that Senator INHOFE is the chairman of the air quality subcommittee. I understand—and I don't know this—that he is the chairman of the water quality subcommittee, which we are talking about, and Senator CRAPO is in favor of this.

Mr. DOMENICI. Senator who?

Mr. HARKIN. Senator CRAPO.

Mr. DOMENICI. Senator CRAPO is in favor? Of course. Maybe he is because he is a corn grower. But I do not know that he is.

Mr. HARKIN. He is chairman of the water quality subcommittee. That is what I am told.

Mr. DOMENICI. All I know is that I mentioned two chairmen. I mentioned the esteemed chairman of the full committee and the chairman of the subcommittee on clean air. I don't know the makeup of the public works committee. I served on it for 12 years. I think it is a wonderful committee.

But to be honest with you, I am thrilled it is your job and not mine. I say to the chairman that I could have been chairman. I am glad he is chairman and that I am not.

But what I said tonight I believe is true; that is, we ought to tell the committee to do their job and do it quickly. That ought to be the vote tonight.

The PRESIDING OFFICER. The Senator from Texas.

Mrs. HUTCHISON. Mr. President, I am sitting here looking at the chairman of the Agriculture Appropriations Subcommittee who has been trying to pass a responsible bill all week. All of a sudden, out of the blue, we have a sense of the Senate that doesn't belong on the Agriculture appropriations at all.

Mr. INHOFE. Will the Senator yield?

Mrs. HUTCHISON. Then you see the chairman of the Committee on Environment and Public Works who says: Excuse me, but this is my jurisdiction, and I would like to address it. And he is, as Senator DOMENICI said, one of the most distinguished of our Members.

I say to Members, do this: MTBE should be looked at. It is a way to clean the air. It is an additive to gasoline to meet the clean air requirements of EPA.

We should not have a sense of the Senate that holds up the Agriculture appropriations bill. I hope Members will vote to table this sense of the Senate and give Chairman CHAFEE the opportunity to look at this issue to determine if there is something wrong with MTBE, which I think is very much a question.

But to have something like this continue to hold up this bill, when our farmers certainly need the relief this appropriations bill is going to give us, I think is the wrong approach.

I urge Members to table this sense of the Senate.

Mr. INHOFE. Will the Senator yield?

Mrs. HUTCHISON. I am happy to yield to the Senator.

Mr. INHOFE. I know people are getting restless and I know there will be a substitute offered, but if there is anyone in here who is predicating their decision on how to vote on this blue-ribbon committee, let me read from the report. It totally contradicts what the Senator from California is saying. They recommend:

> Action by Congress to remove the current 2 percent oxygen requirement to ensure that the adequate fuel supplies can be blended in a cost-effective manner, while quickly reducing usage of MTBE.

What she is trying to do is actually fill that 2 percent with ethanol.

Another recommendation says:

> Accelerate air and water affects research on other fuel components likely to take MTBE's place such as . . .

It names ethanol, aromatics, and alkylates. It says don't do it until we do the research.

That is the recommendation of this blue-ribbon committee.

Last, it bothers me when people use scare tactics. This blue-ribbon committee said:

> The great majority of these detections to date have been well below levels of public health concern with approximately 1 percent rising to levels above 20 parts per billion.

I certainly concur with the recommendation of the Senator from Texas. Let Members have a chance to hold hearings on the results of the blue-ribbon committee. Nothing would be lost.

Mrs. HUTCHISON. I thank the Senator from Oklahoma.

It is clear from the debate this is not an issue that should be taken up on this bill. Clearly there are questions. The scientific basis is not proven at all. I hope we will not do something that will mar the record and take the jurisdiction from where it should be, and that is the Environment and Public Works Committee.

AMENDMENT NO. 1522 TO AMENDMENT NO. 1521

Mr. CHAFEE. Mr. President, I send a substitute to the desk and ask for its immediate consideration.

The PRESIDING OFFICER (Mr. DEWINE). The clerk will report.

The assistant legislative clerk read as follows:

> The Senator from Rhode Island [Mr. CHAFEE] proposes an amendment number 1522 to amendment No. 1521.
>
> Strike all after the first word, and insert the following: '' . It is the sense of the Senate that the Committee on Environment and Public Works should review the findings of the EPA Blue Ribbon Panel on MTBE and other relevant scientific studies, hold comprehensive hearings, and report to the senate at the earliest possible date any legislation necessary to address the recommendations of the Blue Ribbon Panel.''

Mr. CHAFEE. Mr. President, this is very cut-and-dried. What we say in this substitute is give us a chance. We have a committee. In September, as chairman of the committee—and the chairman of the subcommittee is here—we promise the Senator to hold, very early in September, as soon as we can get proper witnesses, a hearing on this subject. It is an important subject. I recognize that to California it is very important, and it is important to other States, likewise.

I think that is the proper way to go. It is a complicated subject and it involves not just MTBE; it involves the oxygenates that come from corn. That is the way I recommend we proceed.

Mrs. BOXER. Mr. President, I hope we will not accept this. I will be very brief. We all know what this is. This is sending this bipartisan sense-of-the-Senate resolution right into the graveyard.

My friend, my esteemed chairman, says it is complicated. Let me tell him it is not complicated to understand that MTBE is leaking. It is leaking badly. The State of California has phased it out. It is an opportunity for other options which will help our farmers. I think this is a unique moment.

We have Senators agreeing, Members who don't vote together very often. We have a long list of environmental organizations that support this. We have a long list of people from the farm States and organizations that support this. We don't need to continue with hearings.

As the Senator from Texas stated, the head of the Environmental Protection Agency can take action under her emergency powers to phase out MTBE. I believe if we support this sense of the Senate and vote down the second-degree amendment, she will understand that we really care about this issue, we care about getting rid of a possible carcinogen, and we care about helping our fathers at the same time.

To me, it isn't that complicated, perhaps because I see what is happening to drinking water in California. Right now in California it is going to cost $1 to $2 billion to clean up the poison in our drinking water. And my friends are saying: Plenty of time to study.

Members don't want this to happen to their State.

I yield the floor.

Mr. COCHRAN. 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.

Mrs. BOXER. Mr. President, I move to table the Chafee amendment, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to table amendment No. 1522. The yeas and nays have been ordered.

The clerk will call the roll.

The legislative assistant called the roll.

Mr. NICKLES. I announce that the Senator from Idaho (Mr. CRAPO) and the Senator from Florida (Mr. MACK) are necessarily absent.

Mr. REID. I announce that the Senator from Massachusetts (Mr. KENNEDY), the Senator from Louisiana (Ms. LANDRIEU), and the Senator from New York (Mr. MOYNIHAN) are necessarily absent.

I further announce that, if present and voting, the Senator from New York (Mr. MOYNIHAN) would vote ''no.''

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

The result was announced—yeas 51, nays 44, as follows:

[Rollcall Vote No. 258 Leg.]

YEAS—51

Abraham	Dorgan	Leahy
Akaka	Durbin	Levin
Ashcroft	Edwards	Lieberman
Baucus	Feingold	Lugar
Bayh	Feinstein	Mikulski
Bond	Fitzgerald	Murray
Boxer	Graham	Reed
Brownback	Grams	Reid
Bryan	Grassley	Robb
Burns	Harkin	Roberts
Byrd	Hollings	Rockefeller
Cleland	Inouye	Sarbanes
Collins	Johnson	Schumer
Conrad	Kerrey	Snowe
Daschle	Kerry	Torricelli
DeWine	Kohl	Wellstone
Dodd	Lautenberg	Wyden

NAYS—44

Allard	Gramm	Nickles
Bennett	Gregg	Roth
Biden	Hagel	Santorum
Bingaman	Hatch	Sessions
Breaux	Helms	Shelby
Bunning	Hutchinson	Smith (NH)
Campbell	Hutchison	Smith (OR)
Chafee	Inhofe	Specter
Cochran	Jeffords	Stevens
Coverdell	Kyl	Thomas
Craig	Lincoln	Thompson
Domenici	Lott	Thurmond
Enzi	McCain	Voinovich
Frist	McConnell	Warner
Gorton	Murkowski	

NOT VOTING—5

Crapo	Landrieu	Moynihan
Kennedy	Mack	

The motion was agreed to.

AMENDMENT NO. 1521

The PRESIDING OFFICER. The question is on agreeing to the Boxer amendment.

The amendment (No. 1521) was agreed to.

Mr. COCHRAN. I move to reconsider the vote by which the amendment was agreed to.

Mr. LEAHY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. COCHRAN addressed the Chair.

The PRESIDING OFFICER. The Senator from Mississippi.

Mr. COCHRAN. Mr. President, the only amendment that I am aware of that has not already been agreed to by the managers or a recommendation to the Senate for agreement is the amendment of the Senator from South Carolina. Senator THURMOND has an amendment. After his amendment is offered—and it will be accepted—we have a group of amendments that we can recommend be agreed to by the Senate. I know of no other controversial amendment that would require a recorded vote.

Then it would be up to the Senate whether to accept passage of the bill on a voice vote or insist on a recorded vote. I have had no one ask me to request the yeas and nays on final passage. So if that is an understanding that is agreeable to the Senate, we will proceed to accept the amendment of the Senator from South Carolina, then the agreed-upon list the managers will recommend, and then adopt the bill on final passage by voice vote.

If there is any objection to that, speak up now.

Mr. THURMOND addressed the Chair.

The PRESIDING OFFICER. The Senator from South Carolina.

AMENDMENT NO. 1523

(Purpose: To prohibit the use of foreign assistance funds to promote the sale or export of alcoholic beverages, including wine)

Mr. THURMOND. I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from South Carolina [Mr. THURMOND] proposes an amendment numbered 1523.

Mr. THURMOND. I ask unanimous consent reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 51, line 13, before the period, insert the following: '', or alcoholic beverages, including wine''.

Mr. THURMOND. Mr. President, the mission of the Foreign Agricultural Service, in conjunction with the Commodity Credit Corporation, is to open, expand and maintain global market opportunities for agricultural commodities. One program in place to accomplish this mission is the Market Access Program. This program, funded at $90 million per year, is a cost-share program to help U.S. companies expand their sales in the international marketplace.

I recognize that export promotion is a vital tool in our Nation's effort to expand trade. Since its inception in 1986, the Market Access Program has helped many companies, trade organizations, state and regional trade groups, and agriculture cooperatives to build new markets overseas.

There is, however, one aspect of the market access program, which gives me great concern. In late June, Secretary Glickman announced the 1999 allocations of the $90 million authorized, to 65 U.S. trade organizations for export promotion activities. Included in that allocation is over $3.6 million for the promotion of alcoholic beverages.

Even if one accepts the notion that alcoholic beverages are ''agricultural commodities,'' there is still difficulty in justifying the Federal Government's promotion of such products. I do not believe the United States Government should be funding the marketing of alcoholic beverages, within the United States or in export markets. Further support of this market promotion program cannot be justified by public policy reasons or on economic grounds.

From a public policy viewpoint, the promotion of alcoholic beverages, including wine, by the Federal Government is unsupportable. The Federal Government spends millions of dollars each year researching and combating the ill effects of alcohol. The negative consequences of alcohol use and abuse are well documented—disease, cancer, traffic deaths and injuries, economic loss, and a variety of social costs. Last September, the National Institutes of Health published a study entitled, ''The Economic Costs of Alcohol and Drug Abuse in the United States, 1992.'' The economic costs for alcohol abuse alone were reported at over $148 billion. Remember, these statistics were for 1992. There's no doubt the costs are greater today. I ask unanimous consent that this table be printed in the RECORD following my statement.

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

(See exhibit 1.)

Mr. THURMOND. It was for these reasons and others that I was proud to be a part of a National public health campaign that resulted in alcohol container warning labels. It is irresponsible and poor public policy for the federal government to continue to subsidize the marketing of alcohol beverage products.

In addition, it is poor economics to continue to support the alcohol beverage industry's export program. Quite frankly, Mr. President, the Market Access Program has been a huge success for the wine industry. In the 13 years of the Program, the wine industry has received about $90 million in export program funds. The Wine Institute boasts that the California wine industry has been one of the largest recipients of USDA export promotion funding. This has resulted in record exports each year. During that time, export sales have risen from $35 million in 1986 to $537 million in 1998. This is a 448 percent increase from export sales of a decade ago.

I do not begrudge this success. The wine industry is a legitimate industry, producing and marketing a legal product. It is made up of many small businesses, with thousands of employees. I recognize it contributes billions of dollars to or economy in sales, wages, and taxes.

However, the success of the industry, particularly with its record breaking exports, leads me to conclude that federal government export subsidies are improper, and no longer required. The industry's export program has matured to the point where it can stand on its own. Critical market development funds can surely be used to assist less successful agricultural commodity export programs.

Mr. President, the time has come to discontinue the subsidy of wine exports. It is poor public policy and wasteful spending. I would note than the Federal Government has imposed a similar restriction on export promotion for tobacco.

The amendment I am offering would expand the restriction of Federal funding to alcoholic beverages, including wine.

EXHIBIT NO. 1

ECONOMIC COSTS OF ALCOHOL AND DRUG ABUSE IN THE UNITED STATES, 1992

[In millions of dollars]

Economic costs	Total ($)	Alcohol ($)	Drugs ($)
Health Care Expenditures:			
Alcohol and drug abuse services	9,973	5,573	4,400
Medical consequences	18,778	13,247	5,531
Total, Health Care Expenditures	28,751	18,820	9,931
Productivity Effects (Lost Earnings):			
Premature death	45,902	31,327	14,575
Impaired productivity	82,201	67,696	14,205
Institutionalized populations	2,990	1,513	1,477
Incarceration	23,356	5,449	17,907
Crime careers	19,198	.....	19,198
Victims of crime	3,071	1,012	2,059
Total, Productivity Effects	176,418	106,997	69,421
Other Effects on Society:			
Crime	24,282	6,312	17,970
Social welfare administration	1,020	683	337
Motor vehicle crashes	13,619	13,619	.....
Fire destruction	1,590	1,590	.....
Total, Other Effects on Society	40,511	22,204	18,307
Grand Total	245,680	148,021	97,659

Note: Components may not sum to totals because of rounding.

Source: The Economic Costs of Alcohol and Drug Abuse in the United States, 1992. H. Harwood, D. Fountain, and G. Livermore. Analysis by the Lewin Group., Rockville, MD: DHHS, NIH, NIDA, OSPC, NIAAA, OPA. NIH Publication No. 98–4327, Printed September 1998.

Mr. THURMOND. I understand the chairman will accept this amendment. I thank him for his cooperation. I urge adoption of the amendment.

The PRESIDING OFFICER. The question is on agreeing to amendment No. 1523.

The amendment (No. 1523) was agreed to.

Mr. THURMOND. Mr. President, I move to reconsider the vote.

Mr. COVERDELL. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. COCHRAN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. COCHRAN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. COCHRAN. Mr. President, I ask unanimous consent that immediately upon the passage of S. 1233, the Fiscal Year 2000 Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, H.R. 1906, the House companion measure, be discharged from committee and that the Senate proceed to its immediate consideration; that all after the enacting clause of H.R. 1906 be stricken and the text of S. 1233, as passed, be inserted in lieu thereof; that H.R. 1906 then be read for a third time and deemed passed; that the Senate insist on its amendment and request a conference with the House and that the Chair be authorized to appoint conferees, and that upon the appointment of conferees, the passage of S. 1233 be

vitiated and the bill S. 1233 be indefinitely postponed.

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

Mr. COCHRAN. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. KOHL. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. KOHL. I take this opportunity to thank Senator COCHRAN and his staff, particularly Becky Davies, and Galen Fountain from my staff. Senator COCHRAN has been very cooperative, very supportive. I think he has done a great job in managing this bill. He has my appreciation and my thanks.

I thank the Chair.

I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. BENNETT). THE CLERK WILL CALL THE ROLL.

The assistant legislative clerk proceeded to call the roll.

Mr. COCHRAN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

AMENDMENTS NOS. 1524 THROUGH 1561 EN BLOC

Mr. COCHRAN. Mr. President, we are now ready to proceed to the consideration of the amendments. We are now in a position to recommend on behalf of the managers of the bill the amendments to the bill that should be agreed to by the Senate.

I am going to read a list of the amendments, and the Senators who are the authors of the amendments, and the statements that accompany some of the amendments. I will ask unanimous consent the amendments be considered en bloc, approved en bloc, and that the statements relating to the amendments be printed in the RECORD.

The list is as follows: an amendment of Senator ABRAHAM on bovine tuberculosis research; Senator ABRAHAM, Food and Drug Administration offices in Detroit, MI; Bingaman-Leahy-Domenici amendment on RCAP set-aside for Native Americans; an amendment by Senator BOND on contracts for procurement of food aid commodities; Senator BURNS, sense-of-the-Senate resolution regarding eligibility of dry beans for contract acreage; Senator BYRD, an amendment relating to West Virginia State College; an amendment by Senators CLELAND and COVERDELL to rename the School Lunch Act; an amendment by Senator COCHRAN and Senator KOHL regarding Mississippi and Wisconsin pilot projects; an amendment by Senator COCHRAN regarding rural business loans; Senator COCHRAN's amendment regarding rural cooperative development grants for minority farmers; Senator DOMENICI's amendment on the National Drought Commission; Senator DURBIN's amendment on Food and Drug Administration device earmark; Senator DURBIN's amendment on the sense-of-the-Senate resolution regarding the U.S. Food Security Action Plan; Senator GORTON's amendment relating to assistance to American farmers; an amendment by Senators GRAHAM and MACK on funding for the fruit fly exclusion and detection in Florida; Senator KERREY's amendment earmarking funds for grassroots projects; Senator LEVIN's amendment to provide funding for a special research grant in Michigan; Senator LINCOLN's amendment to rename a USDA facility in Arkansas; Senator MACK's amendment to provide funding for climate change research; Senator MCCONNELL's amendment regarding cross-county leasing; Senator NICKLES' amendment to modify section 739 of the bill; an amendment by Senator REID to provide funding for a special research grant in Nevada; Senator ROBERTS' amendment on cross-compliance with certain conservation requirements; Senator SESSIONS amendment to fund a special research food safety grant in Alabama; Senator BOB SMITH's amendment to waive certain rural utilities service regulations for a city in New Hampshre; an amendment by Senator GORDON SMITH on paid advertising for cranberries through the marketing committee; amendments by Senator STEVENS to amend the Food Stamp Program, and WIC food packages; an amendment by Senators INOUYE, AKAKA, and STEVENS to authorize education grant programs for Alaska and Hawaii native institutions; Senator STEVENS' amendment on Smith Leaver Act formulation; Senator STEVENS' amendment on Hatch Act formula; Senator THOMAS' amendment on livestock marketing information systems; Senator WELLSTONE's amendment to the Economic Research Service study on food stamp participation; Senator EDWARDS' amendment to fund a research project to improve early detection of crop diseases; Senator HUTCHISON's amendment, a sense-of-the-Senate resolution on Food and Drug Administration produce sampling; an amendment by Senators BRYAN and REID regarding Clark County, NV, Milk Marketing Order; Senator BAUCUS' amendment on the sense of the Senate relating to WTO actions; Senator KOHL's amendment to increase funding for existing research grants; and an amendment by Senators HARKIN, DASCHLE, and WELLSTONE to increase funding for GIPSA.

I ask unanimous consent those amendments be considered en bloc, be agreed to en bloc, and statements relating thereto be printed in the RECORD.

Mr. KOHL. Mr. President, there is an objection to the Roberts' cross-compliance with certain conservation requirements.

Mr. COCHRAN. We will withdraw the amendment by Senator ROBERTS on cross-compliance with certain conservation requirements.

Mr. KOHL. Then we have no objection.

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

The amendments have been considered en bloc and agreed to en bloc.

The amendments (Nos. 1524 to 1561) were agreed to, en bloc, as follows:

AMENDMENT NO. 1524

(Purpose: To provide funding for bovine tuberculosis research)

On page 13, line 13, strike ''$54,276,000'' and insert ''$54,476,000''. On page 13, line 16, strike ''$119,300,000'' and insert ''$119,100,000''.

Mr. ABRAHAM. Mr. President, this amendment funds a special research grant for the study of Bovine Tuberculosis by the Agricultural Experiment Station at Michigan State University. This special research grant will fund the study of methods of transmission of Bovine TB and will also look toward developing vaccines and possibly a cure.

In order to fund this grant, I propose to reduce funding for Competitive research grants within the Cooperative State Research, Education, and Extension Service (CSREES). Specifically, I intend to take this offset from Animal systems account.

In the past year, Bovine TB has spread from the oversized deer population in the north to a number of herds in Michigan's northern lower peninsula. The spread of this disease threatens Michigan's TB-free status and must be controlled as soon as possible. I urge my colleagues to support this effort.

AMENDMENT NO. 1525

(Purpose: To provide the reduction of the Food and Drug Administration capabilities in Detroit, Michigan)

On page 68, line 5, before the period insert the following: '', or the Food and Drug Administration Detroit, Michigan District Office Laboratory; or to reduce the Detroit Michigan Food and Drug Administration District Office below the operating and full-time equivalent staffing level of July 31, 1999; or to change the Detroit District Office to a station, residence post or similarly modified office; or to reassign residence posts assigned to the Detroit District Office''.

AMENDMENT NO. 1526

On page 35, line 20, after the semicolon, insert the following: ''not to exceed $12,000,000 shall be for water and waste disposal systems to benefit Federally Recognized Native American Tribes, including grants pursuant to section 306C of such Act, provided that the Federally Recognized Native American Tribe is not eligible for any other rural utilities programs set aside under the Rural Community Advancement Program;''.

Mr. BINGAMAN. Mr. President, first, I want to thank the chairman and ranking member for their fine work on this agricultural appropriations bill. I also want to take this opportunity to

thank Senator LEAHY and his staff for their work on this amendment. It will mean a great deal to Tribes all over America.

Mr. President, I am sure all Senators recognize the important contributions that the Rural Utilities Service is making in every state. RUS has been especially effective in the rural portions of New Mexico. The RUS's grant and loan programs are making tremendous progress in improving the quality of life of our small towns and in Indian Country. The basic health of rural people in New Mexico, as well as their economic future, are being greatly improved by RUS's programs.

I'd like to take a few minutes to explain what our amendment does. Under current rules RUS can provide no more than 75 percent of the cost of a project in the form of a grant. The remaining 25 percent can be in the form of a loan or from some other local source of funds. This program works well throughout most of rural America. Communities generally have access to taxing or bonding authority or to state funds that they can use for the required matching funds or to guarantee a loan.

However, there are some cases where a community doesn't have the means to provide the required matching funds. Congress has recognized this problem and has created special rules to address these unique situations. One example are colonias, where Congress allows RUS to provide 100 percent of the cost of a project so that the local community isn't burdened by these immigrant settlements, and this bill provides up to $20 million for projects in colonias. Mr. President, the funding authorization for colonias is a good program, and I thank the Chairman and ranking member for their continued support of it.

Very simply, our amendment would create a parallel program for Indian Country. Currently, RUS is already providing loans and grants to tribes using its standard funding rules. However, some tribes can't take advantage of RUS's programs simply because they don't qualify for the loans required to cover 25 percent of a project's cost. Tribes generally lack taxing or bonding authority to provide these required matching funds.

Mr. President, our amendment would allow RUS to provide 100 percent of the cost of a project for the most economically disadvantaged tribes that can't otherwise provide the required matching funds. The amendment allows up to $12 million for water and wastewater projects for this purpose. The funds come from within RUS's existing appropriation. Without our amendment, a few of our tribes will continue to suffer from a lack of basic water and sewer systems.

Mr. President, our amendment is not a substantial portion of RUS's total appropriation of $630 million, and the funds would not be used unless a tribe did not qualify for any of the RUS's other programs. I think this is an important program to help deal with the critical infrastructure needs of our tribes.

Mr. President, I ask unanimous consent that a letter from the National Congress of American Indians supporting this amendment be included in the RECORD at the conclusion of my remarks.

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

(See Exhibit 1.)

Mr. BINGAMAN. Again, I want to thank Senator LEAHY and his staff for their work on this important amendment and I hope the Senate will support it.

EXHIBIT 1

JULY 21, 1999.

Hon. JEFF BINGAMAN,
U.S. Senate, Washington, DC.

DEAR SENATOR BINGAMAN: The National Congress of American Indians (NCAI), the oldest and largest Indian advocacy organization is pleased to endorse the Leahy/Bingaman amendment, number 1067, to the FY2000 agriculture appropriations bill (S. 1233). This amendment will make available $12 million dollars in direct funding for water and wastewater projects in Indian Country.

The funds for the amendment are from within the Rural Utilities Service's (RUS) $630 million dollar total appropriation. In general, tribes are already eligible for RUS funding; however, current rules limit RUS grants to a maximum of 75 percent of a project's cost.

Infrastructure development in Indian Country is at a critical need. The tribes who can benefit the most are unable to access RUS grants due to their inability to obtain the 25 percent matching requirement from either loans or other funding sources. Moreover, tribes generally lack taxing and bonding authority to obtain the matching funds normally required by RUS.

The structure of the new program in the amendment parallels the $20 million dollar grant program established for the colonias located along the United States/Mexico border, which also allows RUS to provide 100% of the cost of a project. A similar $20 million grant program is also provided in the bill for rural and Native Americans in Alaska. We believe your amendment will benefit a number of tribes throughout Indian Country and we thank you for your efforts.

Sincerely,

W. RON ALLEN,
President.

AMENDMENT NO. 1527

(Purpose: To limit the use of appropriated funds for award of contracts through the HUBZone program)

On page 76, between lines 6 and 7, insert the following:

SEC. 7___. CONTRACTS FOR PROCUREMENT OF FOOD FOR PEACE COMMODITIES.—(a) DEFINITIONS.—In this section:

(1) HUBZONE SOLE SOURCE CONTRACT.—The term ''HUBZone sole source contract'' means a sole source contract authorized by section 31 of the Small Business Act (15 U.S.C. 657a).

(2) HUBZONE PRICE EVALUATION PREFERENCE.—The term ''HUBZone price evaluation preference'' means a price evaluation preference authorized by section 31 of the Small Business Act (15 U.S.C. 657a).

(3) QUALIFIED HUBZONE SMALL BUSINESS CONCERN.—The term ''qualified HUBZone small business concern'' has the meaning given the term in section 3(p) of the Small Business Act (15 U.S.C. 632(p)).

(4) COVERED PROCUREMENT.—The term ''covered procurement'' means a contract for the procurement or processing of a commodity furnished under title II or III of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721 et seq.), section 416(b) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)), the Food for Progress Act of 1985 (7 U.S.C. 1736o), or any other commodity procurement or acquisition by the Commodity Credit Corporation under any other law.

(b) PROHIBITION OF USE OF FUNDS.—None of the funds made available by this Act may be used to award a HUBZone sole source contract or a contract awarded through full and open competition in combination with a HUBZone price evaluation preference to any qualified HUBZone small business concern in any covered procurement if performance of the contract by the business concern would exceed the production capacity of the business concern or would require the business concern to subcontract to any other company or enterprise for the purchase of the commodity being procured through the covered procurement.

Mr. BOND. Mr. President, this amendment is intended to prevent a potentially harmful conflict that has come to our attention as we implement the new HUBZone program adopted in the Small Business Reauthorization Act. It appears this program doesn't quite mesh properly with the procurement of grain products in the Food for Peace program funded in this bill, and I offer this amendment to prevent the major economic disruption that could occur between now and the time we are able to correct this glitch in authorizing legislation.

The HUBZone program is a valuable new tool I was able to put together as Chairman of the Small Business Committee. It provides competitive advantages for small businesses located in economically distressed areas as they seek to obtain government contracts. If these small businesses agree to hire 35 percent of their employees from these distressed areas, they become eligible for a 10 percent price evaluation preference in bidding on contracts awarded through free and open competition. The law also provides for certain contracts to be set aside exclusively for competition among HUBZone small business concerns, as well as sole source contracts.

As we implement this program this year, we are occasionally running into situations where the program doesn't quite fit with existing law and other programs. We are working to resolve these issues in a manner that we hope will be as consistent as possible with both the intent of the HUBZone law and those other programs.

When the government purchases agriculture products for the Food for Peace program, those purchases are a procurement within the meaning of the

government's's small business procurement policies, including the HUBZone program. Some products like corn soy blend are procured with a mix of both small business set-asides and full and open procedures. In this particular case, 10% of the corn soy blend is purchased as a set aside for small business and 90% is purchased through full and open competition.

Corn soy blend has only a handful of about five vendors, only two of which are small businesses. They would be the only ones allowed to compete for the small business set-aside. Only one of those two small businesses is a HUBZone small business, however. That HUBZone vendor would also be eligible for the 10 percent price evaluation preference in full and open competition. It could bid up to 10 percent more than the other vendors and still be deemed the lowest bidder. For a product like corn soy blend, operating on narrow price margins, this 10 percent preference is likely decisive.

This means that this one HUBZone small business could lock up 90 percent or even 100 percent of the entire market for corn soy blend.It would do so as a matter of law, not simply because it produces the best product at the best price. We could accidentally create a monopoly by government action, thanks to the way these various programs come together in this particular type of procurement.

I can say as Chairman of the Small Business Committee, this is not the outcome we intended. We are not here to create monopolies, even if the monopoly is currently a small business. The small business program seeks to expand small business opportunities and foster competition, not stifle it.

That's why I have offered this amendment. This amendment does not alter any of the existing programs—Food for Peace or HUBZones. It just says, let's not create a monopoly between now and the time we are able to adopt corrective legislation in the next small business reauthorization bill, which is due next year. I'm sure we can fix this problem appropriately. But in the meantime, contracts for corn soy blend will continue to be awarded, and it is possible the market may have been converted into a monopoly in the short run.

My amendment says that no funds will be used in this bill to award HUBZone contracts for Food for Peace commodities if the award would exceed the actual production capacity of the successful HUBZone small business. The amendment places a similar limitation on Food for Progress procurements of commodities, which are procured in a similar fashion. CCC procurements of non-commodity items—such as desks, computers, office supplies, and the other apparatus needed by any Government agency—would not be covered by this amendment.

This means that a HUBZone small business would not be allowed to lock up the entire market, collect the HUBZone benefits, and then subcontract the actual contract performance to another firm. The business would be limited by the amount of commodity it could deliver on its own. This prevents an abuse of the program that could create a monopoly position for a HUBZone small business, unfairly threaten the livelihoods of its competitors, and unnecessarily drive up costs for the taxpayers.

I should note also that this doesn't lock out anybody, including small businesses that I hope will in fact take advantage of the HUBZone program. It just prevents an abuse of the HUBZone program while we put together a long-term fix that reflects the particular circumstances that prevail in commodities procurement.

I would note also that I anticipate this will be necessary only for this year. I know the managers of the Agriculture Appropriations bill sometimes get a little frustrated at the number of general provisions that get inserted into this bill, and many times these provisions tend to be carried over from year to year. In this particular case, we seek only to prevent market disruption in the interim until we tackle this in the small business reauthorization that will be due next year. Thus, I think this provision will be only for the Fiscal 2000 bill that is in front of us.

This should be a non-controversial amendment, and I hope it can be cleared by unanimous consent. My staff and I are available to answer questions for anyone needing clarification on this.

AMENDMENT NO. 1528

On Page 76, after Line 6 insert the following:

SEC. . It is the Sense of the Senate that the Secretary of Agriculture shall exercise reasonable treatment of producers in order to avoid harmful consequences regarding the inadvertent planting of dry beans on contract acres, up to and including the 1999 crop year.

AMENDMENT NO. 1529

(Purpose: To designate West Virginia State College in Institute, West Virginia, as a land-grant college and to provide funding for the college, with an offset)

On page 13, line 11, strike ''$29,676,000'' and insert ''$30,676,000''.

On page 13, line 13, before the semicolon, insert the following: '', of which $1,000,000 shall be made available to West Virginia State College in Institute, West Virginia, which for fiscal year 2000 and thereafter shall be designated as an eligible institution under section 1445 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3222)''.

On page 13, line 16, strike ''$119,100,000'' and insert ''$117,100,000''.

On page 14, line 22, strike ''$474,377,000'' and insert ''$473,377,000''.

On page 16, line 16, strike ''$25,843,000'' and insert ''$26,843,000, of which $1,000,000 shall be made available to West Virginia State College in Institute, West Virginia, which for fiscal year 2000 and thereafter shall be designated as an eligible institution under section 1444 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3221)''.

On page 16, line 23, strike ''$421,620,000'' and insert ''$422,620,000''.

Mr. BYRD. Mr. President, West Virginia State College in Institute, West Virginia, was designated by Congress as one of the original 1890 land-grant schools under the Second Morrill Act. The college was the first 1890 land-grant school to be accredited and has been accredited longer than any other public college or university in West Virginia.

West Virginia was one of six states to establish a new land-grant college under State control. West Virginia State College faithfully met its duties to the citizens of West Virginia as a land-grant college in an outstanding manner.

However, on October 23, 1956, the State Board of Education voted to surrender the land-grant status of State College (effective July 1, 1957). Historical data suggests that this action was taken in an effort to enhance State College's ability to accommodate veterans returning home with GI benefits. In addition, the decision to surrender the land-grant status preceded explicit funding by Congress for land-grant institutions.

For thirty-three years, West Virginia State College has sought to regain its land-grant status. On February 12, 1991, Governor Gaston Caperton signed a bill into law that provided redesignation authority for land-grant status from the State of West Virginia. On March 28, 1994, then U.S. Department of Agriculture Secretary Mike Espy informed West Virginia Governor Caperton that State College would receive a partial land-grant designation that would entitle the college to $50,000 annually under the Second Morrill Act.

It has become clear that funding, rather than merit, is the issue that must be addressed to reinstate West Virginia State College's land-grant status. I have authored an amendment that would provide $2 million in additional funds for 1890 Institution entitlements to be used for base line funding for West Virginia State College. This amendment does not grant full 1890 land-grant funding privileges to State College, but provides a $2 million entitlement. The amendment does not cut into the current 1890 entitlement accounts. It adds additional funding with an offset from the National Research Initiative account.

My amendment provides fair treatment to West Virginia State College, an original 1890 land-grant school, and I thank my colleagues for supporting this provision.

AMENDMENT NO. 1530

(Purpose: To redesignate the National School Lunch Act as the ''Richard B. Russell National School Lunch Act'')

At the end of the bill, insert the following:

SEC. ___. REDESIGNATION OF NATIONAL SCHOOL LUNCH ACT AS RICHARD B. RUSSELL NATIONAL SCHOOL LUNCH ACT.—(a) IN GENERAL.—The first section of the National School Lunch Act (42 U.S.C. 1751 note) is amended by striking ''National School Lunch Act'' and inserting ''Richard B. Russell National School Lunch Act''.

(b) CONFORMING AMENDMENTS.—The following provisions of law are amended by striking ''National School Lunch Act'' each place it appears and inserting ''Richard B. Russell National School Lunch Act'':

(1) Sections 3 and 13(3)(A) of the Commodity Distribution Reform Act and WIC Amendments of 1987 (7 U.S.C. 612c note; Public Law 100–237).

(2) Section 404 of the Agricultural Act of 1949 (7 U.S.C. 1424).

(3) Section 201(a) of the Act entitled ''An Act to extend the Agricultural Trade Development and Assistance Act of 1954, and for other purposes'', approved September 21, 1959 (7 U.S.C. 1431c(a); 73 Stat. 610).

(4) Section 211(a) of the Agricultural Trade Suspension Adjustment Act of 1980 (7 U.S.C. 4004(a)).

(5) Section 245A(h)(4)(A) of the Immigration and Nationality Act (8 U.S.C. 1255a(h)(4)(A)).

(6) Sections 403(c)(2)(C), 422(b)(3), 423(d)(3), 741(a)(1), and 742 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1613(c)(2)(C), 1632(b)(3), 1183a note, 42 U.S.C. 1751 note, 8 U.S.C. 1615; Public Law 104–193).

(7) Section 2243(b) of title 10, United States Code.

(8) Sections 404B(g)(1)(A), 404D(c)(2), and 404F(a)(2) of the Higher Education Act of 1965 (20 U.S.C. 1070a–22(g)(1)(A), 1070a–24(c)(2), 1070a–26(a)(2); Public Law 105–244).

(9) Section 231(d)(3)(A)(i) of the Carl D. Perkins Vocational Education Act (20 U.S.C. 2341(d)(3)(A)(i)).

(10) Section 1113(a)(5) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6313(a)(5)).

(11) Section 1397E(d)(4)(A)(iv)(II) of the Internal Revenue Code of 1986.

(12) Sections 254(b)(2)(B) and 263(a)(2)(C) of the Job Training Partnership Act (29 U.S.C. 1633(b)(2)(B), 1643(a)(2)(C)).

(13) Section 3803(c)(2)(C)(xiii) of title 31, United States Code.

(14) Section 602(d)(9)(A) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 474(d)(9)(A)).

(15) Sections 2(4), 3(1), and 301 of the Healthy Meals for Healthy Americans Act of 1994 (42 U.S.C. 1751 note; Public Law 103–448).

(16) Sections 3, 4, 7, 10, 13, 16(b), 17, and 19(d) of the Child Nutrition Act of 1966 (42 U.S.C. 1772, 1773, 1776, 1779, 1782, 1785(b), 1786, 1788(d)).

(17) Section 658O(b)(3) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858m(b)(3)).

(18) Subsection (b) of the first section of Public Law 87–688 (48 U.S.C. 1666(b)).

(19) Section 10405(a)(2)(H) of the Omnibus Budget Reconciliation Act of 1989 (Public Law 101–239; 103 Stat. 2489).

AMENDMENT NO. 1531

(Purpose: To provide additional funding for the Watershed and Flood Preventions and earmark funds for financial and technical assistance for pilot rehabilitation projects in Mississippi)

On page 33, line 15 after the period, insert the following: '': *Provided further*, That of the funds available for Emergency Watershed Protection activities, $5,000,000 shall be available for Mississippi and Wisconsin for financial and technical assistance for pilot rehabilitation projects of small, upstream dams built under the Watershed and Flood Prevention Act (16 U.S.C. 1001 et seq., Section 13 of the Act of December 22, 1994) Public Law 78–534; 58 Stat. 905, and the pilot watershed program authorized under the heading 'FLOOD PREVENTION' of the Department of Agriculture Appropriation Act, 1954, (Public Law 156; 67 Stat 214)''.

AMENDMENT NO. 1532

(Purpose: To increase the fee on guaranteed business and industry loans thereby reducing the subsidy costs)

On page 41, line 6, insert the following before the period: '': *Provided further*, That none of the funds appropriated under this paragraph shall be available unless the Department of Agriculture proposes a revised regulation to allow leaders to be charged a fee of up to 3% on guaranteed business and industry loans''.

AMENDMENT NO. 1533

(Purpose: To provide at least twenty five percent of the appropriated funds to small minority farmers for cooperatives)

On page 42, line 7, insert the following before the period: '': *Provided*, That at least twenty-five percent of the total amount appropriated shall be made available to cooperatives or associations of cooperatives that assist small minority producers''.

AMENDMENT NO. 1534

(Purpose: To amend the National Drought Policy Act of 1998, to make a technical correction)

At the appropriate place in the bill, add the following new section:

SEC. . Public Law 105–199 (112 Stat. 641) is amended in section 3(b)(1)(G) by striking ''persons'', and inserting in lieu thereof ''governors, who may be represented on the Commission by their respective designees,''.

AMENDMENT NO. 1535

(Purpose: To require the expenditure of appropriated funds for certain enforcement activities)

On page 55, line 5, strike the semicolon and insert the following: '', of which $1,000,000 shall be for premarket review, enforcement and oversight activities related to users and manufacturers of all reprocessed medical devices as authorized by the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321 et seq.), and of which no less than $55,500,000 and 522 full-time equivalent positions shall be for premarket application review activities to meet statutory review times;''.

AMENDMENT NO. 1536

(Purpose: Expressing the sense of the Senate concerning the United States Action Plan on Food Security)

On page 76, between lines 6 and 7, insert the following:

SEC. 7. SENSE OF THE SENATE CONCERNING ACTION PLAN ON FOOD SECURITY.

It is the sense of the Senate that the President should include in the fiscal year 2001 budget request funding to implement the United States Action Plan on Food Security.

Mr. DURBIN. Mr. President, this Saturday, August 7 will mark the tenth anniversary of the death of Congressman Mickey Leland, who was an extraordinarily effective advocate for the hungry people here at home and throughout the world. In remembering his tireless work for the hungry, I think it is fitting to redouble our own efforts to fight hunger and malnutrition.

The United States recently released its plan to reduce hunger. I am offering an amendment today to ask that the President include in his budget request next year specific proposals to implement the U.S. plan.

In November 1996 the United Nations Food and Agriculture Organization convened a World Food Summit in Rome. The goal of the conference was to ''renew the commitment of world leaders at the highest level to the eradication of hunger and malnutrition and the achievement of food security for all, through the adoption of concerted policies and actions at global, regional, and national levels.'' Summit participants pledged to cut the number of undernourished people in half by 2015. Each participating country was to decide independently how it could contribute to the goal of food security for all.

This March of this year, the U.S. Department of Agriculture published the U.S. government's plan to meet the goals of the 1996 World Food Summit, entitled U.S. Action Plan on Food Security, Solutions to Hunger. The plan outlines how the United States will fight hunger both at home and abroad. The plan is broad and involves a number of U.S. agencies and policies. It aims to reduce both U.S. and world hunger by addressing the ''policy environment,'' promoting trade and investment, strengthening food security research and educational capacity, integrating environmental concerns into food security efforts, improving the ''safety net,'' better identifying ''food insecure'' individuals and populations, and addressing food and water safety issues.

The USDA report was issued after the President had already submitted his budget. Many of the recommendations in the report are policies already in place and so already addressed in the President's budget. The report has some specific recommendations, but many are broad principles that need to be fleshed out to lead to specific actions.

I want to be sure that this report does not become one of the many government reports that leads nowhere, that fulfills the requirements of an international conference with lofty goals but little follow-through.

I am offering this amendment today, which simply says that it is the sense

of the Senate that the President should include in the fiscal year 2001 budget request funding to implement this plan, to encourage the Administration to submit specific proposals and budget requests to follow through on our fight against hunger.

AMENDMENT NO. 1537

(Purpose: To require the Farm Service Agency to review programs that provide assistance to apple farmers and report to Congress)

On page 76, between lines 6 and 7, insert the following:

SEC. 7___. FINANCIAL HARDSHIPS FACING APPLE FARMERS.—The Farm Service Agency—

(1) in view of the financial hardship facing United States apple farmers as a result of a loss of markets and excessive imports of apple juice concentrate, shall review all programs that assist apple growers in time of need;

(2) in view of the increased operating costs associated with tree fruit production, shall review the limits currently set on operating loan programs used by apple growers to determine whether the current limits are insufficient to cover those costs; and

(3) shall report to Congress its findings not later than January 1, 2000.

AMENDMENT NO. 1538

(Purpose: To provide additional funding for fruit fly exclusion and detection, with an offset)

On page 18, line 12, strike ''$437,445,000'' and insert ''$439,445,000''.

On page 18, line 19, after the colon, insert the following ''*Provided further*, That, of the amounts made available under this heading, not less than $24,970,000 shall be used for fruit fly exclusion and detection (including at least $6,000,000 for fruit fly exclusion and detection in the state of Florida):''.

On page 20, line 16, strike $7,200,000'' and insert ''$5,200,000''.

AMENDMENT NO. 1539

On page 36 of S. 1233, line 3 after the word ''systems:'' insert the following: ''*Provided further*, That of the total amount appropriated, not to exceed $1,500,000 shall be available to the Grassroots project:''.

AMENDMENT NO. 1540

(Purpose: To provide funding for sustainable agriculture research and a research program on improved fruit practices in the State of Michigan, with an offset)

On page 13, line 13, strike ''$54,476,000'' and insert ''$54,951,000''.

On page 13, line 16, strike ''$117,100,000'' and insert ''$116,625,000''.

Mr. LEVIN. Mr. President, I am pleased the managers have accepted the amendment that I introduced adding funds for existing research programs under the Cooperative State Research, Education, and Extension Service (CSREES) to help identify and develop alternatives for pesticides that are currently necessary for fruit production and whose use is likely to be restricted under the Food Quality Protection Act. This research program has provided much needed support to Michigan's fruit producers, and I thank the managers for allowing it to continue. It is my understanding that the full amount of the cost of this program will come from the ''Markets, trade, and policy'' section of the CSREES research grants, which currently is undersubscribed. It is also my hope that the additional research funds that I sought for another ongoing CSREES research project to help farmers reduce their use of fertilizer and pesticide inputs can be secured in conference.

AMENDMENT NO. 1541

At the end of the bill insert:

SEC. . Section 889 of the Federal Agriculture Improvement and Reform Act of 1996 is amended—

(1) in the heading, by inserting ''HARRY K. DUPREE'' before ''STUTTGART'';

(2) in subsection (b)(1)—

(A) in the heading, by inserting ''HARRY K. DUPREE'' before ''STUTTGART''; and

(B) in subparagraphs (A) and (B), by inserting ''Harry K. Dupree'' before ''Stuttgart National Aquaculture Research Center'' each place it appears.

AMENDMENT NO. 1542

(Purpose: To provide $300,000 for climate change research at the Florida Center for Climate Prediction at Florida State University, the University of Florida and the University of Miami with an offset)

On Page 13, Line 16, strike ''$116,625,000'' and insert ''$116,325,000''.

On Page 14, Line 19, strike ''$13,666,000'' and insert ''$13,966,000''.

Mr. MACK. Mr. President, I rise today in strong support of the amendment my colleague from Florida, Senator GRAHAM, and I have offered on behalf of the Florida Center for Climate Prediction.

The Center is a consortium between the University of Florida, Florida State University and the University of Miami to study climate variability in the Southeast region. The objective of this unique partnership is to explore the potential value and practical application for long-term climate data and science to the agricultural community in my state and throughout the Southeast.

The consortium's purpose is to develop and evaluate a useful set of tools and methodologies for assessing the regional agricultural consequences of the El Nino/La Nina phenomenons and applying these forecasts to agricultural decision-making. This is a truly innovative project and I am pleased this partnership is making good progress on these important agricultural issues.

Our amendment will provide $300,000 in funding for the Center in the Federal administration section of the Cooperative State Research and Education, and extension Service [CSREES]—Research and Education Activities section of the bill before us today. I appreciate the support my colleagues on the Appropriations Committee provided this important research initiative.

AMENDMENT NO. 1543

(Purpose: To provide that certain cross-county leasing provisions apply to Kentucky and to release and protect the release of tobacco production and marketing information)

On page 76, between lines 6 and 7, insert the following:

SEC. 7___. TOBACCO LEASING AND INFORMATION.—(a) CROSS-COUNTY LEASING.—Section 319(l) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1314e(l)) is amended in the second sentence by inserting '', Kentucky,'' after ''Tennessee''.

(b) TOBACCO PRODUCTION AND MARKETING INFORMATION.—Part I of subtitle B of title III of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1311 et seq.) is amended by adding at the end the following:

''SEC. 320D. TOBACCO PRODUCTION AND MARKETING INFORMATION.

''(a) IN GENERAL.—Notwithstanding any other provision of law, the Secretary may, subject to subsection (b), release marketing information submitted by persons relating to the production and marketing of tobacco to State trusts or similar organizations engaged in the distribution of national trust funds to tobacco producers and other persons with interests associated with the production of tobacco, as determined by the Secretary.

''(b) LIMITATIONS.—

''(1) IN GENERAL.—Information may be released under subsection (a) only to the extent that—

''(A) the release is in the interest of tobacco producers, as determined by the Secretary; and

''(B) the information is released to a State trust or other organization that is created to, or charged with, distributing funds to tobacco producers or other parties with an interest in tobacco production or tobacco farms under a national or State trust or settlement.

''(2) EXEMPTION FROM RELEASE.—The Secretary shall, to the maximum extent practicable, in advance of making a release of information under subsection (a), allow, by announcement, a period of at least 15 days for persons whose consent would otherwise be required by law to effectuate the release, to elect to be exempt from the release.

''(c) ASSISTANCE.—

''(1) IN GENERAL.—In making a release under subsection (a), the Secretary may provide such other assistance with respect to information released under subsection (a) as will facilitate the interest of producers in receiving the funds that are the subject of a trust described in subsection (a).

''(2) FUNDS.—The Secretary shall use amounts made available for salaries and expenses of the Department to carry out paragraph (1).

''(d) RECORDS.—

''(1) IN GENERAL.—A person that obtains information described in subsection (a) shall maintain records that are consistent with the purposes of the release and shall not use the records for any purpose not authorized under this section.

''(2) PENALTY.—A person that knowingly violates this subsection shall be fined not more than $10,000, imprisoned not more than 1 year, or both.

''(e) APPLICATION.—This section shall not apply to—

''(1) records submitted by cigarette manufacturers with respect to the production of cigarettes;

''(2) records that were submitted as expected purchase intentions in connection

with the establishment of national tobacco quotas; or

''(3) records that aggregate the purchases of particular buyers.''.

AMENDMENT NO. 1544

(Purpose: To modify Section 739 of the bill)

On page 70, strike lines 3 through 10, and insert in lieu thereof:

''SEC. 739. None of the funds appropriated or otherwise made available by this Act may be used to declare excess or surplus all or part of the lands and facilities owned by the federal government and administered by the Secretary of Agriculture at Fort Reno, Oklahoma, or to transfer or convey such lands or facilities, without the specific authorization of Congress.''.

AMENDMENT NO. 1545

(Purpose: To appropriate $500,000 for the Nevada Arid Rangelands Initiative to develop research and educational programs to manage healthy and productive rangelands, provide abundant renewable natural resources, and support the economic development of the rangelands in a sustainable manner)

On page 13, line 16, strike the figure ''$116,325,000'' and insert in lieu thereof the figure ''$115,825,000'' and on page 13, line 13, strike the figure ''$54,951,000'' and insert in lieu thereof the figure ''$55,451,000''.

Mr. REID. Mr. President, I rise today to seek amendment to the allocation for special grants for agricultural research under the Cooperative State Research, Education, and Extension Service, Research and Education Activities. I respectfully request that $500,000 be added to this activity to fund the Nevada Arid Rangelands Initiative at the University of Nevada, Reno. This program is critical to Nevada, which has a higher percentage of its lands classified as arid rangeland than any other state in the union.

The mission of the Nevada Arid Rangelands Initiative is to develop research, management, and educational programs to promote healthy and productive rangelands and to support economic development of these rangelands in a sustainable manner. Healthy, productive rangelands are critical to the support of many rural families and communities and important to Nevada's quality of life.

The rangelands of Nevada are at risk from many factors including competing demands for water, loss of scarce riparian vegetation, invasive weeds, and wildfire. The Nevada Arid Rangelands Initiative will seek to develop innovative strategies for such items as simplified methods to assess rangeland health, the development of watershed grazing strategies, control of invasive weeds and the use of vegetative management strategies to control wildfire.

This money should be included in the following account: ''Competitive Research Grants, Natural Resources and the Environment.''

AMENDMENT NO. 1546

On page 13, line 13, increase the dollar amount by $750,000; and

On page 13, line 16, decrease the dollar amount by $750,000.

Mr. SESSIONS. Mr. President, I thank my good friend from Mississippi, the chairman of the Agriculture Appropriations committee, for his leadership on this bill and for his accepting this amendment.

This amendment reduces funding from the National Research Initiative Competitive Grants Program (NRI) on Nutrition, Food Quality and Health in order to target $750,000 for the continuation of Next Generation Detection and Information Systems for food pathogens and toxins at Auburn University, Auburn, Alabama.

AMENDMENT NO. 1547

(Purpose: To promote eligibility to Berlin, New Hampshire for a rural utilities grant or loan under the Rural Community Advancement Program)

At the end of the bill, add the following:

''SEC. . That notwithstanding section 306(a)(7) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926 (a)(7)), the city of Berlin, New Hampshire, shall be eligible during fiscal year 2000 for a rural utilities grant or loan under the Rural Community Advancement Program.''.

AMENDMENT NO. 1548

(Purpose: To authorize the Cranberry Marketing Committee to conduct paid advertising for cranberries and cranberry products and to authorize the Secretary of Agriculture and the Committee to collect cranberry inventory data)

On page 76, between lines 6 and 7, insert the following:

SEC. 7____. CRANBERRY MARKETING ORDERS.—(a) PAID ADVERTISING FOR CRANBERRIES AND CRANBERRY PRODUCTS.—Section 8c(6)(I) of the Agricultural Adjustment Act (7 U.S.C. 608c(6)(I)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, is amended in the first proviso—

(1) by striking ''or Florida grown strawberries'' and inserting '', Florida grown strawberries, or cranberries''; and

(2) by striking ''and Florida Indian River grapefruit'' and inserting ''Florida Indian River grapefruit, and cranberries''.

(b) COLLECTION OF CRANBERRY INVENTORY DATA.—Section 8d of the Agricultural Adjustment Act (7 U.S.C. 608d), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, is amended by adding at the end the following:

''(3) COLLECTION OF CRANBERRY INVENTORY DATA.—

''(A) IN GENERAL.—If an order is in effect with respect to cranberries, the Secretary of Agriculture may require persons engaged in the handling or importation of cranberries or cranberry products (including producer-handlers, second handlers, processors, brokers, and importers) to provide such information as the Secretary considers necessary to effectuate the declared policy of this title, including information on acquisitions, inventories, and dispositions of cranberries and cranberry products.

''(B) DELEGATION TO COMMITTEE.—The Secretary may delegate the authority to carry out subparagraph (A) to any committee that is responsible for administering an order covering cranberries.

''(C) CONFIDENTIALITY.—Paragraph (2) shall apply to information provided under this paragraph.

''(D) VIOLATIONS.—Any person that violates this paragraph shall be subject to the penalties provided under section 8c(14).''.

Mr. SMITH of Oregon. Mr. President, this amendment, cosponsored by my colleague from Oregon and others from cranberry producing states, amends the Agriculture Marketing Agreement Act of 1937, giving cranberry producers the tools they need to meet the challenges of a rapidly changing marketplace. Cranberry growers in my state produce a fruit that is an important portion of our state's agriculture economy. Despite their economic significance, cranberry marshes or bogs are often small and multi-generational family farms. In fact, it is not uncommon to find a grower who is a third, or fourth generation farmer, working the same ten-acre bog that is or her grandparents or great-grandparents worked in the twenties or thirties. They have a strong tradition of independence and stewardship and have been marvels of ingenuity and productivity for a long time.

However, today they are suffering. Prices are down by forty to sixty percent over the levels of only a year ago. In some cases the cost of production exceeds the current value of the harvest crop. While cranberry growers tend to be resilient, many are having difficulties dealing with these extreme market conditions.

Our amendment will not solve all of the problems this industry faces in the near-term, but we believe it will help the industry in the long-term. It does not provide any money or increase the regulatory controls on industry. However, the amendment before us today addresses the problems in the cranberry industry in two ways:

First, our amendment would expand the information-gathering authority of the Cranberry Marketing Committee beyond the traditional production states outlined in the original Cranberry Marketing Order. When the order was first conceived, cranberries were largely used only as fresh fruit for the Thanksgiving and Christmas holidays. As I am sure many of my colleagues are aware, decades of innovation and creative marketing by the cranberry industry has led to a tremendous expansion of this commodity—mainly through its use in juices and other products that are consumed year-round. Unfortunately, the commodity reporting mechanisms provided under the current Cranberry Marketing Order have not kept up with the growth and evolution of the industry. Today, vast amounts of cranberry supplies are imported and processed outside of production states that are subject to the Cranberry Marketing Order. This handicaps our cranberry growers, who are unable to obtain accurate information about the available supply, and therefore cannot make the optimum planting decisions. Our legislation

would correct this by expanding the Cranberry marketing Committee authority, ultimately enabling growers to make better production decisions.

A second component of our amendment would add cranberries to the list of commodities eligible to use funds raised from domestic procedures for overseas advertising as part of a generic marketing promotion program. Like all other agriculture producers, cranberry growers know the ability to effectively market products in the global marketplace is critical to maintaining growth and increasing price stability. Although it is my understanding that the Cranberry Marketing Committee does not currently plan to initiate such a campaign at this time, our legislation gives them the flexibility to do so.

Much has been said in recent months on this floor about the plight of agriculture and an ongoing farm crisis brought about by record low commodity prices. This problem is real and cranberry producers in small Oregon coastal towns like Bandon and Coos Bay have felt it as well. I would like to urge the Secretary of Agriculture to get directly involved with the leadership of the industry to try and find meaningful initiatives that can help them weather this difficult time and ensure a healthy industry for a healthy product.

Mr. President, cranberry growers know global competition will become increasingly fierce in the next century, yet they also know that their future prosperity will be built upon effective marketing and production innovation—not expensive safety nets or reactive trade barriers. I thank my colleagues for joining me in support of this amendment to give cranberry growers in my state and throughout the nation the freedom to address the current farm crisis and pro-actively meet the challenges of the new century.

AMENDMENT NO. 1549

(Purpose: To authorize Alaska Native tribes for payment of certain administrative costs for the Food Stamp Program)

On page 76, line 6, please add the following:

''Beginning in fiscal year 2001 and thereafter:

''SEC. . The Food Stamp Act (P.L. 95–113, section 16(a)) is amended by inserting after the phrase 'Indian reservation under section 11(d) of this Act' the following new phrase: 'or in a Native village within the State of Alaska identified in section 11(b) of Public Law 92–203, as amended.'.''

AMENDMENT NO. 1550

(Purpose: To amend S. 1233 to require the Secretary review food packages periodically and consider including other nutritious foods under the food package program for Women, Children and Infants)

At the appropriate place insert the following new section:

''SEC. . It is the Sense of the Senate that the Secretary of Agriculture shall periodically review the Food Packages listed at 7 CFR 246.10(c) (1996) and consider including additional nutritious foods for women, infants and children.''

Mr. STEVENS. Mr. President, I would like to make a brief statement concerning my amendment to the fiscal year 2000 Agriculture Appropriations bill regarding the Women, Infants, and Children nutrition program. My reading of the regulations implementing this program indicate that they provide women and their children with a very limited range of food options. For example, the only non-dried vegetable they may chose from is carrots. They may eat canned carrots, raw carrots, and frozen carrots, but no other non-dried vegetable is permitted. Likewise the only meat or fish they allow is tuna. Salmon, the most heart-healthy protein source available, is essentially banned along with beef, poultry, pork, and other protein sources.

My amendment directs the Secretary to review the WIC food packages currently available to pregnant and lactating women and their children and consider adding new, but nutritious foods to the list. It is ridiculous to expect children to eat foods from such a limited list. Anyone with a picky toddler knows that a varied diet is critical to developing healthy eating habits.

Several years ago there was a controversy concerning Congress deciding which foods should be included in the WIC package, substituting its judgment for that of nutrition experts at USDA. This amendment does not mandate that salmon or any other food be included on the list. It gives complete and full discretion to the Secretary to determine which foods should be included. It simply directs him to periodically update the list.

I have worked for years with Dr. William Castelli at the Framington Heart Study in Massachusetts and know firsthand the health benefits of salmon. The omega 3 oils within salmon actually reduce cholesterol levels, I eat salmon at least twice a week. I am confident that salmon will meet any standard that USDA applies without any additional help from me. When the nutrition experts see what a wonderful protein source salmon is, they will wonder why they didn't put it on the list in the first place.

AMENDMENT NO. 1551

(Purpose: To amend S. 1233 to provide for education grants to Alaska Native serving institutions and Native Hawaiian serving institutions)

Amend Title VII—GENERAL PROVISIONS by inserting a new section as follows:

''SEC. . EDUCATION GRANTS TO ALASKA NATIVE SERVING INSTITUTIONS AND NATIVE HAWAIIAN SERVING INSTITUTIONS.

''(a) EDUCATION GRANTS PROGRAM FOR ALASKA NATIVE SERVING INSTITUTIONS.—(1) GRANT AUTHORITY.—The Secretary of Agriculture may make competitive grants (or grants without regard to any requirement for competition) to Alaska Native serving institutions for the purpose of promoting and stengthening the ability of Alaska Native serving instituions to carry out education, applied research, and related community development programs.

(2) USE OF GRANT FUNDS. Grants made under this section shall be used—

(A) to support the activities of consortia of Alaska Native serving institutions to enhance education equity for under represented students:

(B) to strengthen institutional educational capacities, including libraries, curriculum, faculty, scientific instrumentation, instruction delivery systems, and student recruitment and retention, in order to respond to identified State, regional, national, or international educational needs in the food and agriculture sciences:

(C) to attract and support undergraduate and graduate students from under represented groups in order to prepare them for careers related to the food, agricultural, and natural resource systems of the United States, beginning with the mentoring of students at the high school level including by village elders and continuing with the provision of financial support for students through their attainment of a doctoral degree; and

(D) to facilitate cooperative initiatives between two or more Alaska Native serving institutions, or between Alaska Native serving institutions and units of State government or the private sector, to maximize the development and use of resources, such as faculty, facilities, and equipment, to improve food and agricultural sciences teaching programs.

(2) AUTHORIZATION OF APPROPRIATIONS. There are authorized to be appropriated to make grants under this subsection $10,000,000 in fiscal years 2001 through 2006.

''(b) EDUCATION GRANTS PROGRAM FOR NATIVE HAWAIIAN SERVING INSTITUTIONS.—(1) GRANT AUTHORITY.—The Secretary of Agriculture may make competitive grants (or grants without regard to any requirement for competition) to Native Hawaiian serving institutions for the purpose of promoting and strengthening the ability of Native Hawaiian serving institutions to carry our education, applied research, and related community development programs.

(2) USE OF GRANT FUNDS. Grants made under this section shall be used—

(A) to support the activities of consortia of Native Hawaiian serving institutions to enhance educational equity for under represented students:

(B) to strengthen institutional educational capacities, including libraries, curriculum, faculty, scientific instrumentation, instruction deliver systems, and student recruitment and retention, in order to respond to identified State, regional, national, or international educational needs in the food and agriculture sciences:

(C) to attract and support undergraduate and graduate students from under represented groups in order to prepare them for careers related to the food, agricultural, and natural resources systems of the United States, beginning with the mentoring of students at the high school level and continuing with the provision of financial support for students through their attainment of a doctoral degree; and

(D) to facilitate cooperative initiatives between two or more Native Hawaiian serving institutions, or between Native Hawaiian serving institutions and units of State government or the private sector, to maximize the development and use of resources, such as a faculty, facilities, and equipment, to improve food and agricultural sciences teaching programs.

(2) AUTHORIZATION OF APPROPRIATIONS. There are authorized to be appropriated to make grants under this subsection $10,000,000 for each of fiscal years 2001 through 2006.

AMENDMENT NO. 1552

(Purpose: To amend S. 1233 to provide a minimum allocation of Smith Lever Act funds to States subject to a special statutory cost of living adjustment)

At the appropriate place in the bill insert the following new section:

"SEC. . SMITH-LEVER ACT ALLOCATIONS IN STATES WITH CONGRESSIONALLY-AUTHORIZED COST OF LIVING ADJUSTMENTS.

''Beginning in fiscal year 2001 and thereafter, a state in which federal employees receive a special allowance because of the high cost of living or conditions of environment which differ substantially from conditions in other parts of the country as provided under section 1 of title IV of Public Law 102–141 (105 Stat. 861) shall receive an allotment of no less than $2,000,000 under the Smith Lever Act of 1914, as amended (7 U.S.C. 343).''

AMENDMENT NO. 1553

(Purpose: To amend S. 1233 to provide a minimum allocation of Hatch Act funds to States subject to a special statutory cost of living adjustment)

At the appropriate place in the bill insert the following new section:

"SEC. . HATCH ACT ALLOCATIONS IN STATES WITH CONGRESSIONALLY-AUTHORIZED COST OF LIVING ADJUSTMENTS.

''Beginning in fiscal year 2001 and thereafter, a state in which federal employees receive a special allowance because of the high cost of living or conditions of environment which differ substantially from conditions in other parts of the country as provided under section 1 of title IV of Public Law 102–141 (105 Stat. 861) shall receive an allotment of no less than $2,000,000 under 7 U.S.C. 361c(c).''

AMENDMENT NO. 1554

(Purpose: To set aside certain funds for programs and activities of the Livestock Marketing Information Center in Lakewood, Colorado, with an offset)

On page 13, line 16, strike ''$115,075,000'' and insert ''$114,825,000''.

On page 14, line 19, strike ''$13,966,000'' and insert ''$14,216,000''.

On page 14, line 22, before the period at the end, insert the following: '', of which not less than $250,000 shall be provided to carry out market analysis programs at the Livestock Marketing Information Center in Lakewood, Colorado''.

AMENDMENT NO. 1555

(Purpose: To require the use of certain funds transferred to the Economic Research Service to conduct a study of reasons for the decline in participation in the food stamp program and any problems that households with eligible children have experienced in obtaining food stamps)

On page 9, line 9, strike ''$2,000,000'' and insert ''$2,500,000''.

On page 9, line 12, after ''tions:'', insert the following: '': *Provided further,* That not more than $500,000 of the amount transferred under the preceding proviso shall be available to conduct, not later than 180 days after the date of enactment of this Act, a study based on all available administrative data and on-site inspections conducted by the Secretary of Agriculture of local food stamp offices in each State, of (1) reasons for the decline in participation in the food stamp program, and (2) any problems that households with eligible children have experienced in obtaining food stamps, and to report the results of the study to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate:''.

AMENDMENT NO. 1556

On page 13, line 19, strike ''$56,201,000'' and insert ''56,401,000''.

On page 13, on line 13 strike ''$114,825,000'' and insert ''114,625,000''.

Mr. EDWARDS. Mr. President, I rise to elaborate on my amendment that would provide $200,000 in funding under the Cooperative State Research, Education, and Extension Service (CSREES) to a research project in North Carolina to improve early detection of crop diseases. This funding boost is accomplished through an offset in NRI.

This funding would go to North Carolina State which will work in conjunction with the University of North Carolina at Greensboro to create an innovative early warning system for crop failure.

Mr. President, more than 30% of crop failures could be prevented if farmers had an early warning of disease or insect damage. However, by the time most diseases and insect infestations are visible to the naked eye, they are too far advanced for effective treatment.

The University of North Carolina at Greensboro has been conducting a series of experiments that would introduce a color-change gene into crops such as soybeans and cranberries. These crops could be genetically engineered to change color when under stress, insect attack or diseased. A farmer could then shine a black light on the leaves and see the damage long before it is visible to the naked eye. Armed with this early warning, he could begin dealing with the problem long before it becomes fatal to the crop.

This is an important project to support. The research will help bring crop management into the 21st century and could help farmers avert needless disasters. And it could yield enormous benefits soon.

AMENDMENT NO. 1557

(Purpose: To ensure timely testing of imports under the President's Food Safety Initiative)

At the appropriate place insert the following:

SEC. . It is the sense of the Senate that the Food and Drug Administration, to the maximum extent possible, when conducting Food Safety Initiative, ensure timely testing of produce imports by conducting survey tests at the USDA or FDA laboratory closest to the port of entry if testing result are not provided within twenty-four hours of collection.

AMENDMENT NO. 1558

(Purpose: To provide that the price of milk received by producers in Clark County, Nevada, shall not be subject to any Federal milk marketing order or any other regulation by the Secretary of Agriculture and shall solely be regulated by the State of Nevada and the Nevada State Dairy Commission)

On page 76, between lines 6 and 7, insert the following:

SEC. 7___. DEREGULATION OF PRODUCER MILK PRICES IN CLARK COUNTY, NEVADA.—Effective October 1, 1999, section 8c(11) of the Agricultural Adjustment Act (7 U.S.C. 608c(11)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, is amended by adding at the end the following:

''(D) PRODUCER MILK PRICES IN CLARK COUNTY, NEVADA.—The price of milk received by producers located in Clark County, Nevada—

''(i) shall not be subject to any order issued under this section or any other regulation by the Secretary; and

''(ii) shall solely be regulated by the State of Nevada and the Nevada State Dairy Commission.''.

AMENDMENT NO. 1559

(Purpose: To express the sense of the Senate concerning actions by the World Trade Organization relating to trade in agricultural commodities)

On page 76, between lines 6 and 7, insert the following:

SEC. . The Senate finds that—

(1) agricultural producers in the United States compete effectively when world markets are not distorted by government intervention;

(2) the elimination of barriers to competition in world markets for agricultural commodities is in the interest of producers and consumers in the United States;

(3) the United States must provide leadership on the opening of the agricultural markets in upcoming multilateral World Trade Organization negotiations;

(4) countries that import agricultural commodities are more likely to liberalize practices if they are confident that their trading partners will not curtail the availability of agricultural commodities on world markets for foreign policy purposes; and

(5) a multilateral commitment to use the open market, rather than government intervention, to guarantee food security would advance the interests of the farm community of the United States.

(b) It is the sense of the Senate that members of the World Trade Organization should undertake multilateral negotiations to eliminate policies and programs that distort world markets for agricultural commodities.

AMENDMENT NO. 1560

(Purpose: To provide additional funding to existing research programs)

On page 13, line 13, strike ''56,401,000'' and insert in lieu thereof ''56,901,000''.

On page 13, line 16, strike ''114,625,000'' and insert in lieu thereof ''114,125,000''.

Mr. KOHL. Mr. President, the amendment I introduce will increase the University of Wisconsin's Babcock Institute's Special Research Grant to $800,000, with $300,000 being appropriated from the Cooperative State Research, Education and Extension Service's (CSREES) Competitive Research Grant Market, Trade and Policy account.

This amendment will also increase funding for the University's Food System Research Group Special Research Grant to $700,000, with $200,000 appropriated from the Cooperative State Research, Education and Extension Service's (CSREES) Competitive Research Grant Nutrition, Food Quality and Health account.

AMENDMENT NO. 1561

(Purpose: To provide an additional $2,000,000 for the Grain Inspection, Packers and Stockyards Administration, offset from the Economic Research Service)

Amend page 22, line 26 by increasing the dollar figure by $2,000,000.

Amend page 9, line 8 by reducing the dollar figure by $2,000,000.

Amend page 9, line 15 by striking the line and inserting in lieu thereof the following: ''2225); *Provided further*, That university research shall be reduced below the fiscal year 1999 level by $2,000,000.''

GIPSA AMENDMENT

Mr. HARKIN. Mr. President, this amendment is offered on behalf of Senators DASCHLE, WELLSTONE, and myself to provide an additional $2 million for the Grain Inspection, Packers and Stockyards Administration, known as GIPSA. This agency performs a critical role in ensuring open markets and fair trade practices for the livestock market. These are issues of great concern to livestock producers, especially in recent years as low prices have raised questions about decreasing competition, inadequate price information and possible abuses of market power.

The Packers and Stockyards Program at GIPSA already has large demands placed on its investigative, analytical and legal resources. Congress and others are putting pressure on GIPSA to conduct more and more sophisticated investigations under significant time pressure.

One of the strongest needs is for rapid response teams which are sent out to specific areas where serious complaints are occurring to quickly determine what is happening and to quickly resolve the problems that are occurring so farmers can get real relief in a timely manner.

GIPSA continues to oversee contracting practices, which are the subject of increasing concern, scrutiny and debate.

In an ever-faster paced market, GIPSA must have the resources to meet its responsibilities. These additional funds are essential to ensuring that the nation's livestock markets remain fair and open to all producers.

The amendment is paid for by reducing the funding for the Economic Research Service. The reduction will be from academic research contracted out by that agency.

CHILE AS SPECIALTY CROP

Mr. DOMENICI. Mr. President, I would like to address the distinguished chairman of the Agriculture Appropriations Committee on an issue associated with the emergency agriculture disaster aid package.

The amendment adopted by the Senate to provide emergency agriculture disaster aid includes a provision to assist the producers of specialty crops. May I enquire of the distinguished Senator from Mississippi if chile crops in New Mexico would be eligible for emergency aid under the specialty crop provision?

Mr. COCHRAN. I respond to my friend from New Mexico that he has requested the assistance of the appropriations subcommittee in addressing the serious situation of New Mexico's chile farmers, and it is the intention of the subcommittee that the chile crop would be eligible for assistance under the specialty crop provision of the bill.

Mr. DOMENICI. I thank the distinguished Subcommittee Chairman for clarifying his understanding and mine that New Mexico's chile producers would be eligible for assistance through the specialty crop provisions of the pending Agriculture appropriations bill.

I appreciate his assistance on this important matter.

COLD WAR AQUACULTURE RESEARCH CENTER

Ms. SNOWE. Mr. President, as the distinguished Senator from Mississippi is aware, at the present time, the United States has no capability for the culture of cold-water, marine finfish, and the industry continues to need a consistent supply of high quality eggs or juvenile organisms. At the same time, I am especially aware as Chair of the Oceans and Fisheries Subcommittee, that many important wild fish stocks in the United States, including the Gulf of Maine, as well as around the world, are suffering from overharvesting. This has the potential to greatly diminish the food supply of many nations whose greatest source of protein is from the fish they catch. The opportunity for cold water aquaculture research is immense and the rewards great for U.S. salmon farming in particular, which is a strategic industry in my State of Maine, especially in the rural area of Downeast Maine.

It is important for the committee to know that representatives of the Maine Atlantic salmon industry and the University of Maine have been working with USDA's Agricultural Research Service and have defined the need to study the feasibility of a research center concept, program criteria and site criteria, site identification and evaluation. Once this has been completed, I hope we can look forward to the committee's future consideration for establishing a cold-water, marine aquaculture research center in an appropriate State such as Maine.

Ms. COLLINS. Mr. President, there is no question that cold-water marine aquaculture holds enormous exciting potential that remains untapped by the Federal Government. Despite its cryptic name, cold-water marine aquaculture is the lifeblood of a very tangible important industry. Each year millions of Atlantic salmon are raised in the cold quick-moving coastal water off the coast of Downeast Maine. The strong tides and rocky coast combined with many sheltering islands provide the perfect environment for a commercially viable finfish aquaculture industry. My discussions with the Agricultural Resources Service, experienced aquaculturalists, and researchers at the University of Maine have confirmed that the coast of Maine would, indeed, be an excellent location for Federal research into marine aquaculture.

I understand that language included in the Agricultural appropriations bill requires ARS to study all of its current aquacultural activities. Is it the chairman's understanding that the study referenced in this bill will focus on, among other things, the feasibility of marine cold-water research program?

Mr. COCHRAN. I understand that my colleagues from Maine have a deep interest in furthering cold-water aquaculture research on marine species, especially since cold water aquaculture is an important industry in their State. In marking up the FY2000 appropriations, the committee considered the need for the Agricultural Research Service to update warmwater aquaculture research activities and in our report language, directed the ARS to submit to the committee by January 31, 2000, a report that will not only update warmwater aquaculture research activities but also to include all aquaculture research currently being conducted by the agency. The report language also requires the agency to address the agency's current capacity and requirements for additional resources to meet future needs and issues confronting the Nation's aquaculture farmers, including opportunities in rural America. I agree that cold water aquaculture research needs are included in the overall mandate of the report language. I also believe the ARS report will be helpful in establishing the need for coldwater aquaculture research for marine species.

Ms. COLLINS. I appreciate the further clarification and would like to ask one additional question if I may. Could the study called for in the report address the feasibility and desirability of establishing a cold-water aquaculture research program in the State of Maine?

Mr. COCHRAN. Yes, that will be added to the report mandate.

Ms. COLLINS. My colleague and friend from Mississippi is clearly dedicated to the well-being of rural citizens from across the Nation. I thank him for his clarification of this matter of great importance to rural, coastal Maine and look forward to enacting this important legislation.

Ms. SNOWE. I thank my colleague from Mississippi not only for recognizing the importance of cold water aquaculture research for marine species but also for his continued fine work as Chair of the Senate agricultural appropriations process where he continues to be a strong advocate for numerous facets of agricultural research throughout the country.

HUMAN NUTRITION RESEARCH

Mr. DORGAN. Mr. President, I wish to thank the Chairman for his longstanding support of agricultural research and, more specifically, of the human nutrition research programs of the Agricultural Research Service.

Emphasis in human nutrition research at the USDA is designed to maintain a healthy populace and avoid the problems and substantial costs of diseases linked to poor dietary choices. Many diseases such as diabetes, cancer, osteoporosis, cataracts, and others, could be nearly eliminated with improved nutrition research and education.

The President's budget requested $20.25 million for the Human Nutrition Initiative, but because of significant constraints resulting from the allocation, the bill provides only $1.5 million. Of the $53 million originally requested for the program, $48.5 million is still needed.

These funds would reconcile production agriculture, which provides America the most abundant and safest food supply in the world, with consumer demands for a wholesome diet to enhance health, reduce illness, and improve the quality of life.

Does the Chairman agree that because of the critical nature of funding for the program the Human Nutrition Initiative is a subject that should be evaluated in greater detail during conference on this bill?

Mr. KOHL. I concur in my colleague's comments that funding for this program should be an item of discussion and greater support during conference with the House on this bill, and will work with him to that end.

GMO ACCESS IN SOUTHEAST ASIA

Mr. BOND. Mr. President, I and the several members of this Subcommittee have spent a considerable amount of time working to ensure that other nations do not unfairly discriminate against genetically modified crops grown by American farmers. These crops hold great promise for eliminating hunger in the developing nations of the world. In addition, advances in biotechnology will lead to a reduction in the use of pesticides, improvements in soil quality and many GMO (Genetically Modified Organisms) crops have documented health benefits. It would truly be a disaster for the people of those nations—as well as for farm families in this country—if the benefits of these products are lost because of unsound science or straight up protectionism.

We are all aware of the problems that we face in opening markets for these products in Europe and many of my colleagues are aware that we face new labeling requirements in Japan. What many of my colleagues may not realize is that the same groups that are fighting these products in Europe are funding similar efforts to stop the introduction and consumption of GMO products in developing countries around the world—some of the very countries that stand to benefit the most from these products. The opponents are now turning their attention to a key U.S. market—Southeast Asia. This area of the world is home to a half billion consumers and the income levels are well above those in countries such as India or China. Unfortunately, the GMO opponents are busy at work to keep us from competing fairly in the markets of Southeast Asia.

In Thailand, Malaysia, the Philippines and other countries in the region, American producers are facing a real threat of closed markets due to the efforts of non-governmental groups based mostly in Europe. This is a very important time in the region as a number of governments are studying how to and whether to regulate genetically modified organisms. As governments are reviewing the issues, it would be a tremendous mistake to allow the GMO opponents to go unanswered. As a government, we should be making every effort to assist our farmers and producers in educating government officials in these countries as to the sound scientific reviews that have been conducted on these products and the extensive regulatory approval process that the products are subjected to in the United States. Unfortunately, it appears that our federal government resources are completely tied up in fighting what some consider to be more pressing battles around the globe.

My staff and I have been in contact with the Administrator of the Foreign Agriculture Service, Tim Galvin, several times in the past few months urging him to dedicate a relatively modest amount of funding—$80,000—for the FAS to take internationally-respected scientists to countries throughout Southeast Asia so that they may meet with government officials and scientists who are working to address the GMO regulation issue. It is essential that we move forward with such education efforts to counter the rhetoric and the scare tactics of the NGOs. Several of the countries in this region are proceeding towards implementing regulatory schemes; if we do not take affirmative action on this front we stand to lose valuable markets. Despite the critical need for moving forward with such a program now, I have been unable to get Mr. Galvin to agree to this important program.

I also understand that there is a plan to eliminate the regional FAS position in Singapore, which is dedicated to working for biotechnology acceptance throughout Southeast Asia. Such a move would be a terrible mistake. Singapore is in many ways the gateway to the ASEAN region—which will overtake Japan as the second largest market for U.S. products and services by the year 2005. The Agricultural Trade Office's work with the ASEAN Secretariat towards establishing an ASEAN regional trade regime based on sound science and its work with the Singapore regional traders must continue if U.S. agriculture is successfully to realize this region's market potential. We should be focusing on improving and bolstering this office rather than eliminating it at a time when these countries are beginning to work on these important issues.

I know that the chairman of the Subcommittee shares my concern about these issues. I urge him to join me in calling on Mr. Galvin and other officials at USDA to move to address the need for the U.S. to become engaged on this issue in Southeast Asia and to fund these important programs.

Mr. COCHRAN. I thank the Senator for his comments and I assure him that I share his concern that we must fight to ensure that our commodities are not unfairly discriminated against in markets around the world. We cannot allow our soybean farmers, cotton farmers, corn farmers and others to have their exports put at risk by unfair regulation. We cannot cede any markets to GMO opponents. I share his desire to see USDA put the necessary resources into ensuring our interests are adequately represented as the nations of Southeast Asia consider regulation. I assure him that I will look into the status of these activities and seek to have them adequately funded.

Mr. BOND. I thank the chairman for his remarks, and I look forward to working with him to address this issue.

ANIMAL WELFARE ENFORCEMENT

Mr. KOHL. Mr. President, I would like to take this opportunity to make a few points about the increase included in this bill for enforcement of the Animal Welfare Act and certain language which appears in the Senate Report to accompany the appropriations bill now before the Senate.

Under the Animal Welfare Act, the Secretary of Agriculture is authorized to promulgate standards and other requirements governing the humane handling, housing, care, treatment, and transportation of certain animals by dealers and other regulated businesses. The Secretary has delegated the authority for enforcing this Act to the Administrator of the Animal and Plant Health Inspection Service (APHIS) whose budget is included in the pending appropriations bill.

For a number of years, the appropriated level for APHIS's enforcement activities of the Animal Welfare Act

has held stagnant in the area of $9 million annually. The level of funding has allowed for employment of approximately 69 field inspectors to monitor activities in all fifty states plus the District of Columbia, Guam, and the Virgin Islands. Obviously, this number of inspectors, responsible for such a vast geographical area, is totally insufficient to investigate and control all inappropriate and illegal mistreatment of animals where it occurs within the regulated community. For many people, their pets are essentially members of their families and too often we learn of tragedies that occur during commercial transportation where pets are injured or killed. In other instances, we learn of inhumane treatment of animals in settings often referred to as ''puppy mills'' where conditions include disease, pests, poor feeding, and other forms of mistreatment that should and must be stopped.

Mr. COCHRAN. I thank the Senator from Wisconsin for raising the issue of enforcement of the Animal Welfare Act and for pointing out many of the terrible conditions for which this Act is designed to halt and efforts by USDA and this Congress to put an end to them. The Senator is correct that funding for this activity has remained constant over the past several years. The President included in his budget request for fiscal year 2000 an increase of $515,000 for these activities.

The President's request would provide additional funds for enforcement of the Animal Welfare Act, but only to maintain current activities such as inspections at regulated facilities to ensure compliance with the Act. In addition, inspectors would receive much needed training to ensure uniform enforcement of the regulations and to stay current with industry advancements in methodologies of research and caring for animals. APHIS would continue to replace outdated and old equipment including vehicles and continue modernizing its computer databases program. In view of the needs outlined in the budget request, and the overall problems outlined by the Senator from Wisconsin, this bill includes an increase of $2 million above last years level, nearly four times the amount of increase requested by the President.

Mr. KOHL. I thank the Senator from Mississippi for his explanation of the activities included in the President's request for enforcement of the Animal Welfare Act and for the generous increase he was able to provide in this bill. I want to stress to all Senators that the increase in this bill is designed to allow better enforcement of currently regulated activities. I am aware that the President's budget explanation also included concern that pending litigation and potentially expanded jurisdiction for enforcement of the Animal Welfare Act would further strain the limited resources of the agency. It was, in part, for that reason that language is included in Senate Report to make clear that the increase in this bill is to improve ongoing activities of the agency and not for expansion of regulated activities.

Mr. COCHRAN. The Senator is correct.

Mr. KOHL. The Senate report language expresses our concern, as does the President's budget justification, that a strain on existing resources could potentially negate the efforts taken in our bill to increase the number of inspections at regulated facilities by inadvertently increasing the caseload of inspectors. I have heard from numerous animal care advocates in Wisconsin who have told me we need more inspectors to make sure the work now going undone is taken care of. For that reason, and not for expansion of authorities, the increase is included in this bill.

However, I also want to note that while the language in the Senate report expressly limits the increased funding to currently authorized activities and also expresses our concern that expansion of agency programs at this time may strain resources past the breaking point, it is not intended to chill the efforts by advocacy groups to pursue their interests through either the rulemaking process or through the courts. It is not our intention for the Senate report language to sway, in one way or the other, upcoming decisions of the courts or to infringe on the Department's proper exercise of rulemaking authority. For those who may read the report language and be concerned that we are stepping too far into the realm of agency or court activities, we may wish to consider some modifications to this language for purposes of inclusion in the statement of managers to accompany the conference report to this appropriations bill.

Mr. COCHRAN. I thank the Senator for his concerns and I will work with him in the conference to consider whether modifications to this language are in order.

GREATER YELLOWSTONE INTERAGENCY BRUCELLOSIS COMMITTEE

Mr. CRAIG. Mr. President, first I would like to thank Chairman COCHRAN and Senator KOHL for the hard work they have put into the Fiscal Year 2000 Agriculture, Rural Development, and Related Agencies Appropriations bill. It is a challenging process, and they have done an excellent job balancing competing interests within the confines of a balanced budget.

I wish to engage in a colloquy with the distinguished Chairman of the Subcommittee regarding funding for the Greater Yellowstone Interagency Brucellosis Committee (GYIBC). There is currently a Cooperative State Federal Brucellosis Eradication Program to eliminate the brucellosis from the country. States are designated brucellosis free when none of their cattle or bison are found to be infected for 12 consecutive months. As of March 31, 1998, 42 States, plus Puerto Rico and the U.S. Virgin Islands, are free of brucellosis. The presence of brucellosis in free-ranging bison in Yellowstone National Park threatens the brucellosis status of Idaho, Wyoming, and Montana, as well as the health of their livestock herds, which are free of the disease. Reintroduction of the disease into a brucellosis-free State could have a serious economic impact on domestic livestock markets and potentially threaten export markets.

The Committee saw fit to allocate $610,000 for the coordination of Federal, state and private actions aimed at eliminating brucellosis from wildlife in the Greater Yellowstone Area. I would like to clarify how this money is to be allocated. Of the funds appropriated for the GYIBC, $400,000 is for the States of Idaho, Wyoming, and Montana to participate in the GYIBC, with the understanding that 50 percent goes to the state that chairs the committee and 25 percent goes to each of the other states. The remaining $210,000 is for the State of Idaho to protect the State's brucellosis-free status and implement the Idaho Wildlife Brucellosis plan. Is it the intent of the Committee to use these funds as I have described?

Mr. COCHRAN. Yes, it is the intent of the Committee to use the allocated funds as the Senator from Idaho stated.

Mr. CRAIG. I thank the Chairman.

APHIS PLANT PROTECTION COLLOQUY

Mr. CRAIG. Mr. President, first I would like to thank Chairman COCHRAN and Senator KOHL for the hard work they have put into the Fiscal Year 2000 Agriculture, Rural Development, and related Agencies Appropriations bill. It is a challenging process, and they have done an excellent job balancing competing interests within the confines of a balanced budget.

I wish to engage in a colloquy with the distinguished Chairman and Ranking Member of the Subcommittee regarding the appropriation for the Department of Agriculture's Animal and Plant Health Inspection Service plant protection programs and regulations. The funds this bill makes available for plant protection are critical to protecting American agriculture from diseases, pests, and invasive plants. My own state of Idaho struggles greatly with noxious weeds, such as leafy spurge, which compete with the native grasses so essential for the raising of cattle.

Researchers at the University of Idaho and around the country are working diligently to develop mechanisms to use biological controls for weeds and to manage diseases of important agriculture plants. It is my understanding that current APHIS regulations require a permit for interstate

transfer of a pathogen or plant infected with a pathogen from one research location to another. However, research and education facilities routinely transfer plant materials from one research location to another using good management practices.

To facilitate researchers' work on behalf of American agriculture, I ask that the Committee clarify its intent that the appropriations contained in this bill for the Department of Agriculture's Animal and Plant Health Inspection Service should be used to carry out plant protection programs and regulations that take into account the levels of risk presented by pathogens and to establish mechanisms to expedite or provide exemptions from any formal permit or certification processes for research and education facilities established under implementing regulations as the Secretary deems appropriate. Is it the intent of the Committee to use these funds as I have described?

Mr. COCHRAN. Yes, it is the intent of the Committee to use the allocated funds as the Senator from Idaho stated. Use of these appropriations for plant protection purposes will indeed benefit American agriculture, including producers in Mississippi.

Mr. CRAIG. It is also the Committee's belief that the routine handling of a variety of pathogens by many research and education facilities, using good management practices, has occurred widely without their untoward release and establishment in the environment?

Mr. COCHRAN. Yes. The Secretary of Agriculture should take this into account when establishing any regulatory processes for the movement and handling of pathogens. The Secretary should establish, to the extent possible, processes under which the facilities and their management practices are reviewed periodically, rather than requiring case-by-case approval for each us of a pathogen regardless of risk.

Mr. CRAIG. I understand from researchers in my state that pathogens that might be considered for exemption or expedited processes include: endemic and naturalized pathogens for which there is extensive information and handling experience and for which management strategies have been developed; pathogens intended for educational, research, or reference use that are not to be released into the environment; or pathogens that present low risk because of their mode of survival, dissemination, or some other aspect of their biology. Is that the Committee's understanding?

Mr. COCHRAN. Yes, the committee understands that certain types of pathogens present low risks and research education facilities should face minimal regulatory burden as deemed appropriate by the Secretary of Agriculture. The Committee would also urge APHIS to develop laboratory standards for facilities and management practices that will enable research and education facilities to handle higher-risk pathogens as well. These laboratory standards will help APHIS use its resources more efficiently and allow efficient use of research resources to combat plant diseases more effectively.

Mr. CRAIG. Mr. Chairman, is it the intent of the Committee that APHIS consult with relevant scientific societies as well as state regulators of plan pathogens and on-site reviewers of facilities where possible in modifying current regulations or developing future regulations regarding the movement of pathogens between research and education facilities?

Mr. COCHRAN. Yes, that is the Committee's intent.

Mr. KOHL. I agree with the distinguished Senator from Mississippi. In my home state of Wisconsin, a number of plant pathogens cause production losses for our producers. APHIS' implementation of plant protection programs using the appropriations in this bill, consistent with the Committee's intent, will assist researchers at many universities including the University of Wisconsin in their research efforts to combat plant disease and pests.

Mr. CRAIG. It is my understanding the APHIS is moving in this direction already. APHIS recently requested that the National Plant Board review its Plant Protection and Quarantine program to make recommendations for changes and improvements in the framework for regulations. This review, which included representatives of universities and industry as well as the state regulators, resulted in recommendations that will soon be presented in a report called ''Safeguarding American Plant Resources: A Review of APHIS' Plant Protection and Quarantine's Pest Safeguarding System.'' This report will also recommend risk-based management of plant permits, including development of mechanisms to exempt from permitting or expedite permitting in certain low-risk cases. Thank you for your continued interest in this matter.

CLARIFICATIONS TO THE SENATE COMMITTEE REPORT NO. 106–80

Mr. COCHRAN. I note for the record the following technical clarifications to the Senate committee report (Senate Report 106–80) on S. 1233, the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies appropriations bill for fiscal year 2000:

On page 96 of the report, the chart regarding the rural economic development loans program account should not footnote the Committee recommendation. The Committee's recommendation for the direct loan subsidy is not offset by a rescission from interest on the cushion of credit payments, as authorized by section 313 of the Rural Electrification Act of 1936.

On page 133 of the report, Bill Emerson and Mickey Leland Hunger Fellowships should be added to the list of programs which currently lack authorization for fiscal year 2000.

Mr. MCCAIN. Mr. President, this agriculture appropriations bill provides annual funding for our nation's farmers, producers and the agency supporting our agricultural industry, the U.S. Department of Agriculture. The chairman and his colleagues on the Agriculture Appropriations Subcommittee deserve much credit for their work on this bill, which ensures funding for fundamental programs to support agricultural, rural development and nutrition programs. Unfortunately, the process by which appropriators continue to add wasteful and unnecessary spending to this important funding measure is unacceptable.

Each year, I am amazed by arbitrary fashion in which the appropriations committees choose to allocate the strict federal dollars that we should reserve for important and necessary federal programs. At the expense of our American taxpayers, this bill and its accompanying report are riddled with unrequested, low-priority earmarks, representing $170 million in additional spending.

The agriculture appropriations bill is a haven for members to tack on unrequested and unauthorized funding for special interest projects, particularly in sections of the accompanying Senate report dealing with the Cooperative State Research, Education, and Extension Service. For example, 114 out of a total 118 projects funded under the section for special research grants are either unrequested or received additional funding above the budget request. Over 90 projects under the Agriculture Research Service were targeted for termination by the administration, yet a majority of these projects continue to receive funding in this bill.

These actions lead me to ask a fundamental question. What is the purpose of conducting a formal budget process when the Appropriations Committee exhibits such carte blanche authority to fund projects which have not been considered in our established authorization and funding process? I review all of the annual appropriations bills, yet I have rarely seen such flagrant examples of egregious spending as those included in this bill.

In the Senate report, the appropriations committee state their commitment to only fund priority projects, yet earmarks are approved for such projects as $300,000 for cereal rust research in St. Paul, MN. No information is provided for members to determine what kind of project deals with ''cereal rust'' and why this project deserves a specific earmark of nearly a third of a million dollars.

Other earmarks include $500,000 for swine waste management in North Carolina, $100,000 to reduce damages and manage populations of fish-eating birds which prey on farm-raised cattle in the Mid-south area, and an increase of $452,000 to support the sterile fly release in San Joaquin Valley. It is incredible to me, and no doubt to the American people, that we speak of fiscal responsibility and budget constraints in one manner, and yet act in a diametrically opposite manner wasting enormous amounts of funding for projects that appear to have little relationship to improving the agricultural economy.

Some projects may be meritorious, such as potato research and weed control, but are these problems specific only to certain states like Washington and North Dakota? Enough to receive not only an earmark, but an increase above the requested levels? I am certain that my constituents in Arizona can attest to the need for funding to monitor certain crops and deal with problems of weed control, yet they are unable to compete for funding to address these issues when decisions are based more on parochial interests rather than national priority.

This bill goes beyond the traditional earmarking process by selecting particular sites across the country to receive additional spending for extra staff and personnel. Why are these facilities receiving direct funding for additional staff at a time when each agency is required to abide by the mandate of the Government Performance and Results Act to operate more efficiently with less bureaucracy? Even if these positions are critical, why are they not prioritized in the normal administrative process?

In various parts of the bill and report, the committee includes express language which all but provides direct earmarks for certain projects and grantees and effectively intervenes in what is supposed to be a competitive grant process outside the realm of political influences. For example, in the Senate report, language is included which states the committee's expectation that the Administration give full consideration to an application for funds to construct a new facility for the St. Paul Island Health Clinic in Alaska and other language which urges the Administration to consider applications from the State of Alabama for projects benefitting Montgomery, State Farmer's Market and other farmers in the State.

We are invested with the responsibility to fully consider and debate the appropriate expenditure of federal funds. I commend Senator COCHRAN, chairman of the Senate Subcommittee on Agriculture Appropriations, for his floor statement in which he stated that the committee sought to apply funding in a ''reasonable and thoughtful way.'' Unfortunately, the pork in this bill and report prove that the Appropriations Committee is still unable to curb its appetite for unnecessary and wasteful spending.

I have compiled a list of objectionable provisions, totalling $170 million, to S. 1233 and its accompanying Senate report, which, due to its length, cannot be printed in the RECORD. The list of objectionable provisions will be available on my Senate web page.

Mr. KERREY. Mr. President, I would like to indicate my strong support for two related research and technology initiatives in the U.S. Department of Agriculture's FY2000 budget—initiatives that were in the President's request, but which have not received any increases in this budget being debated today. The USDA Global Change Research Program and the Climate Change Technology Initiative are two very important programs that deserve additional attention and funding. I recognize that this Congress is faced with many competing funding needs, particularly with the dire situation faced by much of the agriculture community today, but I submit also that we cannot ignore the needs of potential future disasters, especially when the means to avoiding such disaster will benefit U.S. farmers and U.S. agriculture while also benefiting the entire nation.

I am referring to the potential effects of global climate change, and the potential for the agriculture sector to cost-effectively and efficiently help us to mitigate against increased concentrations of atmospheric greenhouse gases.

Like many policymakers and many of my colleagues, I am convinced by the data international scientists have amassed that indicates climate change is a phenomenon to be dealt with in order to avoid calamitous effects. I agree with the assessment of the scientific community that we must insure against potentially devastating effects of climate change by taking action now. We are certain that greenhouse gas concentrations have been substantially increasing in the atmosphere, and as those concentrations have increased, global surface temperatures have risen. While we are not sure of the exact nature or extent of the resulting climatic and weather-related disruptions that may occur as the greenhouse effect is intensified, we do know that we should act now. Acting now will benefit the global climate, and the health of our citizens.

A significant body of research indicates that there is great potential for U.S. agriculture—for cropland, rangeland, and pastureland, as well as for forests—to sequester carbon at particularly low costs to society. Scientists have shown that with selected management practices, agricultural soils can effectively absorb a large proportion of the annual increases in atmospheric CO^2 that are attributed to the greenhouse effect of global climate change.

What this means for the U.S. is that we have a cheap, effective sink—a means to sequester a large amount of the carbon dioxide and other greenhouse gases that are being emitted from fossil fuel emissions. The sequestration of carbon in soils is a benefit to agriculture, in addition to society. Increased carbon in soils leads to reduced soil erosion, increased soil tilth and fertility, increased water absorption and retention, and most notably for agriculture, increased productivity. As noted recently by Dr. Rattan Lal, an international soil carbon research scientist—carbon is the basis for all life—including in agricultural soils. Carbon absorption by soils helps agriculture, and helps to reduce our greenhouse gas emissions.

While we understand a great deal about the means by which carbon is absorbed and retained in soils—for instance through minimal or no-till practices—there is still much that needs to be learned about the entire carbon cycle in nature, and how it moves from one pool, such as soils, to others, such as the atmosphere. We need to better understand the balance of land management and tillage techniques that sequester and retain carbon in soils, and to insure that agricultural policies are supportive of and encourage these activities. Additionally, research is needed to more accurately identify how carbon is lost from soils, either to the atmosphere or elsewhere—and to then identify how best to preserve and retain carbon in the soil sink.

What we are looking at is a win-win-win situation—a win for society, a win for the climate, and a win for agriculture. But we must invest now in this future, not only because it will help us to bridge the gap, as we move in the direction of reducing our dependence on fossil fuels and practices that emit greenhouse gases, but it will help us to soften the blow on all other impacted sectors. Using agriculture as a carbon sink helps not only agriculture—it gives all other sectors breathing room to technologically or otherwise adapt to reduced fossil fuel dependence. It will help this country to reduce our greenhouse gas emissions sooner, cheaper, and without the disruptions to businesses and the economy that some sectors have forecast.

Mr. President, that is why I want to voice my support for funding the USDA Carbon Cycle Research Program and the Climate Change Technology Initiative. Funding for these important programs is essential to optimize the potential for agriculture and for the climate. I urge that the Senate consider additional funding for these programs.

Mr. President, I ask that my full statement be included in the record during the debate on the Agriculture Appropriations Bill.

Mr. FEINGOLD. Mr. President, I'm proud to represent a state that produces a wide variety of the highest quality agricultural products, from dairy products to cranberries, ginseng, corn, wheat—the list goes on, and it is as varied as Wisconsin itself.

Agriculture is the lifeblood of my state, so when a bill like Agriculture Appropriations comes to the floor, I feel it's vitally important that every aspect of the legislation—including the interests attempting to influence this debate—be discussed and examined.

Earlier this year when I gave remarks on this floor, I promised that from time to time when I participate in debates on legislation I would point out the role of special interest money in our legislative process, an effort I am calling The Calling of the Bankroll.

That's why today I want to briefly highlight some of the political contributions that have been made by the agriculture industry—money spent to influence the way we approach agriculture appropriations on this floor, in the other body, and at the White House.

Agriculture interests have donated nearly $3 million in soft money during the last election cycle, and $15.6 million in PAC money. That's well over $18 million overall—and again that's during just a two-year period.

The soft money numbers are particularly interesting, Mr. President, because they reflect a pattern that a number of special interests follow, known as ''double giving'' or ''switch hitting.'' It means that a donor doesn't just give soft money to one party, the party whose political views the donor might favor. Instead double givers amass political clout by donating generously to both parties.

Examples of these soft money double givers in the agriculture industry during the last cycle include the Archer Daniels Midland Company, which donated $263,000 to the Democrats and $255,000 to the Republicans; United States Sugar Corp, which donated $157,500 to the Democrats and almost $250,000 to the Republicans; and Ocean Spray Cranberries Incorporated, which donated $156,060 to the Democrats and $117,600 to the Republicans.

Those are just a handful of examples, Mr. President, but I think they give my colleagues an idea of how the double-giving game is played.

Of course not everyone is a double giver. The top agribusiness soft money donor to the Democratic party, crop producer Connell Company, gave $435,000, all to the Democratic party committees. Dole Food Company gave more than $200,000 in soft money in 1997 and 1998, all to Republican party committees.

And in the interest of fairness, Mr. President, I also should mention an agribusiness donor that shares my position against the extension of the Northeast Dairy Compact: The International Dairy Foods Association, which gave more than $71,000 in soft money during 1997 and 1998 all to the Republican party committees.

There are many interests that will be affected by what we do here on this floor with regard to agriculture appropriations, Mr. President, and some have more resources to influence this debate than others. It is in the spirit of providing a fuller picture of the debate over agricultural issues—and the wealthy interests that seek to influence the debate's outcome—that I have presented this information, both for the benefit of the public and my colleagues.

I thank the chair and I yield the floor.

Mr. GORTON. Mr. President, like many in the Nation, Washington's agriculture communities have fallen on extremely tough times. For example, a combination of adverse economic circumstances has caused apple prices to fall to their lowest level in over a decade, while the price for soft winter wheat has plummeted to below $2.50 a bushel.

During the debate on the Fiscal Year 2000 Agriculture Appropriations bill, we have been discussing what to most growers is in the forefront of their mind—their bankbook and their bottom line. Without question, this issue deserves our time and attention.

While crumbling commodity prices have taken their toll on far too many proud and previously profitable agricultural producers and their families, they also are eroding the very foundation upon which much of my State's rural economy is built. Simply put, many of my state's farmers and their communities are suffering.

Washington State produces half the Nation's apples from orchards that start at the base of the Cascade mountains and stretch from the Canadian border in the north, to the Columbia River in the south. Aided by volcanic soil rich in nutrients, irrigation, cool nights and warm sunny days, Washington's apples are the envy of the world's other apple producing countries.

Where my State's apple orchards end, Washington's lush fields of wheat begin. Spanning the eastern third of my State, Washington's wheat farms produce the most sought after wheat in Asia. And yet, being the best and producing such high quality products does not always equate to success.

The Asian financial crisis and world wide overproduction have taken their toll on Washington's wheat farmers. At the same time, a record crop coupled with a decline in export opportunities and a flood of cheap apple-juice concentrate imports from China have imperiled many of my State's apple growers.

Still, Washington's agricultural producers are fiercely independent and not ones to look for a handout from the Federal Government. Rather, in all my discussions with members Washington's agricultural community and its leaders, what I am told my State's farmers need and want most from the Federal Government is a fair shake. Specifically, their list of demands includes trade, access to the tools necessary for quality production, regulatory relief, tax relief a dependable labor force, and Federal participation in agriculture research.

Growers have rightfully insisted upon fair and unfettered access to the world's consumers, which can only be achieved by insisting that there will be no trade deals until an acceptable agricultural agreement is reached during the upcoming round of multilateral trade negotiations slated to commence this fall in Seattle. I thoroughly support this demand, recognizing that Washington's producers export more than 25 percent of their harvest, with at least one third of the apples grown in Washington being shipped, and nine in ten bushels of wheat being exported.

Unfortunately, far too many countries still restrict or prohibit the importation of Washington's cornucopia of commodities. That is why I have expressed to administration trade officials the importance and significance of agriculture negotiations during the Ministerial. We must work to pry open these markets and, if need be, deny another country's goods access to our market until the doors of trade swing freely in both directions.

For example, just recently the Government of Taiwan agreed to delay implementation of pesticide tolerance tests that would have seriously hampered the U.S. apple and cherry trade with that country. Recognizing Taiwan is the apple industry's largest export market, I took the lead among my colleagues in the Senate to ensure that these tests would not be implemented until further scientific discovery had occurred.

Farmers face not only bogus phytosanitary trade barriers, but unfair trade practices by other countries. In early June, I sent a letter of support to the International Trade Commission regarding the dumping case brought by the U.S. apple industry against China. The ITC recently unanimously agreed that dumping had occurred and will announce potential duties in the near future. The case brought by the industry was terribly justified, recognizing the price paid for U.S. apples for juice concentrate plummeted to nearly a penny a pound.

Unilateral trade sanctions, as a result of the convincing messages sent by Washington farmers, have been at the center of nearly every agriculture discussion in the U.S. Senate. In response to the cries for relief from farmers, I have supported nearly every agriculture trade sanctions relief bill that

has been introduced in the Senate. With nearly 60% of the world's population under U.S. sanction, the time to discuss the impact of these sanctions on the American family farm could not be more timely. It is without question that these sanctions do more harm to our agriculture communities than to the regimes on which they are imposed.

In addition to all the various trade conditions facing the producer, farmers in Washington have also demanded access to affordable and effective crop protection tools, which can only be achieved through science-based implementation of the Food Quality Protection Act. That's why I am an original cosponsor of the Regulatory Openness and Fairness Act to ensure that decisions regarding health risks are informed and not hasty, that the intent of the FQPA is carried out with the use of sound science and practical application, that a dose of common sense is applied, and that adequate time is available to make certain all decisions and tolerance standards are healthy and equitable.

Continued availability of water for irrigation, electrical generation and the transportation of bulk commodities from field to port, which can only be achieved through a balanced and scientifically-sound salmon recovery effort in the Pacific Northwest is a demand that resinates throughout Washington's orchards and fields. This is a demand I not only respect, but as most producers will know, continues to be one of my most important priorities as a U.S. Senator. I have gone to great lengths to ensure the solvency of the Snake and Columbia River hydroelectric systems with one key user in mind—farmers.

Washington produces a wide array of minor crops, many that are very labor intensive and require special attention during harvest. Washington's agriculture community demands a dependable and legal workforce to harvest and process their crops, which can only be achieved by reforming the H2A labor program to provide agricultural employers with an affordable and workable system for securing temporary foreign labor. I have testified with my colleagues and introduced bills in the Senate that would provide such reforms.

Farmers in Washington demand meaningful tax relief. Just last week, the tax bill passed in the Senate included the much sought after Farm and Ranch Risk Management accounts. These set-aside accounts will provide the savings mechanism growers have requested in order to secure financial longevity. In addition, I am a strong proponent for the elimination of the estate tax, one the most onerous financial burdens placed on a livelihood that is passed from generation to generation.

And finally, with passage of the 1996 Freedom to Farm bill, growers demanded federal participation in agriculture research. My role as a member of the Senate Agriculture Appropriations Subcommittee provides the mechanism necessary to ensure that the Pacific Northwest is adequately represented, and that science based research is utilized to assist growers in producing some of the most demanded, nutritional, and safest food supplies in the world.

All of the aforementioned demands are intended to provide Washington's agricultural producers the tools they need to cultivate a profitable future. I remain convinced of their merit and committed to the task of securing their achievement. Unfortunately, this administration has yet to recognize their importance and, in most cases, actually opposes their adoption.

And now the Senate is in the midst of a debate not only over the livelihood and longevity of the American farm, but to some extent, the policy that drives our nation's combines and tractors. I am unwilling to condone the approach being advocated by some of my colleagues, who are seeking to turn back the hands of time and to undermine the free-market principles embodies in the Freedom to Farm Act. Instead, I support an approach that provides the resources to those programs already in place to assist producers to overcome these difficult times.

Meanwhile, as the Senate debates the issue of farm economy and financial assistance, the White House remains silent. Recognizing the bottom line for many in the agriculture sector is slowly dropping, my colleagues and I sent a letter to the President, requesting his active participation in the establishment of a financial relief package for farmers. This letter was in addition to a request included in the fiscal year 1999 supplemental appropriations bill for administration involvement. As we debate this sensitive issue today, the Administration's inactivity and silence is deafening.

Recognizing the bleak financial future facing Washington's minor crops, I have during the past few days fought tirelessly to ensure that funding is provided in the Republican farm assistance package for fruits and vegetables. I have undertaken this endeavor very seriously and have engaged in extremely frank discussions with my colleagues over my support for an amendment that includes such a provision.

During the debate on the original Cochran financial relief package, I was successful in negotiating the inclusion of $50 million for the fruit and vegetable industries. Because of my desire to provide additional funds for fruits and vegetables, I worked with Senator Roberts to include in his amendment $300 million for specialty crops. While the entire Roberts amendment failed in the Senate, I am pleased that our tree fruit and vegetable industries have a $50 million starting point. As a member of the Senate Agriculture Appropriations Subcommittee, I will have the opportunity to work to increase this funding during conference on the bill.

I also responded to the calls for assistance from those in orchard country by including an amendment in the bill directing the Farm Service Agency to review all programs that assist apple growers in time of need. Specifically, I requested that FSA review the limits placed on operating loans utilized by apple farmers, and report back to Congress what the agency perceives is a workable remedy.

Rest assured, whatever the final outcome of the Fiscal Year 2000 Agriculture Appropriations bill, I will send two important messages to my agriculture constituency back home. First, I will continue working tirelessly to make certain all commodities produced from Washington's fertile soil will have a fair shake at receiving some form of assistance. I am poised and prepared to continue this challenge. And second, I will continue working on agriculture's list of demands, pushing to ensure that from trade to labor, and from taxes to environment, the livelihood that has made agriculture the career choice for so many will remain just that.

Mr. BAUCUS. Mr. President, I rise today to express my concern that S. 1233, the Agriculture Appropriations bill for FY2000 does not include adequate funding for carbon cycle or carbon sequestration research. The Administration has proposed approximately $22 million for these programs at the Natural Resource Conservation Service (NRCS) and the Agriculture Research Service (ARS). With that money, scientists can develop a better understanding of the potential for agricultural lands to serve as carbon sinks. These programs are priorities in the U.S. Global Change Research Program and the Administration's Climate Change Technology Initiative.

Once we more thoroughly understand how our soils capture and store carbon, we can use that knowledge to improve our management practices and yields. We can also cost-effectively use soils to offset carbon emissions that might lead to global warming. Failure to provide these funds is short-sighted and may prevent farmers and ranchers from reaping profits through storing carbon on their land in the near future.

Agricultural lands in the U.S. have a huge potential to store carbon that would otherwise be released into the atmosphere. Each year, the U.S. emits about 1.5 billion metric tons of carbon equivalent (MMTC) or gases that contribute to the greenhouse effect. According to USDA experts, properly managed U.S. croplands could be major sinks or reservoirs of carbon. They could sequester, or store, 85–200 MMTC more per year than the agriculture sector does now. If a coordinated program

to manage carbon in agricultural soils were implemented worldwide, some experts project that carbon sequestration could increase to the rate of 3000 MMTC per year. This rate is equal to the world's net annual increases in atmospheric carbon dioxide.

Mr. President, about 25–30% of our nation's farmers, growers and ranchers are already employing best management practices which will effectively store carbon, so farmers and ranchers would not need to adopt radically new production techniques to store carbon. Most find these practices very cost-effective for their bottom-line because the land rewards them for their attention. There are higher yields with increased carbon storage, less erosion, and improved soil and water quality. As an example, adoption of conservation tillage and residue management practices could lock up about .2 metric tons of carbon per acre every year.

Eventually, as actions by some of our major trading partners are now demonstrating, there is likely to be a worldwide market in carbon credit trading, regardless of what happens to the Kyoto Treaty in this country. This is a terrific economic opportunity. As we discuss the sorry state of American agriculture and the family farm in the context of this bill, we should keep in mind that soil carbon storage could become a very lucrative opportunity to maintain income levels. Experts are projecting that carbon credits will sell for somewhere between $10–$50 per ton and maybe higher. So, a farmer using best management practices on his 1000 acres could possibly get payments of $2,000–$10,000 or more per year for storing carbon.

Mr. President, the very modest sums that the Administration is seeking for these programs are not to implement Kyoto through some back-door method. There are legitimate scientific questions that need to be answered whether or not one believes Kyoto is necessary. Understanding soil science better will improve crop yields, make range management more efficient, and provide a host of environmental quality benefits. This knowledge will benefit all those who produce food and fiber.

I should note for my colleagues that there will be a national conference to explore opportunities for carbon sequestration in Missoula, Montana, from October 26–28. The purpose of this conference is to provide information and education on carbon sequestration activities to mitigate carbon dioxide emissions through market-based conservation.

Many of the experts that will speak at this conference are scientists whose work would be furthered if Congress funds the Administration's request. The efforts of the Montana Carbon Offset Coalition to establish a pilot carbon trading program would also be helped along by funding these programs.

Mr. President, there are many pressing needs facing Congress and, in particular, the managers of the Agriculture Appropriations bill. I just think that we should make investing in our future a priority. Soils seem to be a great low-cost way for us to reduce the impact our country has on the global climate. Even for those who do not believe climate change is happening due to mankind's emissions, increasing soil carbon content has huge side benefits for the economy and the environment. I hope the managers will find a way to fund these important programs in conference.

Mr. GRAMS. Mr. President, today the Senate passed the Cochran amendment to the agriculture appropriations bill that provides emergency relief to the nation's rural communities. I voted for the Cochran plan and the assistance it will bring to suffering Minnesota farm families.

Earlier in the discussion of agriculture relief, I participated in efforts to find a compromise that could provide more relief than the Cochran proposal. Specifically, I believe Minnesota farmers would have been better served by the Grassley-Conrad amendment, which failed by a close margin. The Grassley-Conrad package provided some additional elements, such as flood and crop loss payments, as well as increased aid for dairy producers. It was an $8.8 billion proposal that would have been particularly beneficial to our state's farmers.

The Cochran bill preserves the use of increased Agricultural Market Transition Act (AMTA) payments for income assistance to farmers, which is good for Minnesota producers. The Daschle-Harkin alternative package, while providing a higher amount of relief, tied income assistance to production levels. I am concerned that their proposal would have shortchanged some farmers, like wheat farmers in Northwestern Minnesota, who were unable to plant a crop this year due to severe weather. In one Northwestern county, only 10 percent of the normal acreage was planted. The Cochran proposal also provides needed relief to oilseed, livestock, dairy, and sugar producers. It also reduces the cost of crop insurance and increases the LDP payment limit to $150,000. And it exempts food and medicine sales from unilateral sanctions which will help Minnesota farmers sell to Cuba and other countries.

I am also pleased that the Senate resisted the attempt to extend the life of the Northeast Compact and prevent enactment of the federal milk marketing order reforms during consideration of the emergency farm relief package. Considering the hardships that the rural areas are suffering, now is certainly not the time to be taking up controversial proposals which discriminate against Midwest dairy farmers. Dairy farmers in the Midwest are struggling to make a decent living for their families, and they should not have to shoulder the additional burden of dairy policies that prevent them from receiving a fair price. I urge the conferees on the agriculture appropriations bill to likewise reject extension of the dairy compacts, and restore market fairness for America's dairy producers.

There is a great deal of apprehension in the rural community over the future of farming, and I am certainly glad that we passed essential relief for farmers now, instead of waiting until after the August recess. I remain committed to Freedom to Farm and the opportunity that it promises. However, Freedom to Farm can only help our farmers if the political courage can be mustered to enact reforms in the areas of taxation, sanctions and regulations, and if we can continue to expand our markets. In the short-term the nation's farmers need assistance to tide them over in these difficult times, and I'm pleased that the Senate took the necessary steps to get aid to them quickly.

Mr. DOMENICI. Mr. President, I rise in support of the Department of Agriculture and Related Agencies Appropriations bill for fiscal year 2000.

The Senate-reported bill provides $60.4 billion in new budget authority (BA) and $40.2 billion in new outlays to fund most of the programs of the Department of Agriculture and other related agencies. All of the discretionary funding in this bill is nondefense spending.

When outlays from prior-year appropriations and other adjustments are taken into account, the Senate-reported bill totals $64.3 billion in BA and $47.3 billion in outlays for FY 2000. Including mandatory savings, the Subcommittee is at its 302(b) allocation in both BA and outlays.

The Senate Agriculture Appropriations Subcommittee 302(b) allocation totals $64.3 billion in BA and $47.3 billion in outlays. Within this amount, $14.0 billion in BA and $14.3 billion in outlays is for nondefense discretionary spending.

For discretionary spending in the bill, and counting (scoring) all the mandatory savings in the bill, the Senate-reported bill is at the Subcommittee's 302(b) allocation in BA and outlays. It is $22 million in BA below and $161 million in outlays above the 1999 level for discretionary spending, and $537 million in BA and $577 million in outlays below the President's request for these programs.

I recognize the difficulty of bringing this bill to the floor at its 302(b) allocation. I appreciate the Committee's support for a number of ongoing projects and programs important to my home State of New Mexico as it has worked

to keep this bill within its budget allocation.

Mr. President, I ask unanimous consent that a table displaying the Senate Budget Committee scoring of the bill be printed in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

H.R. 1906, AGRICULTURE APPROPRIATIONS, 2000; SPENDING COMPARISONS—SENATE-REPORTED BILL

(Fiscal Year 2000 $ millions)

Senate-reported bill:				
Budget authority	13,983	.....	50,295	64,278
Outlays	14,254	.....	33,088	47,342
Senate 302(b) allocation:				
Budget authority	13,983	.....	50,295	64,278
Outlays	14,254	.....	33,088	47,342
1999 level:				
Budget authority	14,005	.....	41,460	55,465
Outlays	14,093	.....	33,429	47,522
President's request:				
Budget authority	14,520	.....	50,295	64,815
Outlays	14,831	.....	33,088	47,919
House-passed bill:				
Budget authority	13,882	.....	50,295	64,177
Outlays	14,508	.....	33,088	47,596
SENATE-REPORTED BILL COMPARED TO:				
Senate 302(b) allocation:				
Budget authority	.....	.....	.....	.....
Outlays	.....	.....	.....	.....
1999 level:				
Budget authority	(22)	.....	8,835	8,813
Outlays	161	.....	(341)	(180)
President's request:				
Budget authority	(537)	.....	.....	(537)
Outlays	(577)	.....	.....	(577)
House-passed bill:				
Budget authority	101	.....	.....	101
Outlays	(254)	.....	.....	(254)

Note: Details may not add to totals due to rounding. Totals adjusted for consistency with scorekeeping conventions.

Mr. COCHRAN. Mr. President, I know of no other statements or amendments to be submitted.

I suggest that we are ready for third reading of the bill.

The PRESIDING OFFICER. The question is on the engrossment and third reading of the bill.

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

The PRESIDING OFFICER. Under order of the Senate, H.R. 1906 is discharged and the Senate will proceed to the bill. All after the enacting clause is stricken, and the text of S. 1233 is inserted, H.R. 1906 is read a third time and passed, the Senate insists on its amendment, requests a conference with the House, and the Chair appoints Mr. COCHRAN, Mr. SPECTER, Mr. BOND, Mr. GORTON, Mr. MCCONNELL, Mr. BURNS, Mr. STEVENS, Mr. KOHL, Mr. HARKIN, Mr. DORGAN, Mrs. FEINSTEIN, Mr. DURBIN, and Mr. BYRD conferees on the part of the Senate.

The Senator from South Carolina.

Mr. THURMOND. Mr. President, I want to take this opportunity to commend Senator COCHRAN for the great job he has done in handling this matter. There were a lot of interesting matters that came up and a lot of amendments that he had to consider. He has handled all of them skillfully and ably. We are very proud of the manner in which he has handled it. I also wish to commend the able Senator KOHL for working with him so well and doing such a fine job. We are very fortunate to have these fine men to handle this matter in such a skillful manner.

Mr. COCHRAN. Mr. President, I thank very much the distinguished President pro tempore, the Senator from South Carolina, Mr. THURMOND, for his generous remarks and his assistance in the handling of this bill of the Senate. His leadership is legendary. His influence in this body continues to be very important. We are grateful for his continued service in the Senate.

I also want to commend members of our staffs who have been so diligent and so effective in the handling of the duties they have assumed in connection with the development of this legislation and the passage of the bill. I specifically want to commend: Mark Keenum, my chief of staff; Rebecca Davies, chief clerk of the subcommittee; Hunt Shipman, Martha Scott Poindexter, Les Spivey, and Buddy Allen. They have all been very helpful and very conscientious and discharged their responsibilities in a professional and very praiseworthy way. I am deeply grateful for their good help.

On the Democratic side of the aisle, my good friend and colleague from Wisconsin is serving as a manager of this bill for the first time. He has done a great job helping us sort through the requests and the amendments that have been suggested in helping guide this bill to passage. We have not agreed on everything, but we worked through our disagreements in a cordial way. I appreciate very much his leadership on the Democratic side and the way he has handled his responsibilities.

I also want to thank the staff members who have worked on the Democratic side on this bill: Paul Bock, who is the chief of staff of Senator KOHL; Kate Sparks, his legislative director; Galen Fountain, who is an experienced member of the subcommittee staff, having worked for Senator Bumpers and others since his time here as a member of the Senate staff; and Carole Geagley. We appreciate the opportunity to work with all these fine folks.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. KOHL. Mr. President, I take this moment to thank Senator COCHRAN who has been an extremely fine and fair chairman. He has done a tremendous job in shepherding this bill through. I thank also Becky Davies of his subcommittee, and I express my appreciation to Galen Fountain, Paul Bock, and Kate Sparks of my side. They have done a tremendous job and been of great assistance to me. I couldn't have done my job without their help.

I am very pleased we have reached this point.

FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS APPROPRIATIONS ACT, 2000

The PRESIDING OFFICER. Under the order of the Senate of June 30, having received H.R. 2606, the Senate will proceed to the bill, all after the enacting clause is stricken, and the text of S. 1234 is inserted. H.R. 2606, 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. MCCONNELL, Mr. SPECTER, Mr. GREGG, Mr. SHELBY, Mr. BENNETT, Mr. CAMPBELL, Mr. BOND, Mr. STEVENS, Mr. LEAHY, Mr. INOUYE, Mr. LAUTENBERG, Mr. HARKIN, Ms. MIKULSKI, Mrs. MURRAY, and Mr. BYRD conferees on the part of the Senate.

The bill (H.R. 2606), as amended, was passed.

(The text of S. 1234 was printed in the RECORD of July 1, 1999)

MORNING BUSINESS

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Senate now proceed to a period of morning business with Senators permitted to speak for up to 10 minutes each.

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

WILLIE MORRIS, HONORING THE LIFE OF A GREAT SOUTHERN WRITER

Mr. LOTT. Mr. President, earlier this week, author Willie Morris, a native of Mississippi, passed away from an apparent heart attack at the young age of 64. Mr. Morris was a writer and editor who painted a vivid picture of the Southern way of life unlike any literary figure since William Faulkner. Mr. Morris had the heart of a good ole country boy who grew up in Yazoo City, and the intellect of a Rhodes Scholar.

Mr. Morris later went on to become a major literary leader, becoming editor and chief of Harper's Magazine at the age of 32. He attained national prominence in his career as a journalist, nonfiction writer, novelist, editor, and essayist by writing more than a dozen books on subjects ranging from his childhood English fox terrier in ''My Dog Skip'' to the intersection of football and race in ''The Courting of Marcus Dupree.'' Critics have characterized Mr. Morris's works as being ''exquisite and lyrical rendering.'' He was particularly well known for the books and articles in which he compared his experiences and southern heritage to America's own history.

Rather than attend the University of Mississippi, his father had him go to the distant and alien environs of the University of Texas in Austin, but in

1980 he returned to Ole Miss to be the writer in residence. His class room has been described like being at an Ole Miss v. LSU football game, because the students were always so excited.

Mr. President, Mr. Morris has been described as being ''a prolific author in his own life, defining moments of intimacy and compassion.''

David Sansing, a retired University of Mississippi historian said this about Mr. Morris, ''Willie was such an honest voice, clear, vivid, never ambiguous. He had to leave the South to really confirm his own Southernness. But of course, he came back.''

Willie Morris's writing undoubtedly had a grave impact on the lives of Mississippians and Southerners alike. He is survived by his wife, JoAnne Prichard of Jackson, and his son David Rae of New Orleans.

BUILDING SAFE SCHOOLS AND HEALTHY COMMUNITIES: THE WEST VIRGINIA RESPONSE

Mr. BYRD. Mr. President, stacks of spiral-bound notebooks and reams of paper, boxes of pencils and pens, lunch boxes and backpacks, are all making their way onto store shelves across the Nation as summer limps toward its hot, dry conclusion and the warm, crisp promise of autumn days, yellow school buses, and children walking to school closes in on us. A new school year is upon us, with all its bright potential for learning. Most students welcome the chance to see their friends again, and to again immerse themselves in the business of learning and growing. But sadly, some children are afraid to go to school. Some children must face and conquer the memories of sudden, violent death that have visited their schools in recent years.

Mr. President, in the wake of the senseless atrocities that have ripped at the traditional calm of schools across the country, it has become increasingly evident that we must work together here in Congress, and with our state governments, to prevent this kind of terrible tragedy from striking yet another American schoolyard. I am pleased to have recently joined with Senators LIEBERMAN and MCCAIN in authoring legislation to create a National Commission on Youth Violence, which has been included in the Senate-passed juvenile justice legislation.

With the new school year just around the corner, it seems an opportune time to refocus our energies on the work underway in each of our respective states, and to help the states craft even more effective prevention strategies for the upcoming academic year. And similarly, the states will serve as an invaluable resource for helping us to better strategize on federal solutions necessary for restoring peace and tranquility to our nation's schools. If we hope to have a school year free from the violence and emotional grief that rocked our nation last year, an equal exchange and dialogue is truly in order.

Given the most serious nature of the challenge we face, it is important that we bring together a wide range of experts to seek solutions to school violence. In this vein, I am pleased, today, to announce my cosponsorship with West Virginia University of a day-long symposium on safe schools and communities. From representatives of the West Virginia State Police, to parents, students, and the church community, the symposium participants will focus on efforts already underway throughout the state to combat school violence, and what more needs to be done to better protect our teachers and students from classroom violence. I hope that this event will give participants the opportunity to highlight the progress that has already been made in school safety, while also helping to create a guide for what still needs to be accomplished. West Virginia University, with its wealth of research and expertise, is the ideal forum for this event, and I feel confident that its contribution in behalf of the higher education community will further strengthen this ongoing dialogue throughout the state.

A school ought to be a place where students thrive on learning for learning's sake alone, and where teachers find true pleasure in explaining the details of the battle at Antietam or the Pythagorean theorem. It ought to be a place where students can frolic in the school playground with classmates during recess without a worry in the world. Mr. President, the events of the recent past work against this vision.

It is my hope that this symposium will provide West Virginians with an opportunity to look for ways to prevent such violence from occurring in West Virginia schools. By bringing together West Virginia parents, educators, students, law enforcement officials, policy makers, and a variety of other experts to examine school- and community-based strategies to reduce youth violence, we, collectively, will bring greater clarity and wisdom to this troubling issue, both at the state and federal levels.

As students and teachers prepare for another school year, we need to reflect on the violence that has taken place in so many other communities, and look for ways to prevent such violence from occurring in West Virginia schools. Through this symposium, it is my hope that we will take the time to find the strength to reach across the lines that serve to divide us and touch the common spirit that the Creator instilled in each of us. It is long past time for us to work together on common ground to achieve common dreams.

TIME TO SUPPORT CTBT RATIFICATION

Mr. AKAKA. Mr. President, I rise to urge Senate consideration of the Comprehensive Test Ban Treaty, CTBT. As Ranking Member of the Governmental Affairs Subcommittee on International Security, Proliferation and Federal Services, I believe that ratification of the CTBT would enhance our nation's security for several reasons.

It imposes a verifiable ban on all nuclear weapons testing, conducted anywhere, at any time; it takes a pro-active step towards ending the threat of nuclear tests conducted by rogue nations attempting to develop nuclear weapons; and it demonstrates the United States' commitment to a safer and more secure future free from radioactive fallout produced by nuclear explosions. Implementing the CTBT does not preclude improving our nuclear weapons. The United States will be able to maintain a sophisticated and viable arsenal without conducting dangerous nuclear tests.

In the last decade, the most frequently cited argument against a test ban has been the claim that continued testing is necessary to ensure that stockpiled weapons are reliable; that is, they will detonate as planned and that the yield and effects will meet design specifications. Even test ban critics acknowledge that reliability stockpile testing has been mainly nonnuclear.

In testimony before the Senate Armed Services Committee, Robert Baker, former Deputy Assistant Director for Verification and Intelligence at the Arms Control and Disarmament Agency, ACDA, said, ''[they] do not routinely go out and take nuclear weapons out of the stockpile and test them.'' Other weapons designers have testified that nuclear tests simulations on high-performance computers are adequate substitutes for nuclear explosions and can provide accurate data on warhead viability.

The purpose of testing existing weapons has not been to detect unforeseen problems but rather to check on particular problems identified through the non-nuclear inspection and simulation program. With very rare exceptions, the tested weapons performed in the desired manner. In fact, only one stockpile confidence test performed between 1979 and 1986 revealed a problem needing correction. The reason that any nuclear reliability testing of stockpiled weapons has been necessary in the past is that some older types of nuclear designs were originally put into the stockpile without the stringent production verification tests now standard. Our stockpile stewardship program enables the United States to meet the requirements for a treaty banning all types of nuclear testing while simultaneously maintaining a viable nuclear arsenal.

This is not a new effort. It was not invented by the Clinton Administration. American presidents have sought for nearly forty years to negotiate a treaty that prohibits nuclear testing.

President Eisenhower initially noted its importance in his State of the Union address in January of 1960 when he said that ''looking to a controlled ban on nuclear testing'' could be the means of ending the ''calamitous cycle . . . which, if unchecked, could spiral into nuclear disaster.''

President Kennedy later reaffirmed the United States' commitment to such a treaty in a 1963 commencement address at American University, stating that ''the conclusion of such a treaty [that ended nuclear testing] would check the spiraling arms race in one of its most dangerous areas. . . . [Furthermore,] it would increase our security [and] it would decrease the prospects of war.'' Today, this treaty has the strong support of members from both parties.

If the Senate does not consent to the ratification of this treaty before the September 24, 1999, deadline, the United States will not be able to participate in decisions regarding the future of the treaty. Under the terms of Article XIV of the CTBT, a conference of the countries that have ratified can be convened on the third anniversary of the treaty's opening for signature to determine how to ''accelerate the ratification process in order to facilitate the [treaty's] early entry into force.'' Although both countries that have and have not ratified the treaty before the date of this conference may attend, the non-member countries of the treaty are only invited as observers and may not participate.

The United States is one of the 44 named countries that is required to sign and ratify the treaty before it can ''enter into force''. If the United States does not ratify this treaty, we are preventing the CTBT's implementation. The United States must ratify this treaty so that it can continue its leadership role in arms control. We should not be the holdout country that threatens the CTBT's entry into force. By demonstrating our commitment to halting nuclear testing, the United States creates an environment that encourages other countries to ratify the treaty.

The threat of rogue nations developing nuclear weapons is real and urgent. The July 1999 Deutch Commission's Report, entitled ''Combating Proliferation of Weapons of Mass Destruction,'' cites several examples: in the spring of 1998, India and Pakistan conducted nuclear tests, worsening instability on the subcontinent; during the recent crisis in Kashmir, a nuclear war in South Asia looked possible for the first time; and countries in the Middle East and East Asia attempted to acquire weapons of mass destruction. The CTBT prevents other nations who ratify it from conducting nuclear tests. It helps rein in rogue nations now and in the future that attempt to acquire and develop weapons of mass destruction.

Finally, this is a treaty that the American people want. Recent polls show that 82 percent of Americans support ratification of the CTBT. They know that ending nuclear explosions is a better way to protect the United States against nuclear weapons threats.

I urge the Senate Foreign Relations Committee to hold hearings on the Comprehensive Test Ban Treaty so that we may take action on this agreement before it is too late. We cannot allow the United States to be locked out of its rightful leadership role at the September review conference on this treaty. This treaty is the most effective step that we can take to enhance international security and to maintain nuclear safety.

TRIBUTE TO SPECIALIST T. BRUCE CLUFF

Mr. BENNETT. Mr. President, a memorial service was held on Monday in Ft. Bliss, Texas, to honor five American men and women who lost their lives last week in the service of this country. On July 23, an Army airplane was reported missing over Colombia with five U.S. military personnel and two Colombians on board. The wreckage was located later in the week and days later, the Department of Defense confirmed the deaths of those on board.

Coffins draped with the Stars and Stripes left Bogota, and were flown to Ft. Bliss Texas, a wreching reminder of the continued sacrifice made by American men and women in the Armed Forces and of course their families.

One of the soldiers killed in the crash was Private First Class T. Bruce Cluff, a former resident of the city of Washington in my home state of Utah. Private Cluff served as one of 300 soldiers in a Battalion whose uniforms bear a crest that states ''Silently We Defend.''

Mr. President, because we cannot, and should not, allow the untimely loss of those in uniform to go unnoticed, I rise today to pay tribute to Private T. Bruce Cluff, a soldier killed in the line of duty; a soldier who received the Army Good Conduct Medal; a soldier who volunteered to risk his life for the protection of our nation and its defense against aggressors.

T. Bruce Cluff was born in Mesa, Arizona, and as a member of the Boy Scouts of America, attained the rank of Eagle Scout at the age of 13. He graduated from Whitehorse High School in 1992, and served a two year mission for the Church of Jesus Christ of Latter-day Saints in the state of Montana. Private Cluff attended Dixie College in Utah and worked as a Computer Aided Draftsman before enlisting in the Army in 1997. He completed basic training at Fort Leonard Wood, Missouri and Advanced Individual Training (AIT) at Fort Huachuca, Arizona.

In mourning Cluff's death and announcing his posthumous promotion to the rank of specialist, a statement from the Army read, ''His commander and NCO supervisors regarded his skills—as superlative. His can-do attitude and enthusiasm embodied the motto of his platoon, which reads, 'Excellence—Nothing Else is Acceptable.' ''

As a reminder to those of use who didn't know any of the soldiers personally, I share writings from George Washington which I believe shed light on a soldier's quiet commitment, and perhaps a tendency to forget what is asked of our men and women in uniform. The winter of 1777 was a bleak time in our nation's military history. George Washington, after his defeat at the Brandywine, established Winter Headquarters at Valley Forge. The soldiers were in rags, were sick and starving. Criticism of Washington from the Congress was loud, and spreading to the public.

On December 23, General Washington wrote to the Continental Congress, explaining that ''no less than 2,898 men now in camp are unfit for duty, because they are barefoot and otherwise naked.

He then addresses the criticism, ''But what makes this matter still more extraordinary in my eye is, that these very gentlemen—who were well apprised of the nakedness of our troops—should think a winter's campaign, and the covering of these States [New Jersey and Pennsylvania] from the invasion of an enemy, so easy and practicable a business. I can assure those gentlemen, that it is a much easier and less distressing thing to draw remonstrances in a comfortable room by a good fireside, than to occupy a cold, bleak hill, and sleep under frost and snow, without clothes or blankets.

Those of us who are in a 'comfortable room by a good fireside,' should be reminded that the missions of the military are not comfortable nor are they easy. Even in peacetime, America has troops stationed all over the world, engaged in all manner of missions, and regrettably, none without threat.

There will be few who know about the Cluffs' loss. Specialist Cluff, to use his new rank, has not had his picture on the cover of any magazine. His life hasn't been the subject of wide media attention. However, his young wife who is expecting their third child, and his remaining two children, have lost a husband and young father. His siblings have lost a brother and his parents have lost a son. This country has lost a good soldier. It mourns with his family and honors his memory.

May the Cluffs be comforted in their time of grief. As we remember them

and ask God to watch over them and bring them solace, may we also remember the family members of the other military personnel who, with Specialist Cluff, made the ultimate sacrifice in service to our country.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SANTORUM. Mr. President, let me say I was very moved by the remarks of the Senator from Utah. I am sure every Member of the Senate shares in expressing our sympathy for the men who were killed in that air crash. Certainly the Senator has done the Specialist and other Members very proud in his comments before the Senate.

HOLD ON THE NOMINATION OF RICHARD HOLBROOKE

Mr. GRASSLEY. Mr. President, on June 24 I announced that I had placed a hold on the nomination of Mr. Richard Holbrooke to be the new U.S. Ambassador to the United Nations. At that time, I had indicated that it was not a personal dispute with Mr. Holbrooke, but that it was a signal to the State Department. The Department has been mistreating a whistle blower, Ms. Linda Shenwick. She had made protected financial mismanagement disclosures to Congress. Her disclosures led to the creation of an Inspector General at the U.N., as well as other management reforms and statutory requirements.

My interest in this matter is simple. Congress cannot function as an institution if government employees cannot communicate with Congress about wrongdoing. And the executive branch should not be allowed to shoot the messenger with impunity. I am simply trying to get the two parties to return to the negotiating table, where they had been up to as recently as two months ago, and arrive at a mutually agreed-upon new job for Ms. Shenwick.

Accordingly, I have placed a hold on three new nominees from the State Department. They are the following: A. Peter Burleigh as Ambassador to the Philippines; Carl Spielvogel as Ambassador to the Slovak Republic; and, J. Richard Fredericks as Ambassador to Switzerland.

In addition to these new holds, I have taken additional steps which I choose not to disclose at this time. They are designed to increase my and other interested colleagues' ability to insist that Ms. Shenwick be treated fairly. Several of my colleagues have indicated a desire to assist me on my further endeavors.

My interest, as I said, was not with Mr. Holbrooke. I intend to vote for him. My interest is, and has been from the beginning, in making sure the process for Ms. Shenwick remains fair. It became evident to me that the Secretary of State was not out of sorts with the hold-up of the Holbrooke nomination. Yet the hold accomplished some progress.

In the first place, the Department had long ignored a letter signed by nine United States Senators in October of last year, raising our concerns about its mistreatment of Ms. Shenwick. The Department did not even respond until June 30 of this year—eight months later. Since then, we have corresponded again, and I met with State Department attorneys through the good offices of my friend from Virginia, Senator Warner.

I also met with Administration officials and have engaged in useful dialogue. It has resulted in a more highly sensitized Administration as to the need for effective communications with the State Department to ensure fair treatment for Ms. Shenwick. These communications have produced one small yet positive step toward ensuring the fairest possible process.

In the meantime, I have chosen to increase my leverage by putting the holds on these three nominees. At the same time, I will release my hold on Mr. Holbrooke, satisfied that I have greater leverage, and the Administration's heightened awareness and assurances of a fair process.

AMBASSADOR RICHARD HOLBROOKE

Mr. LEAHY. Mr. President, I have lost track of how long it has been since the President nominated Ambassador Richard Holbrooke to be the United States Permanent Representative to the United Nations.

What I do know is that in the intervening months we have fought a war in Kosovo that I supported, but which harmed our relations with Russia and China.

We have watched as tens of thousands of students demonstrated in the streets of Tehran; seen further signs that North Korea is preparing to test a long-range missile that could reach our shores; entered a new and hopeful period in the Middle East peace process; watched the Northern Ireland peace process reach a dead end once again; and seen India and Pakistan, armed with nuclear weapons and the missiles to deliver them, clash over Kashmir. All of this has occurred while Ambassador Holbrooke has been waiting to be confirmed.

So, Mr. President, it is possible for the United States to carry on without a UN ambassador. We have managed to do that. The world has not come to an end, although not a day has passed without a crisis that we have an interest in. But does anyone here think it is a sensible way for the world's only superpower to conduct itself?

Every day, we face threats to our security interests, our economic interest, that affect the health and welfare of the American people, and which require the intensive attention and intervention of skilled diplomats. Aside from the Secretary of State, there is no diplomatic position more important than our UN Ambassador.

Yet month after month after month, we have seen this nomination delayed by the Majority party. First it was due to allegations of financial irregularities, which Ambassador Holbrooke resolved months ago. Months had already been lost waiting for a hearing.

Then, shortly after the Majority Leader said the Senate would vote on his nomination, a hold was placed on it and more weeks have passed without a vote being scheduled—a vote that is certain to confirm Ambassador Holbrooke overwhelmingly. In fact, he would have been confirmed easily months ago, if the Senate had been permitted to vote.

This is the last week before the August recess. There is absolutely no justification whatsoever for delaying this further. There are no political points to be made here. On the contrary, we hurt ourselves each day that we are without a UN Ambassador. It is, frankly, ridiculous to be acting as if this position can remain vacant for month after month, without weakening our influence around the world.

So let us hope this is the week that Ambassador Holbrooke will be confirmed, and that he can get started on the difficult job that we, the American people and the President, need him to do.

THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business yesterday, Tuesday, August 3, 1999, the Federal debt stood at $5,613,220,970,175.47 (Five trillion, six hundred thirteen billion, two hundred twenty million, nine hundred seventy thousand, one hundred seventy-five dollars and forty-seven cents).

One year ago, August 3, 1998, the Federal debt stood at $5,505,964,000,000 (Five trillion, five hundred five billion, nine hundred sixty-four million).

Five years ago, August 3, 1994, the Federal debt stood at $4,640,190,000,000 (Four trillion, six hundred forty billion, one hundred ninety million).

Ten years ago, August 3, 1989, the Federal debt stood at $2,811,435,000,000 (Two trillion, eight hundred eleven billion, four hundred thirty-five million).

Fifteen years ago, August 3, 1984, the Federal debt stood at $1,557,032,000,000 (One trillion, five hundred fifty-seven billion, thirty-two million) which reflects a debt increase of more than $4 trillion—$4,056,188,970,175.47 (Four trillion, fifty-six billion, one hundred eighty-eight million, nine hundred seventy thousand, one hundred seventy-five dollars and forty-seven cents) during the past 15 years.

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Williams, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

MESSAGES FROM THE HOUSE

At 9:52 a.m., a message from the House of Representatives, delivered by Mr. Berry, one of its reading clerks, announced that the House has passed the following bill, in which it requests the concurrence of the Senate:

H.R. 2606. An act making appropriations for foreign operations, export financing, and related programs for the fiscal year ending September 30, 2000, and for other purposes.

At 3:51 p.m., a message from the House of Representatives, delivered by Mr. Berry, 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. 987. An act to require the Secretary of Labor to wait for completion of a National Academy of Sciences study before promulgating a standard or guideline on ergonomics.

H.R. 2031. An act to provide for injunctive relief in Federal district court to enforce State laws relating to the interstate transportation of intoxicating liquor.

H.R. 1907. An act to amend title 35, United States Code, to provide enhanced protection for inventors and innovators, protect patent terms, reduce patent litigation, and for other purposes.

The message also announced that the House has agreed to the following concurrent resolutions, in which it requests the concurrence of the Senate:

H. Con. Res. 167. Concurrent resolution authorizing the Architect of the Capitol to permit temporary construction and other work on the Capitol Grounds that may be necessary for construction of a building on Constitution Avenue Northwest, between 2nd Street Northwest and Louisiana Avenue Northwest.

MEASURES REFERRED

The following bills were read the first and second times by unanimous consent and referred as indicated:

H.R. 987. An act to require the Secretary of Labor to wait for completion of a National Academy of Sciences study before promulgating a standard or guideline on ergonomics; to the Committee on Health, Education, Labor, and Pensions.

H.R. 2031. An act to provide for injunctive relief in Federal district court to enforce State laws relating to the interstate transportation of intoxicating liquor; to the Committee on the Judiciary.

ENROLLED BILL PRESENTED

The Secretary of the Senate reported that on August 4, 1999, he had presented to the President of the United States, the following enrolled bill:

S. 880. An act to amend the Clean Air Act to remove flammable fuels from the list of substances with respect to which reporting and other activities are required under the risk management plan program, and for other purposes.

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC–4494. A communication from the Under Secretary of Defense for Acquisition and Technology, transmitting Selected Acquisition Reports (SARs) for the quarter ending June 30, 1999; to the Committee on Armed Services.

EC–4495. A communication from the Secretary of Energy, transmitting, pursuant to law, the report of the Office of Civilian Radioactive Waste Management for fiscal year 1998; referred jointly, pursuant to Public Law 97–425, to the Committees on Energy and Natural Resources, and the Environment and Public Works.

EC–4496. A communication from the Deputy General Counsel, Small Business Administration, transmitting, pursuant to law, the report of a rule entitled ''Administrative Claims Under the Tort Claims Act and Representations and Indemnification of SBA Employees'' (FR Doc. 99–18951 Filed 7–23–99), received August 2, 1999; to the Committee on Small Business.

EC–4497. A communication from the Interim Staff Director, United States Sentencing Commission, transmitting, pursuant to law, the annual report for fiscal year 1998; to the Committee on the Judiciary.

EC–4498. A communication from the Deputy Executive Secretary, Health Resources and Services Administration, Department of Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ''Vaccine Injury Compensation Program; Addition of Vaccines Against Rotavirus to the Program'' (RIN0906–AA50), received August 3, 1999; to the Committee on Health, Education, Labor, and Pensions.

EC–4499. A communication from the Assistant Secretary, Legislative Affairs, Department of State, transmitting, pursuant to law, a report relative to danger pay for government employees in Lima, Peru; to the Committee on Foreign Relations.

EC–4500. A communication from the Assistant Secretary for Legislative Affairs, Department of State, transmitting, pursuant to the Arms Export Control Act, certification of a proposed Technical Assistance Agreement with Spain; to the Committee on Foreign Relations.

EC–4501. A communication from the Assistant Secretary, Legislative Affairs, Department of State, transmitting, pursuant to the Arms Export Control Act, the report of a certification of a proposed Manufacturing License Agreement for the export of defense services in the amount of $50,000,000 or more with the Republic of Italy; to the Committee on Foreign Relations.

EC–4502. A communication from the Assistant Secretary, Legislative Affairs, Department of State, transmitting, pursuant to the Arms Export Control Act, the report of a certification of a proposed Manufacturing License Agreement for the export of defense services in the amount of $50,000,000 or more with Canada; to the Committee on Foreign Relations.

EC–4503. A communication from the Assistant Secretary, Legislative Affairs, Department of State, transmitting, pursuant to the Arms Export Control Act, the report of a certification of a proposed Manufacturing License Agreement with Germany; to the Committee on Foreign Relations.

EC–4504. A communication from the Under Secretary of Defense, transmitting, pursuant to law, a report relative to DoD purchases from foreign entities in fiscal year 1998; to the Committee on Armed Services.

EC–4505. A communication from the Executive Director, Procurement Management Directorate, Contract Policy Team, Defense Logistics Agency, Department of Defense, transmitting, pursuant to law, the report of a rule entitled ''DLA Acquisition Directive; Types of Contracts'', received August 3, 1999; to the Committee on Armed Services.

EC–4506. A communication from the Acting Branch Chief, Environmental Planning Branch, Environmental Division, U.S. Air Force, transmitting, pursuant to law, the report of a rule entitled ''Environmental Impact Analysis Process'' (32 CFR 989), received July 29, 1999; to the Committee on Armed Services.

EC–4507. A communication from the Secretary of Health and Human Services, transmitting, pursuant to law, a report relative to the Temporary Assistance for Needy Families Program, dated August 1999; to the Committee on Finance.

EC–4508. A communication from the Chief, Regulations Branch, U.S. Customs Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ''Exemption of Originating Mexican Goods From Certain Customs User Fees'' (RIN1515–AC47), received July 29, 1199; to the Committee on Finance.

EC–4509. A communication from the Chief, Regulations Unit, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ''Weighted Average Interest Rate Update'' (Notice 99–38), received August 2, 1999; to the Committee on Finance.

EC–4510. A communication from the Chief, Regulations Unit, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ''Rev. Rul. 99–34, BLS–LIFO Department Store Indexes-June 1999'' (Rev. Rul. 99–34), received July 29, 1999; to the Committee on Finance.

EC–4511. A communication from the Deputy Executive Secretary, Health Care Financing Administration, Department of Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ''Medicare Program; Prospective Payment System and Consolidated Billing for Skilled Nursing Facilities (HCFA–1913–F)'' (RIN0938–AI47), received August 3, 1999; to the Committee on Finance.

EC–4512. A communication from the Deputy Executive Secretary, Health Care Financing Administration, Department of Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ''Medicare Program; Hospice Wage Index (HCFA–1054–N)'' (RIN0938–AJ62), received August 3, 1999; to the Committee on Finance.

EC–4513. A communication from the Deputy Executive Secretary, Health Care Financing Administration, Department of

Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ''Medicare Program; Schedules of Per-Visit and Per-Beneficiary Limitations on Home Health Agency Costs Reporting Periods Beginning on or After October 1, 1999 and Portions of Cost Reporting Periods Beginning Before October 1, 1999'' (RIN0938–AJ57), received August 3, 1999; to the Committee on Finance.

EC–4514. A communication from the Deputy Executive Secretary, Health Care Financing Administration, Department of Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ''Medicare Program; Prospective Payment System and Consolidated Billing for Skilled Nursing Facilities (HCFA–1056–N)'' (RIN0938–AJ38), received August 3, 1999; to the Committee on Finance.

EC–4515. A communication from the Deputy Executive Secretary, Health Care Financing Administration, Department of Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ''Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2000 Rates'' (RIN0938–AJ50), received August 3, 1999; to the Committee on Finance.

EC–4516. A communication from the Deputy Executive Secretary, Health Care Financing Administration, Department of Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ''Civil Money Penalties for Nursing Homes (SNF/NF), Changes in Notice Requirements, and Expansion of Discretionary Remedy'', received August 3, 1999; to the Committee on Finance.

EC–4517. A communication from the Deputy Executive Secretary, Administration for Children and Families, Department of Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ''Implementation of Section 403(a)(2) of the Social Security Act Bonus to Reward Decreases in Illigitimacy Ratio'' (RIN0970–AB79), received August 3, 1999; to the Committee on Finance.

EC–4518. A communication from the Deputy Executive Secretary, Health Care Financing Administration, Department of Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ''Appeal of the Loss of Nurse Aide Training Program'' (RIN0938–AJ59), received August 3, 1999; to the Committee on Finance.

EC–4519. A communication from the Chairman, Federal Election Commission, transmitting, pursuant to law, the report of a rule entitled ''Documentation Requirements for Matching Credit Card and Debit Card Contributions in Presidential Campaigns'', received August 2, 1999; to the Committee on Rules and Administration.

EC–4520. A communication from the Chairman, Federal Election Commission, transmitting, pursuant to law, the report of a rule entitled ''Party Committee Coordinated Expenditures; Costs of Media Travel with Publicly Financed Presidential Candidates'', received August 2, 1999; to the Committee on Rules and Administration.

EC–4521. A communication from the Employee Benefits Manager, AgFirst Farm Credit Bank, transmitting, pursuant to law, three reports relative to federal pension plans for calendar year 1998; to the Committee on Governmental Affairs.

EC–4522. A communication from the General Counsel, Office of Management and Budget, transmitting, pursuant to law, a report relative to a vacancy in the position of Deputy Director for Management, the designation of an Acting Deputy Director, and the nomination of a Deputy Director; to the Committee on Governmental Affairs.

EC–4523. A communication from the General Counsel, Office of Management and Budget, transmitting, pursuant to law, a report relative to a vacancy in the position of Controller, Office of Federal Financial Management, the designation of an Acting Controller, and the nomination of a Controller; to the Committee on Governmental Affairs.

EC–4524. A communication from the Executive Director, Committee for Purchase from People who are Blind or Severely Disabled, transmitting, pursuant to law, the report of a rule relative to additions to the Procurement List, received August 2, 1999; to the Committee on Governmental Affairs.

EC–4525. A communication from the Director, Office of Personnel Management, transmitting, pursuant to law, the annual report of the Civil Service Retirement and Disability Fund for fiscal year 1998; to the Committee on Governmental Affairs.

EC–4526. A communication from the Chairman, U.S. Merit Systems Protection Board, transmitting, pursuant to law, a report entitled ''Federal Supervisors and Poor Performers'', dated July 1999; to the Committee on Governmental Affairs.

EC–4527. A communication from the Comptroller General of the United States, transmitting, pursuant to law, a report relative to General Accounting Office employees detailed to congressional committees as of July 19, 1999; to the Committee on Governmental Affairs.

PETITIONS AND MEMORIALS

The following petitions and memorials were laid before the Senate and were referred or ordered to lie on the table as indicated:

POM–287. A concurrent resolution adopted by the Legislature of the State of Louisiana relative to the appellate jurisdiction of federal courts regarding partial-birth abortions; to the Committee on the Judiciary.

HOUSE CONCURRENT RESOLUTION NO. 257

Whereas, Louisiana is one of twenty-five states which has recently prohibited the specific medical procedure termed ''partial-birth abortions''; and

Whereas, numerous other states are working this legislative session to enact the same ban; and

Whereas, federal district courts have thus far struck down laws in seventeen different states, effectively declaring that partial-birth abortions cannot be banned; and

Whereas, this intrusion of the Federal courts in these states decisions concerning this medical procedure can be remedied only by federal congressional action to limit the jurisdiction of these federal courts; and

Whereas, the United States Constitution does not create or regulate these inferior federal courts, but instead explicitly gives congress the power to do so; and

Whereas, the U.S. Constitution makes the jurisdiction of the federal courts subject to congressional proscription through Article III, Section 2, Para. 2, by declaring that federal courts ''shall have appellate jurisdiction both as to law and fact with such exceptions and under such regulations as congress shall make''; and

Whereas, the intent of the framers of our documents was clear on this power of congress, such as when Samuel Chase (a signer of the Declaration of Independence and a U.S. Supreme Court Justice appointed by President George Washington) declared, ''The notion has frequently been entertained that the federal courts derive their judicial power immediately from the constitution; but the political truth is that the disposal of the judicial power (except in a few specified instances) belongs to Congress. If Congress has given the power to this court, we possess it, not otherwise''; and

Whereas, Justice Joseph Story, in his authoritative Commentaries on the Constitution, similarly declares, ''In all cases where the judicial power of the United States is to be exercised, it is for Congress along to furnish the rules of proceeding, to direct the process, to declare the nature and effect of the process, and the mode, in which the judgment, consequent thereon, shall be executed . . . And if Congress may confer power, they may repeal it . . . [The power of Congress [is] complete to make exceptions'']; and

Whereas, this position is confirmed not only by the signers of the Constitution themselves, such as George Washington and James Madison, but also by other leading constitutional experts and jurists of the day, including Chief Justice John Rutledge, Chief Justice Oliver Ellsworth, Chief Justice John Marshall, Richard Henry Lee, Robert Yates, George Mason, and John Randolph; and

Whereas, the United States Supreme Court has long recognized and affirmed this power of congress to limit the appellate jurisdiction of the federal courts, as in 1847 when the court declared that the ''court possesses no appellate power in any case unless conferred upon it by act of Congress'' and in 1865 when it declared ''it is for Congress to determine how far . . . appellate jurisdiction shall be given; and when conferred, it can be exercised only to the extent and in the manner prescribed by law''; and

Whereas, congress has on numerous occasions exercised this power to limit the jurisdiction of federal courts, and the Supreme Court has consistently upheld this power of congress in rulings over the last two centuries, including cases in 1847, 1866, 1868, 1876, 1878, 1882, 1893, 1898, 1901, 1904, 1906, 1908, 1910, 1922, 1948, 1966, 1973, 1977, etc; and

Whereas, it is congress alone which can remedy this current crisis and return to the states the power to make their own decisions on partial-birth abortions by excepting this issue from the appellate jurisdiction of the federal courts.

Therefore, be it *Resolved,* That the Legislature of Louisiana respectfully appeals to the Congress of these United States to limit the appellate jurisdiction of the federal courts regarding the specific medical practice of partial-birth abortions.

Be it *further Resolved,* That a copy of this Resolution be sent to the Speaker of the United States House of Representatives, the President of the United States Senate, and the Chief Clerical Officers of the United States House of Representatives and the United States Senate.

POM–288. A resolution adopted by the Legislature of the State of Alaska relative to the division of the Ninth Circuit Court of Appeals; to the Committee on the Judiciary.

LEGISLATIVE RESOLVE NO. 25

Be it resolved by the legislature of the State of Alaska:

Whereas the State of Alaska is within the jurisdiction of the United States Court of Appeals for the Ninth Circuit; and

Whereas the Court of Appeals for the Ninth Circuit consists of the States of Alaska, Arizona, California, Hawaii, Idaho, Montana,

Nevada, Oregon, and Washington, and Guam, and the Commonwealth of the Northern Marianas Islands; and

Whereas United States Senators Murkowski of Alaska and Gorton of Washington have introduced S. 253, a bill that would amend Title 28 of the United States Code to divide the Court of Appeals for the Ninth Circuit into three regional divisions and a fourth circuit division, and that has the short title of the ''Federal Ninth Circuit Reorganization Act of 1999''; and

Whereas S. 253 proposes to place the states of Alaska, Idaho, Montana, Oregon, and Washington within one regional division of the Court of Appeals for the Ninth Circuit and to place the other states and territories, possessions, and protectorates into two other regional divisions; and

Whereas S. 253 proposes to adopt the recommendations of a Congressionally mandated commission, chaired by retired Supreme Court Justice Byron R. White, that studied the realignment of the federal courts of appeal; the recommendations were made in a report issued in December 1998; and

Whereas the membership of the Court of Appeals for the Ninth Circuit is heavily weighted toward the State of California and the court seems to concern itself predominately with issues arising out of California and the Southwestern United States; and

Whereas the Court of Appeals for the Ninth Circuit's case filings are consistently either greater than any other federal circuit or among the greatest; and

Whereas the Court of Appeals for the Ninth Circuit is the largest of the 13 circuit courts of appeal, spanning 1,400,000 square miles, and is larger than the First, Second, Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits combined; and

Whereas the Court of Appeals for the Ninth Circuit serves a population of more than 49,000,000 people, almost 60 percent more than any other federal circuit; and

Whereas members of the Court of Appeals for the Ninth Circuit have shown a surprising lack of understanding of Alaska's people and geography; and

Whereas, in the so-called ''Katie John'' subsistence case, which is of tremendous importance to the people of the State of Alaska, even though the Court of Appeals for the Ninth Circuit granted expedited consideration of that case, the court did not issue its decision for over 13 months; and

Whereas the Court of Appeals for the Ninth Circuit consistently ranks at or near the bottom of the circuits in time from the filing of a case in the district court to final disposition in the court appeals; and

Whereas Attorney General Bruce Botelho has estimated that there are more than 200 Alaska cases currently pending before the Court of Appeals for the Ninth Circuit; and

Whereas, previously, the Attorneys General of the States of Idaho, Montana, Oregon, and Washington have also found that similar issues of unnecessary delay concerning, lack of understanding of, and lack of consideration for cases and issues by the Court of Appeals for the Ninth Circuit exist in regard to those states; and

Whereas the division of the Court of Appeals for the Ninth Circuit into regions would benefit the States of Alaska, Idaho, Montana, Oregon, and Washington by providing speedier and more consistent rulings by jurists who have a greater familiarity with the social, geographical, political, and economic life of the region, especially if those jurists were required to be residents of that region;

Be it, *Resolved* That the Alaska State Legislature strongly supports S. 253 and the division of the Court of Appeals for the Ninth Circuit into three regional divisions with one region consisting of the States of Alaska, Idaho, Montana, Oregon, and Washington headquartered in the Pacific Northwest; and be it

Further Resolved, That the Alaska State Legislature questions the need for a fourth circuit division and urges the sponsors of S. 253 and the United States Congress to inquire into the need for a fourth circuit division; and be it

Further Resolved, That the Alaska State Legislature urges the sponsors of S. 253 to consider including a requirement that judges assigned to one of the three regional divisions must reside in that regional division and urges the United States Congress to amend S. 253 to address this concern; and be it

Further Resolved, That the Alaska State Legislature believes that a reorganization of the Court of Appeals for the Ninth Circuit is long overdue and urges the United States Congress to expeditiously consider and enact S. 253.

Copies of this resolution shall be sent to the Honorable Al Gore, Jr., Vice-President of the United States and President of the U.S. Senate; the Honorable Strom Thurmond, President Pro Tempore of the U.S. Senate; the Honorable J. Dennis Hastert, Speaker of the U.S. House of Representatives; the Honorable Trent Lott, Majority Leader of the U.S. Senate; the Honorable Dick Armey, Majority Leader of the U.S. House of Representatives; the Honorable Thomas Daschle, Minority Leader of the U.S. Senate; the Honorable Richard A. Gephardt, Minority Leader of the U.S. House of Representatives; the Honorable Orrin G. Hatch, Chair of the U.S. Senate Committee on the Judiciary; the Honorable Henry J. Hyde, Chair of the U.S. House Committee on the Judiciary; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

POM–289. A resolution adopted by the Legislature of the State of Alaska relative to the year 2000 census; to the Committee on Governmental Affairs.

LEGISLATIVE RESOLVE NO. 22

Be it resolved by the legislature of the State of Alaska:

Whereas the Constitution of the United States requires an enumeration of the population every 10 years and entrusts the Congress with overseeing each decennial enumeration; and

Whereas the sole constitutional purpose of the decennial census is to apportion the seats in the United States House of Representatives among the several states; and

Whereas an accurate and legal decennial census is necessary to properly apportion the seats in the United States House of Representatives among the states and to create legislative districts within the states; and

Whereas 13 U.S.C. 141(c) mandates that the Bureau of the Census provide each state with basic tabulations of population (P.L. 94–171 data) within one year after the decennial census date; and

Whereas the Alaska State Legislature believes that Article I, Section 2, Constitution of the United States, in order to ensure an accurate count and to minimize the potential for political manipulation, mandates an ''actual enumeration,'' meaning a physical headcount of the population, and prohibits reliance on estimates of the population for purposes of apportioning seats in the United States House of Representatives among the several states; and

Whereas legislative redistricting conducted by the states is a critical subfunction of the constitutional requirement to apportion representatives among the states; and

Whereas the United States Supreme Court, in Department of Commerce v. United States House, slip. op. no. 98–404, 1999 WL 24616, 67 U.S.L.W. 4090, ruled on January 25, 1999, that 13 U.S.C. 195 prohibits the proposed use by the Bureau of Census of statistical sampling in the determination of population for purposes of apportioning seats in the United States House of Representatives among the several states; and

Whereas the appellees in Department of Commerce v. United States House established standing partly on the basis of a claim of expected intrastate vote dilution due to the proposed use by the Bureau of the Census of statistical sampling; and

Whereas the use of census data adjusted by means of sampling or other statistical methodologies in redistricting by the State of Alaska could raise serious issues of vote dilution and violate ''one-person, one-vote'' legal protections, expose the state to protracted and costly litigation over redistricting, and ultimately result in a court ruling invalidating the redistricting plan; and

Whereas the Alaska State Legislature believes that a person, once enumerated, should not be counted by sampling or other statistical methodologies for purposes of redistricting; and

Whereas every reasonable and practical effort should be made to obtain the fullest and most accurate count of the population possible, including appropriate funding for state and local census outreach and education programs and post-census local review;

Be it *Resolved* That the Alaska State Legislature calls on the Bureau of the Census to conduct the 2000 decennial census consistent with the ruling in Department of Commerce v. United States House and with the Constitution of the United States; and be it

Further Resolved That the Alaska State Legislature calls on the Bureau of the Census to conduct a physical headcount of the population and not to use random sampling techniques or other statistical methodologies that add persons to or subtract persons from the census count in developing redistricting data under P.L. 94–171 for use by the states in intrastate redistricting; and be it

Further Resolved That the Alaska State Legislature opposes the use of P.L. 94–171 data for state legislative redistricting based on census numbers that have been determined in whole or in part by the use of statistical inferences derived by means of random sampling techniques or other statistical methodologies that add or subtract persons; and be it

Further Resolved That the Alaska State Legislature requests that Alaska be given P.L. 94–171 data for legislative redistricting identical to the census tabulation date used to apportion seats in the United States House of Representatives, derived from a physical headcount of the population, and not adjusted using random sampling techniques or other statistical methodologies that add persons to or subtract persons from the census count; and be it

Further Resolved That the Alaska State Legislature urges the Congress, as the branch of government assigned the responsibility of overseeing the decennial enumeration of the population, to take whatever

steps are necessary to ensure that the 2000 decennial census is conducted fairly and legally.

Copies of this resolution shall be sent to the Honorable Bill Clinton, President of the United States; the Honorable Al Gore, Jr., Vice-President of the United States and President of the U.S. Senate; the Honorable William M. Daley, Secretary of the U.S. Department of Commerce; the Honorable J. Dennis Hastert, Speaker of the U.S. House of Representatives; the Honorable Trent Lott, Majority Leader of the U.S. Senate; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. McCAIN, from the Committee on Commerce, Science, and Transportation, without amendment:

S. 832: A bill to extend the commercial space launch damage indemnification provisions of section 70113 of title 49, United States Code (Rept. No. 106–135).

By Mr. BOND, from the Committee on Small Business, with an amendment in the nature of a substitute:

H.R. 1568: A bill to provide technical, financial, and procurement assistance to veteran owned small businesses, and for other purposes (Rept. No. 106–136).

By Mr. ROTH, from the Committee on Finance:

Report to accompany the bill (S. 1388) to extend the Generalized System of Preferences (Rept. No. 106–137).

By Mr. McCAIN, from the Committee on Commerce, Science, and Transportation, with amendments:

S. 800: A bill to promote and enhance public safety through the use of 9–1–1 as the universal emergency assistance number, further deployment of wireless 9–1–1 service, support of States in upgrading 9–1–1 capabilities and related functions, encouragement of construction and operation of seamless, ubiquitous, and reliable networks for personal wireless services, and for other purposes (Rept. No. 106–138).

By Mr. JEFFORDS, from the Committee on Health, Education, Labor and Pensions, with an amendment in the nature of a substitute:

S. 632: A bill to provide assistance for poison prevention and to stabilize the funding of regional poison control centers.

EXECUTIVE REPORTS OF COMMITTEE

The following executive reports of committees were submitted:

By Mr. WARNER, for the Committee on Armed Services:

Charles A. Blanchard, of Arizona, to be General Counsel of the Department of the Army.

Carol DiBattiste, of Florida, to be Under Secretary of the Air Force.

(The above nominations were reported with the recommendation that they be confirmed, subject to the nominees' commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

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. Larry T. Ellis, 0000

The following named officer for appointment in the United States Navy to the grade indicated under title 10, U.S.C., section 624:

To be rear admiral (lower half)

David M. Crocker, 0000

The following named officer for appointment in the United States Navy to the grade indicated under title 10, U.S.C., section 624:

To be rear admiral (lower half)

Capt. Mark A. Young, 0000

The following named officer for appointment as Chief of Naval Personnel, United States Navy, and appointment to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., sections 601 and 5141:

To be vice admiral

Rear Adm. Norbert R. Ryan, Jr., 0000

(The above nominations were reported with the recommendation that they be confirmed.)

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Ms. SNOWE (for herself and Mr. WYDEN):

S. 1480. A bill to amend title XVIII of the Social Security Act to assure access of medicare beneficiaries to prescription drug coverage through the SPICE drug benefit program; to the Committee on Finance.

By Mr. McCONNELL (for himself, Mr. HELMS, Mr. BUNNING, Mr. COVERDELL, Mr. EDWARDS, Mr. ROBB, and Mr. WARNER):

S. 1481. A bill to amend the Agricultural Adjustment Act of 1938 to release and protect the release of tobacco production and marketing information; to the Committee on Agriculture, Nutrition, and Forestry.

By Ms. SNOWE (for herself, Mr. KERRY, Mr. McCAIN, Mr. HOLLINGS, and Mr. BREAUX):

S. 1482. A bill to amend the National Marine Sanctuaries Act, and for other purposes; to the Committee on Commerce, Science, and Transportation.

By Mr. REID (for himself, Mr. KERRY, Mrs. MURRAY, Mr. DASCHLE, and Mr. KENNEDY):

S. 1483. A bill to amend the National Defense Authorization Act for Fiscal Year 1998 with respect to export controls on high performance computers; to the Committee on Banking, Housing, and Urban Affairs.

By Mr. SPECTER:

S. 1484. A bill entitled ''Blind Justice Act of 1999''; to the Committee on the Judiciary.

By Ms. LANDRIEU (for Mr. NICKLES (for himself, Ms. LANDRIEU, Mr. ASHCROFT, Mr. BOND, Mr. BROWNBACK, Mr. CHAFEE, Mr. COCHRAN, Mr. CRAIG, Mr. DEWINE, Mr. EDWARDS, Mr. GRASSLEY, Mr. HOLLINGS, Mr. INHOFE, Mr. KENNEDY, Mr. LEVIN, Mr. LOTT, Mr. ROCKEFELLER, and Mr. SMITH of Oregon)):

S. 1485. A bill to amend the Immigration and Nationality Act to confer United States citizenship automatically and retroactively on certain foreign-born children adopted by citizens of the United States; to the Committee on the Judiciary.

By Mr. GORTON:

S. 1486. A bill to establish a Take Pride in America Program; to the Committee on Energy and Natural Resources.

By Mr. AKAKA (for himself, Mr. COCHRAN, Mrs. MURRAY, Mr. INOUYE, and Mr. KERREY):

S. 1487. A bill to provide for excellence in economic education, and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

By Mr. GORTON:

S. 1488. A bill to amend the Public Health Service Act to provide for recommendations of the Secretary of Health and Human Services regarding the placement of automatic external defibrillators in Federal buildings in order to improve survival rates of individuals who experience cardiac arrest in such buildings, and to establish protections from civil liability arising from the emergency use of the devices; to the Committee on Health, Education, Labor, and Pensions.

By Mr. BIDEN:

S. 1489. A bill to amend title 38, United States Code, to provide for the payment to States of pilot allowances for certain veterans eligible for burial in a national cemetery who are buried in cemeteries of such States; to the Committee on Veterans Affairs.

By Mr. THOMPSON (for himself and Mr. FRIST):

S. 1490. A bill to amend the Internal Revenue Code of 1986 to allow a deduction for State and local sales taxes in lieu of State and local income taxes; to the Committee on Finance.

By Mr. GRAMS (for himself and Mr. WELLSTONE):

S. 1491. A bill to authorize a comprehensive program of support for victims of torture abroad; to the Committee on Foreign Relations.

By Mr. MACK (for himself, Mr. ABRAHAM, Mr. ALLARD, Mr. BENNETT, Mr. BROWNBACK, Mr. HAGEL, Mr. HELMS, and Mr. SHELBY):

S. 1492. A bill to require the Board of Governors of the Federal Reserve System to focus on price stability in establishing monetary policy to ensure the stable, long-term purchasing power of the currency, to repeal the Full Employment and Balanced Growth Act of 1978, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs.

By Mr. SPECTER (for himself and Mr. SANTORUM):

S. 1493. A bill to establish a John Heinz Senate Fellowship Program to advance the development of public policy with respect to issues affecting senior citizens; to the Committee on Rules and Administration.

By Mr. BINGAMAN (for himself, Mr. ROCKEFELLER, Ms. SNOWE, and Ms. MIKULSKI):

S. 1494. A bill to ensure that small businesses throughout the United States participate fully in the unfolding electronic commerce revolution through the establishment of an electronic commerce extension program at the National Institutes of Standards and Technology; to the Committee on Commerce, Science, and Transportation.

By Mr. DEWINE:

S. 1495. A bill to establish, wherever feasible, guidelines, recommendations, and regulations that promote the regulatory acceptance of new and revised toxicological tests

that protect human and animal health and the environment while reducing, refining, or replacing animal tests and ensuring human safety and product effectiveness; to the Committee on Health, Education, Labor, and Pensions.

By Mr. HOLLINGS (by request):

S. 1496. A bill to authorize activities under the Federal railroad safety laws for fiscal years 2000 through 2003, and for other purposes; to the Committee on Commerce, Science, and Transportation.

By Mrs. BOXER (for herself, Mr. SMITH of Oregon, and Mr. LAUTENBERG):

S. 1497. A bill to amend the Foreign Assistance Act of 1961 to take steps to control the growing international problem of tuberculosis; to the Committee on Foreign Relations.

By Mr. BURNS:

S. 1498. A bill to amend chapter 55 of title 5, United States Code, to authorize equal overtime pay provisions for all Federal employees engaged in wildland fire suppression operations; to the Committee on Governmental Affairs.

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

The following concurrent resolutions and Senate resolutions were read, and referred (or acted upon), as indicated:

By Mr. BROWNBACK (for himself, Mr. MOYNIHAN, Mr. LOTT, Mr. DORGAN, Mr. ALLARD, Mr. CONRAD, Mr. ABRAHAM, Mr. COVERDELL, Mr. SESSIONS, and Mr. CRAIG):

S. Res. 172. A resolution to establish a special committee of the Senate to address the cultural crisis facing America; to the Committee on Rules and Administration.

By Mr. LOTT (for himself and Mr. DASCHLE):

S. Res. 173. To authorize representation of the Senate Committee on Armed Services in the case of Philip Tinsley III v. Senate Committee on Armed Services; considered and agreed to.

S. Res. 174. To authorize representation of the Senate Committee on the Judiciary in the case of Philip Tinsley III v. Senate Committee on the Judiciary; considered and agreed to.

By Mr. BROWNBACK (for himself, Mr. LIEBERMAN, Mr. LOTT, Mr. HELMS, Mr. GRAHAM, Mr. MACK, Mr. WELLSTONE, and Mr. WYDEN):

S. Con. Res. 50. A concurrent resolution expressing the sense of Congress concerning the continuous repression of freedom of expression and assembly, and of individual human rights, in Iran, as exemplified by the recent repression of the democratic movement of Iran; to the Committee on Foreign Relations.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Ms. SNOWE (for herself and Mr. WYDEN):

S. 1480. A bill to amend title XVIII of the Social Security Act of assure access of Medicare beneficiaries to prescription drug coverage through the SPICE drug benefit program; to the Committee on Finance.

SENIORS PRESCRIPTION INSURANCE COVERAGE EQUITY (SPICE) ACT OF 1999

• Ms. SNOWE. Mr. President, today I am introducing the Seniors Prescription Insurance Coverage Equity (SPICE) Act along with my colleague from Oregon, Senator WYDEN. The purpose of this bill is to provide Medicare beneficiaries with access to prescription drug coverage. The program is voluntary and federal assistance will be provided to help pay for the premiums. Senator WYDEN and I believe that this bill is one solution to the lack of prescription drug coverage for America's seniors and we believe that it is a bill we could and should enact this year.

Lack of prescription drug coverage is a serious problem facing our seniors. When Medicare was created in 1965 it was based on the inpatient care system that was prevalent at that time. Today, thirty four years later, drug therapy often allows individuals to stay out of the hospital—but Medicare does not cover drugs. And the lack of coverage means that those over 65 years of age end up paying for half the costs associated with their prescriptions, while the average person under age 65 pays only a third. It also means that seniors are forgoing medication because they cannot afford it.

The SPICE Act creates a voluntary supplemental drug insurance policy that all Medicare eligible individuals can purchase. These policies will be guaranteed issue—no one can be turned down. SPICE eligibility will begin when Medicare eligibility begins. There will be a penalty for late entry, just as there is for those who make a late entry into the Medicare Part B program. The penalty fee for late entry will be waived if the late entry is based on the loss of prior drug coverage from a Medicare + Choice plan or a retiree group health plan.

All seniors will receive some premium support assistance on a sliding scale based on income. Every senior will receive at least 25% premium support. Those below 150% of the federal poverty line will receive 100% premium support. A sliding scale will phase down the premium support from 100% to 25% for those between 150% and 175% of the federal poverty line.

The federal premium support will be used to allow seniors to purchase SPICE policies from private providers, similar to the Medigap program. The policies will all meet a threshold standard developed by the SPICE Board, which includes consumers, state insurance commissioners, and insurance representatives, and will be designed with seniors needs in mind. Medicare+Choice and group health plans which provide drug coverage for Medicare eligible individuals will be able to receive the actuarial value of the drug benefit if their plans meet or exceed the SPICE Board threshold benefit plan.

Seniors will be given a choice of plans. This will ensure competition and help keep the costs down and will allow seniors to choose the plan that best meets their needs. To provide an idea of the types of choices, plans may offer coverage for different drugs (formularies), copays, deductibles, and caps. The SPICE Board will disseminate information about these choices, much like the Federal Employee Benefit Health Program (FEHBP) does.

Funding sources for the benefit will come from the on-budget surplus, which the Congressional Budget Office (CBO) estimates show to be $505 billion after the $792 billion tax cut legislation that is currently in conference. Additional funding may come from implementing the President's FY2000 budget proposal to raise the tobacco tax by 55 cents per pack in addition to enacting the 15 cent tobacco increase already in law one year earlier than originally planned.

America's seniors need help in obtaining prescription drug coverage. SPICE is a doable proposal that can be passed whether or not we are able to move forward on Medicare reform this year.•

• Mr. WYDEN. Mr. President, today Senator SNOWE and I are introducing legislation to provide seniors with insurance coverage for prescription drugs. This legislation, the Seniors Prescription Insurance Coverage Equity Act, SPICE, is the only bipartisan, market-based approach to provide seniors with choice and access to coverage that is actually paid for. It will give seniors the same kind of coverage that their member of Congress has.

The key issue for seniors around our nation, when it comes to the issue of prescription drugs, is affordability. Our proposal will assure that each and every senior who voluntarily chooses to enroll in a SPICE plan will have the bargaining power of HMOs and of the large insurers whose job it is to get the best price they can. At least 13 million seniors have no prescription drug coverage at all. Those seniors get penalized twice: they have to pay all their costs, and they pay more because they can't get the negotiated rate that the insurers and HMOs can. This bill will level the playing field for those seniors giving them affordability and access.

We know the kinds of drugs that are coming on the market now can help save lives, better the health status of an older person and, in many instances, save dollars because seniors taking their prescription drugs as they are told to by their doctor will prevent costly hospitalizations and the progression of disease. If we were to create Medicare today from scratch, there would be no questions about including prescription drug coverage. If we want to assure that Medicare beneficiaries stay healthy longer we must provide prescription drug coverage. If we want to be thoughtful, prudent purchasers of health care, we must find a way to assure seniors access to the drugs.

I believe the Snowe-Wyden proposal is that thoughtful, prudent and reasonable way. It assures a variety of options for coverage, and it assures that we bring real dollars to the table to pay for the program. There is no smoke and mirrors, no IOUs or other budget gimmicks in this plan.

The Snowe-Wyden proposal will be funded by funding from the non-Social Security on-budget surplus and a 55-cent increase in the tobacco tax. During this body's deliberations of the budget resolution, an amendment that Sen. SNOWE and I offered received 54 votes, including 12 Republican votes to do just this—fund a prescription drug benefit for seniors with an increase in the tobacco tax.

The SPICE legislation creates a senior-oriented program using the Federal Employees Benefit Program (FEHBP) as a model to provide benefits that include prescription drugs and other non-Medicare covered benefits. This benefit would be open to every beneficiary and be voluntary. However, if the senior elected coverage later rather when they were first eligible, the individual would pay incrementally more the longer he or she waited to choose a comprehensive coverage option.

The individual senior would be able to select from an array of drug policies and Medicare+Choice plans with prescription drugs coverage. This would be voluntary. No senior would have to change what their current coverage is if they do not choose to do so. All plans would be offered by private sector companies. For beneficiaries under 150 percent of the poverty level—$12,075 for a single senior and $16,275 for a couple, the federal government would pay the entire premium. For those between 150 percent and 175 percent of the federal poverty level, the amount the federal government would pay phases down from 100 percent of premium to 25 percent of the premium amount. For beneficiaries at 175 percent of poverty and over, the federal government would pay 25 percent of the premium amount.

Our SPICE benefit will be administered by a new Board that would be separate from the Health Care Financing Administration but report to the Secretary of Health and Human Services. The Board would approve plan designs and premium submissions, approve and distribute consumer education materials, develop enrollment procedures and make recommendations concerning additional funding, further ability to pay mechanisms and other steps needed to assure continuing availability of comprehensive coverage as seniors' health needs change over time.

Many of us would prefer to do an overhaul of Medicare and modernize it to include benefits like prescription drugs. However, the thirteen million Medicare beneficiaries who need coverage and the millions who have coverage that does not truly help them, need a way to get meaningful coverage today. This proposal will do that.●

By Ms. SNOWE (for herself, Mr. KERRY, Mr. MCCAIN, Mr. HOLLINGS, and Mr. BREAUX):

S. 1482. A bill to amend the National Marine Sanctuaries Act, and for other purposes; to the Committee on Commerce, Science, and Transportation.

THE NATIONAL MARINE SANCTUARIES AMENDMENTS ACT OF 1999

Ms. SNOWE. Mr. President, I rise today to introduce the National Marine Sanctuaries Amendments Act of 1999. I am pleased that Senator KERRY, Ranking Member of the Subcommittee on Oceans and Fisheries, Senator MCCAIN, Chairman of the Commerce Committee, Senator HOLLINGS, Ranking Member of the Commerce Committee, and Senator BREAUX are joining me as cosponsors on this legislation. This bill will protect our nation's valuable marine resources while facilitating their sustainable use.

One hundred years after the first national park was created, the United States made a similar commitment to preserving its valuable marine resources by establishing the National Marine Sanctuary Program in 1972. Since then, twelve areas covering a wide range of marine habitats have been designated as national marine sanctuaries. Half of these designations have occurred in the last decade.

Today, our marine sanctuaries encompass everything from kelp forests and marine mammal nursery grounds, to underwater archeological sites. Together these sanctuaries protect nearly 18,000 square miles of ocean waters, an area nearly the size of Vermont and New Hampshire combined.

Acting as a platform for better ocean stewardship, these sanctuaries offer an opportunity for research, outreach, and educational activities. The national sanctuaries are also a model for multiple use management in the marine environment.

Obviously, balancing the protection of public resources with fostering economic activities requires the cooperative efforts of the federal, state, and local governments, as well as non-governmental organizations and the public. There are many of these partnerships working together within the national marine sanctuary program. Most of the successes of the program can be attributed to these partnerships.

One of these sanctuaries is located in the Gulf of Maine. The Stellwagen Bank National Marine Sanctuary provides feeding and nursery grounds for more than a dozen types of whales, including the endangered humpback, northern right, sei, and fin whales. This has led to the development of a thriving whale watching tourist trade in the sanctuary. The area also supports diverse seabird species and other fish and shellfish such as bluefin tuna, herring, cod, flounder, lobster, and scallops. Consequently, important commercial fisheries for lobster, bluefin tuna, cod and others exist in and around the sanctuary.

Historic data strongly suggest the presence of several shipwreck sites within the sanctuary, including the recently discovered wreck of the steamship *Portland* which sunk in 1898. Seven historic shipwrecks have been identified within or adjacent to the boundaries. However, a complete inventory of historical resources has not been conducted. These traditional shipping lanes are still active today. A heavily-used vessel traffic separation lane in the sanctuary facilitates the passage of more than 2,700 commercial vessels in and out of regional ports each year.

Through careful management and cooperation, all of these diverse uses coexist in a marine sanctuary while providing protection to the marine resources. This is just one example of the diverse management strategies being utilized by the national program.

The goal of the national marine sanctuary program is quite ambitious. Unfortunately, lack of funding has hampered their success. To date, insufficient funds have been provided to keep up with the pace of expansion of the sanctuary system. As a result, the 12 existing sanctuaries are not fully operational. Nationwide, individual sanctuaries are understaffed; unable to fully implement their management plans; unable to review existing management plans every five years as required by law; and lack educational and outreach materials and facilities. Consequently, management plans that were written twenty years ago have not been updated to adapt to the changing needs of the area nor for advances in science and resource management.

Congress identified the need for these sanctuaries when we passed the original Act in 1972. It is time now to provide the funds necessary to achieve what we set out to do. This will require an increase in the authorization level. The bill we are introducing today provides $30 million in FY 2000 and increases the annual authorization level by $2 million a year to $38 million in FY 2004.

It is time to move beyond fundamental planning and reach full implementation of the national program. This bill focuses the sanctuary program on making the existing sanctuaries fully operational before the formal designation process can begin for additional sanctuaries. It is our intention that management plans be developed in an open and participatory process so that partnerships between resource protection and compatible uses are given every chance to succeed. Further, management plans must be reviewed and updated in a timely manner

so that we can prioritize our objectives and respond to the changing needs of the resources and the people who utilize them.

A large part of the implementation process is the development of enforcement capabilities. It is one thing to plan resource protection, it is another thing to actually provide it. At the Subcommittee on Oceans and Fisheries hearing on reauthorization of the National Marine Sanctuaries Act, it was disappointing to hear about the overwhelming lack of enforcement in our marine sanctuaries. This bill encourages the development and implementation of meaningful enforcement plans, including partnerships with the states and other authorized entities. This will now become a part of the management plan review process. Further, the Administration will need to demonstrate that effective enforcement plans exist for the current sanctuaries before beginning the formal designation process for additional sanctuaries.

The National Marine Sanctuaries Act expires at the end of Fiscal Year 1999. This bill gives us the opportunity to realize the goals first laid out by Congress in 1972. There can be no doubt that this revitalization of the sanctuary program is long overdue.

Mr. President, this is a strong and much-needed bill that enjoys bipartisan support on the Commerce Committee. I look forward to moving this bill at the earliest opportunity.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1482

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 ''National Marine Sanctuaries Amendments Act of 1999''.

SEC. 2. AMENDMENT OF NATIONAL MARINE SANCTUARIES ACT.

Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment or repeal 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 National Marine Sanctuaries Act (16 U.S.C. 1431 et seq.).

SEC. 3. CHANGES IN FINDINGS, PURPOSES, AND POLICIES.

(a) AMENDMENT OF FINDINGS.—Section 301(a) (16 U.S.C. 1431(a)) is amended—

(1) by striking ''research, educational, or aesthetic'' in paragraph (2) and inserting ''scientific, educational, cultural, archaeological, or aesthetic'';

(2) by inserting ''ecosystem'' after ''comprehensive'' in paragraph (3);

(3) by striking ''wise use'' in paragraph (5) and inserting ''sustainable use'';

(4) by striking ''and'' after the semicolon in paragraph (5);

(5) by striking ''protection of these'' in paragraph (6) and inserting ''protecting the biodiversity, habitats, and qualities of such''; and

(6) by inserting ''and the values and ecological services they provide'' in paragraph (6) after ''living resources''.

(b) AMENDMENT OF PURPOSES AND POLICIES.—Section 301(b) (16 1431(b)) is amended—

(1) by striking ''significance;'' in paragraph (1) and inserting ''significance and to manage these areas as the National Marine Sanctuary System;'';

(2) by striking paragraph (3) and inserting the following:

''(3) to maintain natural biodiversity and biological communities, and to protect, and where appropriate, restore, and enhance natural habitats, populations, and ecological processes;'';

(3) by striking ''understanding, appreciation, and wise use of the marine environment;'' in paragraph (4) and inserting ''understanding, and appreciation of the natural, historical, cultural, and archaeological resources of national marine sanctuaries;'';

(4) by redesignating paragraphs (5) through (9) as paragraphs (6) through (10), and inserting after paragraph (4) the following:

''(5) to support, promote, and coordinate scientific research on, and long-term monitoring of, the resources of these marine areas;'';

(5) by striking ''areas;'' in paragraph (8), as redesignated, and inserting ''areas, including the application of innovative management techniques; and'';

(6) by striking ''marine resources; and'' in paragraph (9), as redesignated, and inserting ''marine and coastal resources.''; and

(7) by striking paragraph (10), as redesignated.

SEC. 4. CHANGES IN DEFINITIONS.

Section 302 (16 U.S.C. 1432) is amended—

(1) by striking ''304(a)(1)(C)(v)'' in paragraph (1) and inserting ''304(a)(2)(A)'';

(2) by striking '' 'Magnuson'' in paragraph (2) and inserting '' 'Magnuson-Stevens'';

(3) by striking ''and'' after the semicolon in subparagraph (B) of paragraph (6);

(4) by striking ''resources;'' in subparagraph (C) of paragraph (6) and inserting ''resources; and'';

(5) by inserting after paragraph (6)(C) the following:

''(D) the cost of curation and conservation of archaeological, historical, and cultural sanctuary resources;'';

(6) by striking ''injury;'' in paragraph (7) and inserting ''injury, including enforcement activities related to any incident;''

(7) by striking ''educational, or '' in paragraph (8) and inserting ''educational, cultural, archaeological,'';

(8) by striking ''and'' after the semicolon in paragraph (8);

(9) by striking ''Magnuson Fishery Conservation and Management Act.'' in paragraph (9) and inserting ''Magnuson-Stevens Act;''; and

(10) by adding at the end thereof the following:

''(10) 'system' means the National Marine Sanctuary System established by section 303; and

''(11) 'person' has the meaning given that term by section 1 of title 1, United States Code, but includes a department, agency, and instrumentality of the government of the United States, a State, or a foreign Nation.''.

SEC. 5. CHANGES IN SANCTUARY DESIGNATION STANDARDS.

Section 303 (16 U.S.C. 1433) is amended—

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

SEC. 303. NATIONAL MARINE SANCTUARY SYSTEM.

(2) by striking subsection (a) and inserting the following:

''(a) ESTABLISHMENT OF SYSTEM.—There is established the National Marine Sanctuary System, which shall consist of national marine sanctuaries designated by the Secretary in accordance with this title.'';

(3) by striking paragraph (3) of subsection (b), and redesignating paragraphs (1) and (2) as paragraphs (2) and (3);

(4) by striking so much of subsection (b) as precedes paragraph (2), as redesignated, and inserting the following:

''(b) SANCTUARY DESIGNATION STANDARDS.—

''(1) IN GENERAL.—Before designating an area of the marine environment as a national marine sanctuary, the Secretary shall find that—

''(A) the area is of special national significance due to its—

''(i) biodiversity;

''(ii) ecological importance;

''(iii) archaeological, cultural, or historical importance; or

''(iv) human-use values;

''(B) existing State and Federal authorities should be supplemented to ensure coordinated and comprehensive conservation and management of the area, including resource protection, scientific research, and public education;

''(C) designation of the area as a national marine sanctuary will facilitate the objectives in subparagraph (B); and

''(D) the area is of a size and nature that will permit comprehensive and coordinated conservation and management.'';

(5) by striking ''subsection (a)'' in paragraph (2), as redesignated, and inserting ''paragraph (1)'';

(6) by redesignating subparagraphs (E) through (I) of paragraph (2), as redesignated, as paragraphs (F) through (J), and inserting after paragraph (D) the following:

''(E) the areas's scientific value and value for monitoring as a special area of the marine environment;'';

(7) by redesignating subparagraphs (H), (I), and (J), as redesignated, as subparagraphs (I), (J), and (K) and by inserting after subparagraph (G), as redesignated, the following:

''(H) the feasibility, where appropriate, of employing innovative management approaches to protect sanctuary resources or to manage compatible uses;'';

(8) by striking ''vital habitats, and resources which generate tourism;'' in subparagraph (I), as redesignated, and inserting ''and vital habitats;'';

(9) by redesignating subparagraphs (J) and (K) as subparagraphs (K) and (L), and inserting after subparagraph (I) the following:

''(J) the value of the area as an addition to the System;''; and

(10) by striking ''Merchant Marine and Fisheries'' in subparagraph (A) of paragraph (3), as redesignated, and inserting ''Resources'';

(11) by inserting after ''Administrator'' in subparagraph (B) of paragraph (3), as redesignated the following: ''of the Environmental Protection Agency,''; and

(12) by adding at the end of subsection (b) the following:

''(4) REQUIRED FINDINGS.—

''(A) NEW DESIGNATIONS.—Before beginning the designation process for any sanctuary that is not a designated sanctuary before January 1, 2000, the Secretary shall make, and submit to the Congress, a finding that each designated sanctuary has—

''(i) an operational level of facilities, equipment, and employees;

''(ii) a list of priorities it considers most urgent and a strategy to address those priorities;

''(iii) a plan and schedule to complete site characterization studies to inventory existing sanctuary resources, including cultural resources; and

''(iv) a plan for enforcement of the Act within its boundaries, including partnerships with adjacent States or other authorities.

''(B) EXCEPTION.—Subparagraph (A) does not apply to any draft management plan, draft environmental impact statement, or proposed regulation for a Thunder Bay National Marine Sanctuary.''.

SEC. 6. CHANGES IN PROCEDURES FOR DESIGNATION AND IMPLEMENTATION.

(a) CHANGES IN NOTICE REQUIREMENTS.—Section 304(a) (16 U.S.C. 1434(a)) is amended—

(1) by striking paragraph (1)(C) and inserting the following:

''(C) on the same day the notice required by subparagraph (A) is submitted to the Office of the Federal Register, the Secretary shall submit a copy of the notice and the draft sanctuary designation documents prepared under paragraph (2) to the Committee on Resources of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate.'';

(2) by redesignating paragraphs (2) through (6) as paragraphs (3) through (7), and inserting the following after paragraph (1):

''(2) SANCTUARY DESIGNATION DOCUMENTS.—The Secretary shall prepare sanctuary designation documents on the proposal that include the following:

''(A) A draft environmental impact statement under paragraph (3).

''(B) A management plan document, which the Secretary shall make available to the public, containing—

''(i) the terms of the proposed designation;

''(ii) proposed mechanisms to coordinate existing regulatory and management authorities within the area;

''(iii) the proposed goals and objectives, management responsibilities, resource studies, and appropriate strategies for managing sanctuary resources, including innovative approaches such as marine zoning, interpretation and education, research, monitoring and assessment, resource protection, restoration, and enforcement (including surveillance activities for the area);

''(iv) an evaluation of the advantages of cooperative State and Federal management if all or part of a proposed marine sanctuary is within the territorial limits of a State, or is superjacent to the subsoil and seabed within the seaward boundary of a State (as established under the Submerged Lands Act (43 U.S.C. 1301 et seq.);

''(v) an estimate of the annual cost to the Federal government of the proposed designation, including costs of personnel, equipment and facilities, enforcement, research, and public education; and

''(vi) the regulations proposed under paragraph (1)(A).

''(C) Maps depicting the boundaries of the proposed sanctuary.

''(D) A statement of the basis for the findings made under section 303(b)(2).

''(E) An assessment of the considerations under section 303(b)(1).

''(F) A resource assessment that includes—

''(i) present and potential uses of the area, including commercial and recreational fishing, research and education, minerals and energy development, subsistence uses, and other commercial, governmental, or recreational uses;

''(ii) a discussion, prepared after consultation with the Secretary of the Interior, of any commercial, governmental, or recreational resource uses in the areas that are subject to the primary jurisidiction of the Department of the Interior; and

''(iii) information prepared in consultation with the Secretary of Defense, the Secretary of Energy, and the Administrator of the Environmental Protection Agency, on any past, present, or proposed future disposal or discharge of materials in the vicinity of the proposed sanctuary.''.

(b) OTHER NOTICE-RELATED CHANGES.—Section 304(a) (16 U.S.C. 1434(a)) is further amended—

(1) by striking ''as provided by'' in subparagraph (A) of paragraph (3), as redesignated, and inserting ''under'';

(2) by inserting ''cultural, archaeological,'' after ''educational,'' in paragraph (4), as redesignated;

(3) by striking ''only by the same procedures by which the original designation is made.'' in paragraph (4), as redesignated, and inserting ''by following the applicable procedures of the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.) and chapter 5 of title 5, United States Code.'';

(4) by inserting ''this Act and'' after ''objectives of'' in the second sentence of paragraph (6), as redesignated; and

(5) by striking ''Merchant Marine and Fisheries Resources'' in paragraph (7), as redesignated, and inserting ''Resources''.

(c) OTHER CHANGES.—Section 304 (16 U.S.C. 1434) is amended—

(1) by inserting ''or the national system'' in subsection (b)(2) after ''sanctuary'';

(2) by striking ''management techniques,'' in subsection (e) and inserting ''management techniques and strategies,''; and

(3) by striking ''title.'' in subsection (e) and inserting ''title. This review shall include a prioritization of management objectives.''

SEC. 7. CHANGES IN ACTIVITIES PROHIBITED.

Section 306 (16 U.S.C. 1436) is amended—

(1) by striking ''sell,'' in paragraph (2) and inserting ''offer for sale, sell, purchase, import, export,''; and

(2) by striking paragraph (3) and inserting the following:

''(3) interfere with the enforcement of this title by—

''(A) refusing to permit any authorized officer to board a vessel, other than a vessel operated by the Department of Defense or United States Coast Guard, subject to such person's control for the purpose of conducting a search or inspection in connection with the enforcement of this title;

''(B) assaulting, resisting, opposing, impeding, intimidating, or interfering with any authorized officer in the conduct of any search or inspection under this title;

''(C) submitting false information to the Secretary or any officer authorized by the Secretary in connection with any search or inspection under this title; or

''(D) assaulting, resisting, opposing, impeding, intimidating, harassing, bribing, or interfering with any person authorized by the Secretary to implement the provisions of this title; or''.

SEC. 8. CHANGES IN ENFORCEMENT PROVISIONS.

Section 307 (16 U.S.C. 1437) is amended—

(1) by redesignating paragraphs (1) through (5) of subsection (b) as paragraphs (2) through (6), and inserting before paragraph (2) the following:

''(1) arrest any person, if there is reasonable cause to believe that the person has committed an act prohibited by section 306(3);'';

(2) by redesignating subsections (c) through (j) as subsections (d) through (k), and inserting after subsection (b) the following:

''(c) CRIMINAL OFFENSES.—

''(1) IN GENERAL.—Violation of section 306(3) is punishable by a fine under title 18, United States Code, imprisonment for not more than 6 months, or both.

''(2) AGGREVATED VIOLATIONS.—If a person in the course of violating section 306(3)—

''(A) uses a dangerous weapon,

''(B) causes bodily injury to any person authorized to enforce this title or to implement its provisions, or

''(C) causes such a person to fear imminent bodily injury,

then the violation is punishable by a fine under title 18, United States Code, imprisonment for not more than 10 years, or both.'';

(3) by redesignating subsections (e) through (k), as redesignated, as subsections (f) through (l), respectively, and by inserting after subsection (d), as redesignated, the following:

''(e) JUDICIAL CIVIL PENALTIES.—The Secretary may bring an action to access and collect any civil penalty for which a person is liable under paragraph (d)(1) in the United States district court for the district in which the person from whom the penalty is sought resides, in which such person's principal place of business is located, or where the incident giving rise to civil penalties under this section occurred.'';

(4) by inserting ''electronic files,'' after ''books,'' in subsection (h), as redesignated; and

(5) by redesignating subsections (i) through (l), as designated, as subsections (j) through (m), and by inserting after subsection (h), as redesignated, the following:

''(i) NATIONWIDE SERVICE OF PROCESS.—In any action by the United States under this chapter, process may be served in any district where the defendant is found, resides, transacts business, or has appointed an agent for the service of process.''.

SEC. 9. ADDITIONAL REGULATIONS AUTHORITY ADDED.

Section 308 (16 U.S.C. 1439) is amended to read as follows:

''SEC. 308. REGULATIONS AND SEVERABILITY.''

''(a) REGULATIONS.—The Secretary may issue such regulations as may be necessary to carry out this title.

''(b) SEVERABILITY.—If any provision of this title, or the application thereof to any person or circumstance, is held invalid, the validity of the remainder of this title and of the application of that provision to other persons and circumstances shall not be affected.''.

SEC. 10. CHANGES IN RESEARCH, MONITORING, AND EDUCATION PROVISIONS.

Section 309 (16 U.S.C. 1440) is amended to read as follows:

''SEC. 309. RESEARCH, MONITORING, AND EDUCATION PROGRAMS AND INTERPRETIVE FACILITIES.

''(a) IN GENERAL.—The Secretary shall conduct, support, or coordinate research, monitoring, evaluation, and education programs necessary and reasonable to carry out the purposes and policies of this title.

''(b) RESEARCH AND MONITORING.—The Secretary may support, promote, and coordinate appropriate research on, and long-term monitoring of, the resources and human uses of marine sanctuaries, as is consistent with the purposes and policies of this title. In carrying out this subsection the Secretary may consult with Federal agencies, States, local governments, regional agencies, interstate

agencies, or other persons, and coordinate with the National Estuarine Research Reserve System.

''(c) EDUCATION AND INTERPRETIVE FACILITIES.—The Secretary may establish facilities or displays—

''(1) to promote national marine sanctuaries and the purposes and policies of this title; and

''(2) either solely or in partnership with other persons, under an agreement under section 311.''.

SEC. 11. CHANGES IN SPECIAL USE PERMIT PROVISIONS.

Section 310 (16 U.S.C. 1441) is amended—

(1) by redesignating subsections (b) through (e) as subsections (c) through (f), and by inserting after subsection (a) the following:

''(b) PUBLIC NOTICE REQUIRED.—The Secretary shall provide appropriate public notice before identifying any activity subject to a special use permit under subsection (a).'';

(2) by striking ''insurance'' in paragraph (4) of subsection (c), as redesignated, and inserting ''insurance, or post an equivalent bond,'';

(3) by striking ''resource and a reasonable return to the United States Government.'' in paragraph (2)(C) of subsection (d), as redesignated, and inserting ''resource.'';

(4) by redesignating paragraph (3) of subsection (d), as redesignated, as paragraph (4), and by inserting after paragraph (2) thereof the following:

''(3) WAIVER OR REDUCTION OF FEES.—The Secretary may waive or reduce fees under this subsection, or accept in-kind contributions in lieu of fees under this subsection, for activities that do not derive profit from the access to and use of sanctuary resources or that the Secretary considers to be beneficial to the system.''; and

(5) by striking ''designating and'' in paragraph (4)(B) of subsection (d), as redesignated.

SEC. 12. CHANGES IN COOPERATIVE AGREEMENTS PROVISIONS.

Section 311 (16 U.S.C. 1442) is amended—

(1) by adding at the end of subsection (a) the following: ''Notwithstanding any other provision of law to the contrary, the Secretary may apply for, accept, and use grants from Federal agencies, States, local governments, regional agencies, interstate agencies, foundations, or other persons, to carry out the purposes and policies of this title.''; and

(2) by redesignating subsections (b), (c), and (d) as subsections (c), (d), and (e), and inserting after subsection (a) the following:

''(b) USE OF STATE AND FEDERAL AGENCY RESOURCES.—The Secretary may, whenever appropriate, use by agreement the personnel, services, or facilities of departments, agencies, and instrumentalities of the government of the United States or of any State or political subdivision thereof on a reimbursable or non-reimbursable basis to assist in carrying out the purposes and policies of this title.''.

SEC. 13. CHANGES IN PROVISIONS CONCERNING DESTRUCTION, LOSS, OR INJURY.

(a) LIABILITY.—Section 312 (16 U.S.C. 1443(a)) is amended—

(1) by striking ''used to destroy, cause the loss of, or injure'' in subsection (a)(2) and inserting ''that destroys, causes the loss of, or injures'';

(2) by inserting ''or vessel'' after ''person'' in subsection (a)(4);

(3) by inserting ''(as defined in section 302(11))'' after ''damages'' in subsection (b)(2);

(4) by striking ''vessel who'' in subsection (c) and inserting ''vessel that'';

(5) by striking ''person may'' in subsection (c) and inserting ''person or vessel may'';

(6) by inserting ''by the Secretary'' after ''used'' in subsection (d); and

(7) by adding at the end of subsection (d) the following:

''(4) STATUTE OF LIMITATIONS.—An action for response costs and damages under subsection (c) may not be brought more than 2 years after the date of completion of the relevant damage assessment and restoration plan prepared by the Secretary.''.

SEC. 14. AUTHORIZATION OF APPROPRIATIONS.

Section 313 (16 U.S.C. 1444) is amended by striking paragraphs (1), (2), and (3) and inserting the following:

''(1) $30,000,000 for fiscal year 2000;

''(2) $32,000,000 for fiscal year 2001;

''(3) $34,000,000 for fiscal year 2002;

''(4) $36,000,000 for fiscal year 2003; and

''(5) $38,000,000 for fiscal year 2004.''.

SEC. 15. CHANGES IN U.S.S. MONITOR PROVISIONS.

Section 314 (16 U.S.C. 1445) is amended by striking subsection (b) and redesignating subsection (c) as subsection (b).

SEC. 16. CHANGES IN ADVISORY COUNCIL PROVISIONS.

Section 315 (16 U.S.C. 1446) is amended by striking ''provide assistance'' in subsection (a) and inserting ''advise and make recommendations''.

SEC. 17. CHANGES IN THE SUPPORT ENHANCEMENT PROVISIONS.

Section 316 (16 U.S.C. 1447) is amended—

(1) by striking ''use'' in subsection (a)(4) and inserting ''manufacture, reproduction, or other use'';

(2) by striking ''sanctuaries;'' in subsection (a)(4) and inserting ''sanctuaries or by persons that enter cooperative agreements with the Secretary under subsection (f);'';

(3) by striking ''symbols'' in subsection (a)(6) and inserting ''symbols, including sale of items bearing the symbols,'';

(4) striking ''Secretary; and'' in paragraph (3) of subsection (f), as redesignated, and inserting ''Secretary, or without prior authorization under subsection (a)(4); or''; and

(5) by adding at the end thereof the following:

''(f) AUTHORIZATION FOR NON-PROFIT ORGANIZATION TO SOLICIT SPONSORS.—

''(1) IN GENERAL.—The Secretary may enter into an agreement with a non-profit organization authorizing it to assist in the administration of the sponsorship program established under this section. Under an agreement entered into under this paragraph, the Secretary may authorize the non-profit organization to solicit persons to be official sponsors of the national marine sanctuary program or of individual national marine sanctuaries, upon such terms as the Secretary deems reasonable and will contribute to the successful administration of the sanctuary system. The Secretary may also authorize the non-profit organization to collect the statutory contribution from the sponsor, and, subject to paragraph (2), transfer the contribution to the Secretary.

''(2) REIMBURSEMENT FOR ADMINISTRATIVE COSTS.—Under the agreement entered into under paragraph (1), the Secretary may authorize the non-profit organization to retain not more than 5 percent of the amount of monetary contributions it receives from official sponsors under the agreement to offset the administrative costs of the organization in soliciting sponsors.''.

By Mr. REID (for himself and Mr. KERRY):

S. 1483. A bill to amend the National Defense Authorization Act for fiscal Year 1998 with respect to export controls on high performance computers; to the Committee on Banking, Housing, and Urban Affairs.

ADJUSTMENT OF COMPOSITE THEORETICAL PERFORMANCE LEVELS OF HIGH PERFORMANCE COMPUTERS

Mr. REID. Mr. President, on July 1, 1999, President Clinton announced that the Commerce Department would implement changes to the United States export controls on high performance computers. By changing the limits on high performance computers, we will be increasing our national security and easing outdated regulations that are currently imposed on the thriving high tech industry and on government itself.

Mr. President, as you may know, I have followed this issue closely for the last eight months since the inception of the high-tech working group that I chair. I have met with many company leaders, both large and small, to discuss the issue of export controls on computers. I am convinced that if we don't immediately act to ease export controls, many American jobs may be at risk. Each day that our nations's companies can't compete in foreign markets, we are losing market share and eventually will be giving up our world dominance in the high-tech sector.

The bill that I am offering today reduces the review period from 180 days to 30 days to complement the Administration's easing of export restrictions by amending the National Defense Authorization Act of 1998.

Mr. President. In closing, I would like to share with you an example of how outdated today's restrictions are. I was recently at a meeting where Michael Dell, President of Dell Computers, stood up and pulled his pager from his hip holster. He held it up and said that under current export controls, his little pager that is smaller than a computer mouse, cannot be exported to many countries because it is considered a ''super computer.''

Mr. President. These controls need to be changed as the Administration has made clear, but it needs to be done sooner rather than later. In short, these controls need to be eased yesterday.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1483

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

SECTION 1. ADJUSTMENT OF COMPOSITE THEORETICAL PERFORMANCE LEVELS OF HIGH PERFORMANCE COMPUTERS.

Section 1211(d) of the National Defense Authorization Act for Fiscal Year 1998 (50

U.S.C. App. 2404 note) is amended in the second sentence by striking ''180'' and inserting ''30''.

By Mr. SPECTER:

S. 1484. A bill entitled ''Random Selection of Judges Act of 1999''; to the Committee on the Judiciary.

RANDOM SELECTION OF JUDGES ACT OF 1999

Mr. SPECTER. Mr. President, I will speak very briefly on the introduction of legislation for the random selection of judges. I had thought when cases were assigned in the Federal courts they were assigned in a random fashion, unless they were related to some other case where a specific judge had jurisdiction and that judge would have the case by a related case assignment.

During the course of the past week there has come to light a situation in the District of Columbia where the chief judge assigned specific judges to two very high-profile cases, one involving Mr. Webster Hubbell as a defendant and the other involving Mr. Charlie Trie as a defendant.

My understanding of the practice has been that cases would be assigned on a random basis. In checking the specifics, I have found that the Judicial Conference, which is the policy-making body for the Federal Judiciary, only recommends that Federal courts randomly assign cases. It has not become a mandate to do so. I believe that public policy warrants having it as a mandate.

It is customary for the Congress to legislate on matters of administration. For example, Congress has set a time limit under the speedy trial rule in the criminal courts. For another example, Congress has established time limits on Federal court habeas corpus cases where death penalty cases are appealed into the Federal courts.

This is not a matter where we are talking about the discretion or judgment of an individual judge on how to decide a case, where judicial independence mandates that nobody make any suggestion to the judge as to how an individual case is to be decided. But as a matter of administrative policy it is entirely appropriate for the Congress to set the rules, one of which I think should be the random assignment of judges.

In March of this year the Judicial Conference even rescinded its 28-year-old policy that recommended giving the chief judges, the assigning judge, latitude to make special assignments of ''protracted, difficult, or wildly publicized cases,'' so such latitude is no longer recommended by the Judicial Conference.

The chief judge of the District of Columbia has responded to the Associated Press article in a letter to the Washington Times dated August 2. I ask unanimous consent to have printed in the RECORD a copy of the newspaper article from the Washington Times, together with a copy of the response by the chief judge to the newspaper article.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

JUDGES FRET OVER ASSIGNING OF CASES

FELLOW JURISTS ARE CONCERNED THAT TRIALS OF CLINTON FRIENDS WENT TO HIS APPOINTEES

(By Pete Yost)

The chief judge of the U.S. District Court bypassed the traditional random assignment system to send criminal cases against presidential friends Webster Hubbell and Charlie Trie to judges President Clinton appointed, court officials said.

U.S. District Judge Norma Holloway Johnson's decision to abandon the longtime random computer assignment for high-profile cases has raised concerns among several other judges, the officials said in interviews.

The judges also raised concerns about an appearance of possible conflicts of interest, because judges assigned the cases were friendly with key players—presidential confidant Vernon Jordan and defense lawyer Reid Weingarten—and made rulings that handicapped prosecutors.

Half a dozen judges, Republicans and Democrats, said they have high regard for the ethics they have high regard for the ethics and work of the two judges involved, Paul L. Friedman and James Robertson, and do not believe they were improperly influenced.

But the judges, who spoke on condition for anonymity, said they have discussed among themselves the public perception of ignoring the random draw—used in almost all cases—and passing over more experienced judges appointed by presidents of both parties.

One judge said his colleagues have discussed whether assigning cases directly rather than using the random lottery raises ''an appearance problem at least'' and ''whether there has been impartial administration of justice.''

The airing of the behind-the-scenes controversy provides a rare window into a court process sealed from public view.

Judges Johnson, Friedman and Robertson all declined repeated requests for interviews.

Judge Johnson, an appointee of President Carter, assigned:

Judge Friedman to the Trie case, the first major prosecution from the Justice Department probe of Democratic fund raising. Mr. Clinton nominated Judge Friedman, a former president of the local bar, in 1994.

Judge Robertson was handed the Hubbell tax case, independent counsel Kenneth Starr's first prosecution in Washington. Judge Robertson is an ex-president of the local bar and a former partner at the law firm of former White House counsel Lloyd Cutler.

Mr. Clinton nominated him in the last days of Mr. Cutler's tenure as counsel in 1994. Judge Robertson had donated $1,000 to Mr. Clinton's 1992 presidential bid and has said he ''worked on the periphery'' of that campaign.

Judge Robertson on two occasions dismissed felony charges against Hubbell. He dismissed the tax case against Hubbell, who eventually pleaded guilty to a misdemeanor when an appeals court reinstated the case.

Judge Johnson allowed a later indictment—charging Hubbell with lying to federal regulators—be assigned at random by computer. By coincidence, the computer picked Judge Robertson, who threw out the central felony count in the case. Judge Robertson, who threw out the central felony count in the case. Hubbell pleaded guilty to that same felony count June 30, after an appeals court reversed Judge Robertson.

One politically sensitive aspect of the Hubbell tax evasion indictment was a reference to a $62,500 consulting arrangement that Mr. Jordan helped obtain for Hubbell, making Mr. Jordan a potential witness.

Judge Robertson and Mr. Jordan are friends from their days in the civil rights movement. Mr. Jordan did not return repeated calls seeking comment.

[Judge Robertson, who was highly critical of Mr. Starr's tactics in the Hubbell case, also dealt major setbacks to Donald Smaltz, the independent counsel who investigated former Agriculture Secretary Mike Espy.

[In one instance, the judge granted a new trial to a Tyson Foods Inc. executive, Jack L. Williams, who had been convicted on two counts of making false statements to federal investigators.

[Last September, Judge Robertson overturned the conviction of Tyson lobbyist Archie Schaeffer III for giving illegal gifts to Mr. Espy. A federal appeals court reinstated that conviction July 23.]

Judge Johnson assigned the Trie case and two subsequent cases against Democratic fund-raisers to Judge Friedman, who tossed out various charges.

After one of Judge Friedman's rulings was overturned on appeal, Trie agreed to plead guilty.

Judge Friedman and Mr. Weingarten, the defense lawyer in two of three fund-raising cases before Judge Friedman, are longtime friends.

''He's a professional friend, but he's a judge now,'' Mr. Weingarten said. ''These relationships change when somebody goes to the bench.''

When Judge Johnson bypassed the random draw for these cases, 12 full-time judges were on the federal court, seven of them Clinton appointees. Four were Republican appointees. The court also has a number of senior judges who work part-time.

Judge Johnson garnered headlines for her rulings against Mr. Clinton in the Monica Lewinsky scandal, rejecting privilege claims by the president and ordering White House lawyer Bruce Lindsey and Secret Service personnel to testify.

Experts said the assignments to Clinton-nominated judges did not violate any rules but could shake public confidence.

''As far as assigning a recently appointed judge of the same party, it's dangerous, it's risky, it's hazardous because the outcome might support the cynical view that the judge did not decide the matter on the merits even though that may be the furthest thing from the truth,'' Columbia University law professor H. Richard Uviller said.

New York University law professor Stephen Gillers said, ''If the case is high-profile, that should increase the presumption in favor of random selection.''

The assignments were confirmed to AP by several court officials with access to parts of the court computer system not available to the public.

Local court rules give Judge Johnson the right to assign ''protracted'' cases to specific judges, although nearly all the cases in U.S. District Court here are assigned by lottery, court officials said.

The Judicial Conference, the policy-making body for the federal judiciary, recommends that federal courts randomly assign cases. In March, the conference rescinded its 28-year-old policy that recommended giving chief judges latitude to

make special assignments of ''protracted, difficult or widely publicized cases.''

Actual practice varies from court to court.

In the Southern District of New York, which has more than two dozen full-time judges, Court Executive Clifford P. Kirsch said, ''It's all been by a blind draw . . . so it doesn't appear anyone is preselecting or favoring one judge over another judge.''

U.S. DISTRICT COURT FOR
THE DISTRICT OF COLUMBIA,
Washington, DC, August 2, 1999.

EDITOR,
The Washington Times,
Washington, DC.

As I firmly believe that justice is best served in the courts of law and not on the front page of a newspaper, it has long been my policy not to discuss my judicial decision-making with members of the press. However, I feel compelled to make an exception to that policy in order to correct the disturbing misimpression left by a recent story circulated by the Associated Press and published in your paper as well as several other news outlets. [This A.P. article alleges that I ''bypassed the traditional random assignment system'' to assign certain criminal cases to judges appointed by President Clinton, singling out the criminal case against Yah Lin ''Charlie'' Trie, which was assigned to Judge Paul L. Friedman, and the criminal case against Webster Hubbell, which was assigned to Judge James Robertson. The article implies that these cases were assigned to these judges based on political motivations. This unsubstantiated assertion could not be further from the truth.] Moreover, it does a significant disservice to the perception of impartial justice that I believe all of the judges on our Court strive mightily to maintain. Contrary to the false perception left by the A.P. story, these cases were assigned to highly capable federal judges. Politics was not and is never a factor in our case assignments.

In order to set the record straight, the circumstances leading to these routine ''special assignments'' are quite simple. For years, Local Rule 403(g) of the Rules of the District Court for the District of Columbia has authorized the Chief Judge to specially assign protracted or complex criminal cases to consenting judges when circumstances warrant. My predecessors and I have used this assignment system to enable our Court to expeditiously handle high profile criminal cases with their unique demands on judicial resources. For example, criminal cases arising from Watergate and the Iran-Contra affair were handled through special assignment. In both those instances of overwhelming media scrutiny and complexity, the special assignment system well served our needs. In addition to these highly publicized criminal cases, special assignment has also been a valuable tool in addressing multiple defendant narcotics conspiracy cases. It is the responsibility of the Chief Judge to move the docket as expeditiously as possible. That is all that was intended by these assignments.

Finally, I must note that the A.P. article irresponsibly impugns the reputation of two fine federal judges by suggesting conflicts of interest in their handling of these cases. Neither judge had any obligation to recuse himself from the cases to which he was assigned, for neither faced a conflict of any sort. A judge's prior affiliations and acquaintances, alone, do not require recusal or disqualification. Indeed, many judges on this Court know many lawyers and public officials in Washington. If recusal were required on the basis of these innocuous connections, it would wreak havoc on case scheduling.

In the future, I suggest that before your newspaper prints a story that impugns the integrity of two outstanding members of the federal judiciary, you offer more evidence of an actual conflict than the slender reed of innuendo which supports these current allegations. Such an unsubstantiated and unsupportable attack does your publication little credit and the truth much harm.

Sincerely,

NORMA HOLLOWAY JOHNSON,
Chief Judge.

Mr. SPECTER. In the reply, the chief judge says this:

> This A.P. article alleges that I ''bypassed the traditional random assignment system'' to assign certain criminal cases to judges appointed by President Clinton, singling out the criminal case against Yah Lin ''Charlie'' Trie, which was assigned to Judge Paul L. Friedman, and the criminal case against Webster Hubbell, which was assigned to Judge James Robertson. The article implies that these cases were assigned to these judges based on political motivations. The unsubstantiated assertion could not be further from the truth.

Now, I do not question the statements made by the chief judge in denying any portion of partiality or impropriety, but I do believe that when this case is called to widespread public attention the Congress ought to act. That is why I am introducing this legislation today on behalf of myself and Senator HATCH, chairman of the Judiciary Committee.

The reasons for this legislation are articulated by Columbia University law professor H. Richard Uviller, who said:

> As far as assigning a recently appointed judge of the same party, it's dangerous, it's risky, it's hazardous because the outcome might support the cynical view that the judge did not decide the matter on the merits even though that may be the furthest thing from the truth.

A similar statement was made by New York University law professor Steven Gillers, who said:

> If the case is high-profile, that should increase the presumption in favor of random selection.

This issue of random selection is one that I feel particularly strongly about based on my experience as district attorney in the Philadelphia criminal courts. When high-profile or politically-tinged cases were filed in the criminal courts of Philadelphia during my tenure as district attorney, I routinely asked for a jury trial because I wanted the facts decided by an impartial fact finder. At the outset of that tenure in January of 1966, the Commonwealth was a party to the proceeding and, like the defendant, had a right to demand a jury trial. I did demand jury trials because I found that the assignment to specific judges was not random and did on some occasions have inappropriate motivations.

During the course of my tenure as district attorney, the State supreme court made a change in the criminal rules and took away the right of the district attorney to demand a jury trial. That was recently reinstated by a constitutional amendment so that the experience I have seen requires a very heavy emphasis on the random selection.

During my tenure as district attorney, we reformed the entire minor judiciary of Philadelphia known as magistrates because of widespread corruption and inappropriate practices in that judicial system. While this in no way reflects upon the Federal courts of the United States, which I think are of uniformly high quality, I do believe that the principle of random selection of judges is a very important principle. I do believe there ought to be an exception if there is a related case; that is, where a judge was assigned a case on a random basis and another matter comes in where there are very similar, if not identical, questions of fact and questions of the parties. But this legislation removes at least the appearance and the question that there may be some collateral motivation.

To reiterate, I seek recognition today to introduce the Random Selection of Judges Act of 1999, a bill which will require that cases in Federal court be assigned to judges randomly, by means of a computer program. I believe that only the random assignment of cases to judges will ensure blind justice in our courts.

This power to assign cases creates the potential for abuse. An assigning judge who is so inclined could attempt to alter the outcome of a case by assigning it to a judge who, in the opinion of the chief judge, holds a ''correct'' view on the issue at hand.

A story recently in the news clearly demonstrates the potential for abuse under the current system. Over the weekend, the Associated Press reported that Judge Norma Holloway Johnson, Chief Judge of the District Court for the District of Columbia, bypassed the traditional random computer assignment system in her court and instead directly assigned criminal cases against certain presidential friends to judges appointed by President Clinton. Specifically, the campaign finance case against Charlie Trie was assigned to Judge Paul L. Friedman, and the tax cases against Webster Hubbell were assigned to Judge James Robertson. According to the news reports, Judge Johnson's decision to abandon random assignment in these high profile cases raised concerns among several other judges on her court. It was also reported that these judges raised concerns because Judge Robertson is friends with Vernon Jordan, who played a role in the Hubbell affair, and Judge Friedman is friends with Reid Weingarten, who represents the defendants in two fundraising cases before Friedman.

According to the Associated Press article, it has been asserted by some that

Judge Johnson assigned these cases to Clinton appointees because they would be more sympathetic to the President and his friends than Republican appointees who may have gotten the cases through random assignment. Judge Johnson has denied any political or other improper motive in a letter to the Washington Times. The fact is that Judge Johnson herself issued a number of rulings against President Clinton, including her rulings rejecting privilege claims by White House lawyer Bruce Lindsey and the Secret Service. But no matter what Judge Johnson's motives, her actions make quite clear that, under the current system, the potential for abuse does exist.

Currently, the Judicial Conference, which is the policymaking body for the federal judiciary, recommends that Federal courts randomly assign cases. In fact, in March the conference even rescinded its 28-year-old policy that recommended giving chief judges latitude to make special assignments of ''protracted, difficult, or widely publicized cases.'' But there is still no requirement that Federal courts randomly assign cases. The problem with mere recommendations is that they can be ignored. If we believe that cases should be randomly assigned, then we must require that cases be randomly assigned.

My bill imposes such a requirement. Under my bill, the chief judges of the Federal district and circuit courts must assign cases by means of an automated random assignment program. Recognizing that there are some instances in which it would serve the interests of efficiency to allow the chief judges to directly assign cases to specific judges, my bill includes two important exceptions to the random assignment requirement. First, chief judges will be permitted to directly assign a case to a judge who has already heard a related case. A related case is defined as one which involves substantially the same facts, individuals and/or property as a case previously before the court. For instance, a case against a defendant in a bank robbery could be directly assigned to a judge who already heard the case against another defendant in the same bank robbery.

Secondly, chief judges will be permitted to directly assign a technical case to a judge who is already familiar with the subject matter at issue. Technical cases are defined as those which involve specialized, unusually complex facts or subject matter and which would demand a great deal of time to master. For example, an asbestos liability case could be directly assigned to a judge who has already developed an expertise in handling asbestos liability cases.

While Congress should not micromanage the Courts, the legislation I introduce today is reasonable, limited, and well within our power. Article 1, Section 8, Clause 9 of the Constitution gives Congress the power to ''constitute Tribunals inferior to the supreme Court.'' Pursuant to this power, Congress established the Federal circuits and originally assigned Supreme Court justices to ride these circuits. Under this power, Congress eventually established the Federal district courts and outlined their jurisdiction. The sections of the Federal Code I seek to amend today—which permit the assignment of judges in accordance with court rules—were themselves Congressional enactments. Even in recent years, Congress has imposed restrictions on the procedures of the courts. For example, the Anti-Terrorism Bill of 1996 contained a provision I authored to reform habeas corpus. This provision imposes strict time limits on both the filing of habeas corpus petitions and the response by the courts to such petitions. Likewise, many bills we pass include requirements that certain cases be heard by the Courts on an expedited basis.

Mr. President, I feel strongly that my bill should not become a partisan issue. As I mentioned before, one's opinion of Judge Johnson and her actions is entirely beside the point. Judge Johnson's reported actions merely make us aware of the potential for abuse in our current system and the need to rectify it. I hope my colleagues will join me in supporting this necessary, common-sense legislation.

I ask unanimous consent that the bill be printed.

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

S. 1484

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

SECTION 1. SHORT TITLE.

(A) SHORT TITLE.—This act may be cited as the ''Random Selection of Judges Act of 1999.''

SECTION 2. ASSIGNMENT OF CASES IN DISTRICT COURT.

Title 28, United States Code is amended—

(1) in section 137 as follows:

(A) By adding the words, ''Except as provided below,'' at the beginning of the first paragraph.

(B) By deleting the words ''and assign in cases'' in the middle of the second paragraph.

(C) By inserting the following new paragraphs at the end of the section:

''Except as provided below, the chief judge of the district court shall assign all cases by means of an automated random assignment program provided by the Administrative Office of the United States Courts.

''Notwithstanding the foregoing, the chief judge of the district court may directly assign related cases and technical cases to a specific judge without using the automated random assignment program. The chief judge may directly assign a related case only to a judge who is hearing or has heard a case or cases to which the new case relates. The chief judge may directly assign a technical case only to a judge who has significant experience with the subject matter at issue.

''For purposes of this section, a 'related case' is a case which involves substantially the same facts, individuals, and/or property as a case previously or contemporaneously before the court.

''For purposes of this section, a 'technical case' is a case which involves specialized, unusually complex facts or subject matter and which would demand a significant investment of time for a judge to master.''

SECTION 3. ASSIGNMENT OF CASES IN CIRCUIT COURT.

Title 28, United States Code is amended—

(1) in section 46 as follows:

(A) By adding the words, ''in accordance with the procedures outlined in Section 46(e),'' at the end of Section 46(a).

(B) By adding the words, ''In accordance with the procedures outlined in Section 46(e)'' at the beginning of Section 46(b).

(C) By inserting the following new Section 46(e) at the end of the section:

''Except as provided below, the chief judge of the circuit court shall assign all cases by means of an automated random assignment program provided by the Administrative Office of the United States Courts.

''Notwithstanding the foregoing, the chief judge of the circuit court may directly assign related cases and technical cases to a specific judge or judges without using the automated random assignment program. The chief judge may directly assign a related case only to a judge or judges who are hearing or have heard a case or cases to which the new case relates. The chief judge may directly assign a technical case only to a judge or judges who have significant experience with the subject matter at issue.

''For purposes of this section, a 'related case' is a case which involves substantially the same facts, individuals, and/or property as a case previously or contemporaneously before the court.

''For purposes of this section, a 'technical case' is a case which involves specialized, unusually complex facts or subject matter and which would demand a significant investment of time for a judge to master.''

By Ms. LANDRIEU (for Mr. NICKLES (for himself, Ms. LANDRIEU, Mr. ASHCROFT, Mr. BOND, Mr. BROWNBACK, Mr. CHAFEE, Mr. COCHRAN, Mr. CRAIG, Mr. DEWINE, Mr. EDWARDS, Mr. GRASSLEY, Mr. HOLLINGS, Mr. INHOFE, Mr. KENNEDY, Mr. LEVIN, Mr. LOTT, Mr. ROCKEFELLER, and Mr. SMITH of Oregon)):

S. 1485. A bill to amend the Immigration and Nationality Act to confer United States citizenship automatically and retroactively on certain foreign-born children adopted by citizens of the United States; to the Committee on the Judiciary.

ADOPTED ORPHANS CITIZENSHIP ACT

Ms. LANDRIEU. Mr. President, I am proud to join the Senator from Oklahoma, Mr. DON NICKLES, and a number of my colleagues, including Senators ASHCROFT, BOND, BROWNBACK, CHAFEE, COCHRAN, CRAIG, DEWINE, EDWARDS, GRASSLEY, HOLLINGS, INHOFE, KENNEDY, LEVIN, LOTT, ROCKEFELLER, and GORDON SMITH in introducing a very important piece of legislation called the Adopted Orphans Citizenship Act.

As you can see from this long list of distinguished Members, the Adopted Orphans Citizenship Act is an important piece of legislation and one I hope, by introducing it today, we could actually have some committee and floor action on in the weeks and months ahead. I commend Senator NICKLES for his leadership. We have presented this bill on behalf of the 15,000 children who are adopted into our country each year through the process of international adoption.

A few weeks ago, I had the great privilege to join Senator LEVIN and others to travel to Romania and had the opportunity to see firsthand the institutions and orphanages. Over 100,000 children of Romania call these places home, but they in fact do not look much like homes, as you can imagine. The staff at these homes try very hard to give the children in their care the love and support they need as they grow and mature, yet the fact is they are living in these institutions. Nothing can really supplant or take the place of a family or home to call your own.

Not only in Romania but in many places in the world, American families are building their families through the process of international adoption. Last year alone, 15,000 families opened their homes and their hearts to adopt a child from another country, and 85,000 families adopted children from within the United States. But this bill is directed at the families who are bringing children from other parts of the world to come and be part of an American family and become American citizens. What people may not realize is that now, when the adoption process is final, when all the paperwork has been done, after all the time and energy and in some cases a considerable amount of financial expense that is associated with these particular adoptions, under our current law, these children and these families still have to go through a citizenship process.

This bill will basically make that process automatic and would, as the other parts of our law, recognize no difference between a child who is a biological child and a child who is an adopted child. It simplifies our law, it reduces paperwork, it reduces heartaches, reduces headaches, and really is something we should have done years ago. I am proud to join my colleagues today to introduce this legislation that, if passed, will make it automatic that children who are adopted into families in the United States will receive, with their adoption finalization, automatic citizenship, to be citizens of the United States of America.

I think this change is long overdue. I can say, as the mother of two beautiful adopted children, obviously there is no difference between biological and adopted children. Both are wonderful ways to build families. Through the adoption process, many families in the United States are able to provide homes for children who were not fortunate enough to have them the first time around. So I am happy to join my colleagues to introduce this bill.

I send it to the desk and ask it be referred to the proper committee, and I ask unanimous consent the bill be printed in the RECORD.

There being no objection the bill was ordered to be printed in the RECORD, as follows:

S. 1485

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 ''Adopted Orphans Citizenship Act''.

SEC. 2. ACQUISITION OF UNITED STATES CITIZENSHIP BY CERTAIN ADOPTED CHILDREN.

(a) AMENDMENTS TO THE IMMIGRATION AND NATIONALITY ACT.—Section 301 of the Immigration and Nationality Act (8 U.S.C. 1401) is amended—

(1) by striking ''and'' at the end of subsection (g);

(2) by striking the period at the end of subsection (h) and inserting ''; and''; and

(3) by adding at the end the following:

''(i) an unmarried person, under the age of 18 years, born outside the United States and its outlying possessions and thereafter adopted by at least one parent who is a citizen of the United States and who has been physically present in the United States or one of its outlying possessions for a period or periods totaling not less than 5 years prior to the adoption of the person, at least 2 of which were after attaining the age of 14 years, if—

''(1) the person is physically present in the United States with the citizen parent, having attained the status of an alien lawfully admitted for permanent residence;

''(2) the person satisfied the requirements in subparagraph (E) or (F) of section 101(b)(1); and

''(3) the person seeks documentation as a United States citizen while under the age of 18 years.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply with respect to persons adopted before, on, or after the date of enactment of this Act.

By Mr. GORTON:

S. 1486. A bill to establish a Take Pride in America Program; to the Committee on Energy and Natural Resources.

TAKE PRIDE IN AMERICA VOLUNTEER RECOGNITION ACT OF 1999

Mr. GORTON. Mr. President, I am delighted to introduce the Take Pride in America Volunteer Recognition Act of 1999, legislation which will revitalize and expand an important program created in the 1980's to enhance the legacy of the Great Outdoors.

Each American is part owner of an incredible asset—millions and millions of acres of national parks, national forests, national wildlife refuges and other public lands. These wonderful places are part of the legacy each of us shares, whether we live in my state of Washington or on the other side of the nation. We visit these places often and for a variety of reasons. Together, federal lands attract nearly two billion visits annually. Americas' Great Outdoors is a place for active fun—for skiing and fishing, camping and whitewatersports—as well as for quite time away from our cities, jobs and commutes.

Years ago, an important initiative was launched to encourage Americans to enjoy this legacy, and take responsibility for protecting it for future generations. The program was called Take Pride in America and had three components. The first portion was a public awareness campaign, designed to emphasize the importance of caring for federal lands and water. The second portion was an environmental education program for school children and for visitors to public lands. The third portion was a volunteer recruitment and recognition effort.

The Take Pride in America program received the support of a great number of well-known Americans. Public Service Announcements and appearances were contributed by Clint Eastwood and Linda Evans, Lou Gossett and Charles Bronson, Gerald McRainey and even ALF. The Oak Ridge Boys wrote and recorded to Take Pride in America theme song, and donated all royalties to the program. Forty-seven governors initiated Take Pride programs within their states, recognizing outstanding volunteers ranging from young children to seniors. Volunteers from across the nation came to Washington for an annual national recognition event at the White House and similar prominent locations. The Ad Council obtained professional support for the program and donated placements for PSA's—in fact, some of the elements of this campaign continue to run.

The results were good. Volunteerism for America's Great Outdoors surged and vandalism decline. Agencies such as the National Park Service, the Bureau of Land Management, the Forest Service and the Corps of Engineers were given a new tool to recruit and recognize Americans who invested their time and energy into enhancing our shared wealth of parks and forests.

Other priorities have put the Take Pride in America Program on hold in recent years. It is time to take this tool out and put it to good use once again.

Our public lands have maintenance and enhancement needs that exceed our ability to fund through general appropriations. We are now experimenting with new recreation fees and other mechanisms to attack a deferred maintenance backlog amounting to more than one billion dollars.

My legislation would restore and expand the program created by Congress in 1990, recommitting us to all three parts of the original program. It would

also strengthen the program to reflect a special opportunity associated with the National Fee Demonstration Program created in 1996, which provides nearly $200 million annually in additional resources to four key federal land systems. The legislation would strengthen our volunteer programs in several ways, including the establishment of a special pass to recognize volunteers who serve 50 hours or more on federal public lands.

In my state, the Forest Service has done a tremendous job of organizing and utilizing the skills and enthusiasm of volunteers committed to improving our forests. The volunteer programs in the Northwest vary from forest to forest. Typically, groups like the Student Conservation Association, Mountaineers, Mazamas, and Backcountry Horsemen of Washington contract with the National Forest Service to complete specific projects designed to improve the health of the forests and enhance recreational opportunities. Individuals within these associations can earn passes for free access at national forest trailheads in the Pacific Northwest. I think this program is outstanding, and I want the Forest Service to continue accommodating and encouraging the efforts of volunteers. This bill is designed to encore these types of volunteer programs in other regions of the National Forest Service, the National Park Service, the Bureau of Land Management, and the U.S. Fish and Wildlife Service. In addition, I want to recognize the special efforts of volunteers who contribute over 50 hours of work on federal lands. The legislation directs the Department of Interior and Department of Agriculture to recognize these individuals with a pass to recreation areas throughout the federal system.

I look forward to exploring appropriate means for recognition of volunteers as this legislation is considered in the hearing process. We need to consider carefully the relationship between the special Take Pride in America Pass and other passes, including the Golden Eagle and Golden Age passes.

This legislation also will serve as a catalyst for expanding the scope of volunteer programs on federal lands. Too often in the past, our expectations for volunteer projects have focused on projects requiring shovels or paint brushes and requiring high levels of physical exertion. The truth is that important volunteer projects that can protect and enhance America's Great Outdoors are far more diverse. We need skills senior Americans have developed during a lifetime of living and learning, from research in libraries to teaching. We need those with special talents and gifts, from architects to web page designers, from attorneys—yes, even attorneys—to masons. We need to have meaningful projects for those with just a few hours to contribute as well as for those who are prepared to make an ongoing commitment of their time. Some of the projects can even be undertaken off-site. We need a good directory of needed volunteer undertakings that is widely available long before a volunteer shows up at a forest or park headquarters.

To the hundreds of thousands of Americans who already spend time protecting and enhancing America's public lands—covering nearly one in three acres of the nation—I give my thanks and ask for help in devising a system that recognizes the wonderful contribution you make and inspires millions of others to join in your important work. I also ask for the support of the Department of Interior and the Department of Agriculture for this legislation and its goal of taking better care of America's Great Outdoors.

By Mr. AKAKA (for himself, Mr. COCHRAN, Mrs. MURRAY, Mr. INOUYE, and Mr. KERREY):

S. 1487. A bill to provide for excellence in economic education, and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

EXCELLENCE IN ECONOMIC EDUCATION ACT OF 1999

Mr. AKAKA. Mr. President, I rise to speak about the Excellence in Economic Education Act of 1999, a bill I am introducing today with my friends, Senators COCHRAN, MURRAY, INOUYE, and KERREY.

With each passing day, the need for increased economic literacy becomes more and more apparent. The rise of Internet commerce, market globalization, advances in technology, growth of online investment services, and the increase in the number of Americans who invest in the stock market serve to highlight the importance of economic literacy for citizens of every age and professional background. I am convinced that more education about basic economic concepts such as money, personal finance, and inflation—starting from a young age—could help people make decisions about their financial situation, so that they can better prepare for and endure our changing economy.

We need to help young people better understand economic implications of their actions: they can't always get what they want; they need to be more responsible with money; and, they are learning fiscal habits now that will stay with them for the rest of their lives.

In addition to teaching our youth how to make good financial decisions, we must help them become productive and well-informed citizens. It has been shown that a lack of knowledge about fundamental economics can have negative effects on our economy and lead to divisions and polarization in our communities. Economic education can have profound long-term effects for all of us.

We must educate our country's future workforce about what effects the retirements of our ''baby boom generation'' will have on them. Currently, Social Security reform is one of the biggest issues that is before us. We are working to ensure that Social Security will remain solvent well into the next century.

As we know, the number of people receiving Social Security will surge from 44 million now to 75 million in 2020. Even if we achieve a truly bipartisan solution on Social Security, our young people will still feel the impact from this tremendous future demographic shift, and they should learn how to prepare themselves for security in retirement. Economic education can help them.

Mr. President, I would like to comment on the results of a basic economics test given nationally by the National Council on Economic Education, which provides further evidence of the need for increased economic education. Taken by 1,010 adults and 1,085 high school students, the test's findings are striking:

(1) half of adults and two-thirds of high school students failed, while only six percent of adults and three percent of high school students got an ''A'';

(2) on average, adults received a grade of 57 percent and high school students a grade of 48 percent;

(3) students and adults alike lacked a basic understanding about the concepts of money, inflation and scarcity of resources—core economic concepts;

(4) a sizeable number of students—35 percent—admitted that they simply do not know what the effect of an increase in interest rates would be; and

(5) only a little more than half of adults, 54 percent, and less than one in four students, 23 percent, know that a budget deficit occurs when the Federal Government's expenditures exceed its revenues for that year.

However, amid these disappointing results, the study found that 96 percent believe basic economics should be taught in high school. Currently, 38 states have adopted guidelines for teaching economics in their schools, but only 13 states require that students take economics in order to graduate. Clearly, people see the need for improved economic education, and this need exists in many States.

This brings me to a brief description of what the Excellence in Economic Education Act would do. My bill would ensure that a majority of total funds appropriated under the Act would be distributed to state councils on economic education and economic education centers based at universities to support the work that these entities are performing. It would support the National Council on Economic Education in economic literacy activities

that it conducts. It would also fund the creation of new councils and centers in states without a council or center.

The goals of the bill are to increase student knowledge of and achievement in economics; strengthen teachers' understanding of and ability to teach economics; encourage related research and development, dissemination of instructional materials, and replication of best practices and programs; help States measure the impact of economic education; ensure a strong presence of the nationwide network in every State; and leverage and increase private and public support for economic education partnerships at all levels.

Support for economic education is in the Goals 2000: Educate America Act which lists economics as a national core subject area.

My bill encourages the National Council and state councils and centers to work with local businesses and private industry as much as possible, particularly in obtaining matching funds.

Mr. President, we need to improve economic literacy for our children, just as we need to ensure reading literacy, writing aptitude, math and science comprehension, and an understanding of history and the arts. Economics is a fundamental, practical building block that should round out our children's education. I hope that my colleagues will join me in cosponsoring the Excellence in Economic Education Act.

For more specific details on the grants my bill creates, one-fourth of funds would be provided to the National Council, so that the council may strengthen and expand its nationwide economic education network, support and promote teacher training in coordination with current Eisenhower Professional Development activities, support related research, and develop and disseminate appropriate materials.

The remaining funds will be distributed by the National Council to state councils or centers, which will work in partnership with the private sector, state educational agencies, local educational agencies, institutions of higher education or other organizations that promote economic development or educational excellence. With this money, councils and centers will be able to fund teacher training programs, resources to school districts that want to incorporate economics into curricula, evaluations of the impact of economic education on students, related research, school-based student activities to promote consumer and personal finance education and to encourage awareness and student achievement in economics, interstate and international student and teacher exchanges, and replication of best practices to promote economic literacy.

The National Council runs an International Economics Exchange Program which is authorized in the Elementary and Secondary Education Act. This program assists with economic education in transition countries of the former Soviet Union, and enjoys broad support. My bill would boost the domestic component of the National Council's activities.

In addition, my bill puts increased emphasis on economics by adding it to the list of subject areas in Elementary and Secondary Education Act programs, such as National Teacher Training Project, Star Schools, Magnet Schools, Fund for the Improvement of Education, and Urban and Rural Education Assistance.

We are looking for ways to better educate our young people on how to manage their resources, be better workers, make wise investments, and prepare for a secure financial future. My bill provides the flexibility needed so that this may happen through practical means and make economics come alive for students. It is important to start working on this now. Before we know it, current eighth graders will have gone through high school, possibly college, and entered the workforce.

One again, I thank Senators COCHRAN, INOUYE, MURRAY, and KERREY for becoming original cosponsors of this bill, and I urge my colleagues to join us in cosponsoring the Excellence in Economic Education Act.

Mr. President, I ask unanimous consent that a copy of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1487

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

SECTION 1. EXCELLENCE IN ECONOMIC EDUCATION.

(a) AMENDMENT.—Title X of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8001 et seq.) is amended by adding at the end the following:

"PART L—EXCELLENCE IN ECONOMIC EDUCATION

"SEC. 10995. SHORT TITLE; FINDINGS.

"(a) SHORT TITLE.—This part may be cited as the "Excellence in Economic Education Act of 1999".

"(b) FINDINGS.—Congress makes the following findings:

"(1) The need for economic literacy in the United States has grown exponentially in the 1990's as a result of rapid technological advancements and increasing globalization, giving individuals in the United States more numerous and complex economic and financial choices than ever before as members of the workforce, managers of their families' resources, and voting citizens.

"(2) Individuals in the United States lack essential economic knowledge, as demonstrated in a 1998–1999 test conducted by the National Council on Economic Education, a private nonprofit organization. The test results indicated the following:

"(A) Students and adults alike lack a basic understanding of core economic concepts such as scarcity of resources and inflation, with less than half of those tested demonstrating knowledge of those basic concepts.

"(B) A little more than ⅓ of those tested realize that society must make choices about how to use resources.

"(C) Only ⅓ of those tested understand that active competition in the marketplace serves to lower prices and improve product quality.

"(D) Slightly more than ½ of adults in the United States and less than ¼ of students in the United States know that a Federal budget deficit is created when the Federal Government's expenditures exceed its revenues in a year.

"(E) Overall, adults received a grade of 57 percent on the test and secondary school students received a grade of 48 percent on the test.

"(F) Despite those poor results, the test pointed out that individuals in the United States realize the need for understanding basic economic concepts, with 96 percent of adults tested believing that basic economics should be taught in secondary school.

"(3) A range of trends points to the need for individuals in the United States to receive a practical economics education that will give the individuals tools to make responsible choices about their limited financial resources, choices which face all people regardless of their financial circumstances. Examples of the trends are the following:

"(A) The number of personal bankruptcies in the United States continued to rise and set new records in the 1990's, despite the longest peacetime economic expansion in United States history. One in every 70 United States households filed for bankruptcy in 1998. Rising bankruptcies have an impact on the cost and availability of consumer credit which in turn negatively affect overall economic growth.

"(B) Credit card delinquencies in the United States rose to 1.83 percent in 1998, which is a percentage not seen since 1992 when the effects of a recession were still strong.

"(C) The personal savings rate in the United States over the 5 years ending in 1998 averaged only 4.5 percent. In the first quarter of 1999, the personal savings rate dropped to negative 0.4 percent. A decline in savings rates reduces potential investment and economic growth.

"(D) By 2030, the number of older persons in the United States will grow to 70,000,000, more than twice the number of older persons in the United States in 1997. The additional older persons will add significantly to the population of retirees in the United States and require a shift in private and public resources to attend to their specific needs. The needs will have dramatic, long-term economic consequences for younger generations of individuals in the United States workforce who will need to plan well in order to support their families and ensure themselves a secure retirement.

"(4) The third National Education Goal puts economics forth as 1 of 9 core content areas in which teaching, learning, and students' mastery of basic and advanced skills must improve.

"(5) The National Council on Economic Education presents a compelling case for doing more to meet the need for economic literacy. While an understanding of economics is necessary to help the next generation to think, choose, and function in a changing global economy, economics has too often been neglected in schools.

"(6) States' requirements for economic and personal finance education are insufficient

as evidenced by the fact that, while 39 States have adopted educational standards (including guidelines or proficiencies) in economics—

''(A) only 13 of those States require all students to take a course in economics before graduating from secondary school;

''(B) only 25 States administer tests to determine whether students meet the standards; and

''(C) only 27 States require that the standards be implemented in schools.

''(7) Improved and enhanced national, State, and local economic education efforts, conducted as part of the Campaign for Economic Literacy led by the National Council on Economic Education, will help individuals become informed consumers, conscientious savers, prudent investors, productive workforce members, responsible citizens, and effective participants in the global economy.

''(8)(A) Founded in 1949, the National Council on Economic Education is the preeminent economic education organization in the United States, having a nationwide network that supports economic education in the Nation's schools.

''(B) This network supports teacher preparedness in economics through—

''(i) inservice teacher education;

''(ii) classroom-tested materials and appropriate curricula;

''(iii) evaluation, assessment, and research on economics education; and

''(iv) suggested content standards for economics.

''(9) The National Council on Economic Education network includes affiliated State Councils on Economic Education and more than 275 university or college-based Centers for Economic Education. This network represents a unique partnership among leaders in education, business, economics, and labor, the purpose of which is to effectively deliver economic education throughout the United States.

''(10) Each year the National Council on Economic Education network trains 120,000 teachers, reaching more than 7,000,000 students. By strengthening the Council's nationwide network, the Council can reach more of the Nation's 50,000,000 students.

''(11) The National Council on Economic Education conducts an international economic education program that provides information on market principles to the world (particularly emerging democracies) through teacher training, materials translation and development, study tours, conferences, and research and evaluation. As a result of those activities, the National Council on Economic Education is helping to support educational reform and build economic education infrastructures in emerging market economies, and reinforcing the national interest of the United States.

''(12) Evaluation results of economics education activities support the following conclusions:

''(A) Inservice education in economics for teachers contributes significantly to students' gains in economic knowledge.

''(B) Secondary school students who have taken economics courses perform significantly better on tests of economic literacy than do their counterparts who have not taken economics.

''(C) Economics courses contribute significantly more to gains in economic knowledge than does integration of economics into other subjects.

''(13) Through partnerships, the National Council on Economic Education network leverages support for its mission by raising $35,000,000 from the private sector, universities, and States.

''SEC. 10996. EXCELLENCE IN ECONOMIC EDUCATION.

''(a) PURPOSE.—The purpose of this part is to promote economic literacy among all United States students in kindergarten through grade 12 by enhancing national leadership in economic education through the strengthening of a nationwide economic education network and the provision of resources to appropriate State and local entities.

''(b) GOALS.—The goals of this part are—

''(1) to increase students' knowledge of and achievement in economics to enable the students to become more productive and informed citizens;

''(2) to strengthen teachers' understanding of and competency in economics to enable the teachers to increase student mastery of economic principles and their practical application;

''(3) to encourage economic education research and development, to disseminate effective instructional materials, and to promote replication of best practices and exemplary programs that foster economic literacy;

''(4) to assist States in measuring the impact of education in economics, which is 1 of 9 national core content areas described in section 306(c) of the Goals 2000: Educate America Act (20 U.S.C. 5886(c));

''(5) to extend strong economic education delivery systems to every State; and

''(6) to leverage and expand private and public support for economic education partnerships at national, State, and local levels.

''SEC. 10997. GRANT PROGRAM AUTHORIZED.

''(a) GRANTS TO THE NATIONAL COUNCIL ON ECONOMIC EDUCATION.—

''(1) IN GENERAL.—The Secretary is authorized to award a grant to the National Council on Economic Education (referred to in this section as the 'grantee'), which is a nonprofit educational organization that has as its primary purpose the improvement of the quality of student understanding of economics through effective teaching of economics in the Nation's classrooms.

''(2) USE OF GRANT FUNDS.—

''(A) ONE-QUARTER.—The grantee shall use ¼ of the funds made available through the grant and not reserved under subsection (f) for a fiscal year—

''(i) to strengthen and expand the grantee's nationwide network on economic education;

''(ii) to support and promote training, of teachers who teach a grade from kindergarten through grade 12, regarding economics, including the dissemination of information on effective practices and research findings regarding the teaching of economics;

''(iii) to support research on effective teaching practices and the development of assessment instruments to document student performance;

''(iv) to develop and disseminate appropriate materials to foster economic literacy; and

''(v) to coordinate activities assisted under this section with activities assisted under title II.

''(B) THREE-QUARTERS.—The grantee shall use ¾ of the funds made available through the grant and not reserved under subsection (f) for a fiscal year to award grants to State economic education councils, or in the case of a State that does not have a State economic education council, a center for economic education (which council or center shall be referred to in this section as a 'recipient'). The grantee shall award such a grant to pay for the Federal share of the cost of enabling the recipient to work in partnership with 1 or more of the entities described in paragraph (3) for 1 or more of the following purposes:

''(i) Collaboratively establishing and conducting teacher training programs that use effective and innovative approaches to the teaching of economics.

''(ii) Providing resources to school districts that want to incorporate economics into the curricula of the schools in the districts.

''(iii) Conducting evaluations of the impact of economic education on students.

''(iv) Conducting economic education research.

''(v) Creating and conducting school-based student activities to promote consumer, economic, and personal finance education, such as saving, investing, and entrepreneurial education, and to encourage awareness and student achievement in economics.

''(vi) Establishing interstate and international student and teacher exchanges to promote economic literacy.

''(vii) Encouraging replication of best practices to encourage economic literacy.

''(C) ADDITIONAL REQUIREMENTS AND TECHNICAL ASSISTANCE.—The grantee shall—

''(i) meet such other requirements as the Secretary determines to be necessary to assure compliance with this section; and

''(ii) provide such technical assistance as may be necessary to carry out this section.

''(3) PARTNERSHIP ENTITIES.—The entities referred to in paragraph (2)(B) are the following:

''(A) A private sector entity.

''(B) A State educational agency.

''(C) A local educational agency.

''(D) An institution of higher education.

''(E) Another organization promoting economic development.

''(F) Another organization promoting educational excellence.

''(4) ADMINISTRATIVE COSTS.—The grantee and each recipient receiving a grant under this section for a fiscal year may use not more than 25 percent of the funds made available through the grant for administrative costs.

''(b) TEACHER TRAINING PROGRAMS.—

''(1) IN GENERAL.—In carrying out the teacher training programs described in subsection (a)(2)(B) a recipient shall—

''(A) train teachers who teach a grade from kindergarten through grade 12;

''(B) conduct programs taught by qualified teacher trainers who can tap the expertise, knowledge, and experience of classroom teachers, private sector leaders, and other members of the community involved, for the training; and

''(C) encourage teachers from disciplines other than economics to participate in such teacher training programs, if the training will promote the economic understanding of their students.

''(2) RELEASE TIME.—Funds made available under this section for the teacher training programs described in subparagraphs (A) and (B) of subsection (a)(2) may be used to pay for release time for teachers and teacher trainers who participate in the training.

''(c) INVOLVEMENT OF BUSINESS COMMUNITY.—In carrying out the activities assisted under this part the grantee and recipients are encouraged to—

''(1) include interactions with the local business community to the fullest extent possible, to reinforce the connection between economic education and economic development; and

''(2) work with private businesses to obtain matching contributions for Federal funds

and assist recipients in working toward self-sufficiency.

''(d) FEDERAL SHARE.—

''(1) IN GENERAL.—The Federal share of the cost described in subsection (a)(2)(B) shall be 50 percent. The Federal share of the cost of establishing a State council on economic education or a center for economic education under subsection (f), for 1 fiscal year only, shall be 75 percent.

''(2) NON-FEDERAL SHARE.—The non-Federal share may be paid in cash or in kind, fairly evaluated, including plant, equipment, or services.

''(e) APPLICATIONS.—

''(1) GRANTEE.—To be eligible to receive a grant under this section, the grantee shall submit to the Secretary an application at such time, in such manner, and accompanied by such information as the Secretary may require.

''(2) RECIPIENTS.—

''(A) IN GENERAL.—To be eligible to receive a grant under this section, a recipient shall submit an application to the grantee at such time, in such manner, and accompanied by such information as the grantee may require.

''(B) REVIEW.—The grantee shall invite the individuals described in subparagraph (C) to review all applications from recipients for a grant under this section and to make recommendations to the grantee regarding the funding of the applications.

''(C) INDIVIDUALS.—The individuals referred to in subparagraph (B) are the following:

''(i) Leaders in the fields of economics and education.

''(ii) Such other individuals as the grantee determines to be necessary.

''(f) SPECIAL RULE.—For each State that does not have a recipient in the State, as determined by the grantee, not less than the greater of 1.5 percent or $100,000 of the total amount appropriated under subsection (i), for 1 fiscal year, shall be made available to the State to pay for the Federal share of the cost of establishing a State council on economic education or a center for economic education in partnership with a private sector entity, an institution of higher education, the State educational agency, and other organizations.

''(g) SUPPLEMENT AND NOT SUPPLANT.—Funds appropriated under this section shall be used to supplement and not supplant other Federal, State, and local funds expended for the purpose described in section 10996(a).

''(h) REPORT.—The Secretary shall prepare and submit to the appropriate committees of Congress a report regarding activities assisted under this section not later than 2 years after the date funds are first appropriated under subsection (i) and every 2 years thereafter.

''(i) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this part $10,000,000 for fiscal year 2000, and such sums as may be necessary for each of the 4 succeeding fiscal years.''.

(b) RELATED AMENDMENTS.—The Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.) is amended—

(1) in section 2103(a)(2)(I) (20 U.S.C. 6623(a)(2)(I)), by inserting ''economics,'' after ''civics and government,'';

(2) in section 3206(b)(4) (20 U.S.C. 6896(b)(4)), by inserting ''economics,'' after ''history,'';

(3) in section 5108(b) (20 U.S.C. 7208(b)), by inserting ''economics,'' after ''history,'';

(4) in section 10101(b)(1)(A)(iii) (20 U.S.C. 8001(b)(1)(A)(iii)), by striking ''and social studies'' and inserting ''social studies, and economics,'';

(5) in section 10963(b)(4) (20 U.S.C. 8283(b)(4))—

(A) in subparagraph (E), by striking ''and'' after the semicolon;

(B) in subparagraph (F), by inserting ''and'' after the semicolon; and

(C) by adding at the end the following:

''(G) economic education and other programs designed to enhance economic literacy and personal financial responsibility;''; and

(6) in section 10974(a)(8)(H) (20 U.S.C. 8294(a)(8)(H)), by striking ''local rural entrepreneurship'' and inserting ''promoting economic literacy, local rural entrepreneurship,''.

By Mr. BIDEN:

S. 1489. A bill to amend title 38, United States Code, to provide for the payment to States of pilot allowances for certain veterans eligible for burial in a national cemetery who are buried in cemeteries of such States.

VETERANS' PLOT ALLOWANCE EQUITY

● Mr. BIDEN. Mr. President, today I am introducing legislation which provides equity for a group of veterans at their final moment: those veterans who are buried in State-owned veterans' cemeteries.

For a number of years, the amount of space in national veterans' cemeteries has been rapidly declining. With the strong encouragement of the Federal government, the States have undertaken to develop their own veterans' cemeteries. When certain categories of veterans are buried without charge in these State veterans' cemeteries, the Federal government pays the State a $150 ''plot allowance'' for the burial space. However, only limited categories of veterans are covered by this payment: those who were discharged for disability or who were receiving disability-related compensation; those who died in a veterans hospital; and those indigent veterans whose bodies were unclaimed after death.

For the many other veterans who don't fall into one of these few categories, the federal government will pay nothing for their burial space if they are buried in a State veterans' cemetery. By contrast, if any of these veterans were buried in a national veterans' cemetery, for which they are eligible, the federal government picks up the cost of the burial space. This disparity seems inexplicable, a final insult to the dedicated service of men and women who unselfishly served their country.

My bill removes this inequity by stating that, for any veteran who is eligible for burial in a national veterans' cemetery but who is interred in a State veterans' cemetery, the federal government will pay the State a $150 plot allowance for the burial space. That's it. No ifs, ands, or buts. No exceptions.

The government promised these veterans that they would be taken care of in their final passage, and it must live up to this vow. Regardless of whether veterans are buried in a State cemetery or in a national cemetery, their service in the armed forces benefitted all of us, and we should stop quibbling about whether the location of the grave has anything to do with the dignity and selflessness of the service to the country.

Mr. President, I urge my fellow Senators to support this bill in the name of fairness and in recognition of the service to the country of all our veterans in their final hour.●

By Mr. THOMPSON (for himself and Mr. FRIST):

S. 1490. A bill to amend the Internal Revenue Code of 1986 to allow a deduction for State and local sales taxes in lieu of State and local income taxes; to the Committee on Finance.

DEDUCTIBILITY OF STATE SALES TAXES

● Mr. THOMPSON. Mr. President, I rise today to introduce legislation that will address an inequity in the tax code that affects the citizens of my state and citizens of the other states that do not have a state income tax. Tennesseans are discriminated against under federal tax laws simply because our state chooses to raise revenue primarily through a sales tax instead of an income tax. My bill would end this inequity by allowing taxpayers to deduct either their state and local sales taxes or their state and local income taxes on their federal tax forms, but not both. I am joined today by my colleague from Tennessee, Senator FRIST.

Under current law, individuals who itemize their deductions for federal tax purposes are only permitted to deduct state and local income taxes and property taxes paid. State and local sales taxes are not deductible. Therefore, residents of nine states are treated differently from residents of states with an income tax. Seven states—Texas, Florida, Alaska, Wyoming, Washington, South Dakota and Nebraska—have no state income tax. Two states—Tennessee and New Hampshire—only impose an income tax on interest and dividends, but not wages.

Prior to 1986, taxpayers were permitted to deduct all of their state and local taxes paid (including income, sales and property taxes) when computing their federal tax liability. The ability to deduct all state and local taxes is based on the principle that levying a tax on a tax is unfair.

In 1986, however, Congress made dramatic changes to the tax code. The Tax Reform Act of 1986 significantly reduced federal tax rates on individuals. In exchange for these lower rates, Congress broadened the base of income that is taxed by eliminating many of the deductions and credits that previously existed in the code, including the deduction for state and local sales taxes.

Mr. President, I believe that our federal tax laws should be neutral with respect to the treatment of state and

local taxes. As I have said, that is not the case now. The current tax code is biased in favor of states that raise revenue through an income tax. I strongly support comprehensive reform of the tax code that will address issues such as neutrality, fairness and simplicity. As we work to reform the overall tax code, restoring equality in this area should be a part of the discussion.●

By Mr. MACK (for himself, Mr. ABRAHAM, Mr. ALLARD, Mr. BENNETT, Mr. BROWNBACK, Mr. HAGEL, Mr. HELMS, and Mr. SHELBY):

S. 1492. A bill to require the Board of Governors of the Federal Reserve System to focus on price stability in establishing monetary policy to ensure the stable, long-term purchasing power of the currency, to repeal the Full Employment and Balanced Growth Act of 1978, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs.

ECONOMIC GROWTH AND PRICE STABILITY ACT OF 1999

● Mr. MACK. Mr. President, I ask that the text of the bill be printed in the RECORD.

The bill follows:

S. 1492

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 ''Economic Growth and Price Stability Act of 1999''.

SEC. 2. FINDINGS; STATEMENT OF POLICY.

(a) FINDINGS.—The Congress finds that—

(1) during periods of inflation, the United States has experienced a deterioration in its potential economic growth;

(2) a decline in inflation has been a crucial factor in encouraging recent robust economic growth;

(3) stable prices facilitate higher sustainable levels of economic growth, investment, and job creation;

(4) the multiple policy goals of the Full Employment and Balanced Growth Act of 1978 cause confusion and ambiguity about the appropriate role and aims of monetary policy, which can add to volatility in economic activity and financial markets, harming economic growth and costing workers jobs;

(5) recognizing the dangers of inflation and the appropriate role of monetary policy, political leaders in countries throughout the world have directed the central banks of those countries to institute reforms that focus monetary policy on the single objective of price stability, rather than on multiple policy goals;

(6) there is a need for the Congress to clarify the proper role of the Board of Governors of the Federal Reserve System in economic policymaking, in order to achieve the best environment for long-term economic growth and job creation; and

(7) because price stability is a key condition for maintaining the highest possible levels of productivity, real incomes, living standards, employment, and global competitiveness, price stability should be the primary long-term goal of the Board of Governors of the Federal Reserve System.

(b) STATEMENT OF POLICY.—It is the policy of the United States that—

(1) the principal economic responsibilities of the Government are to establish and ensure an environment that is conducive to both long-term economic growth and increases in living standards, by establishing and maintaining free markets, low taxes, respect for private property, and the stable, long-term purchasing power of the United States currency; and

(2) the primary long-term goal of the Board of Governors of the Federal Reserve System (hereafter in this Act referred to as the ''Board'') should be to promote price stability.

SEC. 3. MONETARY POLICY.

(a) AMENDMENT TO THE FEDERAL RESERVE ACT.—Section 2A of the Federal Reserve Act (12 U.S.C. 225a) is amended to read as follows:

''SEC. 2A. MONETARY POLICY.

''(a) PRICE STABILITY.—The Board and the Federal Open Market Committee (hereafter in this section referred to as the 'Committee') shall—

''(1) establish an explicit numerical definition of the term 'price stability'; and

''(2) maintain a monetary policy that effectively promotes long-term price stability.

''(b) CONGRESSIONAL CONSULTATION.—Not later than February 20 and July 20 of each year, the Board shall consult with the Congress at semiannual hearings before the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking and Financial Services of the House of Representatives, about the objectives and plans of the Board and the Committee with respect to achieving and maintaining price stability.

''(c) CONGRESSIONAL OVERSIGHT.—The Board shall, concurrent with each semiannual hearing required by subsection (b), submit a written report to the Congress containing—

''(1) numerical measures to help assess the extent to which the Board and the Committee are achieving and maintaining price stability in accordance with subsection (a);

''(2) a description of the intermediate variables used by the Board to gauge the prospects for achieving the objective of price stability; and

''(3) the definition, or any modifications thereto, of 'price stability' established in accordance with subsection (a)(1).''.

(b) COMPLIANCE ESTIMATE.—

(1) IN GENERAL.—Concurrent with the first semiannual hearing required by section 2A(b) of the Federal Reserve Act (as amended by subsection (a) of this section) following the date of enactment of this Act, the Board shall submit to the Congress a written estimate of the length of time it will take for the Board and the Committee to fully achieve price stability. The Board and the Committee shall take into account any potential short-term effects on employment and output in complying with the goal of price stability.

(2) DEFINITIONS.—For purposes of this section—

(A) the term ''Board'' means the Board of Governors of the Federal Reserve System; and

(B) the term ''Committee'' means the Federal Open Market Committee.

SEC. 4. REPEAL OF OBSOLETE PROVISIONS.

(a) FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1978.—The Full Employment and Balanced Growth Act of 1978 (15 U.S.C. 3101 et seq.) is repealed.

(b) EMPLOYMENT ACT OF 1946.—The Employment Act of 1946 (15 U.S.C. 1021 et seq.) is amended—

(1) in section 3 (15 U.S.C. 1022)—

(A) in the section heading, by striking ''and short-term economic goals and policies'';

(B) by striking ''(a)''; and

(C) by striking ''in accord with section 11(c) of this Act'' and all that follows through the end of the section and inserting ''in accordance with section 5(c).'';

(2) in section 9(b) (15 U.S.C. 1022f(b)), by striking '', the Full Employment and Balanced Growth Act of 1978,'';

(3) in section 10 (15 U.S.C. 1023)—

(A) in subsection (a), by striking ''in the light of the policy declared in section 2'';

(B) in subsection (e)(1), by striking ''section 9'' and inserting ''section 3''; and

(C) in the matter immediately following paragraph (2) of subsection (e), by striking ''and the Full Employment and Balanced Growth Act of 1978'';

(4) by striking section 2;

(5) by striking sections 4 through 8; and

(6) by redesignating sections 3, 9, 10, and 11 as sections 2 through 5, respectively.

(c) CONGRESSIONAL BUDGET ACT OF 1974.—Title III of the Congressional Budget Act of 1974 (2 U.S.C. 631 et seq.) is amended—

(1) in section 301—

(A) in subsection (b), by striking paragraph (1) and redesignating paragraphs (2) through (9) as paragraphs (1) through (8), respectively;

(B) in subsection (d), in the second sentence, by striking ''the fiscal policy'' and all that follows through the end of the sentence and inserting ''fiscal policy.'';

(C) in subsection (e)(1), in the second sentence, by striking ''as to short-term and medium-term goals''; and

(D) by striking subsection (f) and inserting the following:

''(f) [Reserved.]''; and

(2) in section 305—

(A) in subsection (a)(3), by inserting before the period at the end '', as described in section 2 of the Economic Growth and Price Stability Act of 1999'';

(B) in subsection (a)(4)—

(i) by striking ''House sets forth the economic goals'' and all that follows through ''designed to achieve,'' and inserting ''House of Representatives sets forth the economic goals and policies, as described in section 2 of the Economic Growth and Price Stability Act of 1999,''; and

(ii) by striking ''such goals,'' and all that follows through the end of the paragraph and inserting ''such goals and policies.'';

(C) in subsection (b)(3), by inserting before the period at the end '', as described in section 2 of the Economic Growth and Price Stability Act of 1999''; and

(D) in subsection (b)(4)—

(i) by striking ''goals (as'' and all that follows through ''designed to achieve,'' and inserting ''goals and policies, as described in section 2 of the Economic Growth and Price Stability Act of 1999,''; and

(ii) by striking ''such goals,'' and all that follows through the end of the paragraph and inserting ''such goals and policies.''.●

By Mr. SPECTER (for himself and Mr. SANTORUM):

S. 1493. A bill to establish a John Heinz Senate Fellowship Program to advance the development of public policy with respect to issues affecting senior citizens; to the Committee on Rules and Administration.

THE JOHN HEINZ SENATE FELLOWSHIP PROGRAM

Mr. SPECTER. Mr. President, I have sought recognition to introduce a bill

reauthorizing the John Heinz Senate Fellowship Program. This Congressional fellowship program, created in 1992, is a fitting tribute to my late colleague and dear friend, United States Senator John Heinz. Senator Heinz dedicated his life and much of his Congressional career to improving the lives of senior citizens. He believed that Congress has a special responsibility to serve as a guardian for those who cannot protect themselves. This fellowship program, which focuses on aging issues, honors the life and continues the legacy of Senator John Heinz.

During his 20 years in the Congress, John Heinz compiled an enviable record of accomplishments. While he was successful in many areas, he built a national reputation for his strong commitment to improving the quality of life of our nation's elderly. Pennsylvania, with nearly 2 million citizens aged 65 or older—over 15% of the population—houses the second largest elderly population nationwide. As John traveled throughout the state, he listened to the concerns of this important constituency and came back to Washington to address their needs through policy and legislation.

Senator Heinz led the fight against age discrimination by championing legislation to eliminate the requirement that older Americans must retire at age 65, and by ensuring full retirement pay for older workers employed by factories forced to close. During his Chairmanship of the Senate Special Committee on Aging from 1981–1986 and his tenure as Ranking Minority Member from 1987–1991, Senator Heinz used his position to improve health care accessibility and affordability for senior citizens and to reduce fraud and abuse within Federal health care programs. Congress enacted his legislation to provide Medicare recipients a lower cost alternative to fee-for-service medicine, as well as his legislation to add a hospice benefit to the Medicare program.

John also recognized the great need for nursing home reforms. He was successful in passing legislation mandating that safety measures be implemented in nursing homes and ensuring that nursing home residents cannot be bound and tied to their beds or wheelchairs.

Mr. President, the John Heinz Senate Fellowship Program will help continue the efforts of Senator Heinz to give our nation's elderly the quality of life they deserve. The program encourages the identification and training of new leadership in aging policy by awarding fellowships to qualified candidates to serve in a Senate office or with a Senate Committee staff. The goal of this program is to advance the development of the public policy in issues affecting senior citizens. Administered by the Heinz Family Foundation in conjunction with the Secretary of the Senate, the program allows fellows to bring their firsthand experience in aging issues to the work of Congress. Heinz fellows who are advocates for aging issues spend a year to help us learn about the effects of Federal policies on our elderly citizens, those who are social workers help us find better ways to protect our nation's elderly from abuse and neglect, and those who are health care providers help us to build a strong health care system that addresses the unique needs of our seniors.

As fellows, senior citizen advocates and aging policy experts not only have the opportunity to use their expertise to facilitate national debate about issues concerning senior citizens, they also prepare themselves to make future contributions to their local communities. The Heinz fellowship enables us to train new leaders in senior citizen advocacy and aging policy. The fellows return to their respective careers with a new understanding about how to work effectively with government, so they may better fulfill their goals as senior citizen advocates.

The John Heinz Fellowship Program has been a valuable tool for Congress and our communities since its establishment in 1992. The continuation of this vital program will signal a sustained commitment to our nation's elderly. I urge my colleagues to join me in cosponsoring this resolution, and urge its swift adoption. I ask unanimous consent that the text of the legislation be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1493

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 ''John Heinz Senate Fellowship Program''.

SEC. 2. FINDINGS.

Congress makes the following findings:

(1) Senator John Heinz believed that Congress has a special responsibility to serve as a guardian for those persons who cannot protect themselves.

(2) Senator Heinz dedicated much of his career in Congress to improving the lives of senior citizens.

(3) It is especially appropriate to honor the memory of Senator Heinz through the creation of a Senate fellowship program to encourage the identification and training of new leadership in aging policy and to bring experts with firsthand experience of aging issues to the assistance of the Congress in order to advance the development of public policy in issues that affect senior citizens.

SEC. 3. FELLOWSHIP PROGRAM.

(a) IN GENERAL.—In order to encourage the identification and training of new leadership in issues affecting senior citizens and to advance the development of public policy with respect to such issues, there is established a John Heinz Senate Fellowship Program.

(b) SENATE FELLOWSHIPS.—The Heinz Family Foundation, in consultation with the Secretary of the Senate, is authorized to select Senate fellowship participants.

(c) SELECTION PROCESS.—The Heinz Family Foundation shall—

(1) publicize the availability of the fellowship program;

(2) develop and administer an application process for Senate fellowships; and

(3) conduct a screening of applicants for the fellowship program.

SEC. 4. COMPENSATION; NUMBER OF FELLOWSHIPS; PLACEMENT.

(a) COMPENSATION.—The Secretary of the Senate is authorized, from funds made available under section 5, to appoint and fix the compensation of each eligible participant selected under this Act for a period determined by the Secretary.

(b) NUMBER OF FELLOWSHIPS.—No more than 2 fellowship participants shall be so employed. Any individual appointed pursuant to this Act shall be subject to all laws, regulations and rules in the same manner and to the same extent as any other employee of the Senate.

(c) PLACEMENT.—The Secretary of the Senate, after consultation with the Majority Leader and Minority Leader of the Senate, shall place eligible participants in positions in the Senate that are, within practical considerations, supportive of the fellowship participants' areas of expertise.

SEC. 5. FUNDS.

The funds necessary to compensate eligible participants under this Act for fiscal year 1999 shall be paid from the contingent fund of the Senate. Such funds shall not exceed, for fiscal year 1999, $71,000. There are authorized to be appropriated $71,000 for each of the fiscal years 2000 through 2004 to carry out the provisions of this Act.

By Mr. BINGAMAN (for himself, Mr. ROCKEFELLER, Ms. SNOWE, and Ms. MIKULSKI):

S. 1494. A bill to ensure that small businesses throughout the United States participate fully in the unfolding electronic commerce revolution through the establishment of an electronic commerce extension program at the National Institutes of Standards and Technology; to the Committee on Commerce, Science, and Transportation.

ELECTRONIC COMMERCE EXTENSION ESTABLISHMENT ACT OF 1999

Mr. BINGAMAN. Mr. President, today I'm very pleased to be joined by Senators ROCKEFELLER, SNOWE, and MIKULSKI in introducing the ''Electronic Commerce Extension Establishment Act of 1999.'' The purpose of this bill is simple—to ensure that small businesses in every corner of our nation fully participate in the electronic commerce revolution unfolding around us by helping them find and adopt the right e-commerce technology and techniques. It does this by authorizing an ''electronic commerce extension'' program at the National Institute of Standards and Technology modeled on NIST's existing, highly successful Manufacturing Extension Program.

Everywhere you look today, e-commerce—the buying, selling, and even the delivery of goods and services via computer networks—is starting a revolution in American business. Being so new, precise e-commerce numbers are

hard to come by, but by one estimate business to business and business to consumer e-commerce sales in 1998 were $100 billion. If you add in the hardware, software, and services making those sales possible, the number rises to $300 billion. That's comparable to adding another entire automobile industry to the economy in the last few years. Another estimate has business to business e-commerce growing to $1.3 trillion by 2003. Whatever the exact numbers, an amazing change in our economy has begun.

But the shift to e-commerce is about more than new ways to sell things; it's about new ways to do things. It promises to transform how we do business—how we design products, manage supply chains and inventories, advertise and distribute goods, et cetera—and thereby boost productivity, the root of long term improvements in our standard of living. A recent Washington Post piece on Cisco Systems, a major supplier of Internet hardware, notes that Cisco saved $500 million last year by selling its products and buying its supplies online. On sales of $8.5 billion, that helped make for some nice profits. Imagine the productivity and economic growth spurred when more firms get efficiencies like that. And that's the point of this bill, to make sure that small businesses get those benefits too.

Electronic commerce is a new use of information technology and the Internet. Many people, including Alan Greenspan, suspect information technology is the major driver behind the productivity and economic growth we've been enjoying. The crucial verb here is ''use.'' It is the widespread use of a more productive technology that sustains accelerated productivity growth. It was steam engine, not its sales, that powered the industrial revolution. In 1899, only about 5 percent of factory horsepower came from electric motors, even though the technologies had been around for two decades. But by 1920, when electric motors finally accounted for more than half of factory horsepower, they created a surge in industrial productivity as more efficient factory designs became common.

Closer to today, in 1987, Nobel Prize winning economist Robert Solow quipped, ''We see the computer age everywhere but in the productivity statistics.'' Well, it looks like the computer has started to show up because more people are using them in more ways, like e-commerce. Information technology producers, companies like Cisco Systems who are, notably, some of the most sophisticated users of IT, are 8 percent of our economy; from 1995 to 1998 they contributed 35 percent of our economic growth. There are also some indications that IT is now improving productivity among companies that only use IT, though economists continue to debate that.

But here's the real point. If we are going to sustain this productivity and economic growth, if this is to be more than a one time boost that dies out, we have to spread sophisticated uses of information technology like e-commerce beyond the high tech sector and companies like Cisco Systems and into every corner of the economy, including small businesses. Back in the 1980s we used to debate if it mattered if we made money selling ''potato chips or computer chips.'' But here's the real difference: consuming a lot of potato chips isn't good for you; consuming a lot of computer chips is.

I emphasize all this because too often our discussions of government policy, technology, and economic growth dwell on the invention and sale of new technologies, which are crucial, but shortchange the all important, but not terribly glamorous topic of their adoption and use. Extension programs, like the electronic commerce extension program in this bill, are policy aimed at precisely spreading the adoption and use of more productive technology by small businesses.

Now, with that in mind, the e-commerce revolution creates both opportunities and challenges for small businesses. On the one hand, it will open new markets to them and help them be more efficient. Many of us have seen that cartoon with a dog in front of a computer saying, ''On the Internet no one knows you're a dog.'' Well, on the web, the garage shop can look as good as IBM or GM. On the other hand, the high fixed costs, low marginal costs, and technical sophistication that can sometimes characterize e-commerce, when coupled with a good brand name, may allow larger, more established e-commerce firms to quickly move from market to market. Amazon.com, perhaps the archetype e-commerce firm, has done such a wonderful job of making a huge variety of books widely available that it's been able to expand to CDs, to toys, to electronics, to auctions. Moreover, firms in more rural or isolated areas have suddenly found sophisticated, low cost, previously distant businesses entering their market, and competing with them. Thus, there is considerable risk that many small businesses be left behind in the shift to e-commerce. That would not be good for them, nor for the rest of us, because we all benefit when everyone is more productive and everyone competes.

The root of this problem is the fact that many small firms have a hard time identifying and adopting new technology. They're hard pressed and hard working, but they just don't have the time, people, or money to understand all the different technologies they might use. And, they often don't even know where to turn for help. Thus, while small firms are very flexible, they can be slow to adopt new technology, because they don't know which to use or what to do about it. That's why we have extension programs. Extension programs give small businesses low cost, impartial advice on what technologies are out there and how to use them.

Extension programs have a long, solid pedigree. They started in 1914, with the Department of Agriculture's Cooperative Extension Service to ''extend'' the benefits of agricultural research to the farmer. That extension service has played no small part in making the American farmer the most productive in the world. More recently, the competitiveness crisis of the 1980's prompted the creation of the Manufacturing Extension Program, or MEP, at NIST to help small manufacturers find and use the technology they need. NIST has done a good job building and managing MEP's network of more than 70 non-profit centers, in all 50 states, with 2000 experts on call, that has helped over 60,000 manufacturers.

Today, the United States is the international leader in e-commerce, but other nations are working to catch up, just like they did in manufacturing. Thus, the time is ripe to solidify our lead in e-commerce and extend it to every part of our economy in every corner of the nation. An electronic commerce extension program will help us do that.

So, what might such a program do? Imagine you're a small specialty foods retailer in rural New Mexico and you see e-commerce as a way to reach more customers. But your specialty is chiles, not computers; imagine all the questions you'd have. How do I sell over the web? Can I buy supplies that way too? How do I keep hackers out of my system? What privacy policies should I follow? How do I use encryption to collect credit card numbers and guarantee customers that I'm who I say I am? Can I electronically integrate my sales orders with instructions to shippers like Federal Express? How might I handle orders from Japan or Holland? Should I band together with other local producers to form a chile cybermall? What servers, software, and telecommunications will I need and how much will it cost? Can I do this via satellite links? Your local e-commerce extension center would answer those questions for you. And, you could trust their advice, because you'd know they were impartial and had no interest in selling you a particular product.

This bill will lead to the creation of a high quality, nationwide network of non-profit organizations providing that kind of expert advice, analogous to the MEP network NIST runs today, but with a focus on e-commerce and on firms beyond manufacturers. NIST, as part of the Department of Commerce, is a logical choice to run an e-commerce extension program because it's about promoting commerce via technology and standards; recall that the Internet is based on standards for how computers can talk to each other. But

the best reason for NIST to do this is that MEP shows they can do it well; that expertise will prove invaluable in getting this new network up and running.

Similarly, this bill is directly modeled on the MEP authorization. It retains the key features of MEP: a network of centers run by non-profits; strict merit selection; cost sharing where the federal government's share decreases from one half to one third over time; and periodic independent review of each center. In addition, it emphasizes serving small businesses in rural or more isolated areas, so that those businesses can get a leg up on e-commerce too. In short, this legislation takes an approach that has already been proven to work.

Practically speaking, if this bill becomes law, I assume NIST, together with its headquarters organization, the Technology Administration, would begin by leveraging their MEP management expertise to start a few e-commerce extension centers and then gradually build out a network separate from MEP. They could also use the study of e-commerce extension resulting from my amendment to the Commerce, State, Justice Appropriations bill the other week. I also want to note that this is a new, separate authorization for an e-commerce extension program because it will have a different focus than MEP and because I do not want it to displace MEP in any way. MEP is a great program. Let's keep it going strong while we build this new e-commerce extension system.

Mr. President, I hope my colleagues will join me in supporting this important, timely, and practical piece of legislation. Just as a strong agricultural sector called for an agricultural extension service, and a strong industrial sector called for manufacturing extension, our shift to an information economy calls for electronic commerce extension.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no obection, the bill was ordered to be printed in the RECORD, as follows:

S. 1494

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 ''Electronic Commerce Extension Establishment Act of 1999''.

SEC. 2. FINDINGS.

Congress makes the following findings:

(1) The United States economy is in the early stages of a revolution in electronic commerce—the ability to buy, sell, and even deliver goods and services through computer networks. Estimates are that electronic commerce sales in 1998 were around $100,000,000,000 and could rise to $1,300,000,000,000 by 2003.

(2) Electronic commerce promises to spur tremendously United States productivity and economic growth—repeating a historical pattern where the greatest impetus toward economic growth lies not in the sale of new technologies but in their widespread adoption and use.

(3) Electronic commerce presents an enormous opportunity and challenge for small businesses. Such commerce will give such businesses new markets and new ways of doing businesses. However, many such business will have difficulty in adopting appropriate electronic commerce technologies and practices. Moreover, such businesses in more rural areas will find distant businesses entering their markets and competing with them. Thus, there is considerable risk many small businesses will be left behind in the shift to electronic commerce.

(4) The United States has an interest in ensuring that small businesses in all parts of the United States participate fully in the electronic commerce revolution, both for the sake of such businesses and in order to promote productivity and economic growth throughout the entire United States economy.

(5) The Federal Government has a long history of successfully helping small farmers with new agricultural technologies through the Cooperative Extension System at the Department of Agriculture, founded in 1914. More recently, the National Institute of Standards and Technology has successfully helped small manufacturers with manufacturing technologies though its Manufacturing Extension Program, established in 1988.

(6) Similarly, now is the time to establish an electronic commerce extension program to help small businesses throughout the United States identify, adapt, and adopt electronic commerce technologies and business practices, thereby ensuring that such businesses fully participate in the electronic commerce revolution.

SEC. 3. PURPOSE.

The purpose of this Act is to establish an electronic commerce extension program focused on small businesses at the National Institute of Standards and Technology.

SEC. 4. ESTABLISHMENT OF ELECTRONIC COMMERCE EXTENSION PROGRAM AT NATIONAL INSTITUTES OF STANDARDS AND TECHNOLOGY.

(a) ESTABLISHMENT.—The National Bureau of Standards Act (15 U.S.C. 271 et seq.) is amended by inserting after section 25 (15 U.S.C. 278k) the following new section:

''REGIONAL CENTERS FOR THE TRANSFER OF ELECTRONIC COMMERCE TECHNOLOGY

''SEC. 25A. (a)(1) The Secretary, through the Undersecretary of Commerce for Technology and the Director and in consultation with other appropriate officials, shall provide assistance for the creation and support of Regional Centers for the Transfer of Electronic Commerce Technology (in this section referred to as 'Centers').

''(2) The Centers shall be affiliated with any United States-based nonprofit institution or organization, or group thereof, that applies for and is awarded financial assistance under this section in accordance with the program established by the Secretary under subsection (c).

''(3) The objective of the Centers is to enhance productivity and technological performance in United States electronic commerce through—

''(A) the transfer of electronic commerce technology and techniques developed at the Institute to Centers and, through them, to companies throughout the United States;

''(B) the participation of individuals from industry, institutions of higher education, State governments, other Federal agencies, and, when appropriate, the Institute in cooperative technology transfer activities;

''(C) efforts to make electronic commerce technology and techniques usable by a wide range of United States-based small companies;

''(D) the active dissemination of scientific, engineering, technical, and management information about electronic commerce to small companies, with a particular focus on reaching those located in rural or isolated areas; and

''(E) the utilization, when appropriate, of the expertise and capability that exists in State and local governments, institutions of higher education, the private sector, and Federal laboratories other than the Institute.

''(b) The activities of the Centers shall include—

''(1) the establishment of electronic commerce demonstration systems, based on research by the Institute and other organizations and entities, for the purpose of technology transfer; and

''(2) the active transfer and dissemination of research findings and Center expertise to a wide range of companies and enterprises, particularly small companies.

''(c)(1) The Secretary may provide financial support to any Center created under subsection (a) in accordance with a program established by the Secretary for purposes of this section.

''(2) The Secretary may not provide to a Center more than 50 percent of the capital and annual operating and maintenance funds required to create and maintain the Center.

''(3)(A) Any nonprofit institution, or group thereof, or consortia of nonprofit institutions may, in accordance with the procedures established by the Secretary under the program under paragraph (1), submit to the Secretary an application for financial support for the creation and operation of a Center under this section.

''(B) In order to receive financial assistance under this section for a Center, an applicant shall provide adequate assurances that it will contribute 50 percent or more of the estimated capital and annual operating and maintenance costs of the Center for the first three years of its operation and an increasing share of such costs over the next three years of its operation.

''(C) An applicant shall also submit a proposal for the allocation of the legal rights associated with any invention which may result from the activities of the Center proposed by the applicant.

''(4)(A) The Secretary shall subject each application submitted under this subsection to merit review.

''(B) In making a decision whether to approve an application and provide financial support for a Center under this section, the Secretary shall consider at a minimum—

''(i) the merits of the application, particularly the portions of the application regarding technology transfer, training and education, and adaptation of electronic commerce technologies to the needs of particular industrial sectors;

''(ii) the quality of service to be provided;

''(iii) geographical diversity and extent of service area; and

''(iv) the percentage of funding and amount of in-kind commitment from other sources.

''(5)(A) Each Center receiving financial assistance under this section shall be evaluated during the third year of its operation by an evaluation panel appointed by the Secretary.

''(B) Each evaluation panel under this paragraph shall be composed of private experts, none of whom shall be connected with the Center involved, and with appropriate Federal officials. An official of the Institute shall chair each evaluation panel.

''(C) Each evaluation panel under this paragraph shall measure the performance of the Center involved against the objectives specified in this section and under the arrangement between the Center and the Institute.

''(6) The Secretary may not provide funding for a Center under this section for the fourth through the sixth years of its operation unless the evaluation regarding the Center under paragraph (5) is positive. If such evaluation for a Center is positive, the Secretary may provide continued funding for the Center through the sixth year of its operation at declining levels.

''(7)(A) After the sixth year of operation of a Center, the Center may receive additional financial support under this section if the Center has received a positive evaluation of its operation through an independent review conducted under procedures established by the Institute. Such independent review shall be undertaken for a Center not less often than every two years commencing after the sixth year of its operation.

''(B) The amount of funding received by a Center under this section for any fiscal year of the Center after the sixth year of its operation may not exceed an amount equal to one-third of the capital and annual operating and maintenance costs of the Center in such fiscal year under the program.

''(8) The provisions of chapter 18 of title 35, United States Code, shall (to the extent not inconsistent with this section) apply to the promotion of technology from research by Centers under this section except for contracts for such specific technology extension or transfer services as may be specified by statute or by the Director.

''(d)(1) In addition to such sums as may be appropriated to the Secretary and Director for purposes of the support of Centers under this section, the Secretary and Director may accept funds from other Federal departments and agencies for such purposes.

''(2) The selection and operation of a Center under this section shall be governed by the provisions of this section, regardless of the Federal department or agency providing funds for the operation of the Center.

''(e) In this section, the term 'electronic commerce' means the buying, selling, and delivery of goods and services, or the coordination or conduct of economic activities within and among organizations, through computer networks.''.

(b) DESCRIPTION OF PROGRAM.—(1) Not later than 90 days after the date of the enactment of this Act, the Secretary of Commerce shall publish in the Federal Register a proposal for the program required by section 25A(c) of the National Bureau of Standards Act, as added by subsection (a).

(2) The proposal for the program under paragraph (1) shall include—

(A) a description of the program;

(B) procedures to be followed by applicants for support under the program;

(C) criteria for determining qualified applicants under the program;

(D) criteria, including the criteria specified in paragraph (4) of such section 25A(c), for choosing recipients of financial assistance under the program from among qualified applicants; and

(E) maximum support levels expected to be available to Centers for the Transfer of Electronic Commerce Technology under the program in each year of assistance under the program.

(3) The Secretary shall provide a 30-day period of opportunity for public comment on the proposal published under paragraph (1).

(4) Upon completion of the period referred to in paragraph (3), the Secretary shall publish in the Federal Register a final version of the program referred to in paragraph (1). The final version of the program shall take into account public comments received by the Secretary under paragraph (3).

(c) AUTHORIZATION OF APPROPRIATIONS.—There is hereby authorized to be appropriated for the Department of Commerce each fiscal year such amounts as may be required during such fiscal year for purposes of activities under section 25A of the National Bureau of Standards Act, as added by subsection (a).

By Mr. DEWINE:

S. 1495. A bill to establish, wherever feasible, guidelines, recommendations, and regulations that promote the regulatory acceptance of new and revised toxicological tests that protect human and animal health and the environment while reducing, refining, or replacing animal tests and ensuring human safety and product effectiveness; to the Committee on Health, Education, Labor, and Pensions.

THE ICCVAM AUTHORIZATION ACT OF 1999

• Mr. DEWINE. Mr. President, I rise today to introduce a bill that would authorize the Interagency Coordinating Committee on the Validation of Alternative Methods, otherwise known as ''ICCVAM.'' This bill would permanently establish ICCVAM, which currently only exists as a ''standing'' committee—so, it could be dismantled at any time. This bill would make it more permanent, thus giving companies and Federal agencies a sense of certainty, and encourage them to make the long term research investments that are required to develop alternative animal toxicology test methods for ICCVAM to review. This will decrease, and may ultimately lead to the end of, the use of animals in testing cosmetics, shampoos, detergents, and other products.

ICCVAM was created pursuant to the 1993 National Institutes of Health Revitalization Act's mandate that the National Institute of Environmental Health Sciences (NIEHS) recommend new processes for Federal agencies' acceptance of alternative toxicology tests using animals. ICCVAM is composed of representatives of 13 Federal agencies that use animals in toxicology research.

ICCVAM evaluates and recommends improved testing methods and makes it possible for more uniform testing to be adopted across Federal agencies. This legislation maintains the current practice of leaving the ultimate decision of whether or not to adopt the new test method up to each individual Federal agency. For example, a new lab test using a skin substitute has been evaluated and accepted by ICCVAM so that potentially toxic substances can first be tested on this ''substitute skin'' rather than on an animal. The test is a measure of the ability of a chemical to burn the skin. If the substance tests positive (i.e., burns or irritates the ''substitute skin''), then it could be considered to produce skin burns and no animal would be used in further testing. If the substance does not irritate the ''artificial skin,'' then the substance might then be tested on an animal. Ultimately, ICCVAM streamlines the test method validation and approval process by evaluating methods of interest to multiple agencies. By having the same method in place in multiple agencies, it aids in reducing the need to perform multiple animal tests to meet the requirements of various federal agencies. This bill and ICCVAM do not apply to regulations related to medical research. This bill is supported by the Humane Society of the United States, the Doris Day Animal League, Procter & Gamble, the American Humane Association, Colgate-Palmolive Company, the Gillette Company, and the Massachusetts Society for the Prevention of Cruelty to Animals.•

By Mrs. BOXER (for herself, Mr. SMITH of Oregon, and Mr. LAUTENBERG):

S. 1497. A bill to amend the Foreign Assistance Act of 1961 to take steps to control the growing international problem of tuberculosis; to the Committee on Foreign Relations.

INTERNATIONAL TUBERCULOSIS CONTROL ACT OF 1999

Mrs. BOXER. Mr. President, today I am pleased to be joined by my colleague on the Foreign Relations Committee, Senator SMITH of Oregon, and by Senator LAUTENBERG in introducing the International Tuberculosis Control Act.

This bill speaks to the growing international problem of tuberculosis. That is a disease we thought we had eliminated—and in fact, in the Western World, we largely did with the development of antibiotics in the 1950s. But the disease is making a comeback. As the World Health Organization (WHO) notes on the back cover of its most recent report on TB, ''The tuberculosis epidemic is growing larger and more dangerous each year.''

According to the WHO, last year, nearly 2 million people died of tuberculosis-related conditions. And—get this—the WHO estimates that one-third of the entire world's population is infected with TB.

Like so many other diseases, it impacts women disproportionately. TB is the world's leading killer of women between the ages of 15 and 44. For women in the primes of their lives, more than twice as many die of tuberculosis than because of war. TB kills three times as many women aged 15–44 as HIV/AIDS,

and three times as many as heart disease.

And it is a leading cause of children becoming orphans.

But this is not just a growing international problem. Because of its persistence abroad, it is having a tremendous impact here at home.

TB is an airborne disease. You can get it when someone coughs or sneezes. And with the increased immigration and travel to the United States—as well as the homeless population, the rate of incarceration, and HIV/AIDS—we are seeing it re-emerge in many of our communities. Nearly 40 percent of the TB cases in the United States are attributable to foreign-born individuals.

We have seen it in my state of California, where local public health officials never thought they would have to worry about TB again. But they are. In 1997, nearly 20,000 TB cases were reported to the Centers for Disease Control. And over 4000 of them—20 percent of all TB cases in the United States—were in California.

The headline on the March 25 editorial in ''The Oakland Tribune'' said it best: ''We ignore TB at our peril.'' Public health officials acknowledge that the key to controlling TB at home is to control TB abroad.

Fortunately, the experts know what to do—and it works. TB can be treated and cured. We have seen that in this country.

But in many other countries where this disease persists, there are numerous barriers that are facing public health officials. For example, the process for screening, detecting, and treating tuberculosis is very lengthy and labor intensive. Also, there is a lack of trained personnel and medicine in those nations with a high incidence of TB.

The United States Agency for International Development (USAID) and the World Health Organization have begun implementing a program to eliminate these barriers and to treat and control tuberculosis. So far, they have had some success. But the resources are, quite frankly, inadequate.

And they may become even more inadequate in the near future. The WHO is currently developing a global action plan to combat tuberculosis. That plan should be finalized and ready for implementation early in the year 2001. But unless there is a greater global investment of resources, we may have an action plan that does not see much action.

So the purpose of our bill is two-fold. First, we must raise awareness that TB is still a problem. I suspect that few Americans realize that the disease persists—not only in other countries, but also right here in the United States. And fewer still realize how easily it can be transmitted.

Second, we must increase the resources available to fight this disease in foreign countries.

This year, USAID will spend about $12 million on fighting tuberculosis abroad. Under the Foreign Operations Appropriations bill, as passed by the Senate, there should be enough funding for USAID to increase that to about $14 million next year.

I wanted to increase that even more, and I offered an amendment to the Foreign Operations bill. My amendment, which was accepted, says that if more money overall is provided for foreign aid programs before the appropriations bill becomes law, a top priority should be to provide more money for the infectious disease control program, especially tuberculosis.

But, Mr. President, I am not sure that will happen, and even if it does, I do not believe it will be enough. So our bill would authorize $60 million for fiscal year 2001—a five-fold increase over current funding levels—so that USAID can expand the work it has begun.

Make no mistake, we cannot do this alone. That is why this legislation calls on USAID to coordinate its efforts with the WHO and other organizations and why the bill adopts detection- and cure-rate goals based on the goals established by WHO. This must be a global effort with contributions and participation from nations around the world. But it is also an opportunity for the United States to provide global leadership.

Mr. President, this bill is supported by the American Lung Association, Results, the Global Health Council, and Princeton Project 55, an organization formed specifically to fight the international TB problem. I ask unanimous consent that the statements of support from these groups be included in the RECORD.

I am pleased to have their support, and I am pleased to have the cosponsorship of my colleagues from Oregon and New Jersey. I hope others will join us in this important bipartisan effort.

Mr. President, I ask unanimous consent that additional material be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

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 ''International Tuberculosis Control Act of 1999''.

SEC. 2. FINDINGS.

Congress makes the following findings:

(1) Since the development of antibiotics in the 1950s, tuberculosis has been largely controlled in the United States and the Western World.

(2) Due to societal factors, including growing urban decay, inadequate health care systems, persistent poverty, overcrowding, and malnutrition, as well as medical factors, including the HIV/AIDS epidemic and the emergence of multi-drug resistant strains of tuberculosis, tuberculosis has again become a leading and growing cause of adult deaths in the developing world.

(3) According to the World Health Organization—

(A) in 1998, about 1,860,000 people worldwide died of tuberculosis-related illnesses;

(B) one-third of the world's total population is infected with tuberculosis; and

(C) tuberculosis is the world's leading killer of women between 15 and 44 years old and is a leading cause of children becoming orphans.

(4) Because of the ease of transmission of tuberculosis, its international persistence and growth pose a direct public health threat to those nations that had previously largely controlled the disease. This is complicated in the United States by the growth of the homeless population, the rate of incarceration, international travel, immigration, and HIV/AIDS.

(5) With nearly 40 percent of the tuberculosis cases in the United States attributable to foreign-born persons, tuberculosis will never be controlled in the United States until it is controlled abroad.

(6) The means exist to control tuberculosis through screening, diagnosis, treatment, patient compliance, monitoring, and ongoing review of outcomes.

(7) Efforts to control tuberculosis are complicated by several barriers, including—

(A) the labor intensive and lengthy process involved in screening, detecting, and treating the disease;

(B) a lack of funding, trained personnel, and medicine in virtually every nation with a high rate of the disease;

(C) the unique circumstances in each country, which requires the development and implementation of country-specific programs; and

(D) the risk of having a bad tuberculosis program, which is worse than having no tuberculosis program because it would significantly increase the risk of the development of more widespread drug-resistant strains of the disease.

(8) Eliminating the barriers to the international control of tuberculosis through a well-structured, comprehensive, and coordinated worldwide effort would be a significant step in dealing with the increasing public health problem posed by the disease.

SEC. 3. ASSISTANCE FOR TUBERCULOSIS PREVENTION, TREATMENT, CONTROL, AND ELIMINATION.

Section 104(c) of the Foreign Assistance Act of 1961 (22 U.S.C. 2151b(c)) is amended by adding at the end the following:

''(4)(A) Congress recognizes the growing international problem of tuberculosis and the impact its continued existence has on those nations that had previously largely controlled the disease. Congress further recognizes that the means exist to control and treat tuberculosis, and that it is therefore a major objective of the foreign assistance program to control the disease. To this end, Congress expects the agency primarily responsible for administering this part—

''(i) to coordinate with the World Health Organization, the Centers for Disease Control, the National Institutes of Health, and other organizations toward the development and implementation of a comprehensive tuberculosis control program; and

''(ii) to set as a goal the detection of at least 70 percent of the cases of infectious tuberculosis, and the cure of at least 85 percent of the cases detected, in those countries in which the agency has established development programs, by December 31, 2010.

''(B) There are authorized to be appropriated to the President, $60,000,000 for fiscal

year 2001 to be used to carry out this paragraph. Funds appropriated under this subparagraph are authorized to remain available until expended.''.

AMERICAN THORACIC SOCIETY,
August 4, 1999.

Hon. BARBARA BOXER,
U.S. Senate, Washington, DC.

DEAR SENATOR BOXER: On behalf of the American Lung Association and its medical section, the American Thoracic Society, I want to express our strong support for your legislation, the International Tuberculosis Control Act 1999. This bill will provide needed resources to combat the threat that tuberculosis poses the world and to the United States.

The American Lung Association was founded in 1904 as the National Association for the Study of Prevention of Tuberculosis. While the American Lung Associations and its medical section, the American Thoracic Society has made steady progress over the past 90 years, much has changed in the area of U.S. tuberculosis control. The two biggest changes have been the development of multidrug resistant tuberculosis and the growth of foreign-born cases of TB in the U.S.

Multi-drug resistant tuberculosis (MDR–TB) is a form of tuberculosis that is resistant to two or more of the primary drugs used to treat TB. A strain of MDR–TB develops when a case of a drug susceptible TB is improperly treated. MDR–TB is more expensive to treat and more likely to kill. MDR–TB is on the rise, both in the U.S., and throughout the world. Unless we quickly develop and implement an effective global response to TB, deadly strains of MDR–TB will continue to spread.

Tuberculosis will kill almost two million people this year. Eight million people will become sick with the disease. Today nearly 40% of TB cases in the U.S. are in foreign-born individuals. We can't stop TB from entering the country. But through our continued support of global TB programs we can reduce the impact of the disease around the world and at home.

The U.S. Agency for International Development has taken initial steps towards coordinating an international response to the global TB epidemic. Your legislation will provide the U.S. Agency for International Development the resources needed to plan and implement a cooperative global TB control strategy. With direction from Congress and your leadership we are confident that U.S. can lead the way to controlling TB globally.

Sincerely,

FRAN DUMELLE,
Deputy Managing Director.

PRINCETON PROJECT 55 INC.,
TUBERCULOSIS INITIATIVE,
Washington, DC, August 3, 1999.

Senator BARBARA BOXER,
Hart Senate Office Building,
Washington, DC.

DEAR SENATOR BOXER, The Princeton Project 55 Tuberculosis Initiative (TBI) would like to express its support for your sponsorship of the ''International Tuberculosis Control Act of 1999,'' aimed at increasing funding for international TB control. At a time when funding for tuberculosis is severely inadequate, it is important that additional monies be allocated to fight the world's second leading infectious disease killer.

The TBI commends your leadership in calling attention to the TB threat and your work to increase funding for the international fight against tuberculosis. In order to control TB within the United States, it is crucial that we control TB internationally.

As you know, although TB is an easily preventable and 100% curable disease, over one third of the world's population is infected with TB and many international TB control programs are poorly managed and underfunded. It has been proven that TB treatment is cost-effective and saves both money and lives. Yet only 16% of TB patients receive the recommended Directly Observed Therapy (DOTS) regimen. The risk of multidrug resistant TB, a strain of TB that is often incurable, has become more widespread as a result of the poorly organized TB control programs.

Your bill's proposed $60 million for U.S. Agency for International Development (USAID) to support tuberculosis control would expand funding to develop country-specific plans for TB control programs for nations with the highest prevalence of TB. Many of these nations face major barriers to effective TB control programs, including lack of funds, trained personnel, and drug supply. The $60 million would also increase support to develop an integrated global tuberculosis control program in coordination with Centers for Disease Control (CDC), National Institutes of Health (NIH), World Health Organization (WHO), and private voluntary organizations.

The Princeton Project 55 Tuberculosis Initiative has worked tirelessly with you and other health organizations to increase awareness of the need for increased international tuberculosis funding. Your bill aims to control TB internationally now, before the problem is uncontrollable. The bill also brings needed attention to an often forgotten disease.

The TBI congratulates your efforts to fight TB and looks forward to working with you in the future, to ensure the passage of your TB bill in the coming legislative session.

Sincerely,

GORDON DOUGLAS,
Project Manager.
RALPH NADER,
Steering Committee.

GLOBAL HEALTH COUNCIL,
August 4, 1999.

Senator BARBARA BOXER,
112 Hart Office Building,
Washington, DC

DEAR SENATOR BOXER. On behalf of the Global Health Council, a private, not-for-profit membership organization consisting of over 2000 individual and organizational members world-wide, I would like to thank you for your support and leadership on the issue of tuberculosis control. Your bill, the ''International Tuberculosis Control Act of 1999,'' is an important step in the prevention of and fight against tuberculosis.

I would especially like to commend you on your recognition of the increase of tuberculosis internationally and the problem of the development of multiple drug resistant strains of the disease. World wide, more people die of tuberculosis than at any other time in our history—between two to three million deaths per year. Projections indicate that left unchecked, the death toll for this disease could reach as high as 30 million in the next decade.

The problem of Multiple Drug Resistant Tuberculosis—100 times more expensive to treat—is emerging in communities around the world. Inappropriate treatment regimens, self-medication, the proliferation of inferior drugs, and interruptions in patient treatment all give TB the opportunity to become resistant to one or more drugs over times, making the disease more expensive and difficult to cure.

As we move towards a global economy—economic trade policy, improved transportation and tourism, voluntary and forced migration have collectively changed the pattern and spread of infectious diseases. Last year, more than 19,000 people came down with this disease in the U.S.—more than 4,000 in California.

A 1998 General Accounting report highlights the new reality: the world now has tools and the know-how to vastly improve the health of the four billion humans living in poverty in the developing world. It also makes clear that there are enormous benefits to the American people, both in terms of health and of economics that will come from improving the health of others.

Your legislation is another step towards achieving this new reality. It sets achievable goals that will work to control the threat of tuberculosis in our nation and in our world. Thank you again for your commitment to this cause. we look forward to working with you to assure global health for all.

Sincerely,

NILS DAULAIRE, MD, MPH,
President & CEO.

RESULTS HAILS SENATOR BOXER'S EFFORTS TO CONTROL TB'S SPREAD: TUBERCULOSIS IS ON THE RISE AROUND THE WORLD—KILLING AS MANY AS 2 MILLION PEOPLE EACH YEAR.

WASHINGTON, D.C.—Senator Boxer (D–CA), along with Senator Smith (R–OR) and Senator Lautenberg (D–NJ) introduced legislation today which would control the growing problem of tuberculosis internationally. The bill calls for the investment of $60 million next year to jump-start tuberculosis control programs in some of the countries of the world with the highest TB rates.

Senator Barbara Boxer, a leading health advocate in Congress, is also a member of the Foreign Relations Committee. Her bill sets out to address the fact that despite the existence of an extremely cost-effective TB treatment (according to the World Bank, an investment of between $20–$100 can save a life), only 16 percent of those with active TB, actually have access to it.

The fact that millions of victims are not being treated for TB, combined with its highly infectious nature, has resulted in two million people dying every year from this disease. TB kills more women than any cause of maternal mortality and is the biggest killer of people with AIDS. In addition, with the rise in global travel and with forty percent of TB cases here in the United States attributable to foreign born persons, tuberculosis will never be eliminated in this country until it is controlled worldwide. Multi drug resistant TB, the result of poor treatment programs, threaten to render this disease incurable unless we act now.

RESULTS Executive Director, Lynn McMullen, praised Boxer for her leadership. ''Thanks to the efforts of Senator Boxer and her colleagues, TB will not be allowed to spread unchecked around the world. Her commitment to controlling this plague will mean millions of lives saved.''

RESULTS is a citizens grassroots advocacy organization which works to end hunger and the worst aspects of poverty.

Mr. SMITH of Oregon. Mr. President, I am pleased to join my colleague Senator BOXER in introducing this legislation to help control a deadly and easily

communicable disease—tuberculosis (TB). I, like many of you, thought we had this scourge under control since the development of antibiotics more than 40 years ago.

However, TB is a real problem here and abroad. It is a disease that knows no borders—because of the ease of transmission of TB, its growth abroad poses a real public health threat to nations like the United States that had previously controlled TB.

Our bill will authorize $60 million in FY 2001 to help control this deadly disease. This bill calls for a coordinated effort to wipe out this disease and sets goals for the detection and cure.

The statistics surrounding tuberculosis are terrifying. TB kills almost 2 million people abroad every year. The rate of infection abroad is increasing each year and TB is transmitted as easily as the common cold. Every second someone is infected with TB. Further, TB is the leading killer of women, more than any single cause of maternal mortality. This has an enormous impact on families and the very social fabric of a society. TB is the leading cause of death among HIV-positive individuals. It accounts for almost one-third of AIDS deaths worldwide.

Many TB cases are easily treatable by a six-month antibiotic regimen. Tragically, this regimen is only used in 15% of TB cases worldwide. An untreated person with active TB will infect 10–15 people per year. TB control programs are underfunded and poorly organized in many countries. Since millions of people travel between the U.S. and other nations daily, we must develop stable country-specific programs that will control this disease.

I believe that our bill is a good strong step towards ending TB here and abroad and I look forward to working with my colleague from California on this legislation. I ask all my colleagues in the Senate to support his important legislation.

Mr. LAUTENBERG. Mr. President, I rise as a proud cosponsor of legislation the Senator from California, Senator BOXER, is introducing today, the ''International Tuberculosis Act of 1999.'' This bill seeks to control the growing international problem of tuberculosis.

Mr. President, we cannot stand idly by while tuberculosis kills more people worldwide than AIDS and malaria combined, and yet still receives substantially less attention and aid dollars.

Although the introduction of antibiotics in the 1950's led to the near eradication of tuberculosis, it still plagues many nations throughout the world. In 1993 the World Health Organization declared tuberculosis to be a public health emergency, with an estimated 1,700 million people, or nearly one third of the world's population, infected with the tubercle bacillus. The World Health Organization estimates that eight million people get TB every year, and an estimated 3 million die from the disease annually.

Mr. President, the registered number of new cases of TB worldwide roughly correlates with economic conditions: the highest incidences are seen in those countries of Africa, Asia, and Latin America with the lowest gross national products. We must now face the realization that without much needed aid, most of the countries with a high burden of TB will not be able to reach the targets for TB control established by the World Health Assembly for the year 2000. In human terms, this means that each year millions of lives could be lost due to a preventable and curable disease.

Thankfully, Mr. President, efforts to combat this terrible disease have been largely successful inside U.S. borders. In my own State of New Jersey, the number of people with active tuberculosis has declined each year for the past six years. But the problem still persists. Each year over 25,000 people in the United States contract TB. The treat of infection here in America still looms large for anyone who travels abroad or comes into contact with those who have recently traveled outside the United States. This disease does not discriminate: People of all ages, all nationalities and all incomes can get tuberculosis.

An airborne disease that can be spread through a simple cough, TB can be carried around the world in a matter of hours on a transcontinental flight. Nearly 40 percent of TB cases in the U.S. are attributable to foreign-born persons. Until TB is eradicated worldwide, no person—no American—will ever be safe from its affliction.

Only small steps have been taken to eradicate TB outside the United States. Medical experts estimate that over $1 billion is necessary to control TB. This money will allow scientists and doctors to take the necessary steps to wipe out this disease, much like the world community has already done with malaria and small pox. The longer we wait, the larger the TB population will be. This translates into higher costs to eradicate this debilitating disease. International organizations note that for every dollar spent on prevention, a nation saves between three and four dollars in treatment.

Mr. President, TB control efforts have received approximately $12 million a year for the last two fiscal years under USAID's Infectious Disease Initiative to create a TB Global Action Plan. However, this is not enough; an increase in funding is critical if tuberculosis is to be vanquished. The U.S. must do its part.

An increase in funding to $60 million for TB would help expedite global action, and give aid officials the necessary resources to develop and implement country specific plans for control programs for nations with a high prevalence of TB. Once a plan is implemented, it is necessary to formulate a systematic program to avoid increases of drug resistant strains of TB.

A plan, coordinated with the World Health Organization, the Centers for Disease Control, the National Institutes of Health and other organizations, will expand and provide a framework for enhanced direction and coordination of worldwide tuberculosis research activities, translate research results into efficient and effective TB control practices which are applicable to all environments, and engage society and government control programs more quickly and widely.

The American Lung Association, American Thoracic Society and International Union Against Tuberculosis and Lung Disease and other renowed organizations support an increase in funding for TB prevention.

Mr. President, a global TB prevention effort makes sense. The benefits outweigh the costs. Given the importance of a global plan to eradicate TB, and its potential in saving lives, I urge the Senate to approve this bill.

Mr. President, tuberculosis is a global problem. We will never control TB in this country until we control it worldwide, since infectious diseases do not stop at the border. I commend the Senator from California for introducing this important and timely legislation to address tuberculosis effectively now. I hope and believe this bill will gain the support of the full Senate.

I yield the floor.

ADDITIONAL COSPONSORS

S. 285

At the request of Mr. MCCAIN, the name of the Senator from Maine (Ms. SNOWE) was added as a cosponsor of S. 285, a bill to amend title II of the Social Security Act to restore the link between the maximum amount of earnings by blind individuals permitted without demonstrating ability to engage in substantial gainful activity and the exempt amount permitted in determining excess earnings under the earnings test.

S. 343

At the request of Mr. BOND, the name of the Senator from Washington (Mr. GORTON) was added as a cosponsor of S. 343, a bill to amend the Internal Revenue Code of 1986 to allow a deduction for 100 percent of the health insurance costs of self-employed individuals.

S. 391

At the request of Mr. KERREY, the names of the Senator from Michigan (Mr. ABRAHAM), and the Senator from Arkansas (Mr. HUTCHINSON) were added as cosponsors of S. 391, a bill to provide for payments to children's hospitals that operate graduate medical education programs.

S. 514

At the request of Mr. COCHRAN, the name of the Senator from New Mexico (Mr. BINGAMAN) was added as a cosponsor of S. 514, a bill to improve the National Writing Project.

S. 622

At the request of Mr. KENNEDY, the name of the Senator from Maine (Ms. COLLINS) was added as a cosponsor of S. 622, a bill to enhance Federal enforcement of hate crimes, and for other purposes.

S. 805

At the request of Mr. DURBIN, the name of the Senator from Michigan (Mr. ABRAHAM) was added as a cosponsor of S. 805, a bill to amend title V of the Social Security Act to provide for the establishment and operation of asthma treatment services for children, and for other purposes.

S. 941

At the request of Mr. WYDEN, the name of the Senator from Connecticut (Mr. LIEBERMAN) was added as a cosponsor of S. 941, a bill to amend the Public Health Service Act to provide for a public response to the public health crisis of pain, and for other purposes.

S. 980

At the request of Mr. BAUCUS, the name of the Senator from Oklahoma (Mr. INHOFE) was added as a cosponsor of S. 980, a bill to promote access to health care services in rural areas.

S. 1072

At the request of Mr. EDWARDS, his name was added as a cosponsor of S. 1072, a bill to make certain technical and other corrections relating to the Centennial of Flight Commemoration Act (36 U.S.C. 143 note; 112 Stat. 3486 et seq.).

S. 1144

At the request of Mr. VOINOVICH, the names of the Senator from Michigan (Mr. ABRAHAM), the Senator from Florida (Mr. GRAHAM), and the Senator from Florida (Mr. MACK) were added as cosponsors of S. 1144, a bill to provide increased flexibility in use of highway funding, and for other purposes.

S. 1185

At the request of Mr. ABRAHAM, the name of the Senator from Arkansas (Mr. HUTCHINSON) was added as a cosponsor of S. 1185, a bill to provide small business certain protections from litigation excesses and to limit the product liability of non-manufacturer product sellers.

S. 1214

At the request of Mr. THOMPSON, the name of the Senator from Wyoming (Mr. THOMAS) was added as a cosponsor of S. 1214, a bill to ensure the liberties of the people by promoting federalism, to protect the reserved powers of the States, to impose accountability for Federal preemption of State and local laws, and for other purposes.

S. 1255

At the request of Mr. ABRAHAM, the name of the Senator from Mississippi (Mr. LOTT) was added as a cosponsor of S. 1255, a bill to protect consumers and promote electronic commerce by amending certain trademark infringement, dilution, and counterfeiting laws, and for other purposes.

S. 1263

At the request of Mr. JEFFORDS, the names of the Senator from Montana (Mr. BURNS), the Senator from Mississippi (Mr. COCHRAN), the Senator from Nebraska (Mr. HAGEL), the Senator from Oklahoma (Mr. INHOFE), the Senator from Texas (Mrs. HUTCHISON), and the Senator from Maine (Ms. COLLINS) were added as cosponsors of S. 1263, a bill to amend the Balanced Budget Act of 1997 to limit the reductions in medicare payments under the prospective payment system for hospital outpatient department services.

S. 1272

At the request of Mr. NICKLES, the names of the Senator from Indiana (Mr. BAYH) and the Senator from New Hampshire (Mr. GREGG) were added as cosponsors of S. 1272, a bill to amend the Controlled Substances Act to promote pain management and palliative care without permitting assisted suicide and euthanasia, and for other purposes.

S. 1310

At the request of Ms. COLLINS, the names of the Senator from Arkansas (Mr. HUTCHINSON) and the Senator from New Hampshire (Mr. GREGG) were added as cosponsors of S. 1310, a bill to amend title XVIII of the Social Security Act to modify the interim payment system for home health services, and for other purposes.

S. 1328

At the request of Mr. LEAHY, his name was added as a cosponsor of S. 1328, a bill to amend the Internal Revenue Code of 1986 to permit the disclosure of certain tax information by the Secretary of the Treasury to facilitate combined Federal and State employment tax reporting, and for other purposes.

S. 1333

At the request of Mr. WYDEN, the name of the Senator from Pennsylvania (Mr. SANTORUM) was added as a cosponsor of S. 1333, a bill to expand homeownership in the United States.

S. 1440

At the request of Mr. GRAMM, the name of the Senator from Michigan (Mr. ABRAHAM) was added as a cosponsor of S. 1440, a bill to promote economic growth and opportunity by increasing the level of visas available for highly specialized scientists and engineers and by eliminating the earnings penalty on senior citizens who continue to work after reaching retirement age.

S. 1473

At the request of Mr. ROBB, the name of the Senator from South Dakota (Mr. JOHNSON) was added as a cosponsor of S. 1473, a bill to amend section 2007 of the Social Security Act to provide grant funding for additional Empowerment Zones, Enterprise Communities, and Strategic Planning Communities, and for other purposes.

SENATE CONCURRENT RESOLUTION 34

At the request of Mr. SPECTER, the names of the Senator from North Dakota (Mr. DORGAN), and the Senator from Georgia (Mr. CLELAND) were added as cosponsors of Senate Concurrent Resolution 34, A concurrent resolution relating to the observence of ''In Memory'' Day.

SENATE RESOLUTION 95

At the request of Mr. THURMOND, the name of the Senator from Arkansas (Mrs. LINCOLN) was added as a cosponsor of Senate Resolution 95, a resolution designating August 16, 1999, as ''National Airborne Day.''

SENATE RESOLUTION 108

At the request of Mr. BREAUX, the names of the Senator from Washington (Mrs. MURRAY) and the Senator from New Jersey (Mr. LAUTENBERG) were added as cosponsors of Senate Resolution 108, A resolution designating the month of March each year as ''National Colorectal Cancer Awareness Month.''

AMENDMENT NO. 1495

At the request of Mr. BAUCUS the name of the Senator from Utah (Mr. HATCH) was added as a cosponsor of amendment No. 1495 intended to be proposed to S. 1233, an original bill making appropriations for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies programs for the fiscal year ending September 30, 2000, and for other purposes.

SENATE CONCURRENT RESOLUTION 50—EXPRESSING THE SENSE OF THE CONGRESS CONCERNING THE CONTINUOUS REPRESSION OF FREEDOM OF EXPRESSION AND ASSEMBLY, AND OF INDIVIDUAL HUMAN RIGHTS, IN IRAN, AS EXEMPLIFIED BY THE RECENT REPRESSION OF THE DEMOCRATIC MOVEMENT OF IRAN

Mr. BROWNBACK (for Mr. LIEBERMAN, Mr. LOTT, Mr. HELMS, Mr. GRAHAM, Mr. MACK, Mr. WELLSTONE, and Mr. WYDEN) submitted the following concurrent resolution; which was referred to the Committee on Foreign Relations:

S. CON. RES. 50

Whereas freedom of expression and assembly, individual human rights, and pursuit of democratic ideals have been systematically repressed by the government of Iran;

Whereas in recent months several members of the press and other individuals who peacefully criticized the policies of the Islamic

Republic of Iran were assassinated by elements that are now known to have belonged to the Iranian government's security forces;

Whereas this continuous repression of freedom has been once more exemplified by the vicious and unjustifiable assault by the government of Iran and its vigilantes on students who marched peacefully and within the law on July 8, 1999, to protest, on the grounds of democracy, freedom of the press, and individual and civil rights, the closure of a reformist newspaper, Salaam;

Whereas the Iranian government forces and vigilantes killed, wounded, and incarcerated students and destroyed their dormitories, rooms, and belongings;

Whereas the Iranian government now has accused falsely and unjustifiably a number of students and other seekers of democracy and human rights of high crimes, theoretically punishable by death under Iranian law; and

Whereas freedom of expression and assembly are fundamental human rights which are recognized as such under the United Nations Declaration of Human Rights: Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring),

SECTION 1. SENSE OF CONGRESS REGARDING THE REPRESSION OF THE DEMOCRATIC MOVEMENT OF IRAN.

(a) CONDEMNATION.—Congress hereby condemns the repressive actions taken by the Iranian government against the democratic movement of Iran.

(b) SENSE OF CONGRESS.—It is the sense of Congress that—

(1) the Iranian government should respect the fundamental principles contained in the Universal Declaration of Human Rights and, thereby, to cease its repression of peaceful dissent and to release unharmed the student leaders and the other pro democracy activists the government continues to detain;

(2) the President of the United States should give clear voice to—

(A) the abhorrence of the American people for the violence used against the Iranian students and pro-democracy activists; and

(B) the solidarity of the United States with the values and objectives that the students and activists have espoused;

(3) the European allies of the United States, who maintain political and economic relations with Iran, should convey their own concerns and objections to the Iranian authorities;

(4) the Secretary of State should urge the Secretary General of the United Nations to exercise his influence with the Iranian government to secure the release of the student leaders and other pro-democracy activists who are now being detained and whose lives are threatened;

(5) the Secretary of State should urge the United Nations High Commissioner for Human Rights to convey her concern for the safety of the Iranian student leaders and other pro-democracy activists to the Iranian government and should assist in securing their prompt release; and

(6) the United States delegate to the United Nations Sub-Commission on Prevention of Discrimination and Protection of Minorities, at its upcoming meeting, should introduce a resolution calling for the release of the Iranian student leaders and other pro-democracy activists and the termination of repressive actions against the nonviolent and democratic student movement of Iran.

SENATE RESOLUTION 172—TO ESTABLISH A SPECIAL COMMITTEE OF THE SENATE TO ADDRESS THE CULTURAL CRISIS FACING AMERICA

Mr. BROWNBACK (for himself, Mr. MOYNIHAN, Mr. LOTT, Mr. DORGAN, Mr. ALLARD, Mr. CONRAD, Mr. ABRAHAM, Mr. COVERDELL, Mr. SESSIONS, and Mr. CRAIG) submitted the following resolution; which was referred to the Committee on Rules and Administration:

S. RES. 172

Resolved,

SECTION 1. ESTABLISHMENT OF THE SPECIAL COMMITTEE.

(a) ESTABLISHMENT.—There is established a special committee of the Senate to be known as the Special Committee on American Culture (hereafter in this resolution referred to as the ''special committee'').

(b) PURPOSE.—The purpose of the special committee is—

(1) to study the causes and reasons for social and cultural regression;

(2) to make such findings of fact as are warranted and appropriate, including the impact that such negative cultural trends and developments have on the broader society, particularly in regards to child well-being; and

(3) to explore means of cultural renewal.

No proposed legislation shall be referred to the special committee, and the committee shall not have power to report by bill, or otherwise have legislative jurisdiction.

(c) TREATMENT AS STANDING COMMITTEE.—For purposes of paragraphs 1, 2, 7(a) (1) and (2), and 10(a) of rule XXVI and rule XXVII of the Standing Rules of the Senate, and section 202 (i) and (j) of the Legislative Reorganization Act of 1946, the special committee shall be treated as a standing committee of the Senate.

SEC. 2. MEMBERSHIP AND ORGANIZATION OF THE SPECIAL COMMITTEE.

(a) MEMBERSHIP.—

(1) IN GENERAL.—The special committee shall consist of 7 members of the Senate—

(A) 4 of whom shall be appointed by the President pro tempore of the Senate from the majority party of the Senate upon the recommendation of the Majority Leader of the Senate; and

(B) 3 of whom shall be appointed by the President pro tempore of the Senate from the minority party of the Senate upon the recommendation of the Minority Leader of the Senate.

(2) VACANCIES.—Vacancies in the membership of the special committee shall not affect the authority of the remaining members to execute the functions of the special committee and shall be filled in the same manner as original appointments to it are made.

(3) SERVICE.—For the purpose of paragraph 4 of rule XXV of the Standing Rules of the Senate, service of a Senator as a member, chairman, or vice chairman of the special committee shall not be taken into account.

(b) CHAIRMAN.—The chairman of the special committee shall be selected by the Majority Leader of the Senate and the vice chairman of the special committee shall be selected by the Minority Leader of the Senate. The vice chairman shall discharge such responsibilities as the special committee or the chairman may assign.

SEC. 3. AUTHORITY OF SPECIAL COMMITTEE.

(a) IN GENERAL.—For the purposes of this resolution, the special committee is authorized, in its discretion—

(1) to make expenditures from the contingent fund of the Senate;

(2) to employ personnel;

(3) to hold hearings;

(4) to sit and act at any time or place during the sessions, recesses, and adjourned periods of the Senate;

(5) to require, by subpoena or otherwise, the attendance of witnesses and the production of correspondence, books, papers, and documents;

(6) to take depositions and other testimony;

(7) to procure the services of individual consultations or organizations thereof, in accordance with the provisions of section 202(i) of the Legislative Reorganization Act of 1946; and

(8) with the prior consent of the Government department or agency concerned and the Committee on Rules and Administration, to use on a nonreimbursable basis the services of personnel of any such department or agency.

(b) OATHS FOR WITNESSES.—The chairman of the special committee or any member thereof may administer oaths to witnesses.

(c) SUBPOENAS.—Subpoenas authorized by the special committee may be—

(1) issued over the signature of the chairman after consultation with the vice chairman, or any member of the special committee designated by the chairman after consultation with the vice chairman; and

(2) served by any person designated by the chairman or the member signing the subpoena.

(d) OTHER COMMITTEE STAFF.—The special committee may use, with the prior consent of the chairman of any other Senate committee or the chairman of any subcommittee of any committee of the Senate and on a nonreimburseable basis, the facilities or services of any members of the staff of such other Senate committee whenever the special committee or its chairman, following consultation with the vice chairman, considers that such action is necessary or appropriate to enable the special committee to make the investigation and study provided for in this resolution.

(e) USE OF OFFICE SPACE.—The staff of the special committee may be located in the personal office of a Member of the special committee.

SEC. 4. REPORT AND TERMINATION.

The special committee shall report its findings, together with such recommendations as it deems advisable, to the Senate prior to December 31, 2000.

SEC. 5. FUNDING.

(a) IN GENERAL.—From the date this resolution is agreed to through December 31, 2000, the expenses of the special committee incurred under this resolution—

(1) shall be paid out of the miscellaneous items account of the contingent fund of the Senate;

(2) shall not exceed $500,000, of which amount not to exceed $150,000 shall be available for the procurement of the services of individual consultants, or organizations thereof, as authorized by section 202(i) of the Legislative Reorganization Act of 1946 (2 U.S.C. 72a(i)); and

(3) shall include sums in addition to expenses described under paragraph (2), as may be necessary for agency contributions related to compensation of employees of the special committee.

(b) PAYMENT OF EXPENSES.—Payment of expenses of the special committee shall be disbursed upon vouchers approved by the chairman, except that vouchers shall not be

required for disbursements of salaries (and related agency contributions) paid at an annual rate.

SENATE RESOLUTION 173—TO AUTHORIZE REPRESENTATION OF THE SENATE COMMITTEE ON ARMED SERVICES IN THE CASE OF PHILIP TINSLEY III V. SENATE COMMITTEE ON ARMED SERVICES

Mr. LOTT (for himself and Mr. DASCHLE) submitted the following resolution which was considered and agreed to:

S. RES. 173

Whereas, in the case of *Philip Tinsley III* v. *Senate Committee on Armed Services*, Civil Action No. 99–951–A, pending in the United States District Court for the Eastern District of Virginia, the plaintiff has sued the United States Senate Committee on Armed Services;

Whereas, pursuant to sections 703(a) and 704(a)(1) of the Ethics in Government Act of 1978, 2 U.S.C. §§288b(a) and 288c(a)(1), the Senate may direct its counsel to defend Senate committees in civil actions. Now, therefore be it

Resolved, That the Senate Legal Counsel is directed to represent the Senate Committee on Armed Services in the case of *Philip Tinsley III* v. *Senate Committee on Armed Services*.

SENATE RESOLUTION 174—TO AUTHORIZE REPRESENTATION OF THE SENATE COMMITTEE ON THE JUDICIARY IN THE CASE OF PHILIP TINSLEY III V. SENATE COMMITTEE ON THE JUDICIARY

Mr. LOTT (for himself and Mr. DASCHLE) submitted the following resolution; which was considered and agreed to:

S. RES. 174

Whereas, in the case of *Philip Tinsley III* v. *Senate Committee on the Judiciary*, Civil Action No. 99–952–A, pending in the United States District Court for the Eastern District of Virginia, the plaintiff has sued the United States Senate Committee on the Judiciary;

Whereas, pursuant to sections 703(a) and 704(a)(1) of the Ethics in Government Act of 1978, 2 U.S.C. §§288b(a) and 288c(a)(1), Senate may direct its counsel to defend Senate committees in civil actions. Now, therefore be it

Resolved, That the Senate Legal Counsel is directed to represent the Senate Committee on the Judiciary in the case of *Philip Tinsley III* v. *Senate Committee on the Judiciary*.

AMENDMENTS SUBMITTED

AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION AND RELATED AGENCIES APPROPRIATIONS ACT, 2000

ROBERTS (AND OTHERS) AMENDMENT NO. 1509

Mr. ROBERTS (for himself, Mr. GRAMS, Mr. GRASSLEY, Mr. SANTORUM, Mr. CRAIG, Mr. GORTON, Mr. BURNS, Mr. BROWNBACK, and Mr. HAGEL) proposed an amendment to the bill (S. 1233) making appropriations for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies programs for the fiscal year ending September 30, 2000, and for other purposes; as follow:

Beginning on page 1, line 3, strike all that follows ''SEC.'' to the end of the amendment and insert the following:

____. EMERGENCY AND MARKET LOSS ASSISTANCE.—(a) CROP LOSS ASSISTANCE.—

(1) IN GENERAL.—In accordance with this subsection, the Secretary of Agriculture (referred to in this section as the ''Secretary'') shall administer a program under which emergency financial assistance is made available to producers on a farm that have incurred crop losses due to disasters (as determined by the Secretary).

(2) LOSSES INCURRED FOR 1999 CROP.—The Secretary shall use not more than $400,000,000 of funds of the Commodity Credit Corporation to make available assistance to producers on a farm that have incurred losses in the 1999 crop due to disasters.

(3) QUALIFYING LOSSES.—With respect to a crop, assistance under this subsection may be made for—

(A) quantity losses;

(B) quality (including aflatoxin) losses; or

(C) severe economic losses due to damaging weather or related condition.

(4) CROPS COVERED.—Assistance under this subsection shall be applicable to losses for all crops (including losses of trees from which a crop is harvested), as determined by the Secretary, due to disasters.

(b) MARKET LOSS ASSISTANCE.—

(1) IN GENERAL.—The Secretary shall use not more than $5,500,000,000 of funds of the Commodity Credit Corporation to provide assistance to owners and producers on a farm that are eligible for payments for fiscal year 1999 under a production flexibility contract for the farm under the Agricultural Market Transition Act (7 U.S.C. 7201 et seq.).

(2) AMOUNT.—The amount of assistance made available to owners and producers on a farm under this subsection shall be proportionate to the amount of the contract payment received by the owners and producers for fiscal year 1999 under a production flexibility contract for the farm under the Agricultural Market Transition Act.

(3) TIME FOR PAYMENT.—The assistance made available under this subsection for an eligible owner or producer shall be provided not later than 45 days after the date of enactment of this Act.

(c) LIMITATION ON MARKETING LOAN GAINS AND LOAN DEFICIENCY PAYMENTS.—Notwithstanding section 1001(2) of the Food Security Act of 1985 (7 U.S.C. 1308(1)), the total amount of the payments specified in section 1001(3) of that Act that a person shall be entitled to receive under the Agricultural Market Transition Act (7 U.S.C. 7201 et seq.) for 1 or more contract commodities and oilseeds during the 1999 crop year may not exceed $150,000.

(d) UPLAND COTTON PRICE COMPETITIVENESS.—

(1) IN GENERAL.—Section 136(a) of the Agricultural Market Transition Act (7 U.S.C. 7236(a)) is amended—

(A) in paragraph (1), by striking ''or cash payments'' and inserting ''or cash payments, at the option of the recipient,'';

(B) by striking ''3 cents per pound'' each place it appears and inserting ''1.25 cents per pound'';

(C) in the first sentence of paragraph (3)(A), by striking ''owned by the Commodity Credit Corporation in such manner, and at such price levels, as the Secretary determines will best effectuate the purposes of cotton user marketing certificates'' and inserting ''owned by the Commodity Credit Corporation or pledged to the Commodity Credit Corporation as collateral for a loan in such manner, and at such price levels, as the Secretary determines will best effectuate the purposes of cotton user marketing certificates, including enhancing the competitiveness and marketability of United States cotton''; and

(D) by striking paragraph (4).

(2) ENSURING THE AVAILABILITY OF UPLAND COTTON.—Section 136(b) of the Agricultural Market Transition Act (7 U.S.C. 7236(b)) is amended—

(A) by striking paragraph (1) and inserting the following:

''(1) ESTABLISHMENT.—

''(A) IN GENERAL.—The President shall carry out an import quota program during the period ending July 31, 2003, as provided in this subsection.

''(B) PROGRAM REQUIREMENTS.—Except as provided in subparagraph (C), whenever the Secretary determines and announces that for any consecutive 4-week period, the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling (M) 1 3/32-inch cotton, delivered C.I.F. Northern Europe, adjusted for the value of any certificate issued under subsection (a), exceeds the Northern Europe price by more than 1.25 cents per pound, there shall immediately be in effect a special import quota.

''(C) TIGHT DOMESTIC SUPPLY.—During any month for which the Secretary estimates the season-ending United States upland cotton stocks-to-use ratio, as determined under subparagraph (D), to be below 16 percent, the Secretary, in making the determination under subparagraph (B), shall not adjust the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling (M) 1 3/32-inch cotton, delivered C.I.F. Northern Europe, for the value of any certificates issued under subsection (a).

''(D) SEASON-ENDING UNITED STATES STOCKS-TO-USE RATIO.—For the purposes of making estimates under subparagraph (C), the Secretary shall, on a monthly basis, estimate and report the season-ending United States upland cotton stocks-to-use ratio, excluding projected raw cotton imports but including the quantity of raw cotton that has been imported into the United States during the marketing year.''; and

(B) by adding at the end the following:

''(7) LIMITATION.—The quantity of cotton entered into the United States during any marketing year under the special import quota established under this subsection may not exceed the equivalent of 5 week's consumption of upland cotton by domestic mills at the seasonally adjusted average rate of the 3 months immediately preceding the first special import quota established in any marketing year.''.

(e) OILSEED PAYMENTS.—

(1) IN GENERAL.—Notwithstanding any other provision of law, the Secretary shall use not less than $500,000,000 of funds of the Commodity Credit Corporation to make payments to producers of the 1999 crop of oilseeds that are eligible to obtain a marketing assistance loan under section 131 of the Agricultural Market Transition Act (7 U.S.C. 7231).

(2) COMPUTATION.—A payment to producers on a farm under this subsection shall be computed by multiplying—

(A) a payment rate determined by the Secretary; by

(B) the quantity of oilseeds that the producers on the farm are eligible to place under loan under section 131 of that Act.

(3) LIMITATION.—Payments made under this subsection shall be considered to be contract payments for the purposes of section 1001(1) of the Food Security Act of 1985 (7 U.S.C. 1308(1)).

(f) ASSISTANCE TO LIVESTOCK PRODUCERS.—The Secretary shall use $250,000,000 of funds of the Commodity Credit Corporation to provide assistance to livestock producers in a manner determined by the Secretary.

(g) CROP INSURANCE.—The Secretary shall use $400,000,000 of funds of the Commodity Credit Corporation to assist agricultural producers in purchasing additional coverage for the 2000 crop year under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.).

(h) SPECIALTY AND OTHER CROPS.—

(1) IN GENERAL.—The Secretary shall use $300,000,000 of funds of the Commodity Credit Corporation to provide assistance, in a manner determined by the Secretary, to producers of specialty crops and other agricultural commodities that are not eligible for assistance under other provisions of this section.

(2) CONDITION ON PAYMENT OF SALARIES AND EXPENSES.—None of the funds appropriated or otherwise made available by this Act or any other Act may be used to pay the salaries and expenses of personnel of the Department of Agriculture to carry out or enforce section 156(f) of the Agricultural Market Transition Act (7 U.S.C. 7272(f)) through fiscal year 2001, if the Federal budget is determined by the Office of Management and Budget to be in surplus for fiscal year 2000.

(i) EMERGENCY REQUIREMENT.—The entire amount necessary to carry out this section and the amendments made by this section shall be available only to the extent that an official budget request for the entire amount, that includes designation of the entire amount of the request as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, is transmitted by the President to the Congress: *Provided*, That the entire amount is designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A) of such Act.

(____) REQUIREMENT OF CONGRESSIONAL APPROVAL OF ANY UNILATERAL AGRICULTURAL OR MEDICAL SANCTION.—

(1) DEFINITIONS.—In this subsection:

(A) AGRICULTURAL COMMODITY.—The term ''agricultural commodity'' has the meaning given the term in section 402 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1732).

(B) AGRICULTURAL PROGRAM.—The term ''agricultural program'' means—

(i) any program administered under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et. seq.);

(ii) any program administered under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

(iii) any commercial sale of agricultural commodities, including a commercial sale of an agricultural commodity that is prohibited under a unilateral agricultural sanction that is in effect on the date of enactment of this Act; or

(iv) any export financing (including credits or credit guarantees) for agricultural commodities.

(C) JOINT RESOLUTION.—The term ''joint resolution'' means—

(i) in the case of paragraph (2)(A)(ii), only a joint resolution introduced within 10 session days of Congress after the date on which the report of the President under paragraph (2)(A)(i) is received by Congress, the matter after the resolving clause of which is as follows: ''That Congress approves the report of the President pursuant to section ____(____)(2)(A)(i) of the _____ Act ____, transmitted on _____.'', with the blank completed with the appropriate date; and

(ii) in the case of paragraph (5)(B), only a joint resolution introduced within 10 session days of Congress after the date on which the report of the President under paragraph (5)(A) is received by Congress, the matter after the resolving clause of which is as follows: ''That Congress approves the report of the President pursuant to section ____(____)(5)(A) of the _____ Act ____, transmitted on _____.'', with the blank completed with the appropriate date.

(D) UNILATERAL AGRICULTURAL SANCTION.—The term ''unilateral agricultural sanction'' means any prohibition, restriction, or condition on carrying out an agricultural program with respect to a foreign country or foreign entity that is imposed by the United States for reasons of foreign policy or national security, except in a case in which the United States imposes the measure pursuant to a multilateral regime and the other member countries of that regime have agreed to impose substantially equivalent measures.

(E) UNILATERAL MEDICAL SANCTION.—The term ''unilateral medical sanction'' means any prohibition, restriction, or condition on exports of, or the provision of assistance consisting of, medicine or a medical device with respect to a foreign country or foreign entity that is imposed by the United States for reasons of foreign policy or national security, except in a case in which the United States imposes the measure pursuant to a multilateral regime and the other member countries of that regime have agreed to impose substantially equivalent measures.

(2) RESTRICTION.—

(A) NEW SANCTIONS.—Except as provided in paragraphs (3) and (4) and notwithstanding any other provision of law, the President may not impose a unilateral agricultural sanction or unilateral medical sanction against a foreign country or foreign entity for any fiscal year, unless—

(i) not later than 60 days before the sanction is proposed to be imposed, the President submits a report to Congress that—

(I) describes the activity proposed to be prohibited, restricted, or conditioned; and

(II) describes the actions by the foreign country or foreign entity that justify the sanction; and

(ii) Congress enacts a joint resolution stating the approval of Congress for the report submitted under clause (i).

(B) EXISTING SANCTIONS.—

(i) IN GENERAL.—Except as provided in clause (ii), with respect to any unilateral agricultural sanction or unilateral medical sanction that is in effect as of the date of enactment of this Act for any fiscal year, the President shall immediately cease to implement such sanction.

(ii) EXEMPTIONS.—Clause (i) shall not apply to a unilateral agricultural sanction or unilateral medical sanction imposed with respect to an agricultural program or activity described in clause (ii) or (iv) of paragraph (1)(B).

(3) EXCEPTIONS.—The President may impose (or continue to impose) a sanction described in paragraph (2) without regard to the procedures required by that paragraph—

(A) against a foreign country or foreign entity with respect to which Congress has enacted a declaration of war that is in effect on or after the date of enactment of this Act; or

(B) to the extent that the sanction would prohibit, restrict, or condition the provision or use of any agricultural commodity, medicine, or medical device that is—

(i) controlled on the United States Munitions List;

(ii) an item for which export controls are administered by the Department of Commerce for foreign policy or national security reasons; or

(iii) used to facilitate the development or production of a chemical or biological weapon.

(4) COUNTRIES SUPPORTING INTERNATIONAL TERRORISM.—This subsection shall not affect the current prohibitions on providing, to the government of any country supporting international terrorism, United States government assistance, including United States foreign assistance, United States export assistance, or any United States credits or credit guarantees.

(5) TERMINATION OF SANCTIONS.—Any unilateral agricultural sanction or unilateral medical sanction that is imposed pursuant to the procedures described in paragraph (2)(A) shall terminate not later than 2 years after the date on which the sanction became effective unless—

(A) not later than 60 days before the date of termination of the sanction, the President submits to Congress a report containing the recommendation of the President for the continuation of the sanction for an additional period of not to exceed 2 years and the request of the President for approval by Congress of the recommendation; and

(B) Congress enacts a joint resolution stating the approval of Congress for the report submitted under subparagraph (A).

(6) CONGRESSIONAL PRIORITY PROCEDURES.—

(A) REFERRAL OF REPORT.—A report described in paragraph (2)(A)(i) or (5)(A) shall be referred to the appropriate committee or committees of the House of Representatives and to the appropriate committee or committees of the Senate.

(B) REFERRAL OF JOINT RESOLUTION.—

(i) IN GENERAL.—A joint resolution shall be referred to the committees in each House of Congress with jurisdiction.

(ii) REPORTING DATE.—A joint resolution referred to in clause (i) may not be reported before the eighth session day of Congress after the introduction of the joint resolution.

(C) DISCHARGE OF COMMITTEE.—If the committee to which is referred a joint resolution has not reported the joint resolution (or an identical joint resolution) at the end of 30 session days of Congress after the date of introduction of the joint resolution—

(i) the committee shall be discharged from further consideration of the joint resolution; and

(ii) the joint resolution shall be placed on the appropriate calendar of the House concerned.

(D) FLOOR CONSIDERATION.—

(i) MOTION TO PROCEED.—

(I) IN GENERAL.—When the committee to which a joint resolution is referred has reported, or when a committee is discharged under subparagraph (C) from further consideration of, a joint resolution—

(aa) it shall be at any time thereafter in order (even though a previous motion to the same effect has been disagreed to) for any

member of the House concerned to move to proceed to the consideration of the joint resolution; and

(bb) all points of order against the joint resolution (and against consideration of the joint resolution) are waived.

(II) PRIVILEGE.—The motion to proceed to the consideration of the joint resolution—

(aa) shall be highly privileged in the House of Representatives and privileged in the Senate; and

(bb) not debatable.

(III) AMENDMENTS AND MOTIONS NOT IN ORDER.—The motion to proceed to the consideration of the joint resolution shall not be subject to—

(aa) amendment;

(bb) a motion to postpone; or

(cc) a motion to proceed to the consideration of other business.

(IV) MOTION TO RECONSIDER NOT IN ORDER.—A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order.

(V) BUSINESS UNTIL DISPOSITION.—If a motion to proceed to the consideration of the joint resolution is agreed to, the joint resolution shall remain the unfinished business of the House concerned until disposed of.

(ii) LIMITATIONS ON DEBATE.—

(I) IN GENERAL.—Debate on the joint resolution, and on all debatable motions and appeals in connection with the joint resolution, shall be limited to not more than 10 hours, which shall be divided equally between those favoring and those opposing the joint resolution.

(II) FURTHER DEBATE LIMITATIONS.—A motion to limit debate shall be in order and shall not be debatable.

(III) AMENDMENTS AND MOTIONS NOT IN ORDER.—An amendment to, a motion to postpone, a motion to proceed to the consideration of other business, a motion to recommit the joint resolution, or a motion to reconsider the vote by which the joint resolution is agreed to or disagreed to shall not be in order.

(iii) VOTE ON FINAL PASSAGE.—Immediately following the conclusion of the debate on a joint resolution, and a single quorum call at the conclusion of the debate if requested in accordance with the rules of the House concerned, the vote on final passage of the joint resolution shall occur.

(iv) RULINGS OF THE CHAIR ON PROCEDURE.—An appeal from a decision of the Chair relating to the application of the rules of the Senate or House of Representatives, as the case may be, to the procedure relating to a joint resolution shall be decided without debate.

(E) COORDINATION WITH ACTION BY OTHER HOUSE.—If, before the passage by 1 House of a joint resolution of that House, that House receives from the other House a joint resolution, the following procedures shall apply:

(i) NO COMMITTEE REFERRAL.—The joint resolution of the other House shall not be referred to a committee.

(ii) FLOOR PROCEDURE.—With respect to a joint resolution of the House receiving the joint resolution—

(I) the procedure in that House shall be the same as if no joint resolution had been received from the other House; but

(II) the vote on final passage shall be on the joint resolution of the other House.

(iii) DISPOSITION OF JOINT RESOLUTIONS OF RECEIVING HOUSE.—On disposition of the joint resolution received from the other House, it shall no longer be in order to consider the joint resolution originated in the receiving House.

(F) PROCEDURES AFTER ACTION BY BOTH THE HOUSE AND SENATE.—If a House receives a joint resolution from the other House after the receiving House has disposed of a joint resolution originated in that House, the action of the receiving House with regard to the disposition of the joint resolution originated in that House shall be deemed to be the action of the receiving House with regard to the joint resolution originated in the other House.

(G) RULEMAKING POWER.—This paragraph is enacted by Congress—

(i) as an exercise of the rulemaking power of the Senate and House of Representatives, respectively, and as such this paragraph—

(I) is deemed to be a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of a joint resolution; and

(II) supersedes other rules only to the extent that this paragraph is inconsistent with those rules; and

(ii) with full recognition of the constitutional right of either House to change the rules (so far as the rules relate to the procedure of that House) at any time, in the same manner and to the same extent as in the case of any other rule of that House.

(7) EFFECTIVE DATE.—This subsection takes effect 180 days after the date of enactment of this Act.

McCAIN (AND GREGG) AMENDMENT NO. 1510

Mr. McCAIN (for himself and Mr. GREGG) proposed an amendment to amendment No. 1499 proposed by Mr. DASCHLE to the bill, S. 1233, supra; as follows:

At the appropriate place, insert the following:

SEC. 7___. SUGAR PROGRAM.—(a) IN GENERAL.—None of the funds appropriated or otherwise made available by this Act may be used to pay the salaries and expenses of personnel of the Department of Agriculture to carry out section 156 of the Agricultural Market Transition Act (7 U.S.C. 7272), other than subsection (f).

(b) MARKETING ASSESSMENT.—Notwithstanding any other provision of this Act, funds appropriated or otherwise made available by this Act or any other Act shall be used to pay the salaries and expenses of personnel of the Department of Agriculture to carry out and enforce section 156(f) of the Agricultural Market Transition Act (7 U.S.C. 7272(f)) through fiscal year 2001.

LEVIN AMENDMENT NO. 1511

(Ordered to lie on the table.)

Mr. LEVIN submitted an amendment intended to be proposed by him to the bill, S. 1233, supra; as follows:

On page 13, line 13, strike ''$54,276,000'' and insert ''$55,166,000''.

On page 13, line 14, before the semicolon, insert the following: '', of which not less than $445,000 shall be used to make a special grant to the State of Michigan to carry out sustainable agriculture research, and of which not less than $445,000 shall be used to make a special grant to the State of Michigan to carry out a research program on improved fruit practices''.

On page 13, line 16, strike ''$119,300,000'' and insert ''$118,410,000''.

SPECTER AMENDMENT NO. 1512

Mr. SPECTER proposed an amendment to amendment No. 1499 proposed by Mr. DASCHLE to the bill, S. 1233, supra; as follows:

At the appropriate place, insert the following:

SEC. 7___. DAIRY COMPACTS; FEDERAL MILK MARKETING ORDERS.—(a) NORTHEAST INTERSTATE DAIRY COMPACT.—Section 147 of the Agricultural Market Transition Act (7 U.S.C. 7256) is amended—

(1) in the matter preceding paragraph (1), by striking ''Massachusetts, New Hampshire,'' and inserting ''Maryland, Massachusetts, New Hampshire, New Jersey, New York,'';

(2) by striking paragraphs (1) and (7);

(3) in paragraph (3), by striking ''concurrent'' and all that follows through ''section 143'' and inserting ''on December 31, 2002'';

(4) in paragraph (4), by striking ''Delaware, New Jersey, New York, Pennsylvania, Maryland, and Virginia'' and inserting ''Delaware, Ohio, and Pennsylvania'';

(5) in paragraph (5), by striking ''for the cost'' and all that follows through ''Secretary'' and inserting ''for the increased cost of any purchases of milk and milk products by the Corporation that result from the operation of the Compact price regulation during the fiscal year, as determined by the Secretary (in consultation with the Commission) using notice and comment procedures provided in section 553 of title 5, United States Code'';

(6) by redesignating paragraphs (2) through (6) as paragraphs (1) through (5), respectively; and

(7) by adding at the end the following:

''(6) COMPENSATION OF SPECIAL MILK PROGRAM.—Before the end of each fiscal year in which a Compact price regulation is in effect, the Northeast Interstate Dairy Compact Commission shall compensate the Secretary for the increased costs of any milk and milk products provided under the special milk program authorized under section 3 of the Child Nutrition Act of 1966 (42 U.S.C. 1772) that results from the operation of the Compact price regulation during the fiscal year, as determined by the Secretary (in consultation with the Commission) using notice and comment procedures provided in section 553 of title 5, United States Code.''.

(b) SOUTHERN DAIRY COMPACT.—

(1) IN GENERAL.—Congress consents to the Southern Dairy Compact entered into among the States of Alabama, Arkansas, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia as specified in section 201(b) of Senate Joint Resolution 22 of the 106th Congress, as placed on the calendar of the Senate, subject to the following conditions:

(A) LIMITATION OF MANUFACTURING PRICE REGULATION.—The Southern Dairy Compact Commission may not regulate Class II, Class III, or Class III–A milk used for manufacturing purposes or any other milk, other than Class I, or fluid milk, as defined by a Federal milk marketing order issued under section 8c of the Agricultural Adjustment Act (7 U.S.C. 608c), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937 (referred to in this paragraph as a ''Federal milk marketing order'') unless Congress has first consented to and approved such authority by a law enacted after the date of enactment of this joint resolution.

(B) DURATION.—Consent for the Southern Dairy Compact shall terminate on December 31, 2002.

(C) ADDITIONAL STATES.—The States of Florida, Georgia, Missouri, Oklahoma, Kansas, and Texas are the only additional States

that may join the Southern Dairy Compact, individually or otherwise.

(D) COMPENSATION OF COMMODITY CREDIT CORPORATION.—Before the end of each fiscal year in which a Compact price regulation is in effect, the Southern Dairy Compact Commission shall compensate the Commodity Credit Corporation for the increased costs of any purchases of milk and milk products by the Corporation that results from the operation of the Compact price regulation during the fiscal year, as determined by the Secretary of Agriculture (in consultation with the Commission) using notice and comment procedures provided in section 553 of title 5, United States Code.

(E) COMPENSATION OF SPECIAL MILK PROGRAM.—Before the end of each fiscal year in which a Compact price regulation is in effect, the Southern Dairy Compact Commission shall compensate the Secretary of Agriculture for the increased costs of any milk and milk products provided under the special milk program authorized under section 3 of the Child Nutrition Act of 1966 (42 U.S.C. 1772) that results from the operation of the Compact price regulation during the fiscal year, as determined by the Secretary (in consultation with the Commission) using notice and comment procedures provided in section 553 of title 5, United States Code.

(F) MILK MARKETING ORDER ADMINISTRATOR.—At the request of the Southern Dairy Compact Commission, the Administrator of the applicable Federal milk marketing order shall provide technical assistance to the Compact Commission and be compensated for that assistance.

(2) RESERVATION OF RIGHTS.—The right to alter, amend, or repeal this paragraph is reserved.

(c) FEDERAL MILK MARKETING ORDERS.—

(1) IN GENERAL.—Section 143 of the Agricultural Market Transition Act (7 U.S.C. 7253) is amended by adding at the end the following:

''(e) FLUID OR CLASS I MILK.—

''(1) DELAY IN IMPLEMENTATION.—The Secretary shall not implement the amendments to Federal milk marketing orders required by subsection (a)(1) before the date that is 90 days after the date of enactment of this subsection.

''(2) OPTION 1A.—Effective on the date that is 90 days after the date of enactment of this subsection, the Secretary shall price fluid or Class I milk under the orders using the Class I price differentials identified as Option 1A 'Location-Specific Differentials Analysis' in the proposed rule published in the Federal Register on January 30, 1998 (63 Fed. Reg. 4802, 4809), except that the Secretary shall include the corrections and modifications to the Class I differentials made by the Secretary through April 2, 1999.

''(f) NECESSITY OF USING FORMAL RULEMAKING TO DEVELOP PRICING METHODS FOR CLASS III AND CLASS IV MILK; MODIFIED MANUFACTURING ALLOWANCE FOR CHEESE.—

''(1) FINDINGS.—Congress finds that the Class III and Class IV pricing formulas included in the final decision for the consolidation and reform of Federal milk marketing orders, as published in the Federal Register on April 2, 1999 (64 Fed. Reg. 16025)—

''(A) do not adequately reflect public comment on the original proposed rule published in the Federal Register on January 30, 1998 (63 Fed. Reg. 4802); and

''(B) are sufficiently different from the proposed rule and any comments submitted with regard to the proposed rule that further emergency rulemaking is merited.

''(2) FORMAL RULEMAKING.—

''(A) REQUIRED.—The Secretary shall conduct rulemaking, on the record after an opportunity for an agency hearing, to reconsider the Class III and Class IV pricing formulas included in the final decision referred to in paragraph (1).

''(B) IMPLEMENTATION.—A final decision on the formula shall be implemented not earlier than the date that is 90 days after the date of enactment of this subsection.

''(C) EFFECT OF COURT ORDER.—

''(i) PURPOSE.—The purpose of the actions authorized by this paragraph is to ensure the timely publication and implementation of new pricing formulas for Class III and Class IV milk.

''(ii) EFFECT.—If the Secretary is enjoined or otherwise restrained by a court order from implementing the final decision under subparagraph (B), the length of time for which that injunction or other restraining order is effective shall be added to the time limitations specified in subparagraph (B), thereby extending those time limitations by a period of time equal to the period of time for which the injunction or other restraining order is effective.

''(3) FAILURE TO TIMELY COMPLETE RULEMAKING.—

''(A) IN GENERAL.—If the Secretary fails to implement new Class III and Class IV pricing formulas within the time period required under paragraph (2)(B) (plus any additional period provided under paragraph (2)(C)), the Secretary may not assess or collect assessments from milk producers or handlers under section 8c of the Agricultural Adjustment Act (7 U.S.C. 608c), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, for marketing order administration and services provided under that section after the end of that period until the pricing formulas are implemented.

''(B) SERVICES.—The Secretary—

''(i) may not reduce the level of services provided under that section on account of the prohibition against assessment; and

''(ii) shall cover the cost of marketing order administration and services through funds available for the Agricultural Marketing Service of the Department.

''(4) EFFECT ON IMPLEMENTATION SCHEDULE.—Subject to paragraph (5), the requirement for additional rulemaking under paragraph (2) does not modify or delay the time period for implementation of the final decision referred to in paragraph (1) as part of Federal milk marketing orders, as that time period is required under section 738 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (Public Law 105–277; 112 Stat. 2681–30).

''(5) MODIFIED MANUFACTURING ALLOWANCE FOR CHEESE.—Pending the implementation of new pricing formulas for Class III and Class IV milk as required by paragraph (2), the Secretary shall modify the formula used for determining Class III prices, as contained in the final decision referred to in paragraph (1), to replace the manufacturing allowance of 17.02 cents per pound of cheese each place it appears in that formula with an amount equal to 14.7 cents per pound of cheese.''.

(2) CONFORMING AMENDMENTS.—Section 738 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (Public Law 105–277; 112 Stat. 2681–30), is amended—

(A) by striking subsection (a);

(B) by redesignating subsections (b) and (c) as subsections (a) and (b), respectively; and

(C) in subsection (a) (as so redesignated)—

(i) by striking ''subsection (a)(2) of such section'' and inserting ''section 143(a)(2) of the Agricultural Market Transition Act (7 U.S.C. 7253(a)(2))''; and

(ii) by striking ''final rule referred to in subsection (a)'' and by inserting ''final rule to implement the amendments to Federal milk marketing orders required by section 143(a)(1) of that Act''.

(d) MILK PRICE SUPPORT PROGRAM.—

(1) IN GENERAL.—Section 141 of the Agricultural Market Transition Act (7 U.S.C. 7251) is amended—

(A) in subsection (b)(4), by striking ''calendar year 1999'' and inserting ''each of calendar years 1999 and 2000''; and

(B) in subsection (h), by striking ''1999'' each place it appears and inserting ''2000''.

(2) CONFORMING AMENDMENT.—Section 142(e) of the Agricultural Market Transition Act (7 U.S.C. 7252(e)) is amended by striking ''2000'' and inserting ''2001''.

(e) EFFECTIVE DATE.—This section and the amendments made by this section take effect on the earlier of—

(1) the date of enactment of this Act; or

(2) October 1, 1999.

COCHRAN AMENDMENT NO. 1513

Mr. COCHRAN proposed an amendment to amendment No. 1499 proposed by Mr. DASCHLE to the bill, S. 1233, supra; as follows:

Beginning on page 1, line 3, strike all that follows ''SEC.'' to the end of the amendment and insert the following:

____. EMERGENCY AND MARKET LOSS ASSISTANCE.—(a) MARKET LOSS ASSISTANCE.—

(1) IN GENERAL.—The Secretary of Agriculture (referred to in this section as the ''Secretary'') shall use not more than $5,544,453,000 of funds of the Commodity Credit Corporation to provide assistance to owners and producers on a farm that are eligible for payments for fiscal year 1999 under a production flexibility contract for the farm under the Agricultural Market Transition Act (7 U.S.C. 7201 et seq.).

(2) AMOUNT.—The amount of assistance made available to owners and producers on a farm under this subsection shall be proportionate to the amount of the contract payment received by the owners and producers for fiscal year 1999 under a production flexibility contract for the farm under the Agricultural Market Transition Act.

(3) TIME FOR PAYMENT.—The assistance made available under this subsection for an eligible owner or producer shall be provided not later than 45 days after the date of enactment of this Act.

(b) SPECIALTY CROPS.—

(1) ASSISTANCE TO CERTAIN PRODUCERS.—The Secretary shall use not more than $50,000,000 of funds of the Commodity Credit Corporation to provide assistance to producers of fruits and vegetables in a manner determined by the Secretary.

(2) PAYMENTS TO CERTAIN PRODUCERS.—

(A) IN GENERAL.—The Secretary shall use such amounts as are necessary to provide payments to producers of quota peanuts or additional peanuts to partially compensate the producers for continuing low commodity prices, and increasing costs of production, for the 1999 crop year.

(B) AMOUNT.—The amount of a payment made to producers on a farm of quota peanuts or additional peanuts under subparagraph (A) shall be equal to the product obtained by multiplying—

(i) the quantity of quota peanuts or additional peanuts produced or considered produced by the producers under section 155 of the Agricultural Market Transition Act (7 U.S.C. 7271); by

(ii) an amount equal to 5 percent of the loan rate established for quota peanuts or

additional peanuts, respectively, under section 155 of that Act.

(3) CONDITION ON PAYMENT OF SALARIES AND EXPENSES.—None of the funds appropriated or otherwise made available by this Act or any other Act may be used to pay the salaries and expenses of personnel of the Department of Agriculture to carry out or enforce section 156(f) of the Agricultural Market Transition Act (7 U.S.C. 7272(f)) through fiscal year 2001, if the Federal budget is determined by the Office of Management and Budget to be in surplus for fiscal year 2000.

(c) LIMITATION ON MARKETING LOAN GAINS AND LOAN DEFICIENCY PAYMENTS.—Notwithstanding section 1001(2) of the Food Security Act of 1985 (7 U.S.C. 1308(1)), the total amount of the payments specified in section 1001(3) of that Act that a person shall be entitled to receive under the Agricultural Market Transition Act (7 U.S.C. 7201 et seq.) for 1 or more contract commodities and oilseeds during the 1999 crop year may not exceed $150,000.

(d) UPLAND COTTON PRICE COMPETITIVENESS.—

(1) IN GENERAL.—Section 136(a) of the Agricultural Market Transition Act (7 U.S.C. 7236(a)) is amended—

(A) in paragraph (1), by striking ''or cash payments'' and inserting ''or cash payments, at the option of the recipient,'';

(B) by striking ''3 cents per pound'' each place it appears and inserting ''1.25 cents per pound'';

(C) in the first sentence of paragraph (3)(A), by striking ''owned by the Commodity Credit Corporation in such manner, and at such price levels, as the Secretary determines will best effectuate the purposes of cotton user marketing certificates'' and inserting ''owned by the Commodity Credit Corporation or pledged to the Commodity Credit Corporation as collateral for a loan in such manner, and at such price levels, as the Secretary determines will best effectuate the purposes of cotton user marketing certificates, including enhancing the competitiveness and marketability of United States cotton''; and

(D) by striking paragraph (4).

(2) ENSURING THE AVAILABILITY OF UPLAND COTTON.—Section 136(b) of the Agricultural Market Transition Act (7 U.S.C. 7236(b)) is amended—

(A) by striking paragraph (1) and inserting the following:

''(1) ESTABLISHMENT.—

''(A) IN GENERAL.—The President shall carry out an import quota program during the period ending July 31, 2003, as provided in this subsection.

''(B) PROGRAM REQUIREMENTS.—Except as provided in subparagraph (C), whenever the Secretary determines and announces that for any consecutive 4-week period, the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling (M) 1 3/32-inch cotton, delivered C.I.F. Northern Europe, adjusted for the value of any certificate issued under subsection (a), exceeds the Northern Europe price by more than 1.25 cents per pound, there shall immediately be in effect a special import quota.

''(C) TIGHT DOMESTIC SUPPLY.—During any month for which the Secretary estimates the season-ending United States upland cotton stocks-to-use ratio, as determined under subparagraph (D), to be below 16 percent, the Secretary, in making the determination under subparagraph (B), shall not adjust the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling (M) 1 3/32-inch cotton, delivered C.I.F. Northern Europe, for the value of any certificates issued under subsection (a).

''(D) SEASON-ENDING UNITED STATES STOCKS-TO-USE RATIO.—For the purposes of making estimates under subparagraph (C), the Secretary shall, on a monthly basis, estimate and report the season-ending United States upland cotton stocks-to-use ratio, excluding projected raw cotton imports but including the quantity of raw cotton that has been imported into the United States during the marketing year.''; and

(B) by adding at the end the following:

''(7) LIMITATION.—The quantity of cotton entered into the United States during any marketing year under the special import quota established under this subsection may not exceed the equivalent of 5 week's consumption of upland cotton by domestic mills at the seasonally adjusted average rate of the 3 months immediately preceding the first special import quota established in any marketing year.''.

(3) REMOVAL OF SUSPENSION OF MARKETING CERTIFICATE AUTHORITY.—Section 171(b)(1) of the Agricultural Market Transition Act (7 U.S.C. 7301(b)(1)) is amended—

(A) by striking subparagraph (G); and

(B) by redesignating subparagraphs (H) through (L) as subparagraphs (G) through (K), respectively.

(4) REDEMPTION OF MARKETING CERTIFICATES.—Section 115 of the Agricultural Act of 1949 (7 U.S.C. 1445k) is amended—

(A) in subsection (a)—

(i) by striking ''rice (other than negotiable marketing certificates for upland cotton or rice)'' and inserting ''rice, including the issuance of negotiable marketing certificates for upland cotton or rice'';

(ii) in paragraph (1), by striking ''and'' at the end;

(iii) in paragraph (2), by striking the period at the end and inserting ''; and''; and

(iv) by adding at the end the following:

''(3) redeem negotiable marketing certificates for cash under such terms and conditions as are established by the Secretary.''; and

(B) in the second sentence of subsection (c), by striking ''export enhancement program or the marketing promotion program established under the Agricultural Trade Act of 1978'' and inserting ''market access program or the export enhancement program established under sections 203 and 301 of the Agricultural Trade Act of 1978 (7 U.S.C. 5623, 5651)''.

(e) OILSEED PAYMENTS.—

(1) IN GENERAL.—Notwithstanding any other provision of law, the Secretary shall use not less than $475,000,000 of funds of the Commodity Credit Corporation to make payments to producers of the 1999 crop of oilseeds that are eligible to obtain a marketing assistance loan under section 131 of the Agricultural Market Transition Act (7 U.S.C. 7231).

(2) COMPUTATION.—A payment to producers on a farm under this subsection shall be computed by multiplying—

(A) a payment rate determined by the Secretary; by

(B) the quantity of oilseeds that the producers on the farm are eligible to place under loan under section 131 of that Act.

(3) LIMITATION.—Payments made under this subsection shall be considered to be contract payments for the purposes of section 1001(1) of the Food Security Act of 1985 (7 U.S.C. 1308(1)).

(f) ASSISTANCE TO LIVESTOCK AND DAIRY PRODUCERS.—The Secretary shall use $325,000,000 of funds of the Commodity Credit Corporation to provide assistance to livestock and dairy producers in a manner determined by the Secretary.

(g) TOBACCO.—The Secretary shall use $328,000,000 of funds of the Commodity Credit Corporation to make distributions to tobacco growers in accordance with the formulas established under the National Tobacco Grower Settlement Trust.

(h) SENSE OF CONGRESS REGARDING FAST-TRACK AUTHORITY AND FUTURE WORLD TRADE ORGANIZATION NEGOTIATIONS.—It is the sense of Congress that—

(1) the President should make a formal request for appropriate fast-track authority for future United States trade negotiations;

(2) regarding future World Trade Organization negotiations—

(A) rules for trade in agricultural commodities should be strengthened and trade-distorting import and export practices should be eliminated or substantially reduced;

(B) the rules of the World Trade Organization should be strengthened regarding the practices or policies of a foreign government that unreasonably—

(i) restrict market access for products of new technologies, including products of biotechnology; or

(ii) delay or preclude implementation of a report of a dispute panel of the World Trade Organization; and

(C) negotiations within the World Trade Organization should be structured so as to provide the maximum leverage possible to ensure the successful conclusion of negotiations on agricultural products;

(3) the President should—

(A) conduct a comprehensive evaluation of all existing export and food aid programs, including—

(i) the export credit guarantee program established under section 202 of the Agricultural Trade Act of 1978 (7 U.S.C. 5622);

(ii) the market access program established under section 203 of that Act (7 U.S.C. 5623);

(iii) the export enhancement program established under section 301 of that Act (7 U.S.C. 5651);

(iv) the foreign market development cooperator program established under section 702 of that Act (7 U.S.C. 5722); and

(v) programs established under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.); and

(B) transmit to Congress—

(i) the results of the evaluation under subparagraph (A); and

(ii) recommendations on maximizing the effectiveness of the programs described in subparagraph (A); and

(4) the Secretary should carry out a purchase and donation or concessional sales initiative in each of fiscal years 1999 and 2000 to promote the export of additional quantities of soybeans, beef, pork, poultry, and products of such commodities (including soybean meal, soybean oil, textured vegetable protein, and soy protein concentrates and isolates) using programs established under—

(A) the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.);

(B) section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

(C) titles I and II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701 et seq.); and

(D) the Food for Progress Act of 1985 (7 U.S.C. 1736o).

(i) EMERGENCY REQUIREMENT.—The entire amount necessary to carry out this section and the amendments made by this section shall be available only to the extent that an

official budget request for the entire amount, that includes designation of the entire amount of the request as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, is transmitted by the President to the Congress: *Provided*, That the entire amount is designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A) of such Act.

DORGAN (AND OTHERS) AMENDMENT NO. 1514

Mr. DORGAN (for himself, Mr. HARKIN, Mr. DASCHLE, Mr. KERREY, Mr. JOHNSON, Mr. CONRAD, Mr. BAUCUS, Mr. DURBIN, Mr. WELLSTONE, Ms. LINCOLN, Mr. SARBANES, and Ms. MIKULSKI) proposed an amendment to amendment No. 1499 proposed by Mr. DASCHLE to the bill, S. 1233, supra; as follows:

Beginning on page 1, line 3, strike all that follows ''SEC.'' to the end of the amendment and insert the following:

____. EMERGENCY AND INCOME LOSS ASSISTANCE.—(a) ADDITIONAL CROP LOSS ASSISTANCE.—

(1) IN GENERAL.—Except as provided in paragraph (2), in addition to amounts that have been made available to carry out section 1102 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (7 U.S.C. 1421 note; Public Law 105–277) under other law, the Secretary of Agriculture (referred to in this section as the 'Secretary') shall use not more than $756,000,000 of funds of the Commodity Credit Corporation to provide crop loss assistance in accordance with that section in a manner that, to the maximum extent practicable—

(A) fully compensates agricultural producers for crop losses in accordance with that section (including regulations promulgated to carry out that section); and

(B) provides equitable treatment under that section for agricultural producers described in subsections (b) and (c) of that section.

(2) CROP INSURANCE.—Of the total amount made available under paragraph (1), the Secretary shall use not less than $400,000,000 to assist agricultural producers in purchasing additional coverage for the 2000 crop year under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.).

(b) INCOME LOSS ASSISTANCE.—

(1) IN GENERAL.—The Secretary shall use not more than $6,273,000,000 of funds of the Commodity Credit Corporation to provide (on an equitable basis among producers, as determined by the Secretary) supplemental loan deficiency payments to producers on a farm that are eligible for marketing assistance loans for the 1999 crop of a commodity under section 131 of the Agricultural Market Transition Act (7 U.S.C. 7231).

(2) PAYMENT LIMITATION.—The total amount of the payments that a person may receive under paragraph (1) during any crop year may not exceed $40,000.

(3) PRODUCERS WITHOUT PRODUCTION.—The payments made available under this subsection shall be provided (on an equitable basis among producers, according to actual production history, as determined by the Secretary) to producers with failed acreage, or acreage on which planting was prevented, due to circumstances beyond the control of the producers.

(4) TIME FOR PAYMENT.—The assistance made available under this subsection for an eligible owner or producer shall be provided as soon as practicable after the date of enactment of this Act by providing advance payments that are based on expected production and by taking such measures as are determined appropriate by the Secretary.

(5) DAIRY PRODUCERS.—

(A) IN GENERAL.—Of the total amount made available under paragraph (1), $300,000,000 shall be available to provide assistance to dairy producers in a manner determined by the Secretary.

(B) FEDERAL MILK MARKETING ORDERS.—Payments made under this subsection shall not affect any decision with respect to rulemaking activities under section 143 of the Agricultural Market Transition Act (7 U.S.C. 7253).

(6) PEANUTS.—

(A) IN GENERAL.—Of the total amount made available under paragraph (1), the Secretary shall use not to exceed $45,000,000 to provide payments to producers of quota peanuts or additional peanuts to partially compensate the producers for the loss of markets for the 1998 crop of peanuts.

(B) AMOUNT.—The amount of a payment made to producers on a farm of quota peanuts or additional peanuts under subparagraph (A) shall be equal to the product obtained by multiplying—

(i) the quantity of quota peanuts or additional peanuts produced or considered produced by the producers under section 155 of the Agricultural Market Transition Act (7 U.S.C. 7271); by

(ii) an amount equal to 5 percent of the loan rate established for quota peanuts or additional peanuts, respectively, under section 155 of that Act.

(7) TOBACCO GROWER ASSISTANCE.—The Secretary shall provide $328,000,000 to be distributed to tobacco growers according to the formulas established pursuant to the National Tobacco Grower Settlement Trust.

(c) FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32).—

(1) IN GENERAL.—For an additional amount for the fund maintained for funds made available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), there is appropriated, out of any money in the Treasury not otherwise appropriated, $500,000,000.

(2) SET-ASIDE FOR CERTAIN LIVESTOCK PRODUCERS.—Of the funds made available by paragraph (1), the Secretary shall use not more than $200,000,000 to provide assistance to livestock producers—

(A) the operations of which are located in counties with respect to which during 1999 a natural disaster was declared for losses due to excessive heat or drought by the Secretary, or a major disaster or emergency was declared for losses due to excessive heat or drought by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.); and

(B) that experienced livestock losses as a result of the declared disaster or emergency.

(3) WAIVER OF COMMODITY LIMITATION.—In providing assistance under this subsection, the Secretary may waive the limitation established under the second sentence of the second paragraph of section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), on the amount of funds that may be devoted to any 1 agricultural commodity or product.

(d) EMERGENCY LIVESTOCK ASSISTANCE.—For an additional amount to provide emergency livestock assistance, there is appropriated, out of any money in the Treasury not otherwise appropriated, $150,000,000.

(e) COMMODITY PURCHASES AND HUMANITARIAN DONATIONS.—

(1) IN GENERAL.—Notwithstanding any other provision of law, the Secretary shall use not less than $778,000,000 of funds of the Commodity Credit Corporation for the purchase and distribution of agricultural commodities, under applicable food aid authorities, including—

(A) section 416(b) of the Agricultural Act of 1949 (7 U.S.C. 1431(b));

(B) the Food for Progress Act of 1985 (7 U.S.C. 1736o); and

(C) the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.).

(2) LEAST DEVELOPED COUNTRIES.—Not less than 40 percent of the commodities distributed pursuant to this subsection shall be made available to least developed countries, as determined by the Secretary.

(3) LOCAL CURRENCIES.—To the maximum extent practicable, local currencies generated from the sale of commodities under this subsection shall be used for development purposes that foster United States agricultural exports.

(f) UPLAND COTTON PRICE COMPETITIVENESS.—

(1) IN GENERAL.—Section 136(a) of the Agricultural Market Transition Act (7 U.S.C. 7236(a)) is amended—

(A) in paragraph (1), by inserting ''(in the case of each of the 1999–2000, 2000–2001, and 2001–2002 marketing years for upland cotton, at the option of the recipient)'' after ''or cash payments'';

(B) by inserting ''(or, in the case of each of the 1999–2000, 2000–2001, and 2001–2002 marketing years for upland cotton, 1.25 cents per pound)'' after ''3 cents per pound'' each place it appears;

(C) in paragraph (3), by striking subparagraph (A) and inserting the following:

''(A) REDEMPTION, MARKETING, OR EXCHANGE.—

''(i) IN GENERAL.—The Secretary shall establish procedures for redeeming marketing certificates for cash or marketing or exchange of the certificates for—

''(I) except as provided in subclause (II), agricultural commodities owned by the Commodity Credit Corporation in such manner, and at such price levels, as the Secretary determines will best effectuate the purposes of cotton user marketing certificates; or

''(II) in the case of each of the 1999–2000, 2000–2001, and 2001–2002 marketing years for upland cotton, agricultural commodities owned by the Commodity Credit Corporation or pledged to the Commodity Credit Corporation as collateral for a loan in such manner, and at such price levels, as the Secretary determines will best effectuate the purposes of cotton user marketing certificates, including enhancing the competitiveness and marketability of United States cotton.

''(ii) PRICE RESTRICTIONS.—Any price restrictions that would otherwise apply to the disposition of agricultural commodities by the Commodity Credit Corporation shall not apply to the redemption of certificates under this subparagraph.''; and

(D) in paragraph (4), by inserting before the period at the end the following: '', except that this paragraph shall not apply to each of fiscal years 2000, 2001, and 2002''.

(2) ENSURING THE AVAILABILITY OF UPLAND COTTON.—Section 136(b) of the Agricultural Market Transition Act (7 U.S.C. 7236(b)) is amended—

(A) in paragraph (1), by striking ''The'' and inserting ''Except as provided in paragraph (7), the''; and

(B) by adding at the end the following:

''(7) 1999–2000, 2000–2001, AND 2001–2002 MARKETING YEARS.—

''(A) IN GENERAL.—In the case of each of the 1999–2000, 2000–2001, and 2001–2002 marketing years for upland cotton, the President shall carry out an import quota program as provided in this paragraph.

''(B) PROGRAM REQUIREMENTS.—Except as provided in subparagraph (C), whenever the Secretary determines and announces that for any consecutive 4-week period, the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling (M) 1 3/32-inch cotton, delivered C.I.F. Northern Europe, adjusted for the value of any certificate issued under subsection (a), exceeds the Northern Europe price by more than 1.25 cents per pound, there shall immediately be in effect a special import quota.

''(C) TIGHT DOMESTIC SUPPLY.—During any month for which the Secretary estimates the season-ending United States upland cotton stocks-to-use ratio, as determined under subparagraph (D), to be below 16 percent, the Secretary, in making the determination under subparagraph (B), shall not adjust the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling (M) 1 3/32-inch cotton, delivered C.I.F. Northern Europe, for the value of any certificates issued under subsection (a).

''(D) SEASON-ENDING UNITED STATES STOCKS-TO-USE RATIO.—For the purposes of making estimates under subparagraph (C), the Secretary shall, on a monthly basis, estimate and report the season-ending United States upland cotton stocks-to-use ratio, excluding projected raw cotton imports but including the quantity of raw cotton that has been imported into the United States during the marketing year.

''(E) LIMITATION.—The quantity of cotton entered into the United States during any marketing year described in subparagraph (A) under the special import quota established under this paragraph may not exceed the equivalent of 5 weeks' consumption of upland cotton by domestic mills at the seasonally adjusted average rate of the 3 months immediately preceding the first special import quota established in any marketing year.''.

(3) REMOVAL OF SUSPENSION OF MARKETING CERTIFICATE AUTHORITY.—Section 171(b)(1)(G) of the Agricultural Market Transition Act (7 U.S.C. 7301(b)(1)(G)) is amended by inserting before the period at the end the following: '', except that this subparagraph shall not apply to each of the 1999–2000, 2000–2001, and 2001–2002 marketing years for upland cotton''.

(4) REDEMPTION OF MARKETING CERTIFICATES.—Section 115 of the Agricultural Act of 1949 (7 U.S.C. 1445k) is amended—

(A) in subsection (a)—

(i) by striking ''rice (other than negotiable marketing certificates for upland cotton or rice)'' and inserting ''rice, including the issuance of negotiable marketing certificates for upland cotton or rice'';

(ii) in paragraph (1), by striking ''and'' at the end;

(iii) in paragraph (2), by striking the period at the end and inserting ''; and''; and

(iv) by adding at the end the following:

''(3) redeem negotiable marketing certificates for cash under such terms and conditions as are established by the Secretary.''; and

(B) in the second sentence of subsection (c), by striking ''export enhancement program or the marketing promotion program established under the Agricultural Trade Act of 1978'' and inserting ''market access program or the export enhancement program established under sections 203 and 301 of the Agricultural Trade Act of 1978 (7 U.S.C. 5623, 5651)''.

(g) FARM SERVICE AGENCY.—For an additional amount for the Farm Service Agency, there is appropriated, out of any money in the Treasury not otherwise appropriated, $140,000,000, of which—

(1) $40,000,000 shall be used for salaries and expenses of the Farm Service Agency; and

(2) $100,000,000 shall be used for direct or guaranteed farm ownership, operating, or emergency loans under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.),

(h) STATE MEDIATION GRANTS.—For an additional amount for grants pursuant to section 502(b) of the Agricultural Credit Act of 1987 (7 U.S.C. 5102(b)), there is appropriated, out of any money in the Treasury not otherwise appropriated, $2,000,000.

(i) DISASTER RESERVE.—

(1) IN GENERAL.—For the disaster reserve established under section 813 of the Agricultural Act of 1970 (7 U.S.C. 1427a), there is appropriated, out of any money in the Treasury not otherwise appropriated, $500,000,000.

(2) CROP AND LIVESTOCK CASH INDEMNITY PAYMENTS.—Notwithstanding any other provision of law, the Secretary may use the amount made available under this subsection to carry out a program to provide crop or livestock cash indemnity payments to agricultural producers for the purpose of remedying losses caused by damaging weather or related condition resulting from a natural or major disaster or emergency.

(3) COMMERCIAL FISHERIES FAILURE.—Notwithstanding any other provision of law, the Secretary shall provide $15,000,000 of the amount made available under this section to the Department of Commerce to provide emergency disaster assistance to persons or entities that have incurred losses from a commercial fishery failure described in section 308(b)(1) of the Interjurisdictional Fisheries Act of 1986 (16 U.S.C. 4107(b)) with respect to a Northeast multispecies fishery.

(j) FLOODED LAND RESERVE PROGRAM.—For an additional amount to carry out a flooded land reserve program in a manner that is consistent with section 1124 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (7 U.S.C. 1421 note; Public Law 105–277), there is appropriated, out of any money in the Treasury not otherwise appropriated, $150,000,000.

(l) GRAIN INSPECTION, PACKERS, AND STOCKYARDS ADMINISTRATION.—For an additional amount for the Grain Inspection, Packers, and Stockyards Administration to support rapid response teams to enforce the Packers and Stockyards Act, 1921 (7 U.S.C. 181 et seq.), there is appropriated, out of any money in the Treasury not otherwise appropriated, $1,000,000.

(m) WATERSHED AND FLOOD PREVENTION OPERATIONS.—For an additional amount for watershed and flood prevention operations to repair damage to waterways and watersheds resulting from natural disasters, there is appropriated, out of any money in the Treasury not otherwise appropriated, $60,000,000.

(n) EMERGENCY CONSERVATION PROGRAM.—For an additional amount for the emergency conservation program authorized under sections 401, 402, and 404 of the Agricultural Credit Act of 1978 (16 U.S.C. 2201, 2202, 2204) for expenses resulting from natural disasters, there is appropriated, out of any money in the Treasury not otherwise appropriated, $30,000,000.

(o) ENVIRONMENTAL QUALITY INCENTIVES PROGRAM.—

(1) IN GENERAL.—For an additional amount for the environmental quality incentives program established under chapter 4 of subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C. 3839aa et seq.), there is appropriated, out of any money in the Treasury not otherwise appropriated, $52,000,000.

(2) LIVESTOCK NUTRIENT MANAGEMENT PLANS.—The Secretary shall provide a priority in the use of funds made available under paragraph (1) to implementing livestock nutrient management plans.

(q) FOREIGN MARKET DEVELOPMENT COOPERATOR PROGRAM.—For an additional amount for the foreign market development cooperator program established under section 702 of the Agricultural Trade Act of 1978 (7 U.S.C. 5722), there is appropriated, out of any money in the Treasury not otherwise appropriated, $10,000,000.

(r) RURAL ECONOMIC ASSISTANCE.—For an additional amount for rural economic assistance, there is appropriated, out of any money in the Treasury not otherwise appropriated, $150,000,000, of which—

(1) $100,000,000 shall be used for rural economic development, with the highest priority given to the most economically disadvantaged rural communities; and

(2) $50,000,000 shall be used to establish and carry out a program of revolving loans for the support of farmer-owned cooperatives.

(s) MANDATORY PRICE REPORTING.—For an additional amount to carry out a program of mandatory price reporting for livestock and livestock products, on enactment of a law establishing the program, there is appropriated, out of any money in the Treasury not otherwise appropriated, $4,000,000.

(t) LABELING OF IMPORTED MEAT AND MEAT FOOD PRODUCTS.—

(1) DEFINITIONS.—Section 1 of the Federal Meat Inspection Act (21 U.S.C. 601) is amended by adding at the end the following:

''(w) BEEF.—The term 'beef' means meat produced from cattle (including veal).

''(x) IMPORTED BEEF.—The term 'imported beef' means beef that is not United States beef, whether or not the beef is graded with a quality grade issued by the Secretary.

''(y) IMPORTED LAMB.—The term 'imported lamb' means lamb that is not United States lamb, whether or not the lamb is graded with a quality grade issued by the Secretary.

''(z) IMPORTED PORK.—The term 'imported pork' means pork that is not United States pork.

''(aa) LAMB.—The term 'lamb' means meat, other than mutton, produced from sheep.

''(bb) PORK.—The term 'pork' means meat produced from hogs.

''(cc) UNITED STATES BEEF.—

''(1) IN GENERAL.—The term 'United States beef' means beef produced from cattle slaughtered in the United States.

''(2) EXCLUSION.—The term 'United States beef' does not include beef produced from cattle imported into the United States in sealed trucks for slaughter.

''(dd) UNITED STATES LAMB.—

''(1) IN GENERAL.—The term 'United States lamb' means lamb produced from sheep slaughtered in the United States.

''(2) EXCLUSION.—The term 'United States lamb' does not include lamb produced from sheep imported into the United States in sealed trucks for slaughter.

''(ee) UNITED STATES PORK.—

''(1) IN GENERAL.—The term 'United States pork' means pork produced from hogs slaughtered in the United States.

''(2) EXCLUSION.—The term 'United States pork' does not include pork produced from

hogs imported into the United States in sealed trucks for slaughter.''.

(2) MISBRANDING.—Section 1(n) of the Federal Meat Inspection Act (21 U.S.C. 601(n)) is amended—

(A) in paragraph (11), by striking ''or'' at the end;

(B) in paragraph (12), by striking the period at the end and inserting ''; or''; and

(C) by adding at the end the following:

''(13)(A) if it is imported beef, imported lamb, or imported pork offered for retail sale as muscle cuts of beef, lamb, or pork and does not bear a label that identifies its country of origin;

''(B) if it is United States beef, United States lamb, or United States pork offered for retail sale as muscle cuts of beef, lamb, or pork, and does not bear a label that identifies its country of origin; or

''(C) if it is United States or imported ground beef, ground lamb, or ground pork and is not accompanied by labeling that identifies it as United States beef, United States lamb, United States pork, imported beef, imported lamb, imported pork, or other designation that identifies the content of United States beef, imported beef, United States lamb, imported lamb, United States pork, and imported pork contained in the product, as determined by the Secretary.''.

(3) LABELING.—Section 7 of the Federal Meat Inspection Act (21 U.S.C. 607) is amended by adding at the end the following:

''(g) MANDATORY LABELING.—The Secretary shall provide by regulation that the following offered for retail sale bear a label that identifies its country of origin:

''(1) Muscle cuts of United States beef, United States lamb, United States pork, imported beef, imported lamb, and imported pork.

''(2) Ground beef, ground lamb, and ground pork.

''(h) AUDIT VERIFICATION SYSTEM FOR UNITED STATES AND IMPORTED MUSCLE CUTS OF BEEF, LAMB, AND PORK AND GROUND BEEF, LAMB, AND PORK.—The Secretary may require by regulation that any person that prepares, stores, handles, or distributes muscle cuts of United States beef, imported beef, United States lamb, imported lamb, United States pork, imported pork, ground beef, ground lamb, or ground pork for retail sale maintain a verifiable recordkeeping audit trail that will permit the Secretary to ensure compliance with the regulations promulgated under subsection (g).''.

(4) REGULATIONS.—Not later than 1 year after the date of enactment of this Act, the Secretary shall promulgate final regulations to carry out the amendments made by this subsection.

(5) FUNDING.—For an additional amount to carry out this subsection and the amendments made by this subsection, there is appropriated, out of any money in the Treasury not otherwise appropriated, $8,000,000.

(6) EFFECTIVE DATE.—The amendments made by this subsection take effect 60 days after the date on which final regulations are promulgated under paragraph (4).

(u) INDICATION OF COUNTRY OF ORIGIN OF PERISHABLE AGRICULTURAL COMMODITIES.—

(1) DEFINITIONS.—In this section:

(A) FOOD SERVICE ESTABLISHMENT.—The term ''food service establishment'' means a restaurant, cafeteria, lunch room, food stand, saloon, tavern, bar, lounge, or other similar facility operated as an enterprise engaged in the business of selling food to the public.

(B) PERISHABLE AGRICULTURAL COMMODITY; RETAILER.—The terms ''perishable agricultural commodity'' and ''retailer'' have the meanings given the terms in section 1(b) of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499a(b)).

(2) NOTICE OF COUNTRY OF ORIGIN REQUIRED.—Except as provided in paragraph (3), a retailer of a perishable agricultural commodity shall inform consumers, at the final point of sale of the perishable agricultural commodity to consumers, of the country of origin of the perishable agricultural commodity.

(3) EXEMPTION FOR FOOD SERVICE ESTABLISHMENTS.—Paragraph (2) shall not apply to a perishable agricultural commodity if the perishable agricultural commodity is—

(A) prepared or served in a food service establishment; and

(B)(i) offered for sale or sold at the food service establishment in normal retail quantities; or

(ii) served to consumers at the food service establishment.

(4) METHOD OF NOTIFICATION.—

(A) IN GENERAL.—The information required by paragraph (2) may be provided to consumers by means of a label, stamp, mark, placard, or other clear and visible sign on the perishable agricultural commodity or on the package, display, holding unit, or bin containing the commodity at the final point of sale to consumers.

(B) LABELED COMMODITIES.—If the perishable agricultural commodity is already individually labeled regarding country of origin by the packer, importer, or another person, the retailer shall not be required to provide any additional information to comply with this subsection.

(5) VIOLATIONS.—If a retailer fails to indicate the country of origin of a perishable agricultural commodity as required by paragraph (2), the Secretary may assess a civil penalty on the retailer in an amount not to exceed—

(A) $1,000 for the first day on which the violation occurs; and

(B) $250 for each day on which the same violation continues.

(6) DEPOSIT OF FUNDS.—Amounts collected under paragraph (5) shall be deposited in the Treasury of the United States as miscellaneous receipts.

(7) APPLICATION OF SUBSECTION.—This section shall apply with respect to a perishable agricultural commodity after the end of the 6-month period beginning on the date of the enactment of this Act.

(v) LIMITATION ON MARKETING LOAN GAINS AND LOAN DEFICIENCY PAYMENTS.—Notwithstanding section 1001(2) of the Food Security Act of 1985 (7 U.S.C. 1308(1)), the total amount of the payments specified in section 1001(3) of that Act that a person shall be entitled to receive under the Agricultural Market Transition Act (7 U.S.C. 7201 et seq.) for 1 or more contract commodities and oilseeds during the 1999 crop year may not exceed $150,000.

(w) SUSPENSION OF SUGAR ASSESSMENTS.—Section 156(f) of the Agricultural Market Transition Act (7 U.S.C. 7272(f)) is amended—

(1) in paragraph (1), by inserting ''except as provided in paragraph (6),'' after ''years,'';

(2) in paragraph (2), by inserting ''except as provided in paragraph (6),'' after ''years,''; and

(3) by adding at the end the following:

''(6) SUSPENSION OF ASSESSMENTS.—Effective beginning with fiscal year 2000, no assessments shall be required under this subsection during any fiscal year that immediately follows a fiscal year during which the Federal budget was determined to be in surplus, based on the most recent estimates available from the Office of Management and Budget as of the last day of the fiscal year.''.

(x) FARMERS MARKET PROGRAM.—For an additional amount for the Farmers Market Program in the Supplemental Nutrition Program for Women, Infants, and Children, there is appropriated, out of any money in the Treasury not otherwise appropriated, $10,000,000.

(y) EMERGENCY REQUIREMENT.—The entire amount necessary to carry out this section and the amendments made by this section shall be available only to the extent that an official budget request for the entire amount, that includes designation of the entire amount of the request as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, is transmitted by the President to the Congress: *Provided*, That the entire amount is designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A) of such Act.

(z) AVAILABILITY.—The amount necessary to carry out this section and the amendments made by this section shall be available upon enactment of this Act for the remainder of fiscal year 1999 and for fiscal year 2000, and shall remain available until expended.

THOMAS (AND OTHERS) AMENDMENT NO. 1515

Mr. THOMAS (for himself, Mr. BURNS, Mr. ALLARD, Mr. ROBERTS, Mr. ENZI, Mr. CRAIG, Mr. HAGEL, and Mr. DASCHLE) submitted an amendment intended to be proposed by them to the bill, S. 1233, supra; as follows:

On page 13, line 16, strike ''$119,300,000'' and insert ''$119,050,000''.

On page 14, line 19, strike ''$13,666,000'' and insert ''$13,916,000''

On page 14, line 22, before the period at the end, insert the following: '', of which not less than $250,000 shall be provided to carry out market analysis programs at the Livestock Marketing Information Center in Lakewood, Colorado''.

ASHCROFT (AND OTHERS) AMENDMENT NO. 1516

Mr. ASHCROFT (for himself, Mr. HAGEL, Mr. BAUCUS, Mr. ROBERTS, Mr. KERREY, Mr. DODD, Mr. BROWNBACK, Mr. GRAMS, Mr. WARNER, Mr. LEAHY, Mr. CRAIG, Mr. FITZGERALD, Mr. DORGAN, Mr. SESSIONS, Mrs. LINCOLN, Ms. LANDRIEU, Mr. HARKIN, Mr. CHAFEE, and Mr. INHOFE) proposed an amendment to amendment No. 1499 proposed by Mr. DASCHLE to the bill, S. 1233, supra; as follows:

At the appropriate place, insert the following:

(____) REQUIREMENT OF CONGRESSIONAL APPROVAL OF ANY UNILATERAL AGRICULTURAL OR MEDICAL SANCTION.—

(1) DEFINITIONS.—In this subsection:

(A) AGRICULTURAL COMMODITY.—The term ''agricultural commodity'' has the meaning given the term in section 402 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1732).

(B) AGRICULTURAL PROGRAM.—The term ''agricultural program'' means—

(i) any program administered under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et. seq.);

(ii) any program administered under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

(iii) any commercial sale of agricultural commodities, including a commercial sale of an agricultural commodity that is prohibited under a unilateral agricultural sanction that is in effect on the date of enactment of this Act; or

(iv) any export financing (including credits or credit guarantees) for agricultural commodities.

(C) JOINT RESOLUTION.—The term ''joint resolution'' means—

(i) in the case of paragraph (2)(A)(ii), only a joint resolution introduced within 10 session days of Congress after the date on which the report of the President under paragraph (2)(A)(i) is received by Congress, the matter after the resolving clause of which is as follows: ''That Congress approves the report of the President pursuant to section ___(___)(2)(A)(i) of the _____ Act ___, transmitted on _____.'', with the blank completed with the appropriate date; and

(ii) in the case of paragraph (5)(B), only a joint resolution introduced within 10 session days of Congress after the date on which the report of the President under paragraph (5)(A) is received by Congress, the matter after the resolving clause of which is as follows: ''That Congress approves the report of the President pursuant to section ___(___)(5)(A) of the _____ Act ___, transmitted on _____.'', with the blank completed with the appropriate date.

(D) UNILATERAL AGRICULTURAL SANCTION.—The term ''unilateral agricultural sanction'' means any prohibition, restriction, or condition on carrying out an agricultural program with respect to a foreign country or foreign entity that is imposed by the United States for reasons of foreign policy or national security, except in a case in which the United States imposes the measure pursuant to a multilateral regime and the other member countries of that regime have agreed to impose substantially equivalent measures.

(E) UNILATERAL MEDICAL SANCTION.—The term ''unilateral medical sanction'' means any prohibition, restriction, or condition on exports of, or the provision of assistance consisting of, medicine or a medical device with respect to a foreign country or foreign entity that is imposed by the United States for reasons of foreign policy or national security, except in a case in which the United States imposes the measure pursuant to a multilateral regime and the other member countries of that regime have agreed to impose substantially equivalent measures.

(2) RESTRICTION.—

(A) NEW SANCTIONS.—Except as provided in paragraphs (3) and (4) and notwithstanding any other provision of law, the President may not impose a unilateral agricultural sanction or unilateral medical sanction against a foreign country or foreign entity for any fiscal year, unless—

(i) not later than 60 days before the sanction is proposed to be imposed, the President submits a report to Congress that—

(I) describes the activity proposed to be prohibited, restricted, or conditioned; and

(II) describes the actions by the foreign country or foreign entity that justify the sanction; and

(ii) Congress enacts a joint resolution stating the approval of Congress for the report submitted under clause (i).

(B) EXISTING SANCTIONS.—

(i) IN GENERAL.—Except as provided in clause (ii), with respect to any unilateral agricultural sanction or unilateral medical sanction that is in effect as of the date of enactment of this Act for any fiscal year, the President shall immediately cease to implement such sanction.

(ii) EXEMPTIONS.—Clause (i) shall not apply to a unilateral agricultural sanction or unilateral medical sanction imposed with respect to an agricultural program or activity described in clause (ii) or (iv) of paragraph (1)(B).

(3) EXCEPTIONS.—The President may impose (or continue to impose) a sanction described in paragraph (2) without regard to the procedures required by that paragraph—

(A) against a foreign country or foreign entity with respect to which Congress has enacted a declaration of war that is in effect on or after the date of enactment of this Act; or

(B) to the extent that the sanction would prohibit, restrict, or condition the provision or use of any agricultural commodity, medicine, or medical device that is—

(i) controlled on the United States Munitions List;

(ii) an item for which export controls are administered by the Department of Commerce for foreign policy or national security reasons; or

(iii) used to facilitate the development or production of a chemical or biological weapon.

(4) COUNTRIES SUPPORTING INTERNATIONAL TERRORISM.—This subsection shall not affect the current prohibitions on providing, to the government of any country supporting international terrorism, United States government assistance, including United States foreign assistance, United States export assistance, or any United States credits or credit guarantees.

(5) TERMINATION OF SANCTIONS.—Any unilateral agricultural sanction or unilateral medical sanction that is imposed pursuant to the procedures described in paragraph (2)(A) shall terminate not later than 2 years after the date on which the sanction became effective unless—

(A) not later than 60 days before the date of termination of the sanction, the President submits to Congress a report containing the recommendation of the President for the continuation of the sanction for an additional period of not to exceed 2 years and the request of the President for approval by Congress of the recommendation; and

(B) Congress enacts a joint resolution stating the approval of Congress for the report submitted under subparagraph (A).

(6) CONGRESSIONAL PRIORITY PROCEDURES.—

(A) REFERRAL OF REPORT.—A report described in paragraph (2)(A)(i) or (5)(A) shall be referred to the appropriate committee or committees of the House of Representatives and to the appropriate committee or committees of the Senate.

(B) REFERRAL OF JOINT RESOLUTION.—

(i) IN GENERAL.—A joint resolution shall be referred to the committees in each House of Congress with jurisdiction.

(ii) REPORTING DATE.—A joint resolution referred to in clause (i) may not be reported before the eighth session day of Congress after the introduction of the joint resolution.

(C) DISCHARGE OF COMMITTEE.—If the committee to which is referred a joint resolution has not reported the joint resolution (or an identical joint resolution) at the end of 30 session days of Congress after the date of introduction of the joint resolution—

(i) the committee shall be discharged from further consideration of the joint resolution; and

(ii) the joint resolution shall be placed on the appropriate calendar of the House concerned.

(D) FLOOR CONSIDERATION.—

(i) MOTION TO PROCEED.—

(I) IN GENERAL.—When the committee to which a joint resolution is referred has reported, or when a committee is discharged under subparagraph (C) from further consideration of, a joint resolution—

(aa) it shall be at any time thereafter in order (even though a previous motion to the same effect has been disagreed to) for any member of the House concerned to move to proceed to the consideration of the joint resolution; and

(bb) all points of order against the joint resolution (and against consideration of the joint resolution) are waived.

(II) PRIVILEGE.—The motion to proceed to the consideration of the joint resolution—

(aa) shall be highly privileged in the House of Representatives and privileged in the Senate; and

(bb) not debatable.

(III) AMENDMENTS AND MOTIONS NOT IN ORDER.—The motion to proceed to the consideration of the joint resolution shall not be subject to—

(aa) amendment;

(bb) a motion to postpone; or

(cc) a motion to proceed to the consideration of other business.

(IV) MOTION TO RECONSIDER NOT IN ORDER.—A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order.

(V) BUSINESS UNTIL DISPOSITION.—If a motion to proceed to the consideration of the joint resolution is agreed to, the joint resolution shall remain the unfinished business of the House concerned until disposed of.

(ii) LIMITATIONS ON DEBATE.—

(I) IN GENERAL.—Debate on the joint resolution, and on all debatable motions and appeals in connection with the joint resolution, shall be limited to not more than 10 hours, which shall be divided equally between those favoring and those opposing the joint resolution.

(II) FURTHER DEBATE LIMITATIONS.—A motion to limit debate shall be in order and shall not be debatable.

(III) AMENDMENTS AND MOTIONS NOT IN ORDER.—An amendment to, a motion to postpone, a motion to proceed to the consideration of other business, a motion to recommit the joint resolution, or a motion to reconsider the vote by which the joint resolution is agreed to or disagreed to shall not be in order.

(iii) VOTE ON FINAL PASSAGE.—Immediately following the conclusion of the debate on a joint resolution, and a single quorum call at the conclusion of the debate if requested in accordance with the rules of the House concerned, the vote on final passage of the joint resolution shall occur.

(iv) RULINGS OF THE CHAIR ON PROCEDURE.—An appeal from a decision of the Chair relating to the application of the rules of the Senate or House of Representatives, as the case may be, to the procedure relating to a joint resolution shall be decided without debate.

(E) COORDINATION WITH ACTION BY OTHER HOUSE.—If, before the passage by 1 House of a joint resolution of that House, that House receives from the other House a joint resolution, the following procedures shall apply:

(i) NO COMMITTEE REFERRAL.—The joint resolution of the other House shall not be referred to a committee.

(ii) FLOOR PROCEDURE.—With respect to a joint resolution of the House receiving the joint resolution—

(I) the procedure in that House shall be the same as if no joint resolution had been received from the other House; but

(II) the vote on final passage shall be on the joint resolution of the other House.

(iii) DISPOSITION OF JOINT RESOLUTIONS OF RECEIVING HOUSE.—On disposition of the joint resolution received from the other House, it shall no longer be in order to consider the joint resolution originated in the receiving House.

(F) PROCEDURES AFTER ACTION BY BOTH THE HOUSE AND SENATE.—If a House receives a joint resolution from the other House after the receiving House has disposed of a joint resolution originated in that House, the action of the receiving House with regard to the disposition of the joint resolution originated in that House shall be deemed to be the action of the receiving House with regard to the joint resolution originated in the other House.

(G) RULEMAKING POWER.—This paragraph is enacted by Congress—

(i) as an exercise of the rulemaking power of the Senate and House of Representatives, respectively, and as such this paragraph—

(I) is deemed to be a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of a joint resolution; and

(II) supersedes other rules only to the extent that this paragraph is inconsistent with those rules; and

(ii) with full recognition of the constitutional right of either House to change the rules (so far as the rules relate to the procedure of that House) at any time, in the same manner and to the same extent as in the case of any other rule of that House.

(7) EFFECTIVE DATE.—This subsection takes effect 180 days after the date of enactment of this Act.

CONRAD AMENDMENT NO. 1517

Mr. CONRAD proposed an amendment to amendment No. 1499 proposed by Mr. DASCHLE to the bill, S. 1233, supra; as follows:

At the end of the amendment add the following:

Notwithstanding any other provision of this Act the following shall be the only Emergency Assistance provisions provided in this bill:

____. EMERGENCY AND MARKET LOSS ASSISTANCE.—(a) MARKET LOSS ASSISTANCE.—

(1) IN GENERAL.—The Secretary of Agriculture (referred to in this section as the ''Secretary'') shall use not more than $5,544,453,000 of funds of the Commodity Credit Corporation to provide assistance to owners and producers on a farm that are eligible for payments for fiscal year 1999 under a production flexibility contract for the farm under the Agricultural Market Transition Act (7 U.S.C. 7201 et seq.).

(2) AMOUNT.—The amount of assistance made available to owners and producers on a farm under this subsection shall be proportionate to the amount of the contract payment received by the owners and producers for fiscal year 1999 under a production flexibility contract for the farm under the Agricultural Market Transition Act.

(3) TIME FOR PAYMENT.—The assistance made available under this subsection for an eligible owner or producer shall be provided not later than 45 days after the date of enactment of this Act.

(4) DAIRY PRODUCERS.—

(A) IN GENERAL.—Of the total amount made available under paragraph (1), $200,000,000 shall be available to provide assistance to dairy producers in a manner determined by the Secretary.

(B) FEDERAL MILK MARKETING ORDERS.—Payments made under this subsection shall not affect any decision with respect to rulemaking activities under section 143 of the Agricultural Market Transition Act (7 U.S.C. 7253).

(b) OILSEED PAYMENTS.—

(1) IN GENERAL.—Notwithstanding any other provision of law, the Secretary shall use not less than $500,000,000 of funds of the Commodity Credit Corporation to make payments to producers of the 1999 crop of oilseeds that are eligible to obtain a marketing assistance loan under section 131 of the Agricultural Market Transition Act (7 U.S.C. 7231).

(2) COMPUTATION.—A payment to producers on a farm under this subsection shall be computed by multiplying—

(A) a payment rate determined by the Secretary; by

(B) the quantity of oilseeds that the producers on the farm are eligible to place under loan under section 131 of that Act.

(3) LIMITATION.—Payments made under this subsection shall be considered to be contract payments for the purposes of section 1001(1) of the Food Security Act of 1985 (7 U.S.C. 1308(1)).

(c) UPLAND COTTON PRICE COMPETITIVENESS.—

(1) IN GENERAL.—Section 136(a) of the Agricultural Market Transition Act (7 U.S.C. 7236(a)) is amended—

(A) in paragraph (1), by striking ''or cash payments'' and inserting ''or cash payments, at the option of the recipient,'';

(B) by striking ''3 cents per pound'' each place it appears and inserting ''1.25 cents per pound'';

(C) in the first sentence of paragraph (3)(A), by striking ''owned by the Commodity Credit Corporation in such manner, and at such price levels, as the Secretary determines will best effectuate the purposes of cotton user marketing certificates'' and inserting ''owned by the Commodity Credit Corporation or pledged to the Commodity Credit Corporation as collateral for a loan in such manner, and at such price levels, as the Secretary determines will best effectuate the purposes of cotton user marketing certificates, including enhancing the competitiveness and marketability of United States cotton''; and

(D) by striking paragraph (4).

(2) ENSURING THE AVAILABILITY OF UPLAND COTTON.—Section 136(b) of the Agricultural Market Transition Act (7 U.S.C. 7236(b)) is amended—

(A) by striking paragraph (1) and inserting the following:

''(1) ESTABLISHMENT.—

''(A) IN GENERAL.—The President shall carry out an import quota program during the period ending July 31, 2003, as provided in this subsection.

''(B) PROGRAM REQUIREMENTS.—Except as provided in subparagraph (C), whenever the Secretary determines and announces that for any consecutive 4-week period, the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling (M) 1 3/32-inch cotton, delivered C.I.F. Northern Europe, adjusted for the value of any certificate issued under subsection (a), exceeds the Northern Europe price by more than 1.25 cents per pound, there shall immediately be in effect a special import quota.

''(C) TIGHT DOMESTIC SUPPLY.—During any month for which the Secretary estimates the season-ending United States upland cotton stocks-to-use ratio, as determined under subparagraph (D), to be below 16 percent, the Secretary, in making the determination under subparagraph (B), shall not adjust the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling (M) 1 3/32-inch cotton, delivered C.I.F. Northern Europe, for the value of any certificates issued under subsection (a).

''(D) SEASON-ENDING UNITED STATES STOCKS-TO-USE RATIO.—For the purposes of making estimates under subparagraph (C), the Secretary shall, on a monthly basis, estimate and report the season-ending United States upland cotton stocks-to-use ratio, excluding projected raw cotton imports but including the quantity of raw cotton that has been imported into the United States during the marketing year.''; and

(B) by adding at the end the following:

''(7) LIMITATION.—The quantity of cotton entered into the United States during any marketing year under the special import quota established under this subsection may not exceed the equivalent of 5 week's consumption of upland cotton by domestic mills at the seasonally adjusted average rate of the 3 months immediately preceding the first special import quota established in any marketing year.''.

(d) FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32).—

(1) IN GENERAL.—For an additional amount for the fund maintained for funds made available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), there is appropriated, out of any money in the Treasury not otherwise appropriated, $300,000,000.

(2) SET-ASIDE FOR CERTAIN LIVESTOCK PRODUCERS.—Of the funds made available by paragraph (1), the Secretary shall use not more than $100,000,000 to provide assistance to livestock producers—

(A) the operations of which are located in counties with respect to which during 1999 a natural disaster was declared for losses due to excessive heat or drought by the Secretary, or a major disaster or emergency was declared for losses due to excessive heat or drought by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.); and

(B) that experienced livestock losses as a result of the declared disaster or emergency.

(3) WAIVER OF COMMODITY LIMITATION.—In providing assistance under this subsection, the Secretary may waive the limitation established under the second sentence of the second paragraph of section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), on the amount of funds that may be devoted to any 1 agricultural commodity or product.

(e) ADDITIONAL CROP LOSS ASSISTANCE.—

(1) IN GENERAL.—Except as provided in paragraph (2), in addition to amounts that have been made available to carry out section 1102 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (7 U.S.C. 1421 note; Public Law 105–277) under other law, the Secretary shall use not more than $492,000,000 of funds of the Commodity Credit Corporation to provide crop loss assistance in accordance with that section in a manner that, to the maximum extent practicable—

(A) fully compensates agricultural producers for crop losses in accordance with that section (including regulations promulgated to carry out that section); and

(B) provides equitable treatment under that section for agricultural producers described in subsections (b) and (c) of that section.

(2) CROP INSURANCE.—Of the total amount made available under paragraph (1), the Secretary shall use not less than $400,000,000 to assist agricultural producers in purchasing additional coverage for the 2000 crop year under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.).

(3) COMPENSATION FOR DENIAL OF CROP LOSS ASSISTANCE BASED ON TAXPAYER IDENTIFICATION NUMBERS.—The Secretary shall use not more than $70,000,000 of funds of the Commodity Credit Corporation to make payments to producers on a farm that were denied crop loss assistance under section 1102 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (7 U.S.C. 1421 note; Public Law 105–277), as the result of a change in the taxpayer identification numbers of the producers if the Secretary determines that the change was not made to create an advantage for the producers in the crop insurance program through lower premiums or higher actual production histories.

(f) SPECIALTY CROPS.—The Secretary shall use not more than $300,000,000 of funds of the Commodity Credit Corporation to provide assistance to producers of fruits, vegetables, and peanuts in a manner determined by the Secretary.

(g) INCOME LOSSES FOR 1999.—

(1) IN GENERAL.—The Secretary shall use not more than $500,000,000 of funds of the Commodity Credit Corporation to provide assistance to producers that have suffered income losses related to 1999 crops caused by damaging weather or related condition resulting from a natural or major disaster or emergency.

(2) FLOODED LAND RESERVE PROGRAM.—Of the funds made available by paragraph (1), the Secretary shall use $250,000,000 to carry out a flooded land reserve program in a manner that is consistent with section 1124 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (7 U.S.C. 1421 note; Public Law 105–277).

(h) EMERGENCY LIVESTOCK ASSISTANCE.—

(1) IN GENERAL.—For an additional amount to provide emergency livestock assistance, there is appropriated, out of any money in the Treasury not otherwise appropriated, $250,000,000.

(2) SET-ASIDE FOR CERTAIN LIVESTOCK PRODUCERS.—Of the funds made available by paragraph (1), the Secretary shall use not more than $100,000,000 to provide assistance to livestock producers—

(A) the operations of which are located in counties with respect to which during 1999 a natural disaster was declared for losses due to excessive heat or drought by the Secretary, or a major disaster or emergency was declared for losses due to excessive heat or drought by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.); and

(B) that experienced livestock losses as a result of the declared disaster or emergency.

(i) RURAL ECONOMIC ASSISTANCE.—For an additional amount for rural economic assistance, there is appropriated, out of any money in the Treasury not otherwise appropriated, $100,000,000, of which—

(1) $70,000,000 shall be used for rural economic development, with the highest priority given to the most economically disadvantaged rural communities; and

(2) $30,000,000 shall be used to establish and carry out a program of revolving loans for the support of farmer-owned cooperatives.

(j) SUGAR.—

(1) CONDITION ON PAYMENT OF SALARIES AND EXPENSES.—None of the funds appropriated or otherwise made available by this Act or any other Act may be used to pay the salaries and expenses of personnel of the Department of Agriculture to carry out or enforce section 156(f) of the Agricultural Market Transition Act (7 U.S.C. 7272(f)) through fiscal year 2001, if the Federal budget is determined by the Office of Management and Budget to be in surplus for fiscal year 2000.

(2) TECHNICAL CORRECTION TO CONTINUE THE NO-COST OPERATION OF THE SUGAR PROGRAM.—Section 902(a) of the Food Security Act of 1985 (7 U.S.C. 1446g note; Public Law 99–198) is amended by striking ''section 206 of the Agricultural Act of 1949'' and inserting ''section 156 of the Agricultural Market Transition Act (7 U.S.C. 7272)''.

(k) STATE MEDIATION GRANTS.—For an additional amount for grants pursuant to section 502(b) of the Agricultural Credit Act of 1987 (7 U.S.C. 5102(b)), there is appropriated, out of any money in the Treasury not otherwise appropriated, $2,000,000.

(l) MANDATORY PRICE REPORTING.—For an additional amount to carry out a program of mandatory price reporting for livestock and livestock products, on enactment of a law establishing the program, there is appropriated, out of any money in the Treasury not otherwise appropriated, $4,000,000.

(m) GRAIN INSPECTION, PACKERS, AND STOCKYARDS ADMINISTRATION.—For an additional amount for the Grain Inspection, Packers, and Stockyards Administration to support rapid response teams to enforce the Packers and Stockyards Act, 1921 (7 U.S.C. 181 et seq.), there is appropriated, out of any money in the Treasury not otherwise appropriated, $1,000,000.

(n) LIMITATION ON MARKETING LOAN GAINS AND LOAN DEFICIENCY PAYMENTS.—Notwithstanding section 1001(2) of the Food Security Act of 1985 (7 U.S.C. 1308(1)), the total amount of the payments specified in section 1001(3) of that Act that a person shall be entitled to receive under the Agricultural Market Transition Act (7 U.S.C. 7201 et seq.) for 1 or more contract commodities and oilseeds during the 1999 crop year may not exceed $150,000.

(o) REQUIREMENT OF CONGRESSIONAL APPROVAL OF ANY UNILATERAL AGRICULTURAL OR MEDICAL SANCTION.—

(1) DEFINITIONS.—In this subsection:

(A) AGRICULTURAL COMMODITY.—The term ''agricultural commodity'' has the meaning given the term in section 402 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1732).

(B) AGRICULTURAL PROGRAM.—The term ''agricultural program'' means—

(i) any program administered under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et. seq.);

(ii) any program administered under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

(iii) any commercial sale of agricultural commodities, including a commercial sale of an agricultural commodity that is prohibited under a unilateral agricultural sanction that is in effect on the date of enactment of this Act; or

(iv) any export financing (including credits or credit guarantees) for agricultural commodities.

(C) JOINT RESOLUTION.—The term ''joint resolution'' means—

(i) in the case of paragraph (2)(A)(ii), only a joint resolution introduced within 10 session days of Congress after the date on which the report of the President under paragraph (2)(A)(i) is received by Congress, the matter after the resolving clause of which is as follows: ''That Congress approves the report of the President pursuant to section ___(o)(2)(A)(i) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000, transmitted on _____.'', with the blank completed with the appropriate date; and

(ii) in the case of paragraph (5)(B), only a joint resolution introduced within 10 session days of Congress after the date on which the report of the President under paragraph (5)(A) is received by Congress, the matter after the resolving clause of which is as follows: ''That Congress approves the report of the President pursuant to section ___(o)(5)(A) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000, transmitted on _____.'', with the blank completed with the appropriate date.

(D) UNILATERAL AGRICULTURAL SANCTION.—The term ''unilateral agricultural sanction'' means any prohibition, restriction, or condition on carrying out an agricultural program with respect to a foreign country or foreign entity that is imposed by the United States for reasons of foreign policy or national security, except in a case in which the United States imposes the measure pursuant to a multilateral regime and the other member countries of that regime have agreed to impose substantially equivalent measures.

(E) UNILATERAL MEDICAL SANCTION.—The term ''unilateral medical sanction'' means any prohibition, restriction, or condition on exports of, or the provision of assistance consisting of, medicine or a medical device with respect to a foreign country or foreign entity that is imposed by the United States for reasons of foreign policy or national security, except in a case in which the United States imposes the measure pursuant to a multilateral regime and the other member countries of that regime have agreed to impose substantially equivalent measures.

(2) RESTRICTION.—

(A) NEW SANCTIONS.—Except as provided in paragraphs (3) and (4) and notwithstanding any other provision of law, the President may not impose a unilateral agricultural sanction or unilateral medical sanction against a foreign country or foreign entity for any fiscal year, unless—

(i) not later than 60 days before the sanction is proposed to be imposed, the President submits a report to Congress that—

(I) describes the activity proposed to be prohibited, restricted, or conditioned; and

(II) describes the actions by the foreign country or foreign entity that justify the sanction; and

(ii) Congress enacts a joint resolution stating the approval of Congress for the report submitted under clause (i).

(B) EXISTING SANCTIONS.—

(i) IN GENERAL.—Except as provided in clause (ii), with respect to any unilateral agricultural sanction or unilateral medical sanction that is in effect as of the date of enactment of this Act for any fiscal year, the President shall immediately cease to implement such sanction.

(ii) EXEMPTIONS.—Clause (i) shall not apply to a unilateral agricultural sanction or unilateral medical sanction imposed with respect to an agricultural program or activity described in clause (ii) or (iv) of paragraph (1)(B).

(3) EXCEPTIONS.—The President may impose (or continue to impose) a sanction described in paragraph (2) without regard to the procedures required by that paragraph—

(A) against a foreign country or foreign entity with respect to which Congress has enacted a declaration of war that is in effect on or after the date of enactment of this Act; or

(B) to the extent that the sanction would prohibit, restrict, or condition the provision or use of any agricultural commodity, medicine, or medical device that is—

(i) controlled on the United States Munitions List;

(ii) an item for which export controls are administered by the Department of Commerce for foreign policy or national security reasons; or

(iii) used to facilitate the development or production of a chemical or biological weapon.

(4) COUNTRIES SUPPORTING INTERNATIONAL TERRORISM.—This subsection shall not affect the current prohibitions on providing, to the government of any country supporting international terrorism, United States government assistance, including United States foreign assistance, United States export assistance, or any United States credits or credit guarantees.

(5) TERMINATION OF SANCTIONS.—Any unilateral agricultural sanction or unilateral medical sanction that is imposed pursuant to the procedures described in paragraph (2)(A) shall terminate not later than 2 years after the date on which the sanction became effective unless—

(A) not later than 60 days before the date of termination of the sanction, the President submits to Congress a report containing the recommendation of the President for the continuation of the sanction for an additional period of not to exceed 2 years and the request of the President for approval by Congress of the recommendation; and

(B) Congress enacts a joint resolution stating the approval of Congress for the report submitted under subparagraph (A).

(6) CONGRESSIONAL PRIORITY PROCEDURES.—

(A) REFERRAL OF REPORT.—A report described in paragraph (2)(A)(i) or (5)(A) shall be referred to the appropriate committee or committees of the House of Representatives and to the appropriate committee or committees of the Senate.

(B) REFERRAL OF JOINT RESOLUTION.—

(i) IN GENERAL.—A joint resolution shall be referred to the committees in each House of Congress with jurisdiction.

(ii) REPORTING DATE.—A joint resolution referred to in clause (i) may not be reported before the eighth session day of Congress after the introduction of the joint resolution.

(C) DISCHARGE OF COMMITTEE.—If the committee to which is referred a joint resolution has not reported the joint resolution (or an identical joint resolution) at the end of 30 session days of Congress after the date of introduction of the joint resolution—

(i) the committee shall be discharged from further consideration of the joint resolution; and

(ii) the joint resolution shall be placed on the appropriate calendar of the House concerned.

(D) FLOOR CONSIDERATION.—

(i) MOTION TO PROCEED.—

(I) IN GENERAL.—When the committee to which a joint resolution is referred has reported, or when a committee is discharged under subparagraph (C) from further consideration of, a joint resolution—

(aa) it shall be at any time thereafter in order (even though a previous motion to the same effect has been disagreed to) for any member of the House concerned to move to proceed to the consideration of the joint resolution; and

(bb) all points of order against the joint resolution (and against consideration of the joint resolution) are waived.

(II) PRIVILEGE.—The motion to proceed to the consideration of the joint resolution—

(aa) shall be highly privileged in the House of Representatives and privileged in the Senate; and

(bb) not debatable.

(III) AMENDMENTS AND MOTIONS NOT IN ORDER.—The motion to proceed to the consideration of the joint resolution shall not be subject to—

(aa) amendment;

(bb) a motion to postpone; or

(cc) a motion to proceed to the consideration of other business.

(IV) MOTION TO RECONSIDER NOT IN ORDER.—A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order.

(V) BUSINESS UNTIL DISPOSITION.—If a motion to proceed to the consideration of the joint resolution is agreed to, the joint resolution shall remain the unfinished business of the House concerned until disposed of.

(ii) LIMITATIONS ON DEBATE.—

(I) IN GENERAL.—Debate on the joint resolution, and on all debatable motions and appeals in connection with the joint resolution, shall be limited to not more than 10 hours, which shall be divided equally between those favoring and those opposing the joint resolution.

(II) FURTHER DEBATE LIMITATIONS.—A motion to limit debate shall be in order and shall not be debatable.

(III) AMENDMENTS AND MOTIONS NOT IN ORDER.—An amendment to, a motion to postpone, a motion to proceed to the consideration of other business, a motion to recommit the joint resolution, or a motion to reconsider the vote by which the joint resolution is agreed to or disagreed to shall not be in order.

(iii) VOTE ON FINAL PASSAGE.—Immediately following the conclusion of the debate on a joint resolution, and a single quorum call at the conclusion of the debate if requested in accordance with the rules of the House concerned, the vote on final passage of the joint resolution shall occur.

(iv) RULINGS OF THE CHAIR ON PROCEDURE.—An appeal from a decision of the Chair relating to the application of the rules of the Senate or House of Representatives, as the case may be, to the procedure relating to a joint resolution shall be decided without debate.

(E) COORDINATION WITH ACTION BY OTHER HOUSE.—If, before the passage by 1 House of a joint resolution of that House, that House receives from the other House a joint resolution, the following procedures shall apply:

(i) NO COMMITTEE REFERRAL.—The joint resolution of the other House shall not be referred to a committee.

(ii) FLOOR PROCEDURE.—With respect to a joint resolution of the House receiving the joint resolution—

(I) the procedure in that House shall be the same as if no joint resolution had been received from the other House; but

(II) the vote on final passage shall be on the joint resolution of the other House.

(iii) DISPOSITION OF JOINT RESOLUTIONS OF RECEIVING HOUSE.—On disposition of the joint resolution received from the other House, it shall no longer be in order to consider the joint resolution originated in the receiving House.

(F) PROCEDURES AFTER ACTION BY BOTH THE HOUSE AND SENATE.—If a House receives a joint resolution from the other House after the receiving House has disposed of a joint resolution originated in that House, the action of the receiving House with regard to the disposition of the joint resolution originated in that House shall be deemed to be the action of the receiving House with regard to the joint resolution originated in the other House.

(G) RULEMAKING POWER.—This paragraph is enacted by Congress—

(i) as an exercise of the rulemaking power of the Senate and House of Representatives, respectively, and as such this paragraph—

(I) is deemed to be a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of a joint resolution; and

(II) supersedes other rules only to the extent that this paragraph is inconsistent with those rules; and

(ii) with full recognition of the constitutional right of either House to change the rules (so far as the rules relate to the procedure of that House) at any time, in the same manner and to the same extent as in the case of any other rule of that House.

(7) EFFECTIVE DATE.—This subsection takes effect 180 days after the date of enactment of this Act.

(p) TOBACCO GROWER ASSISTANCE.—The Secretary shall provide $328,000,000 to be distributed to tobacco growers according to the formulas established pursuant to the National Tobacco Grower Settlement Trust.

(q) EMERGENCY REQUIREMENT.—The entire amount necessary to carry out this section and the amendments made by this section shall be available only to the extent that an official budget request for the entire amount, that includes designation of the entire amount of the request as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, is transmitted by the President to the Congress: *Provided,* That the entire amount is designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A) of such Act.

(r) AVAILABILITY.—The amount necessary to carry out this section and the amendments made by this section shall become available on the date of enactment of this Act for the remainder of fiscal year 1999 and for fiscal year 2000, and shall remain available until expended.

TORRICELLI AMENDMENT NO. 1518

(Ordered to lie on the table.)

Mr. TORRICELLI submitted an amendment intended to be proposed by him to the bill, S. 1233, supra; as follows:

At the appropriate place in the bill, insert the following:

SEC. . Nothing in this Act shall be construed as authorizing commercial exports or other transactions with Iraq, Iran, Libya, Sudan, Cuba, North Korea, and Syria, countries that on June 1, 1999, were determined by the Secretary of State to have been a country the government of which had repeatedly provided support for acts of international terrorism under section 620A of the Foreign Assistance Act of 1961 (22 U.S.C. 2371).

EDWARDS AMENDMENT NO. 1519

(Ordered to lie on the table.)

Mr. EDWARDS submitted an amendment intended to be proposed by him to the bill, S. 1233, supra; as follows:

On page 13, line 19, strike '$54,276,000' and insert '$54,476,000'.

On page 14, line 22, strike '$474,377,000' and insert '$474,577,000'.

On page 9, line 8, strike '$65,419,000' and insert '$65,219,000'.

BROWNBACK AMENDMENT NO. 1520

(Ordered to lie on the table.)

Mr. BROWNBACK submitted an amendment intended to be proposed by him to the bill, S. 1233, supra; as follows:

'At the appropriate place add the following: Notwithstanding any other provisions of this Act, the section dealing with the use of funds from the Commodity Credit Corporation for tobacco farmers shall be null and void and of no effect'.

BOXER (AND OTHERS) AMENDMENT NO. 1521

Mrs. BOXER (for herself, Mr. FITZGERALD, Mr. DURBIN, Mr. HARKIN, Mr. GRASSLEY, Mr. WELLSTONE, and Mr. CRAPO) proposed an amendment to the bill, S. 1233, supra; as follows:

CHAFEE AMENDMENT NO. 1522

Mr. CHAFEE proposed an amendment to amendment No. 1521 proposed by Mrs. BOXER to the bill, S. 1233, supra; as follows:

Strike all after the first word, and insert the following: ''. It is the sense of the Senate that the Committee on Environment and Public Works should review the findings of the EPA Blue Ribbon Panel on MTBE and other relevant scientific studies, hold comprehensive hearings, and report to the senate at the earliest possible date any legislation necessary to address the recommendations of the Blue Ribbon Panel.''

At the appropriate place, add the following:

SEC. . (a) FINDINGS.—Congress finds that—

(1) The Clean Air Act requires that federal reformulated gasoline contain oxygen as a means of achieving air quality benefits.

(2) While both renewable ethanol and MTBE may be used to meet this Clean Air Act requirement, MTBE is in substantially greater use than ethanol.

(3) MTBE is classified as a possible human carcinogen, and when leaked into water causes water to take on the taste and smell of turpentine, rendering it undrinkable.

(4) MTBE leaking from underground fuel storage tanks, recreational watercraft and abandoned automobiles has led to growing detections of MTBE in drinking water, and has contaminated groundwater and drinking water throughout the United States.

(5) Approximately five to ten percent of drinking water supplies in areas using reformulated gasoline now show detectable levels of MTBE.

(6) MTBE poses a more pervasive threat to drinking water than the other harmful constituents of gasoline because MTBE is more soluble, more mobile and slower to degrade than those other constituents.

(7) Renewable ethanol provides air quality and energy security benefits without raising drinking water concerns.

(8) A substantial increase in renewable ethanol production would enhance the energy security of the United States by reducing dependence upon foreign oil.

(9) A substantial increase in renewable ethanol production would help alleviate the financial crisis facing farmers.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that the United States should—

(1) phase out MTBE in order to address the threats MTBE poses to public health and the environment;

(2) promote renewable ethanol to replace MTBE as a means of enhancing energy security and supporting the farm economy;

(3) provide assistance to state and local governments to treat drinking water supplies contaminated with MTBE;

(4) provide assistance to state and local governments to protect lakes and reservoirs from MTBE contamination.

THURMOND AMENDMENT NO. 1523

Mr. THURMOND proposed an amendment to the bill, S. 1233, supra; as follows:

On page 51, line 13, before the period, insert the following: '', or alcoholic beverages, including wine''.

ABRAHAM AMENDMENTS NOS. 1524–1525

Mr. COCHRAN (for Mr. ABRAHAM) proposed two amendments to the bill, S. 1233, supra as follows:

AMENDMENT NO. 1524

On page 13, line 13, strike ''$54,276,000'' and insert ''$54,476,000''. On page 13, line 16, strike ''$119,300,000'' and insert ''$119,100,000''.

AMENDMENT NO. 1525

On page 68, line 5, before the period insert the following: '', or the Food and Drug Administration Detroit, Michigan District Office Laboratory; or to reduce the Detroit Michigan Food and Drug Administration District Office below the operating and full-time equivalent staffing level of July 31, 1999; or to change the Detroit District Office to a station, residence post or similarly modified office; or to reassign residence posts assigned to the Detroit District Office''.

BINGAMAN (AND OTHERS) AMENDMENT NO. 1526

Mr. KOHL (for Mr. BINGAMAN (for himself and Mr. DOMENICI, Mr. LEAHY, Mr. CAMPBELL, Mr. DASCHLE, Mr. BENNETT, Mr. INOUYE, Mrs. FEINSTEIN, and Mr. DORGAN)) proposed an amendment to the bill, S. 1233, supra as follows:

On page 35, line 20, after the semi-colon, insert the following: ''not to exceed $12,000,000 shall be for water and waste disposal systems to benefit Federally Recognized Native American Tribes, including grants pursuant to section 306C of such Act, provided that the Federally Recognized Native American Tribe is not eligible for any other rural utilities programs set aside under the Rural Community Advancement Program;''.

BOND AMENDMENT NO. 1527

Mr. COCHRAN (for Mr. BOND) proposed an amendment to the bill, S. 1233, supra as follows:

On page 76, between lines 6 and 7, insert the following:

SEC. 7 . CONTRACTS FOR PROCUREMENT OF FOOD FOR PEACE COMMODITIES.—(a) DEFINITIONS.—In this section:

(1) HUBZONE SOLE SOURCE CONTRACT.—The term ''HUBZone sole source contract'' means a sole source contract authorized by section 31 of the Small Business Act (15 U.S.C. 657a).

(2) HUBZONE PRICE EVALUATION PREFERENCE.—The term ''HUBZone price evaluation preference'' means a price evaluation preference authorized by section 31 of the Small Business Act (15 U.S.C. 657a).

(3) QUALIFIED HUBZONE SMALL BUSINESS CONCERN.—The term ''qualified HUBZone small business concern'' has the meaning given the term in section 3(p) of the Small Business Act (15 U.S.C. 632(p)).

(4) COVERED PROCUREMENT.—The term ''covered procurement'' means a contract for the procurement or processing of a commodity furnished under title II or III of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721 et seq.), section 416(b) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)), the Food for Progress Act of 1985 (7 U.S.C. 1736o), or any other commodity procurement or acquisition by the Commodity Credit Corporation under any other law.

(b) PROHIBITION OF USE OF FUNDS.—None of the funds made available by this Act may be used to award a HUBZone sole source contract or a contract awarded through full and open competition in combination with a HUBZone price evaluation preference to any qualified HUBZone small business concern in any covered procurement if performance of the contract by the business concern would exceed the production capacity of the business concern or would require the business concern to subcontract to any other company or enterprise for the purchase of the commodity being procured through the covered procurement.

BURNS AMENDMENT NO. 1528

Mr. COCHRAN (for Mr. BURNS) proposed an amendment to the bill, S. 1233, supra as follows:

On Page 76, after Line 6 insert the following:

SEC. . It is the Sense of the Senate that the Secretary of Agriculture shall exercise reasonable treatment of producers in order to avoid harmful consequences regarding the inadvertent planting of dry beans on contract acres, up to and including the 1999 crop year.

BYRD AMENDMENT NO. 1529

Mr. KOHL (for Mr. BYRD) proposed an amendment to the bill, S. 1233, supra as follows:

On page 13, line 11, strike ''$29,676,000'' and insert ''$30,676,000''.

On page 13, line 13, before the semicolon, insert the following: '', of which $1,000,000 shall be made available to West Virginia State College in Institute, West Virginia, which for fiscal year 2000 and thereafter shall be designated as an eligible institution under section 1445 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3222)''.

On page 13, line 16, strike ''$119,100,000'' and insert ''$117,100,000''.

On page 14, line 22, strike ''$474,377,000'' and insert ''$473,377,000''.

On page 16, line 16, strike ''$25,843,000'' and insert ''$26,843,000, of which $1,000,000 shall be

made available to West Virginia State College in Institute, West Virginia, which for fiscal year 2000 and thereafter shall be designated as an eligible institution under section 1444 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3221)''.

On page 16, line 23, strike ''$421,620,000'' and insert ''$422,620,000''.

CLELAND (AND COVERDELL) AMENDMENT NO. 1530

Mr. KOHL (for Mr. CLELAND (for himself and Mr. COVERDELL)) proposed an amendment to the bill, S. 1233, supra as follows:

At the end of the bill, insert the following:

SEC. ___. REDESIGNATION OF NATIONAL SCHOOL LUNCH ACT AS RICHARD B. RUSSELL NATIONAL SCHOOL LUNCH ACT.—(a) IN GENERAL.—The first section of the National School Lunch Act (42 U.S.C. 1751 note) is amended by striking ''National School Lunch Act'' and inserting ''Richard B. Russell National School Lunch Act''.

(b) CONFORMING AMENDMENTS.—The following provisions of law are amended by striking ''National School Lunch Act'' each place it appears and inserting ''Richard B. Russell National School Lunch Act'':

(1) Sections 3 and 13(3)(A) of the Commodity Distribution Reform Act and WIC Amendments of 1987 (7 U.S.C. 612c note; Public Law 100–237).

(2) Section 404 of the Agricultural Act of 1949 (7 U.S.C. 1424).

(3) Section 201(a) of the Act entitled ''An Act to extend the Agricultural Trade Development and Assistance Act of 1954, and for other purposes'', approved September 21, 1959 (7 U.S.C. 1431c(a); 73 Stat. 610).

(4) Section 211(a) of the Agricultural Trade Suspension Adjustment Act of 1980 (7 U.S.C. 4004(a)).

(5) Section 245A(h)(4)(A) of the Immigration and Nationality Act (8 U.S.C. 1255a(h)(4)(A)).

(6) Sections 403(c)(2)(C), 422(b)(3), 423(d)(3), 741(a)(1), and 742 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1613(c)(2)(C), 1632(b)(3), 1183a note, 42 U.S.C. 1751 note, 8 U.S.C. 1615; Public Law 104–193).

(7) Section 2243(b) of title 10, United States Code.

(8) Sections 404B(g)(1)(A), 404D(c)(2), and 404F(a)(2) of the Higher Education Act of 1965 (20 U.S.C. 1070a–22(g)(1)(A), 1070a–24(c)(2), 1070a–26(a)(2); Public Law 105–244).

(9) Section 231(d)(3)(A)(i) of the Carl D. Perkins Vocational Education Act (20 U.S.C. 2341(d)(3)(A)(i)).

(10) Section 1113(a)(5) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6313(a)(5)).

(11) Section 1397E(d)(4)(A)(iv)(II) of the Internal Revenue Code of 1986.

(12) Sections 254(b)(2)(B) and 263(a)(2)(C) of the Job Training Partnership Act (29 U.S.C. 1633(b)(2)(B), 1643(a)(2)(C)).

(13) Section 3803(c)(2)(C)(xiii) of title 31, United States Code.

(14) Section 602(d)(9)(A) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 474(d)(9)(A)).

(15) Sections 2(4), 3(1), and 301 of the Healthy Meals for Healthy Americans Act of 1994 (42 U.S.C. 1751 note; Public Law 103–448).

(16) Sections 3, 4, 7, 10, 13, 16(b), 17, and 19(d) of the Child Nutrition Act of 1966 (42 U.S.C. 1772, 1773, 1776, 1779, 1782, 1785(b), 1786, 1788(d)).

(17) Section 658O(b)(3) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858m(b)(3)).

(18) Subsection (b) of the first section of Public Law 87–688 (48 U.S.C. 1666(b)).

(19) Section 10405(a)(2)(H) of the Omnibus Budget Reconciliation Act of 1989 (Public Law 101–239; 103 Stat. 2489).

COCHRAN (AND KOHL) AMENDMENT NO. 1531

Mr. COCHRAN (for himself and Mr. KOHL) proposed an amendment to the bill, S. 1233, supra as follows:

On page 33, line 15 after the period, insert the following: '': *Provided further*, That of the funds available for Emergency Watershed Protection activities, $5,000,000 shall be available for Mississippi and Wisconsin for financial and technical assistance for pilot rehabilitation projects of small, upstream dams built under the Watershed and Flood Prevention Act (16 U.S.C. 1001 et seq., Section 13 of the Act of December 22, 1994) Public Law 78–534; 58 Stat. 905, and the pilot watershed program authorized under the heading 'FLOOD PREVENTION' of the Department of Agriculture Appropriation Act, 1954, (Public Law 156; 67 Stat. 214)''.

COCHRAN AMENDMENTS NOS. 1532–1533

Mr. COCHRAN proposed two amendments to the bill, S. 1233, supra as follows:

AMENDMENT NO. 1532

On page 41, line 6, insert the following before the period: '': *Provided further*, That none of the funds appropriated under this paragraph shall be available unless the Department of Agriculture proposes a revised regulation to allow leaders charged a fee to be up to 3% on guaranteed business and industry loans''.

AMENDMENT NO. 1533

On page 42, line 7, insert the following before the period: '': *Provided*, That at least twenty-five percent of the total amount appropriated shall be made available to cooperatives or associations of cooperatives that assist small minority producers''.

DOMENICI AMENDMENT NO. 1534

Mr. COCHRAN (for Mr. DOMENICI) proposed an amendment to the bill, S. 1233, supra as follows:

At the appropriate place in the bill, add the following new section:

SEC. . Public Law 105–199 (112 Stat. 641) is amended in section 3(b)(1)(G) by striking ''persons'' and inserting in lieu thereof ''governors, who may be represented on the Commission by their respective designees,''.

DURBIN (AND KENNEDY) AMENDMENT NO. 1535

Mr. KOHL (for Mr. DURBIN (for himself and Mr. KENNEDY)) proposed an amendment to the bill, S. 1233, supra as follows:

On page 55, line 5, strike the semicolon and insert the following: '', of which $1,000,000 shall be for premarket review, enforcement and oversight activities related to users and manufacturers of all reprocessed medical devices as authorized by the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321 et seq.), and of which no less than $55,500,000 and 522 full-time equivalent positions shall be for premarket application review activities to meet statutory review times;''.

DURBIN AMENDMENT NO. 1536

Mr. KOHL (for Mr. DURBIN) proposed an amendment to the bill, S. 1233, supra as follows:

On page 76, between lines 6 and 7, insert the following:

SEC. 7. SENSE OF THE SENATE CONCERNING ACTION PLAN ON FOOD SECURITY.

It is the sense of the Senate that the President should include in the fiscal year 2001 budget request funding to implement the United States Action Plan on Food Security.

GORTON AMENDMENT NO. 1537

Mr. COCHRAN (for Mr. GORTON) proposed an amendment to the bill, S. 1233, supra as follows:

On page 76, between lines 6 and 7, insert the following:

SEC. 7 . FINANCIAL HARDSHIPS FACING APPLE FARMERS.—The Farm Service Agency—

(1) In view of the financial hardship facing United States apple farmers as a result of a loss of markets and excessive imports of apple juice concentrate, shall review all programs that assist apple growers in time of need;

(2) in view of the increased operating costs associated with tree fruit production, shall review the limits currently set on operating loan programs used by apple growers to determine whether the current limits are insufficient to cover those costs; and

(3) shall report to Congress in findings not later than January 1, 2000.

GRAHAM AND (MACK) AMENDMENT NO. 1538

Mr. KOHL (for Mr. GRAHAM (for himself and Mr. MACK)) proposed an amendment to the bill, S. 1233, supra as follows:

On page 18, line 12, strike ''$437,445,000'' and insert ''$439,445,000''.

On page 18, line 19, after the colon, insert the following: ''*Provided further*, That, of the amounts made available under this heading, not less than $24,970,000 shall be used for fruit fly exclusion and detection (including at least $6,000,000 for fruit fly exclusion and detection in the state of Florida):''.

On page 20, line 16, strike ''$7,200,000'' and insert ''$5,200,000''.

KERREY AMENDMENT NO. 1539

Mr. KOHL (for Mr. KERREY) proposed an amendment to the bill, S. 1233, supra as follows:

On page 36 of S. 1233, line 3 after the word ''systems:'' insert the following: ''*Provided further*, That of the total amount appropriated, not to exceed $1,500,000 shall be available to the Grassroots project:''.

LEVIN AMENDMENT NO. 1540

Mr. KOHL (for Mr. LEVIN) proposed an amendment to the bill, S. 1233, supra as follows:

On page 13, line 13, strike ''$54,476,000'' and insert ''$54,951,000''.

On page 13, line 16, strike ''$117,100,000'' and insert ''$116,625,000''.

LINCOLN AMENDMENT NO. 1541

Mr. KOHL (for Mrs. LINCOLN) proposed an amendment to the bill, S. 1233, supra as follows:

SEC. . Section 889 of the Federal Agriculture Improvement and Reform Act of 1996 is amended—

(1) in the heading, by inserting ''HARRY K. DUPREE'' before ''STUTTGART'';

(2) in subsection (b)(1)—

(A) in the heading, by inserting ''HARRY K. DUPREE'' before ''STUTTGART''; and

(B) in subparagraphs (A) and (B), by inserting ''Harry K. Dupree'' before ''Struttgart National Aquaculture Research Center'' each place it appears.

MACK (AND GRAHAM) AMENDMENT NO. 1542

Mr. COCHRAN (for Mr. MACK (for himself and Mr. GRAHAM)) proposed an amendment to the bill, S. 1233, supra as follows:

On Page 13, Line 16, strike ''$116,625,000 and insert ''$116,325,000''.

On Page 14, Line 19, strike ''$13,666,000 and insert ''$13,966,000''.

MCCONNELL AMENDMENT NO. 1543

Mr. COCHRAN (for Mr. MCCONNELL) proposed an amendment to the bill, S. 1233, supra as follows:

On page 76, between lines 6 and 7, insert the following:

SEC. 7___. TOBACCO LEASING AND INFORMATION.—(a) CROSS-COUNTY LEASING.—Section 319(l) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1314e(l)) is amended in the second sentence by inserting '', Kentucky,'' after ''Tennessee''.

(b) TOBACCO PRODUCTION AND MARKETING INFORMATION.—Part I of subtitle B of title III of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1311 et seq.) is amended by adding at the end the following:

''SEC. 320D. TOBACCO PRODUCTION AND MARKETING INFORMATION.

''(a) IN GENERAL.—Notwithstanding any other provision of law, the Secretary may, subject to subsection (b), release marketing information submitted by persons relating to the production and marketing of tobacco to State trusts or similar organizations engaged in the distribution of national trust funds to tobacco producers and other persons with interests associated with the production of tobacco, as determined by the Secretary.

''(b) LIMITATIONS.—

''(1) IN GENERAL.—Information may be released under subsection (a) only to the extent that—

''(A) the release is in the interest of tobacco producers, as determined by the Secretary; and

''(B) the information is released to a State trust or other organization that is created to, or charged with, distributing funds to tobacco producers or other parties with an interest in tobacco production or tobacco farms under a national or State trust or settlement.

''(2) EXEMPTION FROM RELEASE.—The Secretary shall, to the maximum extent practicable, in advance of making a release of information under subsection (a), allow, by announcement, a period of at least 15 days for persons whose consent would otherwise be required by law to effectuate the release, to elect to be exempt from the release.

''(c) ASSISTANCE.—

''(1) IN GENERAL.—In making a release under subsection (a), the Secretary may provide such other assistance with respect to information released under subsection (a) as will facilitate the interest of producers in receiving the funds that are the subject of a trust described in subsection (a).

''(2) FUNDS.—The Secretary shall use amounts made available for salaries and expenses of the Department to carry out paragraph (1).

''(d) RECORDS.—

''(1) IN GENERAL.—A person that obtains information described in subsection (a) shall maintain records that are consistent with the purposes of the release and shall not use the records for any purpose not authorized under this section.

''(2) PENALTY.—A person that knowingly violates this subsection shall be fined not more than $10,000, imprisoned not more than 1 year, or both.

''(e) APPLICATION.—This section shall not apply to—

''(1) records submitted by cigarette manufacturers with respect to the production of cigarettes;

''(2) records that were submitted as expected purchase intentions in connection with the establishment of national tobacco quotas; or

''(3) records that aggregate the purchases of particular buyers.''.

NICKLES AMENDMENT NO. 1544

Mr. COCHRAN (for Mr. NICKLES) proposed an amendment to the bill, S. 1233, supra as follows:

On page 70, strike lines 3 through 10, and insert in lieu thereof:

''SEC. 739. None of the funds appropriated or otherwise made available by this Act may be used to declare excess or surplus all or part of the lands and facilities owned by the federal government and administered by the Secretary of Agriculture at Fort Reno, Oklahoma, or to transfer or convey such lands or facilities, without the specific authorization of Congress.''.

REID AMENDMENT NO. 1545

Mr. KOHL (for Mr. REID) proposed an amendment to the bill, S. 1233, supra as follows:

On page 13, line 16, strike the figure ''$116,325,000'' and insert in lieu thereof the figure ''$115,825,000'' and on page 13, line 13, strike the figure ''$54,951,000'' and insert in lieu thereof the figure ''$55,451,000.

SESSIONS AMENDMENT NO. 1546

Mr. COCHRAN (for Mr. SESSIONS) proposed an amendment to the bill, S. 1233, supra as follows:

On page 13, line 13, increase the dollar amount by $750,000; and

On page 13, line 16, decrease the dollar amount by $750,000.

SMITH AMENDMENT NO. 1547

Mr. COCHRAN (for Mr. SMITH of New Hampshire) proposed an amendment to the bill, S. 1233, supra as follows:

At the end of the bill, add the following:

''SEC. . That notwithstanding section 306(a)(7) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(7)), the city of Berlin, New Hampshire, shall be eligible during fiscal year 2000 for a rural utilities grant or loan under the Rural Community Advancement Program.''.

SMITH AMENDMENT NO. 1548

Mr. COCHRAN (for Mr. SMITH of Oregon) proposed an amendment to the bill, S. 1233, supra as follows:

On page 76, between lines 6 and 7, insert the following:

SEC. 7___. CRANBERRY MARKETING ORDERS.—(a) PAID ADVERTISING FOR CRANBERRIES AND CRANBERRY PRODUCTS.—Section 8c(6)(I) of the Agricultural Adjustment Act (7 U.S.C. 608c(6)(I)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, is amended in the first proviso—

(1) by striking ''or Florida grown strawberries'' and inserting '', Florida grown strawberries, or cranberries''; and

(2) by striking ''and Florida Indian River grapefruit'' and inserting ''Florida Indian River grapefruit, and cranberries''.

(b) COLLECTION OF CRANBERRY INVENTORY DATA.—Section 8d of the Agricultural Adjustment Act (7 U.S.C. 608d), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, is amended by adding at the end the following:

''(3) COLLECTION OF CRANBERRY INVENTORY DATA.—

''(A) IN GENERAL.—If an order is in effect with respect to cranberries, the Secretary of Agriculture may require persons engaged in the handling or importation of cranberries or cranberry products (including producer-handlers, second handlers, processors, brokers, and importers) to provide such information as the Secretary considers necessary to effectuate the declared policy of this title, including information on acquisitions, inventories, and dispositions of cranberries and cranberry products.

''(B) DELEGATION TO COMMITTEE.—The Secretary may delegate the authority to carry out subparagraph (A) to any committee that is responsible for administering an order covering cranberries.

''(C) CONFIDENTIALITY.—Paragraph (2) shall apply to information provided under this paragraph.

''(D) VIOLATIONS.—Any person that violates this paragraph shall be subject to the penalties provided under section 8c(14).''.

STEVENS AMENDMENTS NOS. 1549–1550

Mr. COCHRAN (for Mr. STEVENS) proposed two amendments to the bill, S. 1233, supra as follows:

AMENDMENT NO. 1549

On page 76, line 6, please add the following: ''Beginning in fiscal year 2001 and thereafter:

''SEC. . The Food Stamp Act (P.L. 95–113, section 16(a)) is amended by inserting after the phrase 'Indian reservation under section 11(d) of this Act' the following new phrase: 'or in a Native village within the State of Alaska identified in section 11(b) of Public Law 92–203, as amended.' ''

AMENDMENT NO. 1550

At the appropriate place insert the following new section:

''SEC. . It is the Sense of the Senate that the Secretary of Agriculture shall periodically review the Food Packages listed at 7.

CFR 246.10(c) (1996) and consider including additional nutritious food for women, infants and children.''

STEVENS (AND OTHERS) AMENDMENT NO. 1551

Mr. COCHRAN (for Mr. STEVENS (for himself, Mr. INOUYE, and Mr. AKAKA)) proposed an amendment to the bill, S. 1233, supra as follows:

Amend Title VII—GENERAL PROVISIONS by inserting a new section as follows:

''SEC. . EDUCATION GRANTS TO ALASKA NATIVE SERVING INSTITUTIONS AND NATIVE HAWAIIAN SERVING INSTITUTIONS.

''(a) EDUCATION GRANTS PROGRAM FOR ALASKA NATIVE SERVING INSTITUTIONS.—(1) GRANT AUTHORITY.—The Secretary of Agriculture may make competitive grants (or grants without regard to any requirement for competition) to Alaska Native serving institutions for the purpose of promoting and strengthening the ability of Alaska Native serving institutions to carry out education, applied research, and related community development programs.

(2) USE OF GRANT FUNDS.—Grants made under this section shall be used—

(A) to support the activities of consortia of Alaska Native serving institutions to enhance educational equity for under represented students:

(B) to strengthen institutional educational capacities, including libraries, curriculum, faculty, scientific instrumentation, instruction delivery systems, and student recruitment and retention, in order to respond to identified State, regional national, or international educational needs in the food and agriculture sciences:

(C) to attract and support undergraduate and graduate students from under represented groups in order to prepare them for careers related to the food, agricultural, and natural resource systems of the United States, beginning with the mentoring of students at the high school level including by village elders and continuing with the provision of financial support for students through their attainment of a doctoral degree; and

(D) to facilitate cooperative initiatives between two or more Alaska Native serving institutions, or between Alaska Native serving institutions and units of State government or the private sector, to maximize the development and use of resources, such as faculty, facilities, and equipment, to improve food and agricultural sciences teaching programs.

(2) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to make grants under this subsection $10,000,000 in fiscal years 2001 through 2006.

''(b) EDUCATION GRANTS PROGRAM FOR NATIVE HAWAIIAN SERVING INSTITUTIONS.—(1) GRANT AUTHORITY.—The Secretary of Agriculture may make competitive grants (or grants without regard to any requirement for competition) to Native Hawaiian serving institutions for the purpose of promoting and strengthening the ability of Native Hawaiian serving institutions to carry out education, applied research, and related community development programs.

(2) USE OF GRANT FUNDS.—Grants made under this section shall be used—

(A) to support the activities of consortia of Native Hawaiian serving institutions to enhance educational equity for under represented students:

(B) to strengthen institutional educational capacities, including libraries, curriculum, faculty, scientific instrumentation, instruction delivery systems, and student recruitment and retention, in order to respond to identified state, regional, national, or international educational needs in the food and agriculture sciences:

(C) to attract and support undergraduate and graduate students from under represented groups in order to prepare them for careers related to the food, agricultural, and natural resource systems of the United States, beginning with the mentoring of students at the high school level and continuing with the provision of financial support for students through their attainment of a doctoral degree; and

(D) to facilitate cooperative initiatives between two or more Native Hawaiian serving institutions, or between Native Hawaiian serving institutions and units of State government or the private sector, to maximize the development and use of resources, such as faculty, facilities, and equipment, to improve food and agricultural sciences teaching programs.

(2) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to make grants under this subsection $10,000,000 for each of fiscal years 2001 through 2006.

STEVENS AMENDMENT NO. 1552

Mr. COCHRAN (for Mr. STEVENS) proposed an amendment to the bill, S. 1233, supra as follows:

At the appropriate place in the bill insert the following new section:

''SEC. . SMITH-LEVER ACT ALLOCATIONS IN STATES WITH CONGRESSIONALLY-AUTHORIZED COST OF LIVING ADJUSTMENTS.

Beginning is fiscal year 2001 and thereafter, a state in which federal employees receive a special allowance because of the high cost of living or conditions of environment which differ substantially from conditions in other parts of the country as provided under section 1 of title IV of Public Law 102–141 (105 Stat. 861) shall receive an allotment of no less than $2,000,000 under the Smith Lever Act of 1914, as amended (7 U.S.C. 343).''

STEVENS (AND OTHERS) AMENDMENT NO. 1553

Mr. COCHRAN (for Mr. STEVENS (for himself, Mr. MURKOWSKI, Mr. INOUYE, and Mr. AKAKA)) proposed an amendment to the bill, S. 1233, supra as follows:

At the appropriate place in the bill insert the following new section:

''SEC. . HATCH ACT ALLOCATIONS IN STATES WITH CONGRESSIONALLY-AUTHORIZED COST OF LIVING ADJUSTMENTS.''

Beginning in fiscal year 2001 and thereafter, a state in which federal employees receive a special allowance because of the high cost of living or conditions of environment which differ substantially from conditions in other parts of the country as provided under section 1 of title IV of Public Law 102–141 (105 Stat. 861) shall receive an allotment of no less than $2,000,000 under 7 U.S.C. 361c(c).''

THOMAS (AND OTHERS) AMENDMENT NO. 1554

Mr. COCHRAN (for Mr. THOMAS (for himself, Mr. BURNS, Mr. ALLARD, Mr. ROBERTS, Mr. ENZI, Mr. CRAIG, Mr. HAGEL, and Mr. DASCHLE)) proposed an amendment to the bill, S. 1233, supra as follows:

On page 13, line 16, strike ''$115,075,000 and insert ''$114,825,000''.

On page 14, line 19, strike ''$13,966,000'' and insert ''$14,216,000''

On page 14, line 22, before the period at the end, insert the following: '', of which not less than $250,000 shall be provided to carry out market analysis programs at the Livestock Marketing Information Center in Lakewood, Colorado''.

WELLSTONE AMENDMENT NO. 1555

Mr. KOHL (for Mr. WELLSTONE) proposed an amendment to the bill, S. 1233, supra as follows:

On page 9, line 9, strike ''$2,000,000'' and insert ''$2,500,000''.

On page 9, line 12, after ''tions:'', insert the following: '': *Provided further*, That not more than $500,000 of the amount transferred under the preceding proviso shall be available to conduct, not later than 180 days after the date of enactment of this Act, a study based on all available administrative data and on-site inspections conducted by the Secretary of Agriculture of local food stamp offices in each State, of (1) reasons for the decline in participation in the food stamp program, and (2) any problems that households with eligible children have experienced in obtaining food stamps, and to report the results of the study to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate:''.

EDWARDS AMENDMENT NO. 1556

Mr. KOHL (for Mr. EDWARDS) proposed an amendment to the bill, S. 1233, supra as follows:

On page 13, line 19, strike ''$56,201,000'' and insert ''$56,401,000''.

On page 13, strike on line 13, strike ''$114,825,000'' and insert ''$114,625,000''.

HUTCHISON AMENDMENT NO. 1557

Mr. COCHRAN (for Mrs. HUTCHISON) proposed an amendment to the bill, S. 1233, supra as follows:

At the appropriate place insert the following:

SEC. . It is the sense of the Senate that the Food and Drug Administration, to the maximum extent possible, when conducting an Import Food Survey under the President's Food Safety Initiative, ensure timely testing of produce imports by conducting survey tests at the USDA or FDA laboratory closest to the port of entry. If testing results are not provided within twenty-four hours of collection.

BRYAN (AND REID) AMENDMENT NO. 1558

Mr. KOHL (for Mr. BRYAN (for himself and Mr. REID)) proposed an amendment to the bill, S. 1233, supra as follows:

On page 76, between lines 6 and 7, insert the following:

SEC. 7___. DEREGULATION OF PRODUCER MILK PRICES IN CLARK COUNTY, NEVADA.—Effective October 1, 1999, section 8c(11) of the Agricultural Adjustment Act (7 U.S.C. 608c(11)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, is amended by adding at the end the following:

''(D) PRODUCER MILK PRICES IN CLARK COUNTY, NEVADA.—The price of milk received by producers located in Clark County, Nevada—

''(i) shall not be subject to any order issued under this section or any other regulation by the Secretary; and

''(ii) shall solely be regulated by the State of Nevada and the Nevada State Dairy Commission.''.

BAUCUS AMENDMENT NO. 1559

Mr. KOHL (for Mr. BAUCUS) proposed an amendment to the bill, S. 1233, supra as follows:

On page 76, between lines 6 and 7, insert the following:

SEC. . The Senate finds that—

(1) agricultural producers in the United States compete effectively when world markets are not distorted by government intervention;

(2) the elimination of barriers to competition in world markets for agricultural commodities is in the interest of producers and consumers in the United States;

(3) the United States must provide leadership on the opening of the agricultural markets in upcoming multilateral World Trade Organization negotiations;

(4) countries that import agricultural commodities are more likely to liberalize practices if they are confident that their trading partners will not curtail the availability of agricultural commodities on world markets for foreign policy purposes; and

(5) a multilateral commitment to use the open market, rather than government intervention, to guarantee food security would advance the interests of the farm community of the United States.

(b) It is the sense of the Senate that members of the World Trade Organization should undertake multilateral negotiations to eliminate policies and programs that distort world markets for agricultural commodities.

KOHL AMENDMENT NO. 1560

Mr. KOHL proposed an amendment to the bill, S. 1233, supra as follows:

On page 13, line 13, strike ''56,401,000'' and insert in lieu thereof ''56,901,000''.

On page 13, line 16, strike ''114,625,000'' and insert in lieu thereof ''114,125,000''.

HARKIN (AND OTHERS) AMENDMENT NO. 1561

Mr. KOHL (for Mr. HARKIN (for himself, Mr. DASCHLE, and Mr. WELLSTONE)) proposed an amendment to the bill, S. 1233, supra as follows:

Amend page 22, line 26 by increasing the dollar figure by $2,000,000.

Amend page 9, line 8 by reducing the dollar figure by $2,000,000.

Amend page 9, line 15 by striking the line and inserting in lieu thereof the following: ''2225); *Provided further*, That university research shall be reduced below the fiscal year 1999 level by $2,000,000.''

LEGISLATION TO ESTABLISH A NATIONAL CEMETERY FOR VETERANS IN THE ATLANTA, GEORGIA, METROPOLITAN AREA

SPECTER (AND ROCKEFELLER) AMENDMENT NO. 1562

Mr. COCHRAN (for Mr. SPECTER (for himself and Mr. ROCKEFELLER)) proposed an amendment to the bill (S. 695) to direct the Secretary of Veterans Affairs to establish a national cemetery for veterans in Atlanta, Georgia, metropolitan area; as follows:

On page 3, between lines 9 and 10, insert the following:

(4) A national cemetery in the Detroit, Michigan, metropolitan area to serve the needs of veterans and their families.

(5) A national cemetery in the Sacramento, California, metropolitan area to serve the needs of veterans and their families.

On page 4, strike lines 3 and 4 and insert the following:

Florida, metropolitan area;

(4) in the case of the national cemetery to be established under paragraph (4) of that subsection, appropriate officials of the State of Michigan and appropriate officials of local governments in the Detroit, Michigan, metropolitan area;

(5) in the case of the national cemetery to be established under paragraph (5) of that subsection, appropriate officials of the State of California and appropriate officials of local governments in the Sacramento, California, metropolitan area; and

(6) appropriate officials of the United States, in—

On page 4, after line 15, add the following:

SEC. 2. USE OF FLAT GRAVE MARKERS.

(a) AUTHORITY TO USE FLAT GRAVE MARKERS AT SANTA FE NATIONAL CEMETERY.—Notwithstanding section 2404(c)(2) of title 38, United States Code, the Secretary of Veterans Affairs may provide for flat grave markers at the Santa Fe National Cemetery, New Mexico.

(b) REPORT COMPARING USE OF FLAT GRAVE MARKERS AND UPRIGHT GRAVE MARKERS.—(1) Not later than 90 days after the date of the enactment of this Act, the Secretary of Veterans Affairs shall submit to the Committees on Veterans' Affairs of the Senate and the House of Representatives a report assessing the advantages and disadvantages of the use by the National Cemetery Administration of flat grave markers and upright grave markers.

(2) The report under paragraph (1) shall set forth the advantages and disadvantages of the use of each type of grave marker referred to in that paragraph, and shall include criteria to be utilizing in determining whether to prefer the use of one such type of grave marker over the other.

In the amendment to the title, strike ''in the Atlanta, Georgia, metropolitan area'' and all that follows through ''metropolitan area'' and insert the following: ''in various locations in the United States, and for other purposes''.

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Committee on Agriculture, Nutrition, and Forestry be allowed to meet during the session of the Senate on Wednesday August 4, 1999. The purpose of this meeting will be discuss the farm crisis.

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

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Senate Committee on Commerce, Science, and Transportation be authorized to meet on Thursday, August 4, 1999, at 2.:15 p.m. on fraud against seniors.

The PRESIDING OFFICER. Without objection, it is ordered.

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

Mr. COCHRAN. Mr. President. I ask unanimous consent that the full Committee on Environment and Public Works be granted permission to meet to mark up S. 1090, the Superfund Program Completion Act of 1999, Wednesday, August 4, 9:00 a.m., Hearing Room (SD–406).

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

COMMITTEE ON FOREIGN RELATIONS

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to meet during the session of the Senate on Wednesday, August 4, 1999 at 10:30 a.m. to hold a hearing.

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

COMMITTEE ON INDIAN AFFAIRS

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Senate Committee on Indian Affairs be authorized to meet during the session of the Senate on Wednesday, August 4, 1999 at 9:30 a.m to conduct a hearing on S. 299, to elevate the Director of the Indian Health Service to an Assistant Secretary for Indian Health within the Department of Health and Human Services; and S. 406, a bill to allow tribes to bill directly for Medicaid and Medicare; To be followed by a business meeting, to consider pending legislation. The hearing/business meeting will be held in room 485, Russell Senate Office Building.

The PRESIDING OFFICER. Without objection, it so ordered

COMMITTEE ON THE JUDICIARY

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Committee on the Judiciary be authorized to meet for a hearing re Department of Justice Nominations, during the session of the Senate on Wednesday, August 4, 1999, at 8:30 a.m., in SD628.

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

COMMITTEE ON THE JUDICIARY

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Committee on the Judiciary be authorized to meet for a hearing re Pipeline Drugs: Proposed Remedies for Relief in S. 1172, during the session of the Senate on Wednesday, August 4, 1999, at 10:00 a.m., in SD628.

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

COMMITTEE ON THE JUDICIARY

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Committee on the Judiciary be authorized to meet for a hearing re Annual Refugee Consultation during the session of

the Senate on Wednesday, August 4, 1999, at 2:00 p.m., in SD628.

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

COMMITTEE ON RULES AND ADMINISTRATION

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Committee on Rules and Administration be authorized to meet during the session of the Senate on Wednesday, August 4, 1999, at 9:15 a.m., to receive testimony on committee funding resolutions.

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

SELECT COMMITTEE ON INTELLIGENCE

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Select Committee on Intelligence be authorized to meet during the session of the Senate on Wednesday, August 4, 1999, at 2:00 p.m. to hold a closed hearing on intelligence matters.

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

SPECIAL COMMITTEE ON THE YEAR 2000 TECHNOLOGY PROBLEM

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Special Committee on the Year 2000 Technology Problem be permitted to meet on August 4, 1999, at 9:30 a.m., or the purpose of conducting a hearing.

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

SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY, EXPORT AND TRADE PROMOTION AND THE SUBCOMMITTEE ON EAST ASIAN AND PACIFIC AFFAIRS

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Subcommittee on International Economic Policy, Export and Trade Promotion and the Subcommittee on East Asian and Pacific Affairs be authorized to meet during the session of the Senate on Wednesday, August 4, 1999, at 2:30 p.m., to hold a joint hearing.

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

SUBCOMMITTEE ON NATIONAL PARKS, HISTORIC PRESERVATION AND RECREATION

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Subcommittee on National Parks, Historic Preservation and Recreation of the Committee on Energy and Natural Resources be granted permission to meet during the session of the Senate on Wednesday, August 4, for purposes of conducting a subcommittee hearing which is scheduled to begin at 2:15 p.m. The purpose of this oversight hearing is to review the performance management process under the requirements of the Government Performance and Results Act by the National Park Service.

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

SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, RESTRUCTURING AND THE DISTRICT OF COLUMBIA

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Governmental Affairs Committee Subcommittee on Oversight of Government Management, Restructuring and the District of Columbia be permitted to meet on Wednesday, August 4, 1999, at 10:30 a.m., for a hearing on Overlap and Duplication in the Federal Food Safety System.

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

ADDITIONAL STATEMENTS

OCCUPATIONAL AND ENVIRONMENTAL HEALTH AND SAFETY WEEK

● Mr. SARBANES. Mr. President, during the week of August 30–September 3 we will celebrate Occupational and Environmental Health and Safety Week. As a strong and vigorous supporter of Federal initiatives to strengthen our safety and environmental laws and protect our workers and citizens, I am pleased to take this opportunity to draw my colleagues' attention to this important occasion and to take a few moments to reflect on and bring greater awareness of workplace and community health and safety issues to the public.

Occupational and Environmental Health and Safety Week is sponsored by the American Industrial Hygiene Association. This is the first annual celebration of this event and the goal is to highlight workplace and community health issues. This year's theme, ''Protecting Your Future . . . Today,'' shows the far-reaching nature of occupational and environmental safety's impact on the public.

One of the major issues concerning workplace safety is Ergonomics. Ergonomics is the science of fitting the job to the worker. It is the solution to a host of physical problems brought about by over-exertion or repetitive stress. More than 650,000 Americans suffer serious injuries and illnesses due to work-related musculoskeletal disorders each year, accounting for more than 34 percent of all lost-workday injuries and illnesses, and costing employers $15–20 billion annually in direct workers' compensation costs.

There is sound scientific evidence linking musculoskeletal disorders (MSDs) to work. Last summer, the National Academy of Sciences (NAS) found ''compelling evidence'' that workplace modifications can reduce the risk of injury. A 1997 review of 600 studies by the National Institute of Occupational Safety and Health drew similar conclusions. For the average worker, the back takes the brunt of the injuries. About 4 out of 10 injuries involve strains and sprains, most of them back-related. The Department of Labor recently reported that injuries and illnesses for construction laborers, carpenters, welders and cutters increased by a total of 8,000 cases. Additionally, truck drivers suffer more than their share of injuries, including approximately 145,000 work-related injuries or illnesses each year.

Although many injuries occur in the workplace, our concern does not end there. OEHS Week's second important emphasis is safety in the community and home. Protecting and improving our environment, our parks and wildlife refuges, and natural resources have been among my highest priorities since I was first elected to the Congress. I have fought for, and helped enact, every major piece of legislation to enhance environmental quality—the Clean Water Act, the Clean Air Act, the Endangered Species Act, and Superfund, to name a few. OEHS Week is designed to heighten awareness about several vital community health concerns including carbon monoxide poisoning, indoor air quality, and noise exposure.

In my view, a clean environment is a legacy we leave for future generations. After all, our natural resources—our farmlands and forests, water, air, and our wildlife—are the foundation of our country's present and future well-being and quality of life. We are making progress in the effort to clean up the Chesapeake Bay—our nation's largest and most productive estuary. But much more work needs to be done to revitalize this national treasure and I have introduced legislation to amend the Federal Water Pollution Act to assist in the restoration of the Chesapeake Bay. Additionally, I have introduced a bill to implement pilot projects in Maryland, Virginia, and North Carolina to address problems associated with toxic microorganisms in tidal and non-tidal wetlands and waters.

As we approach over 100 years of celebrating Labor Day, it is appropriate that we focus our attention on the safety of workers while in a workplace environment and on their safety and environmental concerns while away from the job site. This 1st annual Occupational and Environmental Health and Safety Week truly represents a spotlight on the total quality of life of working Americans.●

25TH ANNIVERSARY OF THE VERMONT HOUSING FINANCE AGENCY

● Mr. JEFFORDS. Mr. President, I am honored to congratulate the Vermont Housing Finance Agency on its 25th Anniversary of providing Vermonters with access to safe, decent and affordable housing.

In 1974, the Vermont Housing Finance Agency, VHFA, was established to ensure that Vermonters of a variety of different backgrounds have access to affordable housing. Over many years of finding innovative ways to finance and stimulate the preservation and development of affordable housing, VHFA

has multiplied the number of home ownership opportunities in Vermont many times over. This dedication to aggressively and compassionately provide affordable housing opportunities ensures that today's neediest Vermont families need not go without shelter.

As a Senator one of my highest priorities is to help secure for Vermont's low and moderate income families a home they can afford. We all know that having a home is a critical foundation to achieving success. Every year VHFA helps Vermonters build this foundation by making financing possible for thousands of Vermonters to purchase hundreds of dwellings. Over the years, VHFA has worked with private lenders, real estate professionals, builders, developers and nonprofit organizations throughout the state to get the job done. This dynamic approach to home financing has brought about dozens of healthy and safe Vermont communities where residents thrive and communities grow. The professionalism, reliability, and accomplishments of the staff at VHFA are unsurpassed.

I commend the Vermont Housing Finance Agency for its outstanding contribution and dedication to improving the quality of life for so many Vermonters. VHFA has my sincerest thanks and unending respect for its 25 years of commitment to Vermont and her people. I am both proud and honored to represent such an accomplished group of individuals in Washington as they are a national model for how to provide affordable, quality housing opportunities for those in need. As they celebrate their 25th anniversary at the end of this month in Vermont, the VHFA staff, past and present, should be proud that their leadership and continued perseverance will help ensure that every Vermonter has a place to call home.●

TRIBUTE TO THE EMTER FAMILY

● Mr. DORGAN. Mr. President, I rise today to take note of the superb performances given yesterday by the Emter family of Glen Ullin, North Dakota, on the Capitol lawn and later at the Kennedy Center. The Emters were here in Washington as part of the Millennium Series being sponsored by the Kennedy Center. When the Kennedy Center asked me to make a recommendation of a group from North Dakota that might exhibit some of the cultural heritage of my state, the Emter family was a natural and immediate choice.

One obvious reason was their outstanding musical accomplishment. The Emters are button accordionists. Mr. President, the button accordion is a unique instrument, brought to America by settlers from Austria at the turn of the 20th century. Button accordions have been in this country for nearly 100 years, and have helped make polka one of America's most loved traditional dances. In North Dakota even today you'd be hard pressed to find a wedding reception or barn dance where a polka wasn't played and the entire room doesn't pour onto the dance floor. Accordion music may not have the popular following that it did before the advent of rock and roll, but its lyrical and nostalgic flavor still tugs at the heartstrings of this Senator and many other folks of my generation who grew up watching our parents polka the night away across the American Legion Hall dance floor, at Ted Strand's barn or at Hardmeyer Hall.

The Emter Family—parents Renae and Roger (who met at a polka dance), 18 year old son Adam, and three daughters Angelina, 16; Alida, 15; and Abigail, 13—has performed all over North America, from county fairs, church functions and Oktoberfests to national television and radio appearances. They have taken top honors at a number of international button accordion competitions. They are truly accomplished.

I have to tell you though, Mr. President, that it isn't just for their musical achievement that the Emter Family deserves our recognition and honor today. That's because this is a great family. Their presence on stage tells you this, the way they interact with one another and everyone around them tells you this, the message in their music tell you this. They are good people that exemplify the steadfast, positive attitude of the vast majority of rural America's families. They live in Glen Ullin, in southwestern North Dakota, a part of the state that has seen one of the most significant decrease in population. Times are desperate for many families in this region of my state, along with rural areas in most of our farm states. These people have every reason in the world to lose faith, to have negative attitudes, to let frustration get the best of them and give up. None of us could fault them for that. But, Mr. President, most of these families don't despair. They look forward, they continue to work incredibly hard, they still pack the American Legion Hall to dance the polka once and awhile. The Emters are a symbol of hope in these areas of our country, Mr. President, and I want to thank them for sharing that hope with us yesterday through their music and their presence in Washington.●

JIM BATTIN COURTHOUSE

● Mr. BURNS. Mr. President, today I rise to pay tribute to one of Montana's greatest citizens, the Honorable James F. Battin, Sr. Jim Battin was born in Wichita, Kansas, and at the age of four, moved to Billings, Montana, where he was raised. After graduating from high school, he served for three years in the U.S. Navy during World War II, spending most of that time in the Pacific theater. Following the war, Jim returned home to continue his education, graduating first from Eastern Montana College in Billings and later receiving his J.D. from George Washington University. He continued his career in public service as a city attorney in Billings, and in 1958, he was elected to the Montana state legislature. Only two years later, he successfully ran for a seat in the U.S. House of Representatives, where he was quickly assigned seats on the House Committee on Committees, as well as Ways and Means, two very prestigious seats for a freshman member of Congress. Jim later served on the House Foreign Relations and Judiciary Committees, and was ultimately elected five times by the people of his district, which then covered the eastern half of the state of Montana. During his congressional career, which lasted from 1961 to 1969, Congressman Battin played an instrumental role in a good deal of legislation, including the bill which created Montana's Bob Marshall Wilderness Area, at the time the largest wildlife area in the United States. Jim also served as one of two U.S. Congressional Representatives to the Inter-Governmental Committee on European Migration, which met in Geneva. This group helped individuals who were expelled from behind the Iron Curtain to re-establish businesses in other countries, or to find work in other occupations. In 1968, Congressman Battin was President Nixon's representative to the Platform Committee at the Republican National Committee, and shortly thereafter, in early 1969, he became President Nixon's first judicial appointment. He served as a U.S. district judge for the district of Montana for 27 years, becoming its Chief Judge in 1978. During his time on the bench, Judge Battin issued key rulings affecting the lives of Montana citizens, among them his ruling which preserved access to the Bighorn River for people throughout the state, and his creation of the precedent for the now universally accepted six-man federal jury in civil cases. A dedicated and hard working man, James F. Battin Sr. remained on the bench until his passing in the autumn of 1996.

It was with these facts in mind, Mr. President, that led to my support of H.R. 158, a bill which would designate the United States courthouse located at 316 North 26th Street in Billings, Montana, as the ''James F. Battin United States Courthouse''. Congress passed H.R. 158 earlier this year, and it was signed into law by the President on April 5th, 1999, as Public Law 106–11. I believe that the renaming of this courthouse, which Judge Battin presided over for so long, is the most fitting tribute that the United States Congress and the people of Montana can pay to this great man, whose outstanding career in public service

spanned over 40 years. Come next Monday, when this building is officially rechristened with its new name, I think all of us should take a moment to tip our hats in thanks to Judge Battin for a job well-done. Mr. President, I yield the floor.●

TRIBUTE TO ROBERT TOBIAS

● Mr. ROBB. Mr. President, I rise to pay tribute to Robert Tobias, a man who has shown untiring commitment to the concerns of Federal employees. Recently I had the opportunity to attend one of the receptions in his honor hosted by the many Federal employees he has represented and led so effectively.

Mr. Tobias, who is retiring after four terms as president of the National Treasury Employees Union, NTEU, has proven his dedication to the fair treatment, professional development and quality of life for Federal workers time and time again. During his 31 years of service, the organization has grown to the point that it now represents over 155,000 men and women who serve our Federal Government. For the past 16 years, Mr. Tobias led the NTEU, spearheading initiatives to ensure fair workplace policies for Federal workers and pursuing effective labor-management policies for more efficient service from Federal agencies. But perhaps most importantly, he's championed family friendly policies to help our outstanding Federal workers continue to meet demands and increase productivity. These innovations include implementing alternative work schedules and negotiating child care facilities for busy Federal families.

Because of his outstanding reputation, he's won many awards and appointments, most notably his appointment to the National Partnership Council and the Commission to Restructure the IRS among them. Under his leadership, he's ensured that Federal employees are included in the many decisions to help Federal agencies run more efficiently and that they are publicly recognized for all the hard work they perform.

Robert Tobias leaves an indelible mark on the Federal workplace by the hard work he has done on behalf of NTEU—indeed, the nation—and we are indebted to him for his service. I wish him continued success as he moves on to teaching and writing, knowing we can still rely on his voice and experience when it comes to the critical needs of Federal employees.●

RECOGNITION OF THE FEDERAL WAY SCHOOL DISTRICT'S INTERNET ACADEMY

● Mr. GORTON. Mr. President, when I began my Innovation in Education Award Program earlier this year, I endeavored to find and recognize programs, schools, and individuals whose work in improving education deserves recognition. The Federal Way School District's Internet Academy is just such a program and one which I am proud to present with my Innovation in Education Award.

The Internet Academy is the brain child of recently departed Superintendent Tom Vander Ark, who is widely credited with injecting new life into the Federal Way District. The Academy has a standards-based curriculum that provides a comprehensive course of study designed to meet state guidelines and instructional objectives. What is innovative, however, is the way in which the Academy engages students under the continuous guidance of state accredited teachers. The Academy offers a full range of courses for school credit, via the Internet, for grades K–12. The program was created only 3 years ago as a pilot K–8 program and has expanded significantly since then. In June of 1998 it had 65 enrollees—by June of 1999 it had expanded to over 800.

As our society's use of technology has increased, it is important that our public education system keep abreast of such transformation and provide opportunities using technology to encourage student learning. By offering an interactive curriculum that is accessible 24 hours a day, 365 days a year, the district's Academy is ensuring that students are given maximum opportunity to access a good education.

Today's best instructional technologies can enhance the learning environment by eliminating the time and space boundaries present with the traditional classroom. This alternative learning environment also allows for an increasingly active role for families in the education of our children. It is a common-sense proposition that increased parental involvement promotes a richer educational process. This aspect of learning is especially critical for home-schoolers in search of instruction for specific topics or seeking to tap into the resources of the public education system.

The parent of one home-schooled child noted: ''Home-school can be really challenging sometimes. It is great to have a resource like the Internet Academy for my son.''

Meanwhile, a 10th grade student said: ''I like the Internet Academy because I can work at my own pace. The on-line curriculum gives me a better understanding than what I can get in a classroom with 30 other students. The approach allows me to explore areas that interest me while completing the course work.''

I have heard from many educators that they sometimes struggle to maintain the interest and energy of their students. The Federal Way School District, through its Internet Academy, has shown that creative means to keep students engaged in today's multimedia environment are not only possible but, can be highly successful.

Our economy, powered in large part by a strong hi-tech sector, has achieved an impressive record of growth in recent months and it stands to reason that creatively injecting hi-tech tools into our education system can have equally rewarding results. I applaud the Federal Way School District's vision in establishing the Internet Academy, I endorse their efforts to ensure that students are given every possible opportunity to access and learn from our public education system. I hope my colleagues will join in my recognizing the Internet Academy's innovative work.●

TRIBUTE TO PAT THOMAS

● Mr. JEFFORDS. Mr. President, I rise today to pay tribute to an outstanding Vermonter, Patricia Thomas, formerly the President and Chief Executive Officer of the Visiting Nurse Association (VNA) of Chittenden and Grand Isle Counties. Pat's commitment to improving the health status of Vermonters serves as a model to us all. She is, and will remain, a stunning example of how one person can positively affect so many.

Pat has served Vermont in a variety of capacities. As a teacher and college administrator, as a government official and director of Vermont's largest United Way, and on various boards and commissions, Pat always strived to improve the quality of life here in Vermont. Most recently, she served the people of Vermont at the helm of our State's largest VNA. It is this role that I wish to elaborate upon today before the U.S. Senate.

Throughout Pat's 7-year tenure at the VNA, her leadership was instrumental in sustaining Vermont's unique, nonprofit home health care system, while maintaining its high-quality, cost-effective service. Ironically, when this nationally renowned system was severely challenged by an unintended consequence of the Balanced Budget Act of 1997, Pat's advocacy easily convinced me and other lawmakers that corrective action was essential. With such an impressive track record and with so many Vermonters relying on her agency's care, it was an easy argument to both make and adopt. Certainly, being a key member of my Health Care Advisory Board, there have been numerous occasions when I have relied on Pat's wise counsel, but none was more critical than during the last year's debate. Vermonters were fortunate to have such an advocate and leader in Pat Thomas.

In addition to being an effective advocate on the Federal level, Pat led her VNA through a dynamic and critical time in its history. During Pat's tenure, her agency more than doubled in

size, successfully completed a massive capital campaign, purchased and renovated its current headquarters, and significantly diversified its services. Vermont Respite House, home psychiatric care, specialized home therapies, home infusion, palliative care and wellness programs were all added to the plethora of VNA services on Pat's watch. Other major services include their Adult Day and Hospice Programs and Maternal Child Health Services. Pat knew that these changes were necessary if her agency was to adequately reflect and meet the evolving needs of Vermonters. Her vision and leadership helped her agency do exactly that, with resounding success.

Vermont has much to be grateful for when it comes to Pat's steadfast commitment to improving the quality of life in our small state. Although her tenure at the VNA has ended, we will forever remain the beneficiaries of her expertise, vision and leadership on those issues she has been so ably, and passionately committed to. In her own words, ''our house is in order and the agency is incredibly sound, despite an ever changing and challenging health care environment''. Vermont has Pat Thomas to thank for this. We wish her well.●

UNANIMOUS CONSENT REQUEST—EXECUTIVE CALENDAR

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Senate immediately proceed to executive session to consider the following nominations en bloc: Executive Calendar Nos. 173, 175, 176, 191, 195, 198, 199, 210, 211, 215, 217, 218, 219, and 220. I further ask unanimous consent that the nominations be confirmed en bloc, the motion to reconsider be laid upon the table, any statements relating to the nominations appear at this point in the RECORD, the President be immediately notified of the Senate's action, and the Senate then return to legislative session.

Mr. KOHL. I ask unanimous consent that the requests be modified to delete 215, 217, 218, and 219.

Mr. COCHRAN. Mr. President, I am constrained to object at the request of the majority leader. I suggest we pass this item and try to resolve it later.

Mr. KOHL. I object.

The PRESIDING OFFICER. The objection is heard.

UNANIMOUS CONSENT AGREEMENT—EXECUTIVE CALENDAR

Mr. COCHRAN. Mr. President, as in executive session, I ask unanimous consent that at 9:30 tomorrow morning the Senate proceed to executive session to consider Executive Calendar Nos. 135 and 140, en bloc. I further ask consent that there be 30 minutes equally divided in the usual form for debate. I also ask consent that following the expiration or the yielding back of time, the Senate proceed to vote on the nominations en bloc. I further ask consent that immediately following that vote, the motion to reconsider be laid upon the table, the President be immediately notified of the Senate's action, and the Senate then return to legislative session.

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

Mr. COCHRAN. I ask unanimous consent that it be in order to ask for the yeas and nays on the nominations at this time.

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

Mr. COCHRAN. I now 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.

AUTHORIZATION OF SENATE REPRESENTATION

Mr. COCHRAN. Mr. President, I ask unanimous consent that the Senate now proceed en bloc to the immediate consideration of S. Res. 173 and S. Res. 174, submitted earlier by Senators LOTT and DASCHLE.

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

The legislative clerk read as follows:

A resolution (S. Res. 173) to authorize representation of the Senate Committee on Armed Services in the case of Philip Tinsley, III v. Senate Committee on Armed Services.

A resolution (S. Res. 174) to authorize representation on the Senate Committee on the Judiciary in the case of Philip Tinsely III v. Senate Committee on the Judiciary.

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

Mr. LOTT. Mr. President, an individual has filed two pro se civil actions in the United States District Court for the Eastern District of Virginia against two Senate Committees. In the first suit, against the Senate Committee on Armed Services, the plaintiff alleges that he was wrongfully denied a commission in the Navy and documentation of a prior honorable discharge from the Army Reserve. He has sued the Armed Services Committee because, in his view, the Committee failed to take sufficient steps to rectify these errors after he brought them to the Committee's attention.

The second complaint alleges that the Judiciary Committee failed to take appropriate action when the plaintiff, in correspondence with the Committee, accused a federal judge and state and federal law enforcement officers of malfeasance.

These resolutions authorize the Senate Legal Counsel to represent the Committees in these suits to move for their dismissal.

Mr. COCHRAN. I ask unanimous consent the resolutions be agreed to, the preambles be agreed to, the motions to reconsider be laid upon the table, any statements relating to the resolutions appear in the RECORD, with the preceding all occurring en bloc.

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

The resolution (S. Res. 173) was agreed to.

The preamble was agreed to.

The resolution, with its preamble, reads as follows:

S. RES. 173

Whereas, in the case of *Philip Tinsley III* v, *Senate Committee on Armed Services*, Civil Action No. 99–951–A, pending in the United States District Court for the Eastern District of Virginia, the plaintiff has been used the United States Senate Committee on Armed Services;

Whereas, pursuant to sections 703(a) and 704(a)(1) of the Ethics in Government Act of 1978, 2 U.S.C. §§288b(a) and 288c(a)(1), the Senate may direct its counsel to defend Senate committees in civil actions. Now, therefore, be it

Resolved, That the Senate Legal Counsel is directed to represent the Senate Committee on Armed Services in the case of *Philip Tinsley III* v. *Senate Committee on Armed Services*.

The resolution (S. Res. 174) was agreed to.

The preamble was agreed to.

The resolution, with its preamble, reads as follows:

S. RES. 174

Whereas, in the case of *Philip Tinsley III* v. *Senate Committee on the Judiciary*, Civil Action No. 99–952–A, pending in the United States District Court for the Eastern District of Virginia, the plaintiff has sued the United States Senate Committee on the Judiciary;

Whereas, pursuant to sections 703(a) and 704(a)(1) of the Ethics in Government Act of 1978, 2 U.S.C. §§288b(a) and 288c(a)(1), the Senate may direct its counsel to defend Senate committees in civil actions: Now, therefore, be it

Resolved, That the Senate Legal Counsel is directed to represent the Senate Committee on the Judiciary in the case of *Philip Tinsely III* v. *Senate Committee on the Judiciary*.

RELIEF OF GLOBAL EXPLORATION AND DEVELOPMENT CORPORATION, KERR-MCGEE CORPORATION, AND KERR-MCGEE CHEMICAL, LLC

Mr. BENNETT. Mr. President, I ask the Chair lay before the Senate a message from the House of Representatives on the bill (S. 606) of the relief of Global Exploration and Development Corporation, Kerr-McGee Corporation, and Kerr-McGee Chemical, LLC (successor to Kerr-McGee Chemical Corporation), and for other purposes.

The PRESIDING OFFICER laid before the Senate the following message from the House of Representatives.

Resolved, That the bill from the Senate (S. 606) entitled ''An Act for the relief of Global Exploration and Development Corporation, Kerr-McGee Corporation, and Kerr-McGee Chemical, LLC (successor to Kerr-McGee

Chemical Corporation), and for other purposes'', do pass with the following amendment:

Strike out all after the enacting clause and insert:

SECTION 1. SATISFACTION OF CLAIMS AGAINST THE UNITED STATES.

(a) PAYMENT OF CLAIMS.—The Secretary of the Treasury shall pay, out of money not otherwise appropriated—

(1) to the Global Exploration and Development Corporation, a Florida corporation incorporated in Delaware, $9,500,000;

(2) to Kerr-McGee Corporation, an Oklahoma corporation incorporated in Delaware, $10,000,000; and

(3) to Kerr-McGee Chemical, LLC, a limited liability company organized under the laws of Delaware, $0.

(b) CONDITION OF PAYMENT.—

(1) GLOBAL EXPLORATION AND DEVELOPMENT CORPORATION.—The payment authorized by subsection (a)(1) is in settlement and compromise of all claims of Global Exploration and Development Corporation, as described in the recommendations of the United States Court of Federal Claims set forth in 36 Fed. Cl. 776.

(2) KERR-MCGEE CORPORATION AND KERR-MCGEE CHEMICAL, LLC.—The payment authorized by subsections (a)(2) and (a)(3) are in settlement and compromise of all claims of Kerr-McGee Corporation and Kerr-McGee Chemical, LLC, as described in the recommendations of the United States Court of Federal Claims set forth in 36 Fed. Cl. 776.

(c) LIMITATION ON FEES.—Not more than 15 percent of the sums authorized to be paid by subsection (a) shall be paid to or received by any agent or attorney for services rendered in connection with the recovery of such sums. Any person violating this subsection shall be fined not more than $1,000.

SEC. 2. CRIMINAL PROHIBITION ON THE DISTRIBUTION OF CERTAIN INFORMATION RELATING TO EXPLOSIVES, DESTRUCTIVE DEVICES, AND WEAPONS OF MASS DESTRUCTION.

(a) UNLAWFUL CONDUCT.—Section 842 of title 18, United States Code, is amended by adding at the end the following:

''(p) DISTRIBUTION OF INFORMATION RELATING TO EXPLOSIVES, DESTRUCTIVE DEVICES, AND WEAPONS OF MASS DESTRUCTION.—

''(1) DEFINITIONS.—In this subsection—

''(A) the term 'destructive device' has the same meaning as in section 921(a)(4);

''(B) the term 'explosive' has the same meaning as in section 844(j); and

''(C) the term 'weapon of mass destruction' has the same meaning as in section 2332a(c)(2).

''(2) PROHIBITION.—It shall be unlawful for any person—

''(A) to teach or demonstrate the making or use of an explosive, a destructive device, or a weapon of mass destruction, or to distribute by any means information pertaining to, in whole or in part, the manufacture or use of an explosive, destructive device, or weapon of mass destruction, with the intent that the teaching, demonstration, or information be used for, or in furtherance of, an activity that constitutes a Federal crime of violence; or

''(B) to teach or demonstrate to any person the making or use of an explosive, a destructive device, or a weapon of mass destruction, or to distribute to any person, by any means, information pertaining to, in whole or in part, the manufacture or use of an explosive, destructive device, or weapon of mass destruction, knowing that such person intends to use the teaching, demonstration, or information for, or in furtherance of, an activity that constitutes a Federal crime of violence.''.

(b) PENALTIES.—Section 844 of title 18, United States Code, is amended—

(1) in subsection (a)—

(A) by striking ''person who violates any of subsections'' and inserting the following: ''person who—

''(1) violates any of subsections'';

(B) by striking the period at the end and inserting ''; and''; and

(C) by adding at the end the following:

''(2) violates subsection (p)(2) of section 842, shall be fined under this title, imprisoned not more than 20 years, or both.''; and

(2) in subsection (j), by inserting ''and section 842(p)'' after ''this section''.

SEC. 3. SETTLEMENT OF CLAIMS OF MENOMINEE INDIAN TRIBE OF WISCONSIN.

(a) PAYMENT.—The Secretary of the Treasury shall pay to the Menominee Indian Tribe of Wisconsin, out of any funds in the Treasury of the United States not otherwise appropriated, $32,052,547 for damages sustained by the Menominee Indian Tribe of Wisconsin by reason of—

(1) the enactment and implementation of the Act entitled ''An Act to provide for a per capita distribution of Menominee tribal funds and authorize the withdrawal of the Menominee Tribe from Federal jurisdiction'', approved June 17, 1954 (68 Stat. 250 et seq., chapter 303); and

(2) the mismanagement by the United States of assets of the Menominee Indian Tribe held in trust by the United States before April 30, 1961, the effective date of termination of Federal supervision of the Menominee Indian Tribe of Wisconsin.

(b) EFFECT OF PAYMENT.—Payment of the amount referred to in subsection (a) shall be in full satisfaction of any claims that the Menominee Indian Tribe of Wisconsin may have against the United States with respect to the damages referred to in that subsection.

(c) REQUIREMENTS FOR PAYMENT.—The payment to the Menominee Indian Tribe of Wisconsin under subsection (a) shall—

(1) have the status of a judgment of the United States Court of Federal Claims for the purposes of the Indian Tribal Judgment Funds Use or Distribution Act (25 U.S.C. 1401 et seq.); and

(2) be made in accordance with the requirements of that Act on the condition that, of the amounts remaining after payment of attorney fees and litigation expenses—

(A) at least 30 percent shall be distributed on a per capita basis; and

(B) the balance shall be set aside and programmed to serve tribal needs, including funding for—

(i) educational, economic development, and health care programs; and

(ii) such other programs as the circumstances of the Menominee Indian Tribe of Wisconsin may justify.

(d) LIMITATION ON FEES.—Not more than 15 percent of the sums authorized to be paid by subsection (a) shall be paid to or received by any agent or attorney for services rendered in connection with the recovery of such sums. Any person violating this subsection shall be fined not more than $1,000.

Mr. COCHRAN. I ask unanimous consent the Senate concur in the amendment of the House.

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

Mr. KOHL. Mr. President, I am pleased that the Senate today approved legislation that gives a Congressional ''stamp of approval'' to a settlement that the Menominee Indian Tribe of Wisconsin has long awaited. In my opinion, in the opinion of the U.S. Court of Claims that approved this settlement last year, and in the opinion of Wisconsin leaders like Governor Tommy Thompson and former Congressman Melvin Laird, this is a settlement that is long overdue.

As part of S. 606, the Menominee Tribal Fairness Act is the final step in a ''Legislative Reference'' that settles a 45-year-old case between the Tribe and the Federal Government once and for all. In the 1950s, the Bureau of Indian Affairs mismanaged the Tribe's assets such as their forests and mills, leaving them ill-prepared to be self-sufficient. However, in the 1960s, Congress terminated the Tribe's federal trust status, and the Tribe plunged into years of service impoverishment and community turmoil.

Then in the 1970s, the Government recognized its mistake in these actions and restored the Menominee Tribe's federal trust status. Clearly, though, the decades of damage could threaten the Tribe for generations to come, so the Tribe went to court seeking compensation for the devastation it had endured.

After winning at trial court, this case was dismissed on technical grounds at the appellate court in 1984. The Tribe then came to Congress for help, and we passed a ''Legislative Reference'' asking the Courts to decide the merits of this case and determine what, if any, compensation was due. Before this case again headed to trial, the Department of Justice settled with the Tribe, agreeing to a sum of $32,052,547. The U.S. Court of Claims endorsed this settlement last summer. Now, as the final step in this process, Congress has approved the payment of this settlement—and from the Treasury Department's already existing ''judgment fund,'' not through a new appropriation—to finally resolve this case after 45 years.

This decades-old case is a perfect example of how the ''Legislative Reference'' procedure should be used: the court examines claims against the United States based on negligence or fault, or based on less than fair and honorable dealings, regardless of ''technical'' defenses that the United States may otherwise assert, especially the statute of limitations.

In other words, this procedure is to be used for precisely the types of circumstances surrounding the Menominee Tribe. The tribe and its members suffered grievous economic loss through legislative termination of its rights and from BIA mismanagement of its resources. Indeed, the Federal governments' actions brought the Menominee Tribe to the brink of economic, social, and cultural disaster. Although the Tribe was restored to Federal recognition and tribal status by action of the Congress, the Tribe and its members have yet to be compensated for the damages they suffered. But thanks to the Senate's actions today, that will change.

I thank my colleagues for supporting this vitally important ''Legislative Reference'' that will bring closure, once and for all, to a settlement that is long overdue. I especially want to thank our House sponsor, MARK GREEN, as well as Congressman SENSENBRENNER, Congressman MCCOLLUM, and Senator NICKLES, for all their hard work.

ESTABLISHMENT OF NATIONAL CEMETERY FOR VETERANS IN ATLANTA, GEORGIA

Mr. COCHRAN. Mr. President, I ask unanimous consent the Senate now proceed to consideration of Calendar No. 221, S. 695.

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

The legislative clerk read as follows:

A bill (S. 695) to direct the Secretary of Veterans Affairs to establish a national cemetery for veterans in the Atlanta, Georgia metropolitan area.

There being no objection, the Senate proceeded to consider the bill which had been reported from the Committee on Veterans' Affairs, with an amendment to strike all after the enacting clause and inserting in lieu thereof the following:

SECTION 1. ESTABLISHMENT OF NATIONAL CEMETERIES.

(a) IN GENERAL.—The Secretary of Veterans Affairs shall establish, in accordance with chapter 24 of title 38, United States Code, the following:

(1) A national cemetery in the Atlanta, Georgia, metropolitan area to serve the needs of veterans and their families.

(2) A national cemetery in Southwestern Pennsylvania to serve the needs of veterans and their families.

(3) A national cemetery in the Miami, Florida, metropolitan area to serve the needs of veterans and their families.

(b) CONSULTATION IN SELECTION OF SITES.—Before selecting the sites for the national cemeteries to be established under subsection (a), the Secretary shall consult with—

(1) in the case of the national cemetery to be established under paragraph (1) of that subsection, appropriate officials of the State of Georgia and appropriate officials of local governments in the Atlanta, Georgia, metropolitan area;

(2) in the case of the national cemetery to be established under paragraph (2) of that subsection, appropriate officials of the State of Pennsylvania and appropriate officials of local governments in Southwestern Pennsylvania;

(3) in the case of the national cemetery to be established under paragraph (3) of that subsection, appropriate officials of the State of Florida and appropriate officials of local governments in the Miami, Florida, metropolitan area; and

(4) appropriate officials of the United States, including the Administrator of General Services, with respect to land belonging to the United States that would be suitable as a location for the establishment of each such national cemetery.

(c) REPORT.—As soon as practicable after the date of the enactment of this Act, the Secretary shall submit to Congress a report on the establishment of the national cemeteries under subsection (a). The report shall set forth a schedule for the establishment of each such cemetery and an estimate of the costs associated with the establishment of each such cemetery.

AMENDMENT NO. 1562

(Purpose: To require the establishment of a national cemetery in the Detroit, Michigan, metropolitan area and in the Sacramento, California, metropolitan area, to authorize the use of flat grave markers at Santa Fe National Cemetery, New Mexico, and for other purposes)

Mr. COCHRAN. Mr. President, Senators SPECTER and ROCKEFELLER have an amendment at the desk. I ask for its consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Mississippi [Mr. COCHRAN], for Mr. SPECTER, for himself, and Mr. ROCKEFELLER, proposes an amendment numbered 1562.

The amendment is as follows:

On page 3, between lines 9 and 10, insert the following:

(4) A national cemetery in the Detroit, Michigan, metropolitan area to serve the needs of veterans and their families.

(5) A national cemetery in the Sacramento, California, metropolitan area to serve the needs of veterans and their families.

On page 4, strike lines 3 and 4 and insert the following:

Florida, metropolitan area;

(4) in the case of the national cemetery to be established under paragraph (4) of that subsection, appropriate officials of the State of Michigan and appropriate officials of local governments in the Detroit, Michigan, metropolitan area;

(5) in the case of the national cemetery to be established under paragraph (5) of that subsection, appropriate officials of the State of California and appropriate officials of local governments in the Sacramento, California, metropolitan area; and

(6) appropriate officials of the United States, in-

On page 4, after line 15, add the following:

SEC. 2. USE OF FLAT GRAVE MARKERS.

(a) AUTHORITY TO USE FLAT GRAVE MARKERS AT SANTA FE NATIONAL CEMETERY.—Notwithstanding section 2404(c)(2) of title 38, United States Code, the Secretary of Veterans Affairs may provide for flat grave markers at the Santa Fe National Cemetery, New Mexico.

(b) REPORT COMPARING USE OF FLAT GRAVE MARKERS AND UPRIGHT GRAVE MARKERS.—(1) Not later than 90 days after the date of the enactment of this Act, the Secretary of Veterans Affairs shall submit to the Committees on Veterans' Affairs of the Senate and the House of Representatives a report assessing the advantages and disadvantages of the use by the National Cemetery Administration of flat grave markers and upright grave markers.

(2) The report under paragraph (1) shall set forth the advantages and disadvantages of the use of each type of grave marker referred to in that paragraph, and shall include criteria to be utilizing in determining whether to prefer the use of one such type of grave marker over the other.

In the amendment to the title, strike ''in the Atlanta, Georgia, metropolitan area'' and all that follows through ''metropolitan area'' and insert the following: ''in various locations in the United States, and for other purposes''.

Mr. COCHRAN. I ask unanimous consent the amendment be agreed to, the committee amendment be agreed to, the bill be read a third time and passed, the title amendment be agreed to, the motion to reconsider be laid upon the table, and any statements relating to the bill be printed in the RECORD.

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

The amendment (No. 1562) was agreed to.

The committee amendment in the nature of a substitute, as amended, was agreed to.

The bill (S. 695), as amended, was read the third time and passed, as follows:

S. 695

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

SECTION 1. ESTABLISHMENT OF NATIONAL CEMETERIES.

(a) IN GENERAL.—The Secretary of Veterans Affairs shall establish, in accordance with chapter 24 of title 38, United States Code, the following:

(1) A national cemetery in the Atlanta, Georgia, metropolitan area to serve the needs of veterans and their families.

(2) A national cemetery in Southwestern Pennsylvania to serve the needs of veterans and their families.

(3) A national cemetery in the Miami, Florida, metropolitan area to serve the needs of veterans and their families.

(4) A national cemetery in the Detroit, Michigan, metropolitan area to serve the needs of veterans and their families.

(5) A national cemetery in the Sacramento, California, metropolitan area to serve the needs of veterans and their families.

(b) CONSULTATION IN SELECTION OF SITES.—Before selecting the sites for the national cemeteries to be established under subsection (a), the Secretary shall consult with—

(1) in the case of the national cemetery to be established under paragraph (1) of that subsection, appropriate officials of the State of Georgia and appropriate officials of local governments in the Atlanta, Georgia, metropolitan area;

(2) in the case of the national cemetery to be established under paragraph (2) of that subsection, appropriate officials of the State of Pennsylvania and appropriate officials of local governments in Southwestern Pennsylvania;

(3) in the case of the national cemetery to be established under paragraph (3) of that subsection, appropriate officials of the State of Florida and appropriate officials of local governments in the Miami, Florida, metropolitan area;

(4) in the case of the national cemetery to be established under paragraph (4) of that subsection, appropriate officials of the State of Michigan and appropriate officials of local governments in the Detroit, Michigan, metropolitan area;

(5) in the case of the national cemetery to be established under paragraph (5) of that subsection, appropriate officials of the State of California and appropriate officials of local governments in the Sacramento, California, metropolitan area; and

(6) appropriate officials of the United States, including the Administrator of General Services, with respect to land belonging to the United States that would be suitable as a location for the establishment of each such national cemetery.

(c) REPORT.—As soon as practicable after the date of the enactment of this Act, the Secretary shall submit to Congress a report on the establishment of the national cemeteries under subsection (a). The report shall set forth a schedule for the establishment of each such cemetery and an estimate of the costs associated with the establishment of each such cemetery.

SEC. 2. USE OF FLAT GRAVE MARKERS.

(a) AUTHORITY TO USE FLAT GRAVE MARKERS AT SANTA FE NATIONAL CEMETERY.—Notwithstanding section 2404(c)(2) of title 38, United States Code, the Secretary of Veterans Affairs may provide for flat grave markers at the Santa Fe National Cemetery, New Mexico.

(b) REPORT COMPARING USE OF FLAT GRAVE MARKERS AND UPRIGHT GRAVE MARKERS.—(1) Not later than 90 days after the date of the enactment of this Act, the Secretary of Veterans Affairs shall submit to the Committees on Veterans' Affairs of the Senate and the House of Representatives a report assessing the advantages and disadvantages of the use by the National Cemetery Administration of flat grave markers and upright grave markers.

(2) The report under paragraph (1) shall set forth the advantages and disadvantages of the use of each type of grave marker referred to in that paragraph, and shall include criteria to be utilizing in determining whether to prefer the use of one such type of grave marker over the other.

The title was amended so as to read: ''A bill to require the Secretary of Veterans Affairs to establish a national cemetery for veterans.''

Mr. DOMENICI. Mr. President, it is with great pleasure that I rise today to talk about the Senate passage of a bill I introduced that will extend the useful life of the Santa Fe National Cemetery in New Mexico. I also want to thank Senator SPECTER for his assistance that helped to make passage of this bill possible.

The men and women who have served in the United States Armed Forces have made immeasurable sacrifices for the principles of freedom and liberty that make this Nation unique throughout civilization. The service of veterans has been vital to the history of the Nation, and the sacrifices made by veterans and their families should not be forgotten.

These veterans at the very least deserve every opportunity to be buried at a National Cemetery of their choosing. Unfortunately, projections show the Santa Fe National Cemetery will run out of space to provide casketed burials for our veterans at the conclusion of 2000. However, with Senate passage of this bill we have taken an important step to ensure the continued viability of the Santa Fe National Cemetery.

I believe all New Mexicans can be proud of the Santa Fe National Cemetery that has grown from 39/100 of an acre to its current 77 acres. The cemetery first opened in 1868 and within several years was designated a National Cemetery in April of 1875.

Men and women who have fought in all of our nation's wars hold an honored spot within the hallowed ground of the cemetery. Today the Santa Fe National Cemetery contains almost 27,000 graves that are mostly marked by upright headstones.

The Senate's action today brings us another step closer to ensuring the Santa Fe National Cemetery will not be forced to close. The bill passed today allows the Secretary of Veterans Affairs to provide for the use of flat grave markers that will extend the useful life of the cemetery until 2008.

While I wish the practice of utilizing headstones could continue indefinitely if a veteran chose, my wishes are outweighed by my desire to extend the useful life of the cemetery. I would note that my desire is shared by the New Mexico Chapter of the American Legion, the Albuquerque Chapter of the Retired Officers' Association, and the New Mexico Chapter of the VFW who have all endorsed the use of flat grave markers.

Finally, this is not without precedent because exceptions to the law have been granted on six prior occasions with the most recent action occurring in 1994 when Congress authorized the Secretary of Veterans Affairs to provide for the flat grave markers at the Willamette National Cemetery in Oregon.

Mr. President, I again want to thank Senator SPECTER for his assistance and state how pleased I am with the Senate passage of this important bill.

NOMINATIONS

Executive nominations received by the Senate August 4, 1999:

EXPORT-IMPORT BANK OF THE UNITED STATES

DAN HERMAN RENBERG, OF MARYLAND, TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE EXPORT-IMPORT BANK OF THE UNITED STATES FOR A TERM EXPIRING JANUARY 20, 2003, VICE JULIE D. BELAGA, TERM EXPIRED.

IN THE NAVY

THE FOLLOWING NAMED OFFICERS FOR REGULAR APPOINTMENT IN THE GRADES INDICATED IN THE UNITED STATES NAVY UNDER TITLE 10, U.S.C., SECTION 531:

To be captain

DAVID M. BROWN, 0000
ELWOOD W. HOPKINS, 0000
MARTIN R. STAHL, 0000
DAVID A. TAFT, 0000

To be commander

TOBIAS J. BACANER, 0000
ALICA K. BARTLETT, 0000
KEITH F. BATTS, 0000
RICHARD M. BERGER, 0000
JOHN L. BERLOT, 0000
GREGORY BLACKMAN, 0000
LEWIS E. BROWN, 0000
JACQUELYN L. CALBERT, 0000
ARDEN CHAN, 0000
CYRIL CHAVIS, 0000
JIMMIE N. COLLINS, 0000
LOUIS A. DAMIANO, 0000
DOUGLAS C. DELLINGER, 0000
JEROME V. DILLON, 0000
JONATHAN E. DOMINGUEZ, 0000
BRETT R. FINK, 0000
ALAN P. GEGENHEIMER, 0000
MARJORIE B. GWYNN, 0000
LEROY T. JACKSON, 0000
RICHARD A. JENSEN, 0000
JOHN S. KELLOGG, 0000
HAROLD LAROCHE, 0000
RICHARD W. LOTH, 0000
DENNIS E. MAYER, 0000
ROBERT P. MCCLANAHAN, JR., 0000
KENNETH E. MILEY, 0000
EDUARDO MORALES, 0000
TODD J. MORRIS, 0000
GREGORY F. PAINE, 0000
MICHAEL A. PELINI, 0000
LORING I. PERRY, 0000
MICHAEL M. QUIGLEY, 0000
TERRANCE R. REEVES, 0000
PAUL V. ROCERETO, 0000
PAULA J. SEXTON, 0000
JOHN B. SHAPIRA, 0000
STEVEN J. SHERIS, 0000
JOSEPH B. SLAKEY, 0000
JAMES T. STASIAK, 0000
MICHAEL R. TORRICELLI, 0000
ROBERT VALE, 0000

To be lieutenant commander

BILLY M. APPLETON, 0000
LEE A. AXTELL, 0000
BRUCE M. BICKNELL, 0000
JAMES A. BISHOP, 0000
MARC R. BOISVERT, 0000
JAMES A. BURCH, 0000
CHRISTINE Y. BUZIAK, 0000
ROBERT A. CALLISON, 0000
JOSEPH P. CARLOS, 0000
EDWIN M. CARROLL, 0000
PHILIP S. CHAPMAN, 0000
CARLA S. CHERRY, 0000
JOHN D. CHERRY, 0000
PHILIP B. CREIDER, 0000
PAUL B. CUNNINGHAM, 0000
WILLIAM F. DAVIS, 0000
CHRISTOPHER H. DELLOS, 0000
JOHN D. DENTON, 0000
CONSTANCE A. DORN, 0000
DOUGLAS H. DOUGHTY, JR., 0000
GREGORY D. DUNNE, 0000
TIMOTHY R. EICHLER, 0000
BRYAN K. FINCH, 0000
PHILIP A. FOLLO, 0000
TEHRAN FRAZIER, 0000
MICHAEL J. FRIEL, 0000
HARRY L. GANTEAUME, 0000
JEFFREY W. GILLETTE, 0000
BRICE A. GOODWIN, 0000
GRANT R. HIGHLAND, 0000
ANDREW J. HILL, JR., 0000
JASON V. HOFFMAN, 0000
MICHAEL S. HOGG, 0000
DONNA A. HULSE, 0000
SCOTT L. JOHNSTON, 0000
RONALD KAWCZYNSKI, 0000
ANGELA M. KEITH, 0000
TIMOTHY J. KOESTER, 0000
RONALD G. LEAVER, 0000
GUY M. LEE, 0000
LARRY B. LESLIE, 0000
STEVEN W. LIGLER, 0000
LARRY L. LOOMIS, 0000
MARK W. LOPEZ, 0000
KAREN L. LOTTRIDGE, 0000
ANDREW D. MCIRVIN, 0000
MICHAEL A. MIKSTAY, 0000
RANDALL B. MILLER, 0000
JAMES L. MINTA, 0000
REY R. MOLINA, 0000
ISRAEL NARVAEZ, 0000
ANDREW D. NELKO, 0000
EDWARD C. NORTON, JR., 0000
SCOTT E. ORGAN, 0000
VIVIANNA F. PALOMO, 0000
ANTHONY V. POTTS, 0000
ZITO D. PRINCE, 0000
DAREN L. PURNELL, 0000
JOHN A. RALPH, 0000
KATHLEEN A. RAMSEY, 0000
SHERIDAN A. RENOUF, 0000
JEFFREY S. SCHMIDT, 0000
THOMAS G. SEIDENWAND, 0000
WESLEY B. SLOAT, 0000
JOHN A. SWANSON, 0000
KATHY TRAPPJACKSON, 0000
STEVEN P. UNGER, 0000
DAVID W. WARNER, 0000
JACK H. WATERS, 0000
BENJAMIN M. WEBB, 0000
DALE C. WHITE, 0000
ANDREW R. WILLIAMS, 0000
DIANE M. WILSON, 0000
PATRICIA A. WIRTH, 0000
PAUL W. WITT, 0000

ORDERS FOR THURSDAY, AUGUST 5, 1999

Mr. COCHRAN. Mr. President, I now ask unanimous consent that when the Senate completes its business today, it adjourn until the hour of 9:30 a.m. on Thursday, August 5. I further ask consent that on Thursday, immediately following the prayer, the Journal of proceedings be approved to date, the morning hour be deemed expired, the time for the two leaders be reserved for

their use later in the day, and the Senate then begin 30 minutes of debate on the Holbrooke nomination by a previous order.

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

Mr. COCHRAN. I further ask that following the disposition of the Holbrooke nomination, the Senate resume consideration of the Interior appropriations bill.

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

PROGRAM

Mr. COCHRAN. Mr. President, when the Senate receives the Tax Reconciliation conference report from the House of Representatives, it will begin consideration of that legislation. Therefore, Senators should expect votes into the evening during Thursday's session of the Senate.

ADJOURNMENT UNTIL 9:30 A.M. TOMORROW

Mr. COCHRAN. If there is no further business to come before the Senate, I now ask unanimous consent the Senate stand in adjournment under the previous order.

There being no objection, the Senate, at 9:48 p.m., adjourned until Thursday, August 5, 1999, at 9:30 a.m.

HOUSE OF REPRESENTATIVES—*Wednesday, August 4, 1999*

The House met at 10 a.m.

The Chaplain, Reverend James David Ford, D.D., offered the following prayer:

O gracious God, by whose hand we have come to be and by whose spirit we live each day, grant us a better understanding of the concerns and opportunities of our communities and our world. Keep us from any shallow ideas or hollow interpretations of the needs of the Nation as we seek to discover and appreciate and respect the ideas and interpretations of others. Encourage us, O God, to discover anew the unity and common purpose that we share with others so that justice will flow down as waters and righteousness like an ever flowing stream. This is our earnest prayer. Amen.

THE JOURNAL

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

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

Mr. MCNULTY. Mr. Speaker, pursuant to clause 1, rule I, I demand a vote on agreeing to the Speaker's approval of the Journal.

The SPEAKER. The question is on the Chair's approval of the Journal.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. MCNULTY. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Pursuant to clause 8, rule XX, further proceedings on this question will be postponed.

The point of no quorum is considered withdrawn.

PLEDGE OF ALLEGIANCE

The SPEAKER. Will the gentleman from Montana (Mr. HILL) come forward and lead the House in the Pledge of Allegiance.

Mr. HILL of Montana led the Pledge of Allegiance as follows:

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

MESSAGE FROM THE SENATE

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

H.R. 2415. An act to enhance security of United States missions and personnel overseas, to authorize appropriations for the Department of State for fiscal year 2000, and for other purposes.

The message also announced that the Senate insists upon its amendment to the bill (H.R. 2415) ''An Act to enhance security of United States missions and personnel overseas, to authorize appropriations for the Department of State for fiscal year 2000, and for other purposes,'' requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. HELMS, Mr. LUGAR, Mr. COVERDELL, Mr. GRAMS, Mr. BIDEN, Mr. SARBANES, and Mr. DODD, to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the report of the Committee of Conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 2465) ''An Act making appropriations for military construction, family housing, and base realignment and closure for the Department of Defense for the fiscal year ending September 30, 2000, and for other purposes.''

ANNOUNCEMENT BY THE SPEAKER

The SPEAKER. The Chair will entertain 15 1-minute speeches on each side.

SURPLUS BELONGS TO WORKING FAMILIES OF AMERICA

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

Mr. ROGAN. Mr. Speaker, those who believe Washington politicians are addicted to spending lived too long with the other party in control of Congress. That malady no longer exists with the Republicans controlling the Congress of the United States.

We are the party that balanced the budget, gave America the first broad-based tax cut in 16 years, preserved Social Security, saved Medicare from bankruptcy, reformed welfare, and we did it in spite of the fact that we have a liberal in the White House who has never supported a single attempt by the Republicans in this Chamber to limit spending.

We Republicans today, with a surplus economy, do not trust the Federal Government to use the budget surplus to reduce the debt, because we know that politicians will spend that money if they have the opportunity to do so. They always have in the past, and they always will in the future.

We Republicans in Congress believe that the surplus, after saving Social Security and Medicare, belongs to the people who earned it in the first place, and that is the working families of America.

SCHOOL MODERNIZATION

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

Mr. WU. Mr. Speaker, as my colleagues know, I have been a strong proponent of reducing classroom size by adding 100,000 additional qualified teachers across America. But we need classrooms for these teachers to teach, and modern, decent facilities where these students can learn. That is why I strongly, strongly support the school modernization initiative which will help build more school space and modernize aging school facilities.

Schools like Findlay Elementary School near my home in Oregon which has trailers, trailers in the front lawn and in the parking lot; school districts like that in Astoria which has not added a new classroom since 1927. Many classrooms there have only one electric plug in the wall.

This does not evidence a commitment to our children. We show that we value our children by giving them the facilities where they can truly learn. We should start building additional modern school facilities today.

CASE STATISTICS DO MATTER

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

Mr. ARMEY. Mr. Speaker, later this week we will address the question of funding for the Legal Services Corporation relative to the accuracy of their reporting regarding the caseload that they handle on behalf of the American people.

The President of the Legal Services Corporation, John McKay, stated in February of 1999:

Case statistics play an essential role in the budget request and performance plan submitted by LSC to Congress each year. Therefore, the reliability of case statistics submitted by programs to LSC is vital to obtaining continued Federal funding for legal

services. This type of information holds great promise for securing increased Federal funding.

Now, what is it that we have learned about their case reports? According to the Inspector General and GAO audit of 11 grantees, the 1997 report caseload for the 11 grantees was 370,000 cases; invalidated cases by their own IG and GAO were 175,000. That means one-half of the caseload reports based upon which they request money were invalidated by their own IG and the GAO. Therefore, they should receive one-half the financial requests they make.

TAX LOOPHOLE TO BE SHUT DOWN

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

Mr. NEAL of Massachusetts. Mr. Speaker, today I am introducing legislation to eliminate a tax avoidance technique available to only the very wealthy. This technique involves the use of swap funds.

Legislation to shut down this particular practice was enacted in 1967, in 1976, and most recently in the Taxpayer Relief Act of 1997. Each time that we have acted to shut this activity down, we have failed. We will not fail this time.

Swap funds are designed to permit individuals with large blocks of appreciated stock to diversify their portfolio without recognizing gain and paying taxes, like ordinary Americans. This transaction is often limited to blocks of stock with a value in excess of $1 million to investors with investment holdings exceeding $5 million.

My bill shuts down the latest avoidance techniques being used, which is to retain 21 percent of the assets of the swap fund in certain limited partnerships holding real estate.

The second part of this bill is broader. It states that any transfer of marketable stock or securities to any entity would be a taxable event under certain specific conditions. Let us be clear. This bill will be enacted into law this year.

WHO PAYS THE TAXES?

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

Mr. GIBBONS. Mr. Speaker, let us have a reality check. How can we have a debate about tax cuts without discussing who pays the taxes? That is right, who pays the taxes? Now, many people might find this quite odd; bizarre, in fact, in circumstances in today's politics, but I think most people would have to agree with me that one side never, ever talks about who pays the taxes.

In fact, in all my years of politics, I have yet to hear a Democrat talk about who pays the taxes.

Just this week, I have heard perhaps 100 speeches by Democrats attacking the Republican tax relief package and have not heard a single Democrat discuss the question of who pays the taxes? This goes without saying, of course. None of the networks ever do a story on who pays the taxes. For example, I wonder how many Americans are aware of the fact that the top 50 percent of income earners pay 96 percent of the Federal income taxes. That is right. The bottom 50 percent pay only 4 percent of the load.

Now, just think about that for a second.

I ask, why do my Democrat colleague refuse to discuss the question of who pays the taxes.

COVERUP IN WACO, TEXAS

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

Mr. TRAFICANT. Mr. Speaker, over 80 Americans were killed at Waco, many of them women and children, actually burned to death, and the Texas Rangers have now uncovered new evidence that said the Federal Government covered up the truth and lied about Waco.

Check it out. A recent memo says, Federal agents had a friendly meeting with Koresh just 9 days before the assault, yet Federal agents testified in court, and I quote, they said, they could not lure Koresh from the compound and were forced to engage in the assault.

Unbelievable. The Justice Department is lying through their teeth. Mr. Speaker, 700 Federal agents, tanks, and rocket power attacked American civilians, 80 of them killed, many of them women and children, burned to death, and nobody did anything about it. Nobody. It is time for an independent investigation into the FBI, the Justice Department, and the coverup in Waco, Texas.

MARRIAGE TAX ELIMINATION ACT

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

Mr. WELLER. Mr. Speaker, over the last several years, many of us have been asking a pretty fundamental question, and that is, is it right, is it fair that under our Tax Code married working couples pay higher taxes than identical couples who live together outside of marriage. They pay higher taxes just because they are married. That is the marriage tax penalty.

Mr. Speaker, I would like to introduce to my colleagues Michelle and Shad Hallahan out of Joliette, Illinois, two public schoolteachers who suffer the marriage tax penalty just because they are married.

Well, I have good news for Michelle and Shad Hallahan, as well as 28 million married working couples who suffer the marriage tax penalty. The House and Senate agreement on lowering taxes for working families makes elimination of the marriage tax penalty the centerpiece.

I am proud to say that the Marriage Tax Elimination Act, which now has 230 cosponsors, there were two key provisions which were included which helped both itemizers and nonitemizers. If one does not itemize their taxes, they benefit from the standard deduction; we double that. If one does itemize their taxes, they benefit from the widening of 15 percent tax bracket.

The bottom line is, we eliminate the marriage tax penalty.

SCHOOL MODERNIZATION

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

Mr. MENENDEZ. Mr. Speaker, the Republican leadership can somehow find the time to pass a trillion dollar tax giveaway to the special interests who said this last weekend, We got the sun, the moon, the sky in the Republican tax bill. But that tax cut will add hundreds of billions of dollars to our national debt, debt for the very people who pay the taxes we are asking about. But they cannot find the time to address the needs of America's families.

We already know they will not bring a patients' protection act to the floor because they will not stand up to the HMO industry, and now, 1 month before the start of the school year, they will not even bring up a school modernization bill to the floor because they will not stand up and be counted for the Nation's children.

So, this morning, we Democrats begin signing a discharge petition to force them to do so. Some of our children will be going back to schools where there is inadequate heating for the winter, and without the modern educational tools they deserve.

Yes, this Republican Congress is a do-nothing Congress, but much worse than that, it has no values. The values of our children should be upheld today.

AMERICANS CAN BE TRUSTED TO USE THEIR MONEY WISELY

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

Mr. SCHAFFER. Mr. Speaker, I want to commend Glenn McCoy of the Belleville News-Democrat in Illinois. He is a political cartoonist whose cartoon has been circulating throughout the country this week. It shows the President of the United States at a McDonald's and the cashier behind the counter saying,

''You are right, Mr. President. I did charge you too much for your value meal, leaving me with extra cash, a surplus, if you will. However, I feel it would be irresponsible and risky to give you your money back.''

How ironic. The President, just a few months ago in Buffalo, New York, speaking about the Nation's budget surplus said, we could give it all back to you and hope you spend it right, but . . .

What we see unfolding today in Washington, D.C. is a sad example of the ideals of the White House and the President and the Democrat party who want to keep the change of the American taxpayers.

We have a different opinion on the Republican side. We believe the American taxpayers deserve their change back. Let us give them their change back and trust the American people to build good schools, to afford health insurance, and to run their families as they see fit.

A STEP IN THE WRONG DIRECTION

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

Mr. LEWIS of Georgia. Mr. Speaker, the Republican tax deal is a step in the wrong direction. We must use this historic opportunity to save Social Security and Medicare and to pay down on our national debt. We should not be wasting it on huge tax breaks for America's wealthiest people.

The Republican tax bill does nothing to save Social Security, nothing to strengthen Medicare, nothing to reduce our national debt. A huge windfall for the rich, pocket change; pocket change for working Americans.

□ 1015

Yes, it is pocket change for working families. It is a mistake. It is irresponsible. It is not the right thing to do. It is not the right direction to go.

TAX RELIEF

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

Mr. SAM JOHNSON of Texas. Mr. Speaker, today we are faced with the largest tax burden since World War II, and what many people do not realize is that the Federal Government is taxing our American values.

For example, the death tax. The death tax is one of the most onerous taxes imposed by our own Federal Government. It is double and triple taxation on American families' hard-earned savings. Even worse, the death tax forces grieving sons and daughters to sell the family business or farms just to pay their taxes. It is outrageous for the Federal Government to do this to our families.

With almost no support from the Democrats, Republicans in the House and Senate have agreed to eliminate the death tax. But President Clinton has no compassion for American values. He is saying he will veto it.

Enough is enough. It is time to start repealing taxes on our American values. Americans want, need, and deserve tax relief now.

SUPPORT THE PATIENTS' BILL OF RIGHTS AND PASS REAL HMO REFORM NOW

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

Mr. GREEN of Texas. Mr. Speaker, last week there was a newspaper article that highlighted one of the fundamental issues at the center of the HMO debate: Who decides medical necessity, an insurance company or our local doctors?

A doctor was treating a pregnant woman who had obstetric coverage and needed a shot to protect her unborn baby from the chicken pox virus. Despite the fact that this shot is routine in this situation, and the fact that her insurance coverage also covered obstetrical care, her HMO refused to pay for that shot.

The response by the American Association of Health Care Plans was that the decision to deny care was probably based on the fact that the service was not covered by that woman's health plan. Now it seems it is not enough simply to purchase a health insurance that covers obstetric care, but HMOs expect every employer in our country to make sure that every foreseeable problem or treatment is specifically covered.

Obviously, that would be impossible, and it is ridiculous to even suggest that. If our insurance plan covers a medical condition, our doctor should be able to decide how to treat us for that particular medical condition.

The right of doctors to determine medical necessity is one of the key issues that has been included in the HMO reform bill that is predominantly Democrat-supported.

THE MIAMI RIVER CLEANUP PROJECT

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

Ms. ROS-LEHTINEN. Mr. Speaker, scores of south Florida boaters and hundreds of volunteers will be picking up debris and trash from the Miami River on the last weekend of this month to contribute to the cleanup efforts that are paramount to the revitalization of this important waterway.

The cleanup is being organized by my office, by the Save Old Stiltsville group, and the Miami River Commission, to encourage others to become active in environmental issues and to promote volunteerism in our community.

The cleaning of the Miami River is vital to both the ecosystems and the economy of our south Florida community. The Miami River is the fifth largest port in the State of Florida, and it is an important link to the Caribbean and Latin America.

This cleanup effort is a good example of what can be accomplished when there is a successful coalition of businesses, civic leaders, environmentalists, and elected officials working together toward one common goal.

I congratulate the Save Old Stiltsville organization for caring so deeply about preserving our community's resources. Let us join them and clean up the Miami River.

THE EMPEROR HAS NO CLOTHES, AND THE REPUBLICANS HAVE NO SURPLUS TO SPEND ON TAX CUTS FOR THE WEALTHY

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

Mr. DEFAZIO. Mr. Speaker, ''emergency,'' an unforeseen combination of circumstances or the resulting state that calls for immediate action.

Today the House of Representatives, under Republican leadership, will declare an emergency, $4.5 billion for the decennial census. Since that is required in Article 1, Section 2 of the Constitution, Thomas Jefferson could have predicted that we would have to do a census next year, but not the Republican leadership. No.

This is the second of at least three emergencies they are going to declare this year: The war in Kosovo, with a whole lot of things added in; the drought, a real emergency; and now, the census; more than $27 billion.

The emergency is, they want to deny the reality of the budget. That reality is, we now have a deficit looming next year and for years to come because of faulty assumptions and emergency spending and other needs of the government.

The emperor has no clothes, and the Republicans have no surplus to spend on tax cuts for the wealthy. But they continue to deny that reality with shenanigans like emergency spending for routine, constitutionally-required government duties. It is a very bad joke.

TAXES ARE HIGHER THAN THEY NEED TO BE SO WASHINGTON CAN SPEND MORE

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

Mr. BARTLETT of Maryland. Mr. Speaker, the pollsters and political consultants tell us not to use statistics in our speeches. They tell us that peoples' eyes just glaze over at hearing the numbers. No matter. Honest statistics, facts, do matter.

For instance, when Bill Clinton became president in 1993, the Federal Government took 17.8 percent of our productivity. Today that share is 20.7 percent, nearly 3 percent higher. Let us hear those numbers again, because they are important in discussing whether or not tax cuts are a good idea. They are also numbers that we will never, ever hear the other side refer to, ever.

In 1993 when Bill Clinton became president, Federal taxes were 17.8 percent of our economy. Today Federal taxes are 20.7 percent of the economy. In other words, the Federal tax burden is at a record peacetime level. Taxes are higher than they need to be so that Washington can spend more and more money, creating new programs, expanding old ones, and giving us less power and control over our own lives.

One-fifth of the economy in Federal taxes is just too much.

URGING A NO VOTE ON THE AMERICAN INVENTORS PROTECTION ACT OF 1999

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

Ms. KAPTUR. Mr. Speaker, I would urge Members to vote no this morning on H.R. 1907, the so-called American Inventors Protection Act of 1999. This bill is being brought up under suspension. It should be brought up under regular order. It is a very consequential bill.

Last night the bill was brought on this floor at 9:17 p.m. as the last item of business. Those who had concerns about the bill and did not even have a chance to read it were limited to 10 minutes on a bill with constitutional consequences.

This is not the bill that cleared the Committee on the Judiciary on May 26, 1999. I think our U.S. patent system deserves more than this cursory treatment by the leadership of this institution.

At stake are the constitutional rights of our inventors, intellectual property rights into the next millennium, the rights to sue that are inherent in our legal system, and in fact, the independence of the Patent Office itself.

I would urge my colleagues to vote no on H.R. 1907 until they have had a chance to read it. Bring it up under regular order.

HANDS OFF THE INTERNET FOR THE U.N.

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

Mr. ROYCE. Mr. Speaker, the United Nations is an organization of sovereign states funded with voluntary contributions. It lacks any authority to impose taxes on its member states. Yet, the U.N.'s development program has proposed $70 billion in taxes on e-mail, 35 times more than it currently receives in contributions. Why has it done this? Because it believes countries are poor because they lack the Internet.

The U.N. should be more concerned about real problems in developing countries, like political mismanagement and repressive economic policies. Giving away computers does nothing for the poor if their countries lack the economic fundamentals to take advantage of the Internet.

The Internet offers tremendous potential to small businesses seeking an efficient way to gain new markets. Internet taxes and the bureaucracy needed to administer them would cripple this commerce. Congress has had a hands off policy when it comes to Internet taxes, and the U.N. should do the same. Hands off the Internet for the U.N.

AMERICAN FAMILIES DESERVE AFFORDABLE AND ACCESSIBLE HEALTH CARE

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

Ms. DELAURO. Mr. Speaker, our families deserve health care that is affordable and accessible. They deserve to have their medical decisions made by their doctors and not by insurance company bureaucrats.

For the past 2 years the American public has consistently asked for reforms that put medical decisions back into the hands of doctors and patients. What do they want? Simply to choose their own doctor, to have access to the nearest emergency room, to be able to see a specialist when necessary, to be free from an HMO gag rule that prevents doctors from discussing their treatment options, and yes, they want to hold HMOs accountable.

The fact is that HMOs are making medical decisions for people today, and when something goes terribly wrong, the American individual has to have the opportunity to seek some redress and to have these HMOs be accountable.

There are Members in this body who are doctors, Democrats and Republicans. They agree that these measures benefit patients, make our health care system stronger. We need to pass a meaningful Patients' Bill of Rights that reflects our values in this country for quality health care. Let us put patients ahead of profits.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. SUNUNU). The Chair asks all Members to please abide by the 1-minute rule during 1-minute speeches.

DEMOCRATS ARE WRITING OFF RURAL AMERICA

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

Mr. HILL of Montana. Mr. Speaker, things are tough in rural America these days. Commodity prices, wheat, corn, soybeans, livestock, including cattle and hogs, are at near Depression level prices.

The head of the Democratic Congressional Campaign Committee has said that Democrats are writing off rural America. That is evidenced by their vote this week against tax relief for American farmers and ranchers.

Republicans have not written off rural communities. We are going to fight for them, because we know that these rural communities and the people who live in them represent bedrock American values of traditional family and hard work and individual responsibility.

Our Republican tax bill eliminates the death tax. If we do not act, this could be the last generation of American farms and ranches, and the people that the Democrats say are rich because they may have high development values on their lands would qualify on their income for food stamps.

Listen to the Democrats. They will put welfare over work. They will put government over taxpayers. They will put foreign markets over our domestic producers.

We Republicans are going to fight for rural America, even though the Democrats say, give it up.

LET US PASS H.R. 1660, A SCHOOL MODERNIZATION PROGRAM

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

Mr. MCNULTY. Mr. Speaker, several years ago we seemed to realize that classrooms around this country were overcrowded, and we decided that we needed smaller class sizes. The Democrats proposed funding for 100,000 new teachers to go out all across the country to teach our children.

After much wrangling, and in a rare moment of bipartisanship, we finally passed the funding to provide for those

new teachers. Now we have the first wave of them, tens of thousands of new teachers going out across the country. Guess what, there is no place for them to go. There are no classrooms for them to teach in.

Now we have proposed, on the Democratic side, something to correct that situation, a school modernization program, so that the classrooms are available for all these new teachers. Mr. Speaker, I do not want these new teachers to be instructing our children in hallways, broom closets, and trailers. Let us pass H.R. 1660.

IT IS THE SAME OLD NONSENSE, THE LEFT HATES TAX CUTS

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

Mr. PITTS. Mr. Speaker, how is it that creating new spending programs will not blow a hole in the deficit, but tax cuts will? Liberals accuse Republicans of fiscal irresponsibility for passing tax relief, and yet they call us extremist in every single attempt we make to hold the line on spending.

During the 1980s, in the Reagan years liberals insisted that social spending not be cut. Not only that, they insisted that spending on social programs increase at levels far higher than the rate of inflation. Then they turned around and blamed President Reagan for the deficits.

During the 1980s, tax rates were cut but tax revenues doubled. Members heard that right, tax rates were reduced but the economy boomed so strongly that revenues increased. In fact, they doubled. Yet, liberal Democrats blamed the deficits on the tax cuts.

□ 1030

It is the same old line. The left just hates tax cuts, plain and simple.

BETTER SCHOOLS NEEDED FOR OUR NATION'S GREATEST ASSET: OUR CHILDREN

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

Mr. CROWLEY. Mr. Speaker, this morning I proudly join my colleagues in signing the discharge petition H.R. 1660, the School Modernization Construction Act.

As a member of the freshman class, I have organized numerous 1 minutes and Special Orders to allow us to share with our Republican colleagues the stories from our own districts: the overcrowding, the crumbling buildings, the rapid school-age population growth. Whether they are urban, rural, or suburban, schools across our Nation need the help of Congress in addressing the infrastructure problems.

Mr. Speaker, I cannot accept that the only action taken by Congress this year to help our schools is a small arbitrage provision contained within the recently passed tax bill.

This provision will not provide assistance to our beleaguered school system and could result in delays in school construction and modernization projects for more than 2 years.

We can fix our highways. We can rebuild our bridges. Why do we sit by and do nothing about the infrastructure that houses our Nation's greatest assets, its children.

We need to help our school districts by providing them with interest-free bonds to build new facilities and to improve the existing structures now, not 2 years from now.

Mr. Speaker, before, one of our colleagues said who pays the taxes. I forgot, our children in public schools do not pay taxes. But their families do.

AGRICULTURE CRISIS

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

Mr. EWING. Mr. Speaker, unfortunately, American agriculture is in a crisis, bad weather, terribly low commodity prices caused from lost markets, markets closed to our farmers, and excessive world production.

This has caused real financial stress, and it is serious. We could lose 10 to 20 percent of our family farms. The ability to produce a safe and sufficient food supply is necessary for a stable society.

What must this Congress do? We must pass the Improved Crop Insurance bill, which allows higher leverage of coverage for our farmers. That is not all. We must open market. We must make available necessary credit resources. We must improve the tax program for our farmers' inheritance tax and capital gains. We must reform our regulatory system which is such a burden to our family farmers.

Let us show our American farmers that we care and that we care about agriculture.

GET OUR PRIORITIES STRAIGHT; PROVIDE CHILDREN WITH WELL-EQUIPPED CLASSROOMS

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

Mr. PRICE of North Carolina. Mr. Speaker, today I am proud to be among the Members signing a discharge petition to bring school modernization tax credits to the House floor. I come from the Triangle district of North Carolina, where quality education is valued and where a trained work force is a necessity. Yet thousands of our students are going to school in hundreds of trailers.

The school modernization bill of the gentleman from New York (Mr. RANGEL) would address this need. I am also cosponsoring with 90 other Members the School Construction Act introduced by the gentleman from North Carolina (Mr. ETHERIDGE), especially targeted to high growth areas like the one I represent.

Our approach is nonintrusive. We are providing tax credits to bondholders. We are not telling local authorities when or how to build. But we are saying to local communities, as they take on these obligations, that the Federal tax code will help them stretch their scarce dollars further.

Let us get our kids out of trailers and into modern, well-equipped classrooms, where teachers can teach and students can learn. Let's get our priorities straight.

HELP OUR FARMERS DURING CRISIS

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

Mr. SMITH of Michigan. Mr. Speaker, agriculture in this country has very serious problems. It is the second year in a row that we had low commodity prices. Profits for farmers are 30 percent below what they were just a couple of years ago. We can lose maybe 10 percent of our family farms this year.

We have got to come up with some Federal help. We have got to come up with an emergency bill this year. It might be as high as $6 billion or $7 billion or $8 billion if we want farmers in this country to continue producing the highest quality, lowest priced food in the world. If we lose our farmers and become dependent on other countries, we will have serious problems. Other countries will be able to dictate price and quality.

A couple things in the tax bill that the conferees approved yesterday that help farmers: estate tax relief so farmers do not have to sell their farms to pay taxes, above-the-line health deductions so farmers and other self-employed can be like everybody else and not have to pay taxes on what they pay for health insurance; an increase in the amount allowed for first-year depreciation so if farmers buy machinery, they can deduct it in the year of purchase rather than a depreciation schedule where the deduction is reduced by inflation; ''FARRM'' IRA accounts so, in good years, farmers can put some money aside as a reduction in income and pay taxes on it when they use it in future low-income years; AMT, doing away with it so farmers are not forced to pay taxes when there is no profit. Mr. Speaker, we need the tax relief for farmers. We need to help expand exports. We need to stop other countries from dumping their surplus on our

markets. We need a better risk insurance program for crops, and we need an emergency supplemental. We need to help our farmers.

WE NEED TO BEHAVE RESPONSIBLY WITH FEDERAL BUDGET AND SURPLUS

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

Mr. HINCHEY. Mr. Speaker, in 1981, then President Reagan pushed through the Congress and then signed a tax cut bill that, in the words of then budget director Dick Stockman, gave us budget deficits as far as the eye could see. Those budget deficits in 1993 approached $300 billion a year and a national debt approaching $5 trillion a year.

The Clinton budget resolution of 1993 corrected all of that. We are now moving into a situation of budget surpluses, and we have begun to pay down the national debt. Now, because of that, the Republicans are again proposing another tax cut similar to the one in 1981 which would duplicate that process all over again. It is a serious error which we need to ensure does not take place.

With this tax cut, if it passes and it were to be signed, there would be no money for education, no money for social security, no money for Medicare. Let us make sure we behave in a responsible way with this Federal budget and ensure the future of our children and the security of our parents and grandparents.

ADMINISTRATION MUST BE HELD ACCOUNTABLE FOR LOSING NUCLEAR SECRETS TO CHINA

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

Mr. TIAHRT. Mr. Speaker, apparently the other side thinks we need a 25 percent tax increase. I would disagree with that. I think we need a tax reduction.

But yesterday, in Georgia, someone won $116 million for buying a $2 lottery ticket. That seems like a great exchange. It is. But that is not nearly as good as the deal the Communist Chinese received when they obtained billions of dollars of nuclear weapons secrets from our own Department of Energy.

Well, it is not about selling out to the Communist Chinese; it is about the Clinton administration's poor management of our Nation's most important secrets. They knew that the Chinese were obtaining nuclear secrets at the same time they were receiving illegal campaign contributions from the Chinese, and they did nothing.

The administration must be held accountable. We need to eliminate the Department of Energy and transfer all nuclear funds to the Department of Defense where at least they have a culture of keeping secrets.

BRING SCHOOL CONSTRUCTION LEGISLATION TO THE FLOOR

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

Mr. ANDREWS. Mr. Speaker, today millions of Americans will go to work and conduct business on the World Wide Web. Millions of Americans will send e-mail messages to each other. Millions of consumers will buy goods and services over the Internet.

But next month, millions of American children will go back to schools that are out of the 1950s where they get half an hour a week on a computer if they are lucky. What is worse than that, there will be students going to schools that were built during the Civil War. There will be children taking gym class in the hallway, children taking reading classes in broom closets.

America's schools need to be modernized. We certainly can take just a piece of the largess of the Federal surplus and invest it back into a quality public school system.

I stand before my colleagues as one of the proud cosponsors of the Democratic school construction legislation. I just signed a petition which said bring that bill to the floor. Give us a vote so we can modernize and improve America's schools.

IT IS TIME FOR RESPONSIBLE TAX RELIEF FOR WORKING AMERICANS

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

Mr. COX. Mr. Speaker, the average middle-class American family earning the median income around $39,000 a year or so pays over 40 percent of its gross income in taxes. Meanwhile, Washington is taking the highest share of our whole economy in taxes in over two centuries of the Nation's peacetime history.

The tax relief bill passed by this House will help working Americans. But it will first lock away 100 percent of Social Security taxes for retirement security and set aside $2 trillion for Social Security and Medicare over the next 10 years. It will pay down the national debt, $227 billion more in debt relief than the Democratic minority proposal.

Mr. Speaker, it is time for responsible tax relief for working Americans.

SUPPORT SCHOOL MODERNIZATION LEGISLATION

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

Mr. HINOJOSA. Mr. Speaker, that we even have to debate the need for school modernization defies logic. Some congressional issues are simply nothing more than common sense, and this issue is one.

For years now, Democrats have been trying to enact a meaningful school modernization initiative. When I came to Congress in 1997, I joined these efforts and cosponsored legislation to address this crisis. But we have been consistently blocked by the majority. America's children are ultimately the victims of this disregard.

It boils down to two crucial points, crumbling schools and overcrowding. Quite simply, our schools are run down and out of room. Conditions are so poor that we would have to spend $112 billion to make the basic repairs needed.

The Public School Modernization Act of 1999 would help local communities meet that $122 billion backlog in school modernization needs documented by the nonpartisan General Accounting Office.

Ultimately, it is about ensuring that our children get safe, clean, and modern schools.

THE JOURNAL

The SPEAKER pro tempore (Mr. SUNUNU). Pursuant to clause 8 of rule XX, the pending business is the question of agreeing to the Speaker's approval of the Journal of the last day's proceedings.

The question is on the Speaker's approval of the Journal.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. STRICKLAND. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, the Chair will reduce to 5 minutes the time for any further votes on suspension motions postponed from yesterday.

The vote was taken by electronic device, and there were—ayes 366, noes 56, answered ''present'' 1, not voting 10, as follows:

[Roll No. 367]

YEAS—366

Ackerman	Barr	Berkley
Allen	Barrett (NE)	Berman
Andrews	Barrett (WI)	Berry
Archer	Bartlett	Biggert
Bachus	Barton	Bilirakis
Baker	Bass	Bishop
Baldacci	Bateman	Blagojevich
Baldwin	Becerra	Bliley
Ballenger	Bentsen	Blumenauer
Barcia	Bereuter	Blunt

Boehlert
Boehner
Bonilla
Bonior
Bono
Boswell
Boucher
Boyd
Brady (PA)
Brady (TX)
Brown (FL)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Capuano
Cardin
Carson
Castle
Chabot
Chambliss
Clayton
Clement
Clyburn
Coble
Coburn
Collins
Combest
Conyers
Cook
Cooksey
Cox
Coyne
Cramer
Cubin
Cummings
Cunningham
Danner
Davis (FL)
Davis (IL)
Davis (VA)
Deal
DeGette
Delahunt
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart
Dicks
Dingell
Dixon
Doggett
Dooley
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Ehrlich
Emerson
Engel
Eshoo
Etheridge
Everett
Ewing
Farr
Fletcher
Foley
Forbes
Ford
Fossella
Fowler
Frank (MA)
Franks (NJ)
Frelinghuysen
Frost
Gallegly
Ganske
Gejdenson
Gekas
Gephardt
Gibbons
Gilchrest
Gillmor
Gilman
Gonzalez
Goode
Goodlatte
Goodling
Gordon
Goss
Graham
Granger
Green (WI)
Greenwood
Hall (OH)
Hall (TX)
Hansen
Hastings (FL)
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill (IN)
Hinojosa
Hobson
Hoeffel
Hoekstra
Holden
Holt
Hooley
Horn
Hostettler
Houghton
Hulshof
Hunter
Hyde
Inslee
Isakson
Istook
Jackson (IL)
Jackson-Lee (TX)
Jenkins
John
Johnson (CT)
Johnson, Sam
Jones (NC)
Jones (OH)
Kanjorski
Kaptur
Kasich
Kelly
Kennedy
Kildee
Kilpatrick
Kind (WI)
King (NY)
Kingston
Kleczka
Klink
Knollenberg
Kolbe
Kuykendall
LaFalce
LaHood
Lampson
Largent
Larson
Latham
LaTourette
Lazio
Leach
Lee
Levin
Lewis (CA)
Lewis (KY)
Linder
Lipinski
Lofgren
Lowey
Lucas (KY)
Lucas (OK)
Luther
Maloney (CT)
Manzullo
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McGovern
McHugh
McInnis
McIntosh
McIntyre
McKeon
Meehan
Meek (FL)
Meeks (NY)
Menendez
Metcalf
Mica
Millender-McDonald
Miller (FL)
Miller, Gary
Minge
Moakley
Mollohan
Moore
Moran (VA)
Morella
Murtha
Myrick
Nadler
Napolitano
Neal
Nethercutt
Ney
Northup
Norwood
Nussle
Obey
Ortiz
Ose
Owens
Oxley
Packard
Pascrell
Pastor
Paul
Payne
Pease
Pelosi
Petri
Phelps
Pickering
Pitts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Quinn
Radanovich
Rahall
Rangel
Regula
Reyes
Reynolds
Rivers
Rodriguez
Roemer
Rogers
Rohrabacher
Ros-Lehtinen
Rothman
Roukema
Roybal-Allard
Royce
Rush
Ryan (WI)
Ryun (KS)
Salmon
Sanchez
Sanders
Sandlin
Sanford
Sawyer
Saxton
Scarborough
Schakowsky
Scott
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shows
Shuster
Simpson
Sisisky
Skeen
Skelton
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Souder
Spence
Spratt
Stabenow
Stearns
Stenholm
Strickland
Stump
Sununu
Talent
Tanner
Tauscher
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Thune
Thurman
Tiahrt
Tierney
Toomey
Towns
Traficant
Turner
Upton
Vitter
Walden
Walsh
Wamp
Waters
Watkins
Watt (NC)
Watts (OK)
Waxman
Weiner
Weldon (FL)
Weldon (PA)
Wexler
Weygand
Whitfield
Wicker
Wilson
Wise
Woolsey
Wu
Wynn
Young (AK)
Young (FL)

NAYS—56

Abercrombie
Aderholt
Baird
Borski
Brown (OH)
Chenoweth
Clay
Condit
Costello
Crane
Crowley
DeFazio
Dickey
English
Evans
Filner
Green (TX)
Gutierrez
Gutknecht
Hill (MT)
Hilleary
Hilliard
Hinchey
Hoyer
Hutchinson
Johnson, E.B.
Kucinich
Lewis (GA)
LoBiondo
McKinney
McNulty
Mink
Moran (KS)
Oberstar
Olver
Pallone
Peterson (MN)
Pickett
Ramstad
Riley
Rogan
Sabo
Schaffer
Slaughter
Stark
Stupak
Sweeney
Taylor (MS)
Thompson (CA)
Udall (CO)
Udall (NM)
Velazquez
Vento
Visclosky
Weller
Wolf

ANSWERED ''PRESENT''—1

Tancredo

NOT VOTING—10

Armey
Bilbray
Fattah
Jefferson
Lantos
Maloney (NY)
McDermott
Miller, George
Peterson (PA)
Thompson (MS)

□ 1100

Mr. ABERCROMBIE changed his vote from ''aye'' to ''no.''

Mr. LARGENT and Mr. REGULA changed their vote from ''no'' to ''aye.''

So the Journal was approved.

The result of the vote was announced as above recorded.

AMERICAN INVENTORS PROTECTION ACT OF 1999

The SPEAKER pro tempore (Mr. SUNUNU). The unfinished business is the question of suspending the rules and passing the bill, H.R. 1907, as amended.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from North Carolina (Mr. COBLE) that the House suspend the rules and pass the bill, H.R. 1907, as amended, on which the yeas and nays are ordered.

This will be a 5-minute vote.

The vote was taken by electronic device, and there were—yeas 376, nays 43, not voting 14, as follows:

[Roll No. 368]

YEAS—376

Ackerman
Aderholt
Allen
Armey
Baird
Baker
Baldacci
Ballenger
Barr
Barrett (NE)
Barrett (WI)
Barton
Bass
Bateman
Becerra
Bentsen
Bereuter
Berkley
Berman
Berry
Biggert
Bilirakis
Bishop
Blagojevich
Bliley
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bono
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brady (TX)
Brown (FL)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Cardin
Carson
Castle
Chabot
Chambliss
Clay
Clayton
Clement
Clyburn
Coble
Coburn
Collins
Combest
Condit
Conyers
Cook
Cooksey
Costello
Coyne
Cramer
Crane
Crowley
Cubin
Cummings
Cunningham
Danner
Davis (FL)
Davis (VA)
Deal
DeGette
Delahunt
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart
Dickey
Dicks
Dixon
Doggett
Dooley
Doolittle
Doyle
Dreier
Dunn
Edwards
Ehlers
Ehrlich
Emerson
Engel
English
Eshoo
Etheridge
Evans
Everett
Ewing
Farr
Fletcher
Foley
Ford
Fossella
Fowler
Frank (MA)
Franks (NJ)
Frelinghuysen
Frost
Gallegly
Ganske
Gejdenson
Gekas
Gephardt
Gibbons
Gilchrest
Gillmor
Gilman
Gonzalez
Goodlatte
Goodling
Gordon
Goss
Graham
Granger
Green (WI)
Greenwood
Gutierrez
Gutknecht
Hall (OH)
Hall (TX)
Hansen
Hastings (FL)
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill (IN)
Hill (MT)
Hilleary
Hilliard
Hinojosa
Hobson
Hoeffel
Hoekstra
Holden
Holt
Hooley
Horn
Hostettler
Houghton
Hulshof
Hutchinson
Hyde
Inslee
Isakson
Istook
Jackson (IL)
Jackson-Lee (TX)
Jenkins
John
Johnson (CT)
Johnson, E.B.
Johnson, Sam
Jones (NC)
Jones (OH)
Kasich
Kelly
Kennedy
Kildee
Kilpatrick
Kind (WI)
King (NY)
Kingston
Kleczka
Klink
Knollenberg
Kolbe
Kuykendall
LaFalce
LaHood
Lampson
Largent
Larson
Latham
LaTourette
Lazio
Leach
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren
Lowey
Lucas (KY)
Lucas (OK)
Luther
Maloney (CT)
Maloney (NY)
Manzullo
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McHugh
McInnis
McIntosh
McIntyre
McKeon
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Metcalf
Mica
Millender-McDonald
Miller (FL)
Miller, Gary
Minge
Mollohan
Moore
Moran (KS)
Moran (VA)
Morella
Murtha
Myrick
Nadler
Napolitano
Neal
Nethercutt
Ney
Northup
Norwood
Nussle
Oberstar
Obey
Olver
Ortiz
Ose
Oxley
Packard
Pallone
Pascrell
Pastor
Payne
Pease
Pelosi
Peterson (MN)
Petri
Phelps
Pickering
Pickett
Pitts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Quinn
Rahall
Ramstad
Regula
Reyes
Reynolds
Riley
Rivers
Rodriguez
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Roybal-Allard
Royce
Rush
Ryan (WI)
Ryun (KS)
Sabo
Salmon
Sanchez
Sandlin
Sanford
Sawyer
Scarborough
Schaffer
Scott
Sensenbrenner

Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shuster
Simpson
Sisisky
Skeen
Skelton
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Souder
Spence
Spratt
Stearns
Stenholm
Strickland
Stump
Stupak
Sununu
Sweeney
Talent
Tancredo
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thornberry
Thune
Thurman
Tiahrt
Toomey
Towns
Traficant
Turner
Udall (CO)
Udall (NM)
Upton
Velazquez
Vento
Vitter
Walden
Walsh
Watt (NC)
Watts (OK)
Waxman
Weiner
Weldon (FL)
Weldon (PA)
Weller
Wexler
Weygand
Whitfield
Wicker
Wilson
Wise
Wolf
Woolsey
Wynn
Young (AK)
Young (FL)

NAYS—43

Abercrombie
Andrews
Bachus
Baldwin
Barcia
Bartlett
Bonior
Brown (OH)
Capuano
Chenoweth
Davis (IL)
DeFazio
Dingell
Duncan
Filner
Forbes
Goode
Green (TX)
Hinchey
Hoyer
Hunter
Kanjorski
Kaptur
Kucinich
Lee
McGovern
Mink
Moakley
Owens
Paul
Rangel
Sanders
Saxton
Schakowsky
Shows
Slaughter
Stabenow
Stark
Tierney
Visclosky
Wamp
Waters
Wu

NOT VOTING—14

Archer
Bilbray
Cox
Fattah
Jefferson
Lantos
McDermott
Miller, George
Peterson (PA)
Radanovich
Rothman
Roukema
Thompson (MS)
Watkins

□ 1111

Messrs. VISCLOSKY, BARCIA, SAXTON, and Ms. STABENOW changed their vote from ''yea'' to ''nay.''

So (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Stated for:

Mr. ROUKEMA. Mr. Speaker, on roll call No. 368 I was inadvertently detained. Had I been present, I would have voted "yes."

PROVIDING FOR CONSIDERATION OF H.R. 2670, DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS ACT, 2000

Mr. LINDER. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 273 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 273

Resolved, That at any time after the adoption of this resolution the Speaker may, pursuant to clause 2(b) of rule XVIII, declare the House resolved into the Committee of the Whole House on the state of the Union for consideration of the bill (H.R. 2670) making appropriations for the Departments of Commerce, Justice, and State, the Judiciary, and related agencies for the fiscal year ending September 30, 2000, and for other purposes. The first reading of the bill shall be dispensed with. Points of order against consideration of the bill for failure to comply with clause 4 of rule XIII and section 306 of the Congressional Budget Act of 1974 are waived. General debate shall be confined to the bill and shall not exceed one hour equally divided and controlled by the chairman and ranking minority member of the Committee on Appropriations. After general debate the bill shall be considered for amendment under the five-minute rule. Points of order against provisions in the bill for failure to comply with clause 2 of rule XXI are waived. The amendments printed in the report of the Committee on Rules accompanying this resolution may be offered only by a Member designated in the report and only at the appropriate point in the reading of the bill, shall be considered as read, shall be debatable for the time specified in the report equally divided and controlled by the proponent and an opponent, and shall not be subject to amendment. All points of order against the amendments printed in the report are waived. During consideration of the bill for amendment, the Chairman of the Committee of the Whole may accord priority in recognition on the basis of whether the Member offering an amendment has caused it to be printed in the portion of the Congressional Record designated for that purpose in clause 8 of rule XVIII. Amendments so printed shall be considered as read. The Chairman of the Committee of the Whole may: (1) postpone until a time during further consideration in the Committee of the Whole a request for a recorded vote on any amendment; and (2) reduce to five minutes the minimum time for electronic voting on any postponed question that follows another electronic vote without intervening business, provided that the minimum time for electronic voting on the first in any series of questions shall be 15 minutes. During consideration of the bill, points of order against amendments for failure to comply with clause 2(e) of rule XXI are waived. At the conclusion of consideration of the bill for amendment the Committee shall rise and report the bill to the House with such amendments as may have been adopted. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

□ 1115

The SPEAKER pro tempore (Mr. SUNUNU). The gentleman from Georgia (Mr. LINDER) is recognized for 1 hour.

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

Mr. Speaker, H.R. 273 is an open rule providing for consideration of H.R. 2670, the Commerce, Justice, State, Judiciary and related agencies appropriation bill for fiscal year 2000. The rule provides for 1 hour of general debate divided equally between the chairman and ranking minority member of the Committee on Appropriations. The rule waives clause 3 of rule XIV which requires a 3-day layover of the committee report and the 3-day availability of printed hearings on a general appropriations bill. The rule also waives clause 2 of rule XXI which prohibits unauthorized or legislative provisions in the appropriations bill. Section 306 of the Congressional Budget Act which prohibits consideration of legislation within the Committee on the Budget's jurisdiction unless reported by the Committee on the Budget is also waived. The rule makes in order the amendments printed in Committee on Rules report which may be offered only by a Member designated in the report and only at the appropriate point in the reading of the bill, shall be debatable for the time specified in the report, equally divided and controlled between the proponent and an opponent and shall not be subject to an amendment.

The rule waives all points of order against the amendment printed in Committee on Rules report. In addition the rule waives all points of order against all amendments to the bill for failure to comply with clause 2(e) of rule XXI which prohibits non-emergency designated amendments to be offered to an appropriations bill containing an emergency designation. This rule also accords priority and recognition to Members who have preprinted their amendments in the CONGRESSIONAL RECORD. This simply encourages Members to take advantage of the option to facilitate consideration of amendments and to inform Members of the details pending amendments. The rule also provides that the chairman of the Committee of the Whole may postpone recorded votes on any amendment and that the chairman may reduce the voting time on a postponed question to 5 minutes provided that the vote immediately follows another recorded vote and that voting time on the first in a series of votes is not less than 15 minutes. This will provide a more definite voting schedule for all Members and hopefully will help guarantee the time of the completion of appropriations bills.

House Resolution 273 also provides for one motion to recommit with or without instructions as is the right of the minority Members of the House. Mr. Speaker, H. Res. 273 is a typical open rule to be considered for the general appropriations bills. This rule does not restrict the normal open amending process in any way, and any amendments that comply with the standing rules of the House may be offered for consideration.

Mr. Speaker, as I mentioned earlier, H. Res. 273 specifically makes in order three amendments printed in the Committee on Rules report. I am pleased that this open rule also grants necessary waivers to permit consideration

of the following amendments on the House floor.

Amendment No. 1 offered by the gentleman from New Hampshire (Mr. BASS) directs the FCC to enact measures that relieve the area code and phone number shortage problem and gives the FCC until March 31, 2000, to develop and implement a plan to address this problem. Amendment No. 2 offered by the gentleman from Kansas (Mr. TIAHRT) and the gentleman from Indiana (Mr. SOUDER) prohibits the expenditure of funds for education materials and counseling programs if promoted by the Justice Department's Office of Juvenile Justice of Delinquency Prevention which undermine or denigrate the religious beliefs of minor children or adults participating in such programs.

And finally, Amendment No. 3 offered by the gentleman from Georgia (Mr. DEAL) will prevent any funds appropriated under the bill from being used to process or provide visas to those countries that refuse to repatriate their citizens or nationalists.

The Committee on Appropriations has for the fourth straight year had to balance a wide array of interests and make tough choices of scarce resources. I commend the gentleman from Kentucky (Mr. ROGERS) and the gentleman from New York (Mr. SERRANO) for the work on this legislation. In particular, I want to briefly comment on the crime immigration and anti-drug provisions included in the underlying text of H.R. 2670.

First, I am pleased that the bill provides 2.82 billion for State and local law enforcement assistance so that local officials can successfully continue their efforts to fight crimes against our citizens. This provision is 1.2 billion more than requested by the administration including 523 million for the local law enforcement block grant program, 552 million for Edward Byrne Memorial State and Local law Enforcement Assistance Grant program and 686 million for the Truth in Sentencing State Prison Grant program and 283 million for Violence Against Women programs.

I am also pleased that the committee has provided 3 billion in direct funding, a $484 million increase to enforce our immigration laws. The committee recommendation includes an increase of 100 million to enforce border control including 1,000 new border control agents, 140 support personnel and increased detention of criminal and illegal aliens.

Finally I want to point out the good work by the committee in providing 1.3 billion for the Drug Enforcement Administration to continue the fight against drugs in our neighborhoods. This $73 million increase over the last year indicates our commitment to win the war on drugs, and I commend the committee for this increase in funding enhancements to bolster the Caribbean enforcement strategy and drug intelligence capabilities.

Mr. Speaker, H.R. 2670 was favorably reported out of the Committee on Appropriations, as was this open rule by the Committee on Rules. I urge my colleagues to support the rule so we may proceed with the general debate and consideration of this legislation.

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

Mr. HALL of Ohio. Mr. Speaker, I yield myself such time as I may consume. I want to thank the gentleman from Georgia (Mr. LINDER) for yielding me this time.

This rule will allow for consideration of H.R. 2670. This is the bill that makes appropriation in fiscal year 2000 for Commerce, Justice and State Departments, Federal Judiciary and related agencies. As my colleague from Georgia explained, this rule provides for 1 hour of general debate to be equally divided and controlled by the chairman and ranking minority member of the Committee on Appropriations. Under the rule germane amendments will be allowed under the 5-minute rule, which is the normal amending process in the House.

The underlying bill is an inadequate piece of legislation which will probably be vetoed by the President. This rule provides an insufficient opportunity to improve the bill. Therefore, I will oppose the rule, and I also intend to oppose the previous question.

The bill makes deep cuts in the President's request for numerous Federal law enforcement agencies, and this is not frivolous spending. These programs help preserve law, reduce violence, make our streets and homes safe from crime. The bill cuts funding for international organizations by 14 percent below last year's level of funding. It reduces funding for the Legal Services Corporation to less than half of its current level, and of course that is the organization that provides legal help to the poor. The bill cuts the National Oceanic and Atmospheric Administration by 10 percent below last year's level. Included in this cut is critical weather research that can help save lives and protect property. The bill cuts $1 billion from the COPS program intended to put 100,000 new police officers on the street. The list goes on and on and on.

I am pleased that the bill does provide $244 million as a down payment on the back dues the United States owes the United Nations. But once again this bill holds that money hostage to the authorization bill, and as we all know, that bill does not stand much chance of passage.

During Committee on Rules consideration yesterday, I offered a motion to make a free and clear appropriation to pay our U.N. dues back, or back dues. This amendment was defeated on a straight party-line vote. Later today I will offer the amendment on the House floor.

Mr. Speaker, it is a disgrace that we have not paid our back dues to the United Nations; it is an absolute disgrace. This is not optional spending. We made a promise; we owe them money. The faith and the credit of the United States is on the line. Do not take my word. Here is what seven former U.S. Secretaries of State have said. In a letter earlier this year to the House and Senate leaders, former State Secretaries Henry Kissinger, Alexander Haig, James Baker, Warren Christopher, Cyrus Vance, George Schultz, and Lawrence Eagleburger said our great Nation is squandering its moral authority, leadership and influence in the world. It is simply unacceptable that the richest Nation on Earth is also the biggest debtor to the United Nations.

Yesterday the Committee on Rules considered granting waivers to make in order 11 amendments that were submitted to the committee. Six were Democratic amendments, and five were Republicans. One of the amendments was offered by the ranking minority member of the Subcommittee on Commerce, Justice, State, and Judiciary, the gentleman from New York (Mr. SERRANO).

Another was offered by the ranking minority member of the full Committee on Appropriations, the gentleman from Wisconsin (Mr. OBEY). Three Republican amendments were made in order, but not one Democratic amendment was made in order, not one, not even the amendment by the ranking minority member of the committee or subcommittee.

Mr. Speaker, this is not a bipartisan cooperation. Therefore, I must oppose the rule and ask my colleagues to vote against it.

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

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

Mr. DREIER. Mr. Speaker, I thank my friend from Atlanta for yielding this time to me and congratulate him on this handling of this rule.

I rise to begin by complimenting my very good friend and classmate, the gentleman from Kentucky (Mr. ROGERS), for the work that he has done on this bill. It has been, as we all know, a very difficult measure dealing with the constraints that have been imposed by the 1997 Budget Act, and I believe that he has done a superb job, and I am happy to report, as Mr. ROGERS well knows, that we in the Committee on Rules have done exactly what he requested of him; we provided an open rule plus. We, in fact under this open amendment process, will have every germane amendment allowable to be

debated and considered, and we added three additional legislative amendments which address some concerns that a number of Members had raised to it.

So I believe that this is a very, very fair and appropriate way in which to deal with this important issue.

I also want to congratulate the gentleman from New York (Mr. SERRANO) of the minority who came forward and made the exact same request of us that the gentleman from Kentucky (Mr. ROGERS) did in his testimony before the Committee on Rules.

Let me talk about the bill itself and a couple of provisions that I think are very important.

Last week we had a very rigorous debate here in the House on the issue of whether or not to maintain normal trading relations with the People's Republic of China, and during that debate I was happy to briefly raise an issue which is very important in our quest for political pluralism and democratization of the People's Republic of China, and that is the support of the village election process.

Now more than 2 decades ago, Mao Tze Tong was a supporter of the idea of village elections, and yet at that time there were only 9 Communist candidates in the People's Republic of China who were running. Today through the efforts of the National Endowment for Democracy, which is funded in this bill and the work of the International Republican Institute, one of the core groups associated with the NED, the National Endowment for Democracy, and I am privileged to serve on their board, we have been very, very key to promoting those village elections in the People's Republic of China.

□ 1130

I am happy to say that today, over 500 million people in China have been able to participate in local village elections. That is why I think that while it is a relatively small amount in the big picture, the support for the National Endowment for Democracy is very important, because we have the private sector involved with this and, as I said, several other core groups. So I congratulate my friend from Kentucky for putting that in the bill and maintaining strong bipartisan support for it.

I also want to mention one other issue that is of very great importance, and I see my colleague, the gentleman from California (Mr. CONDIT) to us, and it is dealing with what is known as SCAAP funding. We have in California a problem with the tremendous cost burden imposed on California's taxpayers for the incarceration of illegal immigrant felons, people who are in this country illegally and commit crimes.

In fact, one of every five prisoners in state prisons in California happens to be someone who is in this country illegally. So we all recognize that it is not the responsibility of a single state to protect the international borders, it is the responsibility of the Federal Government to do that.

That is one of the reasons we have said when we have problems protecting the boarders, the responsibility for the consequences of that should not be shouldered by the State taxpayers of one particular State. That is why this SCAAP funding provision is very important, and, again, it enjoys bipartisan support, and I am very pleased it is included in this bill.

So, once again, this is an open rule-plus that we have. All germane amendments will be made in order for consideration. I hope my colleagues on both the Republican and Democratic side of the aisle will join in enthusiastic support of it.

Mr. HALL of Ohio. Mr. Speaker, I yield 3 minutes to the gentleman from Wisconsin (Mr. OBEY), the ranking minority member of the Committee on Appropriations.

Mr. OBEY. Mr. Speaker, this rule is one of the most important items to come before the House in this Congress. It would permit the wholesale breach of the budget caps under the pretense that the decennial census is an emergency and, as it is currently crafted, it would even deny the House a vote on whether that designation is appropriate.

What is at stake here is more important than this bill or the $4.5 billion it spends off budget. What is at stake is the total abandonment of any pretense of orderly decision making on the budget.

If the decennial census can be classified as an ''unforeseen emergency,'' then any item in the appropriation bills is fair game. At that point, we have returned to the era of totally ad hoc budgeting, we have thrown away the budget resolution that was adopted this spring, and we are striking out with no end game and no plan for how much we will spend or what we will spend it on.

We will continue to make daily adjustments based on the Republican whip meetings and complaints delivered to the Speaker's office. That is not a process that is acceptable to the American people, whether they hope to sustain existing services or whether they wish for deep tax cuts. It is a prescription for chaos.

Equally important, this would devastate Congress' credibility in using the discretion provided in the Budget Act to deal with real emergencies. If we permit this wholesale abuse of emergency spending powers in the Budget Act, we will end up having those powers challenged and we will find that Congress is unable to meet its fundamental responsibility in confronting future emergencies.

Whether we face a question of war or peace or whether we face a great domestic disaster, our ability to act without rewriting the funding levels agreed to over the arduous course of the previous appropriations cycle will likely depend on how responsibly we act at this moment.

I urge the House to defeat this rule and adopt a rule that will permit the House to at least vote on the emergency designation.

I would urge Members to take note of the letter from Taxpayers for Common Sense, which indicates that this is an extremely shaky way in which to proceed if we are interested in responsible budgeting.

Mr. LINDER. Mr. Speaker, I am pleased to yield such time as he may consume to the gentleman from Florida (Mr. YOUNG), the chairman of the Committee on Appropriations.

Mr. YOUNG of Florida. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, I listened with great interest to my friend from Wisconsin (Mr. OBEY), the ranking member on the Committee on Appropriations, and I agree with him that the wholesale use of the emergency designation would not be too smart, but then this is not the smartest place in the world. The emergency designation in our budget process was created in 1990. That was a long time before the Republicans became the majority party in the Congress.

Since 1990, when the Democrats created this emergency provision, it has been used many times, not necessarily by the Republican majority that exists today. I would be happy to provide for the record and for Members who would like to see it, a very long list of times and events when the emergency designation was actually used.

Now, let me say something about the census, which is the issue before us today that the gentleman from Wisconsin (Mr. OBEY) mentioned. The problem here is we are dealing with the 1997 balanced budget agreement. I am not sure who the players were at that time, but when that decision was made, when those conferences were held, when the give and take was over, there was no money in the 1997 balanced budget agreement for the census, although everybody knows that the Constitution says there shall be a census every 10 years.

Of course, the Supreme Court did rule just recently in a ruling that requires that we do an actual census count in the year 2000 plus the sampling that the Administration wants to do. But, anyway, the 1997 balanced budget agreement did not provide the funding to take care of the census for the year 2000.

Now, when the House did the budget resolution for fiscal year 2000 this year, again there was no provision made for the census. So here we are trying to keep the budget balanced, trying to

stay at or below last year's level of spending on all of these bills, except for national defense, trying to protect all of the receipts to the Social Security Trust Fund for Social Security recipients. We are doing all of those things, but we still have to do the census. So that is the reason that the committee decided and determined that we would use the emergency designation, similar to the way that this administration has used it without a lot of regard for what the balanced budget situation was and the way this Congress has used it many, many times.

I would hope that we would order the previous question, adopt the rule, and get on to the bill.

Mr. HALL of Ohio. Mr. Speaker, I yield 4 minutes to the gentleman from New York (Mr. SERRANO), the ranking member on the Subcommittee on Commerce, Justice, State and the Judiciary of the Committee on Appropriations.

Mr. SERRANO. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, let me first explain what I will be doing here today. I will be voting for this bill, because I believe it is the proper position for me to take to move this process along in the hope we can get a better bill and because it fully funds the census, which is important not only for my district, but for every district throughout this country.

However, I rise today in opposition to the rule. At first glance this is a fine rule. It is an open rule providing for procedures that would help the House consider the Commerce, Justice, State appropriations bill in a fine manner.

If the Committee on Rules had simply granted the Committee on Appropriations' requested rule, this debate would be over with a voice vote. However, Mr. Speaker, Committee on Rules Republicans once again chose to stiff the Democrats on amendments. They made in order and protected from points of order three Republican amendments by the gentleman from New Hampshire (Mr. BASS), the gentleman from Kansas (Mr. TIAHRT), and the gentleman from Georgia (Mr. DEAL). But of at least seven Democratic amendments requested at the Committee on Rules hearing, not one was made in order.

I asked the committee to make in order an amendment based on my bill, H.R. 1644, the Cuban Food and Medicine Security Act of 1999, which would permit sales of U.S. food and agricultural products, including seeds and medicine and medical equipment to Cuba, without the cumbersome licensing procedures now in effect.

I argued that the time has come for the United States, on moral grounds, to relieve the suffering of the Cuban people and that American business, agriculture in particular, could benefit greatly from entering the Cuban market. USDA lists more than 25 agricultural products that Cuba imports, and farm advocates say that the U.S. could reasonably expect to provide 70 percent of Cuba's agriculture imports, earning in excess of $1 billion a year, and $3 billion by the second year.

The committee did not see fit to make my amendment in order.

Now, my amendment might be controversial in some quarters. Indeed, one Member of the Committee on Rules was heard to say ''baloney,'' which is not on the chart, as I was discussing it. But the committee did not even protect the bipartisan amendment to name the main Justice Building after former Senator and Attorney General Robert F. Kennedy. The amendment based on legislation introduced by the gentleman from Florida (Mr. SCARBOROUGH), was requested by the gentleman from Indiana (Mr. ROEMER), the gentleman from New York (Mr. QUINN), and the very eloquent gentleman from Georgia (Mr. LEWIS). Even Mr. LEWIS's eloquence did not move the Committee on Rules to let the House consider the amendment.

In short, Mr. Speaker, the needless partisanship of the Republicans on the Committee on Rules has turned a good rule as requested by my chairman, the gentleman from Kentucky (Mr. ROGERS), into a slap in my caucus's face, and I urge my colleagues to vote against the rule.

Mr. LINDER. Mr. Speaker, I yield such time as he may consume to the gentleman from Kentucky (Mr. ROGERS), the chairman of the subcommittee whose bill we are about to take up.

Mr. ROGERS. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, this is a fair rule. This rule is like practically all the other rules that have been brought before this body on an appropriations bill. This is an open rule. Offer any amendment you want. There are no limitations. The Committee on Rules says take it to the floor and let anybody on the floor say whatever they want, offer any amendment they want. So there you are.

Now, what you want over here, you want to offer legislation on an appropriations bill. There are legislative committees all over this Congress, all over Capitol Hill, meeting just this moment considering legislation, authorizing programs, deauthorizing programs and the like.

We do not do that on the Committee on Appropriations. Members know that. We appropriate funds. If you want to get your legislation passed, go to the appropriate committee and get it passed. I will probably vote for it. But not on an appropriations bill. That is not what we do.

This is a fair rule, and I urge its immediate adoption. This bill is a major bill that is restrained beyond any bill that I have brought to the floor in my experience. We actually cut spending from current levels by $833 million, and we do maintain the critical agencies at their current levels. We do not cut the FBI, the DEA, the Weather Service. We increase the Border Patrol. But practically everything else is frozen. It is a responsible bill written under very tough spending caps that you imposed on us 3 years ago. You voted for the caps. I am here to tell you now that you have had your good time, the piper is at the door waiting to be paid, and that is this bill. It is restrained, and we had to restrain ourselves because of the caps.

But if you want to legislate on my bill, I am going to oppose you. Go to the appropriate committee. Make your fight. Make your case. Bring it to the floor in the right way and we will probably pass it, but not on this bill.

So I urge Members to support this fair rule. There is nothing the Committee on Rules could have done under the gentleman from California (Chairman DREIER) better than this rule I think, because it is open. It is like all the other rules. It precludes legislation, because that is what this Congress is all about.

So I urge, Mr. Speaker, a strong vote for the rule, so that we can get to the bill.

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

Ms. STABENOW. Mr. Speaker, I rise today to oppose the Commerce, Justice, State appropriations rule and the bill. While there are many reasons to do so, I am especially disappointed in the committee's decision to eliminate totally the funding for the Advanced Technology Program known as ATP. This means that not only is there no money for new research awards, but the research currently being supported will be terminated. In other words, current research contracts, current commitments, will not be kept. And who gets hurt by this cut? The hundreds of small businesses involved with ATP projects. Fifty-five percent of all ATP projects are led by small businesses, and they participate in 70 percent of all of the ATP projects.

In fact, small businesses receive about half of all ATP funding, and because Federal funds are limited to know more than 50 percent of the research project's cost, small businesses will be on the hook for the investment dollars. They have committed to the research.

Also hurt are more than 100 universities that take part in this important project, including several in Michigan that are very involved in pre-competitive research and technology efforts. This bill will terminate 240 research projects in 30 States representing a private sector investment of $931.5 million in private research dollars to create jobs.

This is matched by $926.4 million in Federal funds. In other words, this

shortsighted bill wastes almost $2 billion in public-private investment that will lead to real jobs for Americans. This bill is shortsighted at best.

We know if we want to keep our strong economy going, we must continue to create cutting-edge technologies for the future. In Michigan we are doing that, and I would rise today to ask for a ''no'' vote on the rule and on the bill.

Mr. HALL of Ohio. Mr. Speaker, I yield 3 minutes to the gentleman from New Jersey (Mr. PALLONE).

Mr. PALLONE. Mr. Speaker, let me start by saying that I have the utmost respect for the chairman of the subcommittee, but when he mentioned that Democratic amendments were seeking to impose legislation on the appropriations bill, the bottom line is that the rule makes in order 3 Republican amendments with special waivers that really are legislative, and also the bill itself has all kinds of legislative language. So I think that saying that the Democratic amendments were not made in order because they were legislative is really not accurate.

The bottom line is that the Republican leadership makes in order whatever amendments they please, as long as they are Republican, but they denied each of the Democratic amendments that were requested.

One of those amendments was mine, and it was an amendment that really was very bipartisan. It was important to ensure that Holocaust victims who were U.S. citizens at the time they were persecuted are justly compensated for their sufferings at the hands of Nazi Germany.

I just have to say, if I can, Mr. Speaker, that I wanted to thank, first of all, the committee and particularly the gentlewoman from New York (Ms. SLAUGHTER) for her help on this. This was a recorded vote, and essentially what the Republicans did in voting against this amendment was to put themselves on record opposing the opportunity, if you will, the opportunity to provide compensation for Holocaust victims.

Over the years, many people are not aware, but over the years if you were a U.S. citizen and you happened to find yourself in Nazi Germany at the time of the Holocaust, the German government would refuse to give you any compensation or any reparations.

I found my own constituent, Hugo Prince, a few years ago in this situation, and I worked on a bipartisan basis with Senators, Republican Senators and Republicans in this House to put in place a plan whereby a compensation could be provided to these U.S. citizens that happened to be in Nazi Germany, suffered in the concentration camps and were not able to get compensation.

What we found in putting this provision in place was that over the years the money ran out, the German government was providing the money, not the taxpayers, this was money coming from the German government, and the money ran out and there were a number of claimants who did not have an opportunity, if you will, because of the law, to raise their claims.

All we are trying to do with this amendment is to make that opportunity there again. The amendment simply says that if you fail to meet the notification period, that you can now put your claim forward in a timely fashion, and if the State Department finds that your claim is legitimate, they will then negotiate with the German government to find more money to compensate these victims of the Holocaust.

□ 1145

Again, I have no idea what is going on here today and why it is that the Republicans would refuse to allow this amendment. It has been bipartisan; it is clearly something that should be done, and there is a need for it right now. This time has expired. This is not something that we can wait a year or 2 years for. A lot of these people are older, and they are dying off. So there is an immediate need for it; it is almost an emergency. I would characterize it as an emergency more in the sense than some of the ''emergencies'' that I have heard on the other side.

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

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

Mr. DOGGETT. Mr. Speaker, listening to these excuses this morning from our Republican colleagues, I cannot help but think how far this great Republican revolution has sagged. My colleagues claimed they wanted to change everything, and yet they justify this morning's adventure in fiscal responsibility on the grounds that we ought to keep doing things the same old way it has been done in the past.

Last year, this Congress managed to pack in billions of dollars of pork into a weighty bill, weighing in at 40 pounds to be exact, something called the Omnibus Spending bill. Some of us called it the ''Octopus Spending'' bill, because of the strange reach of its long tentacles. Labeling projects as ''emergencies'' that did not have any genuine emergency associated with them at all was done for the sole purpose of avoiding the limitations of the Balanced Budget Act. Again this spring, billions of dollars of projects that did not have anything to do with Kosovo were given that very valued appellation ''emergency'' as a way of increasing defense spending while pretending to comply with the Balanced Budget Act. Apparently, getting away with such charades only whetted the appetites of those who come to this floor and preach fiscal restraint and then proceed to engage in this kind of gamesmanship.

In this bill, they designate almost $5 billion for the 2000 Census. That is the same ''emergency'' that our Founding Fathers required us to do every decade in the United States Constitution. It is the same ''emergency'' that we have had every 10 years since the year 1790. This is not an emergency, it is just another example of Republicans cooking the books.

Republicans say they want to get all of this money out of Washington with an irresponsible tax cut. Apparently, they just want protection from themselves. They really cry out, keep us from taking more money from Social Security for purposes that have nothing to do with Social Security at all. That is what they are doing this morning to pay for their phony ''emergency.''

Webster's dictionary defines an ''emergency'' as ''an unforeseen combination of circumstances.'' Certainly, the census is not that, but the second definition is applicable. It is ''an urgent need for assistance or relief.'' That is what America needs relief from this kind of Republican fiscal irresponsibility. It is urgent. It is an emergency in that context.

Mr. LINDER. Mr. Speaker, I yield such time as he may consume to the gentleman from Florida (Mr. FOLEY).

Mr. FOLEY. Mr. Speaker, I thank the gentleman from Georgia for bringing this rule to the floor, and I obviously support the underlying initiative, the bill on Commerce, Justice, and State.

Mr. Speaker, I support the additional $20 million being allocated to the Department of Justice for border patrols, but I must tell my colleagues that I am frustrated and outraged by the pitiful amount of funding for Florida. People are literally dying on our shores. They are victims of illegal smuggling operations that take advantage of desperate, innocent people, trying to leave the rapidly deteriorating conditions in Haiti and Cuba and other impoverished or politically oppressive countries.

These countries treat human beings like cargo. This past March, 40 people died off of south Florida shores while the boat they were being smuggled in sank, 40 people died. A similar tragedy in mid-December when as many as 13 people died in another illegal smuggling attempt. Mr. Speaker, 300,000 illegal immigrants enter the United States each year. In the short period between January 1 and March 10, there were 45 illegal landings, 31 interdictions, and 34 identified smuggling activities, resulting in over 400 illegal alien entrants by sea. These entrants by sea are all coming to Florida. Florida is shortchanged while all of the funding goes to other States.

Florida is the weak link and the focal point of current smuggling operations. While the number of immigration criminal agents has more than doubled during the past 5 years to over 8,000,

Florida has not seen an increase of agents in 10 years. In Florida, 52 Border Patrol agents are trying to stop an estimated 12,000 illegals who come into Florida by sea each year. Because of their few numbers, the Border Patrol and Coast Guard together are only capable of catching a mere 10 percent of them.

The mechanisms designed to nab the illegal aliens that slip in is also failing. The INS has now decided to change their enforcement tactics and has suspended most surprised workplace inspections that would identify illegal workers and the employers who hire them. The switch sends a clear message to illegal aliens and to smugglers that they are okay unless they get caught committing a crime. Enforcement standards are going down just when illegal immigration is on the rise.

Florida Governor Jeb Bush wrote to Attorney General Janet Reno following our most recent tragedy requesting additional efforts. We need, and I would ask this House to consider in the future, and I specifically ask the administration to listen: greater interdiction efforts along the U.S. coast; increased Federal resources to make the prevention of illegal smuggling a top priority with an increased focus on south Florida; expanded hold capacity for the Krome detention facility located in Miami, County so that officials will be able to retain larger numbers of illegal aliens after the raids. Even one of my own counties, Glades County, Florida has offered to construct the facility for INS, to lease on a per diem basis, bed space to make available for the excess illegals that are coming and being arrested. This request goes unanswered by members of the administration.

Again, let us think about the human tragedy here. People are smuggling innocent people to this country and oftentimes throwing them overboard miles offshore so they will not get caught, yet they have taken the money from the person hoping to come to America.

Mr. Speaker, we must support increased funding for Border Patrol. I recognize that, and that is why the base bill I support. But I want everybody to listen here today, because I believe Florida has been shortchanged. I have repeatedly asked the administration, I have repeatedly asked my colleagues in the House, and I would hope that the rest of the Florida delegation will support us in our effort for several things: Coast Guard, Border Patrol, INS and Customs.

Florida is a growing State with growing tourism, growing needs, and we would certainly hope that this Congress would be receptive to assisting us in meeting those needs and demands, and let not one more person perish on Florida seas or on Florida's coast without this being addressed.

Mr. HALL of Ohio. Mr. Speaker, I yield 4 minutes to the gentleman from Indiana (Mr. ROEMER).

Mr. ROEMER. Mr. Speaker, I thank my friend from Ohio for yielding me this time.

If one is in a school and one is seen carrying around a host of books and one uses those books, and one's arguments are reflective of the study of those books, one is probably seen as an academician and scholarly. But if one is an accountant and one has two books, one is kind of known as cooking the books, keeping two sets of accounting on one's budget. And that is not known as a particularly good practice.

Now, I urge my colleagues to defeat this rule because this bill includes $4.5 billion of money that is in the second book. It is not accounted for. It is declared emergency funding that breaks the budget caps, that is not accounted for in the way that we should be accounting for the money as fiscally responsible Democrats and fiscally responsible Republicans.

□ 1200

Now, many Republicans came here in 1994 under the Republican revolution to revolutionize the way we did the budget around here, not to cook the books and keep two sets of books for a routine measure of spending. We are talking about $4.5 billion. That is as much as many States have for their entire yearly budget. Yet, it is okay in this practice to declare this emergency spending.

Thomas Jefferson, John Adams, James Madison, knew about it. We knew in 1991, in 1992, 1993, we were going to have to spend this money. Our American families know before they go on a vacation that they have to sit down and plan out what they are going to do with that budget, and plan backwards; if it is going to take them $1,500 for their vacation, that they may not have the opportunity to do other things. But in this budget, we go forward and spend $4.5 billion on census funding that we have known for years was coming that is routine spending, and we declare it emergency spending.

My second argument, other than fiscal responsibility for encouraging defeating the rule, is a fairness argument.

In addition to the fiscal responsibility argument, the gentleman from Florida (Mr. SCARBOROUGH), the gentleman from New York (Mr. QUINN), the gentleman from Georgia (Mr. LEWIS), and myself, a Democrat from Indiana, went before the Committee on Rules to ask for a rule to simply give us the waiver, the same waiver they have given three Republican amendments, no Democratic amendment; to simply rename the Justice Department building after Robert Kennedy.

This is, of course, the Commerce-State-Justice bill. It is not major legislation. It is not redoing U.N. funding. It is not major legislation on a new policy. Three Republican amendments were in order, no Democratic amendments in order.

So for fiscal responsibility and $4.5 billion being cooked in two sets of books on this bill, and for a rule that reflects a six-vote difference in the majority and minority for fairness for rules, I urge my colleagues to defeat this rule and send it back. Let us get a fair rule.

Mr. LINDER. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio (Mr. KASICH).

Mr. KASICH. Mr. Speaker, I want to just take a moment, because as many in the House know, I have been, along with a number of my colleagues, fighting a battle against corporate welfare. Corporate welfare is defined as those governmental programs that cost the taxpayers more than the benefits they derive from the subsidies.

The fact is that we have a breakthrough today in corporate welfare, and we need to celebrate the victories that we have. The chairman of the committee, the gentleman from Kentucky (Mr. ROGERS) should receive large praise for his elimination of the advanced technology program. That is a program where government uses taxpayers' dollars to pick winners and losers without any relationship at all to the marketplace.

It is not the job in a free market system for the government to engage in the picking of winners and losers, particularly when the picking of winners and losers results in a bigger cost to the taxpayer than the benefit it brings to society.

No one should be confused about what this term ''corporate welfare'' is all about. Many of my friends on the other side do not like the notion of tax cuts. Frankly, lowering the corporate tax burden works to the benefit of job creation. The creation and extension of making permanent the research and development tax credit is a system that will allow businesses to have the incentives to do the research that they should do for themselves that exists in the real world.

Legal reform, a system that would set businesses free from the entanglements of lawsuits that in many cases make no rhyme nor reason to the kind of justice system that we all hope for, or simple regulatory reform that my friend, the gentleman from Indiana (Mr. ROEMER) who just spoke has supported, the efforts to try to make more common sense as it applies to business.

Those are the answers in terms of the way in which our businesses should be expanded, not through a government program that costs taxpayers more and provides very little benefit to the taxpayers who pay the bill.

The picking of winners and losers by government should end, and frankly, I

think this is a very good day when it comes to the effort to try to reduce the level of corporate welfare that we find in the budget of the United States.

I want to praise the chairman for his good work, and hope we can hold this all the way through conference.

Mr. HALL of Ohio. Mr. Speaker, I yield 3 minutes to the gentleman from Colorado (Mr. UDALL).

Mr. UDALL of Colorado. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I oppose this rule and have many serious concerns about the bill itself. For one thing, as it stands, the bill will hurt, not help, our efforts to make our communities safer and to afford equal justice to all of our citizens.

Let me give a few examples. Terminating the COPS program will be bad for communities like those that I represent, where residents are struggling to cope with the increased crime that too often comes with population growth.

Secondly, cutting funding for the Legal Services Corporation calls into question our commitment to assuring that lower-income citizens can have access to our courts.

Finally, number three, failing to adequately fund the enforcement of our civil rights laws will make it harder to protect the rights of all of our American citizens.

The bill is also very bad for small business. In fact, it would cut back the Small Business Administration by forcing the SBA to lay off over 75 percent of its work force. It provides no funding for the new markets initiative, which will promote business investment in underserved areas like our urban centers and our Indian reservations.

Just as troubling is the way the bill would affect the Commerce Department's National Oceanographic and Atmospheric Administration and the National Institute of Standards and Technology, two agencies that have important research facilities in Colorado.

The bill does provide for funds for some important NOAA projects, including the hyperaircraft. However, cuts in other NOAA funding are still troublesome, particularly as they affect the oceanic and atmospheric research programs.

These programs support vital research, both in NOAA's own labs and through cooperation with universities like the University of Colorado. The bill's cuts in their funding are counterproductive to our efforts to understand and respond to climate change and global warming, and would set back needed progress in the ability of the Weather Service to predict severe events that threaten lives and property, like the destructive tornadoes in the State of Oklahoma this spring.

As for the National Institute of Standards and Technology, I asked that agency how the bill would affect them. To sum it up, the effects would be terrible. The bill would delay construction of the Advanced Measurement Laboratory, which is essential to allow NIST to conduct research that is sorely needed by American science and American industry, and would require NIST to continue to cope with deteriorating physical facilities that are a serious impediment to its ability to carry out its mission.

Mr. Speaker, I include for the RECORD a more detailed explanation of how the bill would affect NIST, which was provided to me at my request. I do not want to read it all, but I will sum it up. In short, the bill threatens to make it impossible for NIST to properly carry out its job of promoting technological progress and helping American industry to compete effectively.

These are just a few of the serious problems with the bill, Mr. Speaker, so I cannot support the bill. We can do better. We must do better.

The material referred to is as follows:

DEPARTMENT OF COMMERCE NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

House Appropriations Bill impacts on NIST's Construction of Research Facilities:

The House Committee allowance bill freezes funding at the FY 1999 level and delays construction of the Advanced Measurement Laboratory (AML). The AML is the major step in a long-term plan to remedy the technical obsolescence of the NIST facilities.

NIST's mission requires it to perform world-class research, which requires world-class laboratories. NIST's outdated and deteriorating laboratory facilities are undermining its ability to promote U.S. economic growth and international competitiveness.

Delay will move the estimated completion of the AML to 2005 and could add as much as $6M to the cost. A delay in construction also means a delay in the planned renovations of our current facilities, which are in a state of continuous deterioration.

Below are just a few examples of how NIST's deteriorating physical facilities are hampering its mission.

The semiconductor and chemical processing industries need subnanometer level reference materials for measuring silicon wafer contamination and for studying catalytic surface reactions. NIST has the instrumentation available to make these measurements but cannot develop them due to poor temperature, vibration, and air quality control in its laboratories.

Nuclear facilities, pharmaceutical companies, aerospace industries, and others are pressing NIST to improve the accuracy of its mass calibrations. The lack of good environmental controls in NIST's current General Purpose Laboratories causes NIST's precision mass calibrations to be four to 10 times less accurate than they should be.

The aerospace, semiconductor, pharmaceutical, and other high tech industries need high quality pressure calibrations from NIST. Many of these measurements are delayed in delivery due to poor temperature and vibration control that prevent NIST's best calibration instrument from being used about one third of the time.

NIST's research on ferroelectric oxide thin films important in lightwave communications networks and next generation optical computing is frequently set back by dust particles that ruin delicate samples and is limited by temperature and vibration control problems.

As these examples illustrate, many NIST researchers in advanced technology areas currently must throw out or delay 10 to 30 percent of their measurements due to unacceptably large variations environmental conditions.

Mr. LINDER. Mr. Speaker, I am pleased to yield 2 minutes to the gentleman from Arizona (Mr. HAYWORTH).

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

I listened with great interest, Mr. Speaker, to several comments from the other side. Let us begin with my good friend, the gentleman from Colorado (Mr. UDALL), an Arizona native whose subsequent life's journey took him to another State. We welcome him in this body.

He mentioned his concern about the elimination of the new markets initiative as a reason why he would oppose the rule, and I surmise, the general bill. I think it is important to actually take a look at what the President proposed in his so-called new markets initiative.

Like many programs that come from the administration, it was heavy on overhead. Indeed, the new markets initiative, posturing as a program to help Indian reservations and those who live in the inner city who are economically disadvantaged, only worked to the advantage of government bureaucrats.

Indeed, what the President asked to happen was to have the taxpayers underwrite some $100 million in loans, or actually provide some $45 million in cash for a modest loan program, when instead, in our tax bill that passed on this floor in the proper jurisdiction, the Committee on Ways and Means, we incorporated a bipartisan plan that did more through tax relief for the inner cities and distressed areas than the new markets initiative could ever hope to do.

To my friend, the gentleman from Indiana (Mr. ROEMER) who talked about keeping two sets of books, I would simply commend the rest of the story. Part of it goes back to the wise words of our good friend, the committee chairman, who will offer his appropriations legislation.

We need to understand this, Mr. Speaker, that sadly, when it comes to the analogy of two sets of books, we would do well to look at the policy of the director of the Census, who, in apparent irreverence for existing law and the Constitution, this administration and this Census Bureau says that actual enumeration is not good enough when it comes to the Census, that we need to project.

We should oppose the rule. Not two sets of books, one set of facts. Support the rule and support the underlying legislation.

Mr. HALL of Ohio. Mr. Speaker, I yield 2½ minutes to the gentleman from Texas (Mr. STENHOLM).

Mr. STENHOLM. Mr. Speaker, I want to make it clear, I have only the highest respect for my friend and colleague, the gentleman from Kentucky (Mr. ROGERS), the chairman of the committee. I rise against this rule but not against my colleague and the untenable situation that he and the chairman of the full committee have been put in.

I rise in opposition to the rule because it is not a fair rule. If they had allowed three Democratic votes to have waivers of the rules, then it would be a fair rule and open, and I would be supporting the rule. But someone chose not to do that.

The primary reason that I rise against the rule and against the bill is this continued charade that my friends on this side of the aisle are using regarding the caps. Everyone knows this bill, by declaring $4.5 billion as an emergency for the Census, breaks the caps. Everyone in this body knows that. If someone here does not know that, please stand up and challenge me at this time. Everyone knows we are breaking the caps.

We are spending social security trust funds for purposes of declaring an emergency on a Census that everyone has known for 220-plus years we do every 10 years.

The gentleman from Arizona was making a point a moment ago, and I could get into that, too, because I happen to believe that we do better in this country when we allow sound science to determine our policies. We could have saved $1.7 billion, $1.7 billion, had we chosen to use sound science instead of political rhetoric.

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

Mr. STENHOLM. I yield to the gentleman from Arizona.

Mr. HAYWORTH. Mr. Speaker, does my friend, the gentleman from Texas, actually favor sampling over actual enumeration and counting?

Mr. STENHOLM. I absolutely do. I take back my time. I absolutely do, because based on sound science, as I argue in the Committee on Agriculture every day, including yesterday, when we had a ruling by EPA that chose not to follow sound science, it hurts consumers, it hurts producers in Arizona, and I find myself consistent in that.

Let me just say again in closing, my reason for opposing this today is, as Members heard, no one challenged me when I said that we are spending $4.5 billion out of social security trust funds. That is why we all should oppose this rule and send it back until we can get bipartisanly accurate.

Let us start shooting straight with the American public. If we are going to spend their social security dollars, let us tell them. If they are going to break the caps, let us tell them. If we are going to give a tax cut from a fictitious surplus that is not there, let us tell them.

Let us start being honest, and we will find there will be bipartisan support for honesty, in opposition to what is going on in this rule.

Mr. LINDER. Mr. Speaker, I yield 3 minutes to my colleague, the gentleman from Florida (Mr. DIAZ-BALART), on the Committee on Rules.

Mr. DIAZ-BALART. Mr. Speaker, I thank the gentleman from Georgia for yielding time to me.

I want to thank the gentleman from Kentucky (Mr. ROGERS) and the gentleman from Florida (Mr. YOUNG) and the gentleman from Texas (Mr. DELAY), and all the people who worked so hard on the Committee on Appropriations, for bringing this bill forward. It is a good bill.

The rule we brought forth to bring it to the floor is a fair rule. It is an open rule. We brought more open rules than any time before in the history of this Congress to the floor. We are very proud of that.

Someone spoke before, a colleague, and talked about the fact that he was opposed to the fact that we in the House are not going to lift sanctions on the Castro dictatorship until the three conditions that are within U.S. law are met, very simple conditions: the liberation of all political prisoners; the legalization of all political parties, labor unions, and the independent press; and the scheduling of three elections, internationally supervised.

Since we are going to insist on that, I think it is important to remind our colleagues and the American people through C-Span that we have those conditions. We do not have sanctions on that dictatorship 90 miles from our shores of people who have been suffering 40 years of oppression simply for the sake of having sanctions, but rather, because we are going to insist on a democratic transition that we know is going to come. Cuba is going to be free.

We also do not want, at this point, to give Castro access to American agricultural products and financing, and further exacerbate the plight of the American farmer. Do we want Castro to be able to dump citrus and rice and tobacco and sugar on the American market, exacerbate the condition of the American farmer with U.S. financing? I do not think we should do that. The House is not going to do that.

□ 1215

I also want to talk about four reasons why we maintain our sanctions. Rene Gomez Manzano, Marta Beatriz Roque, Vladimiro Roca, and Felix Bonne, distinguished professionals all. They wrote an article 2½ years ago called ''The Homeland Belongs To All,'' where they called for that great crime in the eyes of Castro, the right to free elections. They were thrown in the dungeon where they are today, languishing along with thousands of other political prisoners in a rodent-infested dungeon and 120-degree heat without access to health care or even light.

Those are reasons. We have many reasons. What we will say, until Cuba is free, no access to the U.S. market, and the Cuban people will forever remember, and that will be glory and dignity and honor, it will mean, for the generous American people.

Mr. HALL of Ohio. Mr. Speaker, I yield 1 minute to the gentleman from Florida (Mr. HASTINGS).

Mr. HASTINGS of Florida. Mr. Speaker, I thank the gentleman from Ohio for yielding me this time.

Mr. Speaker, I would like to associate myself with those who expressed concern about the funding levels of many of the important programs in this bill. I associate myself with the remarks of the gentleman from Florida (Mr. FOLEY), with reference to the inadequate funding of customs, INS, and the Coast Guard.

But more specifically of concern to me is the cut in funding for the Dante B. Fascell North-South Center at the University of Miami as well as the East-West Center in Hawaii.

Created in response to the post-Cold War power vacuum, the Dante Fascell North-South Center has served as an incubator of innovative ideas to promote better relations among the United States, Canada, and the nations of Latin America and the Caribbean for the past 10 years.

The Center produces nonpartisan, policy-relevant analysis on issues such as trade, investment, competitiveness, security, corruption, institutional reform, drug trafficking immigration, and the environment. As the only research and public policy study center dedicated to finding practical responses to hemispheric challenges affecting the United States, the center provides a valuable service.

Zeroing out this center and zeroing out the East-West Center is irresponsible. Although I have no hope of altering the bill on the floor today, I do hope to work with the conferees to raise their conscious level with reference to the need for funding for this particularly important program.

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

Mr. DOGGETT. Mr. Speaker, I have never really understood why our Republican colleagues are so opposed to COPS, the Community Oriented Policing Services. It works. It gets more law enforcement officers on our streets. It reduces crime. It involves a minimum, of administrative expense and delay and a maximum amount of crime prevention. The only reason I can think of that they oppose the COPS program is that they did not think of it first.

Through COPS, we have added in my home area of Travis County, Texas, the equivalent of almost 300 new law enforcement officers in our neighborhoods and on our roads. Chief Knee, Chief Buesing, and Sheriff Frazer who are outstanding local law enforcement officers. Through the COPS program, we say to them and to crime fighters across America, ''keep up the good work.'' We provide them the additional tools that they need to provide law enforcement that is highly visible and extremely effective.

Some of these new officers in my hometown are helping to prevent school violence; some are addressing domestic violence. Some are combatting drugs and gang violence. Together, they are not only making our community safer, they are making all of us feel safer in our community.

This week, I expect further announcements of the Troops to COPS program that permits some of our veterans who have gained skills in the military and need jobs the opportunity to transition into law enforcement, an excellent program. Yet, our Republican colleagues come forward today in this bill and propose to slash the COPS program by a billion dollars.

I would say that, with this bill, the Republicans are not only cooking the books in a fiscally irresponsible manner, but neither set of the budget books that they use contain the priority for law enforcement that I think American families have a right to demand.

This rule and this bill should be rejected.

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

Mr. Speaker, before I yield back the balance of my time, I would just like to say that we oppose the rule for a number of reasons. I would say in response to what the gentleman from Kentucky (Mr. ROGERS) said a few minutes ago, I note that, especially in the last few years, that we have lots of problems and difficulties in passing authorization bills.

This bill, in effect, becomes almost an authorization bill, even though it is an appropriation bill. It is critically important to permit legislative amendments on these bills. All three amendments that were accepted on this rule were Republican, and not only in nature; but there were Democrat amendments offered in the Committee on Rules, and none of them were permitted that were of legislative provisions.

I will just read from the Committee on Rules put out by the gentleman from Georgia (Mr. LINDER) relative to what we have in this bill: ''The waiver of clause 2 of rule XI is necessary because the bill contains at least 67 legislative provisions and over 75 unauthorized programs in the bill.'' So for that reason and many others, we oppose the rule.

Mr. LINDER. Mr. Speaker, I am pleased to yield the remaining 3½ minutes to the gentleman from Texas (Mr. DELAY), the majority whip of the House.

Mr. DELAY. Mr. Speaker, I rise to support the rule and the bill. I want to give my heartfelt thanks to the chairman of the subcommittee for all the hard work under very difficult circumstances that he has done on this bill and finally crafting a bill that maintains a strategy of fiscal responsibility that the majority has been on the path of for all this summer.

I also want to commend the gentleman from Florida (Mr. YOUNG), chairman of the full committee, who has been working so hard to carry out a strategy that was laid out by the Speaker of the House early in this year.

That strategy was basically that we would lock up Social Security and not spend one dime of the Social Security surplus, unlike the Democrats for so many years has taken the surplus to spend on bigger government; that we would maintain the balanced budget that we brought because of a Republican Congress in the Balanced Budget Act of 1997; and we would work as hard as we could to stay under the budget cap. We have been able to do that so far through this bill.

Now I wish the gentleman from Texas (Mr. STENHOLM) was still here, because I am standing here challenging him, as he asked me to do when he made the comment that, with this bill, we are breaking the cap and spending Social Security. Nothing could be farther from the truth.

If we just can add, we take all of the 11 bills after this bill is passed and add them up, we are actually cutting spending from last year, real cuts to real spending, something the Democrat Congress has not been able to do in my lifetime. Real cuts and real spending.

Now, we did make a mistake in 1997, and I am here to admit it. In the Balanced Budget Act of 1997, we did not contemplate and did not put in the money to do the census, and we have to deal with that. But in declaring this an emergency, we do not break the cap, although, if someone votes to remove the emergency designation, they will be voting to break the cap.

What we did was we are spending the on-budget surplus, not Social Security surplus, the on-budget surplus of $4.5 billion. That is reality. That is the real thing that we are doing here.

Now, the underlying reality here is that the Democrats, the do-nothing Democrats, because we know what their strategy is, they are trying to make sure we do nothing and trying to stop all of the good things that we have been able to do this year. They want to spend more money. They are crying out to spend more money.

The administration has already put out four statements of administration policies saying that the appropriations bills that we have been passing are too low in spending. The other side of the aisle, Members have been here during this debate saying there is not enough spending, there is not enough spending.

They want to break the cap. They want to spend Social Security surplus. They want more spending. That has been their legacy for nigh on these 30 or 40 years. They want to spend more money. We are keeping fiscal responsibility. We are keeping the balanced budget. We are not going to spend one dime of the Social Security surplus.

Overall, there is only one essential thing to remember about this situation. If my colleagues vote to defeat this rule or offer an amendment that undermines this rule, they are collaborating with the forces for increased spending. Vote for the rule and vote for the bill.

Mr. LINDER. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER pro tempore (Mr. SUNUNU). The question is the resolution.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. HALL of Ohio. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 221, nays 205, not voting 8, as follows:

[Roll No. 369]

YEAS—221

Aderholt	Chambliss	Gibbons
Archer	Chenoweth	Gilchrest
Armey	Coble	Gillmor
Bachus	Collins	Gilman
Baker	Combest	Goode
Ballenger	Cook	Goodlatte
Barr	Cooksey	Goodling
Barrett (NE)	Cox	Goss
Bartlett	Crane	Graham
Barton	Cubin	Granger
Bass	Cunningham	Green (WI)
Bateman	Davis (VA)	Greenwood
Bereuter	DeLay	Gutknecht
Biggert	DeMint	Hansen
Bilirakis	Diaz-Balart	Hastert
Bliley	Dickey	Hastings (WA)
Blunt	Doolittle	Hayes
Boehlert	Dreier	Hayworth
Boehner	Duncan	Hefley
Bonilla	Dunn	Herger
Bono	Ehlers	Hill (MT)
Brady (TX)	Emerson	Hilleary
Bryant	English	Hobson
Burr	Everett	Hoekstra
Burton	Ewing	Horn
Buyer	Fletcher	Hostettler
Callahan	Foley	Houghton
Calvert	Fossella	Hulshof
Camp	Fowler	Hunter
Campbell	Franks (NJ)	Hutchinson
Canady	Frelinghuysen	Hyde
Cannon	Gallegly	Isakson
Castle	Ganske	Istook
Chabot	Gekas	Jenkins

Johnson (CT)
Johnson, Sam
Jones (NC)
Kasich
Kelly
King (NY)
Kingston
Knollenberg
Kolbe
Kucinich
Kuykendall
LaHood
Largent
Latham
LaTourette
Lazio
Leach
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas (OK)
Manzullo
McCollum
McCrery
McHugh
McInnis
McIntosh
McKeon
Metcalf
Mica
Miller (FL)
Miller, Gary
Mollohan
Moran (KS)
Morella
Myrick
Nethercutt
Ney
Northup
Norwood
Nussle
Ose
Oxley
Packard
Paul
Pease
Petri
Pickering
Pitts
Pombo
Porter
Portman
Pryce (OH)
Quinn
Radanovich
Ramstad
Regula
Reynolds
Riley
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Roukema
Royce
Ryan (WI)
Ryun (KS)
Salmon
Sanford
Saxton
Scarborough
Schaffer
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shuster
Simpson
Skeen
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Spence
Stearns
Stump
Sununu
Sweeney
Talent
Tancredo
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Thune
Tiahrt
Toomey
Traficant
Upton
Vitter
Walden
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson
Wolf
Young (AK)
Young (FL)

NAYS—205

Abercrombie
Ackerman
Allen
Andrews
Baird
Baldacci
Baldwin
Barcia
Barrett (WI)
Becerra
Bentsen
Berkley
Berman
Berry
Bishop
Blagojevich
Blumenauer
Bonior
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brown (FL)
Brown (OH)
Capps
Capuano
Cardin
Carson
Clay
Clayton
Clement
Clyburn
Coburn
Condit
Conyers
Costello
Coyne
Cramer
Crowley
Cummings
Danner
Davis (FL)
Davis (IL)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Dixon
Doggett
Dooley
Doyle
Edwards
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Forbes
Ford
Frank (MA)
Frost
Gejdenson
Gephardt
Gonzalez
Gordon
Green (TX)
Gutierrez
Hall (OH)
Hall (TX)
Hastings (FL)
Hill (IN)
Hilliard
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Hooley
Hoyer
Inslee
Jackson (IL)
Jackson-Lee (TX)
John
Johnson, E.B.
Jones (OH)
Kanjorski
Kaptur
Kennedy
Kildee
Kilpatrick
Kind (WI)
Kleczka
Klink
LaFalce
Lampson
Larson
Lee
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Lucas (KY)
Luther
Maloney (CT)
Maloney (NY)
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McGovern
McIntyre
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Millender-McDonald
Miller, George
Minge
Mink
Moakley
Moore
Moran (VA)
Murtha
Nadler
Napolitano
Neal
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Phelps
Pickett
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rivers
Rodriguez
Roemer
Rothman
Roybal-Allard
Rush
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Schakowsky
Scott
Serrano
Sherman
Shows
Sisisky
Skelton
Slaughter
Smith (WA)
Snyder
Spratt
Stabenow
Stark
Stenholm
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thurman
Tierney
Towns
Turner
Udall (CO)
Udall (NM)
Velazquez
Vento
Visclosky
Waters
Watt (NC)
Waxman
Weiner
Wexler
Weygand
Wise
Woolsey
Wu
Wynn

NOT VOTING—8

Bilbray
Deal
Ehrlich
Jefferson
Lantos
McDermott
Peterson (PA)
Thompson (MS)

□ 1246

Mr. CALLAHAN and Mr. SANFORD changed their vote from ''nay'' to ''yea.''

So the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. ROGERS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill (H.R. 2670) making appropriations for the Departments of Commerce, Justice, and State, the Judiciary, and related agencies for the fiscal year ending September 30, 2000, and for other purposes, and that I may include tabular and extraneous material.

The SPEAKER pro tempore (Mr. SUNUNU). Is there objection to the request of the gentleman from Kentucky?

There was no objection.

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS ACT, 2000

The SPEAKER pro tempore. Pursuant to House Resolution 273 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 2670.

□ 1248

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 2670) making appropriations for the Departments of Commerce, Justice, and State, the Judiciary, and related agencies for the fiscal year ending September 30, 2000, and for other purposes, with Mr. HASTINGS of Washington in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Pursuant to the rule, the bill is considered as having been read the first time.

Under the rule, the gentleman from Kentucky (Mr. ROGERS) and the gentleman from New York (Mr. SERRANO) each will control 30 minutes.

The Chair recognizes the gentleman from Kentucky (Mr. ROGERS).

Mr. ROGERS. Mr. Chairman, I yield myself 12 minutes.

Mr. Chairman, H.R. 2670, making appropriations for the Departments of Commerce, Justice, and State, the Judiciary, and related agencies for fiscal year 2000, provides funding for programs whose impact ranges from the safety of people in their homes, to the conduct of diplomacy around the world, to predicting the weather from satellites in outer space.

Mr. Chairman, this bill requires a very delicate balancing of needs and requirements, from ongoing activities and operations of the departments and regulatory agencies, to new areas of concern like preparing to respond to the threat of domestic terrorism or beefing up worldwide security for our embassies overseas, to special funding requirements like the decennial census.

This year, our capacity to respond to all of these needs is tempered by the fiscal restraint under which we are forced to operate. The 1997 budget act for 5 years imposed spending restraints in each of those 5 years, in other words, budget caps, spending caps, beyond which we cannot exceed. We all went home after we passed that Budget Act of 1997, most of us voted for it, both sides of the aisle, and we crowed about how we were saving America's fiscal integrity, and we did.

Mr. Chairman, the piper is at the door waiting to be paid for that party, and this bill represents the piper. This is a very, very austere bill. We are having to live with those budget caps and yet maintain some very, very critical agencies of this government, a little bit like as I told in the full committee, the old drunk back home that was arrested for setting his bed on fire at the rooming house where he lived, he came into court and the judge asked for his plea, and the old fellow said, ''Well, your honor, I plead guilty to being drunk, but that doggone bed was on fire when I got in it.'' I am telling my colleagues that these budget caps are with us. We have to live with it. And we will.

We have had to carefully prioritize the funding in this bill and make very hard judgments about how to spend these limited resources.

The bill before the Committee today recommends a total of $35.8 billion in discretionary funding that comes from three places: $27.1 billion is general purpose discretionary funds; $4.2 billion is from the violent crime trust fund; and $4.5 billion is emergency funding.

Leaving aside the Census, and oh, how I wish I could leave aside the Census, the bill is $833 million below current spending and $1.3 billion below the CBO's freeze level for fiscal year 2000.

For the Department of Justice, the bill provides $18.1 billion, $6 million above current spending. Increases are provided to maintain current operating levels of key law enforcement agencies. FBI, DEA, U.S. Attorneys, U.S. Marshals, U.S. Bureau of Prisons all are maintained at their current operating level. And we address a severe detention space shortfall in the Bureau of Prisons and the INS with this bill.

These increases are offset by a decrease in funding for COPS, from $1.4 billion to $268 million. I would point out that that $268 million is the full authorization level set in law for the final year of the current program. That is all we are allowed by law to appropriate, and we did.

Local law enforcement and criminal justice block grants are maintained at or near last year's level, $1.3 billion more than the administration requested. That assures that your State and local law enforcement agencies, your sheriffs, your police departments, continue to have the resources to fight crime in your districts.

The major program increases in the bill can be counted on two fingers, and they are both in Justice, $100 million for 1,000 new border patrol agents, which the administration refused to request, and $22 million for the Drug Enforcement Administration, equaling the administration's budget request.

I would point out and remind Members that the latest statistics on violent crime in the United States show that America is now suffering the least number of violent crimes since we have been keeping records. I would like to say to my subcommittee members over those years, and the full committee members, and the full Congress, a big thank you on behalf of the American people for staying with funding for these law agencies over these years to enable America now to have the lowest crime rate in recorded history.

For the Immigration and Naturalization Service, we continue to provide resources for the naturalization backlog reduction initiative, for the detention shortfall, and for the border patrol, and we continue to hope against hope that the most mismanaged and unmanageable agency of the Federal Government, the INS, will dig its way out of its continuing state of crisis. They cannot claim money as a cause, because we have given them all the money they can spend and more, to be frank. We have doubled this agency's budget in 5 years, tripled it in the last 10 years, and yet it manages now to perform crisis after crisis.

In the Department of Commerce, we provide full funding for the 2000 decennial census. All the money is there. Every penny that is needed by the Department of Commerce and the Bureau of the Census to conduct the decennial census is in this bill. Make no mistake. For those who have been crying all of these years for adequate funding for the decennial census, and after we had pleaded with the administration to furnish us the dollar figure of the request for a full census, only 7 weeks ago, months and months behind schedule, they finally coughed up the figure. That figure now in this bill, $4.5 billion, is an increase of $3.5 billion over current spending, no restrictions. ''Do the census. You got the money.''

In the rest of the Commerce section, we provide $3.6 billion, which is $500 million below fiscal year 1999. We include current operating levels for the National Weather Service and avert commercial service office closings overseas, which are more than offset by decreases in low priority NOAA programs and the termination of the Advanced Technology Program.

Judiciary, $3.9 billion, an increase of $272 million, maintains current operating levels.

State Department and the Broadcasting Board of Governors, $5.7 billion, $1.3 billion below current appropriations, including emergencies.

We include $568 million, Mr. Chairman, for the costs of worldwide security improvements to our embassies, places where Americans work overseas, and we replace vulnerable embassies started in 1999 with emergency funding.

We include $351 million for the third and final year of U.N. arrears, subject to authorization, the amount agreed to by the White House and Congress in the pending authorization.

It abolishes two agencies, Arms Control and Disarmament Agency, and the U.S. Information Agency. We merge them into the State Department.

□ 1300

Most of the related agencies are frozen at 1999 levels; 141 million for the LSC; for SBA, 734 million, a $15 million increase over fiscal 1999. And we continue our emphasis on funding disaster loans, a function that SBA has continued to raid to fund salaries and expenses over the last 3 years. This is the second year we have been required to send them a message on that issue.

This is the bare bones of the recommendations before my colleagues today. It is based on a freeze with reductions where we could, and increases above fiscal 1999 where needed to maintain operations of critical law enforcement and other agencies. We give no ground on the war on crime and drugs. We provide the resources to State and local law enforcement that has helped bring the violent crime rate down for 5 straight years to its lowest level since Justice began tracking in 1973. We fully fund the 2000 census. We pull our weight with respect to meeting the need for fiscal restraint and more.

Mr. Chairman, this bill represents our best take on matching needs with scarce resources to do the right thing.

I want to thank the ranking minority member, the gentleman from New York (Mr. SERRANO), who has been a very effective and a very valued partner and colleague on this bill. He has been a quick study. He is brand new on the subcommittee and brand new as ranking member, and this is a complicated bill with a lot of coverage, and he has spent a lot of late nights working getting ready for preparing to help bring this bill to the floor. I want to thank him for his good work.

I also want to thank all of the members of the subcommittee: the gentleman from Arizona (Mr. KOLBE), the gentleman from North Carolina (Mr. TAYLOR), the gentleman from Ohio (Mr. REGULA), the gentleman from Iowa (Mr. LATHAM), the gentleman from Florida (Mr. MILLER), the gentleman from Tennessee (Mr. WAMP), the gentleman from California (Mr. DIXON), the gentleman from West Virginia (Mr. MOLLOHAN), and the gentlewoman from California (Ms. ROYBAL-ALLARD) for all of their help and assistance.

And let us take a moment to extend our deepest sympathy to the gentleman from West Virginia (Mr. MOLLOHAN) and his family on the loss of his father who preceded Alan, of course, as a Member of this body and on this subcommittee. Our hearts go out to Alan and all of his family, and I thank him for his valued help in preparing this bill.

Finally, I want to thank my full chairman, the gentleman from Florida (Mr. YOUNG), the ranking member, the gentleman from Wisconsin (Mr. OBEY). They have been marvelous in helping us move this bill forward. We have tried very hard to produce the best bill we possibly could within the resources we had to work with. I think it is a good bill; it is a fair bill. It is austere, but I think it is fair, and I urge all Members to support it.

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS BILL, 2000 (H.R. 2670)
(Amounts in thousands)

	FY 1999 Enacted	FY 2000 Request	Bill	Bill vs. Enacted	Bill vs. Request
TITLE I - DEPARTMENT OF JUSTICE					
General Administration					
Salaries and expenses	79,328	87,534	79,328	.....	-8,206
Narrowband communications	.....	80,000	.....	.....	-80,000
(By transfer)	.....	.....	(101,434)	(+101,434)	(+101,434)
Counterterrorism fund	10,000	27,000	10,000	.....	-17,000
1st Responder grants	135,000	.....	.....	-135,000	.....
Telecommunications carrier compliance fund	.....	7,000	7,000	+7,000	.....
Defense function	.....	8,000	8,000	+8,000	.....
Administrative review and appeals:					
Direct appropriation	75,312	89,901	84,200	+8,888	-5,701
Crime trust fund	59,251	59,251	50,363	-8,888	-8,888
Total, Administrative review and appeals	134,563	149,152	134,563	.....	-14,589
Office of Inspector General	34,175	45,021	42,475	+8,300	-2,546
Total, General administration	393,066	403,707	281,366	-111,700	-122,341
Appropriations	(333,815)	(344,456)	(231,003)	(-102,812)	(-113,453)
Crime trust fund	(59,251)	(59,251)	(50,363)	(-8,888)	(-8,888)
United States Parole Commission					
Salaries and expenses	7,380	8,527	7,380	.....	-1,147
Legal Activities					
General legal activities:					
Direct appropriation	466,540	568,316	355,691	-110,849	-212,625
Crime trust fund	8,160	8,555	147,929	+139,769	+139,374
Total, General legal activities	474,700	576,871	503,620	+28,920	-73,251
Vaccine injury compensation trust fund (permanent)	4,028	4,028	3,424	-604	-604
Antitrust Division	98,267	114,373	105,167	+6,900	-9,206
Offsetting fee collections - carryover	-30,000	-47,799	-47,799	-17,799	.....
Offsetting fee collections - current year	-68,275	-66,574	-57,368	+10,907	+9,206
Direct appropriation	-8	.....	.....	+8	.....
United States Attorneys:					
Direct appropriation	1,009,253	1,217,788	1,161,957	+152,704	-55,831
Crime trust fund	80,698	57,000	.....	-80,698	-57,000
Total, United States Attorneys	1,089,951	1,274,788	1,161,957	+72,006	-112,831
United States Trustee System Fund:					
Current year fee funding	114,248	129,329	108,248	-6,000	-21,081
Fees and interest (legislative proposal)	.....	32,000	6,000	+6,000	-26,000
Total, United States trustee system fund	114,248	161,329	114,248	.....	-47,081
Offsetting fee collections	-114,248	-129,329	-108,248	+6,000	+21,081
Offsetting fee collections - legis. proposal	.....	-32,000	-6,000	-6,000	+26,000
Total, US trustee offsetting fee collections	-114,248	-161,329	-114,248	.....	+47,081
Foreign Claims Settlement Commission	1,227	1,175	1,175	-52	.....
United States Marshals Service:					
Direct appropriation	476,356	543,380	329,289	-147,067	-214,091
Crime trust fund	25,553	26,210	209,620	+184,067	+183,410
Construction	4,600	8,832	4,600	.....	-4,232
Justice prisoner and alien transportation system	.....	.....	.....	.....	.....
Total, United States Marshals Service	506,509	578,422	543,509	+37,000	-34,913
Federal prisoner detention	425,000	550,232	525,000	+100,000	-25,232
Fees and expenses of witnesses	95,000	110,000	95,000	.....	-15,000
Community Relations Service	7,199	10,344	7,199	.....	-3,145
Assets forfeiture fund	23,000	23,000	23,000	.....	.....
Total, Legal activities	2,626,606	3,128,860	2,863,884	+237,278	-264,976
Appropriations	(2,512,195)	(3,037,095)	(2,506,335)	(-5,860)	(-530,760)
Crime trust fund	(114,411)	(91,765)	(357,549)	(+243,138)	(+265,784)
Radiation Exposure Compensation					
Administrative expenses	2,000	2,000	2,000	.....	.....
Payment to radiation exposure compensation trust fund	.....	21,714	.....	.....	-21,714
Total, Radiation Exposure Compensation	2,000	23,714	2,000	.....	-21,714
Interagency Law Enforcement					
Interagency crime and drug enforcement 1/	304,014	.....	316,792	+12,778	+316,792
Federal Bureau of Investigation					
Salaries and expenses	2,396,239	2,742,876	2,064,542	-331,697	-678,334
Counterintelligence and national security	292,473	260,000	292,473	.....	+32,473
FBI Fingerprint identification	47,800	.....	.....	-47,800	.....
Direct appropriation	2,736,512	3,002,876	2,357,015	-379,497	-645,861

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS BILL, 2000 (H.R. 2670)—Continued
(Amounts in thousands)

	FY 1999 Enacted	FY 2000 Request	Bill	Bill vs. Enacted	Bill vs. Request
Crime trust fund	223,356	280,501	752,853	+529,497	+472,352
Subtotal, Salaries and expenses	2,959,868	3,283,377	3,109,868	+150,000	-173,509
Construction	1,287	10,287	1,287		-9,000
Total, Federal Bureau of Investigation	2,961,155	3,293,664	3,111,155	+150,000	-182,509
Appropriations	(2,737,799)	(3,013,163)	(2,358,302)	(-379,497)	(-654,861)
Crime trust fund	(223,356)	(280,501)	(752,853)	(+529,497)	(+472,352)
Salaries and expenses	875,523	1,055,572	1,012,330	+136,807	-43,242
Diversion control fund	-76,710	-80,330	-80,330	-3,620	
Direct appropriation	798,813	975,242	932,000	+133,187	-43,242
Crime trust fund	405,000	405,000	344,250	-60,750	-60,750
Subtotal, Salaries and expenses	1,203,813	1,380,242	1,276,250	+72,437	-103,992
Construction	8,000	8,000	8,000		
Total, Drug Enforcement Administration	1,211,813	1,388,242	1,284,250	+72,437	-103,992
Appropriations	(806,813)	(983,242)	(940,000)	(+133,187)	(-43,242)
Crime trust fund	(405,000)	(405,000)	(344,250)	(-60,750)	(-60,750)
Immigration and Naturalization Service					
Salaries and expenses	1,617,269	2,435,638	1,665,041	+47,772	-770,597
Enforcement and border affairs	(1,069,754)	(1,900,627)	(1,130,030)	(+60,276)	(-770,597)
Citizenship and benefits, immigration support and program direction	(547,515)	(535,011)	(535,011)	(-12,504)	
Crime trust fund	842,490	500,000	1,267,225	+424,735	+767,225
Subtotal, Direct and crime trust fund	2,459,759	2,935,638	2,932,266	+472,507	-3,372
Fee accounts:					
Immigration user fee	(486,071)	(517,800)	(446,151)	(-39,920)	(-71,649)
Land border inspection fund	(3,275)	(6,595)	(6,595)	(+3,320)	
Immigration examinations fund	(635,700)	(688,579)	(712,800)	(+77,100)	(+24,221)
Breached bond fund 2/	(176,950)	(116,900)	(117,501)	(-59,449)	(+601)
Immigration enforcement fines	(4,050)	(3,800)	(1,303)	(-2,747)	(-2,497)
H-1b Visa fees		(1,125)	(1,125)	(+1,125)	
Subtotal, Fee accounts	(1,306,046)	(1,334,799)	(1,285,475)	(-20,571)	(-49,324)
Construction	90,000	99,664	90,000		-9,664
Total, Immigration and Naturalization Service	(3,855,805)	(4,370,101)	(4,307,741)	(+451,936)	(-62,360)
Appropriations	(1,707,269)	(2,535,302)	(1,755,041)	(+47,772)	(-780,261)
Crime trust fund	(842,490)	(500,000)	(1,267,225)	(+424,735)	(+767,225)
(Fee accounts)	(1,306,046)	(1,334,799)	(1,285,475)	(-20,571)	(-49,324)
Federal Prison System					
Salaries and expenses	2,952,154	3,191,928	3,172,004	+219,850	-19,924
Prior year carryover	-90,000	-70,000	-90,000		-20,000
Direct appropriation	2,862,154	3,121,928	3,082,004	+219,850	-39,924
Crime trust fund	26,499	26,499	22,524	-3,975	-3,975
Subtotal, Salaries and expenses	2,888,653	3,148,427	3,104,528	+215,875	-43,899
Buildings and facilities	410,997	558,791	558,791	+147,794	
Federal Prison Industries, Incorporated (limitation on administrative expenses)	3,000	3,429	2,490	-510	-939
Total, Federal Prison System	3,302,650	3,710,647	3,665,809	+363,159	-44,838
Office of Justice Programs					
Justice assistance	147,151	338,648	217,436	+70,285	-121,212
(By transfer)		(7,000)	(7,000)	(+7,000)	
State and local law enforcement assistance:					
Direct appropriations:					
Byrne grants (discretionary)	47,000			-47,000	
Byrne grants (formula)	505,000			-505,000	
Local law enforcement block grant			523,000	+523,000	+523,000
Boys and Girls clubs (earmark)			(40,000)	(+40,000)	(+40,000)
State prison grants			686,500	+686,500	+686,500
State criminal alien assistance program			420,000	+420,000	+420,000
Subtotal, Direct appropriations	552,000		1,629,500	+1,077,500	+1,629,500
Crime trust fund:					
Byrne grants (formula)		400,000	505,000	+505,000	+105,000
Byrne grants (discretionary)		59,950	47,000	+47,000	-12,950
Local law enforcement block grant	523,000			-523,000	
Boys and Girls clubs (earmark)	(40,000)			(-40,000)	
Juvenile crime block grant	250,000		250,000		+250,000
Drug testing and intervention program		100,000			-100,000
Indian tribal courts program	5,000	5,000		-5,000	-5,000
Drug courts	40,000	50,000	40,000		-10,000
Crime identification technology	45,000			-45,000	
State prison grants	720,500	75,000		-720,500	-75,000
State criminal alien assistance program	420,000	500,000		-420,000	-500,000
Violence Against Women grants	282,750	282,750	282,750		

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS BILL, 2000 (H.R. 2670)—Continued
(Amounts in thousands)

	FY 1999 Enacted	FY 2000 Request	Bill	Bill vs. Enacted	Bill vs. Request
State prison drug treatment	63,000	65,100	63,000		-2,100
DNA identification grants	15,000			-15,000	
Certainty of punishment grants		35,000			-35,000
Other crime control programs	5,700	5,700	5,700		
Subtotal, Crime trust fund	2,369,950	1,578,500	1,193,450	-1,176,500	-385,050
Total, State and local law enforcement	2,921,950	1,578,500	2,822,950	-99,000	+1,244,450
Weed and seed program fund	33,500		33,500		+33,500
Crime trust fund		33,500			-33,500
Community oriented policing services:					
Direct appropriations:					
Crime analysis technology		100,000			-100,000
Hiring program			150,000	+150,000	+150,000
School violence			17,500	+17,500	+17,500
Crime identification technology			15,000	+15,000	+15,000
Technology			15,500	+15,500	+15,500
Bulletproof vest grants			25,000	+25,000	+25,000
Subtotal, Direct appropriations		100,000	223,000	+223,000	+123,000
Crime trust fund:					
Hiring program 3/	1,400,000	600,000		-1,400,000	-600,000
Police corps 3/	30,000			-30,000	
Crime identification technology		250,000	45,000	+45,000	-205,000
Community prosecutors		200,000			-200,000
Prevention		125,000			-125,000
Subtotal, Crime trust fund	1,430,000	1,175,000	45,000	-1,385,000	-1,130,000
Total, Community oriented policing services	1,430,000	1,275,000	268,000	-1,162,000	-1,007,000
Juvenile justice programs	284,597	288,597	284,597		-4,000
Public safety officers benefits program:					
Death benefits	31,809	32,541	32,541	+732	
Disability benefits		3,500			-3,500
Total, Public safety officers benefits program	31,809	36,041	32,541	+732	-3,500
Total, Office of Justice Programs	4,849,007	3,550,286	3,659,024	-1,189,983	+108,738
Appropriations	(1,049,057)	(763,286)	(2,420,574)	(+1,371,517)	(+1,657,288)
Crime trust fund	(3,799,950)	(2,787,000)	(1,238,450)	(-2,561,500)	(-1,548,550)
Total, title I, Department of Justice	18,207,450	18,542,949	18,213,926	+6,476	-329,023
Appropriations	(12,736,493)	(14,392,933)	(14,180,712)	(+1,444,219)	(-212,221)
Crime trust fund	(5,470,957)	(4,150,016)	(4,033,214)	(-1,437,743)	(-116,802)
(By transfer)		(7,000)	(108,434)	(+108,434)	(+101,434)
TITLE II - DEPARTMENT OF COMMERCE AND RELATED AGENCIES					
TRADE AND INFRASTRUCTURE DEVELOPMENT					
Office of the United States Trade Representative					
Salaries and expenses	24,200	26,501	25,205	+1,005	-1,296
Supplemental appropriations (P.L. 106-31)	1,300			-1,300	
International Trade Commission					
Salaries and expenses	44,495	47,200	44,495		-2,705
Total, Related agencies	69,995	73,701	69,700	-295	-4,001
DEPARTMENT OF COMMERCE					
International Trade Administration					
Operations and administration	286,264	308,431	298,236	+11,972	-10,195
Offsetting fee collections	-1,600	-3,000	-3,000	-1,400	
Direct appropriation	284,664	305,431	295,236	+10,572	-10,195
Export Administration					
Operations and administration	50,454	58,578	47,650	-2,804	-10,928
CWC enforcement	1,877	1,877	1,877		
Total, Export Administration	52,331	60,455	49,527	-2,804	-10,928
Economic Development Administration					
Economic development assistance programs	368,379	364,379	364,379	-4,000	
Salaries and expenses	24,000	28,971	24,000		-4,971
Total, Economic Development Administration	392,379	393,350	388,379	-4,000	-4,971

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS BILL, 2000 (H.R. 2670)—Continued
(Amounts in thousands)

	FY 1999 Enacted	FY 2000 Request	Bill	Bill vs. Enacted	Bill vs. Request
Minority Business Development Agency					
Minority business development	27,000	27,627	27,000		-627
Total, Trade and Infrastructure Development	826,369	860,564	829,842	+3,473	-30,722
ECONOMIC AND INFORMATION INFRASTRUCTURE					
Economic and Statistical Analysis					
Salaries and expenses	48,490	55,123	48,490		-6,633
Bureau of the Census					
Salaries and expenses	136,147	156,944	136,147		-20,797
Periodic censuses and programs	1,186,902	4,637,754	142,320	-1,044,582	-4,495,434
Supplemental appropriations (P.L. 106-31)	44,900			-44,900	
Emergency appropriations			4,476,253	+4,476,253	+4,476,253
Total, Bureau of the Census	1,367,949	4,794,698	4,754,720	+3,386,771	-39,978
National Telecommunications and Information Administration					
Salaries and expenses	10,940	17,212	10,940		-6,272
Public telecommunications facilities, planning and construction	21,000	35,055	18,000	-3,000	-17,055
Advance appropriations, FY 2001 - 2003		299,000			-299,000
Information infrastructure grants	18,000	20,102	13,000	-5,000	-7,102
Total, National Telecommunications and Information Administration	49,940	371,369	41,940	-8,000	-329,429
Patent and Trademark Office					
Current year fee funding	643,026	785,976	735,538	+92,512	-50,438
Prior year fee funding	71,000			-71,000	
(Prior year carryover)	(40,500)	(115,774)	(116,000)	(+75,500)	(+226)
Rescission	-71,000			+71,000	
Subtotal	(683,526)	(901,750)	(851,538)	(+168,012)	(-50,212)
Legislative proposal fees	102,000	20,000		-102,000	-20,000
Total, Patent and Trademark Office	(785,526)	(921,750)	(851,538)	(+66,012)	(-70,212)
Offsetting fee collections	-643,026	-785,976	-785,976	-142,950	
Offsetting fee collections - legis. proposal	-102,000	-20,000		+102,000	+20,000
Total, PTO offsetting fee collections	-745,026	-805,976	-785,976	-40,950	+20,000
Total, Economic and Information Infrastructure	1,466,379	5,221,190	4,794,712	+3,328,333	-426,478
SCIENCE AND TECHNOLOGY					
Technology Administration					
Under Secretary for Technology/ Office of Technology Policy					
Salaries and expenses	9,495	8,972	7,972	-1,523	-1,000
National Institute of Standards and Technology					
Scientific and technical research and services	280,136	289,622	280,136		-9,486
Industrial technology services	310,300	338,536	99,836	-210,464	-238,700
Construction of research facilities	56,714	106,798	56,714		-50,084
NTIS revolving fund		2,000			-2,000
Total, National Institute of Standards and Technology	647,150	736,956	436,686	-210,464	-300,270
National Oceanic and Atmospheric Administration					
Operations, research, and facilities	1,579,844	1,738,911	1,477,738	-102,106	-261,173
Offsetting collections (fisheries) (proposed)		-20,000			+20,000
Offsetting collections (navigations) (proposed)		-14,000			+14,000
Supplemental appropriations (P.L. 106-31)	1,880			-1,880	
Direct appropriation	1,581,724	1,704,911	1,477,738	-103,986	-227,173
(By transfer from Promote and Develop Fund)	(63,381)	(64,926)	(67,226)	(+3,845)	(+2,300)
(By transfer from Damage assessment and restoration revolving fund, permanent)	5,000			-5,000	
(Damage assessment and restoration revolving fund)	-5,000			+5,000	
(By transfer from Coastal zone management)		4,000			-4,000
Total, Operations, research and facilities	1,581,724	1,708,911	1,477,738	-103,986	-231,173
Procurement, acquisition and construction	584,677	630,578	480,720	-103,957	-149,858
Advance appropriations, FY 2001 - 2018		5,363,345			-5,363,345
Pacific coastal salmon recovery		160,000			-160,000
Coastal zone management fund	4,000		4,000		+4,000
Mandatory offset	-4,000	-4,000	-4,000		
Fishermen's contingency fund	953	953	953		
Foreign fishing observer fund	189	189	189		

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS BILL, 2000 (H.R. 2670)—Continued
(Amounts in thousands)

	FY 1999 Enacted	FY 2000 Request	Bill	Bill vs. Enacted	Bill vs. Request
Fisheries finance program account	338	10,258	238	-100	-10,020
Total, National Oceanic and Atmospheric Administration	2,167,881	7,870,234	1,959,838	-208,043	-5,910,396
Appropriations	(2,167,881)	(2,506,889)	(1,959,838)	(-208,043)	(-547,051)
Advance appropriations	.....	(5,363,345)	.....	.....	(-5,363,345)
Total, Science and Technology	2,824,526	8,616,162	2,404,496	-420,030	-6,211,666
General Administration					
Salaries and expenses	30,000	34,046	30,000	.....	-4,046
Office of Inspector General	21,000	23,454	22,000	+1,000	-1,454
Total, General administration	51,000	57,500	52,000	+1,000	-5,500
National Oceanic and Atmospheric Administration					
Fisheries promotional fund (rescission)	.....	-1,187	-1,187	-1,187	.....
Total, Department of Commerce	5,098,279	14,680,528	8,010,163	+2,911,884	-6,670,365
Appropriations	(5,169,279)	(9,019,370)	(3,535,097)	(-1,634,182)	(-5,484,273)
Emergency appropriations	.....	.....	(4,476,253)	(+4,476,253)	(+4,476,253)
Rescissions	(-71,000)	(-1,187)	(-1,187)	(+69,813)	.....
Advance appropriations	.....	(5,662,345)	.....	.....	(-5,662,345)
Total, title II, Department of Commerce and related agencies	5,168,274	14,754,229	8,079,863	+2,911,589	-6,674,366
Appropriations	(5,239,274)	(9,093,071)	(3,604,797)	(-1,634,477)	(-5,488,274)
Emergency appropriations	.....	.....	(4,476,253)	(+4,476,253)	(+4,476,253)
Rescissions	(-71,000)	(-1,187)	(-1,187)	(+69,813)	.....
Advance appropriations	.....	(5,662,345)	.....	.....	(-5,662,345)
(By transfer)	(63,381)	(64,926)	(67,226)	(+3,845)	(+2,300)
TITLE III - THE JUDICIARY					
Supreme Court of the United States					
Salaries and expenses:					
Salaries of justices	1,690	1,698	1,698	+8	.....
Other salaries and expenses	29,369	34,241	33,343	+3,974	-898
Supplemental appropriations (P.L. 106-31)	921	.....	.....	-921	.....
Total, Salaries and expenses	31,980	35,939	35,041	+3,061	-898
Care of the building and grounds	5,400	22,658	6,872	+1,472	-15,786
Total, Supreme Court of the United States	37,380	58,597	41,913	+4,533	-16,684
United States Court of Appeals for the Federal Circuit					
Salaries and expenses:					
Salaries of judges	1,943	1,945	1,945	+2	.....
Other salaries and expenses	14,158	15,691	14,156	-2	-1,535
Total, Salaries and expenses	16,101	17,636	16,101	.....	-1,535
United States Court of International Trade					
Salaries and expenses:					
Salaries of judges	1,506	1,525	1,525	+19	.....
Other salaries and expenses	10,298	10,621	10,279	-19	-342
Total, Salaries and expenses	11,804	12,146	11,804	.....	-342
Courts of Appeals, District Courts, and Other Judicial Services					
Salaries and expenses:					
Salaries of judges and bankruptcy judges	238,329	240,375	240,375	+2,046	.....
Other salaries and expenses	2,583,492	2,979,551	2,693,763	+110,271	-285,788
Direct appropriation	2,821,821	3,219,926	2,934,138	+112,317	-285,788
Crime trust fund	10,164	29,395	156,539	+146,375	+127,144
Total, Salaries and expenses	2,831,985	3,249,321	3,090,677	+258,692	-158,644
Vaccine Injury Compensation Trust Fund	2,515	2,581	2,138	-377	-443
Defender services	360,952	374,839	361,548	+596	-13,291
Crime trust fund	30,879	36,605	26,247	-4,632	-10,358
Fees of jurors and commissioners	66,861	69,510	63,400	-3,461	-6,110
Court security	174,569	206,012	190,029	+15,460	-15,983
Total, Courts of Appeals, District Courts, and Other Judicial Services	3,467,761	3,938,868	3,734,039	+266,278	-204,829
Administrative Office of the United States Courts					
Salaries and expenses	54,500	58,428	54,500	.....	-3,928
Federal Judicial Center					
Salaries and expenses	17,716	18,997	17,716	.....	-1,281
Judicial Retirement Funds					
Payment to Judiciary Trust Funds	37,300	39,700	39,700	+2,400	.....

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS BILL, 2000 (H.R. 2670)—Continued
(Amounts in thousands)

	FY 1999 Enacted	FY 2000 Request	Bill	Bill vs. Enacted	Bill vs. Request
United States Sentencing Commission					
Salaries and expenses	9,487	10,600	8,500	-987	-2,100
General Provisions					
Judges pay raise (sec. 304)		9,000			-9,000
Total, title III, the Judiciary	3,652,049	4,163,972	3,924,273	+272,224	-239,699
Appropriations	(3,611,006)	(4,097,972)	(3,741,487)	(+130,481)	(-356,485)
Crime trust fund	(41,043)	(66,000)	(182,786)	(+141,743)	(+116,786)
TITLE IV - DEPARTMENT OF STATE					
Administration of Foreign Affairs					
Diplomatic and consular programs 4/	1,644,300	2,838,934	2,482,825	+838,525	-356,109
Worldwide security upgrade			254,000	+254,000	+254,000
Total, Diplomatic and consular programs	1,644,300	2,838,934	2,736,825	+1,092,525	-102,109
Salaries and expenses	355,000			-355,000	
Capital investment fund	80,000	90,000	80,000		-10,000
Office of Inspector General	27,495	30,054	28,495	+1,000	-1,559
Educational and cultural exchange programs		210,329	175,000	+175,000	-35,329
Representation allowances	4,350	5,850	4,350		-1,500
Protection of foreign missions and officials	8,100	9,490	8,100		-1,390
Security and maintenance of United States missions	403,561	747,683	403,561		-344,122
Worldwide security upgrade			313,617	+313,617	+313,617
Advance appropriations, FY 2001 - 2005		3,600,000			-3,600,000
Emergencies in the diplomatic and consular service	5,500	17,000	5,500		-11,500
(By transfer)	(4,000)	(4,000)	(4,000)		
Commission on Holocaust Assets in U.S. (by transfer)	(2,000)	(1,162)	(1,162)	(-838)	
Repatriation Loans Program Account:					
Direct loans subsidy	593	593	593		
Administrative expenses	607	607	607		
(By transfer)	(1,000)	(1,000)	(1,000)		
Total, Repatriation loans program account	1,200	1,200	1,200		
Payment to the American Institute in Taiwan	14,750	15,760	14,750		-1,010
Payment to the Foreign Service Retirement and Disability Fund	132,500	128,541	128,541	-3,959	
Total, Administration of Foreign Affairs	2,676,756	7,694,841	3,899,939	+1,223,183	-3,794,902
Appropriations	(2,676,756)	(4,094,841)	(3,899,939)	(+1,223,183)	(-194,902)
Advance appropriations		(3,600,000)			(-3,600,000)
International Organizations and Conferences					
Contributions to international organizations, current year assessment	922,000	963,308	842,937	-79,063	-120,371
Contributions for international peacekeeping activities, current year	231,000	235,000	200,000	-31,000	-35,000
Arrearage payments	475,000	446,000	351,000	-124,000	-95,000
International conferences and contingencies (by transfer)	(16,223)			(-16,223)	
Total, International Organizations and Conferences	1,628,000	1,644,308	1,393,937	-234,063	-250,371
International Commissions					
International Boundary and Water Commission, United States and Mexico:					
Salaries and expenses	19,551	20,413	19,551		-862
Construction	5,939	8,435	5,750	-189	-2,685
American sections, international commissions	5,733	6,493	5,733		-760
International fisheries commissions	14,549	16,702	14,549		-2,153
Total, International commissions	45,772	52,043	45,583	-189	-6,460
Other					
Payment to the Asia Foundation	8,250	15,000	8,000	-250	-7,000
Eisenhower Exchange Fellowship Program, trust fund		525	525	+525	
Israeli Arab scholarship program		350	350	+350	
East-West Center		12,500			-12,500
North/South Center		2,500			-2,500
National Endowment for Democracy		32,000	31,000	+31,000	-1,000
Total, Department of State	4,358,778	9,454,067	5,379,334	+1,020,556	-4,074,733
Appropriations	(4,358,778)	(5,854,067)	(5,379,334)	(+1,020,556)	(-474,733)
Advance appropriations		(3,600,000)			(-3,600,000)
RELATED AGENCIES					
Arms Control and Disarmament Agency					
Arms control and disarmament activities	41,500			-41,500	
United States Information Agency					
International information programs	455,246			-455,246	
Technology fund (by transfer)	(2,000)			(-2,000)	
Educational and cultural exchange programs	202,500			-202,500	
Eisenhower Exchange Fellowship Program, trust fund	525			-525	
Israeli Arab scholarship program	350			-350	
International Broadcasting Operations	362,365			-362,365	

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS BILL, 2000 (H.R. 2670)—Continued
(Amounts in thousands)

	FY 1999 Enacted	FY 2000 Request	Bill	Bill vs. Enacted	Bill vs. Request
Broadcasting to Cuba (direct)	22,095			-22,095	
Radio construction	13,245			-13,245	
East-West Center	12,500			-12,500	
North/South Center	1,750			-1,750	
National Endowment for Democracy	31,000			-31,000	
Total, United States Information Agency	1,101,576			-1,101,576	
Broadcasting Board of Governors					
International Broadcasting Operations		431,722	410,404	+410,404	-21,318
Broadcasting capital improvements		20,868	11,258	+11,258	-9,610
Total, Broadcasting Board of Governors		452,590	421,662	+421,662	-30,928
Total, related agencies	1,143,076	452,590	421,662	-721,414	-30,928
Total, title IV, Department of State	5,501,854	9,906,657	5,800,996	+299,142	-4,105,661
Appropriations	(5,501,854)	(6,306,657)	(5,800,996)	(+299,142)	(-505,661)
Advance appropriations		(3,600,000)			(-3,600,000)
(By transfer)	(25,223)	(6,162)	(6,162)	(-19,061)	
TITLE V - RELATED AGENCIES					
DEPARTMENT OF TRANSPORTATION					
Maritime Administration					
Maritime Security Program	89,650	98,700	98,700	+9,050	
Operations and training	69,303	72,164	69,303		-2,861
Maritime Guaranteed Loan (Title XI) Program Account:					
Guaranteed loans subsidy	6,000	6,000	5,400	-600	-600
Administrative expenses	3,725	3,893	3,725		-168
Total, Maritime guaranteed loan program account	9,725	9,893	9,125	-600	-768
Total, Maritime Administration	168,678	180,757	177,128	+8,450	-3,629
Census Monitoring Board					
Salaries and expenses		4,000			-4,000
Commission for the Preservation of America's Heritage Abroad					
Salaries and expenses	265	265	265		
Commission on Civil Rights					
Salaries and expenses	8,900	11,000	8,900		-2,100
Commission on Security and Cooperation in Europe					
Salaries and expenses	1,170	1,250	1,170		-80
Equal Employment Opportunity Commission					
Salaries and expenses	279,000	312,000	279,000		-33,000
Federal Communications Commission					
Salaries and expenses	192,000	230,887	192,000		-38,887
Offsetting fee collections - current year	-172,523	-185,754	-185,754	-13,231	
Direct appropriation	19,477	45,133	6,246	-13,231	-38,887
Federal Maritime Commission					
Salaries and expenses	14,150	15,300	14,150		-1,150
Federal Trade Commission					
Salaries and expenses	116,679	133,368	116,679		-16,689
Offsetting fee collections - carryover	-30,000	-39,472	-39,472	-9,472	
Offsetting fee collections - current year	-76,500	-93,896	-77,207	-707	+16,689
Direct appropriation	10,179			-10,179	
Legal Services Corporation					
Payment to the Legal Services Corporation	300,000	340,000	141,000	-159,000	-199,000
Marine Mammal Commission					
Salaries and expenses	1,240	1,300	1,240		-60
Ocean Policy Commission					
Salaries and expenses	3,500			-3,500	
Securities and Exchange Commission					
Salaries and expenses	23,000			-23,000	
Current year fees	214,000	230,000	193,200	-20,800	-36,800
1998 fees	87,000	130,800	130,800	+43,800	
Direct appropriation	324,000	360,800	324,000		-36,800

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS BILL, 2000 (H.R. 2670)—Continued
(Amounts in thousands)

	FY 1999 Enacted	FY 2000 Request	Bill	Bill vs. Enacted	Bill vs. Request
Small Business Administration					
Salaries and expenses	288,300	263,000	245,500	-42,800	-17,500
Office of Inspector General	10,800	11,000	10,800		-200
Business Loans Program Account:					
Direct loans subsidy	2,200	4,000	762	-1,438	-3,238
Guaranteed loans subsidy	128,030	144,368	128,030		-16,338
Administrative expenses	94,000	131,000	94,000		-37,000
Total, Business loans program account	224,230	279,368	222,792	-1,438	-56,576
Disaster Loans Program Account:					
Direct loans subsidy	76,329	39,400	139,400	+63,071	+100,000
Contingent emergency appropriations		158,000			-158,000
Administrative expenses	116,000	86,000	116,000		+30,000
Contingent emergency appropriations		75,000			-75,000
Total, Disaster loans program account	192,329	358,400	255,400	+63,071	-103,000
Surety bond guarantees revolving fund	3,300			-3,300	
Total, Small Business Administration	718,959	911,768	734,492	+15,533	-177,276
State Justice Institute					
Salaries and expenses 5/	6,850	15,000		-6,850	-15,000
Total, title V, Related agencies	1,856,368	2,198,573	1,687,591	-168,777	-510,982
Appropriations	(1,856,368)	(1,965,573)	(1,687,591)	(-168,777)	(-277,982)
Contingent emergency appropriations		(233,000)			(-233,000)
TITLE VII - RESCISSIONS					
DEPARTMENT OF JUSTICE					
General Administration					
Working capital fund (rescission)	-99,000			+99,000	
Legal Activities					
Assets forfeiture fund (rescission)	-2,000			+2,000	
Federal Bureau of Investigation					
FY 1998 FBI construction (rescission)	-4,000			+4,000	
No Year FBI salaries and expenses (rescission)	-6,400			+6,400	
FY 1996 VCRP (rescission)	-2,000			+2,000	
FY 1997 VCRP (rescission)	-300			+300	
Total, Federal Bureau of Investigation	-12,700			+12,700	
Immigration and Naturalization Service					
Immigration emergency fund (rescission)	-5,000		-1,137	+3,863	-1,137
DEPARTMENT OF COMMERCE					
FY 1998 Commerce (rescission)	-2,090			+2,090	
National Institute of Standards and Technology					
Industrial technology services (rescission)	-6,000			+6,000	
National Oceanic and Atmospheric Administration					
Operations, research and facilities (rescission of emergency appropriations)		-3,400			+3,400
DEPARTMENT OF STATE AND RELATED AGENCIES					
DEPARTMENT OF STATE					
United States Information Agency					
Buying power maintenance (rescission)	-20,000			+20,000	
Broadcasting Board of Governors					
International broadcasting operations (rescission)			-14,829	-14,829	-14,829
RELATED AGENCY					
DEPARTMENT OF TRANSPORTATION					
Maritime Administration					
Ship construction fund (rescission)	-17,000			+17,000	
Small Business Administration					
Business Loans Program Account:					
Guaranteed loans subsidy (rescission)			-12,400	-12,400	-12,400
Total, title VII, Rescissions	-163,790	-3,400	-28,366	+135,424	-24,966
Rescissions	(-163,790)		(-28,366)	(+135,424)	(-28,366)
Rescission of emergency appropriations		(-3,400)			(+3,400)

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS BILL, 2000 (H.R. 2670)—Continued
(Amounts in thousands)

	FY 1999 Enacted	FY 2000 Request	Bill	Bill vs. Enacted	Bill vs. Request
TITLE VIII - OTHER APPROPRIATIONS					
DEPARTMENT OF JUSTICE					
Federal Bureau of Investigation					
Salaries and expenses	21,680			-21,680	
Drug Enforcement Administration					
Salaries and expenses	10,200			-10,200	
Immigration and Naturalization Service					
Salaries and expenses	10,000			-10,000	
Border affairs	80,000			-80,000	
Department of Justice (Y2K conversion)	84,396			-84,396	
Total, Department of Justice	206,276			-206,276	
DEPARTMENT OF COMMERCE AND RELATED AGENCIES					
National Oceanic and Atmospheric Administration					
Operations, research, and facilities	5,000			-5,000	
Department of Commerce (Y2K conversion)	57,920			-57,920	
Total, Department of Commerce	62,920			-62,920	
THE JUDICIARY					
Judicial information technology fund (Y2K conversion)	13,044			-13,044	
DEPARTMENT OF STATE					
Administration of Foreign Affairs					
Diplomatic and consular programs	790,771			-790,771	
Salaries and expenses	12,000			-12,000	
Office of Inspector General	1,000			-1,000	
Security and maintenance of United States missions	677,500			-677,500	
Emergencies in the diplomatic and consular service	12,929			-12,929	
Department of State (Y2K conversion)	64,918			-64,918	
Total, Department of State	1,559,118			-1,559,118	
RELATED AGENCIES					
Small Business Administration					
Disaster Loans Program Account:					
Direct loans subsidy	71,000			-71,000	
Administrative expenses	30,000			-30,000	
Total, Disaster loans program account	101,000			-101,000	
Small Business Administration (Y2K conversion)	4,840			-4,840	
Total, Small Business Administration	105,840			-105,840	
DEPARTMENT OF TRANSPORTATION					
Maritime Administration (Y2K conversion)	530			-530	
Federal Communications Commission (Y2K conversion)	8,516			-8,516	
Federal Trade Commission (Y2K conversion)	550			-550	
Marine Mammal Commission (Y2K conversion)	38			-38	
Office of the US Trade Representative (Y2K conversion)	498			-498	
Securities and Exchange Commission (Y2K conversion)	8,175			-8,175	
United States Information Agency (Y2K conversion)	9,562			-9,562	
Total, title VIII, emergency appropriations	1,975,067			-1,975,067	
Grand total:					
New budget (obligational) authority	36,197,272	49,562,980	37,678,283	+1,481,011	-11,884,697
Appropriations	(28,944,995)	(35,856,206)	(29,015,583)	(+70,588)	(-6,840,623)
Emergency appropriations	(1,975,067)		(4,476,253)	(+2,501,186)	(+4,476,253)
Contingent emergency appropriations		(233,000)			(-233,000)
Advance appropriations		(9,262,345)			(-9,262,345)
Rescissions	(-234,790)	(-1,187)	(-29,553)	(+205,237)	(-28,366)
Rescission of emergency appropriations		(-3,400)			(+3,400)
Crime trust fund	(5,512,000)	(4,216,016)	(4,216,000)	(-1,296,000)	(-16)
(By transfer)	(88,804)	(78,088)	(181,822)	(+93,218)	(+103,734)

1/ The Administration's request proposes to eliminate this account and distribute the funding to GLA, US Attorneys, US Marshals, FBI, DEA and INS.

2/ The Administration's June 8, 1999 budget amendment proposes to reinstate the 245(i) adjustment of status fee, which would increase receipts in the Breached Bond Fund by $110 million.

3/ The President's request includes $30 million for the Police Corps within the hiring program.

4/ As a result of the Foreign Affairs Reform and Restructuring Act of 1998 and other changes, the amounts requested and recommended in FY 2000 include amounts appropriated separately in previous fiscal years for State Department, USIA and ACDA salaries and expenses.

5/ The President's budget proposed $5 million for State Justice Institute.

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

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

Mr. Chairman, today we take up H.R. 2670, the bill making appropriations for the Departments of Commerce, Justice and State, the Judiciary, and several related agencies. It has been a great personal pleasure for me to work with our chairman, the gentleman from Kentucky (Mr. ROGERS) and with the other members of the subcommittee. Special thanks also to my ranking member, the gentleman from Wisconsin (Mr. OBEY).

The gentleman from Kentucky's (Mr. ROGERS) many years on this subcommittee have given him tremendous knowledge, both broad and deep, of the wide variety of topics under the subcommittee's jurisdiction. His stewardship of the subcommittee is marked by his fairness and attentiveness to the interests and concerns of Members. I have also benefited greatly from the guidance of the former chairman and ranking Democrat of the subcommittee, the gentleman from West Virginia (Mr. MOLLOHAN), who has spent so many years on this bill. I know all my colleagues join me and the gentleman from Kentucky (Mr. ROGERS) in sending their condolences to Alan and his family on the loss of his father, Robert Mollohan, who served with such distinction in this body.

I must also say a word about our very professional and able staff who have worked long and hard, including nights and weekends, to get us to the floor so quickly after the decision on offsets. More on that later. They enabled us to begin putting a bill together. Since we are on first-name basis, I will do it this way. On the majority side they are Jim and Jennifer, Mike and Cordia and Christine, with Kevin and Jason from the office of the gentleman from Kentucky (Mr. ROGERS). On our side we have Sally and Pat, who have done just tremendous work on my behalf, and of course all of my personal staff under the leadership of Lucy Hand.

As my colleagues know, Mr. Chairman, this year I was catapulted from not on the subcommittee at all to ranking Democrat. Learning this large and challenging bill practically from scratch has made this an interesting and educational year for me.

As the chairman has explained, the bill includes budget authority of about $35.7 billion. This is certainly much better than our initial 302(b) allocation, but it is still about $3 billion short, below the budget request. The manner in which the chairman allocated funds among the major accounts was for the most part fair and evenhanded, and I applaud his efforts to minimize staff cuts and facility closings.

But the bill still has problems. The biggest problem is simply the inadequacy of the subcommittee's allocation. This bill underfunds important programs. It does not fund important Member and administration initiatives, and still has to use gimmicks to stay under the allocation. It is ironic that House and Senate Republicans pointed to forecasts of huge on-budget surpluses to justify passing their bills to make massive backloaded tax cuts; but forecasts of future economic activities are unreliable at best, and, more important, the surpluses mostly depend on Congress sticking with the deepening appropriations cuts enacted in the Balanced Budget Act, which, incidentally, I did not support. The gimmicks used to make this bill look as if it is under the FY2000 cap show how unlikely it is that these spending cuts will materialize over the next decade.

The main gimmick, of course, is the emergency designation for the census. This provision, imposed on the committee by the Republican leadership, is a misuse of the emergency designation; we have known that a census would be required in 2000 for about 200 years. It also means spending the Social Security surplus.

On more specific provisions, the bill provides the Census Bureau with the resources it needs to do the 2000 census and the necessary quality checks on it. This is a tremendous accomplishment, and I am very proud of the work that both sides of the aisle did on this.

While I am pleased that the bill includes funding for the U.N. arrears, I am very concerned that the bill underfunds our U.N. accounts. This may cost us our vote in the General Assembly and, with it, any leverage we might hope to exercise over management and budget reforms at the U.N. The bill is $95 million short of the request for arrears, creates new arrears by cutting funding for peacekeeping, and conditions $100 million of our payments on a time-consuming certification process. But if we do not pay the U.N. $352 million by December 31, our General Assembly vote will automatically, and we mean automatically, be lost.

The most troubling shortfall and the major exception to the relatively evenhanded treatment of other agencies is the real cut to SBA salaries and expenses, which would have a drastic impact on the agency. If enacted, the SBA estimates it would require a reduction in force of 2,400 employees or 75 percent of SBA's work force. Apart from effectively closing down activities vital to our Nation's small businesses, it would also hamper SBA's ability to monitor a loan portfolio totaling $45 billion. By the end of this process, this devastating cut must be restored.

The Legal Services Corporation, too, was grossly underfunded in what has become an annual ritual. The bill provides only $141 million, less than half of last year's level, and 200 million below the President's request. Each year for the last 3 or 4 years this level has been proposed, and each year there has been an amendment raising the level to $250 million or so. And so it will be again this year.

Other important examples of underfunding includes the COPS program, over $1 billion under the request; the Equal Employment Opportunity Commission, frozen at $33 million below the request; the Civil Rights Commission, also frozen at $2 million below the request; the National Oceanic and Atmospheric Administration, half a billion under the request; and the State Department, half a billion under the request.

Unfunded initiatives include the 21st century policing initiative or COPS II, the anti-drug initiative on the State or local law enforcement, efforts to combat terrorism and cybercrime, the advanced technology program, the new markets initiative, the Lands Legacy initiative, the tobacco lawsuit, and the Pacific Salmon Recovery initiative.

Mr. Chairman, in closing I think the gentleman from Kentucky (Mr. ROGERS) has generally done a good job distributing funds within a much too small allocation. The meager size of the bill and the programs and initiatives that cannot be fully funded within the total remain problems, and the administration has raised serious concerns with the bill, many of which I have mentioned, and has suggested that it would be vetoed in its present form.

However, Mr. Chairman, I look forward to working with my chairman to address these problems. I am hopeful that by the time we bring a conference report to the floor we will have more money to work with so that we can restore much-needed resources to the important programs in this bill and to accommodate requests for important initiatives.

Let me say, so that I am clear, that this is so important to me that I am giving my vote to this bill in support of the chairman's desire to make this a better bill. I cannot account for the rest of my Members who may feel that this bill, as it stands, will not get any better, and we will see quite a large number of Members voting against it. I personally will vote for it in the hope that we can achieve our objectives. If we cannot achieve the improvements that I hope for, I will oppose the conference report. If the President vetoes the bill, I will vote to sustain his veto. But for now I choose to move the process along, and I will support H.R. 2670.

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

Mr. ROGERS. Mr. Chairman I yield such time as he may consume to the gentleman from Florida (Mr. YOUNGC), the very effective chairman of the full committee who has done a wonderful job this year bringing these bills to the floor.

Mr. YOUNG of Florida. Mr. Chairman, I rise in support of the bill and to pay a special tribute to the gentleman from Kentucky (Mr. ROGERS) and the gentleman from New York (Mr. SERRANO), the ranking member, because as we get to the end of the appropriations process for the 13 regular bills, the job gets a little more difficult, and they have done a really outstanding job in bringing us a bill that we should pass here.

The gentleman from New York (Mr. SERRANO) mentioned he wants to make it a better bill. He will be an important member of the conference committee as will the gentleman from Kentucky (Mr. ROGERS) who will chair the conference committee.

But they have got a good bill now. Could they use more money? Why sure. Back in our homes we could all use more money, at least most of us could. And in our businesses, we all could use more money. The government loves to have more money.

But we took on the responsibility of trying to stay within the budget cap, at least balance the budget and stay at or below last year's level, and that is what the gentleman from Kentucky (Mr. ROGERS) has been able to accomplish. I know there are some disagreements and some differences in how we got where we are, but let me tell my colleagues where we are.

First off, Mr. Chairman, members of the Committee on Appropriations really have a special responsibility to this House and to the Nation. Of all the legislation that we consider in this House, the only bills that really have to pass, that must pass, are the appropriation bills, and the appropriators have recognized that responsibility, and I am happy to report that as we pass this bill today, we will have passed through the House 11 of the 13 regular appropriations bills.

The 13th bill we had put off by agreement until we resume our sitting in September, and the VA–HUD bill that we were scheduled to consider on tomorrow, we have delayed consideration out of respect for our colleague, the gentleman from West Virginia (Mr. MOLLOHAN) due to the loss of his father yesterday. So we will put off that bill until we reconvene in September.

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We will have done 11 regular bills before we break for the recess. We have done two supplementals. We will have done two conference reports by the time we pass this bill today. So 11 plus 2 is 13, plus 2 more is 15 important measures that the appropriators have brought to this House and passed through this House.

We also expect, Mr. Chairman, to have 3 more conference reports ready on regular bills before this week is over.

We have done a good job. There have been some disagreements, some in subcommittee, some in full committee, some on the floor. But, Mr. Chairman, this committee has had to consider, and I want all Members to pay attention to this, this committee has had to consider requests from Members, and Members have every right to come to this body to represent their districts and to represent what they believe is right for America, for some $80 billion in requests to add money over the budget. In most of those cases, while most of them were good projects that should have been considered, we did not have the money to fund them.

Despite the fact we had to say no to an awful lot of Members because we did not have the money to fund the program that they wanted to fund exactly the way they wanted it, and again I want all Members to listen to this, Mr. Chairman, the Transportation appropriations bill passed with a vote of 429 to 3; the Energy and Water appropriations bill passed with a vote of 420 to 8; the Military Construction appropriations bill passed with a vote of 418 to 4; the Defense appropriations bill passed with a vote of 379 to 45; the Interior appropriations bill passed with a vote of 377 to 47; the District of Columbia appropriations bill passed with a vote of 333 to 92; and the list goes on. The bills have been receiving great bipartisan support.

The appropriators have done a good job, have brought good appropriations bills at or below last year's level, which is the first time that has happened, except for national defense, where we did have increases that were necessary because of the many, many deployments that our troops have been required to conduct in the last 6 or 7 years.

So I support this bill. It is a good bill. I understand that in conference the gentleman from New York (Mr. SERRANO) will have an opportunity to work further on the bill, but with the leadership of the gentleman from Kentucky (Chairman ROGERS) and the tremendous staff that we have on this subcommittee, I am satisfied that the end result will be a product that most of us can support.

Mr. SERRANO. Mr. Chairman, I yield 5 minutes to the gentleman from Wisconsin (Mr. OBEY), the distinguished ranking member of the committee.

Mr. OBEY. Mr. Chairman, I thank the gentleman for yielding me time.

Mr. Chairman, let me say the remarks that I will make are in no way intended to criticize either the distinguished chairman of the subcommittee or the distinguished ranking member. They have both done the best job they can under the circumstances. The problem is that the circumstances are ridiculous.

Let me cite first my concerns with the specifics of this bill. This bill, despite evidence that community policing has been of great assistance in lowering the crime rate, this bill effectively ends the Cops on the Beat program. It provides the last remaining money that is needed to fund that program, but it does not fund the follow-on program that is meant to put additional police on the streets in our communities, because it is not authorized. If this Congress does not provide that money, it is a serious mistake.

This bill would take a number of actions which I think are extremely mean-minded in terms of the way it deals with the poor and with minority groups in our society. The bill effectively terminates the Legal Services Corporation. The funding provided would effectively result in a 3-year phaseout of that corporation.

The Equal Employment Opportunity Commission, it cuts $33 million or 11 percent below the request. We ought to be doing more to enforce the law against discrimination, not less in real terms.

The bill eliminates the entire $20 million requested for the Justice Department to initiate litigation against the tobacco industry to recover Federal costs for smoking-related illnesses under Medicare.

The bill effectively will provide for the loss of the U.S. voting rights in the General Assembly in the United Nations. That is definitely not in our national interest.

It provides very deep cuts in environmental programs, such as our National Oceanic and Atmospheric Administration programs and the National Weather Service, and it has an outrageous provision which, in a gross abuse of the Budget Act, pretends that somehow the Congress did not know we were going to have to appropriate over $4 billion to run the decennial census. That abuse of the budget process by declaring those funds to be emergency funds outside the normal limits of the budget process discredits the committee.

I believe in the committee having the right when we have a legitimate emergency to declare one and to move forward to meet that emergency, but if we pretend that amounts that we know we are going to spend on a regular basis are actually emergency appropriations, we lose the right to have people view our request with credibility when we make requests for a legitimate emergency designation.

The problem with this bill is simply that it is not real. It is yet another bill that allows the majority in this House to maintain the fiction that we can afford to pass out $1 trillion in tax cuts, two-thirds of the benefits of which are going to the highest income 10 percent of the people in this country. It pretends that we can do all of that, but there is a hidden assumption. That hidden assumption is that the government is going to take everything that we do in the appropriations process, the education programs, the health programs,

the anti-crime programs, and that we are essentially going to carve those up by at least 20 percent.

Right now we spend about $1,100 per person to provide those kinds of services to the American people. If we can hold the defense budget to the level that the President has asked, we will only see under this and other bills provided by the majority, we will only see that cut to $780 per person. That is a huge per-person reduction in services for education and health and environmental cleanup and the rest.

If the Clinton budget numbers for the military budget are not held and if in fact we spend more on defense, as this committee has already done, then what we are providing by way of those investments per person in this country will drop from over $1,100 per person to just over $600 per person.

Does anybody really believe that this Congress is going to make those kinds of cuts? That is a false promise, that is a phony promise, and I do not think we ought to be making promises this institution does not have any intention of keeping.

That is why this bill is going to be vetoed by the President. This is another one of the appropriations bills which is on a short route to nowhere.

I would remind you, we have only 18 legislative days left before the beginning of the next fiscal year. We need to have our work done. This is going to delay our ability to get our work done. That is why I think we ought to vote against the bill on final passage.

Mr. ROGERS. Mr. Chairman, I yield 3½ minutes to a very hard working Member of this subcommittee, the gentleman from Iowa (Mr. LATHAM).

Mr. LATHAM. Mr. Chairman, I thank the gentleman very much for yielding me time.

Mr. Chairman, I rise today in strong support of the Commerce, Justice, State, Judiciary appropriations bill for this next fiscal year.

The gentleman from Kentucky (Mr. ROGERS), the chairman of our subcommittee, has worked with Members on both sides of the aisle to craft a bill that I think properly reflects this Congress' priorities, particularly in the area of law enforcement.

Each year there are new and greater challenges confronting law enforcement officials throughout this Nation. In order to be successful, Federal, State and local law enforcement need to work together in a coordinated effort to combat criminals that are increasingly better organized, more lethal and more technologically advanced.

To assist local law enforcement in every Members' districts, this bill once again provides $523 million in local law enforcement block grants that the administration, again this year, tried to eliminate in its budget submissions.

In my home State of Iowa, like many States throughout the Midwest and the West, it has become inundated with the methamphetamine production and trafficking. In fact, the tri-state Siouxland region of Iowa, Nebraska, and South Dakota has become the meth distribution center of the country, where the drug costs up to $30,000 a kilo.

According to DEA officials, more than 20 Mexican organizations run operations in this region and supply 90 percent of Iowa's meth. This is no happenstance. These people actually sat down, set up a marketing plan in the U.S., targeted the upper Midwest, and are executing this marketing plan with this poison to our families and our children.

Mr. Chairman, even though we have the cartels active in the area, domestic producers are also a very significant problem. In 1994, Iowa law enforcement officials seized one clandestine meth lab. In 1996, it had risen to 10. Despite the increased awareness of the problem, this year in Iowa we will have over 300 meth labs seized in the State.

The bill before us today provides greater resources for the DEA to focus on the meth epidemic in America's heartland. The DEA is funded at more than $1.2 billion, which includes funds targeted at meth production and trafficking, and funding is provided to assist small communities in my district and throughout rural America with the expensive and technologically challenging removal of hazardous waste generated from clandestine meth lab sites.

The bill directs $35 million in resources to local law enforcement in the war on meth, to the COPS Meth Drug Hot Spots Program. Included in this funding is the innovative tri-state meth training center in Sioux City, Iowa, which provides police officers in rural areas with training and comprehensive counter-drug operations that their communities would not be able to afford or have access to.

Continuing our efforts to stem the flow of illegal aliens, this bill once again provides funding for 1,000 new Border Patrol agents.

I would like to take the remainder of my time to thank the chairman, who has done a fantastic job and been so responsive to the needs of rural America, and I think for this entire country in his outstanding efforts as far as law enforcement, and also thank the ranking member, the gentleman from New York (Mr. SERRANO). It has been a pleasure to work with you in your first year on the committee. I look forward to working together very, very closely in conference and to get a bill that passes with an overwhelming vote.

Mr. SERRANO. Mr. Chairman, I yield 2 minutes to the gentleman from Ohio (Mr. SAWYER).

Mr. ROGERS. Mr. Chairman, I yield 1 minute to the gentleman from Ohio.

The CHAIRMAN. The gentleman from Ohio (Mr. SAWYER) is recognized for 3 minutes.

Mr. SAWYER. Mr. Chairman, timeliness is critical to the census. The Census Bureau needs full funding on October 1st. Delay will irrevocably degrade the accuracy of the count. A lot of work has been done to make the census better than previous ones. I know the problems of 1990, I went through the process with a number of us here, and I do not want to see them repeated again.

Without timely funding, the advertisements for the awareness campaign will not be aired when people will hear them; they will be aired at 3 in the morning when nobody is listening. That is what happened during 1990 when we missed 8.4 million people and double-counted another 4.4 million. The Bureau needs to screen and hire and train hundreds of thousands of workers for its 520 offices and 12 regional centers. Without timely funding, staffing and operations of those offices will be delayed, and that will compromise the quality and the accuracy of the census.

Without timely funding, the work of local governments in developing the critical address lists will be crippled. If those address lists are not complete, we will miss large numbers of people and vital information that is needed for addressing national and local policies. We simply cannot afford to do that again.

There is an enormous part of this census that depends on the accurate and timely execution of the work. That is why timely funding is so important.

Let me just add one final note. There appears to be a misunderstanding about the 2000 census plan. There will not be two censuses, there will be one, starting with the direct count using the mail and the follow-up visits, two operations for which the Bureau has prepared since its first unveiling of its 2000 plan in 1996.

Next there will be a large 300,000 household quality check survey to account for people missed and to eliminate double counting. The need to visit all unresponsive households and the addition of several field canvassing activities, unfortunately, are the most costly, labor intensive, and time-consuming aspects of the census. That is why it is important that it be done on time.

It is one census with one count using both direct and statistical methods. The census planning a sample quality check operation like the survey first proposed, but at a lower cost.

Mr. ROGERS. Mr. Chairman, will the gentleman yield?

Mr. SAWYER. I yield to the gentleman from Kentucky.

□ 1330

Mr. ROGERS. Mr. Chairman, is the gentleman satisfied that in this bill we

adequately fund the census in order for the census to be maintained and conducted appropriately?

Mr. SAWYER. Mr. Chairman, the critical question is whether or not what we have done in the House will meet timely resolution with what is being done in the Senate, and whether or not the rest of the bill can withstand administration scrutiny. That is what is at stake. It is not the quality of the work that has been done by the gentleman from Kentucky.

Mr. ROGERS. Mr. Chairman, the question is, is there enough money in the bill to do the census?

Mr. SAWYER. I believe there is, Mr. Chairman.

Mr. ROGERS. Mr. Chairman, I yield 3 minutes to the gentleman from Ohio (Mr. REGULA), a very hard working member of our subcommittee.

Mr. REGULA. Mr. Chairman, I thank the gentleman for yielding me this time.

I want to say that the chairman of the subcommittee and the ranking member and the staff have done an excellent job under the constraints that were put on the subcommittee in terms of the amount available.

Mr. Chairman, this funds a very diverse range of projects. I would just like to address a couple of them that I think are very important. But first, I would mention embassy security and additional Border Patrol agents. Those are certainly two items that needed additional funding and received it.

The two I want to mention, one is the JASON program and the other is our trade functions. The bill provides an additional $1 million in funding over last year's base for the U.S. Trade Representative's office, because this is a very important function in terms of opening up markets for U.S. goods. I think Ambassador Barshefsky has done an outstanding job as the USTR and has been very aggressive in getting markets open to U.S. products, and I am pleased that we can not only support them with last year's numbers, but add $1 million to their budget.

The second item under the trade issue is the ITA, the International Trade Administration. They too, as part of the Commerce Department, have continued with the important programs, including the Import Administration, which enforces our U.S. trade laws. We have had a number of cases in which they have ruled in favor of American goods to prevent unfair trade practices and dumping into our market and taking jobs away from American workers. Those two things, opening foreing markets and protecting U.S. jobs against unfair trading practices, are critical to the expansion of our economy and the job base and maintaining well-paying jobs.

The other item is the JASON project. This is an exciting program. JASON is pioneering in terms of interactive TV. This is the way in which a classroom in Ohio or Kentucky or New York can take the electronic school bus to sites all over the world. Thus far, JASON has taken students to the Yellowstone National Park and compared the thermals there, with thermals in Iceland. They have taken students to the bottom of Monterey Bay. They have taken students to the rain forest in Brazil. So students in a classroom, in our case in Ohio, could interact through the medium of TV to talk to these people in Monterrey Bay or in the rain forest.

This is an exciting program, and I think it is going to be the future. I can see when the agencies around this city, the National Gallery, the Smithsonian, the Kennedy Center, the Holocaust Museum will be doing a lot of this type of work with classrooms throughout the Nation. We provide $2 million for the JASON program. Next year they hope to take students into outer space and deep sea laboratories and juxtaposite the outer space with the deep sea laboratories in one program, so students can compare what is not only happening up in space, but what is happening on inner space, namely the bottoms of the oceans or in the deep sea areas.

So it is a great project. I am pleased that we have the funding for this in the bill. This is the third year, and I believe it is a pioneering effort that will bring great benefits to the education programs of this Nation.

I would like to commend the Chairman for putting together a bill under very difficult circumstances this year.

The Commerce, Justice, State Appropriations bill contains many diverse functions from Federal law enforcement programs, to trade negotiation and enforcement programs, to diplomatic functions, to the funding of our Federal Judiciary.

Under the tight funding caps, an effort was made to keep most programs and agencies at last year's levels so that no program or personnel reductions would be necessary. There are program enhancements to ensure embassy security and to provide additional border patrol agents, in addition to the funding needed to do the enhanced Census work required by the recent Supreme Court decision.

I would like to discuss two issues of particular interest to me—funding for our national trade functions and funding for an innovative educational partnership with the JASON program.

The bill provides an additional $1 million in funding over last year's base for the U.S. Trade Representative's office so that the important work of opening foreign markets for U.S. goods is continued. The U.S. market remains the most open market in the world and it is critical that we ensure that other nations reciprocate by opening their markets to U.S. goods.

The Commerce Department also contains important trade functions within the International Trade Administration (ITA). The bill provides funding sufficient to continue the important program within ITA including the Import Administration which enforces our U.S. trade laws against unfair foreign imports. Also with ITA is the U.S. Foreign Commercial Service which provides technical and practical assistance to help U.S. companies enter foreign markets.

Expanding markets for U.S. goods and protecting domestic industries against unfair foreign imports are two important functions of our Federal Government. These functions are critical to ensure a level playing field in the global marketplace and to maintain well-paying jobs for American workers.

The bill also provides $2 million to continue the exciting educational partnership that has developed between the JASON program and the National Oceanic and Atmospheric Administration (NOAA). The partnership allows Federal research on oceans to be used in the interactive educational JASON program. This program seeks to excite our elementary, junior high and high school students into pursuing careers in the sciences.

Next year the students will be studying "extreme environments" focusing on outer space and deep sea laboratories and comparing the science related to both of these environments.

Every year after studying the course materials, the students take the electronic school bus on a virtual scientific expedition using interactive communications technology. This innovative program represents the future of our education system.

I urge members to support the Fiscal Year 2000 Commerce, Justice, State Appropriations bill.

Mr. SERRANO. Mr. Chairman, I yield 1 minute to the gentlewoman from Oregon (Ms. HOOLEY).

Ms. HOOLEY of Oregon. Mr. Chairman, I thank the Chair, and I thank my ranking member for allowing me this time.

I rise today in opposition to this bill. I do not think this bill reflects our national priorities. I am concerned about this bill's commitment to reducing crime. This bill virtually eliminates the COPS program, which is the community policing program, despite the fact that law enforcement groups all over the country strongly support it. It is no accident that the national crime rate is at its lowest that it has been for 25 years. We can credit the drop in crime to strong local efforts, in partnership with the Federal Government. The COPS program has been a critical part of that partnership. Yet, this bill decimates COPS.

The COPS program has funded positions for 100,000 officers across the Nation, 50,000 of which are out on the beat right now, and the rest are being trained and certified. But what I do not understand is when we are enjoying unmitigated success in reducing the crime rate, why would we now choose this time to change our tactics? My local police officers support the COPS program, my county officials support this program, my neighbors support this program, and so do I.

Mr. SERRANO. Mr. Chairman, I yield 2 minutes to the gentleman from Washington (Mr. BAIRD).

Mr. BAIRD. Mr. Chairman, I thank the gentleman for yielding me this time.

Mr. Chairman, I rise today with very serious concerns about this legislation. Despite all of the rhetoric about being tough on crime, this bill cuts the program to put 100,000 police officers on the street by $1 billion. Despite all of the rhetoric by my colleagues on the other side of the aisle just last night about needing stronger science before instituting new regulations, this bill would make extensive cuts in science and technology programs.

Despite our nearly unanimous claims that we support small business, this bill cuts SBA funding to a level that could lead to the elimination of up to 75 percent of current staff.

And, here is the topper. Despite 200 years of advance warning on the need for conducting a census next year, this bill designates the decennial census as ''emergency spending.'' It does all of this at a time when Members of this body are finalizing a package of tax cuts totaling $792 billion that the people do not think is needed, when they think we really ought to be working on balancing the budget and reducing the debt.

Mr. Chairman, this is a cynical, desperate approach to continue this appearance of this Congress is balancing its budget by staying in the caps while in reality, spending the surplus on tax breaks.

Now, that being said, I do want to point out one area where we do agree, and that has to do with funding for methamphetamine programs. The other body provided less money, and I am grateful that this committee has chosen to include the full thirty-five million dollars requested by the President for the state and local methamphetamine grant program at the Department of Justice. But here is the problem. We need more.

In my home State of Washington, the number of methamphetamine labs has increased by 400 percent in the first 6 months of 1999, a 400 percent increase. Methamphetamine is produced oftentimes in clandestine labs and oftentimes in our rural communities. This leads to huge problems in cleaning up the hazardous sites and, of course, in the use of the material itself. So far this year, the Washington State Department of Ecology has already identified 322 labs and dump sites, nearly passing the 349 that were identified in all of 1998.

Law enforcement officials know of this problem. We need to fully support funding to solve this problem, and I will work with this committee to make sure we increase funding for methamphetamine treatment and prevention.

Mr. ROGERS. Mr. Chairman, I yield 3 minutes to the gentleman from Florida (Mr. MILLER), who is a member of our subcommittee, but incidentally and coincidentally is chairman of the Subcommittee on the Census of the Committee on Government Reform.

Mr. MILLER of Florida. Mr. Chairman, it has been a pleasure to serve with the gentleman this year on the Subcommittee on Commerce, Justice, State, the Judiciary and Related Agencies and to bring this appropriations bill to the floor today, which I very strongly support.

The Republican leadership of this House has always made a commitment to the American people that we will provide the resources needed by the Census Bureau to conduct a full enumeration in accordance with the Constitution and the law, and we have provided that in a timely manner.

Today, this Congress will fulfill that commitment, and we provide every dollar requested by the Census Bureau for the decennial census.

I would for a minute like to explain how we got to this point today. While my colleagues on the other side of the aisle have said that the cost of the census has increased by $1.7 billion because of the Republican court challenge, nothing could be further from the truth. We took the administration to court because we believe that the plan they were putting forward violated the law and the Constitution. To be intellectually honest, any additional costs associated with the census are because of the original plan put forth by the administration was in violation of the law, and that is the truth, plain and simple.

It is also important that we take into account what the cost would have been had the administration's illegal plan not been challenged in a timely manner. There was a real chance that the entire 2000 Census could have been voided by the Supreme Court. This could have forced us to hold up reapportionment and redistricting to allow the Census Bureau time to conduct an emergency census at a cost of billions and billions of dollars.

Mr. Chairman, I am sure every Member of this body, regardless of how they feel about sampling, is at least gratified that we found out now and not later that the Clinton-Gore plan was illegal. There is no doubt that it will always cost more to be thorough and accurate than it does to cut corners and take a risky short cut.

While some are critical of the mechanism being used to fund the census, it seems to me that the most important thing is that we are paying for the census to be done correctly. Republicans have always given the Census Bureau the money it needs. In fact, in each of the appropriation bills for the past several years, we have given the Census Bureau more money than the administration has requested. In fact, this fiscal year 1999, we gave the Bureau almost $180 million more than requested by the administration. The Republicans made a promise to pay a full count census, and today, we are fulfilling that promise. Promise made, promise kept.

Mr. Chairman, I urge my colleagues to support final passage of the Commerce, Justice, State, the Judiciary and Related Agencies appropriations bill.

Mr. SERRANO. Mr. Chairman, I yield 2 minutes to the gentlewoman from New York (Mrs. MALONEY).

Mrs. MALONEY of New York. Mr. Chairman, no matter what we do, we must fund the decennial census, and we have to stop putting the census in jeopardy. The Census Bureau needs full funding by October 1. The administration has requested $4.5 billion in order to count everyone in America. The bill before us contains all but about $11 million of that request, and I commend the gentleman from Kentucky (Mr. ROGERS) and the gentleman from New York (Mr. SERRANO) and the gentleman from Florida (Mr. MILLER), the chairman of the Subcommittee on the Census of the Committee on Government Reform for providing that money.

Almost as important, this bill contains none of the onerous language prohibiting the use of modern scientific methods which has been in previous Commerce-Justice-State funding bills that have held up two budgets and led to one presidential veto of a disaster relief bill because of the antisampling language attached to it.

The Census Bureau plans to use such methods to conduct a quality check on the raw census field counts. These more accurate numbers can and will be used for nonapportionment purposes like redistricting and the distribution of hundreds of millions of dollars in Federal funds.

Mr. Chairman, we have been debating the census for an entire decade. No one should be surprised. But Congress failed to allow for the census in the Balanced Budget Act of 1997, and now, we find ourselves in the embarrassing situation of declaring the census unanticipated. This is not an emergency. We have done the census every 10 years since 1790. The majority is about to put together and pass a huge tax cut. They should pay for the census out of that, rather than resorting to an accounting trick and declaring it an emergency.

Mr. MILLER of Florida. Mr. Chairman, will the gentlewoman yield?

The CHAIRMAN. The time of the gentlewoman has expired.

Mr. ROGERS. Mr. Chairman, I yield 30 seconds to the gentlewoman from New York (Mrs. MALONEY).

Mr. MILLER of Florida. Mr. Chairman, if the gentlewoman will yield, the question was raised by the gentleman from Ohio (Mr. SAWYER) and the gentlewoman from New York (Mrs. MALONEY) about timing on October 1. As I have said in the past, I will work

with the chairman and the leadership to make sure the funding is going to be there on October 1 if a CR, which happens historically, on this bill is necessary. Because I agree and I understand the problem, and as we have in the past, we have always worked to make sure that money flows.

Mrs. MALONEY of New York. Mr. Chairman, reclaiming my time, as the gentleman knows better than most people, the tight time frame that the Census Bureau is on, all that needs to be done, and it is very strictly marked down on a tight time frame.

The CHAIRMAN. The time of the gentlewoman from New York (Mrs. MALONEY) has again expired.

Mr. SERRANO. Mr. Chairman, I yield 10 additional seconds to the gentlewoman from New York (Mrs. MALONEY).

Mrs. MALONEY of New York. Mr. Chairman, what bothers me is if the bill is vetoed, as the President has said he will do, then that will put in jeopardy the time frame of getting the money to the Census Bureau on time.

□ 1345

Mr. SERRANO. Mr. Chairman, I yield 3 minutes to the gentleman from Washington (Mr. DICKS).

Mr. DICKS. Mr. Chairman, I would like to engage the distinguished chairman of the subcommittee in a colloquy.

Mr. Chairman, I want to commend the Committee on crafting a bill which I feel is extremely fair under the circumstances. Given this, I know that funding any new initiatives or requested increases was all but impossible. However, there are three key programs which are vitally important that I would like to continue to work together on as the bill moves through conference.

The administration requested funding for a Pacific Salmon Recovery Fund which would assist the four West Coast States of Alaska, Washington, Oregon, and California, and help them respond to the recent Endangered Species Act listings of 13 salmon and steelhead populations.

Our region has been extremely hard hit by these listings, and is responding with both local and State money, but the Federal money requested by the administration is imperative, given the complexity of this species and the densely populated areas they impact.

Related to the coastal initiative, the National Marine Fisheries Service has requested an increase for expanded workload on the West Coast for Endangered Species Act requirements. Without the necessary consultation and permitting, routine growth in our region will come to a standstill.

Lastly, the United States and Canada recently reached agreement on the Pacific Salmon Treaty, which sets harvest restrictions and conservation measures between the two countries. To implement this agreement, the administration has requested appropriations for two endowment funds to assist with resource conservation and targeted buybacks.

Given the importance of this treaty in addressing over-harvest, I remain optimistic that this, too, may be revisited.

It is my strong hope that the gentleman can agree to continue to work with me on these issues as the bill proceeds in conference. I would be happy to work with the gentleman.

Mr. ROGERS. Mr. Chairman, will the gentleman yield?

Mr. DICKS. I yield to the gentleman from Kentucky.

Mr. ROGERS. I would be happy to work with the gentleman, Mr. Chairman. I know how important the gentleman feels this is to his State and region. We will be happy to continue to work with him.

Mr. DICKS. I thank the gentleman. I commend him for his work on the bill.

I want to compliment the ranking member, who has also promised he would work with us on this important issue.

Mr. SERRANO. Mr. Chairman, I yield such time as he may consume to the gentleman from Oregon (Mr. WU).

Mr. WU. Mr. Chairman, I want to thank the gentleman from Washington for bringing such an important issue to the forefront of the debate.

Mr. Chairman, I rise in support of efforts to provide much-needed resources to the Pacific Coast Salmon Recovery Fund. This fund will help local efforts in Oregon, and across the Pacific Northwest, to restore native salmon runs.

I also want to commend Oregon Governor John Kitzhaber and Washington Governor Gary Locke for their hard work and interstate cooperation on this issue.

Salmon are a cultural icon in the Pacific Northwest; indeed, they are part of our identify. But salmon are also a national treasure, and more importantly, they are an indicator species. Like the canary in the coal mine, the health of salmon tell us volumes about how clean and safe our rivers and streams are.

Steep declines in Northwest salmon have led to several species listings under the Endangered Species Act. The four H's which have contributed to the consistent decline of salmon are habitat, hatcheries, hydro and harvest: Only by making sound investments in the programs that address these four H's, will we be able to bring salmon back.

The Pacific Coast Salmon Recovery Fund, which was included in the President's Budget at a level of $100 million, will support local initiatives to save salmon. It will help give states the ability to improve habitat, and bring salmon back. The Pacific Coast Salmon Recovery Fund will help local communities continue efforts such as mass marking, which help commercial and sport fisherman determine the difference between habitat fish and wild fish. Mass marking can reduce the amount of wild fish that are mistakenly taken and thus continue economic stability by harvesting hatchery fish. Finally, the Pacific Salmon Recovery fund could help local communities build Fish ladders, purchase fish friendly turbines and continue with mitigation around dams.

These are just a few examples of important initiatives that people in Oregon and the Northwest have taken upon themselves to restore salmon. All of these local initiatives are in desperate need of federal help.

Several species of salmon are on the verge of extinction, and we now find ourselves with a choice to make. Are we going to honor the commitments we have made to our children? Will they have the chance to enjoy clean water and healthy streams in the future? Will they inherit a healthy ecosystem that includes indigenous salmon? Or are we going to stand idly by and let salmon vanish?

By funding the Pacific Coast Salmon Recovery Fund, we can continue the process of helping coastal states recovery salmon. I want to work with my friend from Washington, Mr. DICKS, and the entire subcommittee to help ensure that the Pacific Coast Salmon Recovery Fund is funded at the maximum possible level, and that Oregon gets its fair share.

Mr. SERRANO. Mr. Chairman, I yield 2 minutes to the gentlewoman from Connecticut (Ms. DELAURO).

Ms. DELAURO. Mr. Chairman, I thank the gentleman for yielding time to me.

Mr. Chairman, I also want to praise the gentleman for the excellent work that he has done on this bill.

With that, and saying that I am opposed to the bill, I will lay out the reasons why I am opposed to the Commerce-State-Justice appropriation bill.

It is my view in this effort that in order for the Republican leadership to fund a massive tax cut, that this bill will ultimately do harm to the most vulnerable people in our society, to minorities and to communities attempting to make their streets safe. This bill cuts in half the funding for the Legal Services Corporation, which is the Republican leadership's attempt to phase out this program.

It zeros out the hiring portion of the COPS program, meaning 50,000 fewer police officers will be on our streets. This bill freezes the Equal Employment Opportunity Commission, which will hinder the agency's efforts to reduce the backlog of discrimination complaints.

Funding for the Civil Rights Division under Justice is so low that it will tie the hands of investigators looking into prosecuting criminal civil rights cases, including hate crimes. The list goes on. The bill eliminates the Advanced Technology Program in order to pick a fight with the administration. It decimates funding for the Small Business Administration's work force, causing a reduction in force of more than 2,400 Federal employees, or 74 percent of the SBA's work force.

It eliminates the entire $20 million to help the Justice Department initiate litigation against the big tobacco companies in order to recover Federal costs

for smoking-related illnesses. It freezes State Department funds.

It pretends to deal with U.N. arrearages, but makes them subject to authorization, so if the authorizing bill gets held up, the U.S. could lose its voting rights in the General Assembly. It guts the NOAA and the National Weather Service.

Mr. Chairman, I believe that we ought not to vote to gut legal services, to gut civil rights, our police forces, or the Small Business Administration, or research on advanced technology. Vote no on the Commerce-State-Justice appropriation bill because I believe that it has America's priorities upside down.

Mr. SERRANO. Mr. Chairman, I yield 2 minutes to the gentleman from New York (Mr. MEEKS), my friend, colleague, and neighbor.

Mr. MEEKS of New York. Mr. Chairman, I would like to engage in a colloquy with the ranking member, the gentleman from New York (Mr. SERRANO).

Mr. Chairman, I want to commend the committee for including report language recognizing the tragic killing of Amadou Diallo in the Bronx, New York, in the gentleman's district. However, I still feel the need for additional report language regarding police brutality.

In the committee report's section dealing with the Bureau of Justice Statistics, the committee directs BGS to implement a voluntary annual reporting system of all deaths in law enforcement custody, and to provide a report to the committee on its progress no later than July 1, 2000.

Although this is a start in addressing this problem, I ask for report language that instructs the Attorney General to do three things: Evaluate and collect data in regard to police brutality; not later than September 15, 2000, to report the findings; and third and most importantly, make recommendations to Congress regarding effective strategies to combat such brutal acts.

It is not enough for a statistical report to be issued like the one I have in my hand. We need recommendations to solve this problem, and we need to work hand in hand with the Attorney General.

I just ask the gentleman, will he help to work on that to make sure it is in the reporting language?

Mr. SERRANO. Mr. Chairman, will the gentleman yield?

Mr. MEEKS of New York. I yield to the gentleman from New York.

Mr. SERRANO. I thank the gentleman for his concern. Mr. Chairman, we have worked together on this issue. This is a very serious issue, to the point where the gentleman and I gave ourselves up for arrest during demonstrations that took place in New York. We did not do that lightly. We took that very seriously at this stage in our development as human beings, and at this stage in our careers.

I give the gentleman my word that on the way to passage and signature of this bill, to approval by the President, I will do whatever I have to do to see that we make changes in the language that will fit the gentleman's request and our desire.

Mr. MEEKS of New York. I thank the gentleman from New York, and I appreciate his hard work.

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

Mr. Chairman, I just wanted once again to thank the gentleman, my chairman, for his work, and for the way he has treated me in these dealings. I have made it clear to the chairman that this is a very difficult bill; one, however, that I personally support, and I will try in my support of this bill to send the chairman and the majority a message that I stand ready, willing, and able to work with them to make this bill a better bill.

However, I have to state that with the problems that this bill has, it still does have a very positive statement about the Census, one that I support, one that I know is necessary, and one that I thank the chairman for.

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

Mr. ROGERS. Mr. Chairman, I yield myself 1 minute.

Mr. Chairman, let me close with thanking the gentleman from New York (Mr. SERRANO). As I said, he is a new member of the subcommittee, as well as being the new ranking member of the subcommittee, and that is a heavy chore dumped in his lap overnight. But he has carried it out admirably and with good humor. He makes the heaviest of tasks a lot lighter because of his sense of humor and his joy, and he is a joy to work with.

I appreciate very much the work that he has done on this bill with us all year long. He has attended every hearing, and I think we had 23 or so hearings covering a broad expanse of the government. But the gentleman from New York (Mr. SERRANO) educated himself on those matters as the hearings came up, and participated brilliantly, and he has been a real asset. I mean that sincerely, and I appreciate his work.

I appreciate his support for the bill. That takes a good deal of courage, and I really appreciate that kind of commitment.

Mr. SALMON. Mr. Chairman, Webster's dictionary defines the word emergency as, "an unforseen combination of circumstances or the resulting state that calls for immediate action." In the past, Congress has passed emergency spending legislation to address pressing needs resulting from natural disasters, wars or other unforseen crisis. But today, the House will consider legislation to expand the definition of "emergency" to fund, of all things, the census.

Now, maybe I'm just naive. Or maybe I just don't get it. But from what I understand, the federal government has been conducting the census every ten years since 1790. In fact, the authority of Congress to do so is explicitly enumerated in the Constitution. Over 200 years later, how can anyone with a straight face really say that census funding is something unforseen—an emergency?

If funding for the census is truly an emergency, what is not? What about the Departments of Treasury, Justice or State? Like the census, these are a core responsibility of the federal government. Should we use emergency spending to fund these departments? Where does it end?

Unfortunately, this isn't the first time Congress has used emergency spending to bypass spending limits. The Omnibus spending bill passed last year contained about $20 billion in speciously classified emergency spending. I voted against that bill for the same reason that I will oppose this legislation today—because it is fiscally irresponsible.

It's time to end this charade. We impose budget caps for a very simple reason—to control spending. If we are not willing to respect those caps, let's not use a bunch of fancy budget gimmickry and smoke and mirrors to fool the American people into believing that we are. Let's have an honest vote—up or down—on whether or not we are willing to abide by the agreement we passed in 1997. At least that way, the American people will know who is serious about controlling spending and who is not.

I urge my colleagues to support the Coburn Amendment.

Mr. BARRETT of Nebraska. Mr. Chairman, I rise to thank the distinguished Chairman of the Commerce, Justice, State, and Judiciary Subcommittee, the Ranking Member, and all members of the Subcommittee for the inclusion of a $500,000 appropriation for planning and site money for a Immigration and Naturalization Service's (INS) detention center in Grand Island, Nebraska.

Unfortunately, the national INS office has been slow to respond to the urgent need for enhanced enforcement, including additional detention facilities, in the interior. Various economic and geographic circumstances are attracting large numbers of illegal aliens to Nebraska and other interior states. In response, INS launched enforcement initiatives in Nebraska and along the Interstate 80 corridor. However, INS does not currently have detention facilities in our state to house illegal aliens. That's why I am pleased the Chairman recognizes the importance of locating a detention facility in my district, Nebraska.

In closing, I want to once again express my appreciation to the Chairman for his attention to Nebraska's concerns and his efforts toward improving INS administration, enforcement, and service.

Mr. PACKARD. Mr. Chairman, I would like to express my strong support of the FY2000 Commerce, Justice, State and Judiciary appropriations bill for FY2000. Approving this legislation would provide $585 million in funds for State Criminal Alien Assistance Program (SCAAP).

SCAAP was established as a way to reimburse state and local governments for the costs of incarcerating illegal criminal aliens. These funds are distributed at the discretion of

the Department of Justice to those states most afflicted by this problem.

Mr. Chairman, California shoulders approximately half the costs associated with criminal aliens in the entire nation. It is clear to me that at both the State and Federal level for the containment of those criminals are staggering and should not be made the responsibility of the California taxpayer alone.

Mr. Chairman, illegal immigration is a problem the Federal government should be addressing. Neither California nor any other state should be made liable for the federal government's failure to restrict the entry of illegal immigrants. I encourage my colleagues to support H.R. 2670, the Commerce, Justice, State, Judiciary Appropriations Bill.

Mr. DAVIS of Virginia. Mr. Chairman, the Commerce, Justice, State Appropriations bill contains a number of provisions of importance to the people of my district. Two National Weather Service (NWS) programs in particular are of critical importance: the funding level for the Advanced Weather Interactive Processing System (AWIPS) Build 5, and the reductions in base operations dollars. I would ask that the Members of the conference committee support these critical programs during conference.

AWIPS is a key component of the National Weather Service multiyear, multi-billion dollar modernization effort. AWIPS capabilities have enabled NWS forecasters throughout the country to provide more timely, accurate forecasts and warnings to the American people. The capability of this new technology was most recently demonstrated during the May tornado outbreak in Oklahoma and Kansas. The investment of new technology, as represented by AWIPS, has saved lives.

Funding AWIPS Build 5 is crucial to the continuing success of NWS modernization. Longer lead times for severe weather warnings is but one example of the many benefits of the Build 5 program. An increase of as little as 4 minutes of lead time can mean the difference between life and death for people in the path of a tornado. I hope the Conference committee Members will also support this initiative.

NWS base operations funds provide the wherewithal to staff the offices, analyze the data, gather the time critical information needed to produce the warnings and forecasts on which all Americans rely. The NWS is committed to becoming a ''No Surprise'' weather service, and the key to accomplishing that goal is a combination of the latest technology coupled with sufficient personnel to operate and understand it. Cuts to base funds cut bone, not fat, Mr. Chairman, and I would ask the members to the conference committee to remember that as this legislation proceeds to conference.

Mr. Chairman, the NWS is a critical federal agency. The work of the men and women at offices across the country affects each and every one of use every single day, twenty-four hours a day. Let's give them the resources needed—both in terms of personnel and technology—to continue to do the tremendous job, which we have become accustomed.

Mr. HALL of Ohio. Mr. Chairman, I rise in support of the effort this bill represents to increase security at America's embassies around the world. I have seen my share of our embassies, and know the Americans and national employees who work there to be courageous people who are committed to their work, and who deserve the support of this Congress and our State Department.

I comment Chairman ROGERS and Mr. SERRANO for their work on this bill, and for their commitment to see that we do everything in our power to deter attacks like those on two of our embassies last year—and that no future attack, if one occurs, produces such carnage.

I particularly appreciate their efforts to see that the situation at our embassy in Cambodia is addressed. As I have told the Committee, the State Department, and others, I recently visited Cambodia and was shocked to see how exposed it is to almost any threat. The building is virtually on top of a busy street, with no setback, and is shared with non-embassy organizations. It would not take a bomb to do severe damage; even a hand grenade tossed from the street would certainly kill Americans and Cambodians who work there.

Mr. Chairman, after 30 years of civil war Cambodia is now achieving peace. But while there is no longer the threat of war, the country is far from stable; street violence and public unrest had been common until recent months and the U.S. embassy was one site of Chinese demonstrations after the United States mistakenly bombed Beijing's embassy in Belgrade.

I appreciate that the Committee does not want to list which embassies are vulnerable in report language that it traditionally uses to give direction to government officials. But I want to thank the Committee's members for whatever they can do to get the State Department to do something to make Embassy Phnom Penh safer.

In my view, too much attention is being focused on a few Cadillac solutions that turn a handful of embassies into impenetrable fortresses—but leave all the rest not a whit safer. I think money invested in relocating our embassy in Cambodia, as our outgoing ambassador has suggested, would be money well spent, and I hope the Committee and its staff will keep pressing until we get a solution that is more responsible than the State Department's suggestion to our ambassador that he move the embassy to another country.

I am hopeful about the United States' relations with Cambodia, and believe we now have an unusual opportunity to help close the door on the wars and genocide that have devastated it for 30 years. Many hurdles remain to helping its suffering people, but few of them could set back U.S. policy as an attack on our embassy could—even if, by some miracle given the building's situation, no one was hurt.

Mr. Chairman, I will continue to urge this Administration to look for an immediate remedy to this disaster-waiting-to-happen. Not only is that essential to the safety of some of the hardest-working foreign service officers I have met during my many years of focusing on humanitarian issues; it is also important for our efforts to aid some of the poorest people in the world.

Mr. Chairman, my thanks again to the Committee for its achievement in providing money needed to secure America's embassies.

Mr. SENSENBRENNER. Mr. Chairman, I rise today to comment on H.R. 2670, the Commerce, Justice, State, and the Judiciary Appropriations Act of 1999. This bill contains funding for the Department of Commerce's (DOC) Science and Technology programs as well as legislative guidance on some key project management issues at the Department of Commerce.

In May of this year, the Committee on Science passed H.R. 1552, the Marine Research and Related Environmental Research and Development Programs Authorization Act of 1999, and H.R. 1553, the National Weather Service and Related Agencies Authorization Act of 1999. H.R. 1553 has since passed the House on May 19th and awaits Senate action.

In H.R. 2670, NOAA is funded at $1,959,838,000 and contains transfers of $67,226,000. Within this amount, the National Weather Service (NWS) is funded at $599,196,000, which is a 7% increase over the FY 1999 enacted. Chairman Rogers noted that the NWS is the highest priority within NOAA and I concur with his comments. The protection of our citizens' life and property from severe weather must be NOAA's highest priority.

This bill funds the Office of Oceanic and Atmospheric Research at NOAA at a level of $260,560,000. I concur with Chairman ROGERS' assessment that this office should not be funding duplicative social-science and human dimensions research, and should fund hard computational science that has real benefit to the American taxpayer. The National Science Foundation (NSF) has a social science program area that is capable of making these assessments and I consider social science research at NOAA to be a low research priority.

I am pleased that the National Sea Grant College Program is funded at $58,500,000, which is $7,000,000 above the President's request. Sea Grant's cost-sharing approach with states provides greater bang for the research buck and in tight fiscal times it is the best way to stretch research dollars.

Finally, I am extremely gratified that Chairman ROGERS decided not to fund the Fisheries Research Vessels that were in the NOAA request. The Commerce Inspector General and the Government Accounting Office have pointed out time and time again the need for outsourcing NOAA fleet operations. While NOAA is making some progress in the oceanographic and hydrographic outsourcing areas, there is little to no progress in the fisheries research area. I urge NOAA to examine the use of UNOLS vessels to support fisheries research. NOAA should closely examine the Dorman report which pointed out that the need for these ships is questionable.

H.R. 2670 funds the National Institute of Standards and Technology (NIST) at $436,686,000 for FY 2000. This amount is $300,270,000 below the President's request and $210,464,000 below the FY 1999 enacted amount.

The Advanced Technology Program (ATP) at NIST is terminated in H.R. 2670. As I have stated in the past, until fundamental reforms are made to ATP that will ensure that federal grant funding is not simply displacing private capital investment, I do not think the program should be funded. The Science Committee and the full House passed just such structural changes to the program last year, but unfortunately the Senate did not act on them. The

changes would not only prevent the displacement of private capital, but would increase private sector matching requirements for the program. Congresswoman MORELLA has once again introduced legislation, H.R. 1744, the National Institute of Standards and Technology Authorization Act of 1999, to fix the problem and authorize ATP. I am hopeful that this time the bill will be enacted.

The Manufacturing Extension Partnership (MEP) at NIST is funded at a level of $99,836,000 in H.R. 2670. I am pleased that the bill fully funds MEP at the President's.

Finally, the construction account at NIST is funded at $56,714,000 for FY 2000. This will provide $44,916,000 of the required funds for the Advanced Measurements Laboratory. Unfortunately, funding AML at this level will not allow NIST to begin construction of the project during FY 2000. The AML is necessary due to the precise measurements required for establishing standards associated with today's increasingly complex technologies. It is my hope that additional funding may become available during the Conference to allow construction of AML to begin during Fiscal Year 2000.

Mr. ROGERS. Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. All time for general debate has expired.

Pursuant to the rule, the bill shall be considered for amendment under the 5-minute rule.

The amendments printed in House Report 106–284 may be offered only by a Member designated in the report, and only at the appropriate point in the reading of the bill, shall be considered read, debatable for the time specified in the report, equally divided and controlled by a proponent and an opponent, and shall not be subject to amendment.

During consideration of the bill for amendment, the chair may accord priority in recognition to a Member offering an amendment that he has printed in the designated place in the CONGRESSIONAL RECORD. Those amendments will be considered as read.

The Chairman of the Committee of the Whole may postpone a request for a recorded vote on any amendment, and may reduce to a minimum of 5 minutes the time for voting on any postponed question that immediately follows another vote, provided that the time for voting on the first question shall be a minimum of 5 minutes.

The Clerk will read.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the fiscal year ending September 30, 2000, and for other purposes, namely:

DEPARTMENT OF JUSTICE

GENERAL ADMINISTRATION

SALARIES AND EXPENSES

For expenses necessary for the administration of the Department of Justice, $79,328,000, of which not to exceed $3,317,000 is for the Facilities Program 2000, to remain available until expended: *Provided,* That not to exceed 43 permanent positions and 44 full-time equivalent workyears and $8,136,000 shall be expended for the Department Leadership Program exclusive of augmentation that occurred in these offices in fiscal year 1999: *Provided further,* That not to exceed 41 permanent positions and 48 full-time equivalent workyears and $4,811,000 shall be expended for the Offices of Legislative Affairs and Public Affairs: *Provided further,* That the latter two aforementioned offices shall not be augmented by personnel details, temporary transfers of personnel on either a reimbursable or non-reimbursable basis or any other type of formal or informal transfer or reimbursement of personnel or funds on either a temporary or long-term basis: *Provided further,* That the Attorney General is authorized to transfer, under such terms and conditions as the Attorney General shall specify, forfeited real or personal property of limited or marginal value, as such value is determined by guidelines established by the Attorney General, to a State or local government agency, or its designated contractor or transferee, for use to support drug abuse treatment, drug and crime prevention and education, housing, job skills, and other community-based public health and safety programs: *Provided further,* That any transfer under the preceding proviso shall not create or confer any private right of action in any person against the United States, and shall be treated as a reprogramming under section 605 of this Act.

Mr. HASTINGS of Washington. Mr. Chairman, I move to strike the last word for the purposes of entering into a colloquy with the subcommittee chairman.

Mr. Chairman, let me first say that I appreciate all the hard work that the gentleman and his committee have done on this measure.

As the chairman knows, the recent listings of the nine salmon and steelhead runs in the Pacific Northwest as endangered has resulted in substantial delays in the processing of jeopardy reviews under the Endangered Species Act by the National Marine Fisheries Service.

This backlog has already caused important local transportation projects to be delayed, and has even put Federal highway funding for some of these projects at risk of expiring.

In some cases, such as the replacement of traffic lights in Richland, Washington, these projects have no discernible impact on endangered species. I know the gentleman shares my support for the measures, which will reduce this backlog within existing resources. The NMFS has previously entered into cooperative agreements with State agencies to use State employees to process these reviews more quickly.

Will the chairman work with me to encourage NMFS to continue these efforts to reduce delays without increasing the number of NMFS employees?

Mr. ROGERS. Mr. Chairman, will the gentleman yield?

Mr. HASTINGS of Washington. I yield to the gentleman from Kentucky.

Mr. ROGERS. Mr. Chairman, I thank the gentleman for bringing this to our attention. I certainly share the gentleman's concern about these delays. As the gentleman knows, the committee was forced to make some very difficult decisions in this bill. Where steps can be taken to address these problems without additional Federal funding, I am eager to see them taken, and will assist the gentleman in that.

I will be very pleased to work with the gentleman to encourage NMFS to modify this matter in that direction.

Mr. HASTINGS of Washington. I thank the chairman, and I look forward to working with the chairman on this issue.

The CHAIRMAN pro tempore (Mr. WHITFIELD). The Clerk will read.

The Clerk read as follows:

COUNTERTERRORISM FUND

For necessary expenses, as determined by the Attorney General, $10,000,000, to remain available until expended, to reimburse any Department of Justice organization for (1) the costs incurred in reestablishing the operational capability of an office or facility which has been damaged or destroyed as a result of any domestic or international terrorist incident; and (2) the costs of providing support to counter, investigate or prosecute domestic or international terrorism, including payment of rewards in connection with these activities: *Provided,* That any Federal agency may be reimbursed for the costs of detaining in foreign countries individuals accused of acts of terrorism that violate the laws of the United States: *Provided further,* That funds provided under this paragraph shall be available only after the Attorney General notifies the Committees on Appropriations of the House of Representatives and the Senate in accordance with section 605 of this Act.

TELECOMMUNICATIONS CARRIER COMPLIANCE FUND

For payments authorized by section 109 of the Communications Assistance for Law Enforcement Act (47 U.S.C. 1008), $15,000,000, to remain available until expended.

ADMINISTRATIVE REVIEW AND APPEALS

For expenses necessary for the administration of pardon and clemency petitions and immigration related activities, $84,200,000.

Mrs. MORELLA. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I wanted to ask permission of the Chair and of my esteemed colleague and chairman of the Subcommittee on Commerce, Justice, State, and Judiciary if he would engage in a brief colloquy with me.

Mr. Chairman, I appreciate the gentleman's longstanding support of the laboratory programs and the research facilities at the National Institute of Standards and Technology, known as NIST. As the gentleman knows, NIST's unique mission of promoting our Nation's competitiveness requires world-class state-of-the-art facilities to provide precise measurements for today's increasingly complex technologies.

As a result, an expedited NIST construction of the Advanced Measurement Laboratory has been an important goal for both my Subcommittee on Technology and, indeed, the gentleman's subcommittee. Over the past 2

years the Committee on Appropriations has supported the AML, appropriating well over half the total needed to complete the project.

But while H.R. 2670 includes $44 million for the AML, that is not enough to begin construction in fiscal year 2000.

□ 1400

So while I appreciate the budget constraints imposed upon the Subcommittee, it is my understanding that the Committee is still fully committed to the AML construction. I would like to hear from the gentleman from Kentucky (Mr. ROGERS) if that is correct, Mr. Chairman.

Mr. ROGERS. Mr. Chairman, will the gentlewoman from Maryland yield?

Mrs. MORELLA. Indeed, I yield to the gentleman from Kentucky.

Mr. ROGERS. Mr. Chairman, the gentlewoman is correct. The Committee has continued to support the construction of the laboratory within the availability of existing resources.

Mrs. MORELLA. Mr. Chairman, I appreciate the clarification of the gentleman from Kentucky and ongoing support for this. This is really important.

Should additional funds become available in conference with the Senate, it is my hope that a portion of those funds can be used to begin AML construction in fiscal year 2000.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

In addition, $50,363,000, for such purposes, to remain available until expended, to be derived from the Violent Crime Reduction Trust Fund.

OFFICE OF INSPECTOR GENERAL

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, as amended, $42,475,000; including not to exceed $10,000 to meet unforeseen emergencies of a confidential character, to be expended under the direction of, and to be accounted for solely under the certificate of, the Attorney General; and for the acquisition, lease, maintenance, and operation of motor vehicles, without regard to the general purchase price limitation for the current fiscal year: *Provided*, That up to two-tenths of one percent of the Department of Justice's allocation from the Violent Crime Reduction Trust Fund grant programs may be transferred at the discretion of the Attorney General to this account for the audit or other review of such grant programs, as authorized by the Violent Crime Control and Law Enforcement Act of 1994 (Public Law 103–322).

UNITED STATES PAROLE COMMISSION

SALARIES AND EXPENSES

For necessary expenses of the United States Parole Commission as authorized by law, $7,380,000.

LEGAL ACTIVITIES

SALARIES AND EXPENSES, GENERAL LEGAL ACTIVITIES

For expenses necessary for the legal activities of the Department of Justice, not otherwise provided for, including not to exceed $20,000 for expenses of collecting evidence, to be expended under the direction of, and to be accounted for solely under the certificate of, the Attorney General; and rent of private or Government-owned space in the District of Columbia, $355,691,000; of which not to exceed $10,000,000 for litigation support contracts shall remain available until expended: *Provided*, That of the funds available in this appropriation, not to exceed $18,166,000 shall remain available until expended for office automation systems for the legal divisions covered by this appropriation, and for the United States Attorneys, the Antitrust Division, and offices funded through ''Salaries and Expenses'', General Administration: *Provided further*, That of the total amount appropriated, not to exceed $1,000 shall be available to the United States National Central Bureau, INTERPOL, for official reception and representation expenses.

In addition, $147,929,000, to be derived from the Violent Crime Reduction Trust Fund, to remain available until expended for such purposes.

In addition, for reimbursement of expenses of the Department of Justice associated with processing cases under the National Childhood Vaccine Injury Act of 1986, as amended, not to exceed $3,424,000, to be appropriated from the Vaccine Injury Compensation Trust Fund.

SALARIES AND EXPENSES, ANTITRUST DIVISION

For expenses necessary for the enforcement of antitrust and kindred laws, $57,368,000: *Provided*, That, notwithstanding any other provision of law, not to exceed $57,368,000 of offsetting collections derived from fees collected in fiscal year 2000 for premerger notification filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (15 U.S.C. 18(a) note) shall be retained and used for necessary expenses in this appropriation, and shall remain available until expended: *Provided further*, That the sum herein appropriated from the General Fund shall be reduced as such offsetting collections are received during fiscal year 2000, so as to result in a final fiscal year 2000 appropriation from the General Fund estimated at not more than $0.

SALARIES AND EXPENSES, UNITED STATES ATTORNEYS

For necessary expenses of the Offices of the United States Attorneys, including intergovernmental and cooperative agreements, $1,161,957,000; of which not to exceed $2,500,000 shall be available until September 30, 2001, for (1) training personnel in debt collection, (2) locating debtors and their property, (3) paying the net costs of selling property, and (4) tracking debts owed to the United States Government: *Provided*, That of the total amount appropriated, not to exceed $8,000 shall be available for official reception and representation expenses: *Provided further*, That not to exceed $10,000,000 of those funds available for automated litigation support contracts shall remain available until expended: *Provided further*, That, in addition to reimbursable full-time equivalent workyears available to the Offices of the United States Attorneys, not to exceed 9,044 positions and 9,360 full-time equivalent workyears shall be supported from the funds appropriated in this Act for the United States Attorneys.

UNITED STATES TRUSTEE SYSTEM FUND

For necessary expenses of the United States Trustee Program, as authorized by 28 U.S.C. 589a(a), $114,248,000, to remain available until expended and to be derived from the United States Trustee System Fund: *Provided*, That, notwithstanding any other provision of law, deposits to the Fund shall be available in such amounts as may be necessary to pay refunds due depositors: *Provided further*, That, notwithstanding any other provision of law, $114,248,000 of offsetting collections derived from fees collected pursuant to 28 U.S.C. 589a(b) shall be retained and used for necessary expenses in this appropriation and remain available until expended: *Provided further*, That the sum herein appropriated from the Fund shall be reduced as such offsetting collections are received during fiscal year 2000, so as to result in a final fiscal year 2000 appropriation from the Fund estimated at $0: *Provided further*, That 28 U.S.C. 589a is amended by striking ''and'' in subsection (b)(7); by striking the period in subsection (b)(8) and inserting in lieu thereof ''; and''; and by adding a new paragraph as follows: ''(9) interest earned on Fund investment.''.

SALARIES AND EXPENSES, FOREIGN CLAIMS SETTLEMENT COMMISSION

For expenses necessary to carry out the activities of the Foreign Claims Settlement Commission, including services as authorized by 5 U.S.C. 3109, $1,175,000.

Mr. ROGERS (during the reading). Mr. Chairman, I ask unanimous consent that the remainder of the bill through page 12 line 16 be considered as read, printed in the RECORD, and open to amendment at any time.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The text of the bill from page 9, line 1 through page 12, line 16 is as follows:

SALARIES AND EXPENSES, UNITED STATES MARSHALS SERVICE

For necessary expenses of the United States Marshals Service; including the acquisition, lease, maintenance, and operation of vehicles, and the purchase of passenger motor vehicles for police-type use, without regard to the general purchase price limitation for the current fiscal year, $329,289,000, as authorized by 28 U.S.C. 561(i); of which not to exceed $6,000 shall be available for official reception and representation expenses; of which not to exceed $4,000,000 for development, implementation, maintenance and support, and training for an automated prisoner information system shall remain available until expended; and of which not less than $2,762,000 shall be for the costs of conversion to narrowband communications and for the operations and maintenance of legacy Land Mobile Radio systems: *Provided*, That such amount shall be transferred to and administered by the Department of Justice Wireless Management Office.

In addition, $209,620,000, for such purposes, to remain available until expended, to be derived from the Violent Crime Reduction Trust Fund.

CONSTRUCTION

For planning, constructing, renovating, equipping, and maintaining United States Marshals Service prisoner-holding space in United States courthouses and federal buildings, including the renovation and expansion of prisoner movement areas, elevators, and sallyports, $4,600,000, to remain available until expended.

JUSTICE PRISONER AND ALIEN TRANSPORTATION SYSTEM FUND, UNITED STATES MARSHALS SERVICE

Beginning in fiscal year 2000 and thereafter, payment shall be made from the Justice Prisoner and Alien Transportation System Fund for necessary expenses related to the scheduling and transportation of United

States prisoners and illegal and criminal aliens in the custody of the United States Marshals Service, as authorized in 18 U.S.C. 4013, including, without limitation, salaries and expenses, operations, and the acquisition, lease, and maintenance of aircraft and support facilities: *Provided*, That the Fund shall be reimbursed or credited with advance payments from amounts available to the Department of Justice, other Federal agencies, and other sources at rates that will recover the expenses of Fund operations, including, without limitation, accrual of annual leave and depreciation of plant and equipment of the Fund: *Provided further*, That proceeds from the disposal of Fund aircraft shall be credited to the Fund: *Provided further*, That amounts in the Fund shall be available without fiscal year limitation, and may be used for operating equipment lease agreements that do not exceed 5 years.

FEDERAL PRISONER DETENTION

For expenses, related to United States prisoners in the custody of the United States Marshals Service as authorized in 18 U.S.C. 4013, but not including expenses otherwise provided for in appropriations available to the Attorney General, $525,000,000, as authorized by 28 U.S.C. 561(i), to remain available until expended.

FEES AND EXPENSES OF WITNESSES

For expenses, mileage, compensation, and per diems of witnesses, for expenses of contracts for the procurement and supervision of expert witnesses, for private counsel expenses, and for per diems in lieu of subsistence, as authorized by law, including advances, $95,000,000, to remain available until expended; of which not to exceed $6,000,000 may be made available for planning, construction, renovations, maintenance, remodeling, and repair of buildings, and the purchase of equipment incident thereto, for protected witness safesites; and of which not to exceed $1,000,000 may be made available for the purchase and maintenance of armored vehicles for transportation of protected witnesses.

SALARIES AND EXPENSES, COMMUNITY RELATIONS SERVICE

For necessary expenses of the Community Relations Service, established by title X of the Civil Rights Act of 1964, $7,199,000 and, in addition, up to $1,000,000 of funds made available to the Department of Justice in this Act may be transferred by the Attorney General to this account: *Provided*, That notwithstanding any other provision of law, upon a determination by the Attorney General that emergent circumstances require additional funding for conflict prevention and resolution activities of the Community Relations Service, the Attorney General may transfer such amounts to the Community Relations Service, from available appropriations for the current fiscal year for the Department of Justice, as may be necessary to respond to such circumstances: *Provided further*, That any transfer pursuant to the previous proviso shall be treated as a reprogramming under section 605 of this Act and shall not be available for obligation or expenditure except in compliance with the procedures set forth in that section.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

ASSETS FORFEITURE FUND

For expenses authorized by 28 U.S.C. 524(c)(1) (A)(ii), (B), (F), and (G), as amended, $23,000,000, to be derived from the Department of Justice Assets Forfeiture Fund.

The CHAIRMAN. Are there amendments to that portion of the bill?

AMENDMENT OFFERED BY MR. SERRANO

Mr. SERRANO. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SERRANO:

Page 12, line 19, after the dollar amount, insert the following: ''(reduced by $23,000,000)''.

Page 14, line 7, after the dollar amount, insert the following: ''(reduced by $20,000,000)''.

Page 18, line 18, after the dollar amount, insert the following: ''(reduced by $44,000,000)''.

Page 21, line 21, after the dollar amount, insert the following: ''(increased by $44,000,000)''.

Page 22, line 21, after the dollar amount, insert the following: ''(reduced by $32,000,000)''.

Page 65, line 17, after the dollar amount, insert the following: ''(reduced by $24,000,000)''.

Page 72, line 5, after the dollar amount, insert the following: ''(reduced by $10,000,000)''.

Page 93, line 25, after the dollar amount, insert the following: ''(increased by $109,000,000)''.

Page 94, line 1, after the dollar amount, insert the following: ''(increased by $108,110,000)''.

Page 94, line 2, after the dollar amount, insert the following: ''(increased by $890,000)''.

Mr. SERRANO (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. SERRANO. Mr. Chairman, my amendment would increase the appropriation for the Legal Services Corporation to $250 million. Of this increase, $108 million would be for the LSC's basic field programs and required independent audits and $900,000 would bring the Office of Inspector General up to the fiscal year 1999 level to assist in improving case reporting.

To offset the increase and assure that the amendment is outlay-neutral, it would cut $23 million from administration of the Justice Department's Asset Forfeiture Fund, $20 million from the FBI's National Instant Check System, $32 million from the salaries and expenses of the Bureau of Prisons, $24 million from the salaries and expenses of the Federal Judiciary, and $10 million from the salaries and expenses of the Department of State, and transfers $44 million within the Immigration and Naturalization Service.

These are not easy cuts to make. But each can be justified. The cut of 53 percent contained in the bill would virtually abandon our long-standing Federal commitment to the legal protection of low-income Americans, including children, the elderly, and the victims of spousal and child abuse, arbitrary government action, and consumer fraud.

A reduction of the fiscal year 2000 funding level to $141 million would result in severe reductions in services to most clients. The number of cases closed would fall, and families would actually be turned away and denied access to the court. There would be a decrease in the number of neighborhood offices resulting in no offices providing legal assistance to clients in thousands of counties throughout the United States.

Especially hard hit would be the millions of poor people living in rural areas in the South, Southwest, and large parts of the Midwest. The number of Legal Services Corporation attorneys serving the poor would be drastically reduced with just one LSC lawyer for every 23,600 poor Americans in the year 2000.

The Legal Services Corporation, Mr. Chairman, was created in 1974 with bipartisan sponsorship and signed into law by President Nixon. The Legal Services Delivery System is based on several principles: local priorities, national accountability, competition for grants, and a strong public-private partnership.

This corporation has been a success with real programs to help low-income women who are the victims of domestic violence. LSC-funded programs have helped millions of children living in poverty by providing lawyers who represent children and their parents in civil cases, helping them to avoid homelessness, to obtain child support or supplemental security income, and to find a safe haven against violence in the home.

Significant services are provided to the elderly who, because of their special health, income, and social needs, often require legal assistance.

Mr. Chairman, the Legal Services Corporation provides a valuable, even essential, service to the Nation's low-income families that would be reduced by the funding level in this bill.

I urge my colleagues to support this amendment to give LSC more resources to meet the legal needs of the poor. This is without a doubt the most important amendment of the day and one that I know can have bipartisan support on behalf of people who need it and on behalf of those principles we stand for in this country.

Mr. WELDON of Florida. Mr. Chairman, I rise in opposition to this amendment.

Mr. Chairman, we are all familiar with the purported purpose of the Legal Services Corporation, which is to help the needy when they have problems with an eviction or some other legal action and they do not have the financial resources to turn to an attorney and get the legal assistance that they need.

Indeed, that is a purpose for the Legal Services Corporation that I believe I support and the vast majority of the Members of this House would support. Certainly the people who will rise in opposition to this amendment would agree to that, that if that were the purpose, the sole purpose of the Legal

Services Corporation, then there would be unanimous support for the Legal Services Corporation, and there would be no call for reducing their funding.

But the fact of the matter is that the Legal Services Corporation has engaged in a lot of other legal activity other than what they purport to do. Indeed, I believe they file legal briefs challenging our welfare reform legislation that this body passed and the President ultimately signed, which I believe most Americans today would now say has been a fabulous success.

I could go on and on and list all of the various left-wing causes that the Legal Services Corporation has decided to sign up to over the years.

Now, I have had their members come into my office and say we are getting away from that, we are going to just strictly apply ourselves to the bread and butter issues of helping those poor people with the legal representation that they needed.

Frankly, I had seen a trend in that direction in my State. But now we have reported to us by their own IG and the GAO that they have been falsifying their records of caseloads for the last I do not know how many years, and that they are not actually representing the number of people that they are supposed to be representing.

Indeed, we have been informed that they are actually doing about half the amount of work that they have been claiming to the Congress that they have been doing.

I have been here for 5 years now, and this to me has been one of the most outrageous misrepresentations of any agency in the 5 years that I have been here. I must say it is probably one of the worst in this century.

I applaud my colleagues on the Committee on Appropriations. They did the appropriate thing. The data comes in and says, no, the Legal Services Corporation is doing half the amount of work that it is supposed to be doing. Therefore, we will cut their appropriation in half. We will fund them at the level that they are actually doing.

Therefore, I strongly encourage my colleagues to vote ''no'' on this amendment. Support the committee mark in this area. It is the right thing to do, and it is the right thing to do for all of the working people in this country who get up every morning and work very, very hard and typically do not have enough money at the end of the week to pay all of the bills that they need to pay.

We are entrusted with the sacred responsibility to be able to take the hard-earned dollars of the American taxpayers and spend it appropriately; and to give an agency that has been falsifying their records an amount of money consistent with their falsified volume to me is absolutely unconscionable.

I urge my colleagues in the strongest way to vote against this amendment and support the original committee mark in this area.

Ms. JACKSON-LEE of Texas. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I have just come to the floor from a hearing in the Committee on Judiciary dealing with the Hate Crimes Prevention Act. As I listened to the gentleman from Florida (Mr. WELDON), although his arguments are pertaining to the amendment of the gentleman from New York (Mr. SERRANO) of which I rise to support, and I appreciate his distinguished leadership on this issue, the sound is similar.

For the opponents of the hate crimes legislation were making a number of legal arguments, a number of arguments that would question Congress' rightness in doing this for fear that it would be difficult to prosecute or that the courts would argue or the courts would find this law unconstitutional.

Those of us who profess to support it recognize that the courts may have their chance at the legislation. But we also recognize that people were dead. James Barrett is dead. Matthew Shepherd is dead. A gay man is dead. We realize that the Congress had to act.

In this instance, I support the Legal Services Corporation because poor people should have equal access to legal services. Whether they are Indians on America's reservations; whether they are citizens on the border in Texas; whether they are African-American single mothers in the inner cities of Houston or all over this Nation, we must provide in a manner that is responsible and efficient the kinds of services that are the privileges of the rich.

If any of us have ever entered into the halls of a courtroom, and I practiced law for a number of years and presided as an associate judge for the Municipal Court of the City of Houston, I know the pain of those who do not have adequate representation, the pain of those who come into a system that is confusing and intimidating. Our legal services are officers and attorneys who work in the shadow of poor working conditions, poor money as compared to their counterparts in the private sector, but they work with compassion and dedication.

I cannot imagine this Congress opposing the opportunity to say to America that, because one is not born with all of the attachments of privilege and wealth that one does not have the opportunity to receive justice, as I would not want to tell the Jewish person or the black person or the Hispanic or the gay or lesbian person that they cannot be protected by the laws of this land in a hate crimes act, as we tried to tell African Americans in not being for the Civil Rights Act of 1964 and the Voter Rights Act of 1965.

We have a better and a higher calling, and I believe that this amendment of the ranking member is a good amendment, a fair amendment, and I would ask my colleagues to support it.

Mr. DICKS. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I practiced law for 27 years. I was a city attorney of Pinebluff, Arkansas, for 2 of those years. I saw how the Legal Services Corporation was doing a good job in rural America.

I stayed with this program up until right now. I stayed with it because of what the lawyers, my fellow lawyers, were telling me were the circumstances. It reminded me of what the circumstances were at home.

□ 1415

But now I can see that people who had other ideas were just using the poor people. I would like to see how they, if they were given the case, would handle the misrepresentation. In other words, if we went to these political activists, if that is what we want to call them, or the people that use the poor people to try to get other things done, I would like to see what case they would make as to whether or not the money we have appropriated over the years, based on their figures, should be returned; how they would handle that and what they would call it. I think it would be very clear that they would have an excellent case.

We have seen the Legal Services Corporation used for exotic theories and almost for law school type circumstances where they say, let us try this, let us try this, let us see if we can do this and that, and that all comes from idleness. I think the only way to bring the Legal Services Corporation back to focusing on poor people and trying to help them in their only touch, sometimes, with justice, in the municipal courts and smaller claims courts all across the country, is just to reduce the size of the appropriations; make them, Mr. Chairman, understand what their purpose is and get back to the principles. Otherwise, we are going to just promote misrepresentation and government bureaucracy, and I think that is a disservice to the poor people.

Mr. DELAHUNT. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I am pleased to cosponsor this amendment with the ranking member, the gentleman from New York, and the gentleman from Minnesota (Mr. RAMSTAD). Our preceding speaker referred to or used the metaphor about cooking the books. Well, if somebody is cooking the books, we should get new cooks, not go and blow up the kitchen.

Last year, Legal Services Corporation provided support to 258 local agencies in every county and Congressional District in America. That support is a lifeline for hundreds of thousands of people with no other means of access to the legal system.

Who are these people that rely on Legal Services? Over two-thirds are women, and most are mothers with children. They are women, women seeking protection against abusive spouses, who oftentimes have their personal safety at risk along with the personal safety of their children. They are children living in poverty and neglect. They are elderly people threatened by eviction or victimized by consumer fraud. They are veterans denied benefits, and small farmers facing eviction. Everywhere in rural America this is occurring.

These are the people who will be hurt if this amendment is not adopted today. If Legal Services is forced to absorb the huge cuts made in committee, nearly a third of the 890 neighborhood Legal Services offices will have to close. This will leave one lawyer to serve every 23,600 poor Americans. Over 250,000 people in need of legal services will have to be turned away.

Nevertheless, we have already heard from some critics that we should cut the funding for the program. Why? Because some local grant recipients overstated the number of cases they handled back in 1997, chiefly by reporting telephone referrals to be cases. Never mind the fact that the agency itself uncovered the problem, brought it to congressional attention and moved speedily to correct it. Never mind the fact that despite the cries of fraud and abuse, neither LSC nor its affiliates derived any financial gain from the erroneous reports, because case numbers have no bearing on the program's funding levels. Allocations are based on eligible population living in each service area, not on the number of cases handled or referred. This has been pointed out repeatedly. However, the allegations continue.

There is a real irony here. Those who criticize LSC for counting referrals as cases fail to appreciate that referrals are what an agency does for the thousands of needy people when it is unable to provide services. And even without the proposed cuts, referrals must be made in many thousands of cases because current funding meets only 20 percent of the need. So if my colleagues want to eliminate referrals, I can tell them how to do it. Give the Legal Services Corporation the resources it needs to do the job more fully.

Instead of doing this, the committee voted to make further cuts that will devastate the program. Our amendment does not fully restore funding to last year's level because we could not find sufficient offsets in the bill. Moreover, some of the offsets we are using come at the expense of other legitimate and worthwhile programs. I am troubled by this, as is the gentleman from New York (Mr. SERRANO) and the gentleman from Minnesota (Mr. RAMSTAD).

I hope that after we pass the amendment, and I hope we will, that we can work with the White House and our Senate colleagues to fully restore the funding for Legal Services and restore some of those offsets as well. Meanwhile, I urge my colleagues to support the amendment. It is a critically important vote, and it is the right thing to do.

Mr. RAMSTAD. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I join in sponsoring this amendment to prevent the draconian 53 percent cut in Legal Services' funding. If the committee's attempt to wipe out Legal Services prevails, our poorest most vulnerable citizens will have no civil justice, and those sacred words ''equal justice under law'' etched across the street on the Supreme Court building will be meaningless.

Congress has already cut Legal Services 30 percent since 1995. If we enact this 53 percent cut on top of that 30 percent cut, we would devastate thousands of domestic violence victims, children, seniors, and people with disabilities who depend on Legal Services for their mere survival.

Although as sponsors of this amendment, Mr. Chairman, we would prefer to restore funding to last year's level, a problem with finding sufficient offsets means this amendment, which I am sponsoring, still represents a $50 million cut from last year's funding level of $300 million.

Now, some have argued that funding for the Legal Services Corporation should be drastically cut because five legal aid programs, of the 258 programs total, allegedly overstated the number of low-income clients they serve. Mr. Chairman, it is time to look at the facts.

GAO found absolutely no evidence of fraud or intentional misreporting. Let me repeat that. GAO found absolutely no evidence of fraud or intentional misreporting. The Legal Services Corporation has already taken action to eliminate the confusion about what constitutes a case for reporting purposes and it is aggressively enforcing the reporting guideline.

The truth is, as the previous speaker and cosponsor of this amendment pointed out, no financial incentive exists to overstate the number of cases they handle because funding is not based on the number of cases but on the number of people in the area living at or below the poverty level. So there is absolutely no incentive for Legal Services to overstate the number of cases.

Mr. Chairman, it is also time to set the record straight about the misleading outdated charges by people on this floor who ignore the fact that the Legal Services Corporation was reformed by Congress in 1996. In 1996, we enacted tight restrictions on the Legal Services Corporation, so there are no class action lawsuits, no lobbying, no legal assistance to illegal aliens, no political activities, no prisoner litigation, no redistricting representation, no collection of attorneys' fees, and no representation of people evicted from public housing because of drug charges. These restrictions are in permanent law, as we all should know, and are restated in this bill.

These tight restrictions are not limited just to Legal Services Corporation funds. Legal aid programs cannot even use State or private funding on these purposes if they receive just one penny from the Legal Services Corporation. They cannot use State or private funding on these purposes that have been banned by the Congress by law. If they violate these restrictions, attorneys can be disbarred, programs lose their funding and their ability to apply for funding in the future. So we have appropriate sanctions to deal with any abuses.

Now, some critics here have already pointed to a few isolated cases that appear to be abusive. In these cases that have actually been documented, not the rumors and the innuendoes, but the cases that have actually been documented, either no Legal Services Corporation funding program was involved or the Legal Services Corporation is enforcing sanctions against the abuses, as they should.

But even with all the alleged abuses that have been talked about by critics of Legal Services, these represent a mere handful of aberrations in a program with countless success stories, Mr. Chairman, of service to domestic violence victims, to children in need of support, to seniors and people with disabilities in danger of losing the services that they need for their survival.

Mr. Chairman, let us not shut the courthouse door to poor people in America. Let us not give our most vulnerable Americans the heave-ho. Let us give poor people and vulnerable Americans their day in court just like every other American. If our justice system is only accessible to people with means, it cannot truly be just. I urge my colleagues to support fairness, to support equality under the law by restoring Legal Services funding.

Mr. MINGE. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I would like to begin by associating myself with the remarks of my colleague, the gentleman from Minnesota (Mr. RAMSTAD). He has eloquently spoken of the importance of the Legal Services program and of the phony nature of the attacks against the Legal Services program.

I would like to focus my comments on a couple of other dimensions of the Legal Services program. First, I think it is worth noting that the Legal Services Corporation is 25 years old this year. Twenty-five years represents the

commitment that we have made at the Federal level to equal access to the law.

I have personally participated in various aspects of the Legal Services program for 32 years, going back to the mid-1960s, actually, 34 years. I first became acquainted with it as a student in law school. Upon finishing law school, I joined with other attorneys in Minneapolis in forming a volunteer attorney program. I worked with the Legal Services Corporation as a law school faculty member, and then as a country lawyer I was on the Legal Services board in our rural area of Minnesota and also again worked with the volunteer attorney program.

My service is not unique, Mr. Chairman. There are thousands and thousands of lawyers around the country who have volunteered millions of hours of time to provide volunteer legal services to those in our country who cannot afford access to the legal system.

Now, some may say if there are all of these volunteer attorneys, why do we need this Federal money? Well, I can assure my colleagues that the ability of volunteers to handle the caseload is not adequate to the demands that are made upon the programs. It simply is not there. And the established program is important in coordinating the work of the volunteers, in making sure that they have some of the basic resources that are necessary for adequate representation. The Legal Services Corporation and the individual programs around the country are serving a vital need in even this coordination function.

Going beyond that, I think that it is critical that we understand the importance of equal access to the law in this country. It is one of the fundamental concepts in our Democratic form of government that everybody has access to the political and the legal processes of our Nation. If we lose this quality of equal access to the law in America, we compromise our commitments to our Democratic form of government. Once people feel that they are consigned to the trash heap of being unable to obtain redress for their legal grievances, they lose faith in our Democratic form of government.

And we may say, well, it is the ballot box that they have access to. But I would like to emphasize that the arena in which we are working, the legislative branch, the elected officials, is only part of our form of government.

□ 1430

The rest of it is the judicial system. And redress of grievances is as important a function of the judicial system and our ensuring people that they have access to the judicial system is as important as ensuring them that they have access to the ballot box. We cannot compromise this feature of our democratic form of government without in my opinion undermining our democratic form of government. For this reason, I urge that all of us maintain a commitment to this very important program.

I would also like to point out that in funding this program, we are not funding some lavish program that has highly compensated employees. We are funding a program that is employing people at very modest levels of compensation. Often what we find is that the attorneys in the Legal Services program serve a few years and go on into private practice because they say they cannot afford to continue to work in a program that provides modest compensation. If you compare this to the Medicaid and the Medicare programs in our country, you will find that the professional, the university, the postgraduate educated folks are not highly compensated members of their profession. They are very humbly compensated. So we, I think, have a very economical program. We are getting a very good return on our dollar.

I again urge support of the amendment.

Mr. LATHAM. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, this debate really, let me assure my colleagues, is not about the attributes of the volunteers at home who do good work, I believe, for their clients who need their assistance. This debate is all about integrity. This debate is all about honesty.

Let me give my colleagues a little bit of background of what happened this year. I had an individual come to my office who worked for Legal Services to explain to me, because of my position on this subcommittee on appropriations that funds Legal Services, exactly what had happened in 1997 and 1998 and exactly what had happened when we were going through the process last year of appropriating additional dollars for Legal Services.

This individual, who happened to be in part working with the Inspector General at Legal Services and with the Inspector General at Legal Services, had audited five different agencies, local agencies, and found that they had overreported their cases in those five by 90,000 cases. If anyone will remember the debate last year on Legal Services about how many times people would stand up here and say that Legal Services did 1.9 million cases last year and this justifies our appropriation.

So after this individual, who was with the Inspector General, came to my office to tell me what had happened, we ordered a GAO report to look at just six more local agencies. When they looked at those six agencies, they found that another 75,000 cases were falsely reported. So in total now, Mr. Chairman, we are up about 165,000, 170,000 cases, or 50 percent of the total cases reported by these 11 agencies.

Now, the question is, should they have told us last year before we made the appropriation for Legal Services that their numbers were totally bogus? They say, ''No, we don't have any cause to report to you on a timely basis.'' I would respectfully submit the fact that under the Inspector General statute, they in fact were required to report to Congress and the Legal Services board was required to report to us exactly the phony numbers that they had derived and that they put to Congress. And when they were questioned during the appropriations process, they continually denied that they had held back this information until in fact I was able to lay the facts out.

We wonder why this would happen. The reason is, Mr. Chairman, the Inspector General at Legal Services, which the board admitted to the committee, said that his job was in jeopardy, and in fact what happened, he did not report to Congress as it is stated in statute that he has to if there are dramatic changes, he did not, because he was afraid of losing his job at Legal Services.

Again, Mr. Chairman, this is not about what Legal Services does. This is about integrity and honesty to Congress. Every Member here should show the disdain toward Legal Services which they showed toward you as a Member of Congress, to flat out come to us with false numbers and then say once again, ''No, these are true'' until they were presented with the facts and then they say, ''Well, wait a minute, it doesn't matter what we said, because our appropriation isn't based on that, anyway.''

This is a personal affront to every Member of Congress. If you believe that Congress can now go forward and talk to any other Federal agency and say that they have to be accountable but say to Legal Services, ''It doesn't matter what you tell us because it's okay because you have a role that people like, that you're helping poor people, so it's okay no matter what you tell Congress to justify the money.''

Mr. Chairman, that is what it is about. It is about honesty and integrity. I personally have supported Legal Services in the past. You can check my record. I have voted to increase funding. But I will not do so this year. The reason is, because I will not be insulted once again.

Mr. NADLER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in strong support of this amendment to eliminate the proposed draconian 53 percent cut in the appropriations for Legal Services.

Legal Services Corporation makes a real difference in the lives of those low-income Americans who need legal representation. Without the Legal Services Corporation, we would truly have

the best legal rights that money can buy. It is bad enough that we have failed to enact campaign finance reform, so that Will Rogers' quip that we have the best government money can buy has more than a slight ring of truth. Without Legal Services, only those with money would have any real chance of finding justice in our courts.

There may be Members of this House who do not worry about the ability of low-income people to receive basic Legal Services. The annual assault on Legal Services Corporation would suggest that this is the case. In fact, the Legal Services Corporation does the opposite of what the money-driven politics which too often tends to rule this House these days would command. The Legal Services Corporation helps the poor and powerless assert their rights against the wealthy and powerful. It represents tenants against landlords, it represents victims of toxic pollution against corporate polluters, it represents those who have suffered discrimination against those who discriminate, it represents victims of domestic violence against those who perpetrate domestic violence. No wonder it is so unpopular.

But, Mr. Chairman, the poor, just like the wealthy, should be entitled to fair legal representation. A right without a ability to enforce it legally is not meaningful. If any Member of this House had a dispute or a legal problem, he or she would seek out the best legal services he or she could afford or could raise the money to afford. So there is a general recognition that to have meaningful rights, you need competent legal representation in this society.

In criminal proceedings, that need is so obvious that the Constitution requires publicly funded counsel. But that requirement has not been deemed to extend to protection of rights outside the criminal court, to family court, housing court or civil court. That is the job of Legal Services. We are not forced by the Constitution to do this, but simple decency and a commitment to equal justice under law should be enough. It was enough for President Nixon and for the bipartisan coalition that brought Legal Services into being and it should be enough now.

Some have argued that Legal Services Corporation has failed to live up to Congress' expectations for record keeping and accounting. Some have argued there is some waste and fraud and even abuse in Legal Services. I believe the wild claims that LSC is wasting or misusing large sums of taxpayers' money bear little relation to reality. But imagine if we applied the sort of rigorous accounting rules and this reasoning, the kind of reasoning we heard from the last speaker, to some other programs, like, for instance, the Defense Department. No one has ever suggested that because there is obviously waste, fraud and abuse in the Pentagon, we should abolish the defense budget, zero out the defense budget. That would be absurd.

Mr. Chairman, there is incredible cynicism in this country. The newspapers, the press have pointed out that the polls show that people feel that government responds to the rich and the powerful, that we do not particularly care about what ordinary people think. There is substantial truth to this. Who gets their phone calls returned from Congress or the executive branch more quickly, the ordinary voter or the $100,000 contributor? The answer is obvious. That is bad enough in the legislative and executive branches. Only the Legal Services Corporation prevents this from also being true in our courts of law, in the judicial branch, too.

We must adopt this amendment to protect the honesty and the integrity of the judicial branch and to protect the faith of our citizens and the fact that if they are hauled before the judicial branch, if they need the services of the judicial branch and if they cannot afford legal representation on their own, they will have the ability to have fair representation.

This amendment must be passed to protect the integrity and the honesty and the due regard of our people for the judicial branch of government and for what we claim to be our regard for equal justice under law.

I urge my colleagues to adopt this amendment.

Mr. ARMEY. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, equal access under the law. Equal justice for all. The compassionate Nation providing legal resources to obtain these things for the poor and the itinerate in this population. These are great principles. They are honorable principles. They are principles we all embrace and principles we are willing to support. These are principles, Mr. Chairman, that we have entrusted to the Legal Services Corporation. We have said, ''This is an important job. It is a job where you are trusted to reflect the heart, the compassion, the commitment of the American people. Do it right. Be of service. Make us proud.''

Mr. Chairman, the Legal Services Corporation has failed in this duty. They have failed in such a way as to inflate the statistical data for the purpose of getting more of that money that might be otherwise used.

Mr. Chairman, in February of 1999, John McKay, the President of Legal Services Corporation said, and I quote, ''Case statistics play an essential role in budget requests and the performance plan submitted by the Legal Services Corporation to Congress each year.''

He went on to say, ''Therefore, the reliability of case statistics''—therefore, the reliability of case statistics—reliability, that it be true and accurate. That is what ''reliability'' means here. True and accurate reporting of real cases really handled that reflect our compassion and our commitment to equal justice under the law for all Americans. ''The reliability of case statistics submitted by programs to LSC is vital to obtaining continued Federal funding for Legal Services.'' This type of information holds great promise for securing increased Federal funding.

I could not agree more. Give us great reliability, and we will fulfill great promise for increased funding. But what did we find out? The Inspector General of Legal Services Corporation and the General Accounting Office audited 11 grantees. What did they find out? These 11 grantees reported 370,000 cases handled. The IG and the GAO invalidated, either because the case was not handled, it was merely a phone call and a referral or that the case was in fact a case taken on by Legal Services for somebody with means not intended to be covered by this service under the law or that the case was counted more than one time, 175,000 invalid cases.

□ 1445

That is not the judgment of the gentleman from Texas (Mr. ARMEY). That is the General Accounting Office, the accountability test.

The committee, quite rightly, saw this, took Mr. John McKay at his word and engaged in a further endorsement not only of what this agency is supposed to do but the standard by which they should demonstrate their achievement as reported by the agency themselves and cut their budget back to their actual caseload. A fair thing to do. A necessary thing to do.

Accountability is not a passing fancy, my colleagues, in the Government of the United States. We are given a trust to create agencies of compassion and service and then to hold them accountable to the fulfillment of that promise and the law by which we created.

Agencies that fail in their duty should not be rewarded. Yes, indeed, if our favorite charity was not in fact doing the things for which we voluntarily give our money, we would cut back. And we, as Members of Congress, given the trust to represent the compassion of the American people, must do the same for a Federal Government agency that does not fulfill its promise.

That is what is going on here. Do not reward them for giving us data that is not reliable for inflating the caseloads.

Now, Mr. Chairman, one final observation. If we are going to in fact restore money to Legal Services Corporation by this amendment in order to let them continue to operate in such a fashion as to report so many more cases than they actually do, where does

this amendment suggest we take the money? From all funds to run the seized asset program vital to the battle against drug traffickers. Twenty million from the FBI's investigative expenses, 44 million from INS border enforcement, 44 million from violent crime initiative, 32 million from Federal prisons, and 10 million from operations of the Federal Court.

This is a serious moment in oversight accountability and service, Mr. Chairman. Are we in Congress going to take money from these agencies with these precious necessary duties so important to the safety and security of our citizens and say, no, we will take that fund away from them and give it to an agency that has been proven to squander their money and report falsely?

Mr. Chairman, for me to falsely represent my misdeeds is unacceptable. But, Mr. Chairman, for me to exaggerate and falsely report my virtue in the quest for the taxpayers' dollar is wholly unacceptable and frankly undignified.

Let us vote for the dignity, the service, and the compassion of the American people through its government and vote down this amendment.

Mrs. MEEK of Florida. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in strong support of the amendment of the gentleman from New York (Mr. SERRANO).

I can understand why the gentleman from New York (Mr. SERRANO) entered that amendment, because he has had first-rate experience with some of the pious platitudes I hear on this floor. He has seen some of the things that are happening. He is not basing all of his opinion merely on statistical data.

My mother used to have an old saying, ''Figures do not lie but liars figure.'' We find that out a lot of times when we look at things in the Congress.

I just heard a litany of abuses of the Legal Services system, one of which said 11 particular programs in Legal Services abuse the statistical count.

What about the 258 others? Are they to go down because 11 of them went out of the way? 250,000 cases we are looking at. So what are the opponents of the Legal Services program voting against? They are voting against the rights and interest of one in every five Americans who are potentially eligible for legal services.

My colleagues are against their right to contest evictions when the slum lords put them out. They are willing to protect them so that they can contest foreclosures on these poor people, to obtain access to health care. They are willing to protect them because of these 11 people who abuse the law. They are trying to keep them from seeking redress, which anyone in this country should have, for child support and custody matters, to pursue unemployment or disability claims, or to protect their family members from domestic violence, one of the biggest problems we have in this country.

The Legal Services opponents are voting against some four million Legal Services clients. I see them every day in my community. Most of my colleagues see them in their community. I am not the only one.

So remember, we are representing people here. We are not representing some numbers that someone has put together to make us believe that there is this widespread abuse. I say to my colleagues, there is not.

My colleagues are overlooking the family members which they talk so much about, family values. If we believe in family values, let us then protect some of these poor and middle-class people who cannot afford to protect their families. They are voting against the elderly people of this country who comprise 10 percent of Legal Services clients. They do not know which way to go. They cannot go to another attorney.

Simply put, they are voting against equal justice under the law. I could give my colleagues all kinds of cases which would refute what we have heard on the floor today regarding the liability and validity of numbers.

I am saying to my colleagues to look at the 11 cases. Yes, they should be punished. But do not cut their budget down to $150 million. Look at all the money we spend here in the Congress. We spend it on widgets and gidgets and everything else. Yet we cannot look at these poor families that need legal services.

They have met some success over the years, Legal Services has. In 1995, we gave them $415 million for legal services. That was not a whole heck of a lot, but at least we gave it to them.

In 1996 we cut them to $278 million, slowly deescalating this wonderful agency. At the end of 1994, Legal Services programs funded by the LSC operated more than 1,200 neighborhood offices and they employed 4,500 attorneys.

These attorneys are not making a big amount of money either. They are working for the good of the people. By the end of 1996, we closed down 300 offices and the number of attorneys was cut by 900.

Where are we going to send these people? We cannot send them to a big, highly-paid lawyer. Where are we going to send these senior citizens who have no redress?

So in Florida there are about 106 million people living at or below the poverty level. They qualify for LSC-funded programs. In the Miami area alone, there are 350,000 poor citizens who are eligible and depend upon Legal Services programs.

Walk the streets of Miami with me and my colleagues will see those who came there, some by boat, some by ship, some forced there; and they cannot get any help because here in the Congress we quibble over $250 million.

I say to my colleagues it is a travesty of justice. I hope that we will vote for the Serrano amendment and forget about this litany of statistical misinformation.

Mr. GEKAS. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise to support the amendment that has been offered to reinstate some of the funds for Legal Services. I do so with great pain and reluctance. Because many times in the past, even though I have always supported the right of the poor to have and to gain access to the court systems of our country, I have felt that there were certain abuses, alleged or actual or real, within the Legal Services Corporation and its grantees that cried out for reform.

We have succeeded many times to bring about such reforms. Those reforms are still in the play book. We must bring more accountability to Legal Services. But until we do, we cannot immediately put a finishing touch on the Legal Services' attempt to serve those people who are already on the books and who are yet to come.

I looked very carefully at the report of the committee, which I think is one of the finest analyses accompanying a decision by an appropriations committee that I have ever seen, and it seems to me that the language of the report serves as our next set of duties in the questions of the Legal Services Corporation.

The committee report talks about the serious concerns about the case service reporting and associated data reports, all those things that have been repeated by both the proponents and the opponents of Legal Services.

There is no question about it, we need accountability. There are abuses rampant in what we have seen already on the record in this proceeding.

It is my reasoning that we ought to consider all of this as allegations for the time being that the report by the committee, as excellent as it is, should constitute an indictment against the Legal Services Corporation and that we should, as fact-finders, proceed down the line with hearings and other oversight capacity to make sure that this never occurs again.

Now, if we consider this an indictment, that means that we should not consider the Legal Services Corporation at this moment or the grantees guilty. We give them the benefit of the doubt, assume their innocence until they are proven guilty, and then move to the rest of the calendar in this remaining first year of this session and in the next session to determine the truth of the allegations, and then in next year's allocation and appropriation, in that time, to make the corrections that are absolutely necessary.

This is an indictment that the Legal Services Corporation shall not avoid, and we have the duty to pursue this indictment. We have already determined in the Subcommittee on Commercial and Administrative Law that we will have an oversight hearing on the Legal Services Corporation on Wednesday, September 22, 1999, at 2 p.m. We are doing so in following the lead of the gentleman from Kentucky (Mr. ROGERS) and the Subcommittee on Commerce, Justice, State, and Judiciary because of the findings of that committee; and that committee set of findings will also be part of the hearing that we intend to conduct.

At all times, we will keep in constant touch with the gentleman from Kentucky (Mr. ROGERS) to make sure that this indictment against the Legal Services Corporation be fully fleshed out in a full trial before the American people to guarantee that the money will go to serve the poor, to guarantee access of the court system to the poor, and to make sure that accountability for it and accountability by the professionals shall be a part of the next era of Legal Services.

Mr. ROGERS. Mr. Chairman, I know there are a number of speakers on either side waiting to be heard. But I wonder, in the interest of time, if it might be possible to set some sort of time limit on the time devoted to this amendment. We have a number of other amendments waiting.

I ask unanimous consent that we have a time limit of 30 minutes for all debate on this amendment and amendments thereto divided equally between both sides.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

Mr. CARDIN. Mr. Chairman, reserving the right to object, I appreciate the desire of the chairman to set a reasonable time limit. But I think there are probably more Members here wishing to speak. So if he would amend his unanimous consent request to, I think, an hour, that may be satisfactory.

Mr. ROGERS. Mr. Chairman, I think if we did 40 minutes it would be a reasonable time.

Mr. CARDIN. Mr. Chairman, continuing to reserve my right to object, I believe we have too many Members on the floor.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

Mr. CARDIN. Mr. Chairman, I object.

Mr. ROGERS. Mr. Chairman, I withdraw my unanimous consent request.

The CHAIRMAN. Objection is heard.

□ 1500

Mr. CARDIN. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, first let me compliment the ranking member on this amendment which I support which would restore the moneys that have been cut or recommended to be cut from the Legal Services Corporation.

It is interesting. I listened to some of the opponents, and the Legal Services Corporation has enjoyed bipartisan support throughout its history and for good reason. There are many Republicans and Democrats who are coming to the well today to speak in favor of this amendment because we understand the importance of equal access to our legal system in our rule of law.

We are looked upon around the world as the beacon of hope for democracy and freedom, in part because of our rule of law. Our rule of law does not mean anything unless we have equal access to justice, and the Legal Services Corporation helps provide that equal access to justice.

The Legal Service Corporation is a conduit of funds that go into our local communities. They are used for basic services in our legal system, to get child support payments, or to get protective orders against abuse, or to help get benefits that people are entitled to, low-income Americans; they are entitled to that rule of law, to the access to our legal system.

Now the bill before us, Mr. Chairman, would cut the funding to the Legal Service Corporation by 53 percent, to $141 million.

Mr. Chairman, for a period of time I chaired the Maryland Legal Services Corporation, and as a private attorney I handled pro bono cases; and, yes, there is a responsibility on the private sector to help make access to justice a reality for all people in our community, but government must play a principal role.

The last time that we had a major cut in 1995, I can tell my colleagues what happened in my own State of Maryland. The Maryland Legal Services had to close two offices, and there was drastic cuts which necessitated further closings, eliminating about 20 attorney positions, forcing Legal Aid to handle about 6,000 fewer cases. I can tell my colleagues today that we can handle about 30 percent of the need in our community of people who come forward for help, and in many of those cases we have to conclude those issues through legal advice only because we do not have the support necessary to pursue a court remedy.

That is not equal access to our justice system. That is wrong. We should do better, and we can do better.

We have looked at the Maryland statistics, and this is true around the Nation. We know that we are not meeting the need that is there. We know in every State in the country there are people being turned away today, and let me remind my colleagues the Legal Service Corporation provides some of the funds for the local programs, and we want to penalize the local programs and our constituents and penalize our system of justice because of an audit report that quite frankly I do not think is the real reason why this cut is being brought forward. Many of the people that are supporting it have never supported the Legal Services Corporation. They will look for any reason to reduce that budget.

Mr. Chairman, access to our legal system by every American, no matter how poor, is vital to the liberties that this Congress is supposed to protect and promote. If my colleagues will vote against this amendment, they are voting against fairness and access to our justice for people in this country who are most in need. It would be a shameful stance for this body to provide such a drastic cut.

Mr. Chairman, I urge my colleagues to support the amendment offered by the gentleman from New York (Mr. SERRANO).

Mr. MILLER of Florida. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to this amendment for several reasons. First of all, I have a philosophical difference with my colleagues on whether this is a Federal responsibility. I do not disagree with the previous speaker about the need for access to legal services, but we are talking about State court issues and not the Federal court issues. So the question is: Why is the Federal Government taking this responsibility?

So I just have a question, why we need to do it. At the Federal court level I definitely could support it or this type of program, but the State court level, this should be a State and local responsibility.

The second reason I have a problem with this particular amendment is the way we are trying to fund it. The gentleman from Kentucky (Mr. ROGERS) had a very tight number to work with, and we all recognize that; and he had to make some tough choices, and what this amendment does is it cuts programs from essential Federal programs.

For example, it is going to cut $44 million from the Border Patrol. We have all agreed we need to tighten our border, and now we are going to cut 44 million?

The National Instant Check System. We have all been fighting over the gun issue. We all agree, I think, that we should have an instant check. And now our colleagues want to take $20 million away from that? How do we even do it if we want to check for guns if they are going to take the money away when we start going after the issue of gun shows unless it is a funded program?

We are going to take $44 million from the violent crime reduction program and the Federal prisons, $32 million. Well, let us see. Let us just turn some more prisoners loose and cut the Federal prison system.

So it is wrong to make these cuts.

And, finally, the third reason I am opposed to this is what the gentleman from Iowa (Mr. LATHAM) and the gentleman from Texas (Mr. ARMEY) talked about, and that is this issue of credibility of the Legal Services Corporation. GAO and the Inspector General both issued reports that really question the credibility there as an oversight responsibility. We need to make sure that the money is being spent in the right manner and wisely, and the Legal Services Corporation has not been straight with the subcommittee.

So Mr. Chairman, I have serious concerns about whether this program should even exist, and I very much disagree with the gentleman, the ranking member, for taking cuts from programs that are already cut too much already, and I urge opposition to this amendment.

Mr. ROGERS. Mr. Chairman, let me renew my unanimous consent request.

I think the number of speakers has diminished somewhat. If each of them would restrict their comments maybe to 3 minutes apiece, I think we can be through in a reasonably short period of time.

Could we agree to a 30-minute limit of time divided equally?

The CHAIRMAN. Is that a unanimous consent request?

Mr. ROGERS. That is a unanimous consent request.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

Mr. BERMAN. Reserving the right to object, Mr. Chairman, under my reservation I yield to the ranking member of the subcommittee, the gentleman from New York (Mr. SERRANO), for any thoughts he has.

Mr. SERRANO. Mr. Chairman, I understand the gentleman's request, and we all want to finish as quickly as we can, but there are just on this side too many speakers.

Mr. ROGERS. Mr. Chairman, will the gentleman yield?

Mr. BERMAN. I yield to the gentleman from Kentucky.

Mr. ROGERS. If I can inquire, how many speakers does my colleague have?

Mr. SERRANO. Mr. Chairman, if the gentleman would continue to yield, we know of at least about a dozen who want to speak now, and all the courtesy should be given to them. So it is a problem at this point.

Mr. ROGERS. Mr. Chairman, I only see three on the gentleman's side. There is maybe four on my side.

Mr. SERRANO. Mr. Chairman, the gentleman can take my word for it. They are here if their time comes to speak.

Mr. ROGERS. Well, can we agree on any time limit, Mr. Chairman?

Mr. BERMAN. Under my reservation of objection, Mr. Chairman, I would ask the gentleman, for the life of me I never understand why when we go to the Committee on Rules we do not come out with a set time limit so that time can be allocated at the beginning based on the demand for people to speak, but at this particular point I just think we are not quite ready to entertain this. I suggest submitting it in a little while, but we are not quite ready, and so I object.

The CHAIRMAN. Objection is heard.

Mr. BERMAN. I move to strike the requisite number of words, Mr. Chairman.

Mr. Chairman, I would like to take a moment just to review the bidding on the Legal Services Corporation.

In 1981 this program took an unbelievably deep cut which it took 11 years, until Fiscal Year 1993, to get back to where it was in 1981. In Fiscal Year 1995, we finally reached the $400 million level on Legal Services Corporation appropriations, a level which served nowhere near 50 percent of the population then living in poverty in terms of legal services programs.

Since that time the program has been reduced to the present level of 300 millions, so the bill in front of us which the gentleman from New York (Mr. SERRANO), the gentleman from Minnesota (Mr. RAMSTAD), the gentleman from Massachusetts (Mr. DELAHUNT) seek to amend is a 53 percent cut for a program that is already $100 million less than it was in Fiscal Year 1995. This is a massive cutback in an essential program.

All the laws we have to protect consumers and tenants and employees, our whole quality of life, these are rendered virtually meaningless for low-income people if they cannot get a lawyer to advocate on their behalf.

When I hear the leader talk about the different sins of the Legal Services Corporation, and on each one there is an answer, there is a different interpretation; I believe there is a fairer interpretation. What I do know is that the distinguished majority leader has opposed the Legal Services Corporation every year with the GAO report, without a GAO report, with an Inspector General comment, without an Inspector General comment. The majority leader does not like the program.

Now there is an alternative to Legal Services Corporation. It is creating the most massive bureaucracy of enforcers of these laws one could imagine at a time when we surely do not want to do that to regulate and control every aspect of commercial and landlord-tenant and other kinds of private relationships to make sure that low-income people are getting a fair shake.

I suggest this program is the most efficient and most effective way. It utilizes the skills of tremendously talented people who get very low wages. No one in this Chamber would work for the salaries that these people are working for. These people could make factors of two and three times as much money going off in the private sector, but their commitment to serve low-income people allows them and motivates them to serve in these kinds of jobs.

The American people and the low-income people in this country are getting tremendous service from this. We talk about case numbers. One can have a case that involves a phone call for 20 minutes and an interview for 15 minutes and a letter that takes another 10 minutes, or one can have a case that takes hundreds of hours of research and judicial time and court time and deposition time and discovery time. To get into a clinical analysis of numbers of cases and then make automatic assumptions about budget makes no sense whatsoever in terms of the real world of the legal practice of these people who again, I repeat, are working at far below the incomes that their talents would justify.

I myself think the amendment in front of us is much too low; $250 million is not an acceptable figure. That would leave a cut of $50 million from the already too low level we are at this year. I myself do not like the offsets, but I know that in a conference committee we can change the offsets, we can continue this effort; and if my colleagues believe in what the Legal Services programs represent in this country, they have to vote aye on this amendment, and I urge an aye vote.

Mr. SERRANO. Mr. Chairman, will the gentleman yield?

Mr. BERMAN. I yield to the gentleman from New York.

Mr. SERRANO. I would just take time from the gentleman to clarify a point.

This amendment does not cut any funding from the Border Patrol. My amendment merely shifts funding from one INS account to another, a shift of $44 million that is budget-authority neutral. This shift is necessary to keep this amendment outlay-neutral in total.

Mr. BERMAN. Reclaiming my time, Mr. Chairman, just to add one thing. There are other offsets, some of them I have to admit I do not like, I would not have chosen. But I have to sympathize with the subcommittee, too. I could not come up. The cap for this subcommittee is woefully inadequate to meet the needs of the Commerce Department, the Justice Department, the State Department and Legal Services Corporation. It is woefully inadequate to do that. Any offset is going to pay a price, but the principle here is the principle, do we continue our commitment to legal services for the poor? I urge an aye vote on the amendment.

Mr. DOOLITTLE. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I hold my colleague from California in high regard, but I

just have a different opinion about this. I agree with the majority leader. It is just unbelievable to me that we are talking about cutting FBI funds, the funds for the INS, which we believe goes to the Border Patrol, for the violent crime reduction programs, for the Federal prison system, even cutting judges' salaries in order to fund this Federal legal services program. Whatever happened to the States? Whatever happened to volunteerism? Why do we have to have the Federal Government step in and fill every little nook and cranny?

□ 1515

We are in the era of downsizing and of moving power back from the Federal Government to the States. It is not as though there are not well-established programs and many, many attorneys across the country already donating their time. So, please, I support helping poor people as well as anyone else. It does not require increasing the budget of the Legal Services Corporation.

I heard my friend who spoke earlier from Florida talk about giving them the benefit of the doubt. They do not deserve the benefit of the doubt. This is an entity that has repeatedly abused its authority, and now we find evidence that they have intentionally and wrongfully inflated their statistics with the intent to secure more funding. So we are going to turn around and give them more funding, when we have caught them red-handed deceiving the Congress about how much work they actually do?

This is just outrageous. I commend the gentleman from Texas (Mr. ARMEY) for his speech against this amendment, and I hope we will all join with him.

We are about setting priorities. This is not a high priority. In fact, this agency deserves to be punished for the clear abuses it has committed. We should not reward them. What are we going to say to these arrogant Federal bureaucrats if we allow them to lie and then to be blessed with a huge increase in funding as a result of that lie? I think it is very, very bad policy.

I think I should remind Members that this agency, we as a Congress actually had to get involved and tell the Legal Services Corporation through legislation that they could not get involved in redistricting, that they could not get involved in abortion litigation or prison litigation on behalf of prisoners' rights or welfare litigation or pro-union advocacy or union organizing; they could not get involved in fee-generating cases or representation of public housing tenants charged with possession of illegal drugs or against whom eviction proceedings had begun as a result of illegal drug activity; we had to tell them they could not get involved in representing illegal aliens.

It is outrageous. So we told them. Hopefully they are complying, although we will see. But now they are inflating their own statistics.

I think it is interesting that the President of Legal Services, Mr. McKay, earlier this year no less had this to say: ''Case statistics play an essential role in the budget request and performance plans submitted by the Legal Services Corporation to Congress each year. Therefore, the reliability of case statistics submitted by programs to Legal Services Corporation is vital to obtaining continued Federal funding for Legal Services. This type of information holds great promise for securing increased Federal funding.'' Then we find out that they have just about 50 percent less clients than was represented.

It is outrageous, Mr. Chairman. We should oppose this amendment.

Mr. CONYERS. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in support of the amendment. To the Members of the House, I have just listened to the very scathing critique of another colleague who supports the majority leader's position, but I rise to point out that this request is still $50 million short of last year's funding level. What we have here is still a reduction, even with the amendment skillfully put together by the gentleman from New York in a bipartisan way.

Let me tell you that in Michigan, these Legal Service corporations do wonderful work. Wayne County Legal Service, headed by attorney Linda Bernard, has been working for years and years on a very important mission and does great work. They get rave reviews constantly.

This request, even though short $50 million of last year's funding level, is still $90 million short of the administration's request, so I do not think we are doing anything as dramatic as one of the speakers indicated.

Are we trying to punish the poor or deprive them from legal access? This amendment says restore funding.

As it is written, we cannot help but notice that the bankruptcy reform that the majority supported, that the majority leader supported, gives big companies and powerful creditors even more power, and at the same time they impose dramatic cuts on Legal Services representation for the poor. What are we revealing about this Congress? Fortunately, I am told that most of the Members of the House and the other body support some modest improvements.

So we have to remember that during last year's impeachment proceedings, it was the majority that clamored about ensuring equal access to justice and equal access to the courts. The cuts in this bill, however, only ensure unequal access to the court.

Remember, the Legal Services Corporation is only representing some of the people that are eligible. It is not that everybody eligible for Legal Services that is getting them. We are still very much short of providing all of the work and representation they need.

Now, these are not bureaucrats. Somebody referred to them as bureaucrats. These are members of the bar who have sacrificed in many ways, not just financially, but to work the long hard hours. I have visited some of these people. They work long hard hours on cases that will not bring them fame, certainly not fortune. So to merely pass them off as some kind of a government apparatus is really not doing fairness and demeans the whole concept of this organization.

Happy birthday, Legal Services Corporation. You are 25 years old, and there are still people trying to beat your brains out. Perhaps you are doing too good a job to those who do not want the poor to be represented. But I am sure that there is a spirit larger than some of the language and debate that I am hearing here.

So, despite repeated attempts to reduce Legal Services, and, from some people's point of view, let us face it, to kill Legal Services, to get rid of it entirely, we feel that there is strong support in both bodies for this Legal Services mission.

Join us in this bipartisan effort to show that democracy can work in the Legal Services area.

I commend all of the Members who have created this amendment, the gentleman from New York (Mr. SERRANO), the gentleman from Minnesota (Mr. RAMSTAD), and the gentleman from Massachusetts (Mr. DELAHUNT), and I think that they will be rewarded in the end.

I urge the Members to support the Serrano-Ramstad-Delahunt amendment seeking funding for the Legal Services Corporation at the level of $250 million. This is a modest request that is still $90 million short of the Administration's request and $50 million short of last year's funding level.

As it is written, this bill demonstrates the hypocrisy of the Majority's position. They use bankruptcy reform to give big companies and powerful creditors even more power, and, at the same time, they impose dramatic cuts on the Legal Services Corporation to take power away from those who have none. Moreover, during last Congress's impeachment proceedings, the Majority clamored about ensuring equal access to justice and equal access to the courts. The cuts in this bill, however, only ensure unequal access to justice. If the Majority truly is interested in empowering those who most need legal assistance, the powerless, it will support this modest increase in funding for the LSC.

Only in March, Majority Members of the Judiciary Committee promised to hold a hearing on what level of funding the LSC should receive. Yet, here we are, 5 months later, and no such hearings have been held. Now, we are left debating the future of the LSC, at the last possible minute, on the House floor. We

cannot allow the Majority to constrict the LSC until it can no longer function.

Despite repeated attempts to reduce or kill legal services funding, we have learned that the full House and Senate are strongly supportive of the Legal Services mission, which is to assist non-profit organizations that provide legal services to individuals living in poverty.

And the need for Legal Services continues to be overwhelming even though we live in a time of great economic prosperity. There are still 35 million Americans living below the poverty line and 10 million additional individuals with income below 125% of the poverty level. This means almost 1 in 5 Americans is eligible for LSC-funded services.

If we increase funding for the Legal Services Corporation, we will enable it to address over 1.6 million issues annually involving critical legal problems for clients and their families, including employment disputes, individual rights, consumer fraud, and assistance to veterans suffering from post-traumatic stress disorder.

Nearly 30% of the requested increase is needed to provide a small cost of living adjustment, while the remaining 70% would fund initiatives to help victims of domestic violence and children, and to expand the use of technology to promote client self-help.

I urge all of my colleagues to vote in favor of this common sense amendment.

Mr. UPTON. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I would like to make a couple of points. Legal Services was in need of reform, desperate reform, and I have got to tell you that in 1996 that happened. There are strong penalties for those that abuse the system. In fact, you can lose your license. You can be disbarred.

In 1995, Legal Services was cut by one-third, and that cut is in essence still in place. In fact, if the Serrano amendment does pass today, there will still be a $50 million cut in 2000 versus 1999. It does not go quite far enough.

Some here today have talked about some abuses. As far as I know, they are pretty old abuses. They were corrected, rightly so. The gentleman from Pennsylvania (Mr. GEKAS) who spoke a little bit before me talked about some of the abuses, and he was quite proud, rightly so, of the efforts that were made.

Some here today may have heard from some of their farmers, and goodness knows I have a lot of folks in agriculture in southwest Michigan. Last year, I wrote more than 4,000 of my farmers asking them for specific cases of abuse that they could tell me about involving Legal Services. Do you know how many responses I got back? None. Not a single farmer responded back with a single case of abuse, period.

Lawyers are expensive. They are costly to any family, whether you be rich or poor.

Let me tell you about a couple of the cases I found out, my local Legal Services, what they have done back in Michigan this year. The Berrien County Legal Services, my home county, intervened to assist a home-bound elderly woman who was ready to sign an unfair contract for home improvement. Not only did this widow avoid, thank goodness, because of the efforts of Legal Services, but she avoided entering into that agreement, and had she done so, the contractor would have ended up owning all of the equity in her home. Wrong. She got help, and she deserved it.

Another case, Legal Services helped a 76-year-old woman adopting her 8-year-old great granddaughter that she had raised from birth, even though the adoption was contested by the girl's father, her real father, who is serving time in prison and, in fact, had never seen his daughter. Legal Services succeeded in keeping this young girl in a stable home environment that she had known from birth. Those are the cases that Legal Services does every day of the week.

We have heard a little bit about padding some of the cases here, and, rightly so, perhaps. It is troublesome. But I have to tell you, the funding for all of these counties comes based on the poverty level in your counties. It is not by level of cases. It is based on need.

This is a program that works. If it does not work, Members of this House should go to the gentleman from Illinois (Mr. HYDE), the chairman of the Committee on the Judiciary, who has proven his moxie, has proven he has the votes to get things done, bring those abuses to the Committee on the Judiciary, and, if they are true, he will fix them. I have confidence in the gentleman from Illinois (Mr. HYDE).

There are lots of statements around here that are chiseled into buildings. ''Equal justice under law.'' Let us not ask that brick layer to take that statement off the wall and instead put in ''no justice for some.''

Without this amendment, the brick layers may as well go back to work. Let us not close the courthouse doors. Let us not take away rights that the middle class and the rich are able to be able to pay for, whether it be adoption or custody or even doing a will. That is not right.

This amendment, even if it passes, still reduces Legal Services by almost 20 percent. A $50 million cut in a $300,000 program is still going to throw a lot of people out of work.

Ms. WATERS. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, today I want to speak in support of the Serrano-Ramstad-Delahunt amendment to restore funding to Legal Services Corporation. If this amendment is not accepted, the Legal Services Corporation will suffer yet another devastating blow.

As currently written, this bill provides only $141 million for Legal Services Corporation. This proposal is $159 million less than the current appropriation and $199 million less than the administration's request. Such a reduction would crush an already vulnerable Legal Services, thereby rendering it even more difficult to provide Legal Services for those who most need it.

Let us be clear: Legal Services has already been cut to the bone. This worthy program cannot survive another massive reduction in funds. We have cut Legal Services from a budget of $415 million in fiscal year 1995 to $283 million in fiscal year 1998. I know that there are people who just do not like legal aid, so they have decided to devastate it by attacking it every year with cuts, cutting it to the bone so it cannot operate. It is not fair.

The effects of these cuts are already being felt by those low-income clients that depend on Legal Services organizations. In California, the Legal Services Corporation provided Legal Services to 217,015 clients in 1997. Those represented included our most vulnerable citizens, including the elderly, battered women, and families who are barely surviving poverty.

□ 1530

However, if the Serrano-Ramstad-Delahunt amendment is not accepted, we, as legislators, would effectively be abandoning the longstanding commitment to legal services for the poor.

Let us put a face on it. Who are we talking about? We are talking about renters. Do my colleagues know that still in America there are unscrupulous landlords who turn off the water, who put padlocks on the doors, who set people out on the sidewalk. They would rather do this than go through the expense of going through the courts, and if they went to the courts, many times, the renters would be found to be within their rights to refuse payment. In California, we have Deduct and Repair. If one is living in run-down rental units, if the water is not working, the electricity is not working, one can repair it and deduct it from the rent. Some landlords do not like that. So we have people who depend on Legal Services. We have the elderly, as just described, who are oftentimes tricked into signing contracts, and they cannot get out of them alone. They cannot get to the courts. They do not have any money.

We have people who are tricked into signing contracts that my colleagues and I, if we saw them, would be outraged by them, but it is legal services who is there to help. The more we cut them, the more exposed these very vulnerable populations are.

To make matters worse, in my own State, the State of California, many of the poor are already without service because of Governor Pete Wilson's veto of the State Bar Fee Authorization in 1997. The poor in California have been failed by their governor, and this amendment is their last hope. Moreover, the deep cuts in Legal Services

will mean that whole sectors of our society will be left without access to Legal Services Corporations. In many poor and rural regions of the country, there will be no publicly-funded legal assistance available to the poor. We must not forget that 40 percent of the 23 million people over 18 who live in poverty in this country are the working poor, and they also depend on Legal Services, organizations for legal assistance.

Now, I know there are some who do not know a lot about this, and they may think that the poor are just in these inner cities depending on these services. I am amazed at how many legislators are representing poor districts that are not cities, that are in suburban communities, in rural communities, and they act as if they do not have the poor. They are simply not getting their representation.

There are many poor farmers who need legal services, who have lost everything, who have nowhere to turn. And the legal services are there for them in some areas, but with these kinds of cuts, we are not going to have them in those poor, rural communities.

The American public supports a federally funded Legal Services Corporation for those individuals who would not otherwise be able to afford an attorney's services in certain civil matters. The provision of adequate Federal funding for legal services cannot be provided elsewhere.

Mr. Chairman, I would ask for support for this very important amendment.

Mr. WHITFIELD. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I want to give my thanks to the gentleman from Arizona, who is a member of the committee.

I rise to oppose this amendment on behalf of farmers of all income levels in Kentucky, Tennessee, North Carolina and throughout the southeastern United States. This agency, under the leadership of President John McKay, has abused its legislative mandate and has misled the U.S. Congress, as many people have talked about, on its caseload. We could spend a lot of time talking about the caseload, but I want to talk about an aspect of the Legal Services Corporation that continues to create problems, particularly in the Southeast, as well as other parts of the country.

Section 504 of the law states that none of the funds appropriated in this act to Legal Services may be used to provide legal services for or on behalf of any alien, unless the alien is present in the United States.

Now, that should be clear to anyone, and we want aliens who are working in the U.S. under some agricultural program to have access to the courts. And they do have access to the courts. But when they leave and they go back to Mexico or wherever they may go, the law states that they cannot be bringing lawsuits while they are not present in the U.S.

But, despite that, the President of the Legal Services Corporation, John McKay, has said that he will not penalize any Legal Services Corporation if they misinterpret the phrase, ''is present in the United States.'' He wants it to say, ''was present in the United States.'' Mr. McKay goes on to say that he has absolute discretion to determine what laws to enforce and how.

Now, the Legal Services Corporation, as a result of that, has ignored the statutory authority that is even in the bill this year. It was there last year and he ignored it, and it was there the year before and he ignored it, and the legal services lawyers from North Carolina were videotaped on an illegal trip to Mexico to recruit clients to sue farmers in North Carolina, in Kentucky, and other States. Paralegals were sent passing out brochures saying that you have these rights that need to be pursued in court. And not only that, but when they find these clients, they send threatening letters to farmers throughout my district in which they are saying, if you will pay $4,763 to one farmer, $14,289 that another farmer receives, $26,000, $65,000, $73,000, if you will pay this money, then we will not proceed in court.

Now, a lot of these farmers do not believe that there is any legal basis to file the suit, so they defend themselves in suits filed in Kentucky, in Tennessee, in North Carolina, and in many cases, the local judges grant a summary judgment for the farmer. And then what happens? Well, then the legal aid lawyers go to Texas Federal court and they file lawsuits there.

So when the farmers try to get it transferred to a Federal court in Kentucky or North Carolina, then the judges say, no, I am not going to transfer it. So then the farmers have to hire lawyers in Texas, they have to go to Texas for depositions, they have to go to Texas for lawsuits for the case to be tried, and it costs large sums of money, and many of them end up settling and some of them have even gone into bankruptcy because of this abuse.

The sad thing about this is, many of the plaintiffs are not present in the U.S., even though the law specifically says, you must be present when the lawsuit is filed. And John McKay has repeatedly ignored that, has repeatedly disavowed that and has said, I will interpret the law the way I want to interpret it.

Mr. Chairman, there is something wrong when we have a system that is taking tax dollars from hard-working, law-abiding taxpayers to have suits filed against them in violation of the law that is there. I realize we live in a particularly permissive society, but I hope we have not reached the point where we not only condone a Federal agency misleading Congress about its caseload, but we reward them when we discovered that they provided false testimony, and then we turn our head when we know that the agency is violating Federal law.

Now, the President says he is going to veto this, and I would urge him if he does, I want to take him to Kentucky, Tennessee, North Carolina, and he can talk to the farmers about why he is vetoing it.

Mr. ALLEN. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, the Legal Services Corporation celebrates its 25th anniversary this year. For 25 years, legal services has provided critical legal aid to low-income people, including children, the elderly, and victims of domestic abuse. In those years, legal services has helped low-income Americans fight unjust eviction from their apartments, arbitrary government actions, and consumer fraud. And reflecting their level of concern for low-income Americans, the Republican leadership has slashed funding for the Legal Services Corporation.

The Republican leadership is prepared to give a $792 billion tax break to the rich. It is also trying to cut $159 million in legal aid to the poor. The other side of the aisle argues that those who pay little in taxes should get no tax relief, and some of them argue that those with little recourse to our legal system should get no legal aid, but not all of them. The gentleman from Minnesota (Mr. RAMSTAD) and others who have spoken today have stood up for legal services and have stood up for the principle of equal justice under law.

The bill before us cuts funding for the Legal Services Corporation in half. Mr. Chairman, with this cut, more than 250,000 families will be denied access to legal counsel in the courts, and there will be only one Legal Services Corporation for every 24,000 low-income Americans. This drastic cut to Legal Services funding will hurt hundreds of thousands of Americans, particularly those who live in rural areas, because legal services programs will have to close neighborhood offices and limit their services.

I believe that claims that Legal Services is misrepresenting the number of people it has helped are vastly overstated and have been properly addressed, but it is the latest excuse for those who year after year after year after year come to this floor to do just what they are trying to do today and cut out legal aid for the poor.

We should listen to the scores of businesses, religious organizations, seniors' groups and victims' advocacy groups that support the Legal Services Corporation.

Mr. Chairman, I would have thought that legal services for the poor to help

ensure equal justice under law was a conservative ideal, an ideal rooted in our Constitution. I believe it is simply wrong to slam the courthouse doors shut on the poor simply because they do not have the money to obtain legal counsel.

In Maine, one of the great advocates for legal services for the poor is a man named Howard Dana. He was appointed to the Legal Services Board, I believe, by President Reagan, and year after year after year in the 1980s he fought to make sure that the Legal Services Corporation remained in existence and was adequately funded. He was and remains a conservative Republican. As I said, this is a conservative ideal: equal justice under law. He is now a distinguished judge on the Maine Supreme Court, and I know he stands by the beliefs that he held as a member of the board.

Mr. Chairman, I urge my colleagues to remember that although Legal Services attorneys may not be convenient, they may be inconvenient, for landlords, for corporations, and even for this government, inconvenience is no argument for subverting a fundamental principle of our Constitution. I urge my colleagues to support the bipartisan Serrano-Ramstad-Delahunt amendment which would restore funding for the Legal Services Corporation. All Americans deserve equal justice under law, not just those who cannot afford it. Keep the courthouse door open for all Americans.

Mr. ROGERS. Mr. Chairman, in the interest of time, I ask unanimous consent that all debate on this amendment and all amendments thereto be concluded in 30 minutes, and that the time be equally divided on either side of the aisle.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

Mr. SERRANO. Mr. Chairman, I have spoken to the chairman, and we do not object.

There was no objection.

The CHAIRMAN. The gentleman from Kentucky (Mr. ROGERS) and the gentleman from New York (Mr. SERRANO) each will control 15 minutes.

Mr. ROGERS. Mr. Chairman, I yield 3 minutes to the gentleman from Arizona (Mr. KOLBE).

Mr. KOLBE. Mr. Chairman, I thank the gentleman for yielding me this time. I rise in opposition to this amendment.

Mr. Chairman, others have spoken here today about the improprieties or, some would say at the very least, the inconsistencies that we have seen in the caseload figures that have been provided by the Legal Services Corporation. Others have said, well, that is not really how they get their funding, they get it from the level of poverty that is found in each of the areas where legal services are provided.

But the fact is, we have seen some wild variations in the caseloads, and we do know that the Inspector General and even the Chairman of the Legal Services Corporation, has himself acknowledged that there are tremendous discrepancies in the way caseloads these are reported.

Now, some say it is because there are no real guidelines. Well, I believe the Board has a responsibility to promulgate those guidelines to make sure that it is clear so that we know what cases are being accepted or how they are being disposes of so that we can have consistent statistical data on which to make the judgment in the subcommittee that I serve on level of funding for the Legal Services Corporation.

□ 1545

We also heard the gentleman from California talk about how over the years Congress has had to take action against the Legal Services Corporation for meddling in areas where Congress has demonstrated clear legislative direction. Instead, too often the Legal Services Corporation has attempted not to implement legislative intent, but to block the actions of Congress. We heard about that most dramatically, in the memory of most of the Members of Congress, in the area of redistricting.

I want to talk about another area where this is going on, legislation that we passed a few years ago dealing with migrant farm worker programs, and the very limited guest worker programs with foreign countries.

These are very heavily constricted programs with a lot of regulations, a lot of rules which must be implemented in order to comply with them. They have to advertise; they have to show that there is no work force available.

Even with all these hurdles to clear, what we have found is that Legal Services Corporation in almost every area and every State, has filed all kinds of actions to block any approval of these worker programs. The result is none, virtually none, have been approved. Less than 1 percent of the potential need for migrant workers, giving people jobs here in the United States to work, have actually been approved by the Labor Department. What we hear time and again from farm organizations is they just do not initiate the process because they know they are going to be blocked by the Legal Services Corporation.

I want to finally discuss where the author proposes to find offsets for restoring this money to the Legal Services Corporation. The gentleman from New York (Mr. SERRANO) has told us the money does not really come out of the Border Patrol, that this is really a shift from one account to the other.

I will acknowledge that this is true. But there is a definite cut in the National Instant Crime Check system for the FBI, there is a definite cut in the Federal prison system, and there is a definite cut in the judicial services.

Mr. Chairman, these funds are absolutely vital in order to carry out the legal system for those who need it most. Who needs it most except those who are the most impoverished? If we do not have a judicial system that works to put criminals behind bars, who is going to suffer? Those who are the most poor. If we do not have a judicial system that has the staff to process cases, who is going to suffer? Those who are the most poor. If we do not have a system to do crime checks, who will be the victims of crime? Those who are the most poor.

Mr. Chairman, I urge that we defeat this amendment. I urge that we keep the cuts that the committee has judiciously imposed on the Legal Services Corporation.

Mr. SERRANO. Mr. Chairman, I yield 3 minutes to the gentleman from Pennsylvania (Mr. HOEFFEL).

Mr. HOEFFEL. Mr. Chairman, I thank the distinguished ranking member of the subcommittee for yielding time to me, and for bringing this excellent amendment to the House, which I strongly support.

The Serrano-Ramstad-Delahunt amendment would avoid a devastating 53 percent cut in Federal support for the Legal Services Corporation. This money is desperately needed in our communities, and we must support the Serrano amendment.

I heard the majority leader speak, questioning the reliability of case statistics offered by the Legal Services Corporation. I would like to share with him and the House some case statistics from the Legal Aid Society of Montgomery County, Pennsylvania, where I come from.

In 1995, they received about $300,000 in Federal money for their legal aid program. This year they are receiving under $200,000, a one-third cut. If this bill goes through unamended, they will realize another $100,000 reduction in funding, so a two-thirds reduction from 1995 in Federal support.

This has a very real impact on the quality of legal services offered in Montgomery County, Pennsylvania, as it obviously does in every county throughout this country. They have had to reduce their caseload in my county by over 250 cases out of a couple of thousand, and if these funds are further reduced, as the bill proposes, another 200 or 300 cases will be reduced from their annual caseload.

I heard the gentleman from California (Mr. DOOLITTLE) talk about where are the States in volunteerism? In my county, the county commissioners have offered up more money as the Federal Government has reduced funding. The Bar Association has offered up money and pro bono time to

make up for Federal cuts. But they cannot take the place of the Federal money, and the caseloads are going down.

The gentleman from California (Mr. DOOLITTLE) said we should punish the bureaucrats. This is not about punishing bureaucrats. The bureaucrats will not be punished, it is the people that receive and need the legal services that will be punished. Who are these people? They are about two-thirds women: poor women; women that need help with protection from abuse cases; women that need help with consumer protection cases; women that need help with employment problems, financial problems, foreclosures. These are the people that the majority would punish if this bill is unamended and if the cuts are passed as the bill proposes.

We have a principle in this country of equal justice for all. To achieve that, we need equal access for all to the courts. We must pass this amendment.

Mr. ROGERS. Mr. Chairman, I yield 4 minutes to the gentlewoman from Maryland (Mrs. MORELLA).

Mrs. MORELLA. Mr. Chairman, I thank the chairman for yielding time to me.

Mr. Chairman, I rise in strong support of this amendment. The Legal Services Corporation is important to assisting vulnerable people in our society. This is a little bit of what I will address.

Women and children are among the vulnerable who, without assistance, often find themselves in abusive situations that they cannot control. The impact of these situations is significant, and it could well result in homelessness and the loss of necessary financial resources for food, maintenance, and health care.

To give one example from my own district, which is Montgomery County, Maryland, as a result of domestic violence and in fear for her safety and that of her five children, a woman left her husband of 15 years. He had been the primary support for the family.

She was able on her own to obtain housing, although it was neither decent nor safe. Still, because of her financial situation, she was threatened with eviction. Local legal services helped her to get Section 8 housing, and the family was able to relocate to decent housing with adequate space. This stabilized the family during a very disruptive and unsettling time.

Millions of children are the victims of abuse from their parents and others who are responsible for their care. This abuse goes on somewhere in the country every minute of the day, and Legal Services in Maryland represents children who are neglected or abused, such as neglect or abuse which ranges from a child being left alone by a parent, not being provided a nutritional meal, to physical or sexual abuse that results in severe injury and, all too often, death.

Legal Services has helped the infant that has been abandoned at birth, the child who is left unattended, the child who is beaten, burned by cigarette butts because he would not stop crying, or scalded by hot water to teach him a lesson. These children are vulnerable, and without the protection of the law they would be endangered and lost.

Legal Services advocacy on behalf of children assures that they will not be the subject of abuse, and it helps to secure services for children, such as housing support, health care, food, educational programs, and necessary counseling.

The work of Legal Services on behalf of families and children touches at the heart of what we value most in this country: decent housing, adequate health care, food, a safe environment. Because of the importance of safety in our society, Legal Services programs have supported legislation to prevent abuse and protect the abused.

In general, the States are not allocating funds for civil legal services for poor citizens. Without this federally funded program, the most vulnerable members of our society will not have the ability to get inside the courtroom door to seek judicial protections of their rights. We must assure that sufficient funds are available. This amendment restores some of the amount that Legal Services needs, not even the total amount that could be used.

I certainly urge support for this modest amendment.

Mr. SERRANO. Mr. Chairman, I yield 4 minutes to the gentleman from Ohio (Mr. KUCINICH), who has been patiently waiting for over 2 hours to speak.

Mr. KUCINICH. Mr. Chairman, I thank the gentleman for yielding time to me.

Mr. Chairman, I want to say at the outset that I, too, am offended by the false reports which are alluded to by my colleagues. It is repugnant that any agency should submit information to the government which is anything less than accurate.

I can understand why some would be so offended about the abuses cited. However, I am even more offended by poverty, poverty which locks people out of opportunities for justice, poverty which humiliates people when they cannot be represented, poverty which makes people invisible when courts would take action in their absence; poverty which would deny the poor legal representation.

How many of those who have been in this Chamber can imagine what it is like to need an attorney but have no access to help because one cannot afford it? Indeed, if a Member of Congress is subject to legal process in the performance of his or her duties, he or she will receive legal assistance from the Office of General Counsel at no cost. How could we deny those who we represent, who have much less recourse, how could we deny them access or claim to the resources of the country?

Mr. Chairman, there is a level of condescension and condemnation of the poor and judgment which is inappropriate here, because this is not only about whether we will see full legal services for the poor and whether Legal Services for the poor will survive. Moments like this instruct us as to the health of our democracy and its ability to survive.

At a time when Members of Congress are prepared to give 70 percent of a multi-billion dollar tax cut to the top 5 percent of the people who make over $200,000, this Congress should be more gentle with the have-nots on such basic issues as legal representation.

Somewhere in America there are poor and working poor who are concerned about whether they will have representation on issues of consumer debt, defective products, insurance coverage denial, assistance on family violence, eviction defense, illegal lockout defense, utility cutoff defense, housing discrimination defense, disability benefits defense.

Legal Services is there for them, and this Congress ought to be here for Legal Services. The poor have a right to a decent legal representation. The poor already are at a disadvantage in all legal situations. They tend to lack education; they tend to lack knowledge of the system; they tend to be, because of the sting of poverty, a bit disorganized.

We will be challenged by a higher test here, and which resonates with a very old question that was put forth about 2000 years ago: When I was hungry, did you feed me? When I was naked, did you clothe me? When I was thirsty, did you give me water?

Let me add in that spirit, as we move towards the 21st century, when I was poor and I needed help, did you give me access to legal assistance? Let this Congress meet that test. Vote for the amendment.

Mr. SERRANO. Mr. Chairman, I yield 3 minutes to the gentleman from Illinois (Mr. DAVIS).

Mr. DAVIS of Illinois. Mr. Chairman, I want to thank the gentleman for yielding time to me.

It seems to me that here we are once again, the same old wine with a new bottle; the same lemon, just a new twist; the same target, the poor, a new weapon: Take away not just legal representation, but take away hope, take away faith, take away belief in a system. Take away the idea that you, too, can receive justice, notwithstanding the size of your wallet or your pocketbook or your purse.

There is a legal assistance office down the hall from my district office, and I see people go in with their heads down, wondering what is going to happen. But then I see them turn around and leave, and they are walking differently. They now have hope. They

have spoken with an attorney. They have spoken to someone who seemed to understand their plight, to know what they are going through, to know what it is all about.

□ 1600

I have seen people in Housing Court, no lawyer, no attorney, wondering what is going to happen. I have seen them in Juvenile Court. No attorney, no lawyer, not knowing.

I say to my colleagues today that we have an opportunity to reverse a trend. Rather than attack the poor, let us give aid and comfort to the development of our judicial system by helping everybody in this country know that they, too, can receive justice. Let us vote in favor of the amendment and extend justice to all.

Mr. ROGERS. Mr. Chairman, I yield 2 minutes to the gentleman from Washington (Mr. NETHERCUTT).

Mr. NETHERCUTT. Mr. Chairman, I thank the gentleman from Kentucky (Chairman ROGERS) for yielding me the time.

I rise in support of the amendment which freezes Legal Services funding essentially from last year. But I rise more importantly in support of John McKay whose name has been taken in vain here today.

John McKay is from my State, an excellent lawyer with a great background in history in our State. He decided to come out of private practice and come to Legal Services to head it up, to bring it back to its core mission. So I have taken a bit of concern and offense at people who have discredited John McKay.

John McKay is a decent, honorable, certainly not a deceitful man. He is a good lawyer and good person trying to do a tough job.

Now, Legal Services Corporation has its problems. It has had its problems in the past. It has allegations of problems today. John McKay is trying to fix those problems. He is not the cause of the problem. He is trying to fix them.

So he is a good person with a tough mission, and we ought to help him accomplish that mission to bring this Legal Services Corporation nationally back to its core mission of helping people who are poor.

In my State of Washington, the Legal Services Corporation is doing a fine job. I have had Justice Richard Guy of the Supreme Court come to my office. Attorney Bill Hislop, who is head of our Bar Association in Spokane, Washington; Jim Bamberger who has worked very hard for Legal Services; Nancy Islip, these are good people trying to make the core mission of Legal Services effective.

I have had my problems with Legal Services. I have had good conversations with these people who are in charge in my State. I think they have been very responsive.

The farm community is less burdened by the Legal Services Corporation practices of the past than they are today. That is progress. That is progress at the hands of John McKay.

If one is poor in this country and one is hungry, our government provides one with food. One can get it immediately. If one does not have housing, the government helps one. But if one has legal problems, one cannot go to law school and get help.

The Legal Services Corporation provides the poor with this kind of help, and we ought to insist on accommodation by this corporation, but we ought to support them.

Mr. SERRANO. Mr. Chairman, I yield 2 minutes to the gentleman from California (Mr. DOOLEY).

Mr. DOOLEY of California. Mr. Chairman, I rise in favor of this amendment to restore funding for the Legal Services Corporation. I represent a district in the San Joaquin Valley of California that, despite the good economic times in our State and our Nation, is plagued by 14 percent unemployment.

I represent many people who are poor and, therefore, do not have the ability to access our judicial system. Their only option, oftentimes, is legal assistance through the Legal Services Corporation.

Mr. Chairman, if a low-income elderly person is unfairly evicted from their home, if a young mother is unable to collect child support or is a victim of abuse and must go to the courts to intervene, they have no opportunity if they cannot afford legal representation.

I find it somewhat ironic that the same week that this Congress will be considering a huge tax cut bill of almost $800 billion, that Republicans think is important to cut funding, or some Republicans think it is important for cut funding for one of the most important programs that assist the poorest of our citizens.

The Legal Services Corporation fills our constitutional obligation to provide the poor with competent legal representation. Our country was founded on the principles of equal opportunity. If we turn our back on the poorest families and deny them access to due process, we are trampling on the principle of equal justice under the law.

I urge my colleagues to support this amendment.

Mr. SERRANO. Mr. Chairman, who has the right to close?

The CHAIRMAN. The gentleman from Kentucky (Mr. ROGERS) has the right to close.

Mr. SERRANO. Mr. Chairman, I yield myself the remainder of the time.

Mr. Chairman, let me first say that I understand that there have been some concerns about the offsets to pay for this change. Whenever we have a bill that is as difficult as this one, it is very difficult to come up with offsets. I certainly understand the concern about those offsets.

However, those offsets, as we know, are not cast in stone right now. I commit myself to all of those Members, especially my ranking member, the gentleman from Wisconsin (Mr. OBEY), that I will continue to work with the chairman to make sure that the offsets later on and in conference are acceptable to as many people as possible.

But I repeat, it is very difficult to come up with this kind of a change, this kind of an amendment and, at the same time, be able to come up with offsets that will make people happy.

Having said that, let me just say that so many of the speakers today have spoken the truth; that, if there is a program, if there is an agency, if there is a concept that speaks to the core of who we are as a Nation, it is the Legal Services Corporation.

To suggest that someone under our system of law and our system of government cannot get the proper help, the proper representation simply because they are poor, that is outrageous, should not be tolerated, and should never be brought up at all.

Sure, there have been problems with that agency at times. There have been problems with every single agency. But we have not decided to get rid of all agencies we have problems with. My God, there have been problems with Congress, and no one would suggest getting rid of Congress. Although there are some people who suggest getting rid of Congress, but we are not going to pay attention to them.

My point is that what we do best in our society, in my opinion, is to help those who find it difficult to help themselves. All of us want to take care of the middle class. All of us want to keep our economy growing so that people at the top can hopefully generate some wealth for the rest of the Nation.

But if one cannot walk into court with proper representation because one is too poor to do so, and this Congress is somehow responsible for that happening to that person, then we have a lot to be ashamed of.

This is an issue that comes up every year; and every year, people on that side of the aisle try to destroy this program. This program should not have been funded at this level. I should have been able to find $50 million more, maybe $100 million more to cover the people that are needed.

But story after story after story indicates that this is a program that serves the have-nots in our society. They are the people that we have to protect.

As I look at the Chairman of the Committee of the Whole, and I see behind him our flag, I realize how many times we get up on this floor on amendments to protect the physical well-being of the flag. Well, I suspect that the flag stands for more than itself. It stands for taking care of all Americans.

I think if that flag could speak to us today, it would tell us that we need to take care of the poor. In this case, that is what we are doing. That is why I think my colleagues should support this amendment, and this amendment should not be about a partisan fight. It should be a bipartisan effort.

Let us do what is right. Let us support the amendment and give us a very strong vote.

Mrs. LOWEY. Mr. Chairman, I strongly support this amendment. Cutting the funding of the Legal Services Corporation to $141 million would be a disaster for families living in poverty across this nation.

Legal Services attorneys deserve our thanks. They help our poorest and most vulnerable citizens navigate the complicated bureaucracy of our court system in search of justice and fairness.

Many of my colleagues may not think of Legal Services as a women's issue, but it is. More than two-thirds of the clients served by Legal Services are women. The funding cuts in this bill will force Legal Services to abandon many of the critical legal services that it provides to poor women, particularly victims of domestic violence.

Mr. Chairman, for the past 25 years, Legal Services have held the courthouse doors open to clients seeking legal protection from abusive spouses. In fact, family law—which includes domestic violence cases—makes up over one-third of the cases handled by legal services programs each year.

In addition to helping domestic violence victims, the lawyers at the Legal Services Corporation help poor women to enforce child support orders against dead-beat dads. They also help women with employment discrimination cases.

Slashing funding for Legal Services means barring the door of the courthouse for tens of thousands of women who have nowhere else to turn for help.

As the Legal Services Corporation celebrates its 25th Anniversary, we must not abandon these women to violence and abuse and greater poverty. Please support Legal Services, protect poor families and vote for the amendment.

Mr. CHAMBLISS. Mr. Chairman, it is with very strong reservations that I support Mr. Ramstad's amendment to the Fiscal Year 2000 Commerce, Justice, State, and the Judiciary Appropriations Act that restores $109 million in funding to the Legal Services Corporation.

As a practicing attorney in Georgia for over two decades, I had the opportunity to view firsthand the multitude of services provided by public legal services personnel throughout my state. While I have been critical at times of the Georgia Legal Services Program, they do provide indigent citizens of my state needed legal services.

While I support the legal services provided to the indigent by the hard working men and women of programs like the Georgia Legal Services Program, I rise today to register my deep dissatisfaction on the actions of individuals within the Legal Services Corporation.

Last year on October 21, Congress approved $300 million for the Legal Services Corporation, a $17 million increase that I supported. At the time of this vote, Congress was relying on the accuracy of legal services case statistics provided by the Corporation. As a result of subsequent audits and investigations, it is evident that for months prior to this vote Corporation officials knew that the case numbers given to Congress were both false and inflated, deliberately withholding that information from Congress. This is absolutely inexcusable and those providing false information to Congress should be fired immediately.

With regard to the serious mismanagement at the Legal Services Corporation, I would like to associate myself with the report of the Appropriations Committee. In their report to accompany H.R. 2670, the Committee raised serious concerns about the case service reporting and associated data reports submitted annually by the Corporation to the Congress. Additionally, the Committee found that substantial inaccuracies in these submissions, as documented by the Corporation's Office of Inspector General and the General Accounting Office, and directed the Corporation to make improvement of the accuracy of these submissions a top priority.

To continue receiving my support and provide assurances that the Corporation is proactively addressing its problems, I support the Committee's directive that the Corporation submit its 1999 annual case service reports and associated data reports to Congress no later than April 30, 2000 in order to provide my colleagues with the information necessary to consider the Corporation's budget for fiscal year 2001.

Mr. RODRIGUEZ. Mr. Chairman, I rise in strong support of the amendment to restore $109 million in funding for the Legal Services Corporation. But even with this increase, there would only be $250 million available for LSC programs across the country. This would still be insufficient to meet our needs across the country, but it is a step in the right direction.

Even with this year's funding level of $283 million, Legal Services' resources are over-extended. We must send a more positive signal to the dedicated staff who stretch every dollar to provide basic legal services for the poor.

Many of our legal protections today came from the cases made possible by Legal Services. Protections such as due process, voting rights, property rights, women's rights, and many other areas came from Legal Services Corporation litigation. On a day to day basis, Legal Aid bureaus across the country help ensure that individuals have access to the most basic legal services.

In today's society, whenever a single person's rights are violated, everyone is in danger. To guard against such infringement, people need competent and timely legal advice. For the less fortunate, this is no different. LSC affords them the ability to protect their rights just as anyone else.

What are we construing here? Voting rights, employment right, access to education, freedom from discrimination, due process . . . the list goes on. What price tag can we put on these most precious commodities of our democracy?

I urge my colleagues to raise the level of LSC funding. I ask my colleagues to vote their CJS pocketbook for freedom.

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

Mr. ROGERS. Mr. Chairman, there are no further speakers on this side of the aisle, and I yield back the balance of the time.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York (Mr. SERRANO).

The question was taken; and the Chairman announced that the ayes appeared to have it.

RECORDED VOTE

Mr. ROGERS. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 242, noes 178, not voting 13, as follows:

[Roll No. 370]

AYES—242

Abercrombie
Ackerman
Allen
Andrews
Bachus
Baird
Baldacci
Baldwin
Barcia
Barrett (WI)
Becerra
Bentsen
Berkley
Berman
Berry
Biggert
Bishop
Blagojevich
Blumenauer
Boehlert
Bonior
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brown (FL)
Brown (OH)
Camp
Canady
Capps
Capuano
Cardin
Carson
Castle
Chambliss
Clay
Clayton
Clement
Clyburn
Condit
Conyers
Costello
Coyne
Crowley
Cummings
Danner
Davis (FL)
Davis (IL)
Davis (VA)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Diaz-Balart
Dicks
Dingell
Dixon
Doggett
Dooley
Doyle
Edwards
Ehlers
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Forbes
Ford
Fowler
Frank (MA)
Franks (NJ)
Frelinghuysen
Frost
Ganske
Gejdenson
Gekas
Gephardt
Gilman
Gonzalez
Gordon
Green (TX)
Greenwood
Gutierrez
Hall (OH)
Hastings (FL)
Hill (IN)
Hilliard
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Hooley
Horn
Houghton
Hoyer
Hulshof
Hutchinson
Inslee
Jackson (IL)
Jackson-Lee (TX)
Johnson (CT)
Johnson, E.B.
Jones (OH)
Kanjorski
Kaptur
Kelly
Kennedy
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Kilpatrick
Kind (WI)
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Klink
Kucinich
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LaHood
Lampson
Larson
LaTourette
Leach
Lee
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Lucas (KY)
Luther
Maloney (NY)
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McGovern
McIntyre
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Millender-McDonald
Miller, George
Minge
Mink
Moakley
Mollohan
Moore
Moran (KS)
Moran (VA)
Morella
Murtha
Nadler
Napolitano
Neal
Nethercutt
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Phelps
Pickett
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Rahall
Ramstad
Rangel
Regula
Reyes
Rivers
Rodriguez
Roemer
Ros-Lehtinen
Rothman
Roybal-Allard
Rush
Sabo
Salmon
Sanchez
Sanders
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Sawyer
Schakowsky
Scott

Serrano
Shays
Sherman
Shows
Sisisky
Skelton
Smith (WA)
Snyder
Spratt
Stabenow
Stark
Strickland
Stupak
Tauscher
Thompson (CA)
Thompson (MS)
Thurman
Tierney
Towns
Traficant
Turner
Udall (CO)
Udall (NM)
Upton
Velazquez
Vento
Visclosky
Walsh
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Bartlett
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Bass
Bateman
Bereuter
Bilirakis
Bliley
Blunt
Boehner
Bonilla
Bono
Brady (TX)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Campbell
Cannon
Chabot
Chenoweth
Coble
Coburn
Collins
Combest
Cook
Cooksey
Crane
Cubin
Cunningham
Deal
DeLay
DeMint
Dickey
Doolittle
Dreier
Duncan
Dunn
Ehrlich
Emerson
English
Everett
Ewing
Fletcher
Foley
Fossella
Gallegly
Gibbons
Gilchrest
Gillmor
Goode
Goodlatte
Goodling
Goss
Graham
Granger
Green (WI)
Gutknecht
Hall (TX)
Hansen
Hastings (WA)
Hayes
Hayworth
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Hill (MT)
Hilleary
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Riley
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Rohrabacher
Roukema
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Sanford
Saxton
Scarborough
Schaffer
Sensenbrenner
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Sherwood
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Skeen
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Smith (NJ)
Smith (TX)
Souder
Spence
Stearns
Stump
Sununu
Sweeney
Talent
Tancredo
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thornberry
Thune
Tiahrt
Toomey
Vitter
Walden
Wamp
Watkins
Watts (OK)
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Whitfield
Wicker
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NOT VOTING—13

Bilbray
Cox
Cramer
Jefferson
John
Lantos
Largent
McDermott
Peterson (PA)
Shaw
Slaughter
Stenholm
Tanner

□ 1627

Mr. DICKEY changed his vote from ''aye'' to ''no.''

Messrs. STARK, HOUGHTON, and BACHUS changed their vote from ''no'' to ''aye.''

So the amendment was agreed to.

The result of the vote was announced as above recorded.

Stated for:

Ms. SLAUGHTER. Mr. Chairman, on rollcall No. 370, I was unavoidable detained. Had I been present, I would have voted "aye."

Stated against:

Mr. SALMON. Mr. Chairman, on Roll No. 370, the Serrano amendment to the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 2000 (H.R. 2670), I intended to vote "no."

□ 1630

Mr. ROGERS. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I yield to the gentleman from New York Mr. ENGEL for a colloquy.

Mr. ENGEL. Mr. Chairman, I rise today to engage in a colloquy with my colleague from New York (Mr. SERRANO), ranking member of the subcommittee, along with the gentleman from Kentucky (Chairman ROGERS).

Mr. Chairman, today I wish to express my support for the New York Botanical Garden. The district of the gentleman from New York (Mr. SERRANO) and mine encompass a large portion of the Bronx in New York. The New York Botanical Garden has been located in my district. It is currently located in the district of the gentleman from New York (Mr. SERRANO) which borders mine.

Mr. Chairman, those who have been to New York know that the Botanical Garden is considered by many to be the jewel of the Bronx as well as an institution renowned for its support and development of advanced research and graduate studies in plant biology.

I, along with 17 of my colleagues from New York, have urgently requested that $5 million be appropriated for construction of a new plant studies research laboratory at the New York Botanical Garden. The Botanical Garden is currently recognized as a premier institution in botanical research in the United States.

The facility which houses advanced botanical studies laboratories, however, has become obsolete. A new facility is desperately needed to continue to attract top scientists and researchers from around the world.

As I am sure the chairman and ranking member are aware, $1 million has been included in the Commerce-Justice-State appropriations bill of the Senate. I urge them to maintain or increase this level of funding during the conference committee.

Mr. SERRANO. Mr. Chairman, will the gentleman yield?

Mr. ENGEL. I yield to the gentleman from New York.

Mr. SERRANO. Mr. Chairman, I thank my colleague from New York for expressing his support for the Botanical Garden and want to assure him that funding for the new facility is of high importance to me.

The Botanical Garden has been instrumental in maintaining our place as a world leader in plant research. Without this new plant research facility, the Botanical Garden may lose its preeminent status in botanical studies, forcing many of its scientists and scholars to conduct that research in countries with adequate facilities.

I want to reassure my colleague from New York that maintaining or increasing the $1 million in the Senate appropriations bill for the new plant studies research laboratory is of the highest priority with this Member.

Mr. ROGERS. Mr. Chairman, will the gentleman yield?

Mr. ENGEL. I yield to the gentleman from Kentucky.

Mr. ROGERS. Mr. Chairman, I understand the interest of the two gentlemen, including the ranking minority member. I will be pleased to work with them as we go through this.

Mr. ENGEL. Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

RADIATION EXPOSURE COMPENSATION

ADMINISTRATIVE EXPENSES

For necessary administrative expenses in accordance with the Radiation Exposure Compensation Act, $2,000,000.

SALARIES AND EXPENSES, COMMUNITY RELATIONS SERVICE

For necessary expenses of the Community Relations Service, established by title X of the Civil Rights Act of 1964, $7,199,000 and, in addition, up to $1,000,000 of

INTERAGENCY LAW ENFORCEMENT

INTERAGENCY CRIME AND DRUG ENFORCEMENT

For necessary expenses for the detection, investigation, and prosecution of individuals involved in organized crime drug trafficking not otherwise provided for, to include intergovernmental agreements with State and local law enforcement agencies engaged in the investigation and prosecution of individuals involved in organized crime drug trafficking, $316,792,000, of which $50,000,000 shall remain available until expended: *Provided*, That any amounts obligated from appropriations under this heading may be used under authorities available to the organizations reimbursed from this appropriation: *Provided further*, That any unobligated balances remaining available at the end of the fiscal year shall revert to the Attorney General for reallocation among participating organizations in succeeding fiscal years, subject to the reprogramming procedures described in section 605 of this Act.

FEDERAL BUREAU OF INVESTIGATION

SALARIES AND EXPENSES

For necessary expenses of the Federal Bureau of Investigation for detection, investigation, and prosecution of crimes against the United States; including purchase for police-type use of not to exceed 1,648 passenger motor vehicles, of which 1,523 will be for replacement only, without regard to the general purchase price limitation for the current fiscal year, and hire of passenger motor vehicles; acquisition, lease, maintenance, and operation of aircraft; and not to exceed $70,000 to meet unforeseen emergencies of a confidential character, to be expended under the direction of, and to be accounted for solely under the certificate of, the Attorney General, $2,357,015,000; of which not to exceed

$50,000,000 for automated data processing and telecommunications and technical investigative equipment and not to exceed $1,000,000 for undercover operations shall remain available until September 30, 2001; of which not less than $292,473,000 shall be for counterterrorism investigations, foreign counterintelligence, and other activities related to our national security; of which not to exceed $14,000,000 shall remain available until expended; of which not to exceed $10,000,000 is authorized to be made available for making advances for expenses arising out of contractual or reimbursable agreements with State and local law enforcement agencies while engaged in cooperative activities related to violent crime, terrorism, organized crime, and drug investigations; and of which not less than $59,429,000 shall be for the costs of conversion to narrowband communications, and for the operations and maintenance of legacy Land Mobile Radio systems: *Provided*, That such amount shall be transferred to and administered by the Department of Justice Wireless Management Office: *Provided further*, That not to exceed $45,000 shall be available for official reception and representation expenses: *Provided further*, That no funds in this Act may be used to provide ballistics imaging equipment to any State or local authority which has obtained similar equipment through a Federal grant or subsidy unless the State or local authority agrees to return that equipment or to repay that grant or subsidy to the Federal Government.

In addition, $752,853,000 for such purposes, to remain available until expended, to be derived from the Violent Crime Reduction Trust Fund, as authorized by the Violent Crime Control and Law Enforcement Act of 1994, as amended, and the Antiterrorism and Effective Death Penalty Act of 1996.

CONSTRUCTION

For necessary expenses to construct or acquire buildings and sites by purchase, or as otherwise authorized by law (including equipment for such buildings); conversion and extension of federally-owned buildings; and preliminary planning and design of projects; $1,287,000, to remain available until expended.

DRUG ENFORCEMENT ADMINISTRATION

SALARIES AND EXPENSES

For necessary expenses of the Drug Enforcement Administration, including not to exceed $70,000 to meet unforeseen emergencies of a confidential character, to be expended under the direction of, and to be accounted for solely under the certificate of, the Attorney General; expenses for conducting drug education and training programs, including travel and related expenses for participants in such programs and the distribution of items of token value that promote the goals of such programs; purchase of not to exceed 1,358 passenger motor vehicles, of which 1,079 will be for replacement only, for police-type use without regard to the general purchase price limitation for the current fiscal year; and acquisition, lease, maintenance, and operation of aircraft; $932,000,000, of which not to exceed $1,800,000 for research shall remain available until expended, and of which not to exceed $4,000,000 for purchase of evidence and payments for information, not to exceed $10,000,000 for contracting for automated data processing and telecommunications equipment, and not to exceed $2,000,000 for laboratory equipment, $4,000,000 for technical equipment, and $2,000,000 for aircraft replacement retrofit and parts, shall remain available until September 30, 2001; of which not to exceed $50,000 shall be available for official reception and representation expenses; and of which not less than $20,733,000 shall be for the costs of conversion to narrowband communications and for the operations and maintenance of legacy Land Mobile Radio systems: *Provided*, That such amount shall be transferred to and administered by the Department of Justice Wireless Management Office.

In addition, $344,250,000, for such purposes, to remain available until expended, to be derived from the Violent Crime Reduction Trust Fund.

CONSTRUCTION

For necessary expenses to construct or acquire buildings and sites by purchase, or as otherwise authorized by law (including equipment for such buildings); conversion and extension of federally-owned buildings; and preliminary planning and design of projects; $8,000,000, to remain available until expended.

IMMIGRATION AND NATURALIZATION SERVICE

SALARIES AND EXPENSES

For expenses necessary for the administration and enforcement of the laws relating to immigration, naturalization, and alien registration, as follows:

ENFORCEMENT AND BORDER AFFAIRS

For salaries and expenses for the Border Patrol program, the detention and deportation program, the intelligence program, the investigations program, and the inspections program, including not to exceed $50,000 to meet unforeseen emergencies of a confidential character, to be expended under the direction of, and to be accounted for solely under the certificate of, the Attorney General; purchase for police-type use (not to exceed 3,075 passenger motor vehicles, of which 2,266 are for replacement only), without regard to the general purchase price limitation for the current fiscal year, and hire of passenger motor vehicles; acquisition, lease, maintenance and operation of aircraft; research related to immigration enforcement; for protecting and maintaining the integrity of the borders of the United States including, without limitation, equipping, maintaining, and making improvements to the infrastructure; and for the care and housing of Federal detainees held in the joint Immigration and Naturalization Service and United States Marshals Service's Buffalo Detention Facility, $1,130,030,000; of which not to exceed $10,000,000 shall be available for costs associated with the training program for basic officer training, and $5,000,000 is for payments or advances arising out of contractual or reimbursable agreements with State and local law enforcement agencies while engaged in cooperative activities related to immigration; of which not to exceed $5,000,000 is to fund or reimburse other Federal agencies for the costs associated with the care, maintenance, and repatriation of smuggled illegal aliens; and of which not less than $18,510,000 shall be for the costs of conversion to narrowband communications and for the operations and maintenance of legacy Land Mobile Radio systems: *Provided*, That such amount shall be transferred to and administered by the Department of Justice Wireless Management Office: *Provided further*, That none of the funds available to the Immigration and Naturalization Service shall be available to pay any employee overtime pay in an amount in excess of $30,000 during the calendar year beginning January 1, 2000: *Provided further*, That uniforms may be purchased without regard to the general purchase price limitation for the current fiscal year: *Provided further*, That none of the funds provided in this or any other Act shall be used for the continued operation of the San Clemente and Temecula checkpoints unless the checkpoints are open and traffic is being checked on a continuous 24-hour basis.

AMENDMENT OFFERED BY MS. JACKSON-LEE OF TEXAS

Ms. JACKSON-LEE of Texas. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Ms. JACKSON-LEE of Texas:

Page 18, line 18, after the dollar amount, insert the following: ''increased by $3,700,000)''.

Page 24, line 14, after the dollar amount, insert the following: ''(reduced by $3,700,000)''.

Mr. ROGERS. Mr. Chairman, I reserve a point of order on the amendment.

The CHAIRMAN. A point of order is reserved.

The gentlewoman from Texas (Ms. JACKSON-LEE) is recognized for 5 minutes.

Ms. JACKSON-LEE of Texas. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I thank both the gentleman from Kentucky (Mr. ROGERS) and the gentleman from New York (Mr. SERRANO), the ranking member, for I know what is their continuing interest in the immigration and naturalization services.

I indicated that I had two amendments. I would like to speak to the amendment dealing with the border patrol.

All of us suffered through the tragedy of the Resendez-Ramirez case in which it was tragically found that he had the opportunity to pass through the border patrol a number of times and was not detected at that time.

The amendment that I am offering will add $3.7 million to the Enforcement and Border Affairs Account, monies coming out of the Federal Bureaus of Prisons Building and Construction Fund, which had $558 million, $147 million above fiscal year 1999.

This amendment would increase the starting salary level of border patrol agents from GS–5 to GS–7 level. I have just learned that the U.S. Border Patrol agents are also not up to staff.

As this subcommittee well knows, as this body well knows, the 1996 immigration law authorized a total of 5,000 additional border patrol agents to be added at a rate of 1,000 per fiscal year from 1997 to 2001.

INS did not request any additional agents in its proposed budget for FY 2000. This is greatly due to the lucrative job market that finds great difficulty in the recruitment and the ability to employ these individuals.

The concern is, of course, that in not being able to compete in this market, Mr. Chairman, the fact that the DEA, the FBI, and other law enforcement agencies, even local law enforcement

agencies, have a higher salary than the starting GS–5 border patrol agent, which starts in at a level of $22,000 a year.

Therefore, after speaking with budget analysis, we have offered an additional $3.7 million to increase the starting salary from GS–5 level to GS–7, which will be slightly over $30,000.

We keep hearing about not being able to hire. We know the frustration of so many of our Members. We heard the pain of the tragedy of Resendez-Ramirez. Now we are facing an opportunity to do something, along with the Senate, which is also looking to do the same thing, to give the INS the opportunity to reach in a larger pool by increasing the salary to help these individuals be more competitive in being able to support their families.

I ask my colleagues to support this. I believe we have from the CBO a statement regarding the compliance with the CBO.

Mr. Chairman, let me say that this has little impact on the outlay and, as well, has little impact on the budget authorizations. So I would ask that we recognize the difficulty that the INS has had.

I am not here as an apologizer for the INS. I am simply here to say that we have heard so much about not being able to recruit INS officers, border patrol officers, and there is a great need on the northern border and on the southern border.

We heard testimony in our committee there is a great need for increasing these numbers. We must get the ability to the INS to provide higher salaries to be able to compete in today's market.

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

POINT OF ORDER

Mr. ROGERS. Mr. Chairman, I make a point of order against the amendment because it would increase the level of budget outlays in the bill in violation of clause 2(f) of rule XXI. That rule states that it shall be in order to consider en bloc amendments proposing only to transfer appropriations among objects in the bill without increasing the levels of budget authority or outlays in the bill.

This amendment would increase the level of outlays in the bill because it comes from the INS Salaries and Expenses Account. The BA is $3.7 million. It is an 80 percent outlay, which means the first year outlay is $3 million.

The object being decreased is the Prisons Buildings and Facilities Fund, which outlays at the same figure, 10 percent; and there are no outlays in the first year.

So the net increase in outlays by this amendment is $3 million, in violation I think of the rule.

Mr. Chairman, I would ask for a ruling.

□ 1645

The CHAIRMAN. Does any other Member wish to be heard on the point of order?

Ms. JACKSON-LEE of Texas. Mr. Chairman, I would simply say to the gentleman from Kentucky, I appreciate the response of the gentleman, I appreciate his interest in the INS, that I noted that there had been several amendments made in order by the majority that had points of order and were waived.

Mr. Chairman, in this instance, I am speaking particularly to the gentleman from Kentucky, he may not have heard testimony, but he knows that I did come to his committee. We had testimony in the Subcommittee on Immigration and Claims on which I serve as the ranking member begging us for the ability to provide more border patrol agents. The gentleman from Kentucky in his good graces with the gentleman from New York (Mr. SERRANO) and others have provided resources, but they have not been able to be utilized by the INS because those salaries are keeping them from competing with other law enforcement agencies, even local law enforcement agencies at higher salaries. I would just offer for the good of our borders to provide for well-trained border patrol agents, this movement would give us the ability to have those with college degrees, associate degrees and above, and give us the ability to provide the numbers of people we need at the northern border.

I would ask, Mr. Chairman, in this instance that we have, because of the crucial nature, because of the tragedy of the Resendez-Ramirez case, that in looking at the outlays that we have the ability to waive the point of order, and I would ask that that occur.

Mr. ROGERS. Mr. Chairman, in response let me say the problem is that this puts us over our allocation. It is not a question of whether I want to do it or not, it is a question of whether or not it is legal. The gentlewoman's amendment simply puts us over our allocation. Under the rules, we simply cannot do that.

The CHAIRMAN. Do any further Members wish to be heard on the point? If not, the Chair is prepared to rule.

To be considered en bloc pursuant to clause 2(f) of rule XXI, an amendment must not propose to increase the levels of budget authority or outlays in the bill. Because the amendment offered by the gentlewoman from Texas proposes a net increase in the level of outlays in the bill, as argued by the chairman of the Subcommittee on Appropriations, it may not avail itself of clause 2(f) to address portions of the bill not yet read. The amendment is therefore not in order at this point in the reading. The point of order is sustained.

The Clerk will read.

The Clerk read as follows:

CITIZENSHIP AND BENEFITS, IMMIGRATION SUPPORT AND PROGRAM DIRECTION

For all programs of the Immigration and Naturalization Service not included under the heading ''Enforcement and Border Affairs'', $535,011,000, of which not to exceed $400,000 for research shall remain available until expended: *Provided*, That not to exceed $5,000 shall be available for official reception and representation expenses: *Provided further*, That the Attorney General may transfer any funds appropriated under this heading and the heading ''Enforcement and Border Affairs'' between said appropriations notwithstanding any percentage transfer limitations imposed under this appropriation Act and may direct such fees as are collected by the Immigration and Naturalization Service to the activities funded under this heading and the heading ''Enforcement and Border Affairs'' for performance of the functions for which the fees legally may be expended: *Provided further*, That not to exceed 38 permanent positions and 38 full-time equivalent workyears and $3,909,000 shall be expended for the Offices of Legislative Affairs and Public Affairs: *Provided further*, That the latter two aforementioned offices shall not be augmented by personnel details, temporary transfers of personnel on either a reimbursable or non-reimbursable basis, or any other type of formal or informal transfer or reimbursement of personnel or funds on either a temporary or long-term basis: *Provided further*, That the number of positions filled through non-career appointment at the Immigration and Naturalization Service, for which funding is provided in this Act or is otherwise made available to the Immigration and Naturalization Service, shall not exceed 4 permanent positions and 4 full-time equivalent workyears: *Provided further*, That none of the funds available to the Immigration and Naturalization Service shall be used to pay an employee overtime pay in an amount in excess of $30,000 during the calendar year beginning January 1, 2000: *Provided further*, That funds may be used, without limitation, for equipping, maintaining, and making improvements to the infrastructure and the purchase of vehicles for police type use within the limits of the Enforcement and Border Affairs appropriation: *Provided further*, That, notwithstanding any other provision of law, during fiscal year 2000, the Attorney General is authorized and directed to impose disciplinary action, including termination of employment, pursuant to policies and procedures applicable to employees of the Federal Bureau of Investigation, for any employee of the Immigration and Naturalization Service who violates policies and procedures set forth by the Department of Justice relative to the granting of citizenship or who willfully deceives the Congress or department leadership on any matter.

AMENDMENT OFFERED BY MS. JACKSON-LEE OF TEXAS

Ms. JACKSON-LEE of Texas. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Ms. JACKSON-LEE of Texas:

Page 19, line 24, after the dollar amount, insert the following: ''(increased by $15,600,000)''.

Page 24, line 14, after the dollar amount, insert the following: ''(reduced by $15,600,000)''.

Mr. ROGERS. Mr. Chairman, I reserve a point of order.

The CHAIRMAN. The gentleman from Kentucky reserves a point of order.

Ms. JACKSON-LEE of Texas. Mr. Chairman, this amendment deals specifically with all of the angst and anger that I have heard from my colleagues in terms of their complaints with respect to the INS. It has to do with adding some 200 adjudicators to assist the INS in processing the many applications that come in, legitimate applications that come in, with respect to individuals seeking to secure visas and other forms of naturalization applications.

This amendment will add 200 adjudicators and additional clerical support staff to be brought on board to augment the completion of naturalization applications. This is additional money on top of the 200 adjudicators that the INS has already requested.

Inasmuch as the gentleman from Kentucky has reserved a point of order, let me offer to give an illustration of the various tragedies that come about because of the overload in the INS offices and the tragedies that our Members face in trying to help resolve these. I say they are tragedies because they wind up ending in nonresolution. Take the case of Azmi Attia from Israel. He has been living in the United States, in Houston, for several years, he is a legal permanent resident, a college graduate, is employed with the Exxon Corporation, and applied for U.S. citizenship in early 1997. He desperately wanted to become a citizen so that he could receive a passport to travel back home to Israel to visit his dying mother. Due to the backlog, he was not granted citizenship in time before his mother died. Since then, he has suffered from severe depression and is coping every day with not becoming a citizen in time to go to be with his dying mother. This problem must be corrected and we must do it in Congress. The additional $15.6 million will do just that.

I had asked earlier for the gentleman from Kentucky to waive the point of order. I would imagine the arguments are the same. And so I would offer this, Mr. Chairman. This is an important issue. I would hope the gentleman from Kentucky would view this as an important issue and on his time I would like to enter into a colloquy because I would like to withdraw this amendment because this is important to me. It is important to the colleagues who have called my office begging for relief. It is important for those people who have seen their mother die or not been able to be with their sister who was dying of cancer, that we be able to utilize the system in a way that will move these cases forward. I would like to see some effort in conference to provide some additional adjudicators because we have looked everywhere to offset and there is always something because the authorizers and the appropriators obviously look at issues in a way that sometimes matches and sometimes does not.

This is an important issue. I would certainly appreciate the opportunity to work with the ranking member and, of course, the chairman on trying to relieve this heavy burden that so many of our colleagues are facing.

POINT OF ORDER

The CHAIRMAN. Does the gentleman have a point of order?

Mr. ROGERS. I do, Mr. Chairman.

The amendment touches text not yet read for amendment and it results in an increase in outlays and does not warrant protection under clause 2(f) of rule XXI.

Ms. JACKSON-LEE of Texas. Mr. Chairman, will the gentleman yield?

Mr. ROGERS. I would be happy to, but I do not think the Chair will let me.

The CHAIRMAN. The Chair will once again recognize the gentlewoman from Texas.

Ms. JACKSON-LEE of Texas. Let me just say, Mr. Chairman, I have withdrawn the amendment. What I was saying is that this is a crucial issue, that so many of our colleagues have indicated——

The CHAIRMAN. The gentlewoman will suspend.

The Chair understood that the gentlewoman wanted to be recognized to withdraw her amendment.

Ms. JACKSON-LEE of Texas. Yes, I would like to withdraw the amendment.

The CHAIRMAN. Without objection, the amendment is withdrawn.

There was no objection.

Ms. JACKSON-LEE of Texas. Mr. Chairman, I move to strike the last word.

As I indicated, this past amendment is an amendment that so many of my colleagues have indicated they have a problem with the backlog and that this amendment was requiring 200 adjudicators. I had asked for a waiver of the point of order, which we did not get, and so I was interested in inquiring of the chairman and I would like to inquire of the ranking member, in helping to work with us on the question of possible review of additional adjudicators to assist in this backlog. This is something that we have heard from the Members, this is something we have heard from from the INS, and it is a difficult problem.

Mr. ROGERS. Mr. Chairman, will the gentlewoman yield?

Ms. JACKSON-LEE of Texas. I yield to the gentleman from Kentucky.

Mr. ROGERS. I appreciate the gentlewoman's bringing this matter to the body's attention. The fact is that last year, the current year, we provided $172 million for the purposes of trying to reduce that backlog of naturalization, which in most cases is now 2 years. The wait for an individual to be naturalized is 2 years. That is incredibly long. But we provided the big money this current year and we provided $124 million in this bill, which was the amount the administration requested for this purpose, and they assured us they would be able to reduce the backlog with this sum of money.

Now, the gentlewoman knows that I am not happy with the Immigration and Naturalization Service. This is another reason why I think we need to think anew about how we handle all of the matters now dealt with by the INS. But for the moment in this bill, we have provided every penny that was requested of us for the purposes of reducing the backlog.

Ms. JACKSON-LEE of Texas. Reclaiming my time, let me just simply say that I hope that we can work through this issue. The INS has indicated that the backlog is because they do not have the number of adjudicators that they need.

Mr. ROGERS. If the gentlewoman will yield on that, that is not their story to me. If they are requesting more money or if they say this is not enough money, that is news to me because this is the amount they asked of us.

Ms. JACKSON-LEE of Texas. The gentleman has already said that the INS has difficulty knowing with one hand what the other hand is doing. What I do know is that we who are in the districts working with these individuals, seeing people not be able to visit their dying relatives are suffering.

Mr. Chairman, I yield to the gentleman from New York (Mr. SERRANO) on the importance of at least getting our caseloads out of our office to help these people who are suffering and cannot get to visit their dying relatives.

Mr. SERRANO. Mr. Chairman, I thank the gentlewoman very much, first of all. This is not the first time the gentlewoman has brought this subject up. This is one subject that the gentlewoman discusses with me often. As I was just saying to a staff member, if we can do something about this, then maybe on Monday, Tuesday, Wednesday, Thursday and Friday mornings, there will not be that line of 200 people around the block at my district office, people that we welcome but people that certainly are coming there to find out why the backlog exists somewhere else and not in my office.

I join the gentlewoman and I surely would join anyone else in trying to solve this problem and deal with it the proper way.

Ms. JACKSON-LEE of Texas. I thank the ranking member.

Mr. Chairman, I know the gentleman from Kentucky's angst, if you will, with the INS. I know all the work the gentleman from New York has done. If we can work together as we move this bill toward conference, I would greatly

appreciate it. I think it would release a lot of us from the horrible pressures of the caseload that we have of such tragedies, of people not being able to have their cases adjudicated who are doing it legally. That is what we want to support, legal immigration.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

VIOLENT CRIME REDUCTION PROGRAMS

In addition, $1,267,225,000, for such purposes, to remain available until expended, to be derived from the Violent Crime Reduction Trust Fund: *Provided*, That the Attorney General may use the transfer authority provided under the heading ''Citizenship and Benefits, Immigration Support and Program Direction'' to provide funds to any program of the Immigration and Naturalization Service that heretofore has been funded by the Violent Crime Reduction Trust Fund.

CONSTRUCTION

For planning, construction, renovation, equipping, and maintenance of buildings and facilities necessary for the administration and enforcement of the laws relating to immigration, naturalization, and alien registration, not otherwise provided for, $90,000,000, to remain available until expended: *Provided*, That no funds shall be available for the site acquisition, design, or construction of any Border Patrol checkpoint in the Tucson sector.

FEDERAL PRISON SYSTEM

SALARIES AND EXPENSES

For expenses necessary for the administration, operation, and maintenance of Federal penal and correctional institutions, including purchase (not to exceed 708, of which 602 are for replacement only) and hire of law enforcement and passenger motor vehicles, and for the provision of technical assistance and advice on corrections related issues to foreign governments, $3,082,004,000: *Provided*, That the Attorney General may transfer to the Health Resources and Services Administration such amounts as may be necessary for direct expenditures by that Administration for medical relief for inmates of Federal penal and correctional institutions: *Provided further*, That the Director of the Federal Prison System (FPS), where necessary, may enter into contracts with a fiscal agent/fiscal intermediary claims processor to determine the amounts payable to persons who, on behalf of the FPS, furnish health services to individuals committed to the custody of the FPS: *Provided further*, That not to exceed $6,000 shall be available for official reception and representation expenses: *Provided further*, That not to exceed $90,000,000 shall remain available for necessary operations until September 30, 2001: *Provided further*, That, of the amounts provided for Contract Confinement, not to exceed $20,000,000 shall remain available until expended to make payments in advance for grants, contracts and reimbursable agreements, and other expenses authorized by section 501(c) of the Refugee Education Assistance Act of 1980, as amended, for the care and security in the United States of Cuban and Haitian entrants: *Provided further*, That, notwithstanding section 4(d) of the Service Contract Act of 1965 (41 U.S.C. 353(d)), FPS may enter into contracts and other agreements with private entities for periods of not to exceed 3 years and 7 additional option years for the confinement of Federal prisoners.

In addition, $22,524,000, for such purposes, to remain available until expended, to be derived from the Violent Crime Reduction Trust Fund.

BUILDINGS AND FACILITIES

For planning, acquisition of sites and construction of new facilities; leasing the Oklahoma City Airport Trust Facility; purchase and acquisition of facilities and remodeling, and equipping of such facilities for penal and correctional use, including all necessary expenses incident thereto, by contract or force account; and constructing, remodeling, and equipping necessary buildings and facilities at existing penal and correctional institutions, including all necessary expenses incident thereto, by contract or force account, $558,791,000, to remain available until expended, of which not to exceed $14,074,000 shall be available to construct areas for inmate work programs: *Provided*, That labor of United States prisoners may be used for work performed under this appropriation: *Provided further*, That not to exceed 10 percent of the funds appropriated to ''Buildings and Facilities'' in this Act or any other Act may be transferred to ''Salaries and Expenses'', Federal Prison System, upon notification by the Attorney General to the Committees on Appropriations of the House of Representatives and the Senate in compliance with provisions set forth in section 605 of this Act.

FEDERAL PRISON INDUSTRIES, INCORPORATED

The Federal Prison Industries, Incorporated, is hereby authorized to make such expenditures, within the limits of funds and borrowing authority available, and in accord with the law, and to make such contracts and commitments, without regard to fiscal year limitations as provided by section 9104 of title 31, United States Code, as may be necessary in carrying out the program set forth in the budget for the current fiscal year for such corporation, including purchase of (not to exceed five for replacement only) and hire of passenger motor vehicles.

LIMITATION ON ADMINISTRATIVE EXPENSES, FEDERAL PRISON INDUSTRIES, INCORPORATED

Not to exceed $2,490,000 of the funds of the corporation shall be available for its administrative expenses, and for services as authorized by 5 U.S.C. 3109, to be computed on an accrual basis to be determined in accordance with the corporation's current prescribed accounting system, and such amounts shall be exclusive of depreciation, payment of claims, and expenditures which the said accounting system requires to be capitalized or charged to cost of commodities acquired or produced, including selling and shipping expenses, and expenses in connection with acquisition, construction, operation, maintenance, improvement, protection, or disposition of facilities and other property belonging to the corporation or in which it has an interest.

OFFICE OF JUSTICE PROGRAMS

JUSTICE ASSISTANCE

For grants, contracts, cooperative agreements, and other assistance authorized by title I of the Omnibus Crime Control and Safe Streets Act of 1968, as amended, and the Missing Children's Assistance Act, as amended, including salaries and expenses in connection therewith, and with the Victims of Crime Act of 1984, as amended, $143,436,000, to remain available until expended, as authorized by section 1001 of title I of the Omnibus Crime Control and Safe Streets Act of 1968, as amended.

In addition, for grants, cooperative agreements, and other assistance authorized by sections 819, 821, and 822 of the Antiterrorism and Effective Death Penalty Act of 1996, $74,000,000, to remain available until expended.

STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE

For assistance authorized by the Violent Crime Control and Law Enforcement Act of 1994 (Public Law 103–322), as amended (''the 1994 Act''), $1,629,500,000 to remain available until expended; of which $523,000,000 shall be for Local Law Enforcement Block Grants, pursuant to H.R. 728 as passed by the House of Representatives on February 14, 1995, except that for purposes of this Act, the Commonwealth of Puerto Rico shall be considered a ''unit of local government'' as well as a ''State'', for the purposes set forth in paragraphs (A), (B), (D), (F), and (I) of section 101(a)(2) of H.R. 728 and for establishing crime prevention programs involving cooperation between community residents and law enforcement personnel in order to control, detect, or investigate crime or the prosecution of criminals: *Provided*, That no funds provided under this heading may be used as matching funds for any other Federal grant program: *Provided further*, That $40,000,000 of this amount shall be for Boys and Girls Clubs in public housing facilities and other areas in cooperation with State and local law enforcement: *Provided further*, That funds may also be used to defray the costs of indemnification insurance for law enforcement officers: *Provided further*, That $20,000,000 shall be available to carry out section 102(2) of H.R. 728; of which $420,000,000 shall be for the State Criminal Alien Assistance Program, as authorized by section 242(j) of the Immigration and Nationality Act, as amended; and of which $686,500,000 shall be for Violent Offender Incarceration and Truth in Sentencing Incentive Grants pursuant to subtitle A of title II of the 1994 Act, of which $165,000,000 shall be available for payments to States for incarceration of criminal aliens, and of which $25,000,000 shall be available for the Cooperative Agreement Program.

AMENDMENT OFFERED BY MR. SCOTT

Mr. SCOTT. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SCOTT:

In title I, in the item relating to ''OFFICE OF JUSTICE PROGRAMS—STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE'', after the first dollar amount (relating to the aggregate amount), insert the following: ''(reduced by $87,300,000)''.

In title I, in the item relating to ''OFFICE OF JUSTICE PROGRAMS—STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE'', after the third dollar amount (relating to Boys and Girls Clubs), insert the following: ''(increased by $50,000,000)''.

In title I, in the item relating to ''OFFICE OF JUSTICE PROGRAMS—STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE'', after the sixth dollar amount (relating to violent offender incarceration and trust in sentencing incentive grants), insert the following: ''(reduced by $137,300,000)''.

In title I, in the item relating to ''OFFICE OF JUSTICE PROGRAMS—VIOLENT CRIME REDUCTION PROGRAMS, STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE'', after the first dollar amount (relating to the aggregate amount), insert the following: ''(increased by $87,300,000)''.

In title I, in the item relating to ''OFFICE OF JUSTICE PROGRAMS—VIOLENT CRIME REDUCTION PROGRAMS, STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE'', after the fifteenth dollar amount (relating to grants for residential substance abuse treatment for State prisoners), insert the following: ''(increased by $37,300,000)''.

In title I, in the item relating to ''OFFICE OF JUSTICE PROGRAMS—VIOLENT CRIME REDUCTION PROGRAMS, STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE'', after the eighteenth dollar amount (relating to drug courts), insert the following: ''(increased by $50,000,000)''.

Mr. SCOTT (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. SCOTT. Mr. Chairman, this amendment would transfer approximately one-half, that is $137 million, of the truth-in-sentencing prison grant funds to crime prevention and drug treatment programs.

□ 1700

Mr. Chairman, the fact is that the truth in sentencing funds, which only about half of the States even qualify for, can only be spent for prison construction. At this point some States have already overbuilt their prison space, and my own State of Virginia is trying to lease out space to other States in the Federal Government of about 3,200 excess prison beds. There is no reason for us to provide funds to build prison beds that States do not need.

Furthermore, Mr. Chairman, States are already spending tens of billions of dollars on prison construction, so the entire fund of $300 million spread out among the few States that actually qualify cannot possibly make any measurable difference in the number of prison beds built, much less have an overall effect on the crime rate. But if that money is targeted to crime prevention and treatment programs, we can make a significant difference on crime.

Mr. Chairman, this truth-in-sentencing policy is a poor policy to begin with. The so-called truth is actually only half truth in sentencing because the half truth is that those who are subjected to the truth in sentencing cannot get out early. The whole truth is that others cannot be held longer either. Virginia changed to 1½ to 10 year sentence where the average served was 2½ years to a sentence where everyone served 5 years. They doubled the average time served. The low-risk prisoners cannot get out early, but the high-risk prisoners that could not make parole and could have been held for 10 years cannot be held longer either.

Mr. Chairman, another problem with the truth in sentencing is the absence of parole eligibility, eliminates a major incentive the prisoners have to qualify for education and job training programs. They lose their incentive, they do not have to tell the parole board anything, and so they are more likely to come out as dumb, as untrained, as they went in. Education and job training are two of the major components in crime reduction, of recidivism. It is such poor policy, Mr. Chairman, that 23 States did not even ask for money in last year's budget, and so we have a situation where the money could be spent much better.

The Conference on Juvenile Justice has just begun, and we can make a commitment to reduce crime by passing this amendment. This amendment would increase funding for building and running boys and girls clubs, in public housing and in sites for at-risk youth by $50 million. Boys and girls clubs have been shown through study and research to be cost-effective ways of reducing crime for at-risk youth.

The amendment also provides for an additional $37 million for residential drug treatment for prisoners before they are released and approximately $90 million for drug courts. Both prison drug treatment and drug courts have been shown to significantly reduce crime at a lower cost than just simply jailing drug addicts.

So this amendment would not only reduce crime, it will reduce the amount of money that we spend. So let us show our commitment to reducing crime in this country by passing this amendment.

Mr. ROGERS. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Virginia (Mr. SCOTT).

Either the gentleman's amendment is not drafted properly or he intends to cut the local law enforcement block grant by 50 million, and that is a program that is critical to our State and local law enforcements' fight to reduce crime. The amendment cuts the funds available for the Local Law Enforcement Block Grant, State prison grants, and the State Criminal Alien Assistance Program (SCAAP), by 20 percent; and the Committee has received numerous letters by our colleagues' governors, their State prosecutors, their State prison officials, supporting the Local Law Enforcement Block Grant that it refers to be cut here, and the Truth-in-Sentencing grants and SCAAP, which this amendment cuts.

Convicted felons, Mr. Chairman, serve only 38 percent of their sentences on average. Truth-in-Sentencing grants, which this would cut, which require violent offenders to serve 85 percent of their sentences, are a vital and sensible response to the problem that we face.

While there may be several reasons for the recent drop in violent crime, the fact remains, prison works. The simple fact is that prisons incapacitate offenders. Incarceration, unlike probation or parole, makes it impossible for offenders to victimize the public as long as they are locked up. Historic figures show that after incarceration rates have increased crime rates have moderated, and I would submit to my colleagues that is exactly the case we face today as America right now is enjoying the lowest violent crime rate in recordkeeping history.

On the other hand, imprisonment is actually used less frequently than are alternative sanctions. On any given day, seven offenders are on the street for every three who are behind bars. In 1991, 45 percent of State prisoners were on probation or parole at the time they committed their last crime. Together these parole and probation violators committed 90,639 violent crimes while under supervision in the community. That is 13,100 murders, 12,900 rapes, 19,300 assaults, and 39,500 committed by people on parole or probation. In 1992, over 40 percent of persons on death row were on probation, parole, or pretrial release at the time they committed the murder for which they are now on death row.

The lack of prison space is a national problem. When we passed the legislation in 1995, only 12 States were Truth-in-Sentencing States. By the end of 1998, 27 States and the District of Columbia required violent offenders to serve at least 85 percent of their prison sentences. Another 13 States have adopted Truth-in-Sentencing laws requiring violent offenders to serve a substantial portion of their sentence before being eligible for release.

The need for additional prison capacity remains. While some States may have excess prison capacity, other States are a long way from reducing their overcrowding problem, and I suspect the gentleman from Florida (Mr. MCCOLLUM), the chairman of the Subcommittee on Crime who I am sure will speak momentarily, will elucidate on these points.

I would urge my colleagues to oppose this amendment. This amendment, although it has a worthy goal of increasing funding for certain programs, unfortunately would cut the programs that are working in bringing down violent and other crimes in the country, and I would urge the rejection of this amendment.

Mr. MCCOLLUM. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I rise to oppose this amendment, and I do so with all due respect to the gentleman who offered it who is a good friend and has served on this committee with me and the Subcommittee on Crime for quite some time and is the ranking member. I know he has offered this same proposal now, I think, 4 years in a row; and he genuinely does not believe in the purpose or the usefulness of these grants that are going out under the truth in sentencing, but I must say that it has been remarkable in my judgment, and I think the judgment of most who have looked at this, how successful these truth-in-sentencing grants have been.

As the gentleman from Kentucky (Mr. Rogers) has indicated, we now

have seen a dramatic increase in the number of States that have adopted the 85 percent rule over where they were just a few years ago when we started this incentive grant program to help States build the prison spaces they need in order to be able to house violent repeat offenders. At one time I think there were only 6 or 7 states when we started this program that had the 85 percent rule requiring one to serve at least that percentage of their sentence then.

In just about every State they are going through the revolving doors. We now have about 40 States that are engaged in activities to increase the sentencing at least towards the goal of 85 percent of receiving some money under this program. I believe I am correct in saying that 31 or 32 States that have actually achieved the objective and are now requiring their violent repeat felons to serve at least 85 percent of their sentences, and this is a major factor in the reduction in the rate of violent crime in this country the last couple of years. Very clearly that is the case.

We certainly do not want to jeopardize that; we do not want to reverse that.

Now we have far too many crimes every year being committed in this country. I think we used to have about 165 back in 1960, 165 violent crimes for every 100,000 people in our population. That went up to 680 or so a few years ago, and now it is down to the lowly amount of 611 violent crimes for every 100,000 people in our population, way too high; but this is the right direction it is trending, and the truth-in-sentencing grant program to the States to help them build prison beds in return for requiring this longer sentence to be served is an integral and important reason why that is so.

Now I am all for boys and girls clubs, and I am all for drug treatment and for drug courts. This legislation provides $40 million up from $20 million in fiscal year 1998 for boys and girls clubs. It provides $63 million for the drug treatment programs, the same level as last year. It provides $40 million for drug courts, up from $30 million in the last fiscal year. And so while the causes that the gentleman from Virginia (Mr. SCOTT) advocates that the money be placed towards in lieu of the truth-in-sentencing grants are all causes which everyone in this Congress supports, they are not underfunded.

We need to find balance in this program, and we need to have a common sense approach to this, and no one is arguing that incarceration alone is the answer. Community-based prevention programs such as prison drug testing and meaningful work opportunities for inmates are just a few of the additional efforts that need to be done.

But this amendment, as I said earlier, has been offered four times in a row, four different occasions for an appropriations bill. Fortunately, it has been defeated each time, and I would urge my colleagues to defeat it again this time. We need to continue this successful truth-in-sentencing program, not interrupt it; and I urge a no vote on this amendment.

Mr. ROGERS. Mr. Chairman, will the gentleman yield?

Mr. MCCOLLUM. I yield to the gentleman from Kentucky.

Mr. ROGERS. Mr. Chairman, I hold here in my hand a copy of a letter from 34 of our Nation's Governors who are urging us not to cut this program, and I would submit that for the RECORD, if the gentleman would like.

JULY 20, 1999.

Hon. C.W. BILL YOUNG, CHAIRMAN,
Committee on Appropriations, U.S. House of Representatives, Washington, DC.

Hon. HAROLD ROGERS, CHAIRMAN,
Appropriations Subcommittee on Commerce, Justice, State and the Judiciary, U.S. House of Representatives, Washington, DC.

Hon. DAVID R. OBEY,
Committee on Appropriations, U.S. House of Representatives, Washington, DC.

Hon. JOSÉ SERRANO,
Appropriations Subcommittee on Commerce, Justice, State and the Judiciary, U.S. House of Representatives, Washington, DC.

DEAR GENTLEMEN: We are writing to ask you to restore funding for FY 2000 for the Violent Offender Incarceration/Truth-in-Sentencing (VOI/TIS) Prison Construction Grant Program at the FY 1999 level without offsets, set-asides or earmarks.

Relying on the incentives in VOI/TIS, most of our states have adopted longer sentences for violent crimes and instituted other changes to ensure that the actual time served by violent offenders is consistent with their sentences. We all have projects in various stages of planning and implementation, which depend upon VOI/TIS being funded through FY 2000.

These funds are vital to states' efforts to get violent offenders off our nation's streets and to keep them off longer. We believe the reduction in violent crime rates that has occurred in the last few years is partly because repeat violent offenders are being taken off and kept off the streets in record numbers—due in no small part to the impact of the VOI/TIS State Prison Construction Grant Program.

However, the number of violent offenders coming into our prisons, combined with those being held for longer period of time, continue to make our violent offender prison populations rise. These offenders are also more costly to house and manage securely. Reliable statistical projections by prudent state planners—as well as the U.S. Department of Justice—indicate it will be well into the next decade before population figures for violent offenders level out. The job of getting the maximum feasible number of violent offenders off the streets for longer periods of time has not been finished.

We appreciate the leadership you have demonstrated in establishing and funding the VOI/TIS program and for the many other ways in which your committees have supported state and local efforts to fight crime. However, we are deeply concerned about the elimination of VOI/TIS funding and urge you to restore VOI/TIS funds at the FY 1999 level for FY 2000.

Your consideration is deeply appreciated.

Sincrely,

(Signed by 34 State Governors.)

Mr. MCCOLLUM. Mr. Chairman, I would like for the gentleman to do that.

I think that speaks worlds of testimony. The governors like it, it is a great program, and we should continue doing it. We must continue doing it for the safety of our kids on the street.

So I urge a ''no'' vote on the Scott amendment.

Mr. SERRANO. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in support of this amendment. The chairman of our subcommittee has very strongly told us over and over again, and I believe him, that our subcommittee has played a major role through some of its actions in reducing crime; and I, as a new member to the committee and as ranking member, I continue to work with him to make sure that that happens, and I have no doubt that his statements are correct, that this subcommittee has played a role.

But I think what we have to look at here is that the amendment offered by the gentleman from Virginia (Mr. SCOTT), one glance at it, it supports that whole notion that some of us share that the best way to fight crime is to prevent it and that the best way to prevent crime is to supply dollars and create programs that in fact benefit people, especially young people, so that they will not be in a life of crime, and any time, and my colleagues have to understand this, at any time to some of us colleagues speak about spending dollars on building prisons, which is in many cases or in most instances what this ends up being.

Well, we feel that too much money in this country is already being spent on building prisons. We spend more money on building prisons than we spend in many instances on education. So I think that the amendment offered by the gentleman from Virginia (Mr. SCOTT) is one that we should pay special attention to, especially when he divvies up the money in what I think is a wonderful and a direct way, prison drug treatment, the drug court program, boys and girls clubs. When we do this together, we are in fact being very supportive of the work that governors and other people are doing throughout the States. But the fact of life is, as he points out, that in so many cases there are problems. Twenty-three States did not receive any funds in FY 1999. There is no excuse for that, and something is wrong. He does not want that money to go to waste, and he knows how best to use it.

And so I would hope that people would look at this amendment for what it is. It is an amendment that in fact fights crime. It is an amendment that in fact speaks to exactly what some of my colleagues have been speaking about and that we are all so proud of that is happening in this country, and

I think that rather than just react to it automatically, the way we always do, we should look at it for what it is worth, and it is worth a lot and we should be supportive of it.

□ 1715

Mr. WATT of North Carolina. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in support of the Scott amendment and want to applaud my colleague for bringing this amendment forward again this year.

Mr. Chairman, for those who have voted against the amendment in the past, they may have done it because they thought they needed more prisons. But understand that the crime rate in most States is down and the need for more prison space is down, so that even for those people who supported this program from which the funds would be transferred in the past, who thought they had a rational basis for it, in many communities jail construction and prison construction has just become an employment program now.

Mr. Chairman, let me assure Members that the places to which the money is being transferred under this amendment would employ people also. So we are down to a choice between whether we build some more prisons, which are not needed, even if you think being harder on crime is important and has played an effective role in reducing crime. Once that effective role is played, then you eliminate the need for the money to have additional prison space, because during the time when the crime rate was on the incline, going up, we built a lot of prison beds and prison space in this country, and now that the crime rate is going down, we have got more than we really need. So we cannot even justify it, even if you claim to prefer to be hard on crime.

In fact, it would be better if you did not support these prevention programs to which the gentleman from Virginia (Mr. SCOTT) is proposing to transfer the money. It would actually be better to just void the program out and put the money in debt reduction than it would be to continue to spend the money on a program serving no useful purpose.

But that is not what I am advocating. I am advocating transferring the funds, as the gentleman from Virginia (Mr. SCOTT) has proposed in his amendment.

Now, why am I doing that? First of all, the gentleman is transferring $50 million of the funds to the Boys and Girls Programs. Why do we want to do that? Because what we understand is that the period of time from the time that kids get out of school to the time that these working parents who have to work to sustain this economic boom that we are having, unemployment is down and jobs are up so more people are working, the time that most of the crime occurs among young people in this country is the period between the end of school and the time that their parents come home.

When is the most effective time and the most need for the Boys and Girls Club? What purpose do they serve? They fill this time void between the end of school and the time that their parents come home with constructive, important activities that are very positive, and that is why this program is so successful and so much needed.

It transfers $37.3 million to the prison drug treatment program. Now, why does the gentleman do that? Because, again, this is an effective program. What we have been doing is putting people in jail because of drug use or drug sales. They go in the jail with a drug habit, and they serve their time and they come right back out, still addicted to drugs, with no drug treatment while they were in prison. We had a captive audience of people who were addicted, and we did nothing about it during that period of time.

One of the most cost effective things we could do is to treat people while we have them as a captive audience.

The CHAIRMAN. The time of the gentleman from North Carolina (Mr. WATT) has expired.

(By unanimous consent, Mr. WATT of North Carolina was allowed to proceed for 1 additional minute.)

Mr. WATT of North Carolina. Mr. Chairman, I will wrap-up. I just want to address this third thing that we are doing with the money under the Scott amendment. The gentleman is transferring $50 million to the Drug Court Program.

Now, I can tell you, because I have a Drug Court in my Congressional District, I have several Drug Courts in my Congressional District, and what they are doing is they are intervening with people who come in to the court system for drug offenses and they are being proactive with them. They are identifying the problems they have of addiction. They are getting them into treatment programs. They are making sure that when somebody comes into that drug program, the Drug Court, they are not processed through the system without having their problem dealt with. So what you see is this reduced recidivism, which, again, has contributed to the reduction in crime and the reduced need for prison space.

This is just a wonderful, good amendment, and we all ought to be supportive of it. I urge my colleagues to support this wonderful amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Virginia (Mr. SCOTT).

The question was taken; and the Chairman announced that the ayes appeared to have it.

Mr. ROGERS. Mr. Chairman, I demand a recorded vote.

The CHAIRMAN. Pursuant to House Resolution 273, further proceedings on the amendment offered by the gentleman from Virginia (Mr. SCOTT) will be postponed.

Ms. JACKSON-LEE of Texas. Mr. Chairman, I ask unanimous consent to consider an amendment at the desk.

The CHAIRMAN. Is there objection to the request of the gentlewoman from Texas?

There was no objection.

AMENDMENT OFFERED BY MS. JACKSON-LEE OF TEXAS

Ms. JACKSON-LEE of Texas. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Ms. JACKSON-LEE of Texas:

Page 24, line 14, after the dollar figure insert ''(reduced by $2,000,000)''.

Page 34, line 8, after the dollar figure insert ''(increased by $2,000,000)''.

Ms. JACKSON-LEE of Texas. Mr. Chairman, I will not take the 5 minutes. I simply want to acknowledge the importance of programs that will help our youth. They are important in my district, they are important across the Nation. This $2 million will help enhance substance abuse programs for our young people, which we know is devastating. Our young people are out abusing alcohol, they are abusing drugs.

If we are going to invest in the future of our young people, this $2 million will help spread an additional opportunity for inner cities, rural communities and all throughout the Nation to provide programs for our young people.

Mr. Chairman, I rise to offer an amendment to this Appropriation bill that will increase some of the funding for juvenile justice programs within the Department of Justice. Specifically, my amendment adds $2 million to the Demonstration Project grants that are designed to reduce drug use among our youth. Currently, these project grants are funded at $10 million.

Although $10 million is a considerable amount for these programs, I feel that this issue is so important that we should add an additional $2 million. The offset for this funding increase would come from the Federal Prison funding for Buildings and Facilities.

The Administration requested additional funds for the juvenile justice programs administered by the Justice Department, but the funding remained the same from FY 1999. This amendment increases the funding to the level that was requested by the Administration.

We must increase the amount of funding for programs that reduce drug use among our young people because drug use has increased dramatically in this decade. Since 1992, marijuana use has doubled, going from 3.4 percent to 7.1 percent in 1996.

The use of other drugs has also increased. There has been a rise in heroine use among young people who are smoking and sniffing that substance. This rise has occurred specifically in small metropolitan areas. In 1995 21.6 percent of heroine users were 12 to 17 years old and 40.2 percent were 18 to 25 years old.

Clearly, this increase in drug use needs to be addressed in any method that has proven to work. The Demonstration Projects provide local communities the opportunity to apply for funding for local programs that have been proven to work.

The correlation of drug use and the increase in juvenile crime cannot be overstated. programs that work to reduce drug use among juveniles will also work indirectly to reduce youth crime.

As we have witnessed in the past several months, juvenile crime is an important issue for many of us. All of us are eager to find solutions that work to stem the tide of youth violence. Many of us are equally concerned about the increase of youth drug use, and these concerns are interrelated.

The $2 million offset for this funding is coming from the Building and facilities funding for the Federal Prison system. This small amount for building more jails to house young people and others who are convicted of drug offenses should be put to use preventing these crimes.

This offset has been scored by the Congressional Budget Office and will have no impact on the funding on this bill. I ask My Colleagues to support this amendment. The money we spend on improving prison facilities can be put to use to prevent the need for more federal prisons.

None of us wants to see another generation of young people damaged by drug abuse. Many of us remember how devastating drugs were in previous generations and this is something we can do to prevent a similar tragedy.

The young people in this country deserve to have hope for their future and this amendment restores some of that hope. Programs that are proven to work on the local level to combat drug use should receive as much support as possible by the federal government. I urge your support.

Mr. ROGERS. Mr. Chairman, will the gentlewoman yield?

Ms. JACKSON-LEE of Texas. I yield to the gentleman from Kentucky.

Mr. ROGERS. Mr. Chairman, we have no objection to this amendment. In fact, this program was one that was begun by this subcommittee some time back, and this would augment that program. I want to thank the gentlewoman for offering the amendment.

Mr. SERRANO. Mr. Chairman, will the gentlewoman yield?

Ms. JACKSON-LEE of Texas. I yield to the gentleman from New York.

Mr. SERRANO. Mr. Chairman, any time you have the chairman agreeing, and mathematically he has the votes, you are in good shape, so I will just sit down.

Ms. JACKSON-LEE of Texas. Mr. Chairman, reclaiming my time, I thank the chairman and the ranking member.

The CHAIRMAN. The question is on the amendment offered by the gentlewoman from Texas (Ms. JACKSON-LEE).

The amendment was agreed to.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

VIOLENT CRIME REDUCTION PROGRAMS, STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE

For assistance (including amounts for administrative costs for management and administration, which amounts shall be transferred to and merged with the ''Justice Assistance'' account) authorized by the Violent Crime Control and Law Enforcement Act of 1994 (Public Law 103–322), as amended (''the 1994 Act''); the Omnibus Crime Control and Safe Streets Act of 1968, as amended (''the 1968 Act''); and the Victims of Child Abuse Act of 1990, as amended (''the 1990 Act''), $1,193,450,000, to remain available until expended, which shall be derived from the Violent Crime Reduction Trust Fund; of which $552,000,000 shall be for grants, contracts, cooperative agreements, and other assistance authorized by part E of title I of the 1968 Act, for State and Local Narcotics Control and Justice Assistance Improvements, notwithstanding the provisions of section 511 of said Act, as authorized by section 1001 of title I of said Act, as amended by Public Law 102–534 (106 Stat. 3524), of which $47,000,000 shall be available to carry out the provisions of chapter A of subpart 2 of part E of title I of said Act, for discretionary grants under the Edward Byrne Memorial State and Local Law Enforcement Assistance Programs; of which $9,000,000 shall be for the Court Appointed Special Advocate Program, as authorized by section 218 of the 1990 Act; of which $2,000,000 shall be for Child Abuse Training Programs for Judicial Personnel and Practitioners, as authorized by section 224 of the 1990 Act; of which $206,750,000 shall be for Grants to Combat Violence Against Women, to States, units of local government, and Indian tribal governments, as authorized by section 1001(a)(18) of the 1968 Act, including $28,000,000 which shall be used exclusively for the purpose of strengthening civil legal assistance programs for victims of domestic violence: *Provided*, That, of these funds, $5,200,000 shall be provided to the National Institute of Justice for research and evaluation of violence against women, $1,196,000 shall be provided to the Office of the United States Attorney for the District of Columbia for domestic violence programs in D.C. Superior Court, and $10,000,000 shall be available to the Office of Juvenile Justice and Delinquency Prevention for the Safe Start Program, to be administered as authorized by part C of the Juvenile Justice and Delinquency Act of 1974, as amended; of which $34,000,000 shall be for Grants to Encourage Arrest Policies to States, units of local government, and Indian tribal governments, as authorized by section 1001(a)(19) of the 1968 Act; of which $25,000,000 shall be for Rural Domestic Violence and Child Abuse Enforcement Assistance Grants, as authorized by section 40295 of the 1994 Act; of which $5,000,000 shall be for training programs to assist probation and parole officers who work with released sex offenders, as authorized by section 40152(c) of the 1994 Act, and for local demonstration projects; of which $1,000,000 shall be for grants for televised testimony, as authorized by section 1001(a)(7) of the 1968 Act; of which $63,000,000 shall be for grants for residential substance abuse treatment for State prisoners, as authorized by section 1001(a)(17) of the 1968 Act; of which $900,000 shall be for the Missing Alzheimer's Disease Patient Alert Program, as authorized by section 240001(c) of the 1994 Act; of which $1,300,000 shall be for Motor Vehicle Theft Prevention Programs, as authorized by section 220002(h) of the 1994 Act; of which $40,000,000 shall be for Drug Courts, as authorized by title V of the 1994 Act; of which $1,500,000 shall be for Law Enforcement Family Support Programs, as authorized by section 1001(a)(21) of the 1968 Act; of which $2,000,000 shall be for public awareness programs addressing marketing scams aimed at senior citizens, as authorized by section 250005(3) of the 1994 Act; and of which $250,000,000 shall be for Juvenile Accountability Incentive Block Grants, except that such funds shall be subject to the same terms and conditions as set forth in the provisions under this heading for this program in Public Law 105–119, but all references in such provisions to 1998 shall be deemed to refer instead to 2000: *Provided further*, That funds made available in fiscal year 2000 under subpart 1 of part E of title I of the 1968 Act may be obligated for programs to assist States in the litigation processing of death penalty Federal habeas corpus petitions and for drug testing initiatives: *Provided further*, That, if a unit of local government uses any of the funds made available under this title to increase the number of law enforcement officers, the unit of local government will achieve a net gain in the number of law enforcement officers who perform nonadministrative public safety service.

AMENDMENT NO. 6 OFFERED BY MR. COOK

Mr. COOK. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 6 offered by Mr. COOK:

Page 28, line 11, after the dollar amount, insert the following: ''(increased by $2,500,000)''.

Page 29, line 5, after the dollar amount, insert the following: ''(increased by $2,500,000)''.

Page 32, line 18, after the dollar amount, insert the following: ''(increased by $2,500,000)''.

Page 32, line 23, after the dollar amount, insert the following: ''(increased by $2,500,000)''.

Page 32, line 25, after the dollar amount, insert the following: ''(increased by $2,500,000)''.

Page 43, line 1, after the dollar amount, insert the following: ''(reduced by $11,972,000)''.

Page 43, line 5, after the dollar amount, insert the following: ''(reduced by $11,972,000)''.

Page 43, line 6, after the dollar amount, insert the following: ''(reduced by $11,972,000)''.

Page 43, line 12, after the dollar amount, insert the following: ''(reduced by $11,972,000)''.

Mr. ROGERS. Mr. Chairman, I reserve a point of order.

The CHAIRMAN. The gentleman from Kentucky reserves a point of order.

Mr. COOK. Mr. Chairman, I would first like to commend the gentleman from Kentucky (Chairman ROGERS), the entire committee and their staff for the good bill that they have brought before us, but I believe my amendment will make this an even better bill by cutting nearly $12 million in unnecessary administrative costs from the International Trade Administration.

To give Americans the tax cuts they deserve and protect Social Security and Medicare, we have to continue to cut spending when appropriate. When taxpayers are forced to live within their budgets, bureaucrats must do the same. Groups such as Citizens Against Government Waste and the National

Taxpayers Union both have listed the International Trade Administration program as one that needs to be reformed, and both groups are endorsing this amendment.

The American taxpayers should not be called on to pay more for corporate welfare programs such as this. In a capitalist country, taxpayers should not be forced to fund trade shows and advertising for corporations like Daimler-Chrysler and Archer-Daniels-Midland, who can afford to do it themselves. That is the role for the private sector.

Although I would have liked to have made deeper cuts in the ITA funding, this amendment only forces it to live within its 1999 budget, as there are many other programs forced to do in this bill.

The amendment increases funds for two critical programs, a $2.5 million increase for the Violence Against Women programs and $2.5 million for the Bulletproof Vest Grant Program for local police officers. Both are deserving. The Violence Against Women program provides resources for law enforcement issues specifically targeted at protecting women and children. The increase in the Bulletproof Vest Grants Program, combined with the existing matching requirements, will mean approximately 18,000 additional vests to protect officers on the street.

A vote for this amendment will cut nearly $12 million from what I think is corporate welfare and protect the American taxpayer from over bureaucratization at the Commerce Department. A vote for this amendment will reduce the deficit by $6 million. A vote for this amendment will protect America's police officers and ensure that Violence Against Women programs are adequately funded. I urge my colleagues to support this amendment.

The CHAIRMAN. Does the gentleman from Kentucky insist on his point of order?

Mr. ROGERS. Mr. Chairman, I reserve my point of order.

Mr. MICA. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I know that the gentleman from Utah is well intended, but the gentleman knows not what he does here with his amendment.

I probably have one of the highest conservative cut-and-slash ratings in Congress and try to look at every program as any taxpayer would who is out there working hard to pay the bill for government, but taking $12 million from the United States Foreign Commercial Service Office could be a disaster.

Right now, in fact if you pick up the newspapers of the past few weeks, you will look at a staggering trade deficit in this country. It should be of concern to everyone who is worred about job growth and economic opportunity for the future. That Trade Deficit means that we are importing many goods and selling less goods in the international market.

Now, who helps our small business people compete in this international arena? It is the Foreign Commercial Service. In fact, Mr. Chairman, we should be increasing the expenditure in this program more than probably any other program in this budget because it helps medium and small businesses compete in the international arena.

If we ever needed to create good paying jobs, particularly in the manufacturing sector, which is going down and down being replaced with more service and low-paying and part-time jobs. We should be supporting increases, rather than decreases, in this area.

This is not any type of corporate wefare. The big corporations do well on their own. I have been involved in international trade. The IBMs and the big corporations around the world, they do fairly well. This program is not for them. This service is for the medium and small businesses across our country that have a tough time getting in to the international markets.

This proposed cut would force us to close offices, and in emerging markets where there is great economic opportunity. In the former Eastern Block, we do not even have full-time people. In Slovakia, one area of particular interest to me, we have one part-time person to help our U.S. business interests in the entire country of Slovakia coming from Vienna on a part-time basis in a new potential great market. Here we can create jobs and economic opportunity, not only for our citizens, but for the people who want the same things for the people in their country.

□ 1730

My colleagues, I have been there, I have talked to these folks, I have seen what we are doing. It is not enough. These countries do not want our foreign aid, they do not want our assistance in doing business—not a handout. They would like to conduct honest, open business. And when we provide this little bit of assistance with our foreign commercial officers who have meager resources, probably with the personal a third of even our AID and giveaway programs, something is indeed wrong. We have a chance to correct it.

So we would be making a terrible mistake to accept this particular amendment. I could bore the House detailing the many hardships that this cut would force. Most distructively we would have to close 31 posts overseas. We should be providing more assistance to small U.S. business in these emerging markets and giving our small and medium businesses an opportunity to compete in these potential markets.

While I know this amendment sounds well-intended, but it would be the worst disaster that we could impose upon the small- and medium-sized business people in this country that are struggling to enter into these markets and who are the greatest creators of jobs and opportunity for this Nation.

POINT OF ORDER

Mr. ROGERS. Mr. Chairman, I make a point of order.

The CHAIRMAN. The gentleman will state his point of order.

Mr. ROGERS. Mr. Chairman, I make a point of order against the amendment because it provides an appropriation for an unauthorized program and, therefore, violates clause 2 of rule XXI, which states, in pertinent part: ''An appropriation may not be in order as an amendment for an expenditure not previously authorized by law.''

Mr. Chairman, the authorization for the COPS program on page 32 of the bill provides $268 million, which is the amount in the bill. This amendment would add $2.5 million over and above the authorized level and exceeds the authorization, so it does violate clause 2 of rule XXI.

The CHAIRMAN. Does the gentleman from Utah wish to be heard on the point of order?

Mr. COOK. I would, Mr. Chairman.

The parliamentarian has ruled that within the 1997 budget agreement, this does fit within it. I would point out that the Congressional Budget Office has scored this as reducing the budget authority to the 2000 bill by $6 million and reducing outlays by $7 million. I think it all fits within, and we have had the indication from the parliamentarian that there is not a problem with it in that regard.

The CHAIRMAN. Does any other Member wish to be heard on the point of order? If not, the Chair is prepared to rule.

The question is not budget levels, but rather, authorization levels. A proponent of an item of appropriation carries the burden of persuasion on the question of whether it is supported by an authorization in law.

Having reviewed the amendment and entertained the argument on the point of order, the Chair is unable to conclude that the item of appropriation in question is authorized in law. Instead, it is apparent that the amendment causes the pending appropriation to exceed the level authorized in law.

The Chair is, therefore, constrained to sustain the point of order under clause 2(a) of rule XXI.

Mr. BURTON of Indiana. Mr. Chairman, I move to strike the last word.

I would like to engage the gentleman from Kentucky (Mr. ROGERS), the chairman of the subcommittee, in a colloquy, if I might.

The United Nations has a very valued State Department employee that has worked over there for a long time named Linda Shenwick, and Ms. Shenwick has brought to the attention of a number of Members of Congress

waste, fraud, and abuse at the United Nations. As a result of her giving this information to Congress, she has not only been chastised, she has been removed from her position by the State Department and Madeleine Albright. We have written to Madeleine Albright about this and have not received a response. We have also written to the Inspector General of the State Department, and they have said that they do not feel that they are inclined to want to investigate this.

I would just like to say that we have had a number of whistleblowers before my committee, Mr. Chairman, and we have found that there are real repressive actions being taken against these whistleblowers to try to keep them from talking to the Congress of the United States about waste, fraud, and abuse in various agencies of government.

So I would like to just ask if there is anything that could be done in the Shenwick case to let the State Department know that this kind of action is not going to be tolerated by moving people out of their positions, by threatening them with their jobs so that they will not talk to Congress. I think it turns the entire situation on its head. We ought to be encouraging people to tell us where there is waste, fraud, and abuse; and they should not have to worry about losing their jobs if they do.

Mr. ROGERS. Mr. Chairman, will the gentleman yield?

Mr. BURTON of Indiana. I yield to the gentleman from Kentucky.

Mr. ROGERS. Mr. Chairman, the gentleman has made a point of this, and we have read only the press accounts, some of the press accounts of this matter. It is certainly not a very good way to lobby for funds for an agency to treat the Congress in that fashion, if, in fact, that occurred. Certainly, we will keep all of these facts in mind as we finally come to a conclusion later this year on the adequate funding level for the State Department.

Mr. BURTON of Indiana. Mr. Chairman, reclaiming my time, if I might just ask the gentleman, if we find, and I think that the gentleman will find after his investigation into this and his staff, that she is being chastised because she gave Congress this information, will the gentleman try to let the State Department know in some way, maybe through the appropriations process, that this is something that is not going to be tolerated by the Congress?

Mr. ROGERS. Mr. Chairman, if the gentleman will yield again, we do not have the investigative forces that would allow us the luxury of being able to delve into this matter in the way it should be. Perhaps another committee of the Congress would have more resources with which to deal with that, and I would like to know the conclusions of that committee that does it.

Mr. BURTON of Indiana. Mr. Chairman, reclaiming my time, my committee will be looking into it, and I will give the gentleman that information. But we are convinced that this kind of repressive action is being taken by State, and I hope that when the gentleman does the final appropriation in conference that the gentleman will let the State Department know that this kind of action will not be tolerated.

Mr. ROGERS. Mr. Chairman, we will be very interested to know the conclusions of the investigation.

Mr. BURTON of Indiana. I thank the gentleman.

Mr. SERRANO. Mr. Chairman, I move to strike the last word.

On this item that the gentleman from Indiana (Mr. BURTON) was just discussing, we have serious concerns about having congressional input or involvement at this point. As we understand it, this item is in the Office of the Special Counsel which was established by Congress. This issue is being looked at by that office, and without speaking much on this, it just seems to us totally improper at this point to commit in any way to any kind of congressional involvement when the fact is that this is being looked at legally, and testimony has been taken, it is my understanding, from both sides. I think that the proper way and the prudent way to go—I am not a lawyer, but I would assume that the prudent way to go is to wait for the special counsel to come back with a proper ruling that speaks to this issue.

Mr. BURTON of Indiana. Mr. Chairman, will the gentleman yield?

Mr. SERRANO. I yield to the gentleman from Indiana.

Mr. BURTON of Indiana. Mr. Chairman, this is not an isolated case. We had four whistleblowers before my committee just recently, all of whom have either been threatened or chastised for talking to Congress about problems that have occurred in their agencies.

Ms. Shenwick's case is the latest in a series of those, and we want to be able to encourage people to tell where there is waste, fraud, and abuse in government. If whistleblowers are not protected, if they are not allowed to tell us if they know they are going to be threatened with their jobs, then they will not come forward.

I would like to be able to assure anybody in this government who believes that there is wrongdoing occurring or waste in their department occurring, that they will be able to come to us, whether they are Democrat, Republican, or Independent, and know that they will not be impugned.

Mr. SERRANO. Mr. Chairman, reclaiming my time, I understand that and I respect the gentleman's comments, but that is precisely the reason why Congress established an independent, nonpartisan Office of Special Counsel. I think that one of the things we have to decide around here is if we are going to take their work seriously. I would hope that, while the gentleman and his committee, sir, have the right to look at this, that we allow for this Special Counsel to first tell us not only about this case, but in general what is going on so that we can all take action together. I am sure that the gentleman will not be alone if this is not as it should be.

Mr. BURTON of Indiana. Mr. Chairman, if the gentleman will yield further, the case that we are talking about, I have no problem with the special counsel looking at this and making a judgment. But during that period of time, the lady in question is out of her job without any income, and she has a family. So the case could drag on for a long period of time, and she is suffering severe penalties because of that.

So it seems to me that there ought to be some way to protect these people while an investigation is taking place so that they do not feel their job is in peril because they are telling Congress where there is waste, fraud, and abuse.

Mr. SERRANO. Mr. Chairman, again reclaiming my time, I appreciate the gentleman's comments, but I still feel that the gentleman perhaps may be questioning the kind of job that the Special Counsel's office is doing, and that is a totally different item. But I think if we are going to have any kind of order in these issues, we should just wait for them to come back and give us the information necessary, and I hope that the gentleman takes that into consideration when he takes further steps.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

WEED AND SEED PROGRAM FUND

For necessary expenses, including salaries and related expenses of the Executive Office for Weed and Seed, to implement ''Weed and Seed'' program activities, $33,500,000, to remain available until expended, for intergovernmental agreements, including grants, cooperative agreements, and contracts, with State and local law enforcement agencies engaged in the investigation and prosecution of violent crimes and drug offenses in ''Weed and Seed'' designated communities, and for either reimbursements or transfers to appropriation accounts of the Department of Justice and other Federal agencies which shall be specified by the Attorney General to execute the ''Weed and Seed'' program strategy: *Provided*, That funds designated by Congress through language for other Department of Justice appropriation accounts for ''Weed and Seed'' program activities shall be managed and executed by the Attorney General through the Executive Office for Weed and Seed: *Provided further*, That the Attorney General may direct the use of other Department of Justice funds and personnel in support of ''Weed and Seed'' program activities only after the Attorney General notifies the Committees on Appropriations of the House of Representatives and the Senate in accordance with section 605 of this Act.

COMMUNITY ORIENTED POLICING SERVICES

For activities authorized by Title I of the Violent Crime Control and Law Enforcement

Act of 1994, Public Law 103–322 (''the 1994 Act'') (including administrative costs), $268,000,000, to remain available until expended, including $45,000,000 which shall be derived from the Violent Crime Reduction Trust Fund, of which $150,000,000 is for Public Safety and Community Policing Grants pursuant to title I of the 1994 Act to be used to combat violence in schools; and of which $118,000,000 is for innovative community policing programs, of which $25,000,000 shall be used for the Matching Grant Program for Law Enforcement Armor Vests pursuant to section 2501 of part Y of the Omnibus Crime Control and Safe Streets Act of 1968 (''the 1968 Act''), as amended, $17,500,000 shall be used to combat violence in schools, $60,000,000 shall be used for grants, as authorized by section 102(e) of the Crime Identification Technology Act of 1998, and section 4(b) of the National Child Protection Act of 1993, as amended and $15,500,000 shall be used for a law enforcement technology program: *Provided,* That of the unobligated balances available in this program, $140,000,000 shall be used for innovative policing programs, of which $35,000,000 shall be used for policing initiatives to combat methamphetamine production and trafficking and to enhance policing initiatives in drug ''hot spots'', $54,500,000 shall be used for a law enforcement technology program, $25,000,000 shall be used for Police Corps education, training, and service as set forth in sections 200101–200113 of the 1994 Act, and $25,500,000 shall be expended for program management and administration.

AMENDMENT NO. 11 OFFERED BY MR. MALONEY OF CONNECTICUT

Mr. MALONEY of Connecticut. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 11 offered by Mr. MALONEY of Connecticut:

In title I, in the item relating to ''DEPARTMENT OF JUSTICE—OFFICE OF JUSTICE PROGRAMS—COMMUNITY ORIENTED POLICING SERVICES''—

(1) after the third dollar amount, insert ''(increased by $500,000)''; and

(2) after the fourth and eighth dollar amounts, insert ''(reduced by $500,000)''.

Mr. MALONEY of Connecticut. Mr. Chairman, I would like to start by thanking the gentleman from Kentucky (Mr. ROGERS) and the gentleman from New York (Mr. SERRANO) for this opportunity to offer this amendment.

In a year when we have seen very tragic events in a number of schools in our Nation, we have today the opportunity to build on the success of the relatively new Cops in Schools Program by approving an amendment to fund a clearinghouse administered by the Office of Community-Oriented Policing Services, COPS, to facilitate information-sharing between communities nationwide on existing school resource officer training programs and models of how to establish such a program locally.

As many of my colleagues know, school resource officers are especially designated and trained law enforcement officers who are placed in schools to act as mediators, educators, and violence prevention and role models for students. Last year, we passed legislation to enable localities to hire school resource officers and form partnerships between law enforcement and education officials. This initiative was later expanded to become the Cops in Schools Grant Program under the COPS program of the Department of Justice. SROs represent a proactive approach to youth violence focusing on the prevention of juvenile crime rather than a reactive approach.

Localities interested in establishing their own programs, however, may not know how to get started, and even more importantly, may not know how to thoroughly train SROs. My amendment would provide these communities with the information they need to bridge that information gap. The success of SRO programs depends most critically upon proper training of SROs and a community's access to information about training programs. A clearinghouse would provide an efficient, centralized way of offering communities this important information. A clearing house on SRO programs and training models will provide communities looking to address juvenile violence through community placing techniques a critically useful tool for establishing their own partnerships between law enforcement officials and educators.

One final word. There has been some discussion, and I believe some misinformation about the funding in regard to this amendment. The amendment would transfer funds between the COPS general technologies initiative and the COPS hiring program. The amendment does not affect the funding for the law enforcement armored vest program of which I was a cosponsor of that legislation last year, or the innovative policing program. On page 33, we will note that there is $15,500,000 reserved for the enforcement technology program, and further on that page at line 15, there is a note that there is an unobligated balance of an additional $54,500,000 for the law enforcement technology program.

In working this amendment with the Department of Justice, they assure me that number one, they support the amendment; and number two, that the $500,000 requested would not have an impact on the technology program.

Finally, I understand that the gentleman from Kentucky (Mr. ROGERS) is supportive of helping me in this endeavor, and I am certainly willing to withdraw my amendment if the Chairman is willing to engage in a colloquy on the SRO clearinghouse.

Mr. Chairman, if I could inquire of the gentleman from Kentucky, would the gentleman agree that the national clearinghouse would provide an efficient centralized way of offering communities this very important information?

Mr. ROGERS. Mr. Chairman, will the gentleman yield?

Mr. MALONEY of Connecticut. I yield to the gentleman from Kentucky.

Mr. ROGERS. Mr. Chairman, I want to thank the gentleman for his efforts on this issue. I will work with the gentleman and the ranking member of the subcommittee to maintain this $500,000 for the School Resource Officers Clearinghouse in conference.

Mr. SERRANO. Mr. Chairman, will the gentleman yield?

Mr. MALONEY of Connecticut. I yield to the gentleman from New York.

Mr. SERRANO. Mr. Chairman, I want to agree with the gentleman from Kentucky (Chairman ROGERS). I want to do everything in my power to ensure that the funding for the clearinghouse is in the final bill. We will work with the gentleman to make that happen.

Mr. MALONEY of Connecticut. Reclaiming my time, Mr. Chairman, I thank the gentlemen very much, the chairman and the ranking member.

Mr. Chairman, I ask unanimous consent to withdraw my amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

The CHAIRMAN. The amendment is withdrawn.

AMENDMENT OFFERED BY MR. BLAGOJEVICH

Mr. BLAGOJEVICH. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BLAGOJEVICH:

Page 33, line 11, after the dollar amount, insert the following: ''(increased by $7,500,000)''.

Mr. BLAGOJEVICH. Mr. Chairman, this amendment earmarks an additional $7.5 million in unobligated balances available in the Community Oriented Policing Services, known as the COPS program. This money goes into the COPS account to expand community prosecution programs across our Nation.

As these dollars are unobligated, this amendment does not take away funding from other law enforcement priorities within the bill, and there are no budget cap implications.

As many of my colleagues know, community prosecution programs provide a holistic approach to fighting crime neighborhood by neighborhood, community by community. They represent the next step in community-based crime prevention programs.

Just as police officers are assigned to a beat under community policing programs, community prosecutors work with neighborhood residents and police on the beat to identify and preempt crime. Community prosecutors are assigned full-time to locations such as police stations, and work together with police on the beat and community leaders to develop innovative approaches to crime.

By being involved in the community and utilizing their legal skills, community prosecutors are playing a role in

reducing crime rates. Under community prosecution, crime victims, especially vulnerable populations such as the elderly and children, have a locally-based prosecutor who they know. They establish bonds of trust, and as a result, both victims and witnesses of crimes are more likely to come forward in the effort to interdict crime and prosecute crime, and they do so by working in conjunction with law enforcement.

Not surprisingly, and as a consequence of programs like this, community prosecution programs have been successful in over 40 communities across our Nation in towns as small as Rosebud, Montana, and in cities as large as Los Angeles, California, and Chicago, Illinois.

They are strongly supported by groups like the National District Attorneys Association, and I have a letter here from the president of that association, Steward van Mevern. Mr. Chairman, this letter urges us to increase funding for community prosecution programs. The problem, however, is despite the success of programs like this, they continue to struggle for resources.

Last year, with the chairman's help, we were able to establish a $5 million community prosecution grant program. Unfortunately, no funding is provided in this bill for the program, even though funding was requested.

Hundreds of communities across our Nation have applied for the grant funding provided in fiscal year 1999, but there was not nearly enough funding to meet their needs. This situation will not improve without adoption of this amendment today. This amendment will provide a sheltered funding source to continue community prosecution programs and sustain and develop existing ones.

This year I hope we can work together to build upon the success of community prosecution programs and meet the needs of our communities.

With that, I thank the chairman for his tireless efforts on behalf of fighting crime in general, and this effort in particular. Let me also thank our ranking member, the gentleman from New York (Mr. SERRANO) for his wonderful efforts and his world vision on these issues.

Let me also thank staff members Sally Chadbourne and Jennifer Miller for their assistance. Let me also thank Pat Schlueter in general for the efforts she has done on behalf of these issues. In closing, I thank my own staff, Deanne Benos and Michael Axelrod, who also worked on this.

Mr. ROGERS. Will the gentleman yield?

Mr. BLAGOJEVICH. I yield to the gentleman from Kentucky.

Mr. ROGERS. Mr. Chairman, I appreciate the gentleman's comments. His amendment would maintain the program in fiscal year 2000, and I certainly have no objection to the amendment.

Mr. BLAGOJEVICH. Mr. Chairman, God bless the gentleman, and I thank him.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois (Mr. BLAGOJEVICH).

The amendment was agreed to.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

JUVENILE JUSTICE PROGRAMS

For grants, contracts, cooperative agreements, and other assistance authorized by the Juvenile Justice and Delinquency Prevention Act of 1974, as amended, including salaries and expenses in connection therewith to be transferred and merged with the appropriations for Justice Assistance, $267,597,000, to remain available until expended: Provided, That these funds shall be available for obligation and expenditure upon enactment of reauthorization legislation for the Juvenile Justice and Delinquency Prevention Act of 1974 (title XIII of H.R. 1501 or comparable legislation).

In addition, for grants, contracts, cooperative agreements, and other assistance, $10,000,000 to remain available until expended, for developing, testing, and demonstrating programs designed to reduce drug use among juveniles.

In addition, for grants, contracts, cooperative agreements, and other assistance authorized by the Victims of Child Abuse Act of 1990, as amended, $7,000,000, to remain available until expended, as authorized by section 214B of the Act.

PUBLIC SAFETY OFFICERS BENEFITS

To remain available until expended, for payments authorized by part L of title I of the Omnibus Crime Control and Safe Streets Act of 1968 (42 U.S.C. 3796), as amended, such sums as are necessary, as authorized by section 6093 of Public Law 100–690 (102 Stat. 4339–4340).

GENERAL PROVISIONS—DEPARTMENT OF JUSTICE

SEC. 101. In addition to amounts otherwise made available in this title for official reception and representation expenses, a total of not to exceed $45,000 from funds appropriated to the Department of Justice in this title shall be available to the Attorney General for official reception and representation expenses in accordance with distributions, procedures, and regulations established by the Attorney General.

SEC. 102. Authorities contained in the Department of Justice Appropriation Authorization Act, Fiscal Year 1980 (Public Law 96–132; 93 Stat. 1040 (1979)), as amended, shall remain in effect until the termination date of this Act or until the effective date of a Department of Justice Appropriation Authorization Act, whichever is earlier.

SEC. 103. None of the funds appropriated by this title shall be available to pay for an abortion, except where the life of the mother would be endangered if the fetus were carried to term, or in the case of rape: *Provided*, That should this prohibition be declared unconstitutional by a court of competent jurisdiction, this section shall be null and void.

AMENDMENT OFFERED BY MS. DEGETTE

Ms. DEGETTE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Ms. DEGETTE:

In title I, in the item relating to ''GENERAL PROVISIONS—DEPARTMENT OF JUSTICE'', strike section 103.

Ms. DEGETTE. Mr. Chairman, the amendment I am offering today is very straightforward. It simply strikes section 103 from Title I, General Provisions, Department of Justice.

In effect, what this amendment does is strike the language in the bill which prohibits the use of Federal funds for abortion services for women in Federal prison.

Unlike most other American women who are denied Federal coverage for abortion services, women in prison have no money, nor do they have access to outside financial help, and they earn extremely low wages in prison jobs. In fact, inmates in Federal prisons are completely dependent upon the Bureau of Prisons for all of their needs, including food, shelter, clothing, and all aspects of their medical care.

These women are not able to work at remunerative jobs that would enable them to pay for medical services, including abortion services. In fact, last year inmates working on the general pay scale earned from 12 cents to 40 cents per hour, or roughly $5 to $16 per week.

The average cost of an early outpatient abortion ranges from $200 to $400. Abortions after the 13th week cost $400 to $700, and abortions after the 16th week go up $100 more per week, ending at about $1,200 to $1,500 in the 24th week.

Even if a woman in the Federal prison system earned the maximum wage on the general pay scale and worked for 40 hours a week, she would not have enough money to pay for an abortion in the first trimester if she so chose. After that, the cost of an abortion rises dramatically, and even if she saved her entire salary, she could not afford such an abortion.

If Congress denies women in Federal prison coverage of abortion services, it is effectively shutting down the only avenue these women have to pursue their constitutional rights. Let me remind my colleagues that for the last 25 years in this country, women in America do have a constitutional right to abortion.

In 1976, the U.S. Supreme Court confirmed that deliberate indifference to the serious medical needs of prisoners constitutes an unnecessary and wanton infliction of pain proscribed by the eighth amendment of the Constitution.

With the absence of funding by the very institution prisoners depend on for health services, women prisoners are in fact coerced to carry unwanted pregnancies to term. The anti-choice movement in Congress denies coverage for abortion services to women in the military, women who work for the government, poor women, and women insured by the Federal Employees Health Benefit Plans.

I disagree with all of these restrictions. I think they are wrong. But when Congress denies coverage for

women who are incarcerated, then Congress is, in effect, denying these women their constitutional right to choose. That is barbaric and that is coercive.

Let me just talk a minute about the kind of women who are entering prison. Most are victims of physical and sexual abuse. Two-thirds are incarcerated for non-violent drug offenses. Many of them are HIV-infected or have full-blown AIDS. Congress thinks that it is in the Nation's best interests to force motherhood on them?

I, of course, support the right of women in prison to bring their pregnancies to term, but that is not what this is about. It is about forcing women who do not want to bring their pregnancies to term to have a child. It is downright cruel and foolish to force women in Federal prisons to bear a child in prison when that child is going to be taken from them at birth or shortly thereafter. It is cruel to force a woman who does not have the emotional will to go through her pregnancy with limited prenatal care, isolated from her family and friends, and knowing that the child will be taken from her at birth.

What will happen to these children, these unwanted children who are born to prisoners? Will they be raised by relatives who do not care about them? Will they be sent to an agency? What will happen to them? This is one of the most cruel things I think that Congress can do to women who are incarcerated.

In 1993, Congress did the right thing when it overturned this barbaric policy. I urge my colleagues to do the same today, and support the DeGette amendment. Let us stop these rollbacks on women's reproductive freedom.

Mr. ROGERS. Mr. Chairman, I rise in opposition.

Mr. Chairman, the provision in the bill that this amendment seeks to strike, Mr. Chairman, does one thing only. It prohibits Federal tax dollars from paying for abortions for Federal prison inmates, except in the case of rape or the life of the mother.

This is a longstanding provision, one that has been carried in 10 of the last 11 Commerce-Justice-State and Judiciary appropriation bills. The House has consistently rejected this amendment, this very amendment to last year's appropriations bill by a vote of 148 to 271; in fiscal year 1998, by 155 to 264; 2 years ago by a voice vote; and 3 years ago, by a vote of 146 to 281. It has been consistent, the House has, in rejecting this amendment.

Time and again Congress has debated this issue of whether Federal tax dollars should pay for an abortion. The answer has been no. I urge a no vote again.

Ms. LEE. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I rise in strong support of the DeGette amendment, which would strike language banning the use of Federal funds for abortion services for women in Federal prisons.

Women in prison have engaged in criminal activity. That is a fact. But through our judicial system we certainly need to seek appropriate responses to illegal actions, and that is what we do. Women in prison are being punished for the crimes that they committed. They are doing their time.

However, this is a separate issue which we are addressing today. Today we discuss civil liberties and rights which are protected for all in America, and remain so, even when an individual is incarcerated. Abortion is a legal option for women in America. Since women in prison are completely dependent on the Federal Bureau of Prisons for all of their health care services, the ban on the use of Federal funds is a cruel policy that traps women by denying them all reproductive decision-making.

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The ban is unconstitutional because freedom of choice is a right that has been protected under our Constitution for 25 years. Furthermore, the great majority of women who enter our Federal prison system are impoverished and often isolated from family, friends, and resources.

We are dealing with very complex histories that often tragically include drug abuse, homelessness, physical and sexual abuse. To deny basic reproductive choice would only make worse the crisis faced by the women and the Federal prison system.

The ban on the use of Federal funds is a deliberate attack by the antichoice movement to ultimately derail all reproductive options. As we begin chipping away basic reproductive services for women, I ask my colleagues, what is next? Dental of OB/GYN examinations and mammograms for women inmates? Who is next? Women in the military, women who work for the government or all women who are ensured by the Federal Employees Health Benefits Plan. Limiting choice for incarcerated women puts other populations at great risk. This dangerous slippery slope erodes the right to choose little by little.

It is my undying belief that freedom of access must be unconditionally kept intact. Therefore, I strongly urge my colleagues to protect this constitutional right for women in America and vote ''yes'' on the DeGette amendment.

Mr. SMITH of New Jersey. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, the innate value of a baby is not diminished in any way simply because the child's mother happens to be an inmate. Children I believe are precious beyond words. The lives of their mothers, likewise, are of infinite value.

Forcing taxpayers to subsidize the killing of an incarcerated woman's child makes pro-life Americans accomplices—complicit with violence against children. I do urge a strong ''no'' on the DeGette amendment.

Mr. Chairman, I think we have got to face the truth. Abortion methods are violence against children, the death penalty for an innocent little child. Abortion methods dismember children. It is commonplace for the abortionist to literally cut a baby to pieces.

The previous speaker suggested that proscribing abortion funding might lead to the slippery slope of a denial of OB/GYN services or perhaps mammograms. That, frankly, is absurd. We are talking about something—abortion—that masquerades as somehow being health care when it actually is destructive. It kills babies.

I do think the suggestion of a slippery slope in this case is an insult to those of us who fight for and believe very strongly in the importance of mammograms and expanding OB/GYN services. Again, the DeGette amendment sanctions subside for killing. Nothing healing or curative about that.

Earlier in the debate I pointed out that abortion methods often dismember children. So let us focus on a moment on what abortion does. A high-powered suction machine, attached to a tube with a razor blade at the end is inserted into the womb, and the baby is literally hacked to pieces. That is the reality of a suction abortion. The suction device is some 20 to 30 times more powerful than a household vacuum cleaner. As the baby is cut up, the so-called ''contents of the uterus,'' the baby, are sucked into a bottle. That is outrageous and cruel. That is the killing of a baby. That is abortion.

Another method of abortion is saline abortions. Babies slaughtered in this way have saltwater injected into their amniotic sac. The baby swallows the caustic salt. An unborn baby swallows the amniotic fluid daily to develop the organs of respiration. In abortion, saltwater goes into the infant's lungs, and the baby is poisoned. This is a death penalty, and it takes about 2 hours for the child to die—a very slow and agonizing death for the child to die from this type of abortion.

Of course the abortionist has all kinds of poisons at his or her disposal to destroy a baby. This is cruel and unusual punishment for a child who has committed no crime.

It is especially ironic, Mr. Chairman, at a time when ultrasound is like a window to the womb, and we know so much about a developing unborn child. We can watch a child suck his or her thumb. We can diagnose conditions and take corrective action. But, no, the DeGette amendment would say we have got to pay for a baby's destruction for a child who has done no wrong.

Mother Theresa at the National Prayer Breakfast a few years ago, with the President, the First Lady, the Vice President and his wife in attendance and many, diplomats and members of Congress told the gathering ''the greatest destroyer of peace today is abortion because it is a war against the child, a direct killing of an innocent child. Any country that accepts abortion is not teaching its people to love but to use violence. That is why it is the greatest destroyer of love and peace.''

Then she said and admonished the President and all the diplomats and the Members of Congress assembled, ''Please do not kill the baby.''

Mr. Chairman, the baby of an inmate is just as important as any other child on earth. Please don't kill the baby. Reject government funding of violence against children. I urge my colleagues to vote ''no'' on the DeGette amendment.

Mrs. MORELLA. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in support of the amendment that was offered by the gentlewoman from Colorado (Ms. DEGETTE). Actually what the amendment does, it would reinstate the right to choose for women who are in prison.

In 1976, the United States Supreme Court found that deliberate indifference to the serious medical needs of prisoners constitutes an unnecessary infliction of pain, a violation of the Eighth Amendment to the Constitution.

Most women are poor at their time of incarceration, and they do not earn any meaningful compensation from prison jobs. This ban closes off their access to receive such services and, therefore, denies them theirs rights under the Constitution.

There has been a 75 percent increase in the amount of women incarcerated in the Federal Bureau of Prison facilities over the last decade, twice the increase of men. I am disappointed to note that, but that is the case.

Most women in prison are young, have frequently been unemployed, and may have been victims of physical or sexual abuse. Additionally, the rate of AIDS or HIV infection is higher for women in prison than the rate of men. These women have the greatest need for full access to all health care options.

Abortion is a legal health care option for women, and it has been for 5 years. Because Federal prisoners are totally dependent on health care services provided by the Bureau of Prisons, the ban, in effect, prevents these women from seeking needed reproductive health care.

This ban on Federal funds for women in prison is a direct assault to the right to choose.

I urge my colleagues to join me in supporting the DeGette amendment.

Mrs. LOWEY. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in strong support of the DeGette amendment. My colleagues are not surprised to hear me say this, because it is well known that I am pro-choice. But it might surprise some of my colleagues that I think there are too many abortions in this country. I work hard to support policies that prevent unintended pregnancies and reduce the number of abortions in America.

I believe that our approach should not be to make abortion less accessible or more difficult, but less necessary. If we agree, pro-choice and pro-life, that our goals should be less abortion, then our focus must be on what we can do to further that goal.

Together, we should increase access to contraception, work harder to educate people about responsibility if we want to make abortion less necessary.

I will tell my colleagues what I do not believe. I do not believe that making abortion inaccessible is the answer. I do not believe that the way to end abortion is to make it so difficult or so dangerous that we endanger women.

The right to access an abortion is the law of the land. I oppose banning access to abortion in Federal prison facilities for incarcerated women who need them. The prohibition in the bill does not make it impossible for women in prison to obtain an abortion, it just makes it more expensive, more difficult, less private, more dangerous.

Imprisoned women with the money to pay for abortion can get transport to a facility outside the prison. So we are comfortable making it more difficult. We are comfortable making it more expensive. Mr. Chairman, that is wrong.

I will continue to work with my colleagues towards a day when abortion is truly rare. Let us work together to do that. But as we work together, I will vote to make abortion truly accessible.

I ask my colleagues to join me in supporting the motion to strike.

Mrs. MALONEY of New York. Mr. Chairman, I rise in support of the DeGette amendment.

Here we go again.

Today marks the 127th vote on choice since the beginning of the 104th Congress.

Each of these votes is documented in my choice report which can be found on my website.

Access to abortion has been restricted bill by bill, vote by vote, and procedure by procedure.

The DeGette amendment seeks to correct one of these attacks on American women.

Federal prisoners must rely on the Bureau of Prisons for all of their health care, so, if this ban passes, it would prevent these women from seeking needed reproductive health care.

Most women prisoners are victims of physical or sexual abuse.

Most women, if pregnant in prison, became pregnant from rape or abuse before they entered prison.

Most women prisoners are poor when they enter prison, and cannot rely on anyone for financial assistance.

These women already face limited prenatal care, isolation from family and friends, a bleak future, and the certain loss of custody of the infant.

The ban on abortion assistance for women in prison closes off their only opportunity to receive such care, it denies them their constitutional rights, but most importantly, it denies them their dignity.

Current law tragically ignores these women.

Perhaps more disturbing is that it also tragically ignores children born to women in prison. These children are taken from their mothers who cannot raise them in a stable family environment. What kind of life are we providing for them?

Six percent of incarcerated women are pregnant when they enter prison. Recent news accounts have described cases of pregnant inmates being shackled during long hours of labor and delivery.

It is unfair to rob women in prison of their basic fundamental right to choose abortion and also provide for unsafe deliveries and treatment while pregnant.

Mr. Chairman, let's not intensify an already difficult situation, I urge a ''yes'' vote on the DeGette amendment.

Mr. NADLER. Mr. Chairman, I rise to support the DeGette amendment to strike the ban on abortion funding for women in Federal prison. This ban is cruel, unnecessary, and unwarranted.

Mr. Chairman, a woman's sentence should not include forcing her to carry a pregnancy to term. Most women in prison are poor, have little or no access to outside financial help, and earn extremely low wages from prison jobs. Inmates in general work 40 hours a week and earn between 12 to 40 cents per hour. They totally depend on the health services they receive from their institutions. Most female prisoners are unable to finance their own abortions, and, therefore, are in effect denied their constitutional right to an abortion.

Many women prisoners are victims of physical or sexual abuse and are pregnant before entering prison. In addition, they will almost certainly be forced to give up their children at birth. Why should we add to their anguish by denying them access to reproductive services?

We ought to keep this debate in perspective. We are not talking about many women. Statistics show that in fiscal year 1997, of the approximately 8,000 women in Federal prison, only 16 had abortions, and there were only 75 births. So this is a small group of people, and we should understand that as we continue this debate. The ban on abortions does not stop thousands of abortions from taking place; rather, it places an unconstitutional burden on a few women facing a difficult situation.

Mr. Chairman, a prison sentence must not include forcing a women to carry a child to term.

I know full well that the authors of this ban would take away the right to choose from all American women if they could, but since they are prevented from doing so by the Supreme Court (and the popular will of the American people who overwhelmingly support choice)

they have instead targeted their restriction on women in prison—women in prison, who are perhaps the least likely to be able to object.

Well watch out America. After they have denied reproductive health services to all women in prison, all Federal employees, all women in the armed forces, and all women on public assistance, then will once again try to ban all abortions in the United States. And they won't stop there. We know that many anti-choice forces want to eliminate contraceptives as well. It is a slippery slope that denies the realities of today, punishes women, and threatens their health and safety. This radical agenda must be stopped now.

I urge my colleagues to support the DeGette amendment.

The CHAIRMAN. The question is on the amendment offered by the gentlewoman from Colorado (Ms. DEGETTE).

The question was taken; and the Chairman announced that the noes appeared to have it.

Ms. DEGETTE. Mr. Chairman, I demand a recorded vote.

The CHAIRMAN. Pursuant to House Resolution 273, further proceedings on the amendment offered by the gentlewoman from Colorado (Ms. DEGETTE) will be postponed.

The Clerk will read.

The Clerk read as follows:

SEC. 104. None of the funds appropriated under this title shall be used to require any person to perform, or facilitate in any way the performance of, any abortion.

SEC. 105. Nothing in the preceding section shall remove the obligation of the Director of the Bureau of Prisons to provide escort services necessary for a female inmate to receive such service outside the Federal facility: *Provided*, That nothing in this section in any way diminishes the effect of section 104 intended to address the philosophical beliefs of individual employees of the Bureau of Prisons.

SEC. 106. Notwithstanding any other provision of law, not to exceed $10,000,000 of the funds made available in this Act may be used to establish and publicize a program under which publicly advertised, extraordinary rewards may be paid, which shall not be subject to spending limitations contained in sections 3059 and 3072 of title 18, United States Code: *Provided*, That any reward of $100,000 or more, up to a maximum of $2,000,000, may not be made without the personal approval of the President or the Attorney General and such approval may not be delegated.

SEC. 107. Not to exceed 5 percent of any appropriation made available for the current fiscal year for the Department of Justice in this Act, including those derived from the Violent Crime Reduction Trust Fund, may be transferred between such appropriations, but no such appropriation, except as otherwise specifically provided, shall be increased by more than 10 percent by any such transfers: *Provided*, That any transfer pursuant to this section shall be treated as a reprogramming of funds under section 605 of this Act and shall not be available for obligation except in compliance with the procedures set forth in that section.

SEC. 108. Notwithstanding any other provision of law, for fiscal year 2000, the Assistant Attorney General for the Office of Justice Programs of the Department of Justice—

(1) may make grants, or enter into cooperative agreements and contracts, for the Office of Justice Programs and the component organizations of that Office; and

(2) shall have final authority over all grants, cooperative agreements, and contracts made, or entered into, for the Office of Justice Programs and the component organizations of that Office.

SEC. 109. Sections 115 and 127 of the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1999 (as contained in section 101(b) of division A of Public Law 105–277) shall apply to fiscal year 2000 and thereafter.

SEC. 110. Hereafter, for payments of judgments against the United States and compromise settlements of claims in suits against the United States arising from the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) and its implementation, such sums as may be necessary, to remain available until expended: *Provided*, That the foregoing authority is available solely for payment of judgments and compromise settlements: *Provided further*, That payment of litigation expenses is available under existing authority and will continue to be made available as set forth in the Memorandum of Understanding between the Federal Deposit Insurance Corporation and the Department of Justice, dated October 2, 1998.

Mr. ROGERS. Mr. Chairman, I ask unanimous consent that the remainder of title I be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The text of the bill from page 38, line 10 to page 40, line 24 is as follows:

SEC. 111. (a) For fiscal year 2000, whenever the Federal Bureau of Investigation (FBI) participates in a cooperative project with a foreign country on a cost-sharing basis, any funds received by the FBI from that foreign country to meet that country's share of the project may be credited to any appropriation or appropriations available to the FBI for the purposes served by the project and shall remain available for expenditure until the close of the fiscal year next following the date of such receipt, as determined by the Director of the FBI.

(b) Funds credited pursuant to subsection (a) shall be available for the following:

(1) payments to contractors and other suppliers (including the FBI and other participants acting as suppliers) for necessary articles and services;

(2) payments for—

(A) one or more participants (other than the FBI) to share with the FBI the cost of research and development, testing, and evaluation, or joint production (including follow-on support) of articles or services;

(B) the FBI and another participant concurrently to produce in the United States and the country of such other participant an article or service jointly developed in a cooperative project; or

(C) the FBI to procure articles or services from another participant in the cooperative project.

(c) The Director of the Federal Bureau of Investigation shall notify the Committees on Appropriations of the House of Representatives and the Senate of any such amounts collected and expended pursuant to this section.

SEC. 112. Section 507 of title 28, United States Code, is amended by adding a new subsection (c) as follows:

''(c) Notwithstanding the provisions of title 31, section 901, the Assistant Attorney General for Administration shall be the Chief Financial Officer of the Department of Justice.''.

SEC. 113. Funds made available in this or any other Act hereafter, for the United States Marshals Service may be used to acquire subsistence and medical care for persons in the custody of the United States Marshals Service at fair and reasonable prices. Without specific authorization from the Attorney General, the expenses incurred in the provision of such care shall not exceed the costs and expenses charged in the provision of similar health-care services paid pursuant to Medicare and Medicaid.

SEC. 114. Section 3024 of the Emergency Supplemental Appropriations Act, 1999 (Public Law 106–31) shall apply for fiscal year 2000.

SEC. 115. Effective 30 days after enactment of this Act, section 1930(a)(1) of title 28, United States Code, is amended in paragraph (1) by striking ''$130'' and inserting in lieu thereof ''$155''; section 589a of title 28, United States Code, is amended in subsection (b)(1) by striking ''23.08 percent'' and inserting in lieu thereof ''27.42 percent''; and section 406(b) of Public Law 101–162 (103 Stat. 1016), as amended (28 U.S.C. 1931 note), is further amended by striking ''30.76 percent'' and inserting in lieu thereof ''33.87 percent''.

This title may be cited as the ''Department of Justice Appropriations Act, 2000''.

The CHAIRMAN. Are there amendments to that portion of the bill?

If not, the Clerk will read.

The Clerk read as follows:

TITLE II—DEPARTMENT OF COMMERCE AND RELATED AGENCIES

TRADE AND INFRASTRUCTURE DEVELOPMENT

RELATED AGENCIES

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

SALARIES AND EXPENSES

For necessary expenses of the Office of the United States Trade Representative, including the hire of passenger motor vehicles and the employment of experts and consultants as authorized by 5 U.S.C. 3109, $25,205,000, of which $1,000,000 shall remain available until expended: *Provided*, That not to exceed $98,000 shall be available for official reception and representation expenses.

INTERNATIONAL TRADE COMMISSION

SALARIES AND EXPENSES

For necessary expenses of the International Trade Commission, including hire of passenger motor vehicles, and services as authorized by 5 U.S.C. 3109, and not to exceed $2,500 for official reception and representation expenses, $44,495,000, to remain available until expended.

DEPARTMENT OF COMMERCE

INTERNATIONAL TRADE ADMINISTRATION

OPERATIONS AND ADMINISTRATION

For necessary expenses for international trade activities of the Department of Commerce provided for by law, and engaging in trade promotional activities abroad, including expenses of grants and cooperative agreements for the purpose of promoting exports of United States firms, without regard to 44 U.S.C. 3702 and 3703; full medical coverage for dependent members of immediate families of employees stationed overseas and employees temporarily posted overseas; travel and transportation of employees of the United States and Foreign Commercial Service between two points abroad, without regard to

49 U.S.C. 1517; employment of Americans and aliens by contract for services; rental of space abroad for periods not exceeding ten years, and expenses of alteration, repair, or improvement; purchase or construction of temporary demountable exhibition structures for use abroad; payment of tort claims, in the manner authorized in the first paragraph of 28 U.S.C. 2672 when such claims arise in foreign countries; not to exceed $327,000 for official representation expenses abroad; purchase of passenger motor vehicles for official use abroad, not to exceed $30,000 per vehicle; obtain insurance on official motor vehicles; and rent tie lines and teletype equipment, $298,236,000, to remain available until expended, of which $3,000,000 is to be derived from fees to be retained and used by the International Trade Administration, notwithstanding 31 U.S.C. 3302: *Provided*, That of the $300,236,000 provided for in direct obligations (of which $295,236,000 is appropriated from the General Fund, $3,000,000 is derived from fee collections, and $2,000,000 is derived from unobligated balances and deobligations from prior years), $49,609,000 shall be for Trade Development, $18,755,000 shall be for Market Access and Compliance, $32,473,000 shall be for the Import Administration, $186,693,000 shall be for the United States and Foreign Commercial Service, and $12,706,000 shall be for Executive Direction and Administration: *Provided further*, That the provisions of the first sentence of section 105(f) and all of section 108(c) of the Mutual Educational and Cultural Exchange Act of 1961 (22 U.S.C. 2455(f) and 2458(c)) shall apply in carrying out these activities without regard to section 5412 of the Omnibus Trade and Competitiveness Act of 1988 (15 U.S.C. 4912); and that for the purpose of this Act, contributions under the provisions of the Mutual Educational and Cultural Exchange Act shall include payment for assessments for services provided as part of these activities.

EXPORT ADMINISTRATION

OPERATIONS AND ADMINISTRATION

For necessary expenses for export administration and national security activities of the Department of Commerce, including costs associated with the performance of export administration field activities both domestically and abroad; full medical coverage for dependent members of immediate families of employees stationed overseas; employment of Americans and aliens by contract for services abroad; payment of tort claims, in the manner authorized in the first paragraph of 28 U.S.C. 2672 when such claims arise in foreign countries; not to exceed $15,000 for official representation expenses abroad; awards of compensation to informers under the Export Administration Act of 1979, and as authorized by 22 U.S.C. 401(b); purchase of passenger motor vehicles for official use and motor vehicles for law enforcement use with special requirement vehicles eligible for purchase without regard to any price limitation otherwise established by law, $49,527,000, to remain available until expended, of which $1,877,000 shall be for inspections and other activities related to national security: *Provided*, That the provisions of the first sentence of section 105(f) and all of section 108(c) of the Mutual Educational and Cultural Exchange Act of 1961 (22 U.S.C. 2455(f) and 2458(c)) shall apply in carrying out these activities: *Provided further*, That payments and contributions collected and accepted for materials or services provided as part of such activities may be retained for use in covering the cost of such activities, and for providing information to the public with respect to the export administration and national security activities of the Department of Commerce and other export control programs of the United States and other governments: *Provided further*, That no funds may be obligated or expended for processing licenses for the export of satellites of United States origin (including commercial satellites and satellite components) to the People's Republic of China, unless, at least 15 days in advance, the Committees on Appropriations of the House of Representatives and the Senate and other appropriate Committees of the Congress are notified of such proposed action.

ECONOMIC DEVELOPMENT ADMINISTRATION

ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS

For grants for economic development assistance as provided by the Public Works and Economic Development Act of 1965, Public Law 89–136, as amended, and for trade adjustment assistance, $364,379,000: *Provided*, That none of the funds appropriated or otherwise made available under this heading may be used directly or indirectly for attorneys' or consultants' fees in connection with securing grants and contracts made by the Economic Development Administration.

SALARIES AND EXPENSES

For necessary expenses of administering the economic development assistance programs as provided for by law, $24,000,000: *Provided*, That these funds may be used to monitor projects approved pursuant to title I of the Public Works Employment Act of 1976, as amended, title II of the Trade Act of 1974, as amended, and the Community Emergency Drought Relief Act of 1977.

MINORITY BUSINESS DEVELOPMENT AGENCY

MINORITY BUSINESS DEVELOPMENT

For necessary expenses of the Department of Commerce in fostering, promoting, and developing minority business enterprise, including expenses of grants, contracts, and other agreements with public or private organizations, $27,000,000.

ECONOMIC AND INFORMATION INFRASTRUCTURE

ECONOMIC AND STATISTICAL ANALYSIS

SALARIES AND EXPENSES

For necessary expenses, as authorized by law, of economic and statistical analysis programs of the Department of Commerce, $48,490,000, to remain available until September 30, 2001.

BUREAU OF THE CENSUS

SALARIES AND EXPENSES

For expenses necessary for collecting, compiling, analyzing, preparing, and publishing statistics, provided for by law, $136,147,000.

PERIODIC CENSUSES AND PROGRAMS

For necessary expenses to conduct the decennial census, $4,476,253,000 to remain available until expended: of which $20,240,000 is for Program Development and Management; of which $194,623,000 is for Data Content and Products; of which $3,449,952,000 is for Field Data Collection and Support Systems; of which $43,663,000 is for Address List Development; of which $477,379,000 is for Automated Data Processing and Telecommunications Support; of which $15,988,000 is for Testing and Evaluation; of which $71,416,000 is for activities related to Puerto Rico, the Virgin Islands and Pacific Areas; of which $199,492,000 is for Marketing, Communications and Partnerships activities; and of which $3,500,000 is for the Census Monitoring Board, as authorized by section 210 of Public Law 105–119: *Provided*, That the entire amount shall be available only to the extent that an official budget request, that includes designation of the entire amount of the request as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, is transmitted by the President to the Congress: *Provided further*, That the entire amount is designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

In addition, for expenses to collect and publish statistics for other periodic censuses and programs provided for by law, $142,320,000, to remain available until expended.

AMENDMENT OFFERED BY MR. COBURN

Mr. COBURN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. Coburn:

Page 47, line 8, after the dollar amount insert ''(reduced by $2,753,253,000)''.

Mr. COBURN. Mr. Chairman, what this amendment does is very straightforward. It eliminates that portion of the census which is not truly an emergency from this bill.

Our Founding Fathers wrote in that we would have a numerical count of the population of this country every 10 years. We have, in fact, known that we were going to be required to have a census count in the year 2000 in 1990. We knew it in 1980. We have known it since the country was founded.

The application of an emergency designation for something that is well-known to need to occur is inappropriate in this case.

Because I could not strike it purely as an emergency, my only option was to strike the amount. I want to give my colleagues the criteria for funding something as an emergency, and this is under the rules of the House.

□ 1815

''It is necessary, essential or vital.'' Well, it meets that. ''It is sudden, quickly coming into being and not building up over time.'' It definitely does not meet that. ''It is an urgent, pressing and compelling need requiring emergency action.'' It does not meet that. We have known that. ''It is unforeseen, unpredictable, and unanticipated.'' It does not meet that because we have known about this for a considerable amount of time. ''It is not permanent.'' Well, it meets that. This is a 1-year expenditure. But it does not qualify under these guidelines.

Describing the census as unforeseen, unpredictable and unanticipated is difficult given the fact we have a 10-year census every 10 years. If the census was not an emergency last year, how can it be an emergency this year? Last year, Congress provided $1.8 billion to begin preparing for the year 2000 census.

Now, we are going to hear, and the supporters of emergency spending will

argue that we could not have anticipated the Supreme Court ruling requiring actual enumeration for the apportionment of seats in Congress but permitting the use of sampling for the distribution of Federal grants. With the ruling, they argue that additional funds are needed to perform both sampling and enumeration. However, according to the Bureau of the Census permitting both enumeration and sampling will cost only $1.7 billion more than their original request. That is nowhere near the $4.5 billion in emergency funds provided by the House appropriation.

Mr. Chairman, the gentleman from Kentucky (Mr. ROGERS), has done a great job on this bill. With the exception of this designation, this is the best bill from this appropriations subcommittee that has come out since I have been a Member of Congress, and I want to say now that I appreciate very greatly the hard work the gentleman and his staff have done. But I cannot go home to Oklahoma and ask the people of my State to justify spending emergency funds off budget and potentially funds to come from the Social Security surplus for this count. We can and we must find the available funds within the existing government expenditures. That does not mean that efforts have not been made.

What are the short-term effects of calling this an emergency designation? Right now, if we say we have a true surplus that is going to occur in the year 2000 of $14 billion, $9.25 billion of that are available for the Congress to spend. If we allocate some of that back to the people who paid it in, a mere $4.5 billion out of a $1.8 trillion budget, what happens is we will have no money with which to fund the most important appropriation bills to come, that for our veterans and that for those that are most dependent upon us in our society.

If Congress hopes to address the shortfalls in Labor, Health and Human Services, and Education funding, or assist American farmers, which is a very real likelihood that is coming to us in the near future, we will either have to eliminate giving back some of the people some of their money, which I believe is entirely possible given where we are, or steal money from Social Security.

So that I would ask the Members of this body to support this amendment on two basic reasons: Number one, this is not an emergency. It does not meet the rules of the House under emergency. And, number two, it is more than likely going to come out of the Social Security fund, which every Member of this House has pledged and obligated themselves not to touch except for Social Security.

Mr. Chairman, with that I would make one final note that the other body did not declare funding for the census an emergency.

Mr. ROGERS. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, this amendment, let us be plain about this now, if this amendment passes, there will be no census. Pure and simple. If that is what the body wants, vote for this amendment. I cannot put it any plainer than that; the amendment would strike $2,753,253,000, which would strike at the heart of conducting the decennial census, which we are obligated by the Constitution to do.

Now, why is this declared an emergency? Let us just lay it on the table. It is simple. The 1997 bipartisan budget agreement that the White House and the Congress, the House and Senate, agreed to, and most of us voted for, never anticipated a penny for the 2000 census. They should have. It was a bad mistake. Whoever was in the negotiations at that time should have known that in the year 2000 we would have this enormous expense, 1-year principally, of conducting the decennial census. This final figure, which is $6.5 billion, is two-and-a-half times the cost of the 1990 census. But the budget agreement anticipated not a penny, and no plans were made for it.

Now, what are we to do? The budget resolution we passed earlier this year for the fiscal year 2000 again ignored the needs for the decennial census money in the year 2000. While the caps imposed in 1997 for this year and for 5 years made adjustment for other extraordinary items, such as U.N. arrears, they either exempted some of these items or accommodated them. That was not the case for the census. They simply ignored it. Nothing was done.

Of course, everyone knows the census happens every 10 years. It is in the Constitution. Someone forgot to tell the White House and the Congress in 1997 that we would face this very moment, this year, in anticipating and finding the money to do the decennial census. It simply is not in the budget resolution. There is no way we could plan for it.

And in just 2 short years, Mr. Chairman, the cost of the census has exploded by over 60 percent and likely will grow even more. Just last year the administration said the cost would be $3.9 billion. When they sent their original budget this year, that had grown to $4.9 billion. And then the Supreme Court came along and said their plan was illegal.

And just 7 weeks ago, 7 weeks ago, after I had pleaded with them for 2 years to give us the estimated cost for us to anticipate, which they refused and refused and refused, hearing after hearing; then finally 7 weeks ago, they came in and said, okay, it is going to cost you $6.5 billion; 60 percent more than they told us 2 years before, two-and-a-half times the cost of the 1990 census. And 70 percent of that cost has to be funded this year in this bill.

So here we are on the eve of the 2000 census, spending caps that did not allow for a census at all, skyrocketing costs that this committee and the Congress could not have expected, and only 7 weeks ago they give us the total figure. That is why it is an emergency. We have no choice. This is a temporary expense, a one-time cost, but it is vital, it is required, it is mandatory, and it is necessary that we do it. And that is what we do in this bill.

This bill is a very restrained bill, as we have all agreed. We cut spending by $833 million below current spending. We have managed to keep critical functions in the bill, law enforcement, the INS, the weather service, our embassies overseas, at close to their operating levels. It has been a tough job. There were tough choices, but we have made them.

The CHAIRMAN. The time of the gentleman from Kentucky (Mr. ROGERS) has expired.

(By unanimous consent, Mr. ROGERS was allowed to proceed for 2 additional minutes.)

Mr. ROGERS. Mr. Chairman, if we really want to create a crisis, an emergency in everyone's definition, then we will support this amendment and force us to go back and cut the FBI, the DEA, the weather service, foreign embassies and the like 15 percent, which will practically shut down the courts.

We have to find the money somewhere if we take this money out of the bill. I do not want to be responsible for that, and I would hope that the Members would not agree to take that money out.

If we want to ensure that we meet our constitutional duty to provide for the census and maintain funding for these other critical agencies in this bill, I trust and hope that we will support the bill that is before us today and reject the amendment that would prohibit and preclude the conduct of the decennial census in the year 2000.

Now, it has been said this is some sort of a gimmick. People on that side of the aisle have said this is some sort of a gimmick. Well, when the President set up his budget request earlier, Mr. Chairman, his budget request included $42 billion worth of budget gimmicks, user fees, and emergencies all through that budget request. We have rejected those.

But many in this body, most in this body who voted for those budget caps in 1997, now are saying, ah, this is a gimmick to get around the budget caps, but you have to do the census and you have to maintain funding for the law enforcement agencies. My colleagues, we cannot have it all ways. We have to make a choice here. We have to choose. Do we want the census or not? That is the question.

I urge my colleagues to reject this amendment.

Mrs. MALONEY of New York. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I rise in strong opposition to this amendment. I find myself in the very odd position of supporting very strongly the Republican leadership's position on the census. This amendment would cut $2.8 billion from census funding for fiscal year 2000. This amendment would make it impossible to conduct the census in 2000.

Mr. Chairman, the census is mandated by the Constitution. It will be the largest peacetime mobilization in the United States history. The Bureau has to open up 520 local census offices and hire 860,000 employees in little more than 8 months. They cannot do it without funding, without the money. A cut in census funding will result in a census meltdown. The majority has repeatedly said that it would pay the full cost of the census, no matter what. It is time that they make good on this promise.

This morning, Mr. Chairman, the gentleman from Kentucky (Mr. ROGERS) pressed several Members to assure him that funding in the bill was sufficient to conduct the census. The gentleman from Florida (Mr. MILLER) referred to a promise made and a promise kept. Now the supporters of this amendment are talking about failing to keep the promise.

What will be the effect? Without full funding, the quality of the census will suffer. With a cut of $2.8 billion, more than half of the year 2000 census cost, that means that shortly after the census gets started in April 2000 we will be back on the floor again pressing an emergency spending bill to keep the census going. Only then it will be an emergency and all of the destruction we normally associate with emergency spending bills will have happened.

If the census shuts down in the middle of things, we will have the worst census in the 20th Century, and this Congress will bear the responsibility for that. If the census shuts down, 800,000 census takers will be laid off. If the census shuts down, the apportionment numbers will be damaged beyond repair and the census will be in the courts for the rest of the decade.

Mr. Chairman, only once in the history of the census have we failed to reapportion the House. That was after the 1920 census, when Congress failed to carry out its duty not because the numbers were flawed but because they did not like what it showed. If this amendment passes, we will not have a census that can be used for apportionment or anything else.

Mr. Chairman, we must defeat this amendment and prevent a large embarrassment of this institution. I strongly support the leadership on the Republican side and oppose the Coburn amendment.

Mr. RYAN of Wisconsin. Mr. Chairman, I move to strike the requisite number of words.

Mr. COBURN. Mr. Chairman, will the gentleman yield?

Mr. RYAN of Wisconsin. I yield to the gentleman from Oklahoma.

Mr. COBURN. Mr. Chairman, a couple of things, I think. If we are talking about keeping commitments, everybody in this body committed not to spend Social Security money on anything but Social Security. That is what we are putting at risk.

□ 1830

Number two, where is the question about why it should cost $24 per person in this country to take the census when it cost $11 in 1990, which I find ridiculously high. There is no accountability for the numbers that have been put forward in the budget. There is no efficiency for it. Even if we pass this amendment, there will be money for the census. We will bring money back for the census.

Our job as Members of this body is to pay for the things that the American public want and need. I agree we need to fund the census. I agree that we need to be honest with the American public about this not being an emergency and us not having to account for it.

The real issue is do we have the courage to reduce the spending somewhere else to make the appropriate dollars for the census?

Mr. RYAN of Wisconsin. Mr. Chairman, reclaiming my time, I too am a member of the Subcommittee on the Census. I serve with the gentleman from Florida and with the gentlewoman from New York. I believe that this census is a very important census. This committee has done very good work to put this census together.

However, this is not an emergency. There are portions of this census, the $1.7 billion part of this census, that is arguably an emergency because of the court rules.

However, I think that we could also make the argument that the Census Bureau dragged their feet and could have prepared for that. But we are not even going to argue the point.

This amendment sets aside the $1.7 billion in unforeseen census expenditures. However, the other part to the census is $2.9 billion. We knew this was coming. We have known about this since 1790. When the Budget Act was passed in 1997, Members of Congress who were negotiating that deal knew it was on the horizon and intentionally did not include this in the budget because they thought they would kick it out to today, to this year.

Well, my colleagues, we knew that this was coming. We knew that the census would have to be paid for. I agree with the gentleman from Oklahoma (Mr. COBURN). We need to pay for this honestly.

Just remember, if we do more emergency spending designations than the new on-budget surplus allows for, we are going into the Social Security surplus; we are going into the Social Security Trust Fund. My colleagues, we are getting very close to that moment.

All of us voted for one budget resolution or another which stopped the raid on Social Security. We have to stay out of the Social Security Trust Fund in an honest way.

We can make the argument that $1.7 billion was unforeseen emergency census spending, but not all of this money. $2.9 billion of this census is stuff that we knew was coming. We should have prepared for this. It is not a new emergency. We should pay for this.

I like to commend the gentleman from Kentucky (Mr. ROGERS) for a wonderful bill. All things considered, there are things in this bill that I think are far better than previous bills that were brought to this Congress under appropriations bills. But this is not an emergency. This is something that we should be honest with the American people about. We should cut other spending to pay for this census.

Mr. OBEY. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I certainly understand the motivation that leads the gentleman from Oklahoma (Mr. COBURN) to offer this amendment.

It is ridiculous that this bill carries the $4.5 billion required to conduct the census as an emergency expenditure when the Constitution has told us since 1789 that we are going to have to be doing this every 10 years. I mean, I have heard of advance notice in my time, but I think that is about the longest. So I understand how ridiculous it is.

That is why I asked the Committee on Rules to allow me to offer an amendment which would strike the emergency designation.

We just heard a speech in the well saying that this is not an emergency and so this amendment should pass. The problem with this amendment is that it does not do what the debate would seem to indicate it does, because the amendment does not strike the emergency designation. It strikes the money to run the census. And that is an irresponsible thing to do.

I do not, for the life of me, understand why we should take seriously the claim that this is an emergency. But the way to deal with that if Members truly objected to the fact that it was an emergency was for Members to oppose the rule so that we could have gone back to the Committee on Rules and have gotten a rule that allowed us to strike the emergency designation.

Having failed to do so, the House is now stuck with the choice of funding the census or not, and I believe it has no choice but to fund it.

But I have to say that I, again, understand the frustration on the part of the gentleman from Oklahoma (Mr. COBURN), which I share. Because, unfortunately, we have no more rules

around here when it comes to dealing with budget issues.

Four years ago, the government was shut down by the majority party because they insisted that we follow only the spending rules of the Congressional Budget Office.

Now, this year, because a different process suits their political convenience, they will pick and choose. One day we have to abide by the CBO rules; and the next day, when it comes to directed scoring upon the Pentagon, we have to apply the OMB rules. And then when neither one of those agency's scorekeeping fits, then we consult the Wizard of Oz. Lord knows who we will consult next.

It just seems to me that we have destroyed all semblance of order. And so, when we play those kinds of budget games and when we declare something like the census to be an emergency, then it is no wonder that this institution has no credibility.

Now, the argument the majority party makes is, well, we could not anticipate that we were going to have to run two different kinds of census because of the court decision. I understand that. That is why in committee we offered the amendment and why I tried to get the Committee on Rules to make in order on the floor an amendment which simply limited the emergency designation to the $1.7 billion that truly represented spending over and above the normal census.

Yet, the Committee on Rules refused to allow that; and the House supinely went along with the decision of the Committee on Rules.

So I am of a split mind on this amendment. I recognize the motivation. If this amendment eliminated the emergency designation, I would vote for it. But I do not think we can in good conscience eliminate funding that we know we have to provide. That is every bit as much a sham as the bill now before us.

Mr. COBURN. Mr. Chairman, will the gentleman yield?

Mr. OBEY. I yield to the gentleman from Oklahoma.

Mr. COBURN. Mr. Chairman, I think the gentleman knows through our conversations that what my preference to do would be just to eliminate the emergency designation. However, the parliamentary rules prohibited both he or I from doing that very thing. I wanted to make that clear.

My choice is not to eliminate the money but also to pay it.

Mr. OBEY. Mr. Chairman, reclaiming my time, the gentleman is consistent because the gentleman voted against the rule. Some of the other persons who spoke on this issue have not.

I would simply say that, again, while I agree with the motivation of the gentleman, I believe the result would be every bit as phoney as the bill before us because it would be pretending that we could save $4.5 billion which the Constitution requires us to spend.

Mr. ROGERS. Mr. Chairman, will the gentleman yield?

Mr. OBEY. I yield to the gentleman from Kentucky.

Mr. ROGERS. Mr. Chairman, did the gentleman from Wisconsin (Mr. OBEY) support the 1997 Balanced Budget Agreement?

Mr. OBEY. Mr Chairman, reclaiming my time, no, I did not.

Mr. ROGERS. Mr. Chairman, if the gentleman would yield further, I ask the him, did he vote for it?

Mr. OBEY. Mr. Chairman, no, I did not. I led the opposition to it. I called it a public lie.

The CHAIRMAN. The time of the gentleman from Wisconsin (Mr. OBEY) has expired.

(On request of Mr. COBURN, and by unanimous consent, Mr. OBEY was allowed to proceed for 2 additional minutes.)

Mr. COBURN. Mr. Chairman, will the gentleman yield?

Mr. OBEY. I yield to the gentleman from Oklahoma.

Mr. COBURN. Mr. Chairman, I want to make a couple more points.

One of the questions that we have not spent time with is holding the administration accountable for why it should cost $24 to count for every man, woman, and child in this country.

Now, think about that. The State of Oklahoma has 3 million people. What is 24 times three? It is $72 million to count the people in Oklahoma. Give me a break. Or give me that contract. I will leave Congress right now. Give me the contract. I will become a multimillionaire just from counting the people.

The cost to count is abhorrent to anybody that is out there who knows anything about putting forth the process. We use this process not just to count but to employ a lot of people who otherwise would not have jobs. That is a social good. I do not disagree with that.

But to have a $24-per-person cost in this country to count says we are much more inefficient. And that is an indication of the rest of our government which says we could surely find this $4.5 billion somewhere else.

Mr. SERRANO. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, this is a very interesting amendment, interesting in the sense that if there was one thing that both sides agreed on in this bill, it was the inclusion of the year 2000 census, fully funded.

Now, let me explain that once again. There are people on this side who have very serious problems with this bill. There are also people on this side who are voting for this bill, like yours truly, specifically because the census was well taken care of.

So if there is a unifying force at all within this bill and on this bill in this House, it is the census. Now, to single out the census as the one that is going to take this kind of a hit is first of all undoing any possibility of working at all towards a resolution of this bill in the future, a bill that has a veto threat hanging over it.

Secondly, I have to join and echo the comments of the chairman. If they do not want a census, if they do not want to conduct a census, and if they think the Y2K issue is a problem, just wait to see what will happen if we do not have a census. If they do not want a census, then vote for this amendment. If they do not want a census, vote for this amendment.

Now, I take it a step further. I continue to see this as part of a plan by some people to go after those items in the budget that are supposed to take care of some problems within certain communities.

I know the census is for the whole Nation. But the fact is, if the prior decennial census had a problem, it was that it undercounted some people. We tried to address that by providing the proper dollars to make sure it works. So in my way of thinking, whether it is correct or not, this is as direct an attack on certain communities as not funding Legal Services Corporation was that we had to deal with before.

But the bigger issue here, and it has to be repeated over and over again, is that the census was the one issue where we worked jointly, where we made agreements where we reached some conclusions. Now we stand forward here ready to deal with all of the other issues that have not been resolved in the hope that we can reach agreement, but going straight ahead with this proper census as should be taken, and now we have this amendment cutting this kind of money from it.

Not to mention the fact, and I hate to deal with technicalities, but it has been called to my attention that if we look at the way these items are funded, this amendment talks about cutting the top amount, the overall amount; but it does not talk about where that is going to come from in the different frameworks. So if we leave the amendment this way, and I am sure the gentleman will correct that, and I should not be helping them on this, the breakouts will sum up to more than the amount that will be left to run the total census. And that is a problem.

But, please, I would hope that on this one we could join together in a bipartisan fashion to defeat this amendment.

Mr. ROGERS. Mr. Chairman, will the gentleman yield?

Mr. SERRANO. I yield to the gentleman from Kentucky.

Mr. ROGERS. Mr. Chairman, it has been said that if we spend this money

on an emergency basis that it will come out of Social Security funds.

Let me remind the body that just today the majority whip said on the floor, and he is correct, this comes out of the on-budget surplus; it does not come out of Social Security.

The emergency declaration that we have, the $4.5 billion that we are talking about on the census, comes out of the on-budget surplus, not out of Social Security.

□ 1845

Mr. SERRANO. Reclaiming my time, as the gentleman from Kentucky knows, we may disagree on the emergency issue, but we certainly agree that the one place to come and attack with no reason other than just to attack would be the census. On that, we agree.

Mr. COBURN. Mr. Chairman, will the gentleman yield?

Mr. SERRANO. I yield to the gentleman from Oklahoma.

Mr. COBURN. I would make two points with the gentleman. Number one is if we really were wanting to attack those communities that were underfunded, I would have included the $1.7 billion that is there designed to do the statistical sampling. We did not do that. So I do not think it is fair to say that that is what we are targeting. It is also not fair to say that we do not want a census. What we are saying is we think it is not honest to the American public to declare something an emergency that is not and, number two, I would make the point that the $14.5 billion that is recommended to be on-budget surplus is made by cooking the books.

Mr. SERRANO. Reclaiming my time, I think we have to be careful about the issue of cooking the books because we might have to throw the whole bill out the window. With that we have to be careful.

Mrs. MALONEY of New York. Mr. Chairman, will the gentleman yield?

Mr. SERRANO. I yield to the gentlewoman from New York.

Mrs. MALONEY of New York. I would like to raise a point of clarification.

The CHAIRMAN. The time of the gentleman from New York (Mr. SERRANO) has expired.

(By unanimous consent, Mr. SERRANO was allowed to proceed for 1 additional minute.)

Mrs. MALONEY of New York. The $1.7 billion that was added was to do door-to-door enumeration, door-to-door count because of the lawsuit that was brought by this body. That is what the $1.7 billion is. Actually to use modern scientific methods would be less costly and would actually save money. But because of this requirement from the lawsuit brought by the Republican majority on the apportionment between the States, there must be a door-to-door count on redistricting and the distribution of Federal funds. The use of modern scientific methods can take place which is a more accurate count and one that is less costly. It is unfortunate that we had to add $1.7 billion in addition for a count door to door which all the scientific data tells us will be less accurate.

Mr. MILLER of Florida. Mr. Chairman, I move to strike the requisite number of words.

I rise today as a member of the subcommittee and also as chairman of the Subcommittee on Census here in Congress. I find myself very strongly disagreeing with the gentleman from Oklahoma (Mr. COBURN) who on fiscal issues we usually agree on so many issues. But the amendment by the gentleman from Oklahoma basically destroys the census and to me is an irresponsible amendment. It is irresponsible because it takes the money away without replacing it.

As he says, we have to do a census. We have known since 1789 as the gentleman from Wisconsin (Mr. OBEY) was saying, we are going to do a census. So we have got to provide the money.

I was on the Committee on the Budget back in 1997. I remember the subject of the census being discussed on the Committee on the Budget and we unfortunately left the census out. That was a mistake. Really the mistake I think goes back to what was happening during the 1997 budget deal because at that time we did not know what kind of a census was going to be conducted. So we do have a problem on the budget caps because it was not provided for, such a large amount.

Now, the ranking member of the Subcommittee on Census says that the $1.7 billion was because we are not using sampling. The problem was the Census Bureau tried to develop an illegal plan. It is against the law, I think it is also unconstitutional, but it is against the law. We wasted several years and I think tens and hundreds of millions of dollars preparing for an illegal plan and now we have to hustle to develop this plan. That is part of the problem of our cost factor.

I think the chairman of our Subcommittee on Commerce Justice, State, and Judiciary did a very fine job. It was tough working with these numbers. As a fiscal conservative, everybody should be pleased that the amount of money, not counting census, for year 2000 is less than year 1999. That is a huge accomplishment. What we are having to do with this census, $4.5 billion, is use off-budget surplus.

The gentleman from Oklahoma says that we are going to have this Medicare problem and the farm problems and all. That is going to happen. That is a legitimate debate. But as of now we do have some surplus and we are going to use that surplus for this particular matter.

This is a constitutional issue. We should not destroy the census. We have to go forward with the census. We are at a very critical point in the census right now. We are in the process of hiring hundreds of thousands of enumerators, and literally it does take hundreds of thousands of enumerators. This is the largest peacetime mobilization in American history that we are going to be conducting. We are going to have a $166 million advertising campaign and it is critical that the money is available on October 1 because that is the date that ad space is available. We need to make sure we make that available and we do not threaten the possibility of buying those types of ads. We need the Census Bureau to have their money.

We have said for the past several years, money is not the issue, this is an issue of trust in our system of government. This is the DNA of our democracy, to say that we have to have a census the American people trust. We need to provide full support.

Mr. SAWYER. Mr. Chairman, will the gentleman yield?

Mr. MILLER of Florida. I yield to the gentleman from Ohio.

Mr. SAWYER. Mr. Chairman, I thank my friend from Florida for yielding. As he and many know, he and I have disagreed on matters of detail and substance with regard to the conduct of the census, and I think they have been legitimate disagreements, but what he says today goes to the core of what this democracy is all about. The importance of making sure that all of us get counted by the way that each of us believes is best to get that accomplished is what is at stake in this. If we pass this amendment, we will have no census and that would be a disaster of the largest proportions for this country. Its consequences would last for years. No amount of money would be able to make up for the policy blindness that it would produce. I associate myself with the gentleman's comments.

Mr. MILLER of Florida. Mr. Chairman, one of the reasons it is more expensive this time around is we have a problem with something called a differential undercount. That is wrong. The differential undercount is that certain segments of our population are undercounted in a larger proportion than other segments of our population. We need to do everything we can to address that undercount problem. Homeless people are hard to count. American Indians are hard to count. We have a higher percentage of undercount with American Indians than anyone. We need to put additional resources in to get the best count we can, whether it is the homeless population or certain inner city populations or some rural populations. That is the reason we are putting the additional cost in there, because it is the right thing to do, to address that differential undercount. I think in a bipartisan fashion we are supporting this in providing the full resources to the Census Bureau at this

time. I ask for the defeat of the amendment.

Mr. OLVER. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I yield to the gentleman from Wisconsin (Mr. OBEY) the distinguished ranking member of the Committee on Appropriations.

Mr. OBEY. Mr. Chairman, I rise simply to respond to something the distinguished gentleman from Kentucky just said. He claimed that this funding is occurring out of the surplus and that it is not coming out of Social Security. I want to correct that statement.

Legislation brought to the House by the majority so far this summer would more than exhaust the $14 billion on-budget surplus projected by CBO for fiscal year 2000. First, the tax bill passed by the House cost $4.5 billion in fiscal year 2000. Second, the emergency designation for the entire cost of the 2000 census allows more than $4 billion of fiscal year 2000 outlays to occur without being counted against the committee's allocation or the budget caps that we are talking about. Even though those outlays, Mr. Chairman, will not count under the budget rules, they still will occur and they will eat into the surplus.

Third, the majority has been instructing CBO to lower its outlay estimates for most of the appropriations bills that have been reported by the committee. Those scorekeeping plugs reduce outlays counted for the defense bill by $9.7 billion and for various domestic bills by at least $2 billion. Doing so allows the bills to spend more than the allocations and caps would normally allow by an amount equal to the downward adjustment in the outlay estimates.

That means that the three items that I have just listed more than consume the $14 billion in on-budget surplus projected by CBO for the year 2000. In fact, they would turn that $14 billion on-budget surplus into a deficit of at least $6 billion. Other past and future gimmicks raise that deficit even further.

To make a long story short, under either the CBO or OMB forecasts if consistently applied, any projected on-budget surplus for fiscal year 2000 is already gone due to actions taken by the Majority in their appropriations bills.

Mr. OLVER. Mr. Chairman, I yield to the gentleman from California (Mr. GEORGE MILLER).

Mr. GEORGE MILLER of California. Mr. Chairman, I thank the gentleman for yielding.

I rise in support of this amendment. I do not generally agree with the gentleman from Oklahoma, but I think in this process he has shown a commitment to some of the integrity of what should be a process that is on the level with respect to the numbers.

As pointed out by the gentleman from Wisconsin, clearly this money comes out of Social Security because the surplus the next fiscal year simply is not big enough to withstand the actions that have already been taken. It just stretches the credibility of every Member of Congress to go home to their district and to tell them that we believe that the census is an emergency and therefore it will not count against the caps that were set in 1997. Everybody in the country, I think, knows that those caps were unrealistic. But this is nothing more than a gimmick to get underneath those caps.

Now, speaker after speaker has gotten up and told the gentleman that if he does this, there will be no census. Does anybody really believe that? That is not the case. It does not work that way around here. There will be a census and it will be funded. They have told him that it would destroy the census if we did this. Well, one easy way to fix this would be to give the gentleman from Oklahoma and the gentleman from Wisconsin unanimous consent to let them remove the emergency designation and then they can go on about their merry way and fund this out of the deficit like they plan to do. But they left the gentleman from Oklahoma no choice but to come here and strike the money. That was not his first choice, it was not the first choice of the gentleman from Wisconsin, but that is where we are because of the Committee on Rules.

So unless you want to go home and look like a fool and tell your constituents that you voted to believe that the census is an emergency, you are going to have to support the Coburn amendment. And then this Committee on Appropriations will have to respond to that. They will either remove the designation, at which point I think the gentleman from Oklahoma may be satisfied because we are back on kind of what looks like reality with the American people, or they will have to go back and remove the $1.7 billion or the $2.4 billion, whatever the figure is, that you can say is really an emergency. There are all kinds of options.

This is not about doomsday, this is not about killing the census, this is not about destroying the census. It is about the credibility of the budget process, the credibility of the appropriations process, the credibility of the surplus, the credibility of Social Security, and also the credibility of each and every Member of this House when you go home for the August break and tell them you discovered an emergency called the census.

Mr. CASTLE. Mr. Chairman, I move to strike the requisite number of words.

Let me just start by saying that I think the chairman of the subcommittee does a wonderful job with a very difficult task. I believe that the gentleman and the gentlewoman who have been handling the census issues have done well, also. I am not an expert on that. I really do not even want to discuss or debate that. I agree that it has to be done. I do agree with the gentleman from California who just spoke. My view is that if this amendment passes, within 3 hours the subcommittee will have met again and probably straightened out this problem in some way or another. I think it is fallacious to stand here and say that the census is not going to be done because this particular amendment does pass.

But we are not here really to discuss that. In my judgment we are here to discuss the budgetary aspects of this and why are we declaring a census which has been called for since 1789 in this country to be an emergency. The bottom line answer is, it is not an emergency, it is not unforeseen, it is not unanticipated, it fails every definition of ''emergency'' we have ever had here in the Congress of the United States.

My judgment is that we just have to stop the rampant abuse that has been going on in recent years of calling everything an emergency to avoid the problems of the budget and to avoid the problems of the caps that we are all so familiar with here on the floor of the House of Representatives. It is just not honest budgeting. It is just something which makes no sense back home.

The argument was already made about some of the emergency spending, but just look at this. In 1999, we designated $34 billion as emergency spending here in the House of Representatives and in the Congress of the United States. If we look at the CBO numbers, and this argument has already been made, but CBO reported $14 billion in on-budget surplus for the year 2000. CBO says we might actually have a $3 billion deficit now.

How did they get there? They count $3 billion of spending for administrative expenses for Social Security Administration, other spending on defense, nondefense and transportation discretionary spending which will be $14 billion higher than CBO assumed for 2000 in its current baseline.

There is not, as has been suggested here, an on-budget surplus. What does that mean? That means again we are going to have to borrow from Social Security in order to fund this particular census situation, and indeed I think that is something that we simply do not want to do.

What are we coming on to? I believe over in the Senate they are putting together about a $7 billion package for more emergency spending. Indeed, if this bill passes, we are going to have that much more emergency spending, all of which comes out of the overall money which is there.

We have just done a tax cut here. We have had a lot of references to $996 billion over the next 10 years. Every time

we spend one of these emergency spending bills, we take it away from that $996 billion in terms of determining where we are going to go. This is just not realistic budgeting. It is just not something that we should be doing in the Congress of the United States.

We should face up to the people of the United States and say that we are spending the money properly and in order and in a way one can understand, or that we are breaking the caps, or we should reduce it as some would want to do.

□ 1900

That, in my judgment, is what we should do.

Mr. ROGERS. Mr. Chairman, will the gentleman yield?

Mr. CASTLE. I will yield to the gentleman from Kentucky.

Mr. ROGERS. Mr. Chairman, the gentleman, I believe, was on the Committee on the Budget, maybe still is.

Mr. CASTLE. No, it is not true. Sorry.

Mr. ROGERS. Do not be sorry for that.

Does the gentleman agree, though, that the 1997 budget deal that was voted by this body ignored any expenditures for the 2000 census?

Mr. CASTLE. I do not know the answer to that.

Mr. ROGERS. Well, I can assure the gentleman that it did.

Mr. CASTLE. I assume it did, or the gentleman from Kentucky would not be asking that question.

Mr. ROGERS. And does the gentleman also admit that the current-year budget resolution that was passed by this body also did not anticipate a single penny being spent for the decennial census in 2000?

Mr. CASTLE. Reclaiming my time, I assume that is also true. However I will say that clearly both of those should have assumed this. These are matters which we knew were coming, and they should have been assumed in both of those particular projections. I do not know why they were not. To me that is an error.

Mr. ROGERS. If the gentleman would continue to yield very briefly, when that happened, and the budget numbers were given to the full Committee on Appropriations, there was no money in that allocation for a budget, and so when my allocation was given to me on the Subcommittee from the full Committee, likewise there was no money allocated for the decennial census.

Mr. CASTLE. Reclaiming my time.

Mr. ROGERS. And so that is why I had no choice, and leadership in consultation agreed there was no choice here.

Mr. CASTLE. Reclaiming my time, I do not agree at all with what the gentleman has just stated, and I do not think he is at fault in this at all. But I believe those who did those allocations, I believe the leadership in looking at this in overlooking this problem of dealing with this 3.5 billion to $4.5 billion made a serious error. I think that is where the problem is. We should correct it now. We should start by passing this amendment.

Mr. BECERRA. Mr. Chairman, I move to strike the requisite number of words.

Not a lot more that can be said other than perhaps to follow up on some of the comments, but what concerns me is that while it is absolutely correct, as has been pointed out by my colleague from California (Mr. MILLER) that this is not an emergency, we get ourselves into a very perilous trap if we are not careful.

Let us admit the census is not an emergency. For the last 230 some odd years we have not been conducting the census because it is an emergency. It is a constitutional requirement, and we must do it, and under the Constitution we are not told that we can do something halfway, part way, or by counting some but not all. We are supposed to try to do the best job we can with the resources we have and the technology to count everyone.

The Census Bureau has told us it will cost a tremendous amount of money to count all of those people. Part of the reason it will cost so much is because we are doing both as best a job we can to actually count people, and we are using also the best techniques, the best systems available, the scientific methods available to us, to do the count.

Hopefully then we will not have the 8 million or so people missed as we have had in the past. We will not have so many children in this country who do not count at all because they have been missed in our previous censuses; we will not have all the folks who happen to be a little more transient than others missed because they happen to have not been home or not had a home when the census was conducted, and we will not have this situation as in my State of California where about a billion dollars did not come back to the residents of that State because so many people were not counted in the 1990 census.

But let us admit this is not an emergency. The census should not be designated as an emergency. This is creative accounting, what we see in this bill when we call the census an emergency.

But to not fund the census adequately, fully, as necessary, as the Census Bureau has indicated, would lead us down that beaten path of any inaccurate census count which will cost us in money because there are many areas in this country that will lose out on funds that they deserve because the population is there to return the funds that those people paid through income taxes.

We will lose out in political representation because by not counting all our people we will not designate for them their representatives in this same body that they are entitled to under the Constitution, and we will shame ourselves in the Constitution by not doing what we are supposed to as indicated by our Founding Fathers.

So while this is not an emergency under the census to fund it, we will cause an emergency if we pass this amendment and not fund the census appropriately because we will cause ourselves a situation where we will find ourselves facing all sorts of lawsuits; we will find ourselves facing a situation where States will come crying because they deserve dollars that they did not get over the next 10 years; and we will find ourselves in the situation where again children, poor people, people who are migratory will say again they did not count because this Congress will not have included them in the census.

That is not something we should do. We need to fund the census fully. Go ahead and call it whatever, we need to get the money there. We should not call it an emergency. It is a game. It is a deception to call this an emergency, but at the end of the day let us not shirk our responsibility. Let us fund the census.

Mr. GILMAN. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, with regard to our proposed census, I have introduced H. Con. Res. 129, a sense of the Congress resolution calling on the Census Bureau to include all Americans residing overseas in the Census 2000, and the gentlewoman from New York (Mrs. MALONEY) has introduced a similar measure.

Our Census Bureau currently provides an accounting of American military and government employees overseas, but fails to count private sector Americans residing outside the Continental United States. There are approximately 3 million Americans living abroad. They play a key role in promoting our U.S. exports and creating U.S.-based jobs, yet the Census Bureau chooses to ignore them.

Moreover, as America increases its leadership role around the world, it is imperative that our census policy reflect the growing segment of our population, a segment that pays its taxes and votes in our Nation.

The U.S. Census Bureau says it wants Census 2000 to be the most accurate census ever. I strongly support that commitment, and for that reason I believe the Census Bureau has a responsibility to count all Americans residing overseas, not just employees of our government.

This problem was raised at the time of the last census, back in 1990, yet has still not been resolved. Accordingly, Mr. Chairman, I request my colleagues'

support in calling upon the Census Bureau to properly count our Americans abroad.

Mr. Chairman, I yield to the gentlewoman from New York (Mrs. MALONEY).

Mrs. MALONEY of New York. Mr. Chairman, I rise in support of the sense of Congress of the gentleman from New York (Mr. GILMAN) and in support of the leadership and hard effort of the gentleman from Kentucky (Mr. ROGERS) and his ranking member, the gentleman from New York (Mr. SERRANO) and the gentleman from Florida (Mr. MILLER) on the subcommittee who included in the census language in the bill support for counting Americans abroad. All the major organizations that represent companies and individuals abroad, including Republicans abroad and Democrats abroad, all support counting our citizens abroad.

The subcommittee held a hearing on this issue, and I was very impressed by the patriotic desire and efforts that Americans abroad have made to be counted. Dr. Prewitt, the head of the Census Bureau, testified that at this late time it was too late to accurately count them, but we should get ready for the next census.

I have introduced legislation, the Census of Americans Abroad Act, and this calls upon the Census Bureau to conduct a count of Americans abroad as soon as it is practicable, as soon as it is possible.

We all support the gentleman's sense of Congress, the language that was put in the bill and the efforts on both sides of the aisle to count Americans abroad.

Mr. GILMAN. Mr. Chairman, I thank the gentlewoman from New York for her supporting comments.

Mr. Chairman, I yield to the gentleman from Florida (Mr. MILLER).

Mr. MILLER of Florida. There is very strong bipartisan support that overseas Americans should be counted. I mean overseas Americans, they vote, they pay taxes, but the Census Bureau refuses to count them, and that is just plain wrong. We count overseas military, we count overseas Federal employees, and there is no reason why we cannot count this estimated 3 million people.

Unfortunately, it is too late to really get it done in the next few months. It should have been planned years ago so they are geared up and ready for this. We need to do everything we can to be committed to get ready for the 2010 census. I know the people overseas would rather be counted next year, but it is wrong that they are not counted, and we need to do everything in a bipartisan fashion. We agree on this.

So I commend the gentleman for introducing this.

Mr. GILMAN. Mr. Chairman, I thank the distinguished chairman of the Subcommittee on the Census.

Mr. SERRANO. Mr. Chairman, will the gentleman yield?

Mr. GILMAN. I yield to the gentleman from New York.

Mr. SERRANO. Mr. Chairman, I support the gentleman in his request. I just want to remind my colleagues that I have been trying to accomplish something which is easier to accomplish, and that is I have a concern that the 4 million American citizens who live in the Commonwealth of Puerto Rico are never included in any of the data that the census puts forth. This year Puerto Rico will be counted with the same form that is being used throughout the 50 States.

What I am hopeful will come out of some conversations I am having with the chairman and with the chairman of the census subcommittee, is that when we look at figures concerning the 50 States that we take one step further and say this census is not only to count the people within the States, it is to count all American citizens. Because how ironic it is, Mr. Chairman, that there will be people in New York State, in my district, counted in this census who are not American citizens. Some will be counted, and it is fine with me, who are not legally in the country, and yet Puerto Ricans who live on the island, American citizens, will not be included in the census data products.

Mr. Chairman, that is what I am trying to accomplish, and I hope that is part of this overall conversation.

Mr. SANFORD. Mr. Chairman, I move to strike the requisite number of words.

I rise in support of the Coburn amendment, and I would say first off that I admire the job that the gentleman from Kentucky (Mr. ROGERS) and others on the committee have done, and I think they literally have been between a rock and a hard place because a lot of the people making, frankly, the most noise today about the sanctity of the budget caps are the very people that have been crowding them on spending, and so I struggle with that.

I would say as well, I mean it is just bizarre that in Washington, D.C. we can create a budget that does not include in it something that has been mandated for over 200 years, and yet he did find himself in that spot.

I would say that most of all, though, I rise in support of this amendment because what this amendment is about is calling an ace an ace in Washington, and I think we have gone a long way from there. I mean this notion of emergency spending, as the gentleman from Delaware (Mr. CASTLE) very correctly pointed out just a moment ago, needs to truly be an emergency, because if not, we go down a really slippery slope adding all kinds of things in that may or may not be an emergency.

I remember with the emergency spending bill of last year we had, for instance, a Capitol Hill Visitor Center. As my colleagues know, the Capitol Hill Visitor Center has been the subject of debate for over 10 years, and yet we called it an emergency.

We had funding upgrades for embassies around the globe, and admittedly what happened in Africa was horrible. But to say that we suddenly found out about that at the last minute is not true. The Inman Commission had been out for over 10 years talking about the need for embassy upgrades in terms of security.

So we have gone down a very slippery slope in calling nonemergencies emergencies, and the reason it is so timely that he offered this amendment now, because if we do not, then we get to VA-UD, and frankly we are going to have a lot of other things added as, quote, ''emergencies.''

And if my colleagues look at the numbers, we have gone $62 billion over the caps since the budget deal was signed in 1997. We simply leave more room for that if we go down this emergency route.

Second, I would point out I think that this amendment is fairly modest. I was going to offer an amendment. As my colleagues know, this amendment goes after the 2.8. I was going to offer one that as well went after the 1.7 and had an across-the-board cut in the rest of the 1.7. So from my perspective, this is modest because he leaves it in place; and as the gentleman from California earlier pointed out, this is not about ending the census, because as we all know, Washington is a place from which we would find a way to find the money for the census.

Finally, I would say what this is about is about basically the three monkeys:

Hear no evil, see no evil, speak no evil.

□ 1915

We cannot pretend to look very narrowly on the budget that is before us and pretend that things are not happening in the Senate, because, as we know, they have marked up a bill that has billions of dollars of farm emergency spending in it that is going to put us over the caps, and, in fact, when you look at the assumptions behind the budget, what you would say is it is going to be very, very difficult for us to really stay within our promise of not reaching into Social Security, because what the assumptions suggest is, one, we will stay at a peacetime high in terms of what the government takes from economy, and, two, we will have a frontal lobotomy in Washington and drastically reduce spending from 19 percent of GDP to 16 percent of GDP.

Mr. Chairman, I would add only that this amendment is supported by Citizens Against Government Waste.

Mr. STENHOLM. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I take to the floor in support of the Coburn amendment and

commend the gentleman for his fiscal honesty, and I appreciate the support that others have shown for it. The census obviously is important, but it is also important that we bring some honesty to the budget process.

This morning I spoke against the rule and made the statement that we are already spending Social Security trust funds, and asked if anyone disagreed with me, to please confront me. There were Members here who could have, but chose not to. But the gentleman from Texas (Mr. DELAY), the majority whip, was on the floor and chose to confront me after I left the floor. In doing so, he made some allegations that I want to set the record straight on.

He said the Blue Dog budget had a tax increase, not a tax decrease. That is simply false, and he knows it.

He said it is okay to declare census spending an emergency, because the 1997 budget agreement did not provide money for the census. I find it hard to believe that my colleague from Texas was actually suggesting that because Congress made a mistake and forgot about the census when we passed the 1997 budget agreement, we have to declare an emergency and leave the taxpayers to pick up the tab.

I would also point out that the Blue Dog budgets that we offered in 1995, 1996 and 1997 all budgeted money for the census, supported by a majority of Democrats on each instance. If the Republican leadership had paid more attention to the Blue Dog budgets back then, perhaps we would not have this problem today.

Another statement the majority whip made this morning is that the spending in all of the appropriation bills for next year is being cut. Saying that the appropriation bills are cutting spending below last year's level relies on an awful lot of creative accounting, directed scorekeeping, where we tell the Congressional Budget Office how to score bills to make it look like we are spending less. Oh, how my colleague from Texas used to lambast us Democrats when he accused us of doing what they are now doing.

If we let CBO score all the appropriation bills honestly, they would tell us that the appropriation bills we have passed already spend $15 billion to $18 billion more than the leadership would like us to believe. That is in this book right here for anyone that wants to read it, phony offsets, emergency spending, taking spending off budget, all of these things we should not be doing.

On page 6 of the Congressional Budget Office July budget outlook that is being cited as projecting surpluses outside of Social Security, they wrote,

That was before the Republican leadership decided to abuse the emergency designation to increase spending above the caps even further. When we take into account these additional gimmicks, total discretionary spending will be at least $25 billion higher than the Republican leadership is claiming.

Now, my opposition for the rule this morning was let us be honest. Let us be honest. Spending is spending, no matter what we call it, where we put it on the ledger or how we try to hide it. Let us be honest with the American people about how much we are spending, and not rely on accounting gimmicks and stand on the floor and accuse our colleagues of not telling the truth.

Again, to the gentleman from Texas (Mr. DELAY), I would challenge the gentleman to come back to the floor and make the same statements and read this in this report, because what I am saying is coming from CBO, not CHARLIE STENHOLM.

The gentleman from Texas (Mr. DELAY) says the tax cut has nothing to do with Social Security surpluses. The claim that we have a surplus outside of Social Security to use for tax cuts depends on all these budget gimmicks. There is no surplus outside of Social Security next year to be used for tax cuts or any other purpose when we add up the numbers honestly. In fact, we will have a deficit of at least $3 billion next year when Social Security is excluded.

In other words, we have already spent $3 billion of the Social Security surplus, and all of the tax cut next year will come out of Social Security surpluses.

One does not have to take my word for it. Again, just ask the Congressional Budget Office. Any spending above the caps, whether it is emergency or non-emergency, and I am prepared to make legitimate emergency decisions based on spending needs that handle emergencies. I am prepared to do that.

But, now, let us start shooting straight with the American people. If we are going to break the caps, let us tell them. If we are going to increase spending, let us tell them. If we are going to spend Social Security dollars, let us tell them. If we are going to give a tax cut from fictitious surpluses, let us tell them.

Let us support the Coburn amendment. Let us go back to the drawing board, and let us deal honestly with our budget while we still have a chance to work bipartisanly on some very difficult matters.

PREFERENTIAL MOTION OFFERED BY MR. OBEY

Mr. OBEY. Mr. Chairman, I move that the Committee do now rise.

The CHAIRMAN. The question is on the motion offered by the gentleman from Wisconsin (Mr. OBEY).

The question was taken; and the Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. OBEY. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 166, noes 249, not voting 18, as follows:

[Roll No. 371]

AYES—166

Ackerman
Allen
Andrews
Baird
Baldacci
Baldwin
Barcia
Barrett (WI)
Becerra
Bentsen
Berkley
Berman
Berry
Bishop
Blumenauer
Bonior
Borski
Brady (PA)
Brown (FL)
Brown (OH)
Capps
Capuano
Cardin
Carson
Clay
Clayton
Clyburn
Condit
Conyers
Coyne
Crowley
Cummings
Danner
Davis (FL)
Davis (IL)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Dixon
Doggett
Doyle
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Forbes
Frank (MA)
Frost
Gejdenson
Gephardt
Gonzalez
Hall (OH)
Hastings (FL)
Hill (IN)
Hilliard
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Hooley
Hoyer
Inslee
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Johnson, E.B.
Jones (OH)
Kanjorski
Kennedy
Kildee
Kilpatrick
Klink
Kucinich
LaFalce
Lampson
Lee
Levin
Lewis (GA)
Lowey
Lucas (KY)
Maloney (CT)
Maloney (NY)
Markey
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McGovern
McIntyre
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Millender-McDonald
Moakley
Mollohan
Moore
Moran (VA)
Murtha
Nadler
Napolitano
Neal
Oberstar
Obey
Olver
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Pickett
Pomeroy
Price (NC)
Rangel
Rivers
Rodriguez
Rothman
Roybal-Allard
Rush
Sabo
Sanchez
Sanders
Sandlin
Schakowsky
Scott
Serrano
Sherman
Sisisky
Slaughter
Smith (WA)
Snyder
Spratt
Stabenow
Stark
Stenholm
Strickland
Tanner
Tauscher
Thompson (CA)
Thompson (MS)
Tierney
Towns
Turner
Udall (CO)
Udall (NM)
Waters
Watt (NC)
Waxman
Weiner
Wexler
Weygand
Woolsey
Wu
Wynn

NOES—249

Abercrombie
Aderholt
Archer
Armey
Bachus
Baker
Barr
Barrett (NE)
Bartlett
Bass
Bateman
Bereuter
Biggert
Bilirakis
Bliley
Blunt
Boehlert
Bonilla
Bono
Boswell
Boucher
Boyd
Brady (TX)
Bryant
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Castle
Chabot
Chambliss
Chenoweth
Clement
Coble
Coburn
Collins
Combest
Cook
Cooksey
Costello
Cox
Cramer
Crane
Cubin
Cunningham
Davis (VA)
Deal
DeLay
DeMint
Dickey
Dooley
Doolittle
Dreier
Duncan
Dunn
Edwards
Ehlers
Ehrlich
Emerson
English
Everett
Ewing
Foley
Ford
Fossella
Franks (NJ)
Frelinghuysen
Gallegly
Ganske
Gekas
Gibbons
Gilchrest
Gillmor
Gilman
Goode
Goodlatte
Goodling
Gordon
Goss
Graham
Granger
Green (TX)
Green (WI)
Greenwood
Gutierrez
Gutknecht

Hall (TX)
Hansen
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill (MT)
Hilleary
Hobson
Hoekstra
Horn
Hostettler
Houghton
Hulshof
Hunter
Hutchinson
Hyde
Isakson
Istook
Jenkins
John
Johnson (CT)
Johnson, Sam
Jones (NC)
Kaptur
Kasich
Kelly
Kind (WI)
King (NY)
Kingston
Kleczka
Knollenberg
Kolbe
Kuykendall
LaHood
Largent
Larson
Latham
LaTourette
Lazio
Leach
Lewis (CA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren
Lucas (OK)
Luther
Manzullo
Martinez
McCollum
McHugh
McInnis
McIntosh
McKeon
Metcalf
Mica
Miller (FL)
Miller, Gary
Miller, George
Minge
Mink
Moran (KS)
Morella
Myrick
Nethercutt
Ney
Northup
Norwood
Nussle
Ortiz
Ose
Packard
Paul
Pease
Petri
Phelps
Pickering
Pitts
Pombo
Porter
Portman
Pryce (OH)
Quinn
Radanovich
Rahall
Ramstad
Regula
Reynolds
Riley
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Roukema
Royce
Ryan (WI)
Ryun (KS)
Salmon
Sanford
Saxton
Scarborough
Schaffer
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shows
Simpson
Skeen
Skelton
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Spence
Stearns
Stump
Stupak
Sununu
Sweeney
Talent
Tancredo
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thornberry
Thune
Thurman
Tiahrt
Toomey
Traficant
Upton
Velazquez
Vento
Visclosky
Vitter
Walden
Walsh
Wamp
Watkins
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson
Wise
Wolf
Young (AK)
Young (FL)

NOT VOTING—18

Ballenger
Barton
Bilbray
Blagojevich
Boehner
Burr
Diaz-Balart
Fletcher
Fowler
Lantos
McCrery
McDermott
Oxley
Peterson (PA)
Reyes
Sawyer
Shuster
Watts (OK)

□ 1945

Mr. SHOWS and Mr. PHELPS changed their vote from ''aye'' to ''nay.''

Messrs. SMITH of Washington, ROTHMAN, DICKS, and Ms. WOOLSEY changed their vote from ''no'' to ''aye.''

So the motion was rejected.

The result of the vote was announced as above recorded.

Mr. ROGERS. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I wish to address the body about the schedule for the balance of the evening.

Mr. Chairman, so that Members will have some general guidance about the balance of the evening, let me attempt to generalize about the schedule. And if any of the leadership finds me speaking the wrong way, they can interrupt me.

But as I understand it, this is the way we intend to proceed: I would hope, as soon as we get back to the Coburn amendment, that we could get a unanimous consent to limit the debate to 30 minute, 15 per side. We will do that appropriately at the right time. At which point, if that is agreed, we would then proceed to the three votes that are stacked up, including Coburn; in which case, at the conclusion of those three votes, my understanding is the Committee would rise and take up the Emergency Steel, Oil, and Gas Loan Guarantee Act conference report. Following that, I do not know.

But at least I think we can have some period of time after these three votes that Members would have, while the conference report is being debated, for perhaps some private time.

Mr. Chairman, I ask unanimous consent that all debate on the Coburn amendment and all amendments thereto close in 30 minutes, and that the time be equally divided between the gentleman from New York (Mr. SERRANO) and the gentleman from Oklahoma (Mr. COBURN).

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from Oklahoma (Mr. COBURN).

Mr. COBURN. Mr. Chairman, we have only one remaining speaker. I reserve the balance of the time.

Mr. SERRANO. Mr. Chairman, I yield 2 minutes to the gentleman from Wisconsin (Mr. BARRETT).

Mr. BARRETT of Wisconsin. Mr. Chairman, I first want to commend the gentleman from Oklahoma (Mr. COBURN). I do not agree with his amendment, but I think he is doing something that is very important.

I would like to talk about the emperor. The emperor, of course, are the spending caps. This emperor is so sacrosanct and is wearing this beautiful gown. We will never, ever take the gown off the emperor.

Of course, we may do a little bit in defense spending where we have an emergency bill that doubles the amount that the President asks for. We may do a little bit in highway spending. Now we are doing a little bit in census spending. Mr. Chairman, the emperor has no clothes.

We are sitting here with a budget and spending caps that we are busting over and over and over again, and nobody wants to say it on the Republican side except for the gentleman from Oklahoma (Mr. COBURN). But the emperor has no clothes. We are letting him walk down the street bare naked because no one is willing to say we have to make some adjustments.

The reason I do not agree with this amendment is because we have to have the census. The Constitution says we have to have the census. It is not a surprise. It is not something that was snuck into the Constitution in the middle of the night where, all of a sudden, we go, oh, my God, we have got to do a census this year. We know it has got to be there. But what has happened is this process has been so distorted by the majority side that this is the only mechanism left.

If they want to continue this charade, the charade of saying that this is an emergency, then that is what it is going to have to be. But the American people should know that this is a charade.

We have to have the census, but the only opportunity we have been given tonight to have the constitutionally mandated census is to do it through emergency spending. If that is what we are going to do, then we have to get it done.

Mr. SERRANO. Mr. Chairman, I yield 2 minutes to the gentleman from Oregon (Mr. DEFAZIO).

Mr. DEFAZIO. Mr. Chairman, I thank the gentleman from New York for the generous grant of time to discuss this important amendment.

I come to the debate equipped with two reference sources, the first being Webster's Collegiate Dictionary. ''Emergency: an unforeseen combination of circumstances or the resulting state that calls for immediate action.''

Now, it is plausible to believe that we cannot anticipate everything in the budget and that emergencies do happen beyond our control, and we should figure out a way of dealing with them.

The question is, is the census, is the dicentennial enumeration of the people of the United States an unanticipated emergency that could not be foreseen? Well, Thomas Jefferson 210 years ago could have told Congress that in the year 2000 they were going to need money for the census because it was required that it be done every 10 years as long as the Nation should stand, and the Nation still stands.

So this is by no means an emergency in terms of unanticipated budget needs. Budget gimmicks were not quite enough. The rosy scenario, assuming that things would continue as well as they had for the last 10 years, for the next 10, that was not quite enough.

The quiet proposal and winking and nodding about real cuts of 30 percent in all domestic spending, even that was not quite enough to get to the point where we could have tax cuts and not declare emergencies to make room for the tax cuts. That is what this is all about.

Social Security is going to be hit and hit and hit and hit again with so-called emergency spending which does not count. We are taking the money. We are spending it. We are replacing it with IOUs in the Social Security Trust Fund. We are ripping the lock off the lockbox, but it does not count.

Do not pay any attention. Look the other way. It is not an emergency. This is not an emergency. This is spending the Social Security trust funds for the census, something that could have been anticipated.

We should support the gentleman's amendment. Get honest about this budget.

Mr. SERRANO. Mr. Chairman, I yield 1 minute to the gentleman from Illinois (Mr. DAVIS).

Mr. DAVIS of Illinois. Mr. Chairman, there has been a lot of discussion obviously on this issue. But the reality is that I agree with those who say the budgeting process has become convoluted. It has even gotten a little bit dirty.

But this amendment reminds me of the instance where one throws the baby out with the bath water. The baby is the census in this case. While we need to clean up the process, we do not need to do it at the expense of the census. We need the census money. I oppose the amendment.

Mr. COBURN. Mr. Chairman, I yield myself such time as I might consume.

Mr. Chairman, the analogy of the gentleman from Illinois (Mr. DAVIS) is very apropos. Being somebody who delivered two babies this weekend, both of them over 9 pounds, sometimes when one has got a baby and one is going to give it a bath, the first thing one has got to do is get the baby out of the mama's tummy to give the bath to it. Sometimes they do not always come out right. Sometimes one takes a pair of forceps, salad tongs, and gets that baby out of there.

I am trying to get the emergency baby out of this bill. I would appreciate anybody's vote.

Mr. Chairman, I yield 5 minutes to the gentleman from Montana (Mr. HILL).

Mr. HILL of Montana. Mr. Chairman, I thank the gentleman from Oklahoma for yielding me this time, and I want to rise in support of his amendment.

There is no doubt that the census is not an emergency. If my colleagues believe in the integrity of the budget process and if my colleagues believe in the integrity of the lockbox, if my colleagues believe that we should spend Social Security taxes only on Social Security, then my colleagues, too, have to support this amendment.

Procedurally, this is the only way for us to deal with this issue. If we pass the Coburn amendment, we can send this bill to the Senate without a provision for the census. We can then pass the motion to instruct the conferees to accede to the Senate position, which would be to not declare the census an emergency.

□ 2000

There will be a census. Everybody in this chamber knows this. Everybody in America knows there will be a census when we get done. The reason that this has been declared an emergency is so that we can exceed the spending caps in the balanced budget agreement of 1997.

I think the gentleman from Texas, when he attacked the whip, was talking about truth and honesty in budgeting. I would agree that it is not honest budgeting to declare this census an emergency, but I can tell my colleagues this, too, it is hard to find a lot of honesty in the budget process on this floor tonight.

It reminds me that politics in Washington is often referred to like the politics in the Middle East where there are three positions on every issue; there is an official position, a public position, and then there is the real position. Folks are coming down to this floor every day on the appropriations process arguing they want to save Social Security first, first things first, they will say, and then they will argue that every single appropriation bill is underfunded.

Now, many of those same people voted for the balanced budget agreement with the President in 1997. They congratulated themselves, they congratulated the President, and they said they were finally exercising fiscal discipline. Well let me tell my colleagues what the fiscal discipline of that was. First of all, it increased spending by almost $60 billion in the first 2 fiscal years, and since then we have spent almost $62 billion in emergency spending, $122 billion over the baseline amount in 2 years.

What it said is we would put off the tough choices to the year 2000. Well, guess what, here we are at the year 2000 budget and nobody here seems to have the ability to stand up for their principles. No one on this floor tonight has questioned the most important element here, and that is why is this census costing so much? Congress and the President cannot agree on how to do the census, so what have we done? We have said we will fund two censuses. We will do not one, we will do two, the President's way and the Congress' way.

If my colleagues believed that they were exercising fiscal discipline and voted for the balanced budget agreement in 1997, then they have to vote for this Coburn amendment. If my colleagues voted for the lockbox and they meant it when they said that they wanted to set Social Security aside for Social Security, then they have to vote for this Coburn amendment. If my colleagues voted for tax relief and they believed and they meant that they could fund that tax relief by not tapping into the Social Security account, then they have to vote for the Coburn amendment, too.

We need to vote for this Coburn amendment. It is the only way to restore integrity.

Mr. SERRANO. Mr. Chairman, what time is remaining on each side and who has the right to close?

The CHAIRMAN. The gentleman from New York (Mr. SERRANO) has 10 minutes remaining and has the right to close, and the gentleman from Oklahoma (Mr. COBURN) has 11 minutes remaining.

Mr. SERRANO. Mr. Chairman, I yield 3 minutes to the gentlewoman from New York (Mrs. MALONEY).

Mrs. MALONEY of New York. Mr. Chairman, we are 250 days away from the census and, as my good friend on the other side of the aisle, the gentleman from Florida (Mr. MILLER) has pointed out, this is constitutionally mandated. We have to have a census. Whether we call it an offset or an emergency, every person in America needs to be counted.

Mr. Chairman, I support the efforts of the gentleman from Kentucky (Mr. ROGERS) to fund the census at $4.5 billion, the requested amount from the administration, and I urge a very strong no vote on the Coburn amendment. The Coburn amendment would make it impossible to get a count in the census; it would create the worst census since we began counting over 200 years ago. I urge a very strong no vote.

Mr. MILLER of Florida. Mr. Chairman, will the gentlewoman yield?

Mrs. MALONEY of New York. I yield to the gentleman from Florida, the chairman of the Subcommittee on Census, in the spirit of bipartisanship and in friendship on this.

Mr. MILLER of Florida. Mr. Chairman, I urge my colleagues, especially those on my side of the aisle, to oppose this amendment.

As I said earlier, this is an irresponsible amendment because it takes $2.8 billion out of the census and does not replace it. We have to pay for the census. We do not have a choice. It is a constitutional requirement, and we have said all along we were going to do the best census possible and address the problems that have existed in the past censuses.

I served on the Committee on the Budget back in 1997, and that is where the problem started, with the budget agreement, which I supported. Reflecting back on it, we never provided any money as part of that. We forgot. We did not intentionally exclude the census funding. But that is $4.5 billion. And in this year's budget it was not included.

Now, I will admit my mistake. There were mistakes made in putting that budget together, but we have to provide it. That is the reason it is going to become an emergency. I wish it was not an emergency. Ideally it would not be.

I urge my colleagues to vote ''no'' on this amendment.

Mr. FRANK of Massachusetts. Mr. Chairman, will the gentlewoman yield?

Mrs. MALONEY of New York. I yield to the gentleman from Massachusetts.

Mr. FRANK of Massachusetts. Mr. Chairman, I thank the gentlewoman for yielding to me.

I am enlightened here. Apparently I now understand the nature of the emergency. We forgot. This is a very

handy thing. From now on whenever we are supposed to have done something and we do not do it, we do not say I forgot, we say, I am sorry, it is an emergency.

Because the gentleman said the problem is that in 1997, when some of my colleagues voted for what I think was a pretty stupid agreement, they forgot there was going to be a census. Now, I do not know who withheld this information from those individuals, but now we have an explanation of an emergency. They forgot.

I plan to use this. When they say to me, where is that thing the gentleman is supposed to have, I will say, I am sorry, it is an emergency. If they ask somebody on their staff if they wrote the memo that they wanted them to write, they can say, no, it is an emergency. So we now have invented the handiest excuse in human history.

Mr. SERRANO. Mr. Chairman, I yield 2 minutes to the gentleman from Mississippi (Mr. SHOWS).

Mr. SHOWS. Mr. Chairman, tonight I am arguing against the amendment of the gentleman from Oklahoma (Mr. COBURN). I think it is wrong. We are arguing again about how to fund the census, debating a constitutionally-based census that we carry out every 10 years.

The consequences of failing to do this are real frightening. What does this do to Mississippi? Ten years ago we undercounted 55,000 people. This year we have a real likelihood of losing a seat in Congress because we did not adequately fund it 10 years ago. We do not need to underfund the census today. It is a crime; it is a shame. My people in Mississippi need as much representation as anybody else in this country.

Mr. Chairman, the census affects us in our highway planning, construction, public transportation, educational block grants, and everything else. Our credibility is at stake. The credibility of this chamber and the integrity of a census that sets the agenda for this Nation for the next 10 years.

Let us do the right thing, let us make sure all Americans are counted and that our democracy is operating on the foundation where all Americans are counted for and representation is shared equally and our dollars are spent wisely.

Mr. COBURN. Mr. Chairman, I yield myself the balance of my time.

There is an issue that is before us that really does not have anything to do with the census. There is an issue before us that does not have anything to do with the budget. The issue that is before us is dare we pull the wool over the American people's eyes about calling something an emergency when it is not.

We have heard several people say we are not going to have a census if this amendment comes through. Everybody knows we are going to have a census. What they are really saying, when they are saying that, is they do not want to do the hard work to find the real money to pay for this and not take it from the Social Security fund. That is what the real answer is. That is not what is said, but that is what is intended. We all know that because we all know if this amendment passes the Committee on Appropriations is going to have to find the money for the census.

I know that we can explain a lot of things back home, but I think it is a real stretch for us to be so arrogant to say we can go home, as the gentleman from Massachusetts (Mr. FRANK) said, and say we just forgot, therefore, it is an emergency. This is not an emergency. What will be an emergency is if we spend and break our word with regard to the Social Security surplus.

There were two people in this body who voted for the President's budget to raise taxes and raise spending. Two people. Everybody else in this body voted against that budget. Everybody else voted for one of two budgets that said we will not, under any circumstances, touch Social Security money. So it is really an issue about whether or not we are going to be truthful with the American public.

It is not truthful to say there will not be a census if this amendment passes because we all know there will be. It is not truthful to tell the American public that it is an emergency to fund a census because somebody forgot. They did not forget. They did not put it in, including from the Committee on the Budget. I know this from having a conversation with the chairman, because they were hoping to force a decrease in spending so they did not elicit it. So nobody really forgot.

We can do what we need to do. We can take care of every American that is dependent on us; we can have an accurate census; we just need to do it more efficiently. We need to remeasure the programs that we are passing money for. Are they effective, are they doing it the most efficient way? Our problem this year is we are refusing to do the steps that will help us become efficient in our government as we are in every other aspect of our society.

The Senate is talking about, and we will be discussing as well, emergency spending for the farmers, the most efficient farmers in the world. We cannot ask them to cut their costs any more. They are already the cheapest in the world by far. Let them be an example to us. Let us make every program that the Federal Government runs as efficient as the farmers are in this country. If we do that, we will have $100 billion with which to fund the census and everything else we need.

I want my colleagues to check their hearts and ask themselves if they can go home and tell the people in their districts that this census is an emergency; that they had to spend their constituents' Social Security money and their grandchildren are just going to have to pay a little bit more to fund the Social Security system.

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

Mr. SERRANO. Mr. Chairman, I yield myself the balance of my time.

One of the comments that we keep hearing from everyone on that side who gets up to put forth a deep cut is, do not worry about this cut, what it is that I am cutting will get done. So we will cut one bill, then people will say, do not worry about it, Defense will be taken care of. Then they will cut another bill and say, do not worry about it, everything in Energy and Water will be taken care of. Now today they are saying, we will cut the census but, do not worry, the census will be taken care of. And I suspect some time in the fall they will cut education and health care and health services to shreds and they will say, do not worry about it, people will be taken care of.

This may come as a shock, but sooner or later, if we keep on cutting, something is really not going to happen. Something is not going to go well. And the reason that we are opposing this amendment today is because we know for a fact that the census can run into serious problems if we approve this amendment.

Now, I also personally would like to help the gentleman from Oklahoma (Mr. COBURN). He told us with such pride and joy, and he should tell us with pride and joy, that just this weekend he delivered two babies. Well, his amendment runs the risk of not counting those babies in the census. I do not want him to go through life delivering babies that will not be counted in the census.

Let me just end with this thought, which is the same one I brought up before. I think it is important for everyone to understand that the census was the only issue in this bill on which there was full agreement. Let me repeat that again. The census item was the only part of this bill on which there was full agreement. People like myself, who are voting for final passage of this bill, are doing it not because I support the cuts we made, they are doing it mainly because it funded fully the census.

□ 2015

So now to break the only agreement we had by destroying the census means that whatever support there is for this bill we lose, whatever hope there is that we could move ahead to come up with a better bill in general terms we lose, that any possibility we have to get this project on the way we lose.

There are things that have to be dealt with right away. When the gentleman from Florida (Mr. MILLER) and when the gentlewoman from New York

(Mrs. MALONEY) get up and tell us the importance of this item and when the gentleman from Kentucky (Chairman ROGERS) tells us the importance of this item, they are not saying that just to hear themselves speak or to appear on TV. They know how difficult it was to reach this point.

How many of my colleagues have forgotten that we held up budgets in the past because of the census issue? So if we are here, we are with an agreement at least on this item, why even consider voting for the Coburn amendment?

So, Mr. Chairman, I would hope that everyone in this House joins in a bipartisan basis to defeat this amendment. This is the worst amendment from a gentleman who is famous for his amendments, but this is without a doubt the worst amendment he has brought to the floor. If this should pass, even he would regret it.

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

The CHAIRMAN. The question is on the amendment offered by the gentleman from Oklahoma (Mr. COBURN).

The question was taken; and the Chairman announced that the noes appeared to have it.

Mr. COBURN. Mr. Chairman, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The CHAIRMAN. Pursuant to House Resolution 273, further proceedings on the amendment offered by the gentleman from Oklahoma (Mr. COBURN) will be postponed.

The point of no quorum is considered withdrawn.

SEQUENTIAL VOTES POSTPONED IN COMMITTEE OF THE WHOLE

The CHAIRMAN. Pursuant to House Resolution 273, proceedings will now resume on those amendments on which further proceedings were postponed in the following order: The amendment offered by the gentleman from Virginia (Mr. SCOTT); the amendment offered by the gentlewoman from Colorado (Ms. DEGETTE); and the amendment offered by the gentleman from Oklahoma (Mr. COBURN).

The Chair will reduce to 5 minutes the time for any electronic vote after the first vote in this series.

AMENDMENT OFFERED BY MR. SCOTT

The CHAIRMAN. The pending business is the demand for a recorded vote on the amendment offered by the gentleman from Virginia (Mr. SCOTT) on which further proceedings were postponed and on which the ayes prevailed by voice vote.

The Clerk will designate the amendment.

The Clerk designated the amendment.

RECORDED VOTE

The CHAIRMAN. A recorded vote has been demanded.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 164, noes 263, not voting 6, as follows:

[Roll No. 372]

AYES—164

Abercrombie
Ackerman
Allen
Baird
Baldacci
Baldwin
Barcia
Barrett (WI)
Becerra
Bentsen
Berkley
Berman
Bishop
Blumenauer
Brady (PA)
Brown (FL)
Brown (OH)
Capps
Capuano
Cardin
Carson
Clay
Clayton
Clement
Clyburn
Coburn
Conyers
Coyne
Cummings
Davis (FL)
Davis (IL)
Davis (VA)
DeFazio
DeGette
Delahunt
DeLauro
Dingell
Dixon
Doggett
Duncan
Edwards
Engel
Eshoo
Farr
Fattah
Filner
Foley
Ford
Frank (MA)
Frost
Gejdenson
Gilchrest
Gillmor
Gonzalez
Goode
Goodling
Gordon
Green (TX)
Gutierrez
Hall (TX)
Hastings (FL)
Hill (IN)
Hilliard
Hinchey
Hinojosa
Hooley
Hutchinson
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Johnson (CT)
Johnson, E.B.
Jones (OH)
Kennedy
Kildee
Kilpatrick
Kind (WI)
Kleczka
Kucinich
LaFalce
LaHood
Lampson
Larson
Leach
Lee
Lewis (GA)
Lofgren
Luther
Maloney (NY)
Manzullo
Markey
Martinez
McGovern
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Millender-McDonald
Miller, George
Minge
Mink
Moakley
Mollohan
Moore
Moran (VA)
Morella
Nadler
Neal
Oberstar
Obey
Olver
Ortiz
Owens
Pastor
Paul
Payne
Pelosi
Peterson (MN)
Price (NC)
Rahall
Rangel
Rodriguez
Roybal-Allard
Rush
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Schakowsky
Scott
Serrano
Shays
Shimkus
Sisisky
Skelton
Slaughter
Snyder
Stabenow
Stark
Stenholm
Strickland
Stupak
Thompson (MS)
Thurman
Tierney
Towns
Turner
Udall (CO)
Udall (NM)
Upton
Velazquez
Vento
Waters
Watt (NC)
Waxman
Wexler
Weygand
Wilson
Wise
Woolsey
Wynn

NOES—263

Aderholt
Andrews
Archer
Armey
Bachus
Baker
Ballenger
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Bereuter
Berry
Biggert
Bilirakis
Blagojevich
Bliley
Blunt
Boehlert
Boehner
Bonilla
Bonior
Bono
Borski
Boswell
Boucher
Boyd
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Castle
Chabot
Chambliss
Chenoweth
Coble
Collins
Combest
Condit
Cook
Cooksey
Costello
Cox
Cramer
Crane
Crowley
Cubin
Cunningham
Danner
Deal
DeLay
DeMint
Deutsch
Diaz-Balart
Dickey
Dicks
Dooley
Doolittle
Doyle
Dreier
Dunn
Ehlers
Ehrlich
Emerson
English
Etheridge
Evans
Everett
Ewing
Fletcher
Forbes
Fossella
Fowler
Franks (NJ)
Frelinghuysen
Gallegly
Ganske
Gekas
Gephardt
Gibbons
Gilman
Goodlatte
Goss
Graham
Granger
Green (WI)
Greenwood
Gutknecht
Hall (OH)
Hansen
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill (MT)
Hilleary
Hobson
Hoeffel
Hoekstra
Holden
Holt
Horn
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Hyde
Inslee
Isakson
Istook
Jenkins
John
Johnson, Sam
Jones (NC)
Kanjorski
Kaptur
Kasich
Kelly
King (NY)
Kingston
Klink
Knollenberg
Kolbe
Kuykendall
Largent
Latham
LaTourette
Lazio
Levin
Lewis (CA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lowey
Lucas (KY)
Lucas (OK)
Maloney (CT)
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McHugh
McInnis
McIntosh
McIntyre
McKeon
Metcalf
Mica
Miller (FL)
Miller, Gary
Moran (KS)
Murtha
Myrick
Napolitano
Nethercutt
Ney
Northup
Norwood
Nussle
Ose
Oxley
Packard
Pallone
Pascrell
Pease
Petri
Phelps
Pickering
Pickett
Pitts
Pombo
Pomeroy
Porter
Portman
Pryce (OH)
Quinn
Radanovich
Ramstad
Regula
Reynolds
Riley
Rivers
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Rothman
Roukema
Royce
Ryan (WI)
Ryun (KS)
Salmon
Sanford
Saxton
Scarborough
Schaffer
Sensenbrenner
Sessions
Shadegg
Shaw
Sherman
Sherwood
Shows
Shuster
Simpson
Skeen
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Souder
Spence
Spratt
Stearns
Stump
Sununu
Sweeney
Talent
Tancredo
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thornberry
Thune
Tiahrt
Toomey
Traficant
Visclosky
Vitter
Walden
Walsh
Wamp
Watkins
Watts (OK)
Weiner
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wolf
Wu
Young (AK)
Young (FL)

NOT VOTING—6

Bilbray
Brady (TX)
Lantos
McDermott
Peterson (PA)
Reyes

□ 2038

Messrs. DEUTSCH, DOOLEY of California, PALLONE, CONDIT, HULSHOF, SPRATT, and MATSUI, Mrs. MCCARTHY of New York, and Messrs. DICKS, LUCAS of Kentucky, CRAMER and Ms. MCCARTHY of Missouri changed their vote from ''aye'' to ''no.''

Mr. HINCHEY and Mr. GILCHREST changed their vote from ''no'' to ''aye.''

So the amendment was rejected.

The result of the vote was announced as above recorded.

ANNOUNCEMENT BY THE CHAIRMAN

The CHAIRMAN. Pursuant to House Resolution 273, the Chair announces that he will reduce to a minimum of 5 minutes the period of time within which a vote by electronic device will be taken on each amendment on which the Chair has postponed further proceedings.

AMENDMENT OFFERED BY MS. DEGETTE

The CHAIRMAN. The pending business is the demand for a recorded vote on the amendment offered by the gentlewoman from Colorado (Ms. DEGETTE) on which further proceedings were postponed and on which the noes prevailed by voice vote.

The Clerk will designate the amendment.

The Clerk designated the amendment.

RECORDED VOTE

The CHAIRMAN. A recorded vote has been demanded.

A recorded vote was ordered.

The CHAIRMAN. This will be a 5-minute vote.

The vote was taken by electronic device, and there were—ayes 160, noes 268, not voting 5, as follows:

[Roll No. 373]

AYES—160

Abercrombie
Ackerman
Allen
Andrews
Baird
Baldacci
Baldwin
Barrett (WI)
Becerra
Bentsen
Berkley
Berman
Biggert
Bishop
Blagojevich
Blumenauer
Boehlert
Boswell
Boucher
Brady (PA)
Brown (FL)
Brown (OH)
Campbell
Capps
Capuano
Cardin
Carson
Clay
Clayton
Clyburn
Condit
Conyers
Coyne
Cummings
Davis (FL)
Davis (IL)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dixon
Doggett
Dooley
Engel
Eshoo
Evans
Farr
Fattah
Filner
Ford
Frank (MA)
Frelinghuysen
Gejdenson
Gephardt
Gilchrest
Gilman
Gonzalez
Green (TX)
Greenwood
Gutierrez
Hastings (FL)
Hilliard
Hinchey
Hinojosa
Hoeffel
Holt
Hooley
Horn
Houghton
Hoyer
Inslee
Jackson (IL)
Jackson-Lee (TX)
Johnson (CT)
Johnson, E.B.
Jones (OH)
Kelly
Kennedy
Kilpatrick
Kind (WI)
Kuykendall
Larson
Lee
Levin
Lewis (GA)
Lofgren
Lowey
Luther
Maloney (CT)
Maloney (NY)
Markey
Martinez
Matsui
McCarthy (MO)
McCarthy (NY)
McGovern
McKinney
Meehan
Meek (FL)
Meeks (NY)
Menendez
Millender-McDonald
Miller, George
Minge
Mink
Moran (VA)
Morella
Nadler
Napolitano
Olver
Owens
Pallone
Pastor
Payne
Pelosi
Pickett
Porter
Price (NC)
Rangel
Rivers
Rodriguez
Rothman
Roybal-Allard
Rush
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Schakowsky
Scott
Serrano
Shays
Sherman
Sisisky
Slaughter
Smith (WA)
Spratt
Stabenow
Stark
Strickland
Tauscher
Thompson (CA)
Thompson (MS)
Tierney
Towns
Udall (CO)
Velazquez
Vento
Waters
Watt (NC)
Waxman
Weiner
Wexler
Wise
Woolsey
Wu
Wynn

NOES—268

Aderholt
Archer
Armey
Bachus
Baker
Ballenger
Barcia
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Bereuter
Berry
Bilirakis
Bliley
Blunt
Boehner
Bonilla
Bonior
Bono
Borski
Boyd
Brady (TX)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Canady
Cannon
Castle
Chabot
Chambliss
Chenoweth
Clement
Coble
Coburn
Collins
Combest
Cook
Cooksey
Costello
Cox
Cramer
Crane
Crowley
Cubin
Cunningham
Danner
Davis (VA)
Deal
DeLay
DeMint
Diaz-Balart
Dickey
Dingell
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Ehrlich
Emerson
English
Etheridge
Everett
Ewing
Fletcher
Foley
Forbes
Fossella
Fowler
Franks (NJ)
Frost
Gallegly
Ganske
Gekas
Gibbons
Gillmor
Goode
Goodlatte
Goodling
Gordon
Goss
Graham
Granger
Green (WI)
Gutknecht
Hall (OH)
Hall (TX)
Hansen
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill (IN)
Hill (MT)
Hilleary
Hobson
Hoekstra
Holden
Hostettler
Hulshof
Hunter
Hutchinson
Hyde
Isakson
Istook
Jefferson
Jenkins
John
Johnson, Sam
Jones (NC)
Kanjorski
Kaptur
Kasich
Kildee
King (NY)
Kingston
Kleczka
Klink
Knollenberg
Kolbe
Kucinich
LaFalce
LaHood
Lampson
Largent
Latham
LaTourette
Lazio
Leach
Lewis (CA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lucas (KY)
Lucas (OK)
Manzullo
Mascara
McCollum
McCrery
McHugh
McInnis
McIntosh
McIntyre
McKeon
McNulty
Metcalf
Mica
Miller (FL)
Miller, Gary
Moakley
Mollohan
Moore
Moran (KS)
Murtha
Myrick
Neal
Nethercutt
Ney
Northup
Norwood
Nussle
Oberstar
Obey
Ortiz
Ose
Oxley
Packard
Pascrell
Paul
Pease
Peterson (MN)
Petri
Phelps
Pickering
Pitts
Pombo
Pomeroy
Portman
Pryce (OH)
Quinn
Radanovich
Rahall
Ramstad
Regula
Reynolds
Riley
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Roukema
Royce
Ryan (WI)
Ryun (KS)
Salmon
Sanford
Saxton
Scarborough
Schaffer
Sensenbrenner
Sessions
Shadegg
Shaw
Sherwood
Shimkus
Shows
Shuster
Simpson
Skeen
Skelton
Smith (MI)
Smith (NJ)
Smith (TX)
Snyder
Souder
Spence
Stearns
Stenholm
Stump
Stupak
Sununu
Sweeney
Talent
Tancredo
Tanner
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thornberry
Thune
Thurman
Tiahrt
Toomey
Traficant
Turner
Udall (NM)
Upton
Visclosky
Vitter
Walden
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
Weygand
Whitfield
Wicker
Wilson
Wolf
Young (AK)
Young (FL)

NOT VOTING—5

Bilbray
Lantos
McDermott
Peterson (PA)
Reyes

□ 2046

Mr. FORD changed his vote from ''aye'' to ''no.''

So the amendment was rejected.

The result of the vote was announced as above recorded.

AMENDMENT OFFERED BY MR. COBURN

The CHAIRMAN. The pending business is the demand for a recorded vote on the amendment offered by the gentleman from Oklahoma (Mr. COBURN) on which further proceedings were postponed and on which the noes prevailed by voice vote.

The Clerk will designate the amendment.

The Clerk designated the amendment.

RECORDED VOTE

The CHAIRMAN. A recorded vote has been demanded.

A recorded vote was ordered.

The CHAIRMAN. This will be a 5 -minute vote.

The vote was taken by electronic device, and there were—ayes 171, noes 257, not voting 5, as follows:

[Roll No. 374]

AYES—171

Aderholt
Allen
Baird
Baldwin
Barr
Bartlett
Berman
Berry
Bilirakis
Bliley
Blumenauer
Borski
Boswell
Boyd
Brady (TX)
Bryant
Burr
Burton
Camp
Campbell
Canady
Capps
Castle
Chabot
Chenoweth
Clement
Coble
Coburn
Collins
Condit
Costello
Cox
Cramer
Crane
Cubin
Cunningham
Davis (FL)
DeFazio
DeGette
DeMint
Deutsch
Doggett
Dooley
Doyle
Duncan
Dunn
Edwards
Ehrlich
Eshoo
Etheridge
Everett
Ewing
Filner
Ford
Fossella
Frank (MA)
Ganske
Gejdenson
Gibbons
Goode
Goodlatte
Goodling
Gordon
Graham
Green (WI)
Gutknecht
Hall (TX)
Hayworth
Hefley
Herger
Hill (IN)
Hill (MT)
Hilleary
Hoekstra
Holden
Hooley
Hostettler
Hulshof
Hutchinson
Hyde
Inslee
Istook
Jenkins
Jones (NC)
Kanjorski
Kind (WI)
Kleczka
Klink
LaHood
Lampson
Largent
Larson
LaTourette
Lazio
Linder
Lofgren
Luther
Manzullo
McIntosh
McIntyre
Meehan
Mica
Miller, Gary
Miller, George
Minge
Mink
Moore
Moran (KS)
Myrick
Nussle
Olver
Paul
Pease
Peterson (MN)
Petri
Phelps
Pickering
Pitts
Pomeroy
Price (NC)
Ramstad
Riley
Rivers
Roemer
Rogan
Roukema
Royce
Ryan (WI)
Ryun (KS)
Salmon
Sandlin
Sanford
Scarborough
Schaffer
Scott
Sensenbrenner
Sessions
Shays
Sherman
Shimkus
Sisisky
Skelton
Smith (WA)
Spratt
Stabenow
Stark
Stearns
Stenholm
Stupak
Sununu
Tancredo
Tanner
Tauscher
Taylor (MS)
Terry
Thompson (CA)
Thornberry
Thune
Tiahrt
Tierney
Toomey
Turner
Udall (NM)
Upton
Vitter
Walden
Weldon (FL)
Weldon (PA)
Weller
Weygand
Wu

NOES—257

Abercrombie
Ackerman
Andrews
Archer
Armey
Bachus
Baker
Baldacci
Ballenger
Barcia
Barrett (NE)
Barrett (WI)
Barton
Bass
Bateman
Becerra
Bentsen
Bereuter

Berkley
Biggert
Bishop
Blagojevich
Blunt
Boehlert
Boehner
Bonilla
Bonior
Bono
Boucher
Brady (PA)
Brown (FL)
Brown (OH)
Buyer
Callahan
Calvert
Cannon
Capuano
Cardin
Carson
Chambliss
Clay
Clayton
Clyburn
Combest
Conyers
Cook
Cooksey
Coyne
Crowley
Cummings
Danner
Davis (IL)
Davis (VA)
Deal
Delahunt
DeLauro
DeLay
Diaz-Balart
Dickey
Dicks
Dingell
Dixon
Doolittle
Dreier
Ehlers
Emerson
Engel
English
Evans
Farr
Fattah
Fletcher
Foley
Forbes
Fowler
Franks (NJ)
Frelinghuysen
Frost
Gallegly
Gekas
Gephardt
Gilchrest
Gillmor
Gilman
Gonzalez
Goss
Granger
Green (TX)
Greenwood
Gutierrez
Hall (OH)
Hansen
Hastings (FL)
Hastings (WA)
Hayes
Hilliard
Hinchey
Hinojosa
Hobson
Hoeffel
Holt
Horn
Houghton
Hoyer
Hunter
Isakson
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson (CT)
Johnson, E.B.
Johnson, Sam
Jones (OH)
Kaptur
Kasich
Kelly
Kennedy
Kildee
Kilpatrick
King (NY)
Kingston
Knollenberg
Kolbe
Kucinich
Kuykendall
LaFalce
Latham
Leach
Lee
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Lipinski
LoBiondo
Lowey
Lucas (KY)
Lucas (OK)
Maloney (CT)
Maloney (NY)
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McGovern
McHugh
McInnis
McKeon
McKinney
McNulty
Meek (FL)
Meeks (NY)
Menendez
Metcalf
Millender-McDonald
Miller (FL)
Moakley
Mollohan
Moran (VA)
Morella
Murtha
Nadler
Napolitano
Neal
Nethercutt
Ney
Northup
Norwood
Oberstar
Obey
Ortiz
Ose
Owens
Oxley
Packard
Pallone
Pascrell
Pastor
Payne
Pelosi
Pickett
Pombo
Porter
Portman
Pryce (OH)
Quinn
Radanovich
Rahall
Rangel
Regula
Reynolds
Rodriguez
Rogers
Rohrabacher
Ros-Lehtinen
Rothman
Roybal-Allard
Rush
Sabo
Sanchez
Sanders
Sawyer
Saxton
Schakowsky
Serrano
Shadegg
Shaw
Sherwood
Shows
Shuster
Simpson
Skeen
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Snyder
Souder
Spence
Strickland
Stump
Sweeney
Talent
Tauzin
Taylor (NC)
Thomas
Thompson (MS)
Thurman
Towns
Traficant
Udall (CO)
Velazquez
Vento
Visclosky
Walsh
Wamp
Waters
Watkins
Watt (NC)
Watts (OK)
Waxman
Weiner
Wexler
Whitfield
Wicker
Wilson
Wise
Wolf
Woolsey
Wynn
Young (AK)
Young (FL)

NOT VOTING—5

Bilbray
Lantos
McDermott
Peterson (PA)
Reyes

□ 2055

Mr. VISCLOSKY changed his vote from ''aye'' to ''no.''

Mr. FORD, Mrs. CAPPS and Mr. TIERNEY changed their vote from ''no'' to ''aye.''

So the amendment was rejected.

The result of the vote was announced as above recorded.

Mr. ROGERS. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly, the Committee rose; and the Speaker pro tempore (Mr. LAHOOD) having assumed the chair, Mr. HASTINGS of Washington, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 2670) making appropriations for the Departments of Commerce, Justice, and State, the Judiciary, and related agencies for the fiscal year ending September 30, 2000, and for other purposes, had come to no resolution thereon.

□ 2100

EXPRESSING APPRECIATION TO MEMBERS FOR CONDOLENCES RECEIVED ON THE PASSING OF THE HONORABLE ROBERT H. MOLLOHAN

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

Mr. MOLLOHAN. Mr. Speaker, I simply want to express my appreciation for the many kind comments that I have heard on the floor today from my colleagues on the passing of my father. I certainly appreciate those sentiments, both those that have been expressed publicly and those that have been expressed privately. They are consoling and important, and I very much appreciate those comments.

In addition, I would like to express appreciation to the majority leadership and to my minority leadership for accommodating my schedule and bringing up this very important legislation, the steel, oil and gas loan guarantee program. I know they have accommodated my personal situation, and for that I am deeply grateful to both the majority leadership and to the minority leadership.

KOSOVO AND SOUTHWEST ASIA EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, 1999

Mr. REGULA. Mr. Speaker, pursuant to the previous order of the House of August 3, 1999, I call up from the Speaker's table the bill (H.R. 1664) making emergency supplemental appropriations for military operations, refugee relief, and humanitarian assistance relating to the conflict in Kosovo, and for military operations in Southwest Asia for the fiscal year ending September 30, 1999, and for other purposes, with Senate amendments thereto, and ask for its immediate consideration.

The Clerk read the title of the bill.

MOTION OFFERED BY MR. REGULA

Mr. REGULA. Mr. Speaker, pursuant to the previous order of the House of August 3, 1999, I offer a motion.

The SPEAKER pro tempore. The Clerk will designate the motion.

The text of the motion and the Senate amendments is as follows:

Mr. REGULA moves that the House concur in the Senate amendments.

Senate amendments:

Page 2, strike out all after line 7 over to and including line 21 on page 3 and insert:

SEC. 101. EMERGENCY STEEL LOAN GUARANTEE PROGRAM. (a) SHORT TITLE.—This chapter may be cited as the ''Emergency Steel Loan Guarantee Act of 1999''.

(b) CONGRESSIONAL FINDINGS.—Congress finds that—

(1) the United States steel industry has been severely harmed by a record surge of more than 40,000,000 tons of steel imports into the United States in 1998, caused by the world financial crisis;

(2) this surge in imports resulted in the loss of more than 10,000 steel worker jobs in 1998, and was the imminent cause of 3 bankruptcies by medium-sized steel companies, Acme Steel, Laclede Steel, and Geneva Steel;

(3) the crisis also forced almost all United States steel companies into—

(A) reduced volume, lower prices, and financial losses; and

(B) an inability to obtain credit for continued operations and reinvestment in facilities;

(4) the crisis also has affected the willingness of private banks and investment institutions to make loans to the United States steel industry for continued operation and reinvestment in facilities;

(5) these steel bankruptcies, job losses, and financial losses are also having serious negative effects on the tax base of cities, counties, and States, and on the essential health, education, and municipal services that these government entities provide to their citizens; and

(6) a strong steel industry is necessary to the adequate defense preparedness of the United States in order to have sufficient steel available to build the ships, tanks, planes, and armaments necessary for the national defense.

(c) DEFINITIONS.—For purposes of this section:

(1) BOARD.—The term ''Board'' means the Loan Guarantee Board established under subsection (e).

(2) PROGRAM.—The term ''Program'' means the Emergency Steel Guarantee Loan Program established under subsection (d).

(3) QUALIFIED STEEL COMPANY.—The term ''qualified steel company'' means any company that—

(A) is incorporated under the laws of any State;

(B) is engaged in the production and manufacture of a product defined by the American Iron and Steel Institute as a basic steel mill product, including ingots, slab and billets, plates, flat-rolled steel, sections and structural products, bars, rail type products, pipe and tube, and wire rod; and

(C) has experienced layoffs, production losses, or financial losses since the beginning of the steel import crisis, in January 1998 or that operates substantial assets of a company that meets these qualifications.

(d) ESTABLISHMENT OF EMERGENCY STEEL GUARANTEE LOAN PROGRAM.—There is established the Emergency Steel Guarantee Loan Program, to be administered by the Board, the purpose of which is to provide loan guarantees to qualified steel companies in accordance with this section.

(e) LOAN GUARANTEE BOARD MEMBERSHIP.—There is established a Loan Guarantee Board, which shall be composed of—

(1) the Secretary of Commerce;

(2) the Chairman of the Board of Governors of the Federal Reserve System, who shall serve as Chairman of the Board; and

(3) the Chairman of the Securities and Exchange Commission.

(f) LOAN GUARANTEE PROGRAM.—

(1) AUTHORITY.—The Program may guarantee loans provided to qualified steel companies by private banking and investment institutions in accordance with the procedures, rules, and regulations established by the Board.

(2) TOTAL GUARANTEE LIMIT.—The aggregate amount of loans guaranteed and outstanding at any one time under this section may not exceed $1,000,000,000.

(3) INDIVIDUAL GUARANTEE LIMIT.—The aggregate amount of loans guaranteed under this section with respect to a single qualified steel company may not exceed $250,000,000.

(4) TIMELINES.—The Board shall approve or deny each application for a guarantee under this section as soon as possible after receipt of such application.

(5) ADDITIONAL COSTS.—For the additional cost of the loans guaranteed under this subsection, including the costs of modifying the loans as defined in section 502 of the Congressional Budget Act of 1974 (2 U.S.C. 661a), there is appropriated $140,000,000 to remain available until expended.

(g) REQUIREMENTS FOR LOAN GUARANTEES.—A loan guarantee may be issued under this section upon application to the Board by a qualified steel company pursuant to an agreement to provide a loan to that qualified steel company by a private bank or investment company, if the Board determines that—

(1) credit is not otherwise available to that company under reasonable terms or conditions sufficient to meet its financing needs, as reflected in the financial and business plans of that company;

(2) the prospective earning power of that company, together with the character and value of the security pledged, furnish reasonable assurance of repayment of the loan to be guaranteed in accordance with its terms;

(3) the loan to be guaranteed bears interest at a rate determined by the Board to be reasonable, taking into account the current average yield on outstanding obligations of the United States with remaining periods of maturity comparable to the maturity of such loan;

(4) the company has agreed to an audit by the General Accounting Office prior to the issuance of the loan guarantee and annually thereafter while any such guaranteed loan is outstanding; and

(5) In the case of a purchaser of substantial assets of a qualified steel company, the qualified steel company establishes that it is unable to reorganize itself.

(h) TERMS AND CONDITIONS OF LOAN GUARANTEES.—

(1) LOAN DURATION.—All loans guaranteed under this section shall be payable in full not later than December 31, 2005, and the terms and conditions of each such loan shall provide that the loan may not be amended, or any provision thereof waived, without the consent of the Board.

(2) LOAN SECURITY.—Any commitment to issue a loan guarantee under this section shall contain such affirmative and negative covenants and other protective provisions that the Board determines are appropriate. The Board shall require security for the loans to be guaranteed under this section at the time at which the commitment is made.

(3) FEES.—A qualified steel company receiving a guarantee under this section shall pay a fee to the Department of the Treasury to cover costs of the program, but in no event shall such fee exceed an amount equal to 0.5 percent of the outstanding principal balance of the guaranteed loan.

(4) GUARANTEE LEVEL.—No loan guarantee may be provided under this section if the guarantee exceeds 85 percent of the amount of principal of the loan.

(i) REPORTS TO CONGRESS.—The Secretary of Commerce shall submit to Congress a full report of the activities of the Board under this section during each of fiscal years 1999 and 2000, and annually thereafter, during such period as any loan guaranteed under this section is outstanding.

(j) SALARIES AND ADMINISTRATIVE EXPENSES.—For necessary expenses to administer the Program, $5,000,000 is appropriated to the Department of Commerce, to remain available until expended, which may be transferred to the Office of the Assistant Secretary for Trade Development of the International Trade Administration.

(k) TERMINATION OF GUARANTEE AUTHORITY.—The authority of the Board to make commitments to guarantee any loan under this section shall terminate on December 31, 2001.

(l) REGULATORY ACTION.—The Board shall issue such final procedures, rules, and regulations as may be necessary to carry out this section not later than 60 days after the date of enactment of this Act.

(m) IRON ORE COMPANIES.—

(1) IN GENERAL.—Subject to the requirements of this subsection, an iron ore company incorporated under the laws of any State shall be treated as a qualified steel company for purposes of the Program.

(2) TOTAL GUARANTEE LIMIT FOR IRON ORE COMPANY.—Of the aggregate amount of loans authorized to be guaranteed and outstanding at any one time under subsection (f)(2), an amount not to exceed $30,000,000 shall be loans with respect to iron ore companies.

FEDERAL ADMINISTRATIVE AND TRAVEL EXPENSES (RESCISSIONS)

SEC. 102. (a) Of the funds available in the nondefense category to the agencies of the Federal Government, $145,000,000 are hereby rescinded: Provided, That rescissions pursuant to this subsection shall be taken only from administrative and travel accounts: Provided further, That rescissions shall be taken on a pro rata basis from funds available to every Federal agency, department, and office in the Executive Branch, including the Office of the President.

(b) Within 30 days after the date of enactment of this Act, the Director of the Office of Management and Budget shall submit to the Committees on Appropriations of the House of Representatives and the Senate a listing of the amounts by account of the reductions made pursuant to the provisions of subsection (a) of this section.

Page 4, strike out all after line 1 over to and including line 14 on page 22 and insert:

SEC. 201. PETROLEUM DEVELOPMENT MANAGEMENT. (a) SHORT TITLE.—This chapter may be cited as the ''Emergency Oil and Gas Guaranteed Loan Program Act''.

(b) FINDINGS.—Congress finds that—

(1) consumption of foreign oil in the United States is estimated to equal 56 percent of all oil consumed, and that percentage could reach 68 percent by 2010 if current prices prevail;

(2) the number of oil and gas rigs operating in the United States is at its lowest since 1944, when records of this tally began;

(3) if prices do not increase soon, the United States could lose at least half its marginal wells, which in aggregate produce as much oil as the United States imports from Saudi Arabia;

(4) oil and gas prices are unlikely to increase for at least several years;

(5) declining production, well abandonment, and greatly reduced exploration and development are shrinking the domestic oil and gas industry;

(6) the world's richest oil producing regions in the Middle East are experiencing increasingly greater political instability;

(7) United Nations policy may make Iraq the swing oil producing nation, thereby granting Saddam Hussein tremendous power;

(8) reliance on foreign oil for more than 60 percent of our daily oil and gas consumption is a national security threat;

(9) the level of United States oil security is directly related to the level of domestic production of oil, natural gas liquids, and natural gas; and

(10) a national security policy should be developed that ensures that adequate supplies of oil are available at all times free of the threat of embargo or other foreign hostile acts.

(c) DEFINITIONS.—In this section:

(1) BOARD.—The term ''Board'' means the Loan Guarantee Board established by subsection (e).

(2) PROGRAM.—The term ''Program'' means the Emergency Oil and Gas Guaranteed Loan Program established by subsection (d).

(3) QUALIFIED OIL AND GAS COMPANY.—The term ''qualified oil and gas company'' means a company that—

(A) is—

(i) an independent oil and gas company (within the meaning of section 57(a)(2)(B)(i) of the Internal Revenue Code of 1986); or

(ii) a small business concern under section 3 of the Small Business Act (15 U.S.C. 632) (or a company based in Alaska, including an Alaska Native Corporation created pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.)) that is an oil field service company whose main business is providing tools, products, personnel, and technical solutions on a contractual basis to exploration and production operators that drill, complete wells, and produce, transport, refine, and sell hydrocarbons and their byproducts as the main commercial business of the concern or company; and

(B) has experienced layoffs, production losses, or financial losses since the beginning of the oil import crisis, after January 1, 1997.

(d) EMERGENCY OIL AND GAS GUARANTEED LOAN PROGRAM.—

(1) IN GENERAL.—There is established the Emergency Oil and Gas Guaranteed Loan Program, the purpose of which shall be to provide loan guarantees to qualified oil and gas companies in accordance with this section.

(2) LOAN GUARANTEE BOARD.—There is established to administer the Program a Loan Guarantee Board, to be composed of—

(A) the Secretary of Commerce;

(B) the Chairman of the Board of Governors of the Federal Reserve System, who shall serve as Chairman of the Board; and

(C) the Chairman of the Securities and Exchange Commission.

(e) AUTHORITY.—

(1) IN GENERAL.—The Program may guarantee loans provided to qualified oil and gas companies by private banking and investment institutions in accordance with procedures, rules, and regulations established by the Board.

(2) TOTAL GUARANTEE LIMIT.—The aggregate amount of loans guaranteed and outstanding at any 1 time under this section shall not exceed $500,000,000.

(3) INDIVIDUAL GUARANTEE LIMIT.—The aggregate amount of loans guaranteed under this section with respect to a single qualified oil and gas company shall not exceed $10,000,000.

(4) EXPEDITIOUS ACTION ON APPLICATIONS.—The Board shall approve or deny an application for a guarantee under this section as soon as practicable after receipt of an application.

(5) ADDITIONAL COSTS.—For the additional cost of the loans guaranteed under this subsection, including the costs of modifying the loans as defined in section 502 of the Congressional Budget Act of 1974 (2 U.S.C. 661a), there is appropriated $122,500,000 to remain available until expended.

(f) REQUIREMENTS FOR LOAN GUARANTEES.—The Board may issue a loan guarantee on application by a qualified oil and gas company under an agreement by a private bank or investment company to provide a loan to the qualified oil and gas company, if the Board determines that—

(1) credit is not otherwise available to the company under reasonable terms or conditions sufficient to meet its financing needs, as reflected in the financial and business plans of the company;

(2) the prospective earning power of the company, together with the character and value of the security pledged, provide a reasonable assurance of repayment of the loan to be guaranteed in accordance with its terms;

(3) the loan to be guaranteed bears interest at a rate determined by the Board to be reasonable, taking into account the current average yield on outstanding obligations of the United States with remaining periods of maturity comparable to the maturity of the loan; and

(4) the company has agreed to an audit by the General Accounting Office before issuance of the loan guarantee and annually while the guaranteed loan is outstanding.

(g) TERMS AND CONDITIONS OF LOAN GUARANTEES.—

(1) LOAN DURATION.—All loans guaranteed under this section shall be repayable in full not later than December 31, 2010, and the terms and conditions of each such loan shall provide that the loan agreement may not be amended, or any provision of the loan agreement waived, without the consent of the Board.

(2) LOAN SECURITY.—A commitment to issue a loan guarantee under this section shall contain such affirmative and negative covenants and other protective provisions as the Board determines are appropriate. The Board shall require security for the loans to be guaranteed under this section at the time at which the commitment is made.

(3) FEES.—A qualified oil and gas company receiving a loan guarantee under this section shall pay a fee to the Department of the Treasury to cover costs of the program, but in no event shall such fee exceed an amount equal to 0.5 percent of the outstanding principal balance of the guaranteed loan.

(4) GUARANTEE LEVEL.—No loan guarantee may be provided under this section if the guarantee exceeds 85 percent of the amount of principal of the loan.

(h) REPORTS.—During fiscal year 1999 and each fiscal year thereafter until each guaranteed loan has been repaid in full, the Secretary of Commerce shall submit to Congress a report on the activities of the Board.

(i) SALARIES AND ADMINISTRATIVE EXPENSES.—For necessary expenses to administer the Program, $2,500,000 is appropriated to the Department of Commerce, to remain available until expended, which may be transferred to the Office of the Assistant Secretary for Trade Development of the International Trade Administration.

(j) TERMINATION OF GUARANTEE AUTHORITY.—The authority of the Board to make commitments to guarantee any loan under this section shall terminate on December 31, 2001.

(k) REGULATORY ACTION.—Not later than 60 days after the date of enactment of this Act, the Board shall issue such final procedures, rules, and regulations as are necessary to carry out this section.

FEDERAL ADMINISTRATIVE AND TRAVEL EXPENSES

(RESCISSIONS)

SEC. 202. (a) Of the funds available in the nondefense category to the agencies of the Federal Government, $125,000,000 are hereby rescinded: Provided, That rescissions pursuant to this subsection shall be taken only from administrative and travel accounts: Provided further, That rescissions shall be taken on a pro rata basis from funds available to every Federal agency, department, and office in the Executive Branch, including the Office of the President.

(b) Within 30 days after the date of enactment of this Act, the Director of the Office of Management and Budget shall submit to the Committees on Appropriations of the House of Representatives and the Senate a listing of the amounts by account of the reductions made pursuant to the provisions of subsection (a) of this section.

Page 22, strike out all after line 15 over to and including line 4 on page 32 and insert:

GENERAL PROVISIONS

SEC. 301. No part of any appropriation contained in the Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

This Act may be cited as the ''Emergency Steel Loan Guarantee and Emergency Oil and Gas Guaranteed Loan Act of 1999''.

Amend the title so as to read: ''An Act providing emergency authority for guarantees of loans to qualified steel and iron ore companies and to qualified oil and gas companies, and for other purposes.''.

The SPEAKER pro tempore. Pursuant to the order of the House of Tuesday, August 3, 1999, the gentleman from Ohio (Mr. REGULA), the gentleman from West Virginia (Mr. MOLLOHAN), the gentleman from Iowa (Mr. LEACH), and the gentleman from New York (Mr. LAFALCE) each will control 15 minutes.

The Chair recognizes the gentleman from Ohio (Mr. REGULA).

GENERAL LEAVE

Mr. REGULA. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on H.R. 1664, and that I may include tabular and extraneous material.

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

There was no objection.

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

Mr. Speaker, this is an issue of agreeing to a Senate amendment to the bill, H.R. 1664. It provides for steel, oil, and gas loan guarantee programs. These two sectors of the economy need a helping hand because they have not enjoyed the benefits of our robust economy recently because of unfair foreign trading practices and depressed prices.

Independent oil and natural gas producers have lost about 56,000 jobs over the past 18 months because of depressed oil and gas prices. The U.S. steel industry has lost over 10,000 jobs due to the record level of low priced steel imports that came into the United States in 1998. Steel imports continue at above average rates in 1999. In addition to the jobs lost in the steel industry and the surrounding communities, these unfair imports have driven companies into bankruptcy.

Both of these industries have and are seeking relief through our anti-dumping and countervailing duty laws. The Commerce Department has found dumping in numerous steel cases and the International Trade Commission has found injury, so that dumping duties are now being collected on many steel imports. But this process has been a long and costly process for the companies and their workers. The results of slightly lower imports are just now beginning to show.

But many of the affected companies and their workers need the self-help, and I emphasize ''self-help,'' loan guarantee that is provided in this legislation. They are having trouble gaining access to private capital in order to deal with the cash flow problems and to restructure in order to weather the steel import crisis. The loan program is not, and I emphasize again, is not a Federal giveaway. It is a tough, self-help program which does have protections for the U.S. taxpayer. Let me list those:

The Chairman of the Federal Reserve, Alan Greenspan, will serve as the chairman of the board that will review all loan guarantee applications. The Secretary of Commerce and the Chairman of the Securities and Exchange Commission are also members of the board. So obviously this is a tough board that these companies would have to go to for a guarantee.

The loan guarantee amount for each company is limited to $250 million and must be paid back by December 31, 2005. Companies must provide security for all loan guarantees and shall pay a fee to cover the cost of the program. Only 85 percent of the principal loan amount can be guaranteed by this program.

Furthermore, any company that receives a loan guarantee is subject to a GAO audit. So there are tough conditions in this, I want to emphasize.

The board's authority, the board headed by Chairman Greenspan, to make loan guarantees terminates on December 31, 2001. In other words, it is essentially a 17-month program. So this is not an open-ended new program.

I should also add that the credit subsidy cost of this bill, $267 million, and that is the charge we would have to appropriate just to cover it, not that there would be any Federal money involved, this is a guarantee, all the loans would come from the private sector, with the government guaranteeing 85 percent of the loan. But it is completely offset by a rescission of Federal administrative and travel expenses.

As we prepare to give a helping hand to our farmers, and most of those are grants, in some cases loans, but we are saying billions we are talking about to help our farm economy, agriculture, as we should, but as we prepare to give them a helping hand, and they are affected by the current drought, I ask that we also give the steel and oil and gas industries a helping hand to overcome the import crisis that they have had no control over.

We cannot allow foreign nations to export their unemployment to the United States. I urge support of this legislation and, in effect, the support of American jobs.

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

Mr. MOLLOHAN. Mr. Speaker, I yield myself 2½ minutes.

Mr. Speaker, first I want to express appreciation to our senior Senator from West Virginia for his interest and efforts in regard to the steel industry, which have been tremendous and consistent and effective, as this legislation which he is responsible for getting through the Senate evidences.

Mr. Speaker, our steel industry and steelworkers are in trouble. Foreign steel imports are up dramatically across the board, from 30 to 41 million tons in 1998. Hot rolled steel imports, for example, are up a staggering 66 percent. Three countries, Korea, Russia and Japan, account for 78 percent of this increase, and much of it is illegal dumping, selling in this country at a price less than the cost of actually producing it. That is a violation of international trade law.

Dumping has resulted in five of our steel companies in this country going bankrupt and 10,000 of our steelworkers losing their job, 800 of these jobs at Weirton Steel in my district. Five companies, Mr. Speaker, 10,000 steel jobs, all lost because of illegal dumping.

The legislation before us today addresses the short- to medium-term financial problems created for steel companies by this illegal dumping. It establishes a program whereby the government will guarantee up to $1.5 billion in conventional loans, $1 billion for the steel industry and $500 million for the ailing oil and gas industry.

The amount actually appropriated in the bill is $270 million, which represents the subsidy rate, and that is the amount of money actually estimated to be at risk should there be defaults.

Loan guarantees are a tried and true approach to helping backbone industries get through troubled financial times. Remember when the Congress passed the Chrysler Loan Guarantee Act of 1980 which supported a loan guarantee program of up to $1.5 billion? Chrysler borrowed $1.3 billion, and successfully completed the program in 1983.

Likewise, in 1981 Lockheed was the object of a federally backed $250 million guarantee program. Also New York City benefitted from a successful $1 billion loan guarantee program. Some refer to these programs as the Lockheed or the New York or Chrysler bailout. In fact, none of these programs were bailouts. All were guarantee programs, which allowed Lockheed, Chrysler, and New York to work through their financial crisis and, at the conclusion, pay off their debts. The government did not have to pay off one penny of those guaranteed loans.

Steel manufacturing and oil and gas production industries are vital interests to our broad economic well-being, not to mention to our national security interests. It is perfectly appropriate for us to act reasonably to assist these industries using the loan guarantee model.

I urge adoption of the legislation, Mr. Speaker.

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

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

Mr. Speaker, let me first begin by saying I regret I am rising in strong opposition to this bill because I have such enormous respect for the two gentlemen that have just spoken, the gentleman from Ohio (Mr. REGULA) and the gentleman from West Virginia (Mr. MOLLOHAN). But I rise in opposition on the grounds of process, the grounds of substance, and the grounds of precedent.

In terms of process, Members will be asked to vote on the creation of a massive new $1.5 billion Federal credit program designed to benefit certain steel as well as oil and gas companies that has never been considered by the House or any of its committees.

I have grave doubts about the appropriateness of a new contingent liability of this nature in the Federal Government for a number of reasons, including the fact that the proposal coming from the other body lacks adequate taxpayer safeguards. Not only are there no warrants to reward taxpayers for risks undertaken, as was in the case of the Chrysler program, this legislation does not even comply with OMB guidelines establishing core policies for Federal credit programs.

To cite just one, financial standards for risk taking require that private lenders who extend government guaranteed credit must bear at least 20 percent of the loss from any default. This standard OMB policy is not included in this loan guarantee program, thus making the program a bailout for poor lending policies of banks, as well as poor management practices of steel and oil and gas companies.

For a country with the most sophisticated market economy in the world, the approach advocated today represents an astonishingly slippery slope. Loan guarantee proposals and circumstances of this nature have a tendency to create stilted markets and unfair competition. They implicitly disadvantage competitors and may not be as protective of ordinary workers as they may be for investors and a few companies and lending institutions that may have troubled loans in place.

Let me be clear: Nothing in this bill expands demand for steel or creates a single job. It may protect a particular worker's job in a particular company, but it is not a jobs protection bill. At the very most, it allocates jobs by protecting the least efficient producers and jeopardizing more efficient ones.

For example, I represent an industrial river district with four steel plants. None can be expected to receive any of the resources made available under this act. But this bill authorizes assistance to steel producers in competition with these efficient plants.

For every job that may be protected in West Virginia, one will be lost in Iowa, and for every dollar diverted in this market intervention program, one will be deprived from HUD, the USDA and an assortment of other government agencies. There is no free lunch for loan guarantees of this nature.

To be sure, last year steel import crisis was real and caused harm to our industry and its workers. In reaction, the United States Government responded aggressively to anti-dumping and countervailing duty cases against a variety of countries. At the same time, the executive branch exerted bilateral pressure on key trading partners, including Japan and Korea, to reduce their steel imports to the United States.

According to Commerce Secretary Daley, these efforts are beginning to have an effect. While our steel industry still faces a number of economic difficulties, we have reversed last year's historic import surge. Total steel imports have returned to pre-crisis levels. April 1999 imports of all steel products were 22 percent below April 1998 levels and 6 percent below April 1997.

□ 2115

Indeed, this April's import levels were more than 42 percent below last August's peak. Ironically, just today it was reported the domestic steel companies are raising spot market prices of large volume flat rolled products by as much as 9 percent.

According to the Chicago Tribune, these price increases have been made possible by sharp economic rebounds in key parts of Asia's Pacific Rim which is soaking up steel that otherwise might have been shipped to the United States.

As for the oil and gas dimension of this bill, it should be understood that this provision was added in the other body when crude oil prices were at an inflation-adjusted post World War II low. But from a bottom of $10.27 cents per barrel in February of this year, oil prices have rallied over 100 percent, to $20.62 today. The recovery of crude oil prices makes this bill not only philosophically dubious, but untimely.

Let me turn now to precedent. Here two issues stand out. First, the fact that this legislation is being considered on the House floor in this way is a testament to the disproportionate power individual Members of the other body have attained through precedents and rules not shared by this body.

The principal reason this bill is before us is that one powerful member of the other body refused to allow a national defense and humanitarian spending measure to go forward until he received a pledge from House leaders that this legislation would receive expedited consideration in this body, in disregard of regular House processes.

To allow this kind of process to be subjected in the House is precedential folly. The procedures of the other body demand reform for a number of reasons, not the least of which is that they disadvantage the people's body. But under no circumstances should House Members be a party to power plays in the other House that dictate how this House should proceed, especially if such commitments have the effect of bypassing the committee system, which is designed to protect the House and the public interest.

Further complicating this bill are constitutional and administrative law questions. In an effort to make the loan guaranty program less expensive, the bill was amended to require the chairman of the Federal Reserve to serve as the chairman of a three-member board to administer the program.

But it should be remembered, the Federal Reserve is an independent agency, not part of the executive branch. It is responsible for conducting the Nation's monetary policy, as well as supervising and regulating banking institutions. This bill would entangle the Federal Reserve in inappropriate executive branch functions and compromising political judgments.

The program the bill establishes is more political than economic in character. It is designed by politicians to benefit certain companies in selected industries. In its present form, it entwines the Federal Reserve Board, which both parties on a bipartisan basis have a vested interest in keeping above politics, into the hurly-burly of congressional politics.

Extraordinarily, the bill causes the chairman of the Fed to become, in effect, a loan officer who also may be regulating financial institutions with which the Federal Reserve may, under this bill, become a party in lending judgments.

The only thing more foolish than the economic and political judgments in play are the process considerations for Congress, the executive branch, and the Fed.

In conclusion, Mr. Speaker, let me reiterate that the interventionist policy under consideration represents a procedural, substantive, and precedent-setting umbrage. Loan guaranty approaches should only be considered after extensive review and only under the most exigent of circumstances. This particular congressional intrusion into the American free market should be viewed with the utmost skepticism.

Mr. Speaker, I urge its defeat, and I reserve the balance of my time.

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

Mr. Speaker, first of all, I want to say how much respect I have for the authors of this bill, both the gentleman from Ohio (Mr. REGULA) and the gentleman from West Virginia (Mr. MOLLOHAN).

With respect to the gentleman from West Virginia (Mr. MOLLOHAN), I want to express my deepest condolences upon the death of his father, with whom I had the tremendous pleasure of serving for 8 years, from 1975, his retirement, to 1982. He was a great person. He was a great Congressman.

But I think, in all candor, his greatest achievement was his son. I do not think any father could have been more proud of his son than Bob Mollohan was, and rightly should have been, of the gentleman from West Virginia (Mr. MOLLOHAN). I am proud to serve with him. That makes opposing the bill even more difficult.

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

Mr. LAFALCE. I yield to the gentleman from West Virginia.

Mr. MOLLOHAN. Mr. Speaker, I thank my friend, the distinguished gentleman from New York, for those very kind remarks. They are certainly appreciated. God bless.

Mr. LAFALCE. Mr. Speaker, I regret that I must oppose this bill, in large part for the reasons articulated by the chairman of the Committee on Banking and Financial Services, the gentleman from Iowa (Mr. LEACH). I find myself in 100 percent agreement with each and every remark of his.

First of all, with respect to process, there was not one minute worth of hearing on this bill in the House of Representatives; not a day, not an hour, not a minute. I believe that is true in the Senate, too, but I cannot swear to that.

As a matter of fact, the oil and gas provisions of this bill were never even introduced in the House. The bill number is the Kosovo appropriations that was substituted. I do not believe there ever was a bill creating a loan guaranty program for the oil and gas industry.

Now, I think it is a terrible precedent. I really think this is a terrible precedent, because what we are doing is we are saying to the authorizing committees, whatever they are, the Committee on Transportation, the Committee on Ways and Means, the Committee on Armed Services, we are going to eliminate the necessity for them, on minor matters. What is a minor matter? For $1.5 billion, we will just eliminate the need for their consideration of any legislation dealing with approximately $1.5 billion. That is a terrible precedent.

Secondly, some individuals say, well, speaking of precedents, we have some precedents when we have given guaranties in the past. To be sure, Chrysler has been mentioned as one example; Lockheed.

A few things. First of all, those were company-specific, not industry-wide; not oil and gas industry, iron ore industry, but company-specific. There were days and weeks of hearings and markup and conferences, et cetera.

Most importantly, I remember when I wrote a dissenting opinion against the Chrysler loan guaranty bill because we did not attach adequate conditionality to the loan, because we did not attach the necessity for shared sacrifices on the part of all the stakeholders.

The Senate did a better job on that bill, thanks to a good Republican and a good Democrat, Senator RICHARD LUGAR and Senator Paul Tsongas. They attached those conditions. They attached, for example, the ability of the United States to have warrants. They attached the necessity for shared sacrifices, et cetera.

There is nothing in this bill remotely close to that at all, nothing whatsoever. There certainly has not been the months and months of hearing and public dialogue and discussion; not even a minute, not even a minute.

There are other reasons, too. The steel industry is very important and the iron ore industry is very important and the oil and gas industry is very important. But there are countless other important industries in the United States of America, too. Why just steel, why not the materials industry? Why not the textile industry? Why not the computer industry, the machine tool industry? We could go on endlessly.

If we are going to intervene and allocate credit, ought we not at least to have some hearings to discuss where we would best allocate credit? The House tonight is saying no.

But let us think of something else, now. We are coming in with a $1.5 billion program. The program had just run for a couple of years, but the loan guaranties will go for decades, or I have forgotten the exact date, but considerably beyond that. But we cannot do it for nothing. We can only do it if we rescind monies in fiscal year 1999. That is what we are going to be voting on. We are going to be voting to rescind monies for fiscal year 1999.

How much will we have to rescind? Two hundred seventy million dollars, or $267 million, to be exact, according to the gentleman from Ohio (Mr. REGULA). We have to rescind that much. Where do we take it from? The bill says, not from defense but from the non-defense programs.

So what do we do if we vote for this bill? If Members are interested in agriculture, we rescind $45 million from agriculture. If Members are interested in commerce, we rescind $12 million from commerce. If Members are interested in health and human services, we rescind $20 million from health and

human services. If Members are interested in housing for the poor and the elderly, we rescind $17 million from HUD. If we are interested in the Department of the interior, we rescind $9 million; from Justice, $23 million; the Department of State, $11 million; Transportation, almost $14 million; Treasury, over $20 million; and Veterans Affairs, approximately $36 million. The list goes on and on.

The total is, according to OMB, a rescission of approximately $270 million. I ask Members to ask themselves if this bill, that has not had a day's worth of hearing, in order to help the oil and gas industry, et cetera, is worth rescinding $270 million.

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

Mr. LAFALCE. I yield to the gentleman from Ohio.

Mr. REGULA. Mr. Speaker, would the gentleman agree that those are travel budgets for those various agencies, just travel for members of the executive branch?

Mr. LAFALCE. No, those are administrative and travel. Administrative includes salaries for people.

So what we are doing is for veterans affairs, we would be eliminating doctors, these are administrative; nurses, these are administrative. But can our hospitals in Buffalo and Batavia, wherever they are, afford their pro rata share of a budget cut in veterans affairs of $36 million, et cetera, et cetera? Is it that important?

Of course, the gentleman from Iowa (Mr. LEACH) pointed out, it is so wrong to have the chairman of the Federal Reserve Board, and unconstitutional, he argued, and I would agree with him fully, in there. I hate saying vote no on this bill, but logic and the order of the House and the integrity of the House, the integrity of the legislative process, demands it.

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

Mr. REGULA. Mr. Speaker, I yield 1 minute to the gentleman from Florida (Mr. YOUNG), the chairman of the Committee on Appropriations.

Mr. YOUNG of Florida. Mr. Speaker, a number of Members have asked the question, what does this have to do with national defense and Kosovo? Because when the Clerk read out the title of the bill, it did refer to national defense, to the Kosovo supplemental.

I wanted to advise the Members that there is nothing left in this bill that has anything to do with Kosovo and national defense or anything of that nature. That was all stripped out. This vehicle was an empty vehicle, and the other body used it as a vehicle then for this loan guaranty program. I just wanted Members to know that, especially because several have asked that question.

Mr. MOLLOHAN. Mr. Speaker, I am pleased to yield 2 minutes to the distinguished gentleman from Texas (Mr. STENHOLM).

Mr. STENHOLM. Mr. Speaker, I rise in strong support of this legislation, which will establish an emergency loan guaranty program for the independent oil and gas industry and the steel industry.

Much like America's agriculture, the oil and gas industry and steel industries have recently experienced a price crisis which has caused hundreds of thousands of job losses and severe economic hardships for the communities in which they serve.

In November of 1997, the oil and gas exploration and production industry began experiencing critically low prices, which included the lowest inflation-adjusted oil price in history. These low prices were well below the cost of finding and producing crude, and they threatened the ability of many independent producers to continue operation. The effects of hard times on producers have a significant impact in all areas of our economy, as many of our Texas schools and hospitals receive significant tax revenues from oil and gas properties.

□ 2130

While prices have improved in the past few months, the industry continues to face economic hardship and infrastructure loss. The Independent Petroleum Association of America estimates that 56,400 jobs of oil and gas have been lost since October of 1997. Twenty-five percent of the United States' total oil wells and 57,000 natural gas wells shut down. Many of these wells will never operate again.

With oil imports currently accounting for 56 percent of America's supply, it is of vital importance to our national security that we provide assistance to oil and gas producers so that we can preserve what is left of our domestic oil and gas industry. Since 1986, the United States has lost 2 million barrels per day of oil production.

With programs such as these loan guarantees in place, we might not have lost the domestic production. But we now have the opportunity to do something to maintain what is left. These loan guarantees will provide struggling independent producers with the capital necessary to save jobs, businesses, and the viability of the domestic industry. If the relevant committees of jurisdiction had taken action since 1997, we would not be in this position now.

Mr. LEACH. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Texas (Mr. ARCHER), the chairman of the Committee on Ways and Means.

Mr. ARCHER. Mr. Speaker, I thank the gentleman from Iowa for yielding me this time.

Coming from Houston, Texas, the energy capital of the world, I certainly have sympathy for the plight of the oil and gas industry, and I am concerned about the plight of the steel industry also.

But I was taught early in life that the end never justifies the means, and this means is one of the most inappropriate efforts that I have seen in the 28½ years that I have been in the House of Representatives.

It opens its way to boondoggles, because there is no restriction for a steel company with a loan to a bank. The bank is concerned about the steel company's capabilities to shift that off to the responsibility of the taxpayers. There is no protection against the president of one of these industries making a personal loan to that industry and then applying for the government to take that president personally off the hook. No protection at all against that in this bill.

I associate myself with the eloquent remarks of the gentleman from New York. I could not say them better than he did. But I would add that it also sends the worst of signals to our trading partners.

We complain over and over again about their government subsidies to their basic industries, like their steel industry; and here we are in the back doorway having a government subsidy for a basic industry that we decry over and over again.

Importantly, it is so precedential, as the gentleman from New York said. Where do we draw the line when the government begins to embark on this course? There are better ways. We should find a better way.

Mr. LAFALCE. Mr. Speaker, I yield 3 minutes to the gentleman from Ohio (Mr. TRAFICANT).

Mr. TRAFICANT. Mr. Speaker, I do not like this bill, but I am going to vote for it. I want to thank the gentleman from New York (Chairman LAFALCE) for being a gentleman and allowing me the time.

Pretty tough for me to vote against the bill that has come to the floor offered by the gentleman from Ohio (Mr. REGULA) and the gentleman from West Virginia (Mr. MOLLOHAN), two great Members.

I also offer my sympathies to the gentleman from West Virginia (Mr. MOLLOHAN).

But I want to pick up on something that the gentleman from Texas (Chairman ARCHER) said. No matter how one cuts this bill, the reason for it being on the floor is illegal trade. The steel industry is in desperate straits because of illegal trade.

What Congress has chosen to do is, no matter how we cut it, we subsidize and accommodate illegal trade tonight in the House of Representatives, with the only vehicle to help our industries.

This is unbelievable to me. We act like a bank and guarantee with taxpayers dollars industries that are impacted upon by illegal trade, but Congress does not have the courage to take

a stand and reconcile these great negative balance of payments in a trade deficit approaching a quarter of a trillion dollars.

Good God almighty. Now we are going to accommodate illegal trade. We are telling our trading partners, go ahead. The doors are open. If worst comes to worst, we will take care of our industry for you.

A Nation that allows predators to violate their marketplace is a Nation that will bankrupt and collapse. We have no sound trade policy in America. I do not see any difference now between either party. I do not see any resolution. I do not see any progress being made. I see a sigh of surrender.

Let us use our largess. Let us put a Band-Aid on it and hope they treat us better. I think it is time for a reciprocal trade agreement. It is time to tell our trading partners, ''If you want access, give us yours, or we will close the door on you, just like you have done to us.''

If they are beating us because they are better, I can accept it. But I cannot give them an advantage and go home and tell my people we are going to use their tax dollars now to guarantee our failing policies. This is bad policy, Congress.

Now I want my colleagues to take a look at some of the suggestions, Mr. Speaker, that are coming from both sides of the aisle now on the illegal trade. I am not talking about free trade tonight. I am not talking about trade. I am talking about illegal trade, and we sponsored it.

The SPEAKER pro tempore (Mr. LAHOOD). The Chair announces that the gentleman from Ohio (Mr. REGULA) has 10 minutes remaining, the gentleman from West Virginia (Mr. MOLLOHAN) has 10½ minutes remaining, the gentleman from Iowa (Mr. LEACH) has 5 minutes remaining, and the gentleman from New York (Mr. LAFALCE) has 3½ minutes remaining.

Mr. REGULA. Mr. Speaker, I yield 2 minutes to the gentleman from Alabama (Mr. ADERHOLT).

Mr. ADERHOLT. Mr. Speaker, I rise in strong support of H.R. 1664, a bill to provide loan guarantees to help U.S. steel companies and oil and gas companies. I would like to comment for just a minute on the steel portion of the bill.

American workers are the most productive in the world. As my colleagues and I are pointing out here on the House floor and have been for about a year, American steelworkers and steel company managers have worked together to achieve remarkably efficient steel production here in the U.S.

U.S. steel is the highest quality in the world, and producers adhere to the highest safety and environmental standards. The bottom line is we can compete with any steel producers in the world as long as we are not flooded with artificially low-priced steel.

Due to the illegal dumping by foreign countries, scheduled maintenance and modernization improvements at U.S. steel companies have been impossible for much of the past 2 years. So these loan guarantees will allow our companies to remain competitive.

As has already been pointed out here tonight, the terms of the plan are tough. The Federal Reserve Chairman, Alan Greenspan, chairs the board that oversees the plan. All loans must be paid back by December 1, 2005. The plan is fully paid for with offsets.

I represent one of the mid-sized U.S. steel companies that has suffered because of this illegal steel dumping. Gulf States Steel, in Gadsden, Alabama, which is in the Fourth Congressional District, employs about 1,800 people. Without a program like this one, the future of these workers is not optimistic.

This bill has been scrutinized, it has been amended, and it reflects the hard work of Members both here in the House and of the Senate, Republicans and Democrats.

I ask for my colleagues to support H.R. 1664 and support our steel and oil and gas industries.

Mr. MOLLOHAN. Mr. Speaker, I am pleased to yield such time as he may consume to the gentleman from Texas (Mr. HALL).

Mr. HALL of Texas. Mr. Speaker, I rise in support of the Emergency Steel, Oil, and Gas Guarantee Act of 1999.

Mr. Speaker, I'm here tonight to offer my support for the men and women in Texas, as well as throughout all of what we know as the "Oil Patch." These people have built an industry that has brought us a way of life. Inherent in this industry has been the willingness to take risks by the investors, and an abundance of hard work. The oil and gas industry in this country owes it's past successes to the classic hard work, family business, the American way.

Without the risks and hard work we would not currently enjoy so many of the conveniences that make our way of life the envy of the world. Yet, these family businesses, otherwise known as Independent Producers, have hit upon very serious hard times, and while the rest of our economy appears to be booming, these hard working people have been forced to cap wells, lay off their employees, and compete with very strong foreign markets. The stacked oil riggs give mute testimony to their plight.

We must vote YES, and pass this bill, for at least two important reasons. (1) Our National Security rests upon our ability to rely on domestic energy resources in case of emergency, * * *. We cannot afford to sit back and watch this industry fail. (2) It is the right thing to do, * * *. These men and women, have been there for us in tough times, all they are asking of us, is that we be there for them in what most of the rest of us are experiencing as good times. This industry is deserving of these loan guarantees, and as a matter of national security, we must respond to their call for assistance.

Mr. MOLLOHAN. Mr. Speaker, I am pleased to yield 1 minute to the distinguished gentleman from Indiana (Mr. VISCLOSKY).

Mr. VISCLOSKY. Mr. Speaker, I would add my comments and wishes to the gentleman from West Virginia (Mr. MOLLOHAN) as everyone else has. I think it is a mark of the gentleman that, this evening, he is here protecting the interest of, not only the people of his congressional district, his State, but all of those in the United States of America who want a good paying decent job for themselves and their families. I think we all owe the gentleman from West Virginia (Mr. MOLLOHAN) a debt of gratitude on that.

One of the earlier speakers, in his comments said this is not going to create one new job. I would remind all of our colleagues that we are here tonight because we have lost 11,000 jobs since July 1, 1997. There is no end in sight. Those jobs were lost, not because of inefficiency, but because of illegally traded steel that we as a government, the executive branch and legislative branch, did not stop.

Those 11,000 individuals with spouses and children do not have a job tonight. We owe them this loan guarantee.

Mr. LEACH. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Arizona (Mr. KOLBE).

Mr. KOLBE. Mr. Speaker, I thank the gentleman from Iowa for yielding me this time. I, too, would like to join my colleagues in paying tribute to the gentleman from West Virginia (Mr. MOLLOHAN) for the work that he has done and for being here this evening.

But I do also rise in very strong opposition to this bill. It is a target-rich environment of arguments against it. I do not know which one to start with.

Let me start with this one. This bill is being brought to this floor for the first time without the benefits of any hearings in the House or any kind of public input.

This bill provides an almost open-ended $1 billion in loan guarantees for the steel industry and as much as $500 million in guarantees for the oil and gas industry. To cover potential defaults of administrative cost, $270 million are appropriated.

Now, we have an offset for that, we have been told, an offset of an unspecified pro rata recessions from the nondefense travel and administrative accounts in all Federal agencies' fiscal 1999 budgets which have 2 months to run.

Now, there are many of these budgets which do not have anything in those accounts, and OMB has acknowledged they have not the slightest idea of how they are going to handle it in those particular budgets. So, in short, it puts millions of dollars of taxpayers' funds at risk, rescinds millions of dollars in Federal administrative accounts, in the Veterans Administration, in the Energy Department, in the Agriculture Department where we have a real problem with agriculture in this country. It

takes the money out of those accounts and sets up an elaborate loan guarantee board to administer the program.

Yet no one, not a single Member of the House, has had an opportunity to review this proposal in committee nor hear from those who are affected. This is not the way this institution is supposed to function.

Now, I also object to this on a substantive ground. The loan guarantees being considered would not go to the benefit of any workers. Instead they go to investors of a few companies, many of whom may have had troubled loans in the first place.

The effect of these loan guarantees would be to reward inefficient producers and skew market capital away from efficient industries toward inefficient companies and inefficient industries.

Rather than save jobs, this bill would simply reallocate jobs in our country. This is nothing but a special interest bailout for specific industries, and I urge the defeat of this particular bill.

Mr. LAFALCE. Mr. Speaker, since I only have about 3 minutes remaining, I reserve the balance of my time for closing.

Mr. REGULA. Mr. Speaker, I yield 1 minute to the gentleman from Ohio (Mr. NEY).

Mr. NEY. Mr. Speaker, also, as neighbors of the gentleman from West Virginia (Mr. MOLLOHAN), I know my constituency sends their deepest sympathies.

Tonight a lot of right things I guess have been said, no matter which side one is at on this issue. Politics. There are some politics involved. I think it is politics to help good people that deserve help from their government.

As far as breaking precedent procedure, I think that has been done here over the course of a couple hundred years. I really do not think it is being done tonight, though, in a way of breaking precedent procedure, because there has been a type of hearing. There has been a one-year nonhearing on this issue for the steelworkers and their families.

Oil and gas is included obviously in this, too. They are having some troubled times.

I would also like to point out that the monitoring bill of Visclosky, Regula, et al. of this body, the White House put its hand into the Senate and killed it. That chance seems to be gone, so something has to be done. Tonight is the urgent need to do it.

This is not about free trade. It is not about fair trade. It is about illegal dumping. Give the steelworkers a chance.

Mr. MOLLOHAN. Mr. Speaker, I am pleased to yield 1 minute to the gentlewoman from Ohio (Ms. KAPTUR).

□ 2145

Ms. KAPTUR. Mr. Speaker, I thank the distinguished and able gentleman from West Virginia (Mr. MOLLOHAN), who is really fully admired by Members of this House for being here this evening, and our dear colleague, the gentleman from Ohio (Mr. REGULA) as well.

Mr. Speaker, I rise in support of this measure to put some steel back into the spine of America and to help our beleaguered independent energy sector. Earlier this year, the House passed this legislation. It has been stalled over in the other body all this time. Unforgivable.

Now six more steel companies in our country, American jobs, have filed for bankruptcy. Over 6,000 jobs at stake in Alabama, Ohio, Illinois, Pennsylvania, Utah, coast to coast, and more on the chopping block.

I think we are obligated to do what we can to provide help to this beleaguered set of industries in the United States of America, especially when they are so adversely impacted by imports from Japan, which has never opened its markets to us; Indonesia, not exactly the most Democratic place on the face of the earth.

So I rise in support of this bill, as I would have on the Chrysler loan bailout, in which every penny was paid back with interest.

Mr. LEACH. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. DELAY), the distinguished majority whip.

Mr. DELAY. Mr. Speaker, I too want to offer my sympathies to the gentleman from West Virginia (Mr. MOLLOHAN) and the Mollohan family. I know the loss of a father leaves a very deep hole, and we all feel very sympathetic to the gentleman and his family.

Mr. Speaker, I must oppose this bill. I understand why this bill comes, but my colleagues, I was raised in the oil fields. My daddy was a drilling contractor. We went through many ups and downs in the economy in the oil and gas industry. I come from Houston, Texas, the capital of the oil and gas industry in the world, and I am telling my colleagues this is a horrible policy. This is a horrible policy.

We just went through a depression in the oil and gas industry in the late 1970s and early 1980s, and we got through it. Sure, there were a lot of people that lost their jobs, but I have to tell my colleagues that the oil and gas industry got through that deep depression and they are stronger for it today. They are stronger for it today.

When this bill was first conceived, oil was at $8, $10 a barrel, West Texas crude is up to $20 to $21 a barrel. The oil and gas industry does not need the government fooling around with their market by suggesting that loan guarantees will somehow save all the jobs and save the oil and gas industry. They do not need this.

My daddy would be turning over in his grave today, because I can remember my entire life, every night at 6 o'clock around the dinner table how much he would gripe about how the government was constantly interfering in the oil and gas industry and stopping us from developing the kind of industry that we needed for our national security.

They do not want this, they do not need this, and I hope that my colleagues will defeat it.

Mr. REGULA. Mr. Speaker, I yield 2 minutes to the gentleman from Alabama (Mr. BACHUS).

Mr. BACHUS. Mr. Speaker, first of all, I want to commend my colleague, the gentleman from Alabama (Mr. ADERHOLT), for his fine work on this bill, and I want to introduce for the RECORD a letter that he wrote to the Members of this Congress on June 16 where he talked about the cost of not acting on this legislation. It is 108,000 jobs.

Mr. Speaker, I read an interesting article in a paper. I pulled it off the internet, and it is called the Hindustan Times. It is one of the leading papers in India. They said that imports from Japan, Korea, Brazil, and the Communist block were ruining the Indian steel industry. They said they were importing steel into India at less than what India could produce it.

The average steelworker in India makes 20 cents an hour. India said they are moving to block this. In that article, it said there are only two countries in the world that are allowing its steel industries to be destroyed, us and the United States, and they are acting to stop this. The European nations and Japan have a reciprocal agreement which says they will not dump on each other. We will not do that. These things are not coming into Europe. Europe will not stand for it. We will.

I heard the gentleman from Iowa say the crisis is almost over. Let me state the latest statistics from the Census Bureau. Shipments of U.S. steel down 10 percent; utilization down 10 percent from a month before. Total imports up 30 percent in May over April. That does not sound like it is almost over. U.S. steel prices down 27 percent.

Mr. Speaker, I submit for the RECORD the letter I referred to earlier.

WASHINGTON, DC, *June 16, 1999*.

Re loan guarantees.

DEAR COLLEAGUE: During conference consideration of H.R. 1141, the Supplemental Appropriations Act, loan guarantee provisions for steel, oil, and gas companies were removed in order to facilitate consideration of the Supplemental bill. Recognizing the strong support for assisting steel, oil, and gas companies, leadership offered to let the Senate Appropriations Committee amend H.R. 1664 to make it a loan bill (H.R. 1664 was the original House funding bill for Kosovo operations; the final version of H.R. 1141 essentially combined the Senate Kosovo funding bill and the House Emergency bill, thus making H.R. 1664 no longer necessary to the funding of Kosovo operations). We are hopeful that the full Senate will soon pass this

amended version and refer it to the House, at which point conferees will be appointed.

There has been some debate about the possible costs of providing these loan guarantees. Not as often considered as the costs of doing nothing to help these companies. With regard to steel, if the ten companies most likely to apply for loan guarantee were to close, here is what we would lose:

Number of jobs: 107,167

Dollar amount of income: $4,879,443,110

Dollar amount of production: $9,227,000,000

These companies affect many others within their states. For one company alone, the impact on that would be a loss of $206,348,230 in statewide projected earnings.

Independent oil and natural gas producers around the country have also been hit hard by the extended depressed oil and gas prices. Beginning in November 1997, the oil exploration and production industry began experiencing a price crisis that included the lowest inflation-adjusted oil prices in history. These prices have had far-reaching effects on the lives of thousands in the industry. In the past 18 months, the industry has lost 56,400 jobs, and an additional 20,000 jobs are at risk. This is a natural result of the shut down of 136,000 oil wells (25 percent of total U.S.) and 57,000 natural gas wells during the same period—a substantial number which will never operate again. As a result, the U.S. oil and natural gas production is nearly at its fifty year low. As devastating as this crisis has been on individuals in the industry, the impact on our Nation has been equally severe—estimated at $25 billion in lost economic impact.

When the House votes again on this bill, I hope you will support it. These U.S. industries are competitive and the loan guarantees will help them remain competitive. If you have any questions, please contact Mark Dawson (Rep. Aderholt, 225–4876) or Dawson Oslund (Rep. Watts, 225–6165).

Sincerely,

J.C. WATTS,
ROBERT B. ADERHOLD,
Members of Congress.

Mr. MOLLOHAN. Mr. Speaker, I yield 1 minute to the gentleman from Texas (Mr. TURNER).

Mr. TURNER. Mr. Speaker, we hear a lot today about the new economy, but there are some of us still trying to get by on the old economy, and the old economy is not doing too well.

In my district and across this Nation, tens of thousands of steel and oil and gas workers have lost their jobs, and many more fear that they may lose theirs. Since October of 1997, oil prices have dropped dramatically due to increases in imports. More than 50,000 workers have lost their jobs, hundreds of production and service companies have closed, and over 136,000 oil wells have shut down. That is 25 percent of all the wells in the United States.

Providing Federal loan guarantees to significant strategic U.S. businesses at risk is not without precedent. The SBA guarantees loans every day in this country for small business. We do it for agriculture. Congress has done it for New York City, for Lockheed Aircraft, for Penn Central, for Conrail. It is a common practice.

Mr. Speaker, these industries need our help. They are critical to the economic security and the national security of our country.

Mr. MOLLOHAN. Mr. Speaker, I yield 1 minute to the gentleman from Minnesota (Mr. OBERSTAR).

Mr. OBERSTAR. Mr. Speaker, this bill is just as deadly serious for the steel and iron ore mining industry as were loan guarantees Congress approved for New York City in 1977 and Chrysler in 1980.

The steel import crisis is not over. American steel makers are still cutting production and jobs because of unfairly traded steel dumped in our markets at subsidized prices. Iron ore producers in Minnesota and Michigan, whose only market is the domestic integrated steel industry, are especially devastated by imports of semi-finished steel slab subsidized in Russia and other countries and dumped on our shores displacing our high quality taconite. Layoffs totaling 2,500 jobs were announced just this week by mines in Minnesota and Michigan, on top of hundreds of previous layoffs.

I would rather the unfair trade laws worked. I would rather we had duties and countervailing duties and quotas. But they are not being imposed, they are not working, and the loan guarantee initiative will help taconite plants upgrade operations, reduce costs, improve efficiency, and the loans will be repaid with interest.

Mr. REGULA. Mr. Speaker, I yield 1¼ minutes to the gentleman from Oklahoma (Mr. WATKINS).

Mr. WATKINS. Mr. Speaker, I have only 1 minute to make a point. We have lost over 100,000 jobs to oil patch in this country. We have lost equity. And I say to the gentleman from Ohio (Mr. LEACH) and the gentleman from New York (Mr. LAFALCE), that is the difference. We have lost more equity ever in the history of the energy industry. I am not talking about the majors, the multinationals, I am talking about the mom and pops in the small oil service jobs.

We subsidized ethanol and we bailed out New York City. The Department of Energy is doing nothing. In fact, the Department of Energy is harming the oil and domestic energy industry. Why? Because they are supporting a lot of foreign oil production, especially in Iraq. What kind of policy do we have? We have sanctions. We are proposing to lift the caps in Iraq. They are selling oil illegally to Jordan and we are loaning money to Jordan. What kind of policy is that? It is crazy.

My colleagues, our people do not understand it. During the July 4 break I marveled at our senior citizens. A grandmother approached me and said, ''Congressman, I know you are going to take care of my Social Security, and I know that you are going to take care of my Medicare, but, Congressman, when can my grandson go back to work in the oil patch?''

It is serious out there in America, and I ask my colleagues for their help.

Mr. MOLLOHAN. Mr. Speaker, I yield 1 minute to the gentleman from Pennsylvania (Mr. KLINK), who has worked so long and hard on steel issues.

Mr. KLINK. Mr. Speaker, first of all, I want my friend and colleague, the gentleman from West Virginia (Mr. MOLLOHAN), to know that his courage and dedication tonight are the greatest tribute he could pay to his father, and I am honored to be on the floor with him.

My colleagues, this Congress had an idea that we would pass a steel quota bill and that would be our response, and we passed it with a veto-proof measure. But the same people on both sides of the aisle who had sold GATT to us back in 1994 in a lame duck session said it is not GATT compliant, that we could not do it, and they killed it. Now some of the same forces are coming out and saying we cannot do this either. Well, Mr. Speaker, our steel companies are having to compete with companies that are subsidized by foreign governments. So we want to tie both hands behind the backs of our steel industry, and we say go out and compete in the world.

This is not the first time, my colleagues, that we have done subsidies. We have heard about it before. But the reality is that our basic industry needs our help. And if we let the steel industry go down, next it will be aerospace, then auto manufacturing, bridge building, construction, and on and on. We have to stand up for these workers and the 11,000 who have already lost their jobs.

Mr. MOLLOHAN. Mr. Speaker, I yield 1 minute to the gentleman from West Virginia (Mr. WISE).

Mr. WISE. Mr. Speaker, I want the gentleman from West Virginia (Mr. MOLLOHAN) to know that parents live through their children, and the fact that the gentleman is standing here tonight speaks volumes about him and his father, and we thank him for being here.

For over a year, Mr. Speaker, thousands of hard working steelworkers have faced economic devastation due to illegal steel dumping. Ten thousand have lost their jobs. Weirton Steel, an employee-owned company which fought its way back from bankruptcy, suddenly had 800 workers unemployed. They played by the rules when other nations broke them with their illegal dumping.

Mr. Speaker, this is only a loan guarantee program for the steel industry and some in the oil and gas industry to get back on their feet. No handouts here, just loan guarantees with tight controls and costs offset.

Mr. Speaker, for the first time in a year, this bill provides the first little bit of hope to the thousands of proud,

hard-working families in our area along the Ohio River, for instance in communities named Weirton and Wheeling and Follansbee. Vote for them tonight.

Mr. MOLLOHAN. Mr. Speaker, I yield 1 minute to the gentleman from Western Pennsylvania (Mr. MASCARA), my neighbor.

Mr. MASCARA. Mr. Speaker, I thank the gentleman for yielding me this time, and I extend my condolences to him and his family on the passing of his father.

To both sides, those who oppose this bill, I would like to invite them to come to southwestern Pennsylvania and see the economic carnage that took place from the depression of the 1980s and the demise of the steel and coal industry. We lost an entire generation of young people.

They told us to get our act together and be more productive. We capitalized and we were more productive. Now our steel companies are suffering from foreign imports that are illegally subsidized. We have the hardest working and most efficient steel industry in the world. All that we are asking for is a level playing field.

We neither break the trade laws nor subsidize our steel companies, that is why it is imperative to provide loan guarantees and access to capital, because it is crucial in upgrading our steel making facilities. We cannot stand by and watch these illegal imports flood our markets, which have cost steelworkers jobs all over this country.

Mr. LEACH. Mr. Speaker, I yield 2 minutes to the gentleman from Alabama (Mr. CALLAHAN).

□ 2200

Mr. CALLAHAN. Mr. Speaker, let me just clarify something about the procedure.

There are some who have indicated that this measure has not received the proper attention of the Congress because it did not go through the regular hearing process. But this is nothing different than any other procedure that we have had. We pass a bill here, the Senate disagrees or adds to it, and then the conferees correct it, and then they bring it back to both Houses for the vote up or down.

Out of deference to Senator BYRD, he had this added on in the Senate because it was a true emergency and the conference voted to include it in the report back to the House. So it went through the proper procedure. But out of deference to this House and out of deference to the emergency needs of Kosovo and in Latin America, Senator BYRD, at my insistence and at the insistence of the Speaker of the House, voluntarily withdrew from that emergency appropriation bill provided we would use the other vehicle that was already sitting there to allow this to come before this body in a divided stance.

Had we not done this, we would have been forced to vote with the emergency appropriation that we had for Central America and for Kosovo; and this too, we would have had one vote.

Under the procedure that we finally arrived at, we get the opportunity to vote on a divided question. I think that is a fair way to do it. I applaud Senator BYRD for agreeing to do it because he did not have to do it. We could have resolved this in that emergency appropriation bill if indeed the senator had insisted.

So I appreciate the senator giving us the opportunity to bring this to the floor as a single issue and vote it up or down, because it truly is an emergency appropriation for the steel industry.

I will assure my colleagues that it is impacting my State of Alabama very adversely at this point. If they do not get some relief immediately, then there is going to be a true emergency in Alabama because we are going to have about 1,500 people walking the streets.

I urge my colleagues to vote for the amendment.

Mr. LaFALCE. Mr. Speaker, I yield myself the balance of the time.

Mr. Speaker, we are here because one senator for whom I have the greatest respect said, I have got to have this money for the industry, especially in my State, and another senator said, I do not like this idea that if we are going to have money for your industry for his State, we are going to have to have money for my industry for my State; and all of a sudden we have $1½ billion, without any consideration being given to it by this House of Representatives whatsoever. Again, not one minute.

Now, $1½ billion. I was chairman of the Committee on Small Business for 8 years. Every single year we had to limit the loan guarantees we gave to the small businesses of America because we ran up against the limit.

The greatest job creator in America is the small business community. So when we vote for $1.5 billion, we are really depriving the Small Business Administration of the ability to give loan guarantees to small businesses.

The Rural Development Administration, the Economic Development Administration, just think of the countless communities in our districts where small businesses if they got a loan with a Government guarantee could revitalize that neighborhood business district, could revitalize that community, could revitalize the housing stock. But they will not get it because we are giving it to the oil and gas industry.

My Democratic colleagues, I remember when we first came here and we argued so strongly against the oil depletion allowance. This is terrible. And now we want to give the oil and gas industry this enormous, over $1½ billion, loan guarantee program without a minute's worth of hearings.

If we have a specific business in our district, we do not know that they will ever get one penny of a loan guarantee. There is that remote possibility. We do know with absolute certainty, however, that in fiscal year 1999 we are voting for cuts in Government services that help our people. We are voting again to cut agriculture in fiscal 1999.

This is for certain, $45 million. Veterans' Affairs. If we have veterans and they have difficulty getting assistance from their veterans' hospital or the clinics, we are making it worse for them, we are cutting the Veterans' Administration's budget by $36 million.

If they need housing assistance, if they need more section 8 vouchers, if they need more 202 programs, we are cutting the Housing and Urban Development Program by $17 million in fiscal year 1999.

I could go on and on and on. But do not vote to rescind $270 million in fiscal year 1999 for this program that has not even had one minute's worth of hearings in the House of Representatives to help out the oil and gas industry, chaired by the chairman of the Federal Reserve Board, who does not want this job, who would probably urge us to vote against this program, who does not believe in the concept of credit allocation whatsoever.

Mr. MOLLOHAN. Mr. Speaker, I yield myself 30 seconds.

Mr. Speaker, I just want to clarify for the gentleman from New York (Mr. LAFALCE) who just spoke. He has alluded a couple times to this money coming out of salary accounts and programmatic accounts.

I can understand his mistake. This money comes out of the expense side and it comes out of items like travel and on the administrative side pencils, paper, office supplies. It does not come out of salaries, any salaries, and will not result in any programmatic diminution.

Mr. Speaker, I am pleased to yield 1 minute to the distinguished gentleman from Pennsylvania (Mr. DOYLE) who represents steel industries.

Mr. DOYLE. Mr. Speaker, first let me say to my good friend the gentleman from West Virginia (Mr. MOLLOHAN) that he is in our thoughts and prayers, he and his family.

Mr. Speaker, I stand today to urge my colleagues to vote for H.R. 1664, the Byrd-Mollohan steel and oil loan guarantee bill.

My colleagues, the crisis in steel is not over. Jobs are still being lost. Steel mills are still closing. And this problem will not go away without some real solutions.

The Byrd-Mollohan loan guarantee proposal we are debating today will take real action to save American jobs and two vital American industries.

I heard the distinguished minority whip here say that in the oil and gas industry they have gone through some hard times and they have rebounded and come back stronger and they do not need any help.

Well, I do not know about the oil and gas industry, but I know about the steel industry; and I want to make something perfectly clear. We have not fallen on hard times. We have lost jobs because our foreign competitors are cheating, they are breaking the rules, and this country is doing nothing about it. That is why American steelworkers are on hard times. That is why we need some help.

Let us vote for Byrd-Mollohan and save some American jobs.

Mr. MOLLOHAN. Mr. Speaker, I am pleased to yield 1 minute to the distinguished gentleman from Michigan (Mr. STUPAK).

Mr. STUPAK. Mr. Speaker, I urge my colleagues to support passage of the Senate amendments to this legislation, which offer assistance to the steel and iron ore industries; most importantly, the workers, the families, and communities who depend on these industries.

I do not have any steel manufacturers in my district. I have iron ore mines. In 1920, we had over 4,500 people employed in the iron mines in northern Michigan. Then came the illegal dumping in the 1980s.

Today we have less than 2,200. Just this week it was announced that the last two mines will close, the two in northern Michigan and one in Minnesota, and they will be closed for at least 10 weeks because of depressed market conditions for iron ore pellets because of illegal steel imports.

For at least 10 weeks, the United States will not produce one iron ore pellet to make domestic steel. If we do not take action to prevent steel dumping, encourage the use of our domestic steel products, while offering some relief to our industries, there will be no more iron ore mines, there will be no more domestic steel industry here in the United States.

Mr. MOLLOHAN. Mr. Speaker, I am pleased to yield 1 minute to the gentleman from Pennsylvania (Mr. MURTHA) to close the debate for our side, who has worked long and hard for the steel industry and so effectively.

Mr. MURTHA. Mr. Speaker, 20 years ago the gentleman from Ohio (Mr. REGULA) and I went down to meet with President Reagan and we convinced him that the steel industry was absolutely essential to our national security.

We had a hard time convincing the Committee on Ways and Means. But we fashioned a program that did not go through the normal process that was finally accepted and refined and restored the steel industry in this country.

We have had hearings for the last 15 years on these steel problems. We need help. Because when they start importing steel, subsidized steel, it takes 6, 7, 8 months before we can get it before the court, before the ITC, before we can get the results.

We need to be able to lend them money so they can get through this period of time. It is absolutely essential. Oil and gas and steel are essential to our national security. I would hope the Members would help us in a time when we really need this help.

Mr. REGULA. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, this is not for big companies. This is for people. This is for that steelworker or that oil worker that is unemployed, 60,000. This is to help them pay the mortgage, to pay the tuition for their son or daughter that wants to go on to college, to perhaps help a child that is ill. This is to give them back self-respect and self-confidence by giving them their jobs back.

Remember, this is a vote for people, not for companies. This is not one taxpayer's dollar being given to these companies. We are simply saying as we have done for agriculture as we have done for housing, as we have done for small business, as we did for Chrysler, as we did for Lockheed, as we did for New York City. We said we will help them by guaranteeing their loan.

That is what we are talking about tonight. We are guaranteeing the loan. Not all of it, 85 percent. And that loan has to be approved by the chairman of the Federal Reserve, by the Secretary of Commerce, by the Chairman of the Securities Exchange commission, three highly respected individuals.

I think what it does is simply say that this Government, which historically has provided a helping hand to the people of this Nation, once again says we want to help, we want to help by ensuring that those individuals can go back to work, that we can compete in the world marketplace.

As the gentleman from Ohio said, we need revision of our State laws to stop the dumping, to stop the unfair practices. But in the meantime, that steelworker, that oil worker is out of a job.

A vote ''yes'' is a vote to give them a helping hand from their Government so they can have their job back, so their family can enjoy this great Nation and the opportunities it provides.

I urge all of my colleagues to support this.

It has been said that it is going to take it out of all these other programs. Not so. It is travel, travel for the bureaucracy. It is administrative. It is the bureaucracy. It is not programs. As the gentleman from West Virginia (Mr. MOLLOHAN) pointed out, it does not affect any veterans, does not affect any individual, just Government travel. And there is too much of that now.

So, in summation, this is a helping hand to the people of this Nation. I urge support of the bill.

Mr. RAHALL. Mr. Speaker, I rise in strong support for H.R. 1664, the Steel, Oil and Gas Loan Guarantee bill now before us.

The bill guarantees $1 billion in loans to companies already in, or close to filing, for bankruptcy because of the surge of cheap steel imports that have flooded our country.

This loan program has historical precedent, which began with government assistance to the Chrysler Corporation in 1980, and similar assistance since then that was provided to the City of New York, Lockheed Aircraft, Penn Central Railroad and Conrail.

The steel industry has lost over 10,000 jobs in the past year, and the oil and gas industry over 400,000 jobs over a four year period.

It is time for Congress to do for steel, oil and gas what it has done for others in the past—and that is to lend a helping hand.

This plan is not a bailout.

It is not a direct loan program.

It is a tough, guaranteed loan program requiring companies to apply to a board which includes the Secretary of the Treasury. It's costs are fully offset and will be repaid.

Please consider the alternative costs of doing nothing. If just one major company goes into bankruptcy, the government will likely spend tens of millions on unemployment benefits alone.

Multiply that by several companies, and then add in the lost jobs at suppliers, the lost tax revenue to local, state and federal government coffers, and even possible environmental costs—and you will have sealed the economic fates of States in which entire communities rely upon these industries for jobs and their livelihoods.

To be candid, Congress and the Administration dragged its feet far too long by refusing to acknowledge the damage that our trade policies were inflicting upon companies and workers in the steel, oil and gas industries.

Our hesitation to act has caused job loss and company bankruptcies across this country.

Today, we must do the right thing—to quickly approve and send to the President this loan guarantee for steel, oil and gas companies and their employees.

I urge my colleagues to vote yes on H.R. 1664. It is the right thing to do.

Mr. COSTELLO. Mr. Speaker, I want to thank my colleague for yielding me time on this important legislation. H.R. 1664 will help combat a crisis that is confronting American steelworkers and steel companies. A flood of cheap imports abroad have left our nation's steel factories facing stiff competition from illegally-subsidized products.

This legislation grants relief to the American oil and gas industry, providing federal loan guarantees to companies that are at risk to these imports. If we do not move quickly to support the backbone of our country's commercial sector, we could see other parts of our economy—including the construction, automobile and shipping industries—affected as well. The steel industry in my district has also seen losses as a result of these imports, and this legislation—which I have cosponsored—will address their needs as well.

H.R. 1664 is modeled on the successful $1.5 billion Chrysler loan guarantee program, enacted in 1980. Three years later, Chrysler

repaid the government seven years before their loans were due. Federal loan guarantees are nothing new; they have been extended to Lockheed Aircraft, Conrail and City of New York.

This legislation allows banks and financial institutions to provide federally guaranteed loans to U.S. steel mills and small oil and gas producers. OMB and CBO have indicted it is fully offset, and the bill's $270 million price tag is modest when compared with the potential losses in the nation's steel mills and factory lines.

I urge my colleagues to stand up for steel in America and support H.R. 1664.

Mr. COYNE. Mr. Speaker, I rise today in support of this emergency loan legislation.

Mr. Speaker, the U.S. steel industry has been devastated by the dumping of foreign steel in this country over the last year. Many U.S. steel companies were hurt, three steel companies filed for bankruptcy, and thousands of American steel workers lost their jobs.

The Commerce Department determined earlier this year that dumping had, in fact, taken place, and the Department subsequently imposed duties on steel imports from a number of countries.

Unfortunately, the procedures that were in place to address dumping took a long time to respond to the surge of foreign steel imports. As a result, this illegal dumping took a terrible toll on our domestic steel industry. Congress needs to act to address the damage that has been done.

Consequently, I support the legislation that the House is considering today. H.R. 1664 would establish a $1 billion loan program for the steel industry and a $500 million loan program for oil and gas producers. These programs would allow loans to be made over the next 2½ years to qualified companies that have strong long term economic prospects but which face short term financial difficulties. This program would provide much-needed assistance to the steel companies that have been imperiled by foreign dumping.

While this legislation is not perfect, I believe that it would provide important relief for our domestic steel industry—an industry whose health is essential for our national security. I urge my colleagues to support this important anti-dumping legislation.

Mr. LEVIN. Mr. Speaker, I rise in support of H.R. 1664, the Emergency Steel, Oil and Gas Guarantee Loan Act of 1999. I want to address my remarks in particular to the part of this bill that concerns the steel industry.

The steel industry took a drubbing in 1998. Global overcapacity, combined with a dramatic drop in world demand for steel due to the Asian financial crisis, led to a surge of steel imports into the United States. Prices dropped dramatically, 10,000 workers were laid off, and three steel companies were forced into bankruptcy.

Earlier this year, we searched for a legislative solution to this crisis. A majority of this body voted for the imposition of quotas on steel imports into the United States. That solution would have violated our WTO obligations and allowed retaliation by our trading partners. For that reason, I opposed the quota bill. It has since been defeated in the Senate.

I have urged a different solution, a more long-term solution that would help not only the steel industry, but also other industries that may be vulnerable to the shifts that are bound to occur in our increasingly globalized economy. The proposal that I favor is reform of the anti-surge provision of our trade laws that will make that provision meaningful as a remedy to the harm or threat that may be caused by suddenly increasing imports.

I will continue to work for reform of the anti-surge law. In the short-to-medium term, I believe that the loan guarantees proposed by this bill will help the U.S. steel industry to recover from the harm it suffered over the past year.

By making guarantees available, this bill will enable companies to obtain financing that might otherwise be out of reach. Obtaining financing on reasonable terms will not fully compensate for the damage done by the surges of 1998. But it will help these companies and their workers a little bit towards getting back on their feet.

Further, this bill contains mechanisms to ensure that the cost to the government will be minimal:

The guarantee program will be administered by a Board consisting of the Secretary of Commerce, the Chairman of the Federal Reserve, and the Chairman of the SEC;

The total amount of outstanding guarantees is limited to $1 billion, the guarantees to any single company are limited to $250 million, and the amount of any guarantee is limited to 85 percent of the loan principal;

The loans guaranteed by this program will have to be secured by property providing reasonable assurance of repayment;

Participants in the program will have to agree to audit by the GAO;

All loans will have to be payable no later than December 31, 2005; and

No guarantees may be extended after December 31, 2001.

As I said before, the long-term response to the steel surge of 1998 must be reform of our anti-surge law. There will be other surges in our future, and we must be prepared. In the short term, loan guarantees are a sound means of lending a hand to an industry that is at the foundation of our economy and that has suffered from a massive surge of low-priced imports.

Accordingly, I will vote "yes" on final passage of H.R. 1664, and I urge my colleagues to do the same.

Mr. SKEEN. Mr. Speaker, I rise to lend my support to H.R. 1664, as amended by the United States Senate. I know this legislation as the Emergency Oil and Gas/Steel Loan guarantee program of 1999. This legislation is supported by the 7,000 domestic crude oil and natural gas producers represented by some 32 national, regional and state associations. Hundreds of New Mexico businesses support this legislation. They are small producers, they are oil industry service companies and they are the countless businesses that provide goods and services to the people who work in this important industry.

The oil and gas producers that would benefit from this program are small independents. They are not the big companies. They are the small producers who have seen the loss of over $25 billion and over 50,000 jobs since 1997. Today, when adversity hits our citizens and our small businesses, there are numerous "disaster" programs to help them through the tough times. When a flood strikes, a hurricane hits or a drought settles across a region the federal government moves quickly. However, when an economic disaster hits "Oil Patch," the nation turns its back.

In many of the communities in my Congressional District, citizens would have been better off if their businesses would have been hit by a tornado. Then they would have been eligible for assistance. Some businesses in foreign countries have better access to economic assistance than our small independent oil industry. This legislation starts correcting this deficiency. Our domestic industry has suffered through a 19 month price crash. This legislation will provide them with the cash flow that they need to get back on their feet.

The fact that oil prices are up today does not negate the losses that our small producers have suffered nor does it delay the payments that are past due at the financial institutions. This will lead to putting Oil Patch back to work and let Carlsbad, Hobbs, Lovington, Roswell, and several other communities in New Mexico join the prosperity that most of the rest of America has enjoyed during this decade. Our country needs a strong domestic oil industry to maintain our national security. Congress has a long record of creating working loan guaranteed programs which provided needed support to key U.S. industries. I would remind people that this legislation, as constructed, is fully offset.

The oil loan program would provide a two-year, $500 million guaranteed loan program to back loans provided by financial institutions to qualified oil and gas producers and service companies. The maximum loan would be $10 million and the government would guarantee no more than 85 percent of each loan. This is a good bill; it is a fair bill; it is a bill that follows the rules; and it is a bill that will ensure American energy continues to be provided at a fair price.

Mr. KUCINICH. Mr. Speaker, more than ten thousand American steel workers have lost their jobs.

Steel workers are not losing their jobs because the American steel industry is inefficient. In fact, the American steel industry is the world's most efficient. The reason American steel workers are losing their jobs is that the price of foreign steel, though more inefficient, is so much cheaper due to the devaluation of the currencies of those countries. Steel workers are not the only workers losing their jobs to cheap imports.

This loan guarantee will help steel companies bridge the difficult market conditions caused by the devaluation of foreign currencies.

I urge my colleagues to vote "yes" on H.R. 1664.

The SPEAKER pro tempore. All time for debate has expired.

Pursuant to the order of the House of Tuesday, August 3, 1999, the previous question is ordered.

The question is on the motion offered by the gentleman from Ohio (Mr. REGULA).

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. LEACH. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 246, noes 176, answered ''present'' 1, not voting 11, as follows:

[Roll No. 375]

AYES—246

Abercrombie
Ackerman
Aderholt
Allen
Andrews
Bachus
Baird
Baldacci
Baldwin
Barcia
Barton
Becerra
Berkley
Berry
Bilirakis
Bishop
Blagojevich
Blumenauer
Blunt
Boehlert
Bonilla
Bonior
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brown (FL)
Brown (OH)
Burton
Buyer
Callahan
Cannon
Capuano
Cardin
Carson
Clay
Clement
Clyburn
Combest
Conyers
Cook
Cooksey
Costello
Coyne
Cramer
Crowley
Cubin
Cummings
Danner
Davis (FL)
Davis (IL)
DeFazio
DeGette
Delahunt
DeLauro
Diaz-Balart
Dickey
Dicks
Dingell
Dixon
Dooley
Doyle
Edwards
Ehrlich
Emerson
Engel
English
Etheridge
Evans
Everett
Fattah
Filner
Forbes
Ford
Frost
Gejdenson
Gekas
Gephardt
Gibbons
Gillmor
Gilman
Gonzalez
Goode
Gordon
Green (TX)
Gutierrez
Hall (OH)
Hall (TX)
Hansen
Hastings (FL)
Hayworth
Hefley
Hill (IN)
Hill (MT)
Hilliard
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Hooley
Horn
Hoyer
Inslee
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson, E.B.
Jones (OH)
Kanjorski
Kaptur
Kelly
Kennedy
Kildee
Kilpatrick
King (NY)
Kleczka
Klink
Kucinich
Kuykendall
LaHood
Lampson
Larson
LaTourette
Levin
Lewis (GA)
Lewis (KY)
Lipinski
Lowey
Lucas (KY)
Lucas (OK)
Maloney (CT)
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCrery
McGovern
McHugh
McInnis
McIntosh
McIntyre
McKinney
McNulty
Menendez
Millender-McDonald
Minge
Mink
Moakley
Mollohan
Moore
Moran (KS)
Murtha
Napolitano
Neal
Ney
Oberstar
Olver
Ortiz
Ose
Owens
Pallone
Pascrell
Pastor
Payne
Pease
Pelosi
Peterson (MN)
Phelps
Pickering
Pickett
Pomeroy
Price (NC)
Quinn
Rahall
Rangel
Regula
Riley
Rivers
Rodriguez
Roemer
Rogers
Ros-Lehtinen
Rothman
Roybal-Allard
Rush
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Schakowsky
Scott
Serrano
Shimkus
Shows
Sisisky
Skeen
Skelton
Slaughter
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Spratt
Stabenow
Stark
Stenholm
Strickland
Stupak
Sweeney
Talent
Tanner
Tauscher
Tauzin
Taylor (MS)
Thomas
Thompson (MS)
Thornberry
Thurman
Tiahrt
Towns
Traficant
Turner
Udall (CO)
Udall (NM)
Velazquez
Visclosky
Vitter
Walsh
Watkins
Watts (OK)
Waxman
Weiner
Weller
Wexler
Weygand
Wilson
Wise
Woolsey
Wu
Wynn
Young (AK)

NOES—176

Archer
Armey
Baker
Ballenger
Barr
Barrett (NE)
Barrett (WI)
Bartlett
Bass
Bateman
Bentsen
Bereuter
Biggert
Bliley
Boehner
Bono
Brady (TX)
Bryant
Burr
Calvert
Camp
Campbell
Canady
Capps
Castle
Chabot
Chambliss
Chenoweth
Clayton
Coble
Coburn
Collins
Condit
Cox
Crane
Cunningham
Davis (VA)
Deal
DeLay
DeMint
Deutsch
Doggett
Doolittle
Dreier
Duncan
Dunn
Ehlers
Eshoo
Ewing
Farr
Fletcher
Foley
Fossella
Fowler
Franks (NJ)
Frelinghuysen
Gallegly
Ganske
Gilchrest
Goodlatte
Goodling
Goss
Graham
Granger
Green (WI)
Greenwood
Gutknecht
Hastert
Hastings (WA)
Hayes
Herger
Hilleary
Hobson
Hoekstra
Hostettler
Hulshof
Hunter
Hutchinson
Hyde
Isakson
Istook
Jenkins
Johnson (CT)
Johnson, Sam
Jones (NC)
Kasich
Kind (WI)
Kingston
Knollenberg
Kolbe
LaFalce
Largent
Latham
Lazio
Leach
Lee
Lewis (CA)
Linder
LoBiondo
Lofgren
Luther
Maloney (NY)
Manzullo
Markey
McCollum
McKeon
Meehan
Meek (FL)
Meeks (NY)
Metcalf
Mica
Miller (FL)
Miller, Gary
Miller, George
Moran (VA)
Morella
Myrick
Nadler
Nethercutt
Northup
Norwood
Nussle
Obey
Packard
Paul
Petri
Pitts
Pombo
Porter
Portman
Pryce (OH)
Radanovich
Ramstad
Reynolds
Rogan
Rohrabacher
Roukema
Royce
Ryan (WI)
Ryun (KS)
Salmon
Sanford
Saxton
Scarborough
Schaffer
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Simpson
Smith (MI)
Spence
Stearns
Stump
Sununu
Tancredo
Taylor (NC)
Terry
Thompson (CA)
Thune
Tierney
Toomey
Upton
Vento
Walden
Wamp
Waters
Watt (NC)
Weldon (FL)
Whitfield
Wicker
Wolf
Young (FL)

ANSWERED ''PRESENT''—1

Souder

NOT VOTING—11

Berman
Bilbray
Frank (MA)
Houghton
Lantos
McDermott
Oxley
Peterson (PA)
Reyes
Shuster
Weldon (PA)

□ 2234

Messrs. METCALF, LUTHER, DOGGETT, NADLER, HILLEARY and MARKEY and Mrs. MEEK of Florida and Ms. WATERS changed their vote from ''yea'' to ''nay.''

Mr. ROTHMAN and Mr. BURTON of Indiana changed their vote from ''nay'' to ''yea.''

So the motion was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERMISSION TO FILE CONFERENCE REPORT ON H.R. 1905, LEGISLATIVE BRANCH APPROPRIATIONS ACT, 2000

Mr. YOUNG of Florida. Mr. Speaker, I ask unanimous consent that the managers on the part of the House may have until midnight tonight, Wednesday, August 4, 1999, to file a conference report on the bill (H.R. 1905) making appropriations for the legislative branch for the fiscal year ending September 30, 2000, and for other purposes.

The SPEAKER pro tempore (Mr. LAHOOD). Is there objection to the request of the gentleman from Florida?

There was no objection.

MOTION TO INSTRUCT CONFEREES ON H.R. 1905, LEGISLATIVE BRANCH APPROPRIATIONS ACT, 2000

Mr. TOOMEY. Mr. Speaker, pursuant to section 7(c) of House rule XXII, I offer a motion to instruct House conferees on the bill (H.R. 1905), making appropriations for the Legislative Branch for the fiscal year ending September 30, 2000, and for other purposes.

The SPEAKER pro tempore. The Clerk will report the motion.

The Clerk read as follows:

Mr. TOOMEY moves that the managers on the part of the House at the conference on the disagreeing votes of the two Houses on the Senate amendments to the bill H.R. 1905 be instructed to insist upon—

(1) the House provisions for the funding of the House of Representatives under title I of the bill;

(2) the Senate amendment for the funding of the Senate under title I of the bill, including funding provided under the heading ''JOINT ITEMS—ARCHITECT OF THE CAPITOL—Capitol Buildings and Grounds—senate office buildings'';

(3) the House provisions for the funding of Joint Items under title I of the bill, other than the funding provided under the heading ''JOINT ITEMS—ARCHITECT OF THE CAPITOL—Capitol Buildings and Grounds—senate office buildings''; and

(4) the House version of title II of the bill.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Pennsylvania (Mr. TOOMEY) and the gentleman from Arizona (Mr. PASTOR) each will be recognized for 30 minutes.

The Chair recognizes the gentleman from Pennsylvania (Mr. TOOMEY).

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

Mr. Speaker, all year long as we have been wading through the budget and the appropriations process, we here in this House have been debating the proper level of the Federal Government spending. Despite a clear institutional bias I would argue on the part of the Federal Government in general to spend ever more dollars, by and large the Republican majority in this House and many of our colleagues on the other side of the aisle have exhibited a great deal of restraint in the growth of

government in general, and, frankly, we have been very responsible with our budgeting thus far. I would like to reflect for a moment just on what we have done.

First of all, we have set aside the Social Security surplus for the next 10 years in our budget. We have provided priority funding for key government functions, such as defense and education. I think we have recognized by and large the importance of maintaining the projected surpluses so that we can pay down some debt and reduce taxes.

My point is, Mr. Speaker, that, by and large, this body has been doing a great job demonstrating some fiscal discipline. We think our leadership deserves a lot of credit and think the appropriators deserve a lot of credit, as do my colleagues on both sides of the aisle.

Just as a reminder, we are at the point of passing ten appropriations bills, and it is a remarkable accomplishment what we have done with these thus far. We have essentially freezed spending on Agriculture, Treasury and the Interior Departments, we have got a small reduction in military construction, a 4 percent reduction for the Energy Department, an over 4 percent reduction for the Transportation Department, an over 5 percent reduction in foreign aid, and about a 25 percent reduction for the District of Columbia.

Now, there are two exceptions to this trend that we have established. The first is defense. I think it is clear that it is high time that we started to rebuild our military forces and provide our men and women in uniform the resources they need to carry out their job, and we begin that with the defense appropriation bill.

Unfortunately, Mr. Speaker, the other exception to this trend of holding the line on spending now appears to be the bill that funds Congress itself. Just last Friday the House Committee on Appropriations significantly increased the 302(b) allocation for the legislative branch appropriations bill. This new 302(b) allocation will increase the overall non-emergency spending in this bill by 5.4 percent over last year's number.

Now, in order to spend that much money, to reach that level, the conferees would have to substantially increase the funding levels within this bill well beyond the levels that were approved by this body on June 10, just two months ago.

Mr. Speaker, I just do not think that is right, and I am therefore offering a motion to instruct conferees that is really very simple. My instructions would say, stick with the numbers we gave you. Hold the line on spending. Let the legislative branch of this government lead in the fight for fiscal discipline by example. Finally, let us reflect the will of the House.

I would like to go to my chart to explain exactly what my motion would do.

□ 2245

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

Mr. TOOMEY. I yield to the gentleman from Hawaii.

Mr. ABERCROMBIE. Mr. Speaker, I have a point of inquiry.

With this motion to instruct, can the gentleman tell me whether or not the cost of living allowance for our staffs will be in any way adversely affected?

Mr. TOOMEY. There is no cost of living adjustment for the staff that I am aware of in the current bill.

Mr. ABERCROMBIE. So if this bill is passed, regardless of the gentleman's instruction, the gentleman does not intend to include a cost of living allowance for our staffs?

Mr. TOOMEY. It is up to the individual Members to decide how they spend their Members' account.

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

Mr. TOOMEY. I yield to the gentleman from Oklahoma.

Mr. COBURN. Mr. Speaker, the average Member in the House of Representatives turns back almost $45,000 a year, of which, if we gave our staff an 8 percent increase, we would have more than enough money, based on that average turnback.

So the fact is, there is plenty of money turned back in now to have every Member and all their employees a cost of living increase.

Mr. TOOMEY. Mr. Speaker, this chart depicts the spending of the legislative branch appropriations bill in fiscal year 1999, and it reveals the instructions that I would intend in my motion for fiscal year 2000.

As Members can see, the Senate vote for 1999, the Senate appropriation was $524 million. The House was $776. The joint other category, which as we know covers such things as buildings and grounds and the Library of Congress, comes to $1 billion and 50 million. The grand total is $2,350.

On June 10 this body adopted a bill that allocates basically the exact same level for the House, $777 million. It voted for a slight increase in the joint other category of $1,085,000,000. The Senate in its bill voted for a $554 million, which is about a 5.7 increase, and 11.24 for the joint other category.

What my motion simply does is it asks our conferees to reflect the will of the House. That means that the House number would be reflected, or the House number for both the House itself and for the funding of the joint and other categories would be the House numbers, and the Senate would stick with its own number.

That would leave the total funding for the bill at $2,416 million. That would be a 2.8 percent increase over fiscal year 1999, and would be approximately $62 million lower than the new 302(b) appropriation allocation, if it were fully funded.

Mr. Speaker, I think that it is very important, as I said earlier, that our conferees reflect the will of this body, which has already voted on this matter, which has voted for these numbers.

I am not suggesting that we change the number that the Senate has voted for itself. I think it is important that we do this to simply lead in the process of demonstrating our fiscal discipline.

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

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

Mr. Speaker, I want to thank the gentleman for bringing the motion to instruct, but I have to inform the House and the Speaker that approximately 2 hours ago the conference on this particular bill concluded, and but for a technicality that it may not have been filed, the discussion and the instructions are moot, I would tell the Members.

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

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

Mr. Speaker, I would ask my colleague, has the conference report been filed?

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

Mr. TOOMEY. I yield to the gentleman from Arizona.

Mr. PASTOR. Mr. Speaker, I know that the staff was about to file it, and I do not know whether or not it has been filed, but everyone was trying to get this thing filed. There was a unanimous consent to file it by midnight. Maybe the chairman of the committee could add to that.

Mr. TOOMEY. Reclaiming my time, it is my understanding that it has not yet been filed, so it is not a moot point until it is actually filed. It is my hope that when it does get filed, it would reflect the levels that the House voted for.

Mr. PASTOR. Mr. Speaker, I yield 2 minutes to the gentleman from Wisconsin (Mr. OBEY).

Mr. OBEY. Mr. Speaker, I would simply make two observations.

A short while ago I was asked by the majority leadership whether, as the ranking minority member on the Committee on Appropriations, I would agree to unanimous consent to bring up the legislative appropriation bill and the District of Columbia appropriation bill and one other appropriation bill so that we could finish our work tomorrow, instead of spilling over into Friday. I told them I would try to get that done, at least on two of the three.

Now we are being told that we perhaps should not consider that on this side of the aisle because the gentleman is going to offer a motion to instruct

on a package which the leadership has already asked me to cooperate with in getting to the floor as soon as possible. We cannot cooperate in both efforts at the same time, because they go in different directions.

Second, I would simply say that the cut that was made in the House bill originally averaged about $65,000 for each and every Member's office account. I would simply point out that the result that the gentleman says he is trying to seek, where the House would stick with its numbers and the Senate would stick with its numbers, would continue a practice which has led to a situation in which the average staffer for a Senator, for the same work done by the staffers for people in this House, gets $16,400 more.

That is just not justified, but the reason it happens is because the Senate continually assures that there is enough room in office accounts to fully provide for COLAs, and the House often does not. On a number of occasions, we have denied them to our staffs.

I would point out that given the House action earlier this year on Members' pay, where this House voted by a very large margin to assure that Members would receive a COLA, it would be the height of outrageous behavior if, having received that COLA for ourselves, we then take actions which would make it very difficult for a good many Members in this institution to provide that same cost of living increase for the people who work for us.

Mr. Speaker, there are some Members, no doubt, who have enough room in their office accounts, but there are many more who do not. The fact is that there are a lot of Members of this House who represent almost 100,000 more people than some of the rotten borough districts that we have in the country.

So I would suggest that the average amount left in each Member's office account is misleading. In fact, it is meaningless. What we have to do is to determine on a case-by-case basis the situation for every office.

I would simply say I would find it, indeed, ironic and cynical if this House allows Members of Congress to receive a cost of living increase while it takes action on this bill that denies people who get paid a whole lot less than we do.

Mr. TOOMEY. Mr. Speaker, I yield myself such time as I may consume to make a brief response. Then I am going to yield to my colleague, the gentleman from Oklahoma.

I would point out that there is nothing in these instructions which set levels of staff salaries and nothing in the instructions which would forbid Members from changing the level of staff salaries.

Mr. Speaker, I yield to the gentleman from Oklahoma (Mr. COBURN).

Mr. COBURN. Mr. Speaker, I thank the gentleman for yielding to me.

Mr. Speaker, there is no question I want our staff to be adequately paid. I do not think that is what this is about. It sounds good, but it is not.

We have so liberalized the rules on Membership's accounts that we can move money from office overhead, we can take our mail money, which averages well over $100,000 per Member, the frank, and use that money for staff salaries. The fact is, there is nothing in this motion to instruct that limits Members' abilities to pay their staff competitive salaries with the Senate.

The other thing that I would say is that we are seeing reflected in the House through the appropriation process how good of a job we do in our own offices. What we are saying is, we cannot control the costs in our own offices, we cannot run them efficiently. Therefore, we need to have more money.

People on social security this year are going to get less than 2 percent, and what the conference is about to do is to increase the MRAs for every Member 5 percent.

If Members want to tell their seniors that they deserve 2½ times the increase that they have to buy the food and buy the drugs that are out there for their living, that is fine, vote against this motion to instruct. But if Members think we ought to lead by example, that we ought to do the hard work, maybe we will send less mail in terms of mass mailings, maybe we will just answer the letters that come to us and not use it as a political wedge, then we can accomplish what we need for our staffs and we can live within a budget, as we are asking the American people to do as we try to live within the caps and not spend social security money.

Mr. PASTOR. Mr. Speaker, I yield 1 minute to the distinguished gentleman from Wisconsin (Mr. OBEY).

Mr. OBEY. Mr. Speaker, I would just like to say that the remark that there is nothing in this motion that affects pay is, in my view, at least indirectly ingenuous. The fact is that Members provide for the cost of living increase for their staff from the office accounts that are funded in this bill. We do not have to directly go after those COLAS. If we simply shrink the total amount available, we effectively shut off the Members' ability to provide that cost of living for their staffers.

I think every worker in America ought to judge Members of Congress at least in part on whether or not they treat their staffs at least as well as they treat themselves. A Congress that provides itself a pay raise and makes it more difficult at the same time for their employees to get a COLA is hypocritical.

Mr. TOOMEY. Mr. Speaker, I yield such time as he may consume to my colleague, the gentleman from Wisconsin (Mr. RYAN).

Mr. RYAN of Wisconsin. Mr. Speaker, I would like to just talk about some of the issues. We can budget in our offices our COLA increases for our employees. It is up to us as managers of our office accounts to budget appropriately and to budget COLA increases, cost of living increases, for our employees.

But I would like to go back and talk about what the gentleman from Oklahoma said. The seniors in my district are not getting 5 percent increases in social security payments this year. The seniors in my district are getting less than 2 percent increases in social security, COLA increases.

I think it is time for Congress to lead by example. I think it is important that when we have made such a historic move this year to wall off social security, and let me just rephrase this, this year for the first time in a generation, for over 30 years, Congress passed a budget that stopped raiding social security.

This is the first Congress that has done this in so long, we should lead by example. Because we chose to stop the raid on the social security trust fund, that drives many other budget decisions around here. It makes spending less in other areas, because for once in a generation, we are not going to raid the social security trust fund.

That is why all we are saying, take the House number, which is lower than the Senate number in a legislative branch appropriations bill, a 2.4 percent increase, not a 5 percent increase. It is very important that we lead by example and we free up the fiscal space to pass our appropriation bills on budget and away from the raiding of social security, as we are doing.

Mr. PASTOR. Mr. Speaker, I yield such time as he may consume to the gentleman from North Carolina (Mr. TAYLOR), the distinguished chair of the Subcommittee on Legislative.

Mr. TAYLOR of North Carolina. Mr. Speaker, I appreciate the gentleman yielding time to me.

Mr. Speaker, I commend all these young Members and all the people who have been working for a balanced budget, as well as reserve funds for social security and the efforts we have made.

In fact, if the legislative branch, and I owe this to my predecessors, because the last two chairmen have reduced the legislative branch substantially. We are not even back up to where we were in 1993 and 1994, even with inflation. I hope we can stay below that.

I also point out that we are substantially below the caps that were given to us. We are going to report a bill that is substantially below the caps. I am not sure any other committee will be doing that.

Mr. Speaker, I would say to all of us in the body that if they have a $1.8 trillion corporation, they are not going to talk about not having adequate staff and qualified staff to carry out the

funding and the appropriations of that $1.8 trillion appropriations.

□ 2300

If one does, then one is pennywise and pound foolish because one has to have adequate people and pay them adequately, especially in today's market, to carry out that task.

We have in our report returned a portion of the MRAs to the Members, and I certainly support that. I agree with the gentleman, what he said about a lot of Members will return portions of the budget. I commend them for doing that. If they have the ability to do that, they certainly should.

But we all know that every district is different in this country. If I were in, for instance, a district where I had one television station and I could report to the people what was happening in the Congress without mail or without any communication other than that television station, and there are Members of the Congress that do that, then I would be able to return more of my money.

But I have 15 rural counties, and the only way I can report is to give them a report by mail. In my district, over 90 percent of the people regard that as favorable, and they respond so. They point out that they want more information, not less, about what is going on in Congress. As I say, if the people in my district support that, then I am certainly going to continue to put my efforts in that area to tell them what is going on in this body.

I think that, as I say, we have done a good job. The word ''conference'' means that we go across the body and we have to confer with the Senate. They asked for a lot more money. They did not get it all. They got some. Because, in a conference, one has to give and take. We would have liked to have spent less money, but we held the line very diligently. I think we will be proud of this report.

I would also point out that I do not think any Member who has spoken tonight has consulted with either the committee chairman or the ranking member or the staff to see what actually we have done. They may be surprised that we have held the line much better than previously than what they think may have been happening.

So I would commend this report to my colleagues. It will be coming before we leave in August. I think that my colleagues may be more proud of it in this body than they might think.

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

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

Mr. Speaker, once again, I want to remind my colleagues, Mr. Speaker, of what I said at the beginning, which is I think our appropriators have done an excellent job thus far this year, and I think we are going to finish up the process with an excellent track record.

My colleague indicated that there are, in all likelihood going to be pleasant features to this bill when we see it. I hope, in fact, that the conferees did hold the line and that the funding levels will, in fact, reflect the will of the House as it was voted on back in June.

Again, we have done a great job thus far ensuring that we are going to see the surpluses that we believe we will see, and that means we are going to be able to do the right thing with respect to Social Security, with respect to lowering the tax burden on the American people.

I just hope that we finish the job and we show that we can lead by example that a 2.8 percent increase in our own budgets is sufficient for us. We do not need to go higher than that.

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

The SPEAKER pro tempore (Mr. LAHOOD). Without objection, the previous question is ordered on the motion to instruct.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to instruct offered by the gentleman from Pennsylvania (Mr. TOOMEY).

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Mr. TOOMEY. Mr. Chairman, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, further proceedings on this motion will be postponed.

SPECIAL ORDERS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 1999, and under a previous order of the House, the following Members will be recognized for 5 minutes each.

THE ORGANIZATION FOR SECURITY AND COOPERATION IN EUROPE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida (Mr. HASTINGS) is recognized for 5 minutes.

Mr. HASTINGS of Florida. Mr. Speaker, I rise today to share with my colleagues the results of the highly productive and informative experience that the U.S. delegation had at the Annual Session of the Organization for Security and Cooperation in Europe Parliamentary Assembly—or the OSCE PA. As many of you know, this year seventeen members of Congress formed the U.S. delegation, and as the U.S. delegation does every year, we attended the Parliamentary Assembly's Annual Session in a member country of the OSCE. This year's Annual Session was in St. Petersburg, Russia and met from July 6–10. I am pleased to inform my colleagues that our week in St. Petersburg was a successful one, both for the entire Assembly and especially for the U.S. delegation.

The purpose of the Annual Session is to bring parliamentarians together in order to discuss and assess developments in conflict resolution within Europe, as well as to form proactive means of approaching a wide range of security issues, including arms control, preventive diplomacy, human rights and economic security. These thoughts, recommendations, and goals are then compiled into a declaration, which is ultimately adopted by the entire Parliamentary Assembly.

I draw inspiration from this document for many reasons. On its surface, this document is a comprehensive and vital educational tool. It brings to our attention gross violations of human rights, such as the international trafficking of women and children; it offers us effective methods to continuing the peace process in Yugoslavia and Kosovo; and it describes initiatives of securing peace and democracy throughout Europe. In effect, the St. Petersburg Declaration serves as an important reference on a wide scope of events and issues, which better aids us all in understanding the current global order.

On a secondary level however, the St. Petersburg Declaration, and the OSCE PA declarations that preceded it, demonstrate the value of inter-cooperation and dialogue between countries. The OSCE parliamentarians form a body of representatives from fifty-five governments throughout Europe, Central Asia, and North America; and it has adopted an all-embracing approach in its membership and approach to security, conflict resolution, and economic cooperation in the OSCE region. Consequently the Parliamentarians bring to the OSCE PA a vast range of knowledge and experiences that complements and supplements one another. In a time of fungible borders and instantaneous communication between continents and cultures, it behooves us all to understand these varying perspectives and opinions.

More important, however, is the OSCE's ability to use this collection of experience and thought for the greater good of security in Europe and justice throughout the world. The sum of the parliamentarians' collective expertises and experiences is so much greater than the individual parts. Indeed, when brought together and shared in such a forum, there is an exchange of ideas that better enables us to understand the root of global concerns, and ultimately how the international community can best take action to remove these problems. In effect, we are able to combine the best ideas and developments of our various countries in order to work toward peace and cooperation throughout the world.

Such innovation and progress would simply not be possible if we acted as isolated agents, and I firmly believe that the effectiveness of the OSCE PA lies in its ability to draw on both our shared and unique experiences. The St. Petersburg Declaration reflects the value of this interrelationship, and I am grateful for the opportunity to both learn from and contribute toward it.

While I am certainly proud to be a member of a distinguished body like the OSCE PA, it gave me particular pleasure to attend the Assembly as part of the U.S. delegation. This

group of seventeen members enjoyed many successes in St. Petersburg. The St. Petersburg Declaration contains several U.S. authored initiatives, including Representative Chris Smith's resolution on ''The Trafficking of Women and Children,'' Senator George Voinovich's ''Regional Infrastructure in South-Eastern Europe,'' section and Representative Louise Slaughter's section on ''The Assassination of Galina Starovoitova.'' Moreover, I, along with several other members of the U.S. delegation, contributed significantly to the chapter on ''Common Security and Democracy in the Twenty-First Century.''

The accomplishments of the U.S. delegation were certainly appreciated by the entire Parliamentary Assembly, and we were each encouraged to share the principles and goals of the OSCE with our colleagues in Congress. I would therefore like to take this opportunity to also encourage other members of Congress to familiarize themselves with the OSCE, and ultimately to take steps to continue our participation with this organization.

We are faced with a time of significant regional conflict. Eastern Europe is still in the recovery process of Slobodan Milosevic's brutal ethnic cleansing of Kosovar Albanians, and it will take many months, if not years, before the hundreds of thousands of refugees are able to return to their homes and resume their familiar lifestyles. Indeed, it will take considerable time for all of the residents of this region to recover from the rampage and injustices that were committed in this area.

These conflicts may sometimes seem isolated and removed from our own challenges and goals as a nation, but we have, in fact, entered a time where our setbacks and successes should be shared. We have a responsibility to use our successes as a means of alleviating other countries' setbacks. As I have said, the OSCE presents us with a viable and effective forum to share our resources, and the United States needs to remain engaged and build upon its place within their collective dialogue, rapporteur missions, peacekeeping operations, and peaceful dispute resolutions.

Last month I introduced a bipartisan resolution expressing this sentiment. H. Con. Res. 161 extends the support of Congress to the OSCE and the goals of the St. Petersburg Declaration, as well as urges the United States to continue its role with this important international organization. Please show your support of the OSCE by cosponsoring this resolution.

As key players in the international community, the United States has historically and continues to take an active part in international organizations and institutions, such as the United Nations, the North Atlantic Treaty Organization, and the OSCE. I am confident that our commitment to these institutions will remain strong. Ultimately, it is my hope and belief that together we can secure peace, democracy, and justice throughout the world.

IMPORTANT PROVISIONS FOR PATIENT PROTECTION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Louisiana (Mr. VITTER) is recognized for 5 minutes.

Mr. VITTER. Mr. Speaker, after careful thought and consideration, I rise this evening in support of patient protection. I do this for a very simple reason in the final analysis. I believe that doctors, not insurance companies or HMOs, must have the final say on patient care. That is why I have many strong concerns with the Senate bill and would oppose that legislation in its present form.

Here are the provisions I believe are important to Americans, including those in my district: Legislative protections against abuse should be extended to the more than 100 million not covered in the Senate bill. There must be independent external medical review. Patients need maximum flexibility to select doctors and should be able to see pediatricians and OB/GYNs without referrals from other doctors. ER visits should be governed by a prudent lay person standard. Doctors should define medical necessity. There must be meaningful economic sanctions against companies that refuse to provide care approved by the external review process.

I know the importance of controlling health care costs, but a business bottom line, Mr. Speaker, should never be allowed to take precedence over medical necessity. We can allow insurers to continue to control costs and provide necessary patient protections. Many States have done that, including my own, Louisiana, including our neighbor, Texas. We can do it as a Nation.

TRIBUTE IN HONOR OF OFFICIAL DESIGNATION OF GRAND HAVEN, MICHIGAN, AS COAST GUARD CITY, U.S.A., AND CELEBRATING 75 YEARS OF COAST GUARD TRADITION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan (Mr. HOEKSTRA) is recognized for 5 minutes.

Mr. HOEKSTRA. Mr. Speaker, this weekend marks a very special time in the history of one of the communities in the Second Congressional District of Michigan.

For the past 75 years, Grand Haven, Michigan has celebrated its relationship with the U.S. Coast Guard and the contributions of the Coast Guard to our country as a whole.

Since 1934, the city has hosted the Coast Guard Festival, which has included a major parade, displays of various Coast Guard vessels, and a variety of ceremonies that focus on the special relationship, the special partnership between the Coast Guard and the community of Grand Haven.

Since 1963, when then-U.S. Coast Guard Admiral Richard Schmidtman attended one of these celebrations to dedicate the city's famous Musical Fountain, Grand Haven has proudly displayed the unofficial title of ''Coast Guard City, U.S.A.''. This designation was taken directly from Admiral Schmidtman's remarks. Ever since, signs near the entrances of the city have informed visitors that they were entering Coast Guard City, U.S.A.

As I said, that designation has been unofficial. That is until this year. As part of the Coast Guard reauthorization act of 1999, this Congress made it possible for the Commandant of the U.S. Coast Guard to officially declare an American town as ''Coast Guard City, U.S.A.''.

I am happy to report to this House that, on this coming Saturday, August 7, 1999, U.S. Coast Guard Commandant Admiral James Loy will be in Grand Haven to make it official. Grand Haven will be Coast Guard City, U.S.A.

□ 2310

He will do that this week at the 1999 Coast Guard festival.

I have worked with several Members of the House and the other body for several years to make this designation a reality. I would like to thank all the people who worked with me to get this legislation approved, including Senators ABRAHAM and LEVIN, the gentleman from Michigan (Mr. EHLERS), the gentleman from Maryland (Mr. GILCHREST), and the gentleman from Pennsylvania (Mr. SHUSTER), who were especially helpful.

I also want to thank the local officials in Michigan, especially Coast Guard festival executive director Jerry Smith. Also various people at the U.S. Coast Guard, including former Commandant Admiral Robert Kramek. And Members of my staff, especially Todd Sutton and Chris LaGrand. I would like to thank all of these people for their patience and for their hard work.

Most of all, I congratulate the people of Grand Haven and their dedication and respect for the men and women of the U.S. Coast Guard. For more than 75 years, this community on the shores of Lake Michigan at the mouth of the Grand River has welcomed the Coast Guard personnel with open arms. They have celebrated their relationship with the Coast Guard since the first community Coast Guard picnic way back in 1924.

In 1943, the city's residents also shared the Coast Guard's pain. They shared the Coast Guard's pain with a memorial service honoring the crew and the crew members of the Coast Guard cutter Escanaba, which had been based in Grand Haven from 1932 to 1940. One hundred and one men were lost when the ship was sunk by a German U-boat in the North Atlantic during World War II on June 13, 1943.

The city shared its pain, but also its resources. The city showed its commitment to the U.S. Coast Guard by raising funds to build a replacement, which was named the Escanaba II. The mast of the original Escanaba was saved and

erected as a monument to those fallen heroes in Grand Haven's Escanaba Park, where it still remains today.

Mr. Speaker, it is with great pleasure that I congratulate Grand Haven, which from Saturday and henceforth will be known officially as Coast Guard City, U.S.A.

A TRIBUTE TO MARY CRITCHLOW KASTEN, ''GRANDMOTHER'' OF THE MISSOURI HOUSE OF REPRESENTATIVES

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Missouri (Mrs. EMERSON) is recognized for 5 minutes.

Mrs. EMERSON. Mr. Speaker, I rise today to express my admiration and respect for one of the most caring and effective public servants I have ever had the privilege to know, Representative Mary Kasten is lovingly known as the ''grandmother'' of the Missouri House of Representatives, and she has served the folks of Cape Girardeau for the last 16 years. She has decided to step down from this calling in January 2001 after serving the ''people's body'' in Missouri for 18 years.

If Mary's only contribution to her fellow man was this representation, she would be deserving of this special tribute. However, Mary Kasten, the farm girl from Matthews and New Madrid County, is and has been much more. In fact, Mary's service in the legislature is only a small snapshot of a life that is truly a panorama of helping others. As a mother to her children, Mark, Mike and Meg, a wife to Mel Kasten, her husband of 50 years, and a teacher reaching out to kids and parents alike, Mary always sought to help brighten the lives of others.

In every endeavor Mary honored her personal commitment to God, family, country and her fellow man. Miss Mary, as we know her, honored her Lord by serving as a Sunday school teacher and choir member in the St. Andrews Lutheran Church. As a mom, she was and is the best example I have known of a mom who cares. She volunteered at every level to help her children and be involved in their lives. Later, she served on the Cape Girardeau school board and held various offices for 20 years. She also continued her service to education by serving on the board of regents at Southeast Missouri State University her alma mater. As a wife, Mary and Mel have been inseparable, and except for her times in Jefferson City, Mary and Mel go everywhere together. Their marriage is an inspiration to all of us.

For almost everyone who knows Mary, the first thought that comes to mind is her selflessness and her sensitivity and caring for her fellow man. It is that caring that truly makes Mary worthy of tribute. She is indeed the human manifestation of the golden rule of doing unto others as you would have them do unto you.

But in Mary's case it is no quid pro quo but a genuine love of all humankind. I personally have seen this caring when Mary and Mel took care of mine and Bill's daughter Tori when Katharine was being born. Bill was on the campaign trail 3 or 4 hours from home and Mary and Mel became Tori's surrogate parents, and even put her to bed with them. At every turn, the Kasten's have been a part of the Emerson family, from the birth of Katharine and even in Bill Emerson's death, Mary and Mel opened their home to our entire family and became the nurturing core for the grieving family and our friends.

In fact, it is probably this empathy with others that inspired Mary to her greatest public service, and that was the beginning of the Cape Girardeau Community Caring Council. Mary's brainchild of making programs really work for people began in southern Missouri and is now being replicated in the rest of the State and nationwide. In fact, Mary Kasten and caring are indeed words that are synonymous with me and the hundreds who have known and worked with Miss Mary.

It is indeed an honor to offer this tribute on the floor of the House of Representatives, because I can think of no one more deserving than Maighten the lives of others.

In every endeavor Mary honored her personal commitment to God, family, country and her fellow man. Miss Mary, as we know her, honored her Lord by serving as a Sunday school teacher and choir member in the St. Andrews Lutheran Church. As a mom, she was and is the best example I have known of a mom who cares. She volunteered at every level to help her children and be involved in their lives. Later, she served on the Cape Girardeau school board and held various offices for 20 years. She also continued her service to education by serving on the board of regents at Southeast Missouri State University her alma mater. As a wife, Mary and Mel have been inseparable, and except for her times in Jefferson City, Mary and Mel go everywhere together. Their marriage is an inspiration to all of us.

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It is indeed an honor to offer this tribute on the floor of the House of Representatives, because I can think of no one more deserving than Mary Kasten to be recognized in the people's House. If Bill Emerson were alive today, I know he would gladly give Mary this very same tribute to her service to the people. The girl from New Madrid County who served and broke new ground in politics and public service deserves, in my opinion, the same tribute made to bill.

Mary Kasten is truly deserving of the favorite Teddy Roosevelt quote ''In the Arena,'' and I quote:

> It is not the critic who counts, not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, and comes short again and again, because there is not effort without error and shortcoming; but who does actually strive to do the deeds; who knows the great enthusiasms, the great devotions; who spends himself in a worthy cause; who at the best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly so that his place shall never be with those cold and timid souls who know neither victory nor defeat.

Mary Kasten, our world is a better place because you have served all of us in the arenas of our lives, and for that we truly thank you.

THE TAX BILL

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. SHERMAN) is recognized for 5 minutes.

Mr. SHERMAN. Mr. Speaker, there has been a lot of partisan talk about the tax bill, and I can understand it. A bill of $800 billion, exploding to $3 trillion in the second 10 years, does indeed put our economy at risk. A bill that says lock up the Social Security money for Social Security but then take every bit of the regular general surplus, or virtually all of it, and pay that out as

tax cuts. Regardless of whether that surplus actually arises, pay it out, lock it into the law. That could be regarded as fiscally irresponsible by many of us on the Democratic side of the aisle.

□ 2320

And of course, there are many partisans who would recognize that if we do not use the opportunity to pay off the debt now while the baby-boomers are in their peak earning years, that when the baby-boomers retire, there will not be any capacity to use general fund revenues to help make Social Security last through its most challenging demographic era and that as a result we will hear the cries at the first economic hiccup for cuts in Social Security or increases to FICA taxes.

Yes, indeed, with all that fiscal irresponsibility and all that risk to the Social Security system, some Democrats decry the bill in the most partisan terms. But do my colleagues know, we should not just decry the bill. Because as a tax lawyer, I was just amazed by it as I read each provision.

How is it that they could write a tax bill giving 45 percent of the benefit to only one percent of the people in the country? We should not decry the bill. We should be impressed by its draftsmanship.

Let us talk about some of the amazing provisions of this bill. This is a bill that turns to 50 million Americans at the base of our economic pyramid and says they get a tax cut of 8 cents per day per family. Split it up at the breakfast table, all 8 cents a day. Of course, a tax cut of over $54,000 a year to each family in the top one percent.

So how are they able to achieve such a dramatic result? One example, they take and give to American companies that shift jobs overseas 60 times the benefits that they provide to 50 million Americans. They do this by changing the interest allocation rules so that those companies that make equity investments abroad, that is to say build factories in other countries and while perhaps closing them down in the United States, benefit. They get huge tax breaks.

Whereas, it is 8 cents a day for the working poor and for the lower middle class in the United States.

But when we get to the details, there are some other provisions that are almost as striking. For example, there is a list of special deals for the oil companies, such as allowing a 5-year carryback of NOLs while the rest of the business world only gets a 3-year carryback, suspending the 65 percent taxable income limitation on the use of percentage depletion, allowing geological and geophysical cost to be deducted current, while good accounting practice calls for those costs to be capitalized; allowing delay rentals to be deducted currently, when the proper accounting for them is to be capitalized; and modifying the refining threshold in section 613(d)(4) so that integrated oil companies can get the benefits previously reserved for independent oil companies and wildcatters.

And here is a special deal for oil where they get twice the benefit of all of the benefits that we give to 50 million Americans goes to just a few American oil companies and that they get a tax credit for the money they pay to Saudi Arabia and Kuwait for taking the oil out of those desert sands. They get reimbursed for what they spend for the oil that they then sell to us.

Mr. Speaker, as 20 years as a CPA and 2 years as a tax judge, I know tax fraud when I see it; and this Republican tax bill indeed is tax fraud. It is a giant shift of wealth to the wealthiest one percent of Americans. We should reject it.

SCHOOL CONSTRUCTION IN AMERICA

The SPEAKER pro tempore (Mr. SWEENEY). Under the Speaker's announced policy of January 6, 1999, the gentleman from North Carolina (Mr. ETHERIDGE) is recognized for half the time until midnight as the designee of the minority leader.

Mr. ETHERIDGE. Mr. Speaker, I want to thank my Democratic colleagues for joining me this evening as we take some time in this very late hour to talk about a very important issue, school construction and the companies that we are sending our children back to across this country.

Because across America this week and next week and in the next several weeks to come, depending on where one might live, summer vacations are coming to a close, parents are shopping back-to-school sales, and teachers and students are gearing up for the coming year.

In my home county and State, a lot of the schools have already opened and they are going to school. Unfortunately, in many of those schools, it is very hot, they are not air-conditioned the way they should be. But children are in school.

In some communities, we find that children are not going to school in schools. They are in trailers. They are in closets. They are in basements. They are in hallways. And they are in anyplace that we can get children into because the crowding is so bad.

Unfortunately, this Congress has failed to act to provide our local communities with any assistance with quality facilities for our children.

I could not help but think earlier today we have passed foreign aid bills, we have passed emergency aid bills that we send overseas for foreign children to have decent places to go to school in in some communities; and yet, for our own children here in America, Members of the majority say it is not Congress's responsibility to get involved.

It seems like I remember reading in my history books that that was not the responsibility of Congress when we needed water, sewer, rural electric power, and a whole host of long lists. And ultimately we got involved and provided electricity for rural America, the one thing that changed it. And the list goes on.

Mr. Speaker, our schools are bursting at the seams. The communities throughout my district and throughout this country, the flood of student enrollments are swamping our ability and the ability of local communities and local taxpayers to meet the needs.

It is time for this Congress to stop arguing and start acting. I have written legislation, H.R. 996, that will provide $7.2 billion in school construction bonds. On the Democratic side today we lined up to sign a discharge petition to bring the school construction bills to the floor so that we could take action and help children.

I will talk more about that in a minute, but at this point let me yield to one of my colleagues from California, who is a real leader in this Congress on educational issues. Before she came to Congress, she was a school nurse. She knows about the issues teachers face every day, the issues children face.

Mr. Speaker, I yield to the gentlewoman from California (Mrs. CAPPS) for comments on this issue as it relates to California and her district.

Mrs. CAPPS. Mr. Speaker, I am honored to have my colleague yield time to me, particularly with his strong background in education. Being a former State superintendent, it is a pleasure to work with a professional in support of our Nation's schools.

I believe so strongly that we must come together in the House of Representatives in a bipartisan way to support legislation that will truly improve the quality of education for our children, improve the schools in our local communities and across this country. The future of our children depend on this.

I am so aware that we are the beneficiaries of a generation that instituted the GI Bill of Rights. Many of our parents and our community members and our relatives got the benefit of a country that came together around public schools like nothing before its time. Many of us attended wonderful school buildings.

Unfortunately, these same school buildings have not been improved much since that time, and that is what we are here to discuss this evening.

□ 2330

Mr. Speaker, I will discuss our school system as I experienced it firsthand on the central coast of California where, as my colleague has mentioned, I was

privileged, really honored, to be a school nurse in Santa Barbara School System for over 20 years, and I have seen firsthand the damage that deteriorating schools can do. I have been with students as they have attended classes held in hallways, in teachers' lounges, in utility rooms and in auditoriums. I know that students, we all know that students, cannot thrive academically if they are learning in overcrowded and crumbling classrooms.

I want to pay particular attention to a phenomenon that occurs in many of our growing communities where school buildings are exploding, literally exploding, and when this has happened, it did in the 1950s and 1960s and 1970s in California and across much of the population in the West and throughout the country really, and so portable classrooms were brought in. These portable classrooms were designed for temporary housing of students. Thirty years ago these same buildings with very little improvement are still in use today. It is incredible that we expect our children to learn, hot in the summer, cold and musty and mildewy throughout the year. These classrooms are what our young people are having to attend.

I want to just, and then I will yield back because we have other colleagues here as well, but I want to highlight one particular school district in my central coast district. The Santa Maria Bonita School District which lies at the heart of my district is in such desperate need of funds for school construction. This district was built to house 6,700 students, and currently enrollments are at 10,500. To accommodate the growth 12 of the district's 14 schools have converted to a four-track, year-round school schedule, and 175 portables have been added. To add these buildings means cutting down on valuable playground space. They are stretched to the limit and need funding to build better facilities. This Santa Maria School District has tried twice in the past year to pass bond measures to receive State money to help build new schools. In our State a two-thirds majority is required. By a very small number these measures have failed both times.

To me this is a failure to our children, and we have the opportunity here in Congress to make it easier for our local school districts to obtain the funding that they need to pass their local bond issues. We want the bond issues to be local, we want the support for schools to be local, and yet we have a role we can play here in the Federal Government.

That is why I am so pleased that it is the bill of the gentleman from North Carolina (Mr. ETHERIDGE), his school construction bill, that I have cosponsored and also the gentleman from New York (Mr. RANGEL'S) school modernization bill. Both of these bills offer viable solutions to this serious problem, yet we had to march down and make sure and try to sign to get a discussion of this legislation on the floor.

Today we are preparing students for jobs in the new economy. This is not a laughing matter, this is not a simple or a slight thing. This is a huge challenge that we have before us, to find that the framework and the setting for which this technology can be transferred to the next generation. It is about our economy, it is about the future of our country, and it is about our democracy surviving. To do this students have to have facilities that are big enough, well equipped enough and up to date in every way.

Districts like the one I described, Santa Maria Bonita School District, cannot keep up with these demands, and we have to step up to the plate. We cannot turn the other way any longer.

Mr. ETHERIDGE. Mr. Speaker, I thank the gentlewoman for her remarks, and let me just say to her that one of the things, without dwelling on it as we talk about school construction and the overcrowding and the problems, if we see it in the workplace for businesses, then we know what happens there. Defects of the product goes up. We have problems and a whole host of things happen; as my colleagues know, problems with the employees; and yet we hear people on this very floor clamor about why schools do not do better, why we cannot get better. They want to blame the teachers, they want to blame the system, and yet they turn their backs when it comes time when we can help.

We just had pre-filed a tax bill for just a trillion dollars over the next 10 years, exploding to $3 trillion over 20 years when we could use some money, when a time we have resources to take care of Social Security and Medicare, and pay down the debt and make sure our children have a safe, secure and good environment in which to learn, and you talk about those trailers that are true all across this country, and one thing we need to remember, that when it rains those children get wet going to and from. They go to too small a cafeteria, too small a library, and then we wonder why they do not learn and education is not important to them. We sent a pretty powerful signal that it is not important to us when they do not spend the resources.

Now let me yield to my colleague from California also (Mr. SHERMAN) who certainly has been a leader on this floor in working for education. He understands the tax consequences of when you do not spend your money wisely how you are going to pay a real price in the future.

Mr. SHERMAN. I thank the gentleman from North Carolina. It is an honor to be with him and with the gentlewoman from California (Mrs. CAPPS) because you understand what is most important to the people in my district, which is education, but you understand how we can make it work.

One thing that is obvious to me is that we are going to have smaller classes. At least in California the people have taxed themselves to provide for smaller classes, smaller class sizes. But that means you need more classrooms, and as you have explained and as the gentlewoman from California (Mrs. CAPPS) explained quite eloquently, we need to build new school facilities.

In fact, and this is odd, both parties have agreed in concept that the Federal Government needs to help out, and while I do not match the gentleman's expertise or the gentlewoman's expertise in education, it is perhaps surprising to some people back home that the way that Congress has agreed to try to help schools is through the tax law, and here is where there is a tremendous divergence.

You see, the Democrats had a relatively small tax bill, and yet we found room in that bill to provide real help to school districts. Santa Maria was not able to pass its school bonds, and I can understand that, because people would have to not only pay back the bonds, they have to pay the interest on the bonds, and what the Democratic tax bill did is it funded interest on school bonds across this country. It provided $9 billion of Federal revenue to pay the interest on $22 billion of school bonds. So when Santa Maria dealt with those school bonds, people can say: We will go that far for our kids, we will tax ourselves to pay the principle, and thank God Congress has done something to pay the interest.

But then the Republican bill comes to the floor, and I know the conference report was just introduced. We do not know what is in it. We will read it late tonight, tomorrow morning, but I think what is in it is what was in the House bill that passed a couple weeks ago. And there lurking was a provision supposedly there to help schools issue school bonds under the title of arbitrage.

What is arbitrage? Gambling.

What the Republican bill does, instead of providing real money to pay the interest on the bonds, is it turns to every school district and says: Go ahead and issue the bonds, and you will have to pay the interest on the bonds.

But in the past you had to use the school bonds to build schools pretty quickly. Do not do that.

□ 2340

Issue the bonds, do not build schools, delay the schools. Kids do not need schools, according to the Republican bill. Take the money to Las Vegas or Wall Street and take that school bond money and invest in debentures, invest in interest futures. Invest, if you want, in pork bellies. Then you get to keep the profits.

The Republican bill, desperate to spend no money helping schools but to fool the American public into thinking it helps schools, does nothing more than provide a free airplane ticket to Las Vegas for every school board member in the country so that they can take the school bond money to Vegas and see whether they can beat the odds. If they beat the odds, they can keep the profits for the kids.

Oh, if they lose the money, well, that is what Orange County, California, did, the county to the south of Lois and myself. They tried to play this arbitrage game, and they went bankrupt.

Mr. ETHERIDGE. I thank the gentleman. On that note, let me remind him and those who happen to be watching this evening that as school opens this fall, we will have showing up at the schoolhouse doors across America in the public schools more children than have ever been to public schools in America's history. Last year, as you remember, the secretary released his report on the baby-boom echo, which means all those baby-boomers after World War II now are having children and they are showing up.

Tonight I can report to Members we have talked with the Department today, we do not have the report on the numbers, but there is one thing we can say from what we have heard, that what we saw last year was a ripple compared to what we are going to see when the report comes out very shortly, because those numbers are just absolutely exploding all across America.

In my district, as an example, the baby-boom echoes, we have counties that are in double digits. You say well, there has to be a lot of economic growth there. Unfortunately, they happen to be counties adjacent to an urban center where they are getting a lot of residential growth, not a lot of economic-commercial growth.

For instance, one county, Franklin, had 19.6 percent growth over the last 8 years. My home county, 18.9; Lee County, 17.1, Nash, 17.3. They are all rural counties in transition and property taxes are under a burden. Wade County, the capital county, right at 30 percent. They are welcoming anywhere from 4,000 to 6,000 students this fall, and they have done it for the last several years. That is true across America. The pressure is getting so great out there, and this is a way we can be a help.

Mr. Speaker, the Republican leadership is putting the final touch, and as we heard already, has already put their touches on the final tax bill. We will find out tomorrow morning if they really care about making sure the children in this country have an opportunity for a decent place to go to school. Because if you are in a cold environment in the winter and a hot environment in the summer, and the building roofs leak and the wind blows through the walls, you can talk all you want to about quality education, and then we wonder why we cannot recruit teachers and retain teachers. You do not have to be very bright to figure that out. Business figured that out a long time ago. They provide a good environment for their employees and quality training.

We can do something about it. It is within our goal. We stood in line today to sign the Rangel bill to make sure we got a discharge petition. Today my colleagues are working on it.

Mr. Speaker, I know our time is about to expire. Let me thank my two colleagues from California for joining me this evening. On behalf of the children of America, who only have us to speak for them, because they do not vote, and some of their parents do not take the opportunity to vote, I thank you for coming this evening and sharing and getting into the record the importance of school construction and opportunities for our children.

RECESS

The SPEAKER pro tempore (Mr. SWEENEY). Pursuant to clause 12 of rule I, the Chair declares the House in recess subject to the call of the Chair.

Accordingly (at 11 o'clock and 44 minutes p.m.), the House stood in recess subject to the call of the Chair.

□ 0038

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mr. DREIER) at 12 o'clock and 38 minutes a.m.

REPORT ON RESOLUTION WAIVING POINTS OF ORDER AGAINST CONFERENCE REPORT ON H.R. 2488, THE TAXPAYER REFUND AND RELIEF ACT OF 1999

Mr. LINDER, from the Committee on Rules, submitted a privileged report (Rept. No. 106–291) on the resolution (H. Res. 274) waiving points of order against the conference report to accompany the bill (H.R. 2488) to amend the Internal Revenue Code of 1986 to reduce individual income tax rates, to provide marriage penalty relief, to reduce taxes on savings and investments, to provide estate and gift tax relief, to provide incentives for education savings and health care, and for other purposes, which was referred to the House Calendar and ordered to be printed.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 2684, DEPARTMENT OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES APPROPRIATIONS BILL, 2000

Mr. LINDER, from the Committee on Rules, submitted a privileged report (Rept. No. 106–292) on the resolution (H. Res. 275) providing for consideration of the bill (H.R. 2684) making appropriations for the Departments of Veterans Affairs and Housing and Urban Development, and for sundry independent agencies, boards, commissions, corporations, and offices for the fiscal year ending September 30, 2000, which was referred to the House Calendar and ordered to be printed.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF S. 1467, EXTENDING THE FUNDING LEVELS FOR AVIATION PROGRAMS FOR 60 DAYS

Mr. LINDER, from the Committee on Rules, submitted a privileged report (Rept. No. 106–293) on the resolution (H. Res. 276) providing for consideration of the Senate bill (S. 1467) to extend the funding levels for aviation programs for 60 days, which was referred to the House Calendar and ordered to be printed.

CONFERENCE REPORT ON H.R. 1905

Mr. TAYLOR of North Carolina submitted the following conference report and statement on the bill (H.R. 1905) making appropriations for the legislative branch for the fiscal year ending September 30, 2000, and for other purposes:

CONFERENCE REPORT (H. REPT. 106–290)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 1905) ''making appropriations for the Legislative Branch for the fiscal year ending September 30, 2000, and for other purposes'', having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

Amendment numbered 1:

That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment, as follows:

In lieu of the matter proposed, insert:

SENATE

EXPENSE ALLOWANCES

For expense allowances of the Vice President, $10,000; the President Pro Tempore of the Senate, $10,000; Majority Leader of the Senate, $10,000; Minority Leader of the Senate, $10,000; Majority Whip of the Senate, $5,000; Minority Whip of the Senate, $5,000; and Chairmen of the Majority and Minority Conference Committees, $3,000 for each Chairman; in all, $56,000.

REPRESENTATION ALLOWANCES FOR THE MAJORITY AND MINORITY LEADERS

For representation allowances of the Majority and Minority Leaders of the Senate, $15,000 for each such Leader; in all, $30,000.

SALARIES, OFFICERS AND EMPLOYEES

For compensation of officers, employees, and others as authorized by law, including agency contributions, $89,968,000, which shall be paid from this appropriation without regard to the below limitations, as follows:

OFFICE OF THE VICE PRESIDENT

For the Office of the Vice President, $1,721,000.

OFFICE OF THE PRESIDENT PRO TEMPORE

For the Office of the President Pro Tempore, $437,000.

OFFICES OF THE MAJORITY AND MINORITY LEADERS

For Offices of the Majority and Minority Leaders, $2,644,000.

OFFICES OF THE MAJORITY AND MINORITY WHIPS

For Offices of the Majority and Minority Whips, $1,634,000.

COMMITTEE ON APPROPRIATIONS

For salaries of the Committee on Appropriations, $6,525,000.

CONFERENCE COMMITTEES

For the Conference of the Majority and the Conference of the Minority, at rates of compensation to be fixed by the Chairman of each such committee, $1,132,000 for each such committee; in all, $2,264,000.

OFFICES OF THE SECRETARIES OF THE CONFERENCE OF THE MAJORITY AND THE CONFERENCE OF THE MINORITY

For Offices of the Secretaries of the Conference of the Majority and the Conference of the Minority, $590,000.

POLICY COMMITTEES

For salaries of the Majority Policy Committee and the Minority Policy Committee, $1,151,000 for each such committee; in all, $2,302,000.

OFFICE OF THE CHAPLAIN

For Office of the Chaplain, $277,000.

OFFICE OF THE SECRETARY

For Office of the Secretary, $14,202,000.

OFFICE OF THE SERGEANT AT ARMS AND DOORKEEPER

For Office of the Sergeant at Arms and Doorkeeper, $34,794,000.

OFFICES OF THE SECRETARIES FOR THE MAJORITY AND MINORITY

For Offices of the Secretary for the Majority and the Secretary for the Minority, $1,246,000.

AGENCY CONTRIBUTIONS AND RELATED EXPENSES

For agency contributions for employee benefits, as authorized by law, and related expenses, $21,332,000.

OFFICE OF THE LEGISLATIVE COUNSEL OF THE SENATE

For salaries and expenses of the Office of the Legislative Counsel of the Senate, $3,901,000.

OFFICE OF SENATE LEGAL COUNSEL

For salaries and expenses of the Office of Senate Legal Counsel, $1,035,000.

EXPENSE ALLOWANCES OF THE SECRETARY OF THE SENATE, SERGEANT AT ARMS AND DOORKEEPER OF THE SENATE, AND SECRETARIES FOR THE MAJORITY AND MINORITY OF THE SENATE

For expense allowances of the Secretary of the Senate, $3,000; Sergeant at Arms and Doorkeeper of the Senate, $3,000; Secretary for the Majority of the Senate, $3,000; Secretary for the Minority of the Senate, $3,000; in all, $12,000.

CONTINGENT EXPENSES OF THE SENATE

INQUIRIES AND INVESTIGATIONS

For expenses of inquiries and investigations ordered by the Senate, or conducted pursuant to section 134(a) of Public Law 601, Seventy-ninth Congress, as amended, section 112 of Public Law 96–304 and Senate Resolution 281, agreed to March 11, 1980, $71,604,000.

EXPENSES OF THE UNITED STATES SENATE CAUCUS ON INTERNATIONAL NARCOTICS CONTROL

For expenses of the United States Senate Caucus on International Narcotics Control, $370,000.

SECRETARY OF THE SENATE

For expenses of the Office of the Secretary of the Senate, $1,511,000.

SERGEANT AT ARMS AND DOORKEEPER OF THE SENATE

For expenses of the Office of the Sergeant at Arms and Doorkeeper of the Senate, $66,261,000.

MISCELLANEOUS ITEMS

For miscellaneous items, $8,655,000.

SENATORS' OFFICIAL PERSONNEL AND OFFICE EXPENSE ACCOUNT

For Senators' Official Personnel and Office Expense Account, $245,703,000.

OFFICIAL MAIL COSTS

For expenses necessary for official mail costs of the Senate, $300,000.

ADMINISTRATIVE PROVISIONS

SECTION 1. Effective in the case of any fiscal year which begins on or after October 1, 1999, clause (iii) of paragraph (3)(A) of section 506(b) of the Supplemental Appropriations Act, 1973 (2 U.S.C. 58(b)) is amended to read as follows:

''(iii) subject to subparagraph (B)—

''(I) in case the Senator represents Alabama, $116,300, Alaska, $221,600, Arizona, $128,975, Arkansas, $118,250, California, $168,950, Colorado, $124,100, Connecticut, $105,575, Delaware, $95,825, Florida, $120,200, Georgia, $116,300, Hawaii, $245,000, Idaho, $128,000, Illinois, $138,725, Indiana, $116,300, Iowa, $119,225, Kansas, $119,225, Kentucky, $115,325, Louisiana, $120,200, Maine, $110,450, Maryland, $100,700, Massachusetts, $114,350, Michigan, $124,100, Minnesota, $120,200, Mississippi, $118,250, Missouri, $121,175, Montana, $128,000, Nebraska, $120,200, Nevada, $129,950, New Hampshire, $106,550, New Jersey, $110,450, New Mexico, $125,075, New York, $145,550, North Carolina, $112,400, North Dakota, $119,225, Ohio, $129,950, Oklahoma, $123,125, Oregon, $132,875, Pennsylvania, $128,975, Rhode Island, $104,600, South Carolina, $110,450, South Dakota, $120,200, Tennessee, $116,300, Texas, $149,450, Utah, $128,000, Vermont, $105,575, Virginia, $106,550, Washington, $135,800, West Virginia, $105,575, Wisconsin, $119,225, Wyoming, $123,125, plus

''(II) the amount that is equal to the Senator's share for the fiscal year, as determined in accordance with regulations of the Committee on Rules and Administration, of the amount made available within the Senators' Official Personnel and Office Expense Account in the contingent fund of the Senate for official mail expenses of Senators, plus''.

(b) Subparagraph (B) of section 506(b)(3) of the Supplemental Appropriations Act, 1973 (2 U.S.C. 58(b)(3)) is amended—

(1) by striking ''that part of the amount referred to in subparagraph (A)(iii) that is not specifically allocated for official mail expenses'' and inserting ''the amount referred to in subparagraph (A)(iii)(I)''; and

(2) by striking: ''the part of the amount referred to in subparagraph (A)(iii) that is allocated for official mail expenses'' and inserting ''the amount referred to in subparagraph (A)(iii)(II)''.

(c) The amendments made by this section shall apply to any fiscal year which begins on or after October 1, 1999.

SEC. 2. Effective on and after October 1, 1999, each of the dollar amounts contained in the table under section 105(d)(1)(A) of the Legislative Branch Appropriations Act, 1968 (2 U.S.C. 61–1(d)(1)(A)) shall be deemed to be the dollar amounts in that table, as increased by section 8 of Public Law 105–275, increased by an additional $50,000 each.

SEC. 3. SENATE OFFICE SPACE ALLOCATIONS. Section 3 under the heading ''ADMINISTRATIVE PROVISIONS'' in the appropriation for the Senate in the Legislative Branch Appropriations Act, 1975 (2 U.S.C. 59; 88 Stat. 428) is amended—

(1) in subsection (b)—

(A) by striking paragraphs (1) and (2) and inserting the following:

''(1) 5,000 square feet if the population of the State of the Senator is less than 3,000,000;'';

(B) by striking ''8,000'' in paragraph (13) and inserting ''8,200''; and

(C) by redesignating paragraphs (3) through (13) as paragraphs (2) through (12), respectively; and

(2) in subsection (c)(2)—

(A) by striking ''$30,000'' and inserting ''$40,000'';

(B) by striking ''4,800'' and inserting ''5,000'';

(C) by striking ''$734'' and inserting ''$1,000''; and

(D) by adding at the end the following: ''Effective beginning with the 106th Congress, the aggregate amount in effect under this paragraph for any Congress shall be increased by the inflation adjustment factor for the calendar year in which the Congress begins. For purposes of the preceding sentence, the inflation adjustment factor for any calendar year is a fraction the numerator of which is the implicit price deflator for the gross domestic product as computed and published by the Department of Commerce for the preceding calendar year and the denominator of which is such deflator for the calendar year 1998.''.

SEC. 4. Section 6(c) of the Legislative Branch Appropriations Act, 1999 (Public Law 105–275; 2 U.S.C. 121b–1(c)) is amended by adding at the end the following:

''(3) The provisions of section 4 of the Act of July 31, 1946 (40 U.S.C. 193d), except for the provisions relating to solicitation, shall not apply to any activity carried out pursuant to this section, subject to approval of such activities by the Committee on Rules and Administration.''.

SEC. 5. The first section of Public Law 87–82 (40 U.S.C. 174j–1) is amended by adding at the end the following: ''The provisions of section 4 of the Act of July 31, 1946 (40 U.S.C. 193d), except for the provisions relating to solicitation, shall not apply to any activity carried out pursuant to this section, subject to the approval of such activities by the Committee on Rules and Administration.''.

SEC. 6. The Legislative Counsel may, subject to the approval of the President pro tempore of the Senate, designate one of the Senior Counsels appointed under section 102 of the Legislative Branch Appropriation Act, 1979 (2 U.S.C. 274 note; Public Law 95–391; 92 Stat. 771) as Deputy Legislative Counsel. The Deputy Legislative Counsel shall perform the functions of the Legislative Counsel during the absence or disability of the Legislative Counsel, or when the office is vacant.

SEC. 7. Section 814(i) of the Foreign Relations Authorization Act, Fiscal Years 1986 and 1987 (22 U.S.C. 2291 note) is amended by striking ''September 30, 1999'' and inserting ''September 30, 2002''.

and strike all beginning on page 2, line 5, of the House engrossed bill, H.R. 1905, down through page 11, line 12, and insert the following:

HOUSE OF REPRESENTATIVES

SALARIES AND EXPENSES

For salaries and expenses of the House of Representatives, $760,884,000, as follows:

HOUSE LEADERSHIP OFFICES

For salaries and expenses, as authorized by law, $14,202,000, including: Office of the Speaker, $1,740,000, including $25,000 for official expenses of the Speaker; Office of the Majority Floor Leader, $1,705,000, including $10,000 for official expenses of the Majority Leader; Office of the Minority Floor Leader, $2,071,000, including $10,000 for official expenses of the Minority Leader; Office of the Majority Whip, including the Chief Deputy Majority Whip, $1,423,000, including $5,000 for official expenses of the Majority Whip; Office of the Minority Whip, including the Chief Deputy Minority Whip, $1,057,000, including $5,000 for official expenses of the Minority Whip; Speaker's Office for Legislative Floor Activities, $406,000; Republican Steering Committee, $757,000; Republican Conference, $1,244,000; Democratic Steering and Policy Committee, $1,337,000; Democratic Caucus, $664,000; nine minority employees, $1,218,000; training and program development—majority, $290,000; and training and program development—minority, $290,000: Provided, That the amounts otherwise provided under this heading for the various leadership offices shall be reduced in a manner approved by the Committee on Appropriations such that the aggregate amount appropriated under this heading is $142,000 less than the aggregate amount otherwise provided.

MEMBERS' REPRESENTATIONAL ALLOWANCES

INCLUDING MEMBERS' CLERK HIRE, OFFICIAL EXPENSES OF MEMBERS, AND OFFICIAL MAIL

For Members' representational allowances, including Members' clerk hire, official expenses, and official mail, $406,279,000.

COMMITTEE EMPLOYEES

STANDING COMMITTEES, SPECIAL AND SELECT

For salaries and expenses of standing committees, special and select, authorized by House resolutions, $93,878,000: Provided, That such amount shall remain available for such salaries and expenses until December 31, 2000.

COMMITTEE ON APPROPRIATIONS

For salaries and expenses of the Committee on Appropriations, $21,095,000, including studies and examinations of executive agencies and temporary personal services for such committee, to be expended in accordance with section 202(b) of the Legislative Reorganization Act of 1946 and to be available for reimbursement to agencies for services performed: Provided, That such amount shall remain available for such salaries and expenses until December 31, 2000.

SALARIES, OFFICERS AND EMPLOYEES

For compensation and expenses of officers and employees, as authorized by law, $90,150,000, including: for salaries and expenses of the Office of the Clerk, including not more than $3,500, of which not more than $2,500 is for the Family Room, for official representation and reception expenses, $14,881,000; for salaries and expenses of the Office of the Sergeant at Arms, including the position of Superintendent of Garages, and including not more than $750 for official representation and reception expenses, $3,746,000; for salaries and expenses of the Office of the Chief Administrative Officer, $57,289,000, of which $2,500,000 shall remain available until expended, including $25,519,000 for salaries, expenses and temporary personal services of House Information Resources, of which $24,641,000 is provided herein: Provided, That of the amount provided for House Information Resources, $6,260,000 shall be for net expenses of telecommunications: Provided further, That House Information Resources is authorized to receive reimbursement from Members of the House of Representatives and other governmental entities for services provided and such reimbursement shall be deposited in the Treasury for credit to this account; for salaries and expenses of the Office of the Inspector General, $3,926,000; for salaries and expenses of the Office of General Counsel, $840,000; for the Office of the Chaplain, $136,000; for salaries and expenses of the Office of the Parliamentarian, including the Parliamentarian and $2,000 for preparing the Digest of Rules, $1,172,000; for salaries and expenses of the Office of the Law Revision Counsel of the House, $2,045,000; for salaries and expenses of the Office of the Legislative Counsel of the House, $5,085,000; for salaries and expenses of the Corrections Calendar Office, $825,000; and for other authorized employees, $205,000.

ALLOWANCES AND EXPENSES

For allowances and expenses as authorized by House resolution or law, $135,422,000, including: supplies, materials, administrative costs and Federal tort claims, $2,741,000; official mail for committees, leadership offices, and administrative offices of the House, $410,000; Government contributions for health, retirement, Social Security, and other applicable employee benefits, $131,595,000; and miscellaneous items including purchase, exchange, maintenance, repair and operation of House motor vehicles, interparliamentary receptions, and gratuities to heirs of deceased employees of the House, $676,000.

CHILD CARE CENTER

For salaries and expenses of the House of Representatives Child Care Center, such amounts as are deposited in the account established by section 312(d)(1) of the Legislative Branch Appropriations Act, 1992 (40 U.S.C. 184g(d)(1)), subject to the level specified in the budget of the Center, as submitted to the Committee on Appropriations of the House of Representatives.

ADMINISTRATIVE PROVISIONS

SEC. 101. (a) COMPLIANCE WITH ADMISSION REQUIREMENTS.—The General Counsel of the House of Representatives and any other counsel in the Office of the General Counsel of the House of Representatives, including any counsel specially retained by the Office of General Counsel, shall be entitled, for the purpose of performing the counsel's functions, to enter an appearance in any proceeding before any court of the United States or of any State or political subdivision thereof without compliance with any requirements for admission to practice before such court, except that the authorization conferred by this subsection shall not apply with respect to the admission of any such person to practice before the United States Supreme Court.

(b) NOTIFICATION BY ATTORNEY GENERAL.—The Attorney General shall notify the General Counsel of the House of Representatives with respect to any proceeding in which the United States is a party of any determination by the Attorney General or Solicitor General not to appeal any court decision affecting the constitutionality of an Act or joint resolution of Congress within such time as will enable the House to direct the General Counsel to intervene as a party in such proceeding pursuant to applicable rules of the House of Representatives.

(c) GENERAL COUNSEL DEFINITION.—In this section, the term ''General Counsel of the House of Representatives'' means—

(1) the head of the Office of General Counsel established and operating under clause 8 of rule II of the Rules of the House of Representatives;

(2) the head of any successor office to the Office of General Counsel which is established after the date of the enactment of this Act; and

(3) any other person authorized and directed in accordance with the Rules of the House of Representatives to provide legal assistance and representation to the House in connection with the matters described in this section.

(d) EFFECTIVE DATE.—The provisions of this section shall become effective beginning with the date of the enactment of this Act.

SEC. 102. section 104(a) of the Legislative Branch Appropriations Act, 1999 (Public Law 105–275; 112 Stat. 2439) is amended by striking ''(2 U.S.C. 59(e)(2))'' and inserting ''(2 U.S.C. 59e(e)(2))''.

SEC. 103. (a) CLARIFICATION OF RULES REGARDING USE OF FUNDS FOR OFFICIAL MAIL.—

(1) IN GENERAL.—Section 311(e)(1) of the Legislative Branch Appropriations Act, 1991 (2 U.S.C. 59e(e)(1)) is amended—

(A) in the matter preceding subparagraph (A), by striking ''There is established'' and all that follows through ''shall be prescribed—'' and inserting the following: ''The use of funds of the House of Representatives which are made available for official mail of Members, officers, and employees of the House of Representatives who are persons entitled to use the congressional frank shall be governed by regulations promulgated—''; and

(B) in subparagraph (A), by striking ''the Allowance'' and inserting ''official mail (except as provided in subparagraph (B))''.

(2) LIMITATIONS ON AVAILABILITY OF FUNDS.—Section 311(e)(2) of such Act (2 U.S.C. 59e(e)(2)), as amended by section 104(a) of the Legislative Branch Appropriations Act, 1999, is amended—

(A) in the matter preceding subparagraph (A), by striking ''The Official Mail Allowance'' and inserting ''Funds used for official mail'';

(B) by striking subparagraph (A); and

(C) by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B).

(3) REPEAL OF OBSOLETE TRANSFER AUTHORITY.—Section 311(e) of such Act (2 U.S.C. 59e(e)) is amended by striking paragraph (3).

(4) CONFORMING AMENDMENTS.—(A) section 1(a) of House Resolution 457, Ninety-second Congress, agreed to July 21, 1971, as enacted into permanent law by chapter IV of the Supplemental Appropriations Act, 1972 (2 U.S.C. 57(a)), is amended by striking ''the Official Mail Allowance'' each place it appears and inserting ''official mail''.

(B) section 311(a)(3) of the Legislative Branch Appropriations Act, 1991 (2 U.S.C. 59e(a)(3)) is amended by striking ''costs charged against the Official Mail Allowance for'' and inserting ''costs incurred for official mail by''.

(b) REPEAL OF OBSOLETE REFERENCES TO CLERK HIRE ALLOWANCE.—

(1) IN GENERAL.—Section 104(a) of the House of Representatives Administrative Reform Technical Corrections Act (2 U.S.C. 92(a)) is amended by striking ''clerk hire'' each place it appears.

(2) CONFORMING AMENDMENT.—The heading of section 104 of such Act (2 U.S.C. 92(a)) is amended by striking ''clerk hire''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to the first session of the One Hundred Sixth Congress and each succeeding session of Congress.

SEC. 104. REQUIRING AMOUNTS REMAINING IN MEMBERS' REPRESENTATIONAL ALLOWANCES TO BE USED FOR DEFICIT REDUCTION OR TO REDUCE THE FEDERAL DEBT.—Notwithstanding any other provision of law, any amounts appropriated under this Act for ''HOUSE OF REPRESENTATIVES—SALARIES AND EXPENSES—MEMBERS' REPRESENTATIONAL ALLOWANCES'' shall be available only for fiscal year 2000. Any amount remaining after all payments are made under such allowances for fiscal year 2000 shall be deposited in the Treasury and used for deficit reduction (or, if there is no Federal budget deficit after all such payments have been made, for reducing the Federal debt, in such manner as the Secretary of the Treasury considers appropriate).

; and the Senate agree to the same.

Amendment numbered 2:

That the House recede from its disagreement to the amendment of the Senate numbered 2, and agree to the same with an amendment, as follows:

In lieu of the matter striken and inserted, insert:

JOINT ITEMS

For Joint Committees, as follows:

JOINT ECONOMIC COMMITTEE

For salaries and expenses of the Joint Economic Committee, $3,200,000, to be disbursed by the Secretary of the Senate.

JOINT COMMITTEE ON TAXATION

For salaries and expenses of the Joint Committee on Taxation, $6,456,000, to be disbursed by the Chief Administrative Officer of the House.

For other joint items, as follows:

OFFICE OF THE ATTENDING PHYSICIAN

For medical supplies, equipment, and contingent expenses of the emergency rooms, and for the Attending Physician and his assistants, including: (1) an allowance of $1,500 per month to the Attending Physician; (2) an allowance of $500 per month each to three medical officers while on duty in the Office of the Attending Physician; (3) an allowance of $500 per month to one assistant and $400 per month each not to exceed eleven assistants on the basis heretofore provided for such assistants; and (4) $1,002,600 for reimbursement to the Department of the Navy for expenses incurred for staff and equipment assigned to the Office of the Attending Physician, which shall be advanced and credited to the applicable appropriation or appropriations from which such salaries, allowances, and other expenses are payable and shall be available for all the purposes thereof, $1,898,000, to be disbursed by the Chief Administrative Officer of the House.

CAPITOL POLICE BOARD

CAPITOL POLICE

SALARIES

For the Capitol Police Board for salaries of officers, members, and employees of the Capitol Police, including overtime, hazardous duty pay differential, clothing allowance of not more than $600 each for members required to wear civilian attire, and Government contributions for health, retirement, Social Security, and other applicable employee benefits, $78,501,000, of which $37,725,000 is provided to the Sergeant at Arms of the House of Representatives, to be disbursed by the Chief Administrative Officer of the House, and $40,776,000 is provided to the Sergeant at Arms and Doorkeeper of the Senate, to be disbursed by the Secretary of the Senate: Provided, That, of the amounts appropriated under this heading, such amounts as may be necessary may be transferred between the Sergeant at Arms of the House of Representatives and the Sergeant at Arms and Doorkeeper of the Senate, upon approval of the Committee on Appropriations of the House of Representatives and the Committee on Appropriations of the Senate.

GENERAL EXPENSES

For the Capitol Police Board for necessary expenses of the Capitol Police, including motor vehicles, communications and other equipment, security equipment and installation, uniforms, weapons, supplies, materials, training, medical services, forensic services, stenographic services, personal and professional services, the employee assistance program, not more than $2,000 for the awards program, postage, telephone service, travel advances, relocation of instructor and liaison personnel for the Federal Law Enforcement Training Center, and $85 per month for extra services performed for the Capitol Police Board by an employee of the Sergeant at Arms of the Senate or the House of Representatives designated by the Chairman of the Board, $6,574,000, to be disbursed by the Capitol Police Board or their delegee: Provided, That, notwithstanding any other provision of law, the cost of basic training for the Capitol Police at the Federal Law Enforcement Training Center for fiscal year 2000 shall be paid by the Secretary of the Treasury from funds available to the Department of the Treasury.

ADMINISTRATIVE PROVISION

SEC. 105. Amounts appropriated for fiscal year 2000 for the Capitol Police Board for the Capitol Police may be transferred between the headings ''SALARIES'' and ''GENERAL EXPENSES'' upon the approval of—

(1) the Committee on Appropriations of the House of Representatives, in the case of amounts transferred from the appropriation provided to the Sergeant at Arms of the House of Representatives under the heading ''SALARIES'';

(2) the Committee on Appropriations of the Senate, in the case of amounts transferred from the appropriation provided to the Sergeant at Arms and Doorkeeper of the Senate under the heading ''SALARIES''; and

(3) the Committees on Appropriations of the Senate and the House of Representatives, in the case of other transfers.

CAPITOL GUIDE SERVICE AND SPECIAL SERVICES OFFICE

For salaries and expenses of the Capitol Guide Service and Special Services Office, $2,293,000, to be disbursed by the Secretary of the Senate: Provided, That no part of such amount may be used to employ more than forty-three individuals: Provided further, That the Capitol Guide Board is authorized, during emergencies, to employ not more than two additional individuals for not more than 120 days each, and not more than ten additional individuals for not more than six months each, for the Capitol Guide Service.

STATEMENTS OF APPROPRIATIONS

For the preparation, under the direction of the Committees on Appropriations of the Senate and the House of Representatives, of the statements for the first session of the One Hundred Sixth Congress, showing appropriations made, indefinite appropriations, and contracts authorized, together with a chronological history of the regular appropriations bills as required by law, $30,000, to be paid to the persons designated by the chairmen of such committees to supervise the work.

OFFICE OF COMPLIANCE

SALARIES AND EXPENSES

For salaries and expenses of the Office of Compliance, as authorized by section 305 of the Congressional Accountability Act of 1995 (2 U.S.C. 1385), $2,000,000.

CONGRESSIONAL BUDGET OFFICE

SALARIES AND EXPENSES

For salaries and expenses necessary to carry out the provisions of the Congressional Budget Act of 1974 (Public Law 93–344), including not more than $2,500 to be expended on the certification of the Director of the Congressional Budget Office in connection with official representation and reception expenses, $26,221,000: Provided, That no part of such amount may be used for the purchase or hire of a passenger motor vehicle.

ADMINISTRATIVE PROVISION

SEC. 106. (a) The Director of the Congressional Budget Office shall have the authority to make lump-sum payments to enhance staff recruitment and to reward exceptional performance by an employee or a group of employees.

(b) Subsection (a) shall apply with respect to fiscal years beginning after September 30, 1999.

ARCHITECT OF THE CAPITOL

CAPITOL BUILDINGS AND GROUNDS

CAPITOL BUILDINGS

SALARIES AND EXPENSES

For salaries for the Architect of the Capitol, the Assistant Architect of the Capitol, and other personal services, at rates of pay provided by law; for surveys and studies in connection with activities under the care of the Architect of the Capitol; for all necessary expenses for the maintenance, care and operation of the Capitol and electrical substations of the Senate and House office buildings under the jurisdiction of the Architect of the Capitol, including furnishings and office equipment, including not more than $1,000 for official reception and representation expenses, to be expended as the Architect of the Capitol may approve; for purchase or exchange, maintenance and operation of a passenger motor vehicle; and not to exceed $20,000 for attendance, when specifically authorized by the Architect of the Capitol, at meetings or conventions in connection with subjects related to work under the Architect of the Capitol, $46,836,000, of which $4,390,000 shall remain available until expended.

CAPITOL GROUNDS

For all necessary expenses for care and improvement of grounds surrounding the Capitol, the Senate and House office buildings, and the Capitol Power Plant, $5,427,000, of which $155,000 shall remain available until expended.

SENATE OFFICE BUILDINGS

For all necessary expenses for maintenance, care and operation of Senate office buildings; and furniture and furnishings to be expended under the control and supervision of the Architect of the Capitol, $64,038,000, of which $22,305,000 shall remain available until expended.

and strike all beginning on page 18, line 19, of the House engrossed bill, H.R. 1905, down through page 18, line 22, and insert the following:

HOUSE OFFICE BUILDINGS

For all necessary expenses for the maintenance, care and operation of the House office buildings, $37,279,000, of which $4,442,000 shall remain available until expended.

; and the Senate agree to the same.

Amendment numbered 3:

That the House recede from its disagreement to the amendment of the Senate numbered 3, and agree to the same with an amendment, as follows:

In lieu of the matter stricken and inserted, insert:

CAPITOL POWER PLANT

For all necessary expenses for the maintenance, care and operation of the Capitol Power Plant; lighting, heating, power (including the purchase of electrical energy) and water and sewer services for the Capitol, Senate and House office buildings, Library of Congress buildings, and the grounds about the same, Botanic Garden, Senate garage, and air conditioning refrigeration not supplied from plants in any of such buildings; heating the Government Printing Office and Washington City Post Office, and heating and chilled water for air conditioning for the Supreme Court Building, the Union Station complex, the Thurgood Marshall Federal Judiciary Building and the Folger Shakespeare Library, expenses for which shall be advanced or reimbursed upon request of the Architect of the Capitol and amounts so received shall be deposited into the Treasury to the credit of this appropriation, $38,054,000, of which $3,000,000 shall remain available until expended: Provided, That not more than $4,000,000 of the funds credited or to be reimbursed to this appropriation as herein provided shall be available for obligation during fiscal year 2000.

LIBRARY OF CONGRESS

CONGRESSIONAL RESEARCH SERVICE

SALARIES AND EXPENSES

For necessary expenses to carry out the provisions of section 203 of the Legislative Reorganization Act of 1946 (2 U.S.C. 166) and to revise

and extend the Annotated Constitution of the United States of America, $71,244,000: Provided, That no part of such amount may be used to pay any salary or expense in connection with any publication, or preparation of material therefor (except the Digest of Public General Bills), to be issued by the Library of Congress unless such publication has obtained prior approval of either the Committee on House Administration of the House of Representatives or the Committee on Rules and Administration of the Senate.

GOVERNMENT PRINTING OFFICE

CONGRESSIONAL PRINTING AND BINDING

For authorized printing and binding for the Congress and the distribution of Congressional information in any format; printing and binding for the Architect of the Capitol; expenses necessary for preparing the semimonthly and session index to the Congressional Record, as authorized by law (44 U.S.C. 902); printing and binding of Government publications authorized by law to be distributed to Members of Congress; and printing, binding, and distribution of Government publications authorized by law to be distributed without charge to the recipient, $73,577,000: Provided, That this appropriation shall not be available for paper copies of the permanent edition of the Congressional Record for individual Representatives, Resident Commissioners or Delegates authorized under 44 U.S.C. 906: Provided further, That this appropriation shall be available for the payment of obligations incurred under the appropriations for similar purposes for preceding fiscal years: Provided further, That notwithstanding the 2-year limitation under section 718 of title 44, United States Code, none of the funds appropriated or made available under this Act or any other Act for printing and binding and related services provided to Congress under chapter 7 of title 44, United States Code, may be expended to print a document, report, or publication after the 27-month period beginning on the date that such document, report, or publication is authorized by Congress to be printed, unless Congress reauthorizes such printing in accordance with section 718 of title 44, United States Code.

This title may be cited as the ''Congressional Operations Appropriations Act, 2000''.

TITLE II—OTHER AGENCIES

BOTANIC GARDEN

SALARIES AND EXPENSES

For all necessary expenses for the maintenance, care and operation of the Botanic Garden and the nurseries, buildings, grounds, and collections; and purchase and exchange, maintenance, repair, and operation of a passenger motor vehicle; all under the direction of the Joint Committee on the Library, $3,425,000.

LIBRARY OF CONGRESS

SALARIES AND EXPENSES

For necessary expenses of the Library of Congress not otherwise provided for, including development and maintenance of the Union Catalogs; custody and custodial care of the Library buildings; special clothing; cleaning, laundering and repair of uniforms; preservation of motion pictures in the custody of the Library; operation and maintenance of the American Folklife Center in the Library; preparation and distribution of catalog records and other publications of the Library; hire or purchase of one passenger motor vehicle; and expenses of the Library of Congress Trust Fund Board not properly chargeable to the income of any trust fund held by the Board, $256,779,000, of which not more than $6,500,000 shall be derived from collections credited to this appropriation during fiscal year 2000, and shall remain available until expended, under the Act of June 28, 1902 (chapter 1301; 32 Stat. 480; 2 U.S.C. 150) and not more than $350,000 shall be derived from collections during fiscal year 2000 and shall remain available until expended for the development and maintenance of an international legal information database and activities related thereto: Provided, That the Library of Congress may not obligate or expend any funds derived from collections under the Act of June 28, 1902, in excess of the amount authorized for obligation or expenditure in appropriations Acts: Provided further, That the total amount available for obligation shall be reduced by the amount by which collections are less than the $6,850,000: Provided further, That of the total amount appropriated, $10,321,380 is to remain available until expended for acquisition of books, periodicals, newspapers, and all other materials including subscriptions for bibliographic services for the Library, including $40,000 to be available solely for the purchase, when specifically approved by the Librarian, of special and unique materials for additions to the collections: Provided further, That of the total amount appropriated, $2,347,000 is to remain available until expended for the acquisition and partial support for implementation of an Integrated Library System (ILS): Provided further, That of the total amount appropriated, $5,579,000 is to remain available until expended for the purpose of teaching educators how to incorporate the Library's digital collections into school curricula, which amount shall be transferred to the educational consortium formed to conduct the ''Joining Hands Across America: Local Community Initiative'' project as approved by the Library: Provided further, That of the total amount appropriated, $600,000 is to remain available until expended for the purpose of digitizing archival materials relating to ethnic groups of California, including Japanese Americans, which amount shall be transferred to an educational archive able to conduct such a project as approved by the Library.

COPYRIGHT OFFICE

SALARIES AND EXPENSES

For necessary expenses of the Copyright Office, $37,628,000, of which not more than $20,800,000, to remain available until expended, shall be derived from collections credited to this appropriation during fiscal year 2000 under 17 U.S.C. 708(d): Provided, That the Copyright Office may not obligate or expend any funds derived from collections under 17 U.S.C. 708(d), in excess of the amount authorized for obligation or expenditure in appropriations Acts: Provided further, That not more than $5,454,000 shall be derived from collections during fiscal year 2000 under 17 U.S.C. 111(d)(2), 119(b)(2), 802(h), and 1005: Provided further, That the total amount available for obligation shall be reduced by the amount by which collections are less than $26,254,000: Provided further, That not more than $100,000 of the amount appropriated is available for the maintenance of an ''International Copyright Institute'' in the Copyright Office of the Library of Congress for the purpose of training nationals of developing countries in intellectual property laws and policies: Provided further, That not more than $4,250 may be expended, on the certification of the Librarian of Congress, in connection with official representation and reception expenses for activities of the International Copyright Institute and for copyright delegations, visitors, and seminars.

BOOKS FOR THE BLIND AND PHYSICALLY HANDICAPPED

SALARIES AND EXPENSES

For salaries and expenses to carry out the Act of March 3, 1931 (chapter 400; 46 Stat. 1487; 2 U.S.C. 135a), $47,984,000, of which $14,019,000 shall remain available until expended.

FURNITURE AND FURNISHINGS

For necessary expenses for the purchase, installation, maintenance, and repair of furniture, furnishings, office and library equipment, $5,415,000.

ADMINISTRATIVE PROVISIONS

SEC. 201. Appropriations in this Act available to the Library of Congress shall be available, in an amount of not more than $198,390, of which $59,300 is for the Congressional Research Service, when specifically authorized by the Librarian of Congress, for attendance at meetings concerned with the function or activity for which the appropriation is made.

SEC. 202. (a) No part of the funds appropriated in this Act shall be used by the Library of Congress to administer any flexible or compressed work schedule which—

(1) applies to any manager or supervisor in a position the grade or level of which is equal to or higher than GS–15; and

(2) grants such manager or supervisor the right to not be at work for all or a portion of a workday because of time worked by the manager or supervisor on another workday.

(b) For purposes of this section, the term ''manager or supervisor'' means any management official or supervisor, as such terms are defined in section 7103(a)(10) and (11) of title 5, United States Code.

SEC. 203. Appropriated funds received by the Library of Congress from other Federal agencies to cover general and administrative overhead costs generated by performing reimbursable work for other agencies under the authority of 31 U.S.C. 1535 and 1536 shall not be used to employ more than 65 employees and may be expended or obligated—

(1) in the case of a reimbursement, only to such extent or in such amounts as are provided in appropriations Acts; or

(2) in the case of an advance payment, only—

(A) to pay for such general or administrative overhead costs as are attributable to the work performed for such agency; or

(B) to such extent or in such amounts as are provided in appropriations Acts, with respect to any purpose not allowable under subparagraph (A).

SEC. 204. Of the amounts appropriated to the Library of Congress in this Act, not more than $5,000 may be expended, on the certification of the Librarian of Congress, in connection with official representation and reception expenses for the incentive awards program.

SEC. 205. Of the amount appropriated to the Library of Congress in this Act, not more than $12,000 may be expended, on the certification of the Librarian of Congress, in connection with official representation and reception expenses for the Overseas Field Offices.

SEC. 206. (a) For fiscal year 2000, the obligational authority of the Library of Congress for the activities described in subsection (b) may not exceed $98,788,000.

(b) The activities referred to in subsection (a) are reimbursable and revolving fund activities that are funded from sources other than appropriations to the Library in appropriations Acts for the legislative branch.

SEC. 207. The Library of Congress may use available funds, now and hereafter, to enter into contracts for the lease or acquisition of severable services for a period that begins in one fiscal year and ends in the next fiscal year and to enter into multi-year contracts for the acquisition of property and services pursuant to sections 303L and 304B, respectively, of the Federal Property and Administrative Services Act (41 U.S.C. 253l and 254c).

SEC. 208. (a) Notwithstanding any other provision of law regarding the qualifications and method of appointment of employees of the Library of Congress, the Librarian of Congress, using such method of appointment as the Librarian may select, may appoint not more than three individuals who meet such qualifications

as the Librarian may impose to serve as management specialists for a term not to exceed three years.

(b) No individual appointed as a management specialist under subsection (a) may serve in such position after December 31, 2004.

SEC. 209. (a) section 904 of the Supplemental Appropriations Act, 1983 (2 U.S.C. 136a–2) is amended to read as follows:

''SEC. 904. Notwithstanding any other provision of law—

''(1) the Librarian of Congress shall be compensated at an annual rate of pay which is equal to the annual rate of basic pay payable for positions at level II of the Executive Schedule under section 5313 of title 5, United States Code; and

''(2) the Deputy Librarian of Congress shall be compensated at an annual rate of pay which is equal to the annual rate of basic pay payable for positions at level III of the Executive Schedule under section 5314 of title 5, United States Code.''.

(b) section 203(c)(1) of the Legislative Reorganization Act of 1946 (2 U.S.C. 166(c)(1)) is amended by striking the second sentence and inserting the following: ''The basic pay of the Director shall be at a per annum rate equal to the rate of basic pay provided for level III of the Executive Schedule under section 5314 of title 5, United States Code.''.

(c) The amendments made by this section shall apply with respect to the first pay period which begins on or after the date of the enactment of this Act and each subsequent pay period.

ARCHITECT OF THE CAPITOL

LIBRARY BUILDINGS AND GROUNDS

STRUCTURAL AND MECHANICAL CARE

For all necessary expenses for the mechanical and structural maintenance, care and operation of the Library buildings and grounds, $16,033,000, of which $3,650,000 shall remain available until expended.

GOVERNMENT PRINTING OFFICE

OFFICE OF SUPERINTENDENT OF DOCUMENTS

SALARIES AND EXPENSES

For expenses of the Office of Superintendent of Documents necessary to provide for the cataloging and indexing of Government publications and their distribution to the public, Members of Congress, other Government agencies, and designated depository and international exchange libraries as authorized by law, $29,986,000: Provided, That travel expenses, including travel expenses of the Depository Library Council to the Public Printer, shall not exceed $175,000: Provided further, That amounts of not more than $2,000,000 from current year appropriations are authorized for producing and disseminating Congressional serial sets and other related publications for 1998 and 1999 to depository and other designated libraries.

GOVERNMENT PRINTING OFFICE REVOLVING FUND

The Government Printing Office is hereby authorized to make such expenditures, within the limits of funds available and in accord with the law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 9104 of title 31, United States Code, as may be necessary in carrying out the programs and purposes set forth in the budget for the current fiscal year for the Government Printing Office revolving fund: Provided, That not more than $2,500 may be expended on the certification of the Public Printer in connection with official representation and reception expenses: Provided further, That the revolving fund shall be available for the hire or purchase of not more than twelve passenger motor vehicles: Provided further, That expenditures in connection with travel expenses of the advisory councils to the Public Printer shall be deemed necessary to carry out the provisions of title 44, United States Code: Provided further, That the revolving fund shall be available for temporary or intermittent services under section 3109(b) of title 5, United States Code, but at rates for individuals not more than the daily equivalent of the annual rate of basic pay for level V of the Executive Schedule under section 5316 of such title: Provided further, That the revolving fund and the funds provided under the headings ''OFFICE OF SUPERINTENDENT OF DOCUMENTS'' and ''SALARIES AND EXPENSES'' together may not be available for the full-time equivalent employment of more than 3,313 workyears (or such other number of workyears as the Public Printer may request, subject to the approval of the Committees on Appropriations of the Senate and the House of Representatives): Provided further, That activities financed through the revolving fund may provide information in any format: Provided further, That the revolving fund shall not be used to administer any flexible or compressed work schedule which applies to any manager or supervisor in a position the grade or level of which is equal to or higher than GS–15: Provided further, That expenses for attendance at meetings shall not exceed $75,000.

ADMINISTRATIVE PROVISION

SEC. 210. (a) section 311 of title 44, United States Code, is amended by adding at the end the following new subsection:

''(c) Notwithstanding any other provision of law, section 3709 of the Revised Statutes (41 U.S.C. 5) shall apply with respect to purchases and contracts for the Government Printing Office as if the reference to '$25,000' in clause (1) of such section were a reference to '$100,000'.''.

*(b) The heading of section 311 of title 44, United States Code, is amended by striking ''**authority**'' and inserting ''**authority; small purchase threshold**''.*

(c) The table of sections for chapter 3 of title 44, United States Code, is amended by striking the item relating to section 311 and inserting the following:

''311. Purchases exempt from the Federal Property and Administrative Services Act; contract negotiation authority; small purchase threshold.''.

GENERAL ACCOUNTING OFFICE

SALARIES AND EXPENSES

For necessary expenses of the General Accounting Office, including not more than $7,000 to be expended on the certification of the Comptroller General of the United States in connection with official representation and reception expenses; temporary or intermittent services under section 3109(b) of title 5, United States Code, but at rates for individuals not more than the daily equivalent of the annual rate of basic pay for level IV of the Executive Schedule under section 5315 of such title; hire of one passenger motor vehicle; advance payments in foreign countries in accordance with 31 U.S.C. 3324; benefits comparable to those payable under sections 901(5), 901(6), and 901(8) of the Foreign Service Act of 1980 (22 U.S.C. 4081(5), 4081(6), and 4081(8)); and under regulations prescribed by the Comptroller General of the United States, rental of living quarters in foreign countries, $379,000,000: Provided, That notwithstanding 31 U.S.C. 9105 hereafter amounts reimbursed to the Comptroller General pursuant to that section shall be deposited to the appropriation of the General Accounting Office then available and remain available until expended, and not more than $1,400,000 of such funds shall be available for use in fiscal year 2000: Provided further, That this appropriation and appropriations for administrative expenses of any other department or agency which is a member of the National Intergovernmental Audit Forum or a Regional Intergovernmental Audit Forum shall be available to finance an appropriate share of either Forum's costs as determined by the respective Forum, including necessary travel expenses of non-Federal participants. Payments hereunder to the Forum may be credited as reimbursements to any appropriation from which costs involved are initially financed: Provided further, That this appropriation and appropriations for administrative expenses of any other department or agency which is a member of the American Consortium on International Public Administration (ACIPA) shall be available to finance an appropriate share of ACIPA costs as determined by the ACIPA, including any expenses attributable to membership of ACIPA in the International Institute of Administrative Sciences.

TITLE III—GENERAL PROVISIONS

SEC. 301. No part of the funds appropriated in this Act shall be used for the maintenance or care of private vehicles, except for emergency assistance and cleaning as may be provided under regulations relating to parking facilities for the House of Representatives issued by the Committee on House Administration and for the Senate issued by the Committee on Rules and Administration.

SEC. 302. No part of the funds appropriated in this Act shall remain available for obligation beyond fiscal year 2000 unless expressly so provided in this Act.

SEC. 303. Whenever in this Act any office or position not specifically established by the Legislative Pay Act of 1929 is appropriated for or the rate of compensation or designation of any office or position appropriated for is different from that specifically established by such Act, the rate of compensation and the designation in this Act shall be the permanent law with respect thereto: Provided, That the provisions in this Act for the various items of official expenses of Members, officers, and committees of the Senate and House of Representatives, and clerk hire for Senators and Members of the House of Representatives shall be the permanent law with respect thereto.

SEC. 304. The expenditure of any appropriation under this Act for any consulting service through procurement contract, pursuant to 5 U.S.C. 3109, shall be limited to those contracts where such expenditures are a matter of public record and available for public inspection, except where otherwise provided under existing law, or under existing Executive order issued pursuant to existing law.

SEC. 305. (a) It is the sense of the Congress that, to the greatest extent practicable, all equipment and products purchased with funds made available in this Act should be American-made.

(b) In providing financial assistance to, or entering into any contract with, any entity using funds made available in this Act, the head of each Federal agency, to the greatest extent practicable, shall provide to such entity a notice describing the statement made in subsection (a) by the Congress.

(c) If it has been finally determined by a court or Federal agency that any person intentionally affixed a label bearing a ''Made in America'' inscription, or any inscription with the same meaning, to any product sold in or shipped to the United States that is not made in the United States, such person shall be ineligible to receive any contract or subcontract made with funds provided pursuant to this Act, pursuant to the debarment, suspension, and ineligibility procedures described in section 9.400 through 9.409 of title 48, Code of Federal Regulations.

SEC. 306. Such sums as may be necessary are appropriated to the account described in subsection (a) of section 415 of Public Law 104–1 to pay awards and settlements as authorized under such subsection.

SEC. 307. Amounts available for administrative expenses of any legislative branch entity which participates in the Legislative Branch Financial Managers Council (LBFMC) established by charter on March 26, 1996, shall be available to finance an appropriate share of LBFMC costs as determined by the LBFMC, except that the total LBFMC costs to be shared among all participating legislative branch entities (in such allocations among the entities as the entities may determine) may not exceed $1,500.

SEC. 308. Section 308 of the Legislative Branch Appropriations Act, 1999 (Public Law 105–275; 112 Stat. 2452) is amended—

(1) in subsection (b), by striking ''(40 U.S.C. 174j–1(b)(1))'' and inserting ''(40 U.S.C. 174j–1 note)'';

(2) in subsection (c), by striking ''(40 U.S.C. 174j–1(c))'' and inserting ''(40 U.S.C. 174j–1 note)''; and

(3) in subsection (d), by striking ''(40 U.S.C. 174j–1(e))'' and inserting ''(40 U.S.C. 174j–1 note)''.

SEC. 309. Section 316 of Public Law 101–302 is amended in the first sentence of subsection (a) by striking ''1999'' and inserting ''2000''.

SEC. 310. Chapter 5 of title II of division B of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (Public Law 105–277; 112 Stat. 2681–569) is amended in the matter under the subheading ''CAPITOL VISITOR CENTER'' under the heading ''ARCHITECT OF THE CAPITOL'' by striking ''the Committee on Rules and Administration of the Senate, the Committee on House Oversight of the House of Representatives, the Committees on Appropriations of the House of Representatives and of the Senate, and other appropriate committees of the House of Representatives and of the Senate'' and inserting ''the United States Capitol Preservation Commission established under section 801 of the Arizona-Idaho Conservation Act of 1988 (40 U.S.C. 188a)''.

SEC. 311. TRADE DEFICIT REVIEW COMMISSION. (a) APPROPRIATIONS.—Section 127(i) of the Trade Deficit Review Commission Act (19 U.S.C. 2213 note) is amended by adding at the end the following new sentence:

''Amounts appropriated pursuant to this subsection shall remain available until the date which is 90 days after the date on which the Commission submits the final report described in subsection (e).''.

(b) APPLICABILITY OF CERTAIN PAY AUTHORITIES TO MEMBERS OF THE COMMISSION.—Section 127(g) of the Trade Deficit Review Commission Act is amended by adding at the end the following new paragraph:

''(6) APPLICABILITY OF CERTAIN PAY AUTHORITIES.—

''(A) IN GENERAL.—An individual who is a member of the Commission and is an annuitant or otherwise covered by section 8344 or 8468 of title 5, United States Code, by reason of membership on the Commission is not subject to the provisions of section 8344 or 8468 (whichever is applicable) with respect to such membership.

''(B) UNIFORMED SERVICE.—An individual who is a member of the Commission and is a member or former member of a uniformed service is not subject to the provisions of subsections (b) and (c) of section 5532, United States Code, with respect to membership on the Commission.''.

(c) TERMINATION OF COMMISSION AND OTHER MATTERS.—Section 127 of the Trade Deficit Review Commission Act is amended by adding at the end the following new subsections:

''(j) FEDERAL ADVISORY COMMITTEE ACT.—The provisions of the Federal Advisory Committee Act (Public Law 92–463; 5 U.S.C. App.) shall not apply to the Commission.

''(k) TERMINATION.—The Commission shall terminate 90 days after the date on which the Commission submits the final report under subsection (e).''.

SEC. 312. CREDITABLE SERVICE WITH CONGRESSIONAL CAMPAIGN COMMITTEES. Section 8332(m)(1)(A) of title 5, United States Code, is amended to read as follows:

''(A) such employee has at least 4 years and 6 months of service on such committees as of December 12, 1980; and''.

SEC. 313. Section 507 of Public Law 104–1 (109 Stat. 43; 2 U.S.C. 1436) is repealed.

TITLE IV—FISCAL YEAR 1999 SUPPLEMENTAL LEGISLATIVE BRANCH FUNDS

HOUSE OF REPRESENTATIVES

PAYMENTS TO WIDOWS AND HEIRS OF DECEASED MEMBERS OF CONGRESS

For payment to Marta Macias Brown, widow of George E. Brown, Jr., late a Representative from the State of California, $136,700: Provided, That this provision shall take effect on the date of the enactment of this Act.

ADMINISTRATIVE PROVISION

SEC. 401. (a) The Legislative Branch Appropriations Act, 1999 (Public Law 105–275; 112 Stat. 2437) is amended in the item relating to ''HOUSE OF REPRESENTATIVES—Salaries and Expenses—salaries, officers and employees'' by striking ''$24,282,000'' and inserting ''$24,982,000''.

(b) The amendment made by subsection (a) shall take effect as if included in the enactment of the Legislative Branch Appropriations Act, 1999.

This title may be cited as the ''Legislative Branch Supplemental Appropriations Act, 1999''.

This Act may be cited as the ''Legislative Branch Appropriations Act, 2000''.

And the Senate agree to the same.

CHARLES H. TAYLOR,
ZACH WAMP,
JERRY LEWIS,
KAY GRANGER,
BILL YOUNG,
ED PASTOR,
JOHN P. MURTHA,
STENY H. HOYER,
DAVID OBEY
(except for the Russian exchange program),
Managers on the Part of the House.

ROBERT F. BENNETT,
TED STEVENS,
LARRY CRAIG,
THAD COCHRAN,
DIANNE FEINSTEIN,
RICHARD J. DURBIN,
ROBERT C. BYRD,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE ON CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 1905) making appropriations for the Legislative Branch for the fiscal year ending September 30, 2000, and for other purposes, submit the following joint statement to the House and Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report.

Amendment No. 1: Inserts appropriations for operations of the Senate. With respect to those items in the conference agreement that differ between House and Senate bills, the conferees have agreed to the following:

TITLE I—CONGRESSIONAL OPERATIONS

SENATE

Appropriates $489,406,000 for Senate operations and contains several administrative provisions. The managers on the part of the Senate have requested an amendment to Section 1, an administrative provision dealing with Senators' allowances. Inasmuch as this item relates solely to the Senate, and in accord with long practice under which each body determines its own housekeeping requirements and the other concurs without intervention, the managers on the part of the House, at the request of the managers on the part of the Senate, have receded to the Senate.

HOUSE OF REPRESENTATIVES

At the request of the managers on the part of the House, the conferees agree to amend several provisions relating to the House of Representatives. The conference agreement appropriates $760,884,000, and adjusts a receipt ceiling applicable to House Information Resources, for salaries and expenses, House of Representatives. It also amends two House administrative provisions included in the House bill. One amendment removes an inconsistent reporting requirement and the other clarifies a provision regarding the House General Counsel regarding its status as permanent law. Inasmuch as this item relates solely to the House, and in accord with long practice under which each body determines its own housekeeping requirements and the other concurs without intervention, the managers on the part of the Senate, at the request of the managers on the part of the House, have receded to the House.

Amendment No. 2: Deletes several provisions of the House bill and inserts substitute provisions. Many items in both House and Senate bills are identical and are included in the conference agreement without change. The conferees agree with the report language accompanying the regular House and Senate fiscal year 2000 appropriations bills unless otherwise stated herein. With respect to those items in the conference agreement that differ between House and Senate bills, the conferees have agreed to the following:

JOINT ITEMS

JOINT COMMITTEE ON TAXATION

Appropriates $6,456,400 for the Joint Committee on Taxation as proposed by the Senate instead of $6,188,000 as proposed by the House. The funds will support 66.5 FTE's.

JOINT COMMITTEE ON THE LIBRARY

The conference agreement deletes funds for the Joint Committee on the Library instead of $500,000 as proposed by the Senate.

CAPITOL POLICE BOARD

CAPITOL POLICE

SALARIES

Appropriates $78,501,000 for salaries of officers, members, and employees of the Capitol Police as proposed by the House instead of $80,783,000 as proposed by the Senate, of which $37,725,000 is provided to the Sergeant at Arms of the House of Representatives and $40,776,000 is provided to the Sergeant at Arms and Doorkeeper of the Senate. In addition, the Capitol Police have $2,282,000 in savings available from the fiscal year 99 Security Enhancements supplemental.

GENERAL EXPENSES

Appropriates $6,574,000 for general expenses of the Capitol Police instead of $6,711,000 as proposed by House and $7,913,000 as proposed by the Senate. The funds provided include $650,000 for travel, $5,000 for transportation of things, $138,000 for rent, communications and utilities, $635,000 for additional computer and telecommunications needs, $2,374,000 for all other services, $1,299,000 for supplies, and $1,473,000 for equipment. With respect to vehicles, the conferees recognize the need of

the Capitol Police to upgrade and possibly expand their existing fleet of motorcycles to help fulfill their security mission, and provide $103,000 for that purpose from existing funds. The conferees direct the Capitol Police to study options that will enable the purchase of American-made motorcycles that meet the Department's security mission and report their findings to the House and Senate Committees on Appropriations.

With respect to the computer and telecommunications project, $635,000 are provided to begin taking over communications activities and relieving the Senate Sergeant at Arms from the need to support those activities. Of the $635,000, $400,000 is not available until released by the Committees on Appropriations. The balance is available for telecommunications needs. The $635,000 is provided to begin a transition from Sergeant at Arms support of police information technology and the necessary infrastructure. During the transition the Senate Sergeant at Arms will continue to provide necessary assistance required by the Capitol Police. The draft Information Technology (IT) plan recently submitted is an excellent start in the planning needed to undertake this activity. The draft is a well developed professional IT plan and gives the Committees assurances that the Capitol Police are reaching the point of having the ability to take on these tasks. However, more planning is needed in the area of relating specific IT needs and systems to the mission of the Capitol Police. The plan should include identification of infrastructure specifics (hardware and systems) as they relate to the police mission. Further development of the plan should be submitted to the Committees on Appropriations and the authorizing Committees. The police are urged to continue their consultation with the General Accounting Office.

The conferees agree with the language in the House bill transferring the disbursement authority from the Chief Administrative Officer of the House of Representatives to the Capitol Police Board or its delegatee. This transfer of authority is for the General Expenses fund only, and will not change or impact the current appointing authorities or disbursement entities for salary funds in the House or Senate.

CAPITOL GUIDE SERVICE AND SPECIAL SERVICES OFFICE

Appropriates $2,293,000 for the Capitol Guide Service and Special Services Office as proposed by the House instead of $2,336,000 as proposed by the Senate.

CONGRESSIONAL BUDGET OFFICE

SALARIES AND EXPENSES

The conferees have included an administrative provision authorizing the Congressional Budget Office to make lump sum payments for staff recruitment and bonuses as proposed by the House. The payments will not exceed one percent of CBO's annual pay roll. The conferees deleted a provision proposed by the House authorizing a change in the pay level for the Director and the Deputy Director of CBO.

ARCHITECT OF THE CAPITOL

CAPITOL BUILDINGS AND GROUNDS

CAPITOL BUILDINGS

SALARIES AND EXPENSES

Appropriates $46,836,000 for salaries and expenses, Capitol buildings, Architect of the Capitol, instead of $46,104,000 as proposed by the House and $48,195,000 as proposed by the Senate. Of this amount, $4,390,000 shall remain available until expended instead of $3,055,000 as proposed by the House and $7,620,000 as proposed by the Senate. With respect to object class and project differences between the House and Senate bills, the conferees have agreed to the following:

Operating Budget:	
1. Personal services	$25,964,000
2. Rent, communications, utilities & travel	894,000
3. Other services	9,812,000
4. Supplies	600,000
5. Equipment	225,000
Capitol Projects:	
6. ADA requirements	0
7. Replace sound systems, cmte & hearing rooms	120,000
8. Elevator/escalator modernization program	0
9. Provide steam humidification	210,000
10. Implementation of AOCNET	250,000
11. Financial Management System (FMS)	500,000
12. Computer-Aided Facility Management (CAFM)	0
13. Computer, telecommunications & electrical support	600,000
14. Upgrade unsafe mechanical equip. walkways and ladders	200,000
15. Replace exit doors for emergency egress & security	0
16. Security project support for AOC	200,000
17. Design: Upgrade air conditioning—east front, Capitol	140,000
18. Design: Replace high voltage SWGR, Capitol complex	175,000
19. Painting of exterior woodwork and west front of Capitol	300,000
20. Master plan development	0
21. Study House chamber improvements	300,000
22. Inaugural support services	50,000
23. Design: Replace exit doors for emergency egress	160,000
24. Design: Restore shutters & upgrade window lighting	53,000
25. Design: Restore cast iron lamp posts & railings	18,000
26. Design: Exterior stone preservation	115,000
27. Design: Replace windows, Capitol	240,000
28. Design: Refuge areas & emergency lighting	300,000
29. Design: Sprinkler system	1,800,000

The conferees have provided $500,000 for the Architect of the Capitol's (AOC) implementation of an interim financial management system (FMS), making $1.2 million available for the system including amounts already appropriated. The Architect has developed system requirements and has explored several alternatives with an FMS steering committee comprised of AOC staff and members of the Legislative Branch Financial Manager's Council (LBFMC). AOC believes that cross-servicing for a client server based system will maximize functionality while minimizing implementation risks. While all members of the steering committee agree that a client server based system will provide maximum flexibility and functionality, there are some members of the committee who believe that the cost is high for an interim system and could exceed the AOC's estimate of $2.8 million. While the conferees have not taken a formal position, it is agreed that the Architect should proceed with an interim system. Funding is provided to permit a phased implementation where the initial steps would include the Government Wide Standard General Ledger and would allow additional capabilities to be added in an orderly, phased process. This will allow the AOC to begin implementing a system that will permit the integration of existing management systems into its FMS while making progress toward meeting its long-term financial management system goals. The conferees direct that the Architect ensure that the system selected is clearly interim in nature and compatible with the overall Legislative Branch goal of a common financial management system in the future. The conferees also expect that the existing steering committee will remain actively involved in the implementation of the AOC system and that the LBFMC will play a role in the process of moving to a new FMS. The Architect is directed to prepare a system implementation plan that reflects phasing in additional system modules and submit that plan to House and Senate Appropriations Committees as part of the fiscal year 2001 budget submission.

The conferees also agree with language in the House report reminding the Architect of the Capitol that construction funds shall only be requested for projects that have been 100% designed. Further, the Senate report directs the Architect of the Capitol to coordinate with the Senate Sergeant at Arms on any improvements or changes in information technology regarding the Senate.

CAPITOL GROUNDS

Appropriates $5,427,000 to the Architect of the Capitol for care and improvement of grounds surrounding the Capitol, House and Senate office buildings, and the Capitol power plant instead of $5,579,000 as proposed by the House and $5,627,000 as proposed by the Senate. Of this amount, $155,000 as proposed by the House shall remain available until expended instead of $330,000 as proposed by the Senate. With respect to object class and project differences between the House and Senate bills, the conferees have agreed to the following:

Operating Budget:	
1. Other services	$852,000
2. Supplies	167,000
Capitol Projects:	
3. ADA requirements	155,000
4. Replace dump truck	0
5. Design: Reconstruct Delaware Avenue SW	50,000
6. Design: Renovation to former DC street lights	100,000

SENATE OFFICE BUILDINGS

Appropriates $64,038,000 to the Architect of the Capitol as proposed by the Senate, of which $22,305,000 shall remain available until expended, for the operations of the Senate office buildings. Inasmuch as this item relates solely to the Senate, and in accord with long practice under which each body determines its own housekeeping requirements and the other concurs without intervention, the managers on the part of the House, at the request of the managers on the part of the Senate, have receded to the Senate.

HOUSE OFFICE BUILDINGS

At the request of the managers on the part of the House, the conference agreement appropriates $37,279,000 as proposed by the House instead of $40,679,000 as proposed by the Senate to the Architect of the Capitol for House office buildings, of which $4,442,000 shall remain available until expended as proposed by the House instead of $7,842,000 as proposed by the Senate. Inasmuch as this item relates solely to the House, and in accord with long practice under which each body determines its own housekeeping requirements and the other concurs without intervention, the managers on the part of the Senate, at the request of the managers on the part of the House, have receded to the House.

Amendment No. 3: Deletes several provisions of the House bill and inserts substitute provisions. Many items in both House and Senate bills are identical and are included in the conference agreement without change. The conferees agree with the report language accompanying the regular House and Senate fiscal year 2000 appropriations bills unless otherwise stated herein. With respect to those items in the conference agreement that differ between House and Senate bills, the conferees have agreed to the following:

CAPITOL POWER PLANT

Appropriates $38,054,000 to the Architect of the Capitol for Capitol power plant operations instead of $34,780,000 as proposed by the House and $45,006,000 as proposed by the Senate. Of this amount, $3,000,000 shall remain available until expended instead of $6,000,000 as proposed by the Senate. With respect to object class and project differences between the House and Senate bills, the conferees have agreed to the following:

Operating Budget:	
1. Rent, communications, & utilities (includes water and sewer payments)	$32,786,000
2. Other services	1,050,000
3. Supplies	1,575,000
Capital Projects:	
4. East Plant chiller replacement	0
5. Optimization of operations, CPP	0
6. Replacement filter bags	0
7. Design: Thermal storage facility	0
8. Design: Repair South Capitol Street tunnel	153,000
9. Design: Repair Constitution Ave tunnel	375,000

These funds include $3,000,000 which, together with $3,000,000 provided under Library buildings and grounds, make $6 million available for the 42% retroactive water and sewer bill rate increase and for improvements to the Culpeper audio-visual facility. These funds are not available until released by the Committees on Appropriations.

LIBRARY OF CONGRESS

CONGRESSIONAL RESEARCH SERVICE

SALARIES AND EXPENSES

Appropriates $71,244,000 for salaries and expenses, Congressional Research Service, Library of Congress as proposed by the Senate instead of $70,940,000 as proposed by the House.

GOVERNMENT PRINTING OFFICE

CONGRESSIONAL PRINTING AND BINDING

Appropriates $73,577,000 for Congressional printing and binding as proposed by the House instead of $77,704,000 as proposed by the Senate.

The conferees agree to omit the report language proposed by the Senate regarding GPO billing procedures.

TITLE II—OTHER AGENCIES

BOTANIC GARDEN

SALARIES AND EXPENSES

Appropriates $3,425,000 for salaries and expenses, Botanic Garden instead of $3,538,000 as proposed by the House and $3,428,000 as proposed by the Senate. With respect to object class and project differences between the House and Senate bills, the conferees have agreed to the following:

Operating Budget:	
1. Rent, communications, utilities & travel	$6,000
2. Other services	95,000
3. Supplies	137,000
Capitol Projects:	
4. Design: Administrative building renovations & ADA	0
5. Design: Bartholdi Park renovations & improvements	100,000

LIBRARY OF CONGRESS

SALARIES AND EXPENSES

Provides $256,779,000 for salaries and expenses, Library of Congress instead of $256,285,000 as proposed by the House and $250,491,000 as proposed by the Senate. Of this amount, $6,850,000 is made available from receipts collected by the Library of Congress, and $10,321,000 is to remain available until expended for acquisition of library materials as proposed by the Senate instead of $10,438,000 as proposed by the House. With respect to differences between the House and Senate bills, the conferees have agreed to the following budget changes from fiscal year 1999:

1. Price level increases	+$1,307,490
2. Electronic resources implementation project	+160,828
3. Succession plan	+505,000
4. Reader registration program	+233,396
5. Hands Across America	+5,829,000
6. NDL—Ethnic groups of California	+600,000
7. Essential staff—law library	0
8. Arrearage processing	+188,250
9. Three management specialists	+262,290
10. Space design contract (from savings)	+308,000
11. Automation (computer security telecommunications)	+50,000
12. Automation (financial system replacement)	+250,000
13. Automation (disaster recovery)	+450,000
14. Automation (enhanced Unix server)	+600,000
15. Natl. Film Preservation Foundation grant (from savings)	+250,000
16. Rounding	−441

The conferees have included a provision in the House bill providing $5,579,000, to remain available until expended, for teaching educators how to incorporate the Library's digital collection into school curricula, and a Senate provision providing $600,000, to remain available until expended, for a project to digitize archival materials relating to ethnic groups of California, including Japanese Americans.

The conference agreement includes $505,000 to address succession planning in the most vulnerable areas in the Library's collections. The conferees are sensitive to the Library's needs for succession planning in areas that support the Library's unique collections. In order to address those concerns, before expending any of these funds the Library is directed to submit to the House and Senate Committees on Appropriations a plan which identifies the high risk areas.

The conferees agree with language in the House report authorizing the Library to expend funds out of current resources to conduct a transit-fare program, as authorized by the federal Employees Clean Air Incentive Act of 1993, comparable (including the same level of transit-fare) to the program implemented for employees of the House of Representatives.

The conferees agree with Senate report language directing the Library of Congress to consult with the Architect of the Capitol and the Capitol Police prior to implementing any collection security project as proposed by the Senate.

COPYRIGHT OFFICE

SALARIES AND EXPENSES

Provides $37,628,000 for salaries and expenses, Copyright Office as proposed by the Senate instead of $37,639,000 as proposed by the House. The conferees have agreed to remove the authorization for the use of this appropriation for publications of the decisions of the United States courts involving copyrights as proposed by the House. The conferees have included a provision authorizing $4,250 for official reception expenses of the International Copyright Institute as proposed by the House instead of $7,250 as proposed by the Senate.

BOOKS FOR THE BLIND AND PHYSICALLY HANDICAPPED

SALARIES AND EXPENSES

Appropriates $47,984,000 for salaries and expenses, books for the blind and physically handicapped as proposed by the Senate instead of $48,033,000 as proposed by the House. Of this amount, $14,019,000 shall remain available until expended as proposed by the Senate instead of $14,032,600 as proposed by the House.

FURNITURE AND FURNISHINGS

Appropriates $5,415,000 for furniture and furnishings at the Library of Congress as proposed by the Senate.

ADMINISTRATIVE PROVISIONS

The conferees have authorized the Librarian to appoint not more than three management specialists for a term not to exceed three years as proposed by the House. The conference agreement authorizes a statutory salary increase for the Librarian, the Deputy Librarian and the Director of the Congressional Research Service.

ARCHITECT OF THE CAPITOL

LIBRARY BUILDINGS AND GROUNDS

STRUCTURAL AND MECHANICAL CARE

Appropriates $16,033,000 for structural and mechanical care, Library buildings and grounds, Architect of the Capitol instead of $13,410,000 as proposed by the House and $17,327,000 as proposed by the Senate. Of this amount, $3,650,000 shall remain available until expended instead of $1,150,000 as proposed by the House and $5,740,000 as proposed by the Senate. With respect to object class and project differences between the House and Senate bills, the conferees have agreed to the following:

Operating Budget:	
1. Other services	$1,492,000

2. Equipment & land and structures	116,000
Capitol Projects:	
3. ADA requirements, LB&G's	0
4. Elevator/escalator modernization, LOC buildings	0
5. Replace Halon fire system, LOC computer room	0
6. Design: Install additional sprinklers, JMMB	100,000
7. Lightning protection, JMMB	0
8. Design: Upgrade book conveyor systems, JTB & JAB	0
9. HVAC improvements NW curtain, TJB	0
10. Audio Visual Conservation Center, Culpeper	(1)
11. Design: ADA requirements, LB&G	60,000
12. Design: Book conveyor system security	60,000
13. Design: Replace lighting dimmer system, JMMB	45,000
14. Design: Refuge areas & emergency lighting	145,000
15. High voltage switch gear, JMMB	442,000

[1] See below.

These funds include $3,000,000 which, together with $3,000,000 provided under the Capitol power plant, Architect of the Capitol, make $6 million available for improvements to the Culpeper audio-visual facility and the 42% retroactive water and sewer bill rate increase. These funds are not available until released by the Committees on Appropriations.

The conferees applaud the Architect of the Capitol for creating a Life Safety Program Division within his organization to address workplace safety, fire-protection and environmental concerns. The conferees believe that the Architect must consider the physical safety of the thousands who visit and work in the Capitol complex as one of his highest priorities.

The conferees note the five citations issued to the Architect on July 9, 1999, by the Office of Compliance for serious life-safety violations discovered during inspection of the James Madison Building in the aftermath of the April 30, 1999, fire. The Architect is directed to provide within 30 days to the Committees on Appropriations, the Committee on House Administration and the Senate Committee on Rules and Administration, both minority and majority, a report on all activities undertaken to abate the violations and prevent their recurrence in the Madison Building or elsewhere in the complex. The Architect is further directed to provide within 30 days to the Librarian and these committees, majority and minority, a reasonable, effective and efficient plan of action, including milestones/completion dates, to correct the hazards and deficiencies which the Librarian has identified.

GOVERNMENT PRINTING OFFICE

OFFICE OF SUPERINTENDENT OF DOCUMENTS

SALARIES AND EXPENSES

The conferees agree to a limitation of $175,000 for travel expenses within salaries and expenses, Superintendent of Documents, as proposed by the House instead of $150,000 as proposed by the Senate.

GOVERNMENT PRINTING OFFICE REVOLVING FUND

The conferees have deleted $5,000,000 as proposed by the Senate for air conditioning and elevator upgrades at the Government Printing Office. The GPO is reminded that building repair and renovation plans have not been presented to the authorizing committees.

The conferees agree to a 3,313 workyears limitation at the Government Printing Office as proposed by the House instead of 3,383 as proposed by the Senate. The conferees agree with the provision in the House bill regarding requests by the Public Printer for a different number of FTE's, subject to the approval of the Committees on Appropriations of the Senate and the House of Representatives.

ADMINISTRATIVE PROVISION

The conferees have authorized an increase in the threshold for advertised bids by the Government Printing Office from $25,000 to $100,000 as proposed by the House, thereby matching a threshold that is standard throughout the executive branch.

GENERAL ACCOUNTING OFFICE

SALARIES AND EXPENSES

Appropriates $379,000,000 for salaries and expenses, General Accounting Office instead of $371,181,000 as proposed by the House and $382,298,000 as proposed by the Senate. This level of funding will provide for 3275 FTE's. The conferees understand that the responsibilities for the Joint Financial Management Improvement Program (JFMIP) will be transferred from the General Accounting Office to the General Services Administration and have altered the routine provisions of the GAO appropriating language accordingly.

TITLE III—GENERAL PROVISIONS

In Title III, General Provisions, section numbers have been changed to conform to the conference agreement. The conferees have agreed to include section 305, a sense of Congress provision relating to purchase of American-made products and the technical corrections to the authority provided to the Architect of the Capitol to conduct a buyout program as proposed by the House.

The conferees have included a provision that amends section 316 of Public Law 101–302 as proposed by the Senate. The conferees have included language amending the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (Public Law 105–277) to substitute the Capitol Preservation Commission for several committees as the approval authority for the Capitol Visitor Center. The conferees have included language extending the availability of funds for the Trade Deficit Review Commission and have included a provision of the Senate bill regarding creditable service with congressional campaign committees. The provisions regarding West Front concerts and section 207(e) of Title 18 have been dropped. At the request of the managers on the part of the Senate, the conferees have added a provision regarding the use of frequent flyer miles earned through Senate travel.

TITLE IV—FISCAL YEAR 1999 SUPPLEMENTAL, LEGISLATIVE BRANCH, HOUSE OF REPRESENTATIVES

In addition, the conferees have included fiscal year 1999 matters as follows:

A death gratuity has been provided to the widow of George E. Brown, Jr., late a Representative from the State of California and a change has been made to a House Information Resources reimbursement ceiling.

CONFERENCE TOTAL—WITH COMPARISONS

The total new budget (obligational) authority for the fiscal year 2000 recommended by the Committee of Conference, with comparisons to the fiscal year 1999 amount, the 2000 budget estimates, and the House and Senate bills for 2000 follow:

[In thousands of dollars]

New budget (obligational) authority, fiscal year 1999	$2,581,152
Budget estimates of new (obligational) authority, fiscal year 2000	2,622,101
House bill, fiscal year 2000	1,862,153
Senate bill, fiscal year 2000	2,488,708
Conference agreement, fiscal year 2000	2,457,064
Conference agreement, compared with:	
New budget (obligational) authority, fiscal year 1999	−124,088
Budget estimates of new (obligational) authority, fiscal year 2000	−165,037
House bill, fiscal year 2000	+594,911
Senate bill, fiscal year 2000	−31,644

CHARLES H. TAYLOR,
ZACH WAMP,
JERRY LEWIS,
KAY GRANGER,
BILL YOUNG,
ED PASTOR,
JOHN P. MURTHA,
STENY H. HOYER,
DAVID OBEY
(except for the Russian exchange program),
Managers on the Part of the House.

ROBERT F. BENNETT,
TED STEVENS,
LARRY CRAIG,
THAD COCHRAN,
DIANNE FEINSTEIN,
RICHARD J. DURBIN,
ROBERT C. BYRD,
Managers on the Part of the Senate.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. REYES (at the request of Mr. GEPHARDT) for after 7 p.m. today and august 5 on account of attending a family funeral.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. PALLONE) to revise and extend their remarks and include extraneous material:)

Mr. PALLONE for 5 minutes, today.

Mr. HASTINGS of Florida for 5 minutes, today.

Mr. SPRATT for 5 minutes, today.

Mr. SHERMAN for 5 minutes, today.

Mr. SMITH of Washington for 5 minutes, today.

(The following Members (at the request of Mr. VITTER) to revise and extend their remarks and include extraneous material:)

Mrs. EMERSON for 5 minutes, today.

Mr. HOEKSTRA for 5 minutes, today.

Mr. VITTER for 5 minutes, today.

Mr. METCALF for 5 minutes, today.

Mr. SIMPSON for 5 minutes, August 5.

ADJOURNMENT

Mr. LINDER. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 12 o'clock and 40 minutes a.m.), the House adjourned until today.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 8 of rule XII, executive communications were taken from the Speaker's table and referred as follows:

3481. A letter from the Acting Executive Director, Commodity Futures Trading Commission, transmitting the Commission's final rule—Performance of Certain Functions by the National Futures Association with Respect to Regulation 9.11—received July 29, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3482. A letter from the Deputy Under Secretary, National Resources and Environment, Department of Agriculture, transmitting the Department's final rule—Land Uses; Appeal of Decisions Relating to Occupancy and Use of National Forest System Lands; Mediation of Grazing Disputes (RIN: 0596–AB59) received July 21, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3483. A letter from the Congressional Review Coordinator, Animal and Plant Health Inspection Service, Department of Agriculture, transmitting the Department's final rule—Gypsy Moth Generally Infested Areas [Docket No. 99–042–1] received July 22, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3484. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Hydrogen Peroxide; Exemption from the Requirement of a Tolerance [OPP–300872; FRL–6083–9] (RIN: 2070–AB78) received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3485. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Propargite; Revocation of Certain Tolerances [OPP–300891; FRL–6089–7] (RIN: 2070–AB78) received July 19, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3486. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Dalapon, Fluchloralin, et al.; Various Tolerance Revocations [OPP–300841A; FRL–6093–6] (RIN: 2070–AB78) received July 19, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3487. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Biphenyl, Calcium cyanide, and Captafol, et al.; Final Tolerance Actions [OPP–300898; FRL–6092–7] (RIN: 2070–AB78) received July 19, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3488. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Bentazon, Cyanazine, Dicrotophos, Diquat, Ethephon, Oryzalin, Oxadiazon, Picloram, Prometryn, and Trifluralin; Tolerance Actions [Opp-300847A; FRL–6093–9] (RIN: 2070–AB78) received July 19, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3489. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Zinc Phosphide; Extension of Tolerance for Emergency Exemptions [OPP–300893; FRL–6090–9] (RIN: 2070–AB78) received July 21, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3490. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Formaldehyde; Revocation of Exemptions from the Requirement of Tolerances [OPP–300868A; FRL–6097–1] (RIN: 2070–AB78) received July 29, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3491. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Fenbutatin oxide, Glyphosate, Linuron, and Mevinphos; Tolerance Actions [OPP–300906; FRL–6096–2] (RIN: 2070–AB78) received July 29, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3492. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Azoxystrobin; Pesticide Tolerances for Emergency Exemptions [OPP–300880; FRL–6086–9] (RIN: 2070–AB78) received July 29, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3493. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Spinosad; Pesticide Tolerances For Emergency Exemptions [OPP–300882; FRL–6086–7] (RIN: 2070–AB78) received July 15, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3494. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Pyriproxyfen; Extension of Tolerance for Emergency Exemptions [OPP–300901; FRL–6092–9] (RIN: 2070–AB78) received July 27, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3495. A communication from the President of the United States, transmitting a request for appropriations in budget authority for the Department of Health and Human Services' Low Income Home Energy Assistance Program; (H. Doc. No. 106–111); to the Committee on Appropriations and ordered to be printed.

3496. A letter from the Director, Defense Procurement, Department of Defense, transmitting the Department's final rule—Defense Federal Acquisition Regulation Supplement; Electronic Publication of DFARS [DFARS Case 98–D024] received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Armed Services.

3497. A letter from the Director, Defense Porcurement, Department of Defense, transmitting the Department's final rule—Defense Federal Acquisition Regulation Supplement; Improved Accounting for Defense Contract Services [DFARS Case 98–D312] received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Armed Services.

3498. A letter from the Director, Defense Procurement, Department of Defense, transmitting the Department's final rule—Defense Federal Acquisition Regulation Supplement; Short Form Research Contract Clauses [DFARS Case 99–D014] received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Armed Services.

3499. A letter from the President and Chairman, Export-Import Bank, transmitting a report involving U.S. exports to South Africa, pursuant to 12 U.S.C. 635(b)(3)(i); to the Committee on Banking and Financial Services.

3500. A letter from the Director, Office of Legislative Affairs, Federal Deposit Insurance Corporation, transmitting the Corporation's final rule—Asset and Liability Backup Program (RIN: 3064–AC23) received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Banking and Financial Services.

3501. A letter from the Managing Director, Federal Housing Finance Board, transmitting the Board's final rule—Procedures (RIN: 3069–AA86) received June 24, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Banking and Financial Services.

3502. A letter from the General Counsel, National Credit Union Administration, transmitting the Administration's final rule—Organization and Operations of Federal Credit Unions; Fidelity BOND and Insurance Coverage for Federal Credit Unions; Requirements for Insurance—received June 18, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Banking and Financial Services.

3503. A letter from the General Counsel, National Credit Union Administration, transmitting the Administration's final rule—Change in Official or Senior Executive officer in Credit Unions that are Newly Chartered or are in a Troubled Condition (RIN: 3133–AC03) received June 18, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Banking and Financial Services.

3504. A letter from the General Counsel, National Credit Union Administration, transmitting the Administration's final rule—Organization and Operation of Federal Credit Unions; Member Business Loans [12 C.F.R. Part 723] received June 27, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Banking and Financial Services.

3505. A letter from the General Counsel, Corporation for National and Community Service, transmitting the Corporation's final rule—AmeriCorps Education Awards (RIN: 3045–AA09) received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Education and the Workforce.

3506. A letter from the Executive Director, Federal Labor Relations Authority, transmitting the Authority's final rule—Amendment of Equal Access to Justice Act Attorney Fees Regulations [5 CFR part 2430] received June 15, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Education and the Workforce.

3507. A letter from the Director, Corporate Policy and Research Department, Pension Benefit Guaranty Corporation, transmitting the Corporation's final rule—Allocation of

Assets in Single-Employer Plans; Interest Assumptions for Valuing Benefits; Correction—received July 27, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Education and the Workforce.

3508. A letter from the Secretary of Energy, transmitting the fifteenth Annual Report on the activities and expenditures of the Office of Civilian Radioactive Waste Management, pursuant to 42 U.S.C. 10224(c); to the Committee on Commerce.

3509. A letter from the Director, Acquisition Policy and Programs, Office of the Secretary, Department of Commerce, transmitting the Department's final rule—Solicitation Provisions and Contract Clauses; Women-Owned Small Business Sources [Docket No. 981202294–8294–01] (RIN: 0605–AA13) received July 6, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3510. A letter from the Assistant General Counsel for Regulatory Law, Office of Hearings and Appeals, Department of Energy, transmitting the Department's final rule—Criteria and Procedure for DOE Contractor Employee Protection Program (RIN: 1901–AA78) received July 14, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3511. A letter from the Deputy Executive Secretary to the Department, Department of Health and Human Resources, transmitting the Department's final rule—Over-the-Counter Human Drugs; Labeling Requirements [Docket Nos. 98N–0337, 96N–0420, 95N–0259, and 90P–0201] (RIN: 0910–AA79) received August 2, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3512. A letter from the Deputy Executive Secretary to the Department, Department of Health and Human Services, transmitting the Department's final rule—National Vaccine Injury Compensation Program: Addition of Vaccines Against Rotavirus to the Program (RIN: 0906–AA50) received August 2, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3513. A letter from the Attorney, NHTSA, Department of Transportation, transmitting the Department's final rule—Motor Vehicle Content Labeling [Docket No. NHTSA–98–5064, Notice 2] (RIN: 2127–AH33) received July 29, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3514. A letter from the Trial Attorney, National Highway Traffic Safety Administration, Department of Transportation, transmitting the Department's final rule—Vehicle Certification; Contents of Certification Labels for Altered Vehicles [Docket No. NHTSA–99–5937] (RIN: 2127–AH49) received July 15, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3515. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Approval and Promulgation of Maintenance Plan Revisions; Ohio [OH 125–1a; FRL 6375–6] received July 6, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3516. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Regulation of Fuels and Fuel Additives: Corrections to Standards and Requirements for Reformulated and Conventional Gasoline [FRL–6375–1] (RIN: 2060–AG76) received July 6, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3517. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Consumer and Commercial Products: Wood Furniture, Aerospace, and Shipbuilding and Ship Repair Coatings: Control Techniques Guidelines in Lieu of Regulations [AD–FRL–6375–2] (RIN: 2060–AG59) received July 6, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3518. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Classification of the San Francisco Bay Area Ozone Nonattainment Area for Congestion Mitigation and Air Quality (CMAQ) [CA–010–0001, FRL–6401–6] received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3519. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Approval and Promulgation of State Implementation Plans; California—South Coast [CA—227–151; FRL–6378–2] received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3520. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Approval and Promulgation of Implementation Plan; Indiana [IN96–1a; FRL 6401–9] received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3521. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Approval and Promulgation of Air Quality Implementation Plans; Maryland; Reasonably Available Control Technology Requirements for Major Sources of Nitrogen Oxides [MD 027–3038; FRL–6362–2] received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3522. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Interim Final Stay of Action on Section 126 Petitions for Purposes of Reducing Interstate Ozone Transport [FRL 6364–4] (RIN: 2060–AH88) received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3523. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Approval and Promulgation of Air Quality Implementation Plans; Revised Format for Materials Being Incorporated by Reference for Missouri [MO 065–1065; FRL–6364–3] received June 21, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3524. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Technical and Procedural Amendments to TSCA Regulations-Disposal of Polychlorinated Biphenyls (PCBs) [OPPTS–66009E; FRL–6072–4] (RIN: 2070–AC01) received June 21, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3525. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Clean Air Act Approval and Promulgation of California State Implementation Plan for the San Joaquin Valley Unified Air Pollution Control District [CA 71–154a; FRL–6400–1] received July 19, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3526. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—National Priorities for Uncontrolled Hazardous Waste Sites [FRL–6401–5] received July 21, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3527. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Approval and Promulgation of Air Quality Implementation Plans; District of Columbia; 15 Percent Plan for the Metropolitan Washington, D.C. Ozone Nonattainment Area [DC25–2018a; FRL–6412–5] received July 29, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3528. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Approval and Promulgation of Implementation Plans; California State Implementation Plan Revision, South Coast Air Quality Management District and Yolo-Solano Air Quality Management District [CA 226–0159a FRL–6376–3] received July 15, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3529. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Approval and Promulgation of State Implementation Plans; Michigan [MI69–01–7277a; FRL–6357–3] received July 15, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3530. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Technical Correction to Partial Withdrawl of Direct Final Rule, ''Protection of Stratospheric Ozone: Reconsideration of Petition Criteria and Incorporation of Montreal Protocol Decisions'' [AD–FRL–6400–9] received July 15, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3531. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Air Quality Index Reporting [FRL–6409–7] (RIN: 2060–AH92) received July 27, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3532. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Findings of Failure to Submit a Revised State Implementation Plan (SIP) for Lead; Missouri; Doe Run-Herculaneum Lead Nonattainment Area [Region VII Tracking No. MO–076–1076; FRL–6408–3] received July 22, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3533. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Hazardous Air Pollutants: Regulations Governing Constructed or Reconstructed Major Sources [AD–FRL–6369–6] (RIN: 2060–AD06) received June 25, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3534. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—National Emission Standards for Hazardous Air Pollutants:

Group I Polymers and Resins and Group IV Polymers and Resins [AD–FRL–6369–9] (RIN: 2060–AH47) received June 25, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3535. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Approval and Promulgation of Implementation Plan for Texas: Transportation Conformity Rule [TX–56–1–7391a; FRL–6372–6] received July 1, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3536. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Acquisition Regulation: Contractor Performance Evaluations [FRL–6409–6] received July 27, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3537. A letter from the Special Assistant Chief, Mass Media Bureau, Federal Communications Commission, transmitting the Commission's final rule—Amendment of Section 73.202(b), Table of Allotments, FM Broadcast Stations (Saltillo, Mississippi) [MM Docket No. 99–2 RM–9347] (Rozel, Kansas) [MM Docket No. 99–3 RM–9427] (New Castle, Colorado) [MM Docket No. 99–27 RM–9437] (Walden, Colorado) [MM Docket No. 99–29 RM–9439] (Aberdeen, Idaho) [MM Docket No. 99–30 RM–9443] (Palisade, Colorado) [MM Docket No. 99–31 RM–9444] (Rye, Colorado) [MM Docket No. 99–32 RM–9445] (Burdett, Kansas) [MM Docket No. 99–33 RM–9453] received July 26, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3538. A letter from the Special Assistant to the Chief, Mass Media Bureau, Federal Communications Commission, transmitting the Commission's final rule—Amendment of Section 73.202(b), Table of Allotments, FM Broadcast Stations (Tecopa, California) [MM Docket No. 99–46 RM–9470] (Council Grove, Kansas) [MM Docket No. 99–47 RM–9471] (Carbondale, Colorado) [MM Docket No. 99–48 RM–9472] (El Jebel, Colorado) [MM Docket No. 99–49 RM–9473] received July 26, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3539. A letter from the Secretary, Federal Trade Commission, transmitting the Report to Congress for 1997 Pursuant to the Federal Cigarette Labeling and Advertising Act, pursuant to 15 U.S.C. 1337(b); to the Committee on Commerce.

3540. A letter from the Director, Regulations Policy and Management Staff, Food and Drug Administration, transmitting the Administration's final rule—Secondary Direct Food Additives Permitted in Food for Human Consumption [Docket No. 98F–0894] received July 22, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3541. A letter from the Director, Office of Congressional Affairs, Office of Nuclear Reactor Regulation, Nuclear Regulatory Commission, transmitting the Commission's final rule—Monitoring the Effectiveness of Maintenance at Nuclear Power Plants (RIN: 3150–AF95) received July 22, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3542. A letter from the Director, Office of Congressional Affairs, Nuclear Regulatory Commission, transmitting the Commission's final rule—Domestic Licensing of Special Nuclear Material; Possession of a Critical Mass of Special Nuclear Material (RIN: 3150–AF22) received July 30, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3543. A letter from the Director, Office of Congressional Affairs, Nuclear Regulatory Commission, transmitting a report entitled, ''Consolidated Guidance About Materials Licenses''; to the Committee on Commerce.

3544. A letter from the Director, Office of Congressional Affairs, Office of Nuclear Material Safety and Safeguards, Nuclear Regulatory Commission, transmitting the Commission's final rule—Licensing Requirements for the Independent Storage of Spent Nuclear Fuel and High-Level Radioactive Waste (RIN: 3150–AF80) received July 12, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3545. A letter from the Deputy Secretary, Securities and Exchange Commission, transmitting the Commission's final rule—Year 2000 Operational Capability Requirements for Registered Broker-Dealers and Transfer Agents [Release No. 34–41661; File No. S7–8–99] (RIN: 3235–AH61) received July 28, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3546. A letter from the Assistant Secretary for Export Administration, Department of Commerce, transmitting the Department's final rule—Revisions to the Export Administration Regulations; Commerce Control List: Revision to Categories 1,2,3,4,5,6,7,and 9 Based on Wassenaar Arrangement Review [Docket No. 990625176–9176–01] (RIN: 0694–AB86) received July 22, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on International Relations.

3547. A letter from the Assistant Secretary for Export Administration, Department of Commerce, transmitting the Department's final rule—Expansion of License Exception CIV Eligibility for ''Microprocessors'' Controlled by ECCN 3A001 [Docket No. 990701179–9179–01] (RIN: 0694–AB90) received July 15, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on International Relations.

3548. A letter from the Bureau of Export Administration, Department of Commerce, transmitting the Department's final rule—Revision of High Performance Computer Licensing Policy [Docket No. 990709187–9187–01] (RIN: 0694–AB96) received July 30, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on International Relations.

3549. A letter from the Assistant Secretary for Legislative Affairs, Department of State, transmitting the text of ILO Recommendation No. 189 concerning General Conditions to Stimulate Job Creation in Small and Medium-Sized Enterprises; to the Committee on International Relations.

3550. A letter from the Sr. Investment Specialist, Treasury Division, Army and Air Force Exchange Service, transmitting a report on the Annual Federal Pension Plans, pursuant to 31 U.S.C. 9503(a)(1)(B); to the Committee on Government Reform.

3551. A letter from the Executive Director, Committee For Purchase From People Who Are Blind Or Severely Disabled, transmitting the Committee's final rule—Procurement List Additions and Deletion—received July 29, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Government Reform.

3552. A letter from the Executive Director, Committee For Purchase From People Who Are Blind Or Severely Disabled, transmitting the Committee's final rule—Procurement List Additions and Deletion—received July 29, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Government Reform.

3553. A letter from the Executive Director, Committee For Purchase From People Who Are Blind Or Severely Disabled, transmitting the Committee's final rule—Additions to and Deletions from the Procurement List—received July 13, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Government Reform.

3554. A letter from the Alternate OSD Federal Register Liaison Officer, Department of Defense, transmitting the Department's final rule—Implementation of Wildfire Suppression Aircraft Transfer Act of 1996 (Pub. L. 104–307) (RIN: 0790–AG68) received May 25, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Government Reform.

3555. A letter from the Deputy Associate Administrator for Acquisition Policy, General Services Administration, transmitting the Administration's final rule—General Services Administration Acquisition Regulation; Reissuance of 48 CFR Chapter 5 (RIN: 3090–AE90) received June 21, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Government Reform.

3556. A letter from the General Counsel, Office of Management and Budget, transmitting notification of two recent actions relating to vacancies in OMB; to the Committee on Government Reform.

3557. A letter from the Director, Office of Personnel Management, transmitting the Office's final rule—Career Transition Assistance for Surplus and Displaced Federal Employees (RIN: 3206–AI39) received July 28, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Government Reform.

3558. A letter from the Director, Office of Personnel Management, transmitting the Office's final rule—Positions Restricted to Preference Eligibles (RIN: 3206–AI69) received July 28, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Government Reform.

3559. A letter from the Director, Office of Surface Mining, Department of the Interior, transmitting the Department's final rule—North Dakota Regulatory Program [SPATS No. ND–039–FOR, Amendment No. XXVIII] received July 15, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

3560. A letter from the Acting Chair, Federal Subsistence Board, Fish and Wildlife Service, transmitting the Service's final rule—Subsistence Management Regulations for Public Lands in Alaska, Subparts A, B, C, And D, Redefinition to Include Waters Subject to Subsistence Priority; Correction (RIN: 1018–AD68) received July 14, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

3561. A letter from the Acting Director, Office of Sustainable Fisheries, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—Fisheries of the Exclusive Economic Zone Off Alaska; Pacific Ocean Perch in the Eastern Aleutian District of the Bering Sea and Aleutian Islands [Docket No. 990304063–9063–01; I.D. 070999A] received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

3562. A letter from the Acting Director, Office of Sustainable Fisheries, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—Fisheries of the Exclusive Economic Zone Off Alaska; Pacific Ocean Perch in the Central Regulatory Area of the Gulf of Alaska [Docket No. 990304062–9062–01; I.D. 070999B] received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

3563. A letter from the Director, Office of Sustainable Fisheries, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—Atlantic Highly Migratory Species Fisheries; Atlantic Bluefin Tuna [I.D. 060399A] received July 22, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

3564. A letter from the Director, Office of Sustainable Fisheries, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—Atlantic Tuna Fisheries; Atlantic Bluefin Tuna [I.D. 062599B] received July 22, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

3565. A letter from the Deputy Assistant Administrator for Fisheries, National Marine Fisheries Service, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—Fisheries Off West Coast States and in the Western Pacific; Western Pacific Crustacean Fisheries; Bank-Specific Harvest Guidelines [Docket No. 990630177–9177–01; I.D. 51099A] (RIN: 0648–AK61) received July 14, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

3566. A letter from the Deputy Assistant Administrator For Fisheries, National Marine Fisheries Service, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—Fisheries Off West Coast States and in the Western Pacific; Western Pacific Crustacean Fisheries; 1999 Bank-Specific Harvest Guidelines [Docket No. 990630178–9178–01; I.D. 062499A] (RIN: 0648–XA31) received July 14, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

3567. A letter from the Fisheries Biologist, Office of Protected Resources, PR3, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—Endangered and Threatened Wildlife and Plants; 90-Day Finding for a Petition to List Barndoor Skate (''Rajalaevis'') as Threatened or Endangered [Docket No. 990614160–9160–01; I.D. 061199C] received July 19, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

3568. A letter from the General Counsel, Presidio Trust, transmitting the Trust's final rule—Management of the Presidio: Environmental Quality (RIN: 3212–AA02) received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

3569. A letter from the Chief Justice, Supreme Court of the United States, transmitting a copy of the Report of the Proceedings of the Judicial Conference of the United States, held in Washington D.C., on March 16, 1999, pursuant to 28 U.S.C. 331; to the Committee on the Judiciary.

3570. A letter from the Treasurer, Congressional Medal of Honor Society, transmitting the annual financial report of the Society for calendar year 1998, pursuant to 36 U.S.C. 1101(19) and 1103; to the Committee on the Judiciary.

3571. A letter from the Accounting Admin. Supervisor, Daughters of the American Revolution, transmitting the report of the audit of the Society for the fiscal year ended February 28, 1999, pursuant to 36 U.S.C. 1101(20) and 1103; to the Committee on the Judiciary.

3572. A letter from the Assistant Secretary, Legislative Affairs, Department of the State, transmitting the Department's final rule—VISAS: Documentation of Nonimmigrants Under the Immigration and Nationality Act, as Amended—Border Crossing Cards [Public Notice 2976] received July 2, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on the Judiciary.

3573. A letter from the Assistant Attorney General, Office of Justice Programs, Department of Justice, transmitting the Department's final rule—Timing of Police Corps Reimbursements of Educational Expenses [OJP(OJP)–1205] (RIN: 1121–AA50) received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on the Judiciary.

3574. A letter from the Director, Policy Directives and Instructions Branch, Department of Justice, transmitting the Department's final rule—Extending the Period of Duration of Status for Certain F and J Nonimmigrant Aliens [INS 1992–99] (RIN: 1115–AF47) received June 21, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on the Judiciary.

3575. A letter from the Principal Deputy Director, Office of Community Oriented Policing Services, Department of Justice, transmitting the Department's final rule—FY 1998 Police Recruitment Program (RIN: 1105–AA58) received July 1, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on the Judiciary.

3576. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Amendment of Class E Airspace; Sanford, NC [Airspace Docket No. 99–ASO–7] received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3577. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Amendment to Class D and Class E Airspace; San Juan, PR. [Airspace Docket No. 9–ASO–6] received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3578. A letter from the Program Analyst, Office of the Chief Counsel, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives; Boeing Model 737–700 and -800 Series Airplanes [Docket No. 99–NM–133–AD; Amendment 39–11213; AD 99–13–51] (RIN: 2120–AA64) received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3579. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule— Airworthiness Directives; SAAB Model SAAB 2000 Series Airplanes [Docket No. 98–NM–350–AD; Amendment 39–11232; AD 99–15–12] (RIN: 2120–AA64) received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3580. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives; Sikorsky Aircraft-Manufactured Model CH–54B Helicopters [Docket No. 97–SW–59–AD; Amendment 39–11235; AD 99–15–14] (RIN: 2120–AA64) received July 26, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3581. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives; Alexander Schleicher Segelflugzeugbau Model ASH 26E Sailplanes [Docket No. 99–CE–06–AD; Amendment 39–11234; AD 99–15–13] (RIN: 2120–AA64) received July 26, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3582. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives; AlliedSignal Inc. (formerly Textron Lycoming) Model ALF502R–5 and ALF502R–3A Turbofan Engines [Docket No. 98–ANE–42–AD; Amendment 39–11225; AD 99–15–06] (RIN: 2120–AA64) received July 26, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3583. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Establishment of VOR Federal Airways; WA [Airspace Docket No. 97–ANM–23] (RIN: 2120–AA66) received July 26, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3584. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Amendment to Class E Airspace; Parsons, KS [Airspace Docket No. 99–ACE–36] received July 26, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3585. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Amendment to Class E Airspace; Lawrence, KS [Airspace Docket No. 99–ACE–35] received July 26, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3586. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Amendment to Class E Airspace; Grain Valley, MO [Airspace Docket No. 99–ACE–28] received July 26, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3587. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Revision of Class E Airspace; Perry, OK [Airspace Docket No. 99–ASW–15] received July 26, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3588. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Revision of Class E Airspace; Center, TX. [Airspace Docket No. 99–ASW–14] received July 26, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3589. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Revision of Class E Airspace; Galveston, TX [Airspace Docket No. 99–ASW–09] received July 26, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3590. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Revision of Class E Airspace; Shreveport, LA. [Airspace Docket No. 99–ASW–10] received July 26, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3591. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Amendment to Class E Airspace; Decorah, IA [Airspace Docket No. 99–ACE–19] received July 26, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3592. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the

Department's final rule—Change Name of Using Agency for Restricted Areas R–2102A, R–2102B, and R2102C; AL [Airspace Docket No. 98–ASO–11] (RIN: 2120–AA66) received July 26, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3593. A letter from the Deputy Assistant General Counsel, Department of Transportation, transmitting the Department's final rule—Nondiscrimination on the Basis of Disability in Air Travel; Compensation for Damage to Wheelchairs and Other Assistance Devices (RIN: 2105–AC77) received July 26, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3594. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Standard Instrument Approach Procedures; Miscellaneous Amendments [Docket No. 29666; Amdt. No. 1942] received July 29, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3595. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Standard Instrument Approach Procedures; Miscellaneous Amendments [Docket No. 29665; Amdt. No. 1941] received July 29, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3596. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Standard Instrument Approach Procedures; Miscellaneous Amendments [Docket No. 29667; Amdt. No. 1943] received July 29, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3597. A letter from the Chief, Office of Regulations and Administrative Law, USCG, Department of Transportation, transmitting the Department's final rule—Technical Amendments; Organizational Changes; Miscellaneous Editorial Changes and Conforming Amendments [USCG–1999–5832] received July 22, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3598. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Proposed Establishment of Class E Airspace; Imperial County, CA [Airspace Docket No. 98–AWP–33] received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3599. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Modification of Legal Description of the Class D Airspace; Cincinnati, OH [Airspace Docket No. 99–AGL–25] received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3600. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Modification of Class E Airspace; Indianapolis, IN; and Revocation of Class E Airspace; Greenwood, IN [Airspace Docket No. 99–AGL–26] received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3601. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Modification of Class E Airspace; Barnesville, OH [Airspace Docket No. 99–AGL–24] received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3602. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives; Pratt & Whitney JT9D Series Turbofan Engines [Docket No. 98–ANE–31–AD; Amendment 39–11221; AD 99–15–02] (RIN: 2120–AA64) received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3603. A letter from the Attorney, Research and Special Programs Administration, Department of Transportation, transmitting the Department's final rule—Pipeline Safety: Adoption of Consensus for Breakout Tanks [Docket No. RSPA–97–2095; Amendment 195–66] (RIN: 2137–AC11) received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3604. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Establishment of Class E Airspace; Minden, NV [Airspace Docket No. 97–AWP–16] received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3605. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Amendment of VOR Federal Airways; Kahului, HI [Airspace Docket No. 97–AWP–35] (RIN: 2120–AA66) received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3606. A letter from the Senior Analyst, Office of the Secretary, Department of Transportation, transmitting the Department's final rule—Exemptions Form Passenger Tariff-Filing Requirements in Certain Instances [Docket No. OST–97–2050; Notice No. 97–1] (RIN: 2105–AC61) received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3607. A letter from the Chief, Office of Regulations and Administrative Law, USCG, Department of Transportation, transmitting the Department's final rule—Safety Zone: Fireworks, Parade of Lights, Boston, MA [CGD01–99–110] (RIN: 2115–AA97) received July 22, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3608. A letter from the Program Analyst, Office of the Chief Counsel, FAA, Department of Transportation, transmitting the Department's final rule—Amendment to Class E Airspace; North Platte, NE [Airspace Docket No. 99–ACE–33] received July 22, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3609. A letter from the Chief, Office of Regulations and Administrative Law, United States Coast Guard, Department of Transportation, transmitting the Department's final rule—Special Local Regulations for Marine Events; Hampton Offshore Challenge, Chesapeake Bay, Hampton, Virgina [CGD 05–99–038] (RIN: 2115–AE46) received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3610. A letter from the Chief, Office of Regulations and Administrative Law, United States Coast Guard, Department of Transportation, transmitting the Department's final rule—Special Local Regulations: Independence Day Celebration, Cumberland River mile 190.0–191.0, Nashville, TN [CGD08–99–036](RIN: 2115–AE46) received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3611. A letter from the Chief, Office of Regulations and Administrative Law, United States Coast Guard, Department of Transportation, transmitting the Department's final rule—Safety Zone: 4th of July Fireworks, Charles River Esplanade, Boston, MA [CGD01–99–057] (RIN: 2115–AA97) received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3612. A letter from the Chief, Office of Regulations and Administrative Law, United States Coast Guard, Department of Transportation, transmitting the Department's final rule—Safety Zone: New York Super Boat Race, Hudson River, New York [CGD01–98–175] (RIN: 2115–AA97) received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3613. A letter from the Chief, Office of Regulations and Administrative Law, United States Coast Guard, Department of Transportation, transmitting the Department's final rule—Drawbridge Operation Regulations: Fort Point Channel, MA [CGD01–98–173] (RIN: 2115–AE47) received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3614. A letter from the Chief, Office of Regulations and Administrative Law, United States Coast Guard, Department of Transportation, transmitting the Department's final rule—Special Local Regulations: Riverfest '99, Tennessee River, Mile Marker 140.0–141.0, Parsons, TN [CGD08–99–038] (RIN: 2115–AE46) received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3615. A letter from the Chief, Office of Regulations and Administrative Law, United States Coast Guard, Department of Transportation, transmitting the Department's final rule—Special Local Regulations: Riverbend Festival, Tennessee River mile 463.5 to 464.5, Chattanooga, TN [CGD08–99–037] (RIN: 2115–AE46) received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3616. A letter from the Chief, Office of Regulations and Administrative Law, United States Coast Guard, Department of Transportation, transmitting the Department's final rule—Special local Regulations for Marine Events; Sharptown Outboard Regatta, Nanticoke River, Sharptown, Maryland [CGD 05–99–037] (RIN: 2115–AE46) received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3617. A letter from the Program Analyst, Office of the Chief Counsel, Department of Transportation, transmitting the Department's final rule—Establishment of Class E Airspace; Escobas, TX [Airspace Docket No. 99–ASW–05] received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3618. A letter from the Program Analyst, Office of the Chief Counsel, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives;

Bell Helicopter Textron Canada (BHTC) Model 206L–4 Helicopters [Docket No. 98–SW–66–AD; Amendment 39–11196; AD 99–13–03] (RIN: 2120–AA64) received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3619. A letter from the Program Analyst, Office of the Chief Counsel, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives; Eurocopter France Model AS 332C, L, L1, and L2 Helicopters [Docket No. 99–SW–17–AD; Amendment 39–11195; AD 99–13–02] (RIN: 2120–AA64) received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3620. A letter from the Program Analyst, Office of the Chief Counsel, Department of Transportation, transmitting the Department's final rule—Revision of Class E Airspace; Guthrie, OK; [Airspace Docket No. 99–ASW–06] received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3621. A letter from the Program Analyst, Office of the Chief Counsel, Department of Transportation, transmitting the Department's final rule—Revision of Class E Airspace; Shawnee, OK [Airspace Docket No. 99–ASW–07] received June 17, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3622. A letter from the Program Analyst, Office of the Chief Counsel, Department of Transportation, transmitting the Department's final rule—Procedures for Protests and Contract Disputes; Amendment of Equal Access to Justice Act Regulations [Docket No. FAA–1998–4379; Amendment No. 14–03 17–01] (RIN: 2120–AG19) received June 24, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3623. A letter from the Senior Attorney, Office of the Secretary, Department of Transportation, transmitting the Department's final rule—Petitions Involving the Effective Dates of the Disclosure Code-Sharing Arrangements and Long-Term Wet Leases Final Rule CFR Part 257, and the Disclosure of Change-of-Guage Services Final Rule, 14 CFR Part 258 [Docket Nos. OST–95–179, OST–95–623, and OST–95–177] (RIN: 2105–AC10, 2105–AC17) received July 12, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3624. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—National Pollutant Discharge Elimination System Permit Application Requirements for Publicly Owned Treatment Works and Other Treatment Works Treating Domestic Sewage [FRL–6401–2] (RIN: 2040–AB39) received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3625. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Ocean Dumping; Amendment of Site Designation [FRL–6377–3] received July 19, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3626. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Standards for the Use or Disposal of Sewage Sludge [FRL–6401–3] (RIN: 2040–AC25) received July 19, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3627. A letter from the General Counsel, Federal Emergency Management Agency, transmitting the Agency's final rule—Conduct at the Mt. Weather Emergency Assistance Center and at the National Emergency Training Center [64 FR 31136] (RIN: 3067–AC83) received June 21, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

3628. A letter from the Director, Office of Regulations Management, Veterans Benefits Administration, Department of Veterans Affairs, transmitting the Department's final rule—Veterans Education: Effective Date for Reducing Educational Assistance (RIN: 2900–AJ39) received July 20, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Veterans' Affairs.

3629. A letter from the Director, Office of Regulations Management, Department of Veterans Affairs, transmitting the Department's final rule—VA Acquisition Regulation: Taxes (RIN: 2900–AJ32) received July 13, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Veterans' Affairs.

3630. A letter from the Chief, Regulations Branch, Customs Service, transmitting the Service's final rule—Exemption of Originating Mexican Goods From Certain Customs User Fees [TD 99–61] (RIN: 1515–AC47) received July 30, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

3631. A letter from the Chief, Regulations Unit, Department of the Treasury, transmitting the Department's final rule—Employment Tax Deposits—De Minimis Rule (RIN: 1545–AW28) received June 21, 1999, pursuant to 5 U.S.C. 801 (a)(1)(A); to the Committee on Ways and Means.

3632. A letter from the Deputy Executive Secretary to the Department, Department of Health and Human Services, transmitting the Department's final rule—Implementation of Section 403(a)(2) of Social Security Act Bonus to Reward Decrease in Illegitimacy Ratio (RIN: 0970–AB79) received August 2, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

3633. A letter from the Deputy Executive Secretary to the Department, Department of Health and Human Services, transmitting the Department's final rule—Child Support Enforcement Program; Standards for Program Operations (RIN: 0970–AB82) received August 2, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

3634. A letter from the Deputy Executive Secretary to the Department, Department of Health and Human Services, transmitting the Department's final rule—Child Support Enforcement Program; State Plan Requirements, Standards for Program Operations, and Federal Financial Participation (RIN: 0970–AB69) received August 2, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

3635. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule—Early Referal Of Issues To Appeals—received July 14, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

3636. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule—Returns Relating to Payments of Qualified Tuition and Related Expenses; and Returns Relating to Payments of Interest on Education Loans [Notice 99–37] received July 15, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

3637. A letter from the Acting Associate Chief, Forest Service, Department of Agriculture, transmitting an annual report of Forest Service accomplishments; jointly to the Committees on Agriculture and Resources.

3638. A letter from the Director, Defense Security Cooperation Agency, transmitting the transfer of up to $100M in defense articles and services to the Government of Bosnia-Herzegovina; jointly to the Committees on International Relations and Appropriations.

3639. A letter from the Secretary of Defense, transmitting a report on the objectives and endpoints of contingency operations involving over 500 US military personnel for which supplemental appropriations are requested; jointly to the Committees on International Relations and Armed Services.

3640. A letter from the Deputy Secretary, Department of Housing and Urban Development, transmitting a report entitled, ''HUD Procurement Reform: Substantial Progress Underway''; jointly to the Committees on Government Reform and Banking and Financial Services.

3641. A letter from the Secretary of the Treasury, transmitting the first Semiannual Report to Congress prepared by the Office of the Treasury Inspector General for Tax Administration (TIGTA) for the period ending March 31, 1999; jointly to the Committees on Government Reform and Ways and Means.

3642. A letter from the Secretary of Transportation, transmitting the First Edition of the U.S. Department of Transportation's Transportation Research and Development Plan; jointly to the Committees on Transportation and Infrastructure and Science.

3643. A letter from the Deputy Executive Secretary to the Department, Department of Health and Human Services, transmitting the Department's final rule—Medicare Program; Hospice Wage Index [HCFA–1054–N] (RIN: 0938–AJ62) received August 2, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); jointly to the Committees on Ways and Means and Commerce.

3644. A letter from the Deputy Executive Secretary to the Department, Department of Health and Human Services, transmitting the Department's final rule—Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2000 Rates [HCFA–1053–F] (RIN: 0938–AJ50) received August 2, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); jointly to the Committees on Ways and Means and Commerce.

3645. A letter from the Deputy Executive Secretary to the Department, Department of Health and Human Services, transmitting the Department's final rule—Health Care Programs: Fraud and Abuse; Revised OIG Sanction Authorities Resulting From Public Law 105–33 (RIN: 0991–AA95) received July 22, 1999, pursuant to 5 U.S.C. 801(a)(1)(A); jointly to the Committees on Ways and Means and Commerce.

3646. A letter from the Chairman, Board of Governors of the Federal Reserve, Chairperson, Commodity Futures Trading Commission, Secretary of the Treasury, Chairman, Securities transmitting the report of the President's Working Group on Financial Markets on Hedge Funds, Leverage, and the Lessons of Long-Term Capital Management (LTCM); jointly to the Committees on Banking and Financial Services, Commerce, and Agriculture.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk

for printing and reference to the proper calender, as follows:

Mr. YOUNG of Florida: Committee on Appropriations. Report on the Revised Suballocation of Budget Allocations for Fiscal Year 2000 (Rept. 106–288). Referred to the Committee of the Whole House on the State of the Union.

Mr. ARCHER: Committee of Conference. Conference report on H.R. 2488. A bill to amend the Internal Revenue Code of 1986 to reduce individual income tax rates, to provide marriage penalty relief, to reduce taxes on savings and investments, to provide estate and gift tax relief, to provide incentives for education savings and health care, and for other purposes (Rept. 106–289) Ordered to be printed.

Mr. TAYLOR of North Carolina: Committee of Conference. Conference report on H.R. 1905. A bill making appropriations for the Legislative Branch of the fiscal year ending September 30, 2000, and for other purposes (Rept. 106–290). Ordered to be printed.

Mr. LINDER: Committee on Rules. House Resolution 274. Resolution waiving points of order against the conference report to accompany the bill (H.R. 2488) to amend the Internal Revenue Code of 1986 to reduce individual income tax rates, to provide marriage penalty relief, to reduce taxes on savings and investments, to provide estate and gift tax relief, to provide incentives for education savings and health care, and for other purposes (Rept. 106–291). Referred to the House Calendar.

Mr. PRYCE of Ohio: Committee on Rules. House Resolution 275. Resolution providing for consideration of the bill (H.R. 2684) making appropriations for the Departments of Veterans Affairs and Housing and Urban Development, and for sundry independent agencies, boards, commissions, corporations, and offices for the fiscal year ending September 30, 2000, and for other purposes (Rept. 106–292). Referred to the House Calendar.

Mr. REYNOLDS: Committee on Rules. House Resolution 276. Resolution providing for consideration of the bill (S. 1467) to extend the funding levels for aviation programs for 60 days (Rept. 106–293). Referred to the House Calendar.

PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XII, public bills and resolutions of the following titles were introduced and severally referred, as follows:

By Mr. DAVIS of Virginia:

H.R. 2696. A bill to amend title 5, United States Code, to provide for more equitable policies relating to overtime pay for Federal employees and the accumulation and use of credit hours; to the Committee on Government Reform.

By Mr. MANZULLO:

H.R. 2697. A bill to amend title 38, United States Code, to establish a presumption of service connection for purposes of veterans benefits for certain chronic symptoms occurring in veterans who served in the Persian Gulf War; to the Committee on Veterans' Affairs.

By Mr. DREIER (for himself, Mr. DAVIS of Virginia, Ms. DUNN, and Mr. ROGAN):

H.R. 2698. A bill to promote economic growth and opportunity by increasing the level of visas available for highly specialized scientists and engineers and by eliminating the earnings penalty on senior citizens who continue to work after reaching retirement age; to the Committee on Ways and Means, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. BISHOP (for himself, Mr. LEWIS of Georgia, and Mr. CHAMBLISS):

H.R. 2699. A bill to designate the United States courthouse located at 223 Broad Street in Albany, Georgia, as the ''C.B. King United States Courthouse''; to the Committee on Transportation and Infrastructure.

By Mr. JACKSON of Illinois:

H.R. 2700. A bill to require that United States supported clinical research that is conducted in sub-Saharan African countries be conducted in accordance with the most protective ethical standards regarding the use of human research subjects, and to prohibit the revocation or revision of intellectual property or competition laws or policies of sub-Saharan African countries that are designed to promote access to pharmaceuticals or other medical technologies; to the Committee on International Relations.

By Mr. HYDE:

H.R. 2701. A bill to amend title 28, United States Code, to provide remedies for losses occasioned by unreasonable delay in the processing of certain Federal Communications Commission licenses; to the Committee on the Judiciary.

By Mrs. LOWEY (for herself, Mrs. MORELLA, Mrs. ROUKEMA, Ms. NORTON, Mr. SERRANO, Mr. SHAYS, Mr. CUMMINGS, Mr. HINCHEY, Ms. KILPATRICK, Mr. ROTHMAN, Ms. KAPTUR, Mr. CROWLEY, Mr. NADLER, Mr. MARTINEZ, Ms. RIVERS, Mr. WEINER, Ms. LOFGREN, Mr. LEWIS of Georgia, Ms. LEE, Mr. LANTOS, Mr. MENENDEZ, Mr. VENTO, and Mr. KUCINICH):

H.R. 2702. A bill to reestablish the Office of Noise Abatement and Control in the Environmental Protection Agency, and for other purposes; to the Committee on Commerce, and in addition to the Committee on Transportation and Infrastructure, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. MINGE:

H.R. 2703. A bill to ensure that land enrolled in the land conservation program of the State of Minnesota known as Reinvest in Minnesota remains eligible for enrollment in the conservation reserve upon the expiration of the Reinvest in Minnesota contract; to the Committee on Agriculture.

H.R. 2704. A bill to amend the Agricultural Act of 1949 to restore and improve the farmer owned reserve program, to extend the term of marketing assistance loans made under the Agricultural Market Transition Act, and for other purposes; to the Committee on Agriculture.

By Mr. NEAL of Massachusetts:

H.R. 2705. A bill to amend the Internal Revenue Code of 1986 to prevent the avoidance of gain recognition through swap funds; to the Committee on Ways and Means.

By Mr. WEINER:

H.R. 2706. A bill to amend the Public Health Service Act, the Employee Retirement Income Security Act of 1974, and chapter 5, United States Code, to require coverage for the treatment of infertility; to the Committee on Commerce, and in addition to the Committees on Education and the Workforce, and Government Reform, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. WU:

H.R. 2707. A bill to amend the Older Americans Act of 1965 to establish pension counseling programs, and for other purposes; to the Committee on Education and the Workforce.

By Mrs. BIGGERT (for herself, Mr. MCINTOSH, Mr. FOLEY, Mr. GREENWOOD, and Mr. BARCIA):

H.R. 2708. A bill to amend the Victims of Child Abuse Act of 1990 to require electronic communication service providers to report child pornography violations to the Cyber Tip Line at the National Center for Missing and Exploited Children; to the Committee on Education and the Workforce.

By Mr. GOODLATTE (for himself, Mr. LAHOOD, Mr. MORAN of Kansas, Mr. CALVERT, Mr. BACHUS, Mr. SIMPSON, Mr. MARTINEZ, Mr. GOODE, and Mrs. EMERSON):

H.R. 2709. A bill to amend the Food Stamp Act of 1977 to provide for a national standard of interoperability and portablility applicable to electronic food stamp benefit transactions; to the Committee on Agriculture.

By Mr. HEFLEY:

H.R. 2710. A bill to establish the National Law Enforcement Museum on Federal land in the District of Columbia; to the Committee on Resources.

By Mrs. KELLY (for herself, Mr. GILMAN, and Mr. SWEENEY):

H.R. 2711. A bill to amend section 4531(c) of the Balanced Budget Act of 1997 to permit payment for ALS intercept services furnished in areas other than rural areas, and for other purposes; to the Committee on Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. ROMERO-BARCELO (for himself, Mr. RANGEL, Mr. MCDERMOTT, Mr. YOUNG of Alaska, Mr. TOWNS, and Mr. MCCRERY):

H.R. 2712. A bill to amend title XVIII of the Social Security Act to increase the percentage of the national rate payable for inpatient hospitals services applicable to hospitals located in Puerto Rico to 100 percent; to the Committee on Ways and Means.

By Mr. CHABOT (for himself, Ms. ROS-LEHTINEN, Mr. SALMON, Mr. BARCIA, Mr. SESSIONS, Mr. BRADY of Texas, Ms. PRYCE of Ohio, Mr. LOBIONDO, Mrs. BONO, Mr. SHADEGG, Mr. SMITH of New Jersey, Mr. HORN, Mr. CUNNINGHAM, Mr. GREEN of Wisconsin, Mr. LATOURETTE, Mr. LAHOOD, Ms. GRANGER, Mr. GALLEGLY, Mr. GEKAS, Mr. DELAY, Mr. YOUNG of Alaska, Mr. MORAN of Virginia, Mr. FOLEY, and Mrs. MYRICK):

H.J. Res. 64. A joint resolution proposing an amendment to the Constitution of the United States to protect the rights of crime victims; to the Committee on the Judiciary.

By Mr. SESSIONS (for himself, Mr. DOOLITTLE, Mr. ARMEY, Mr. BARTON of Texas, Mr. BOEHNER, Mr. BONILLA, Mr. BRADY of Texas, Mr. BURR of North Carolina, Mr. BURTON of Indiana, Mr. CHAMBLISS, Mrs. CHENOWETH, Ms. DUNN, Mr. GOODE, Mr. HALL of Texas, Mr. HANSEN, Mr. HASTINGS of Washington, Mr.

HAYWORTH, Mr. HOSTETTLER, Mr. ISTOOK, Mr. SAM JOHNSON of Texas, Mr. LEWIS of California, Mr. LINDER, Mr. LUCAS of Oklahoma, Mr. MCINNIS, Mr. MCINTOSH, Mr. MICA, Mr. GARY MILLER of California, Mr. NEY, Mr. OSE, Mr. PAUL, Mr. PEASE, Mr. PETERSON of Minnesota, Mr. POMBO, Mr. ROGAN, Mr. SCHAFFER, Mr. SHADEGG, Mr. SHIMKUS, Mr. SWEENEY, Mr. TANCREDO, Mr. TERRY, Mr. TIAHRT, Mr. WATTS of Oklahoma, Mr. WICKER, Mr. REYNOLDS, Mr. COOK, and Mrs. MYRICK):

H. Con. Res. 172. Concurrent resolution expressing the sense of Congress in opposition to a ''bit tax'' on Internet data proposed in the Human Development Report 1999 published by the United Nations Development Programme; to the Committee on International Relations.

MEMORIALS

Under clause 3 of rule XII, memorials were presented and referred as follows:

205. The SPEAKER presented a memorial of the Senate of the State of Louisiana, relative to Senate Concurrent Resolution No. 60 memorializing Congress to restore National Resource Conservation Service's budget in order that it can continue to serve the conservation and environmental needs of Louisiana; to the Committee on Agriculture.

206. Also, a memorial of the Senate of the State of Louisiana, relative to Senate Concurrent Resolution No. 42 memorializing Congress to proclaim the first week in August of each year as ''National Week of Prayer for Schools''; to the Committee on Government Reform.

207. Also, a memorial of the Senate of the State of Louisiana, relative to Senate Concurrent Resolution No. 12 memorializing Congress to pursue viable alternatives to the current Turtle Excluder Device regulations; to the Committee on Resources.

208. Also, a memorial of the Senate of the State of Louisiana, relative to Senate Concurrent Resolution No. 136 memorializing Congress to pass the Flag Protection Amendment, an amendment to the Constitution of the United States giving Congress the authority to pass laws protecting the United States flag from desecration; to the Committee on the Judiciary.

209. Also, a memorial of the Senate of the State of Louisiana, relative to Senate Concurrent Resolution No. 30 memorializing Congress to authorize and to urge the governor of the state of Louisiana to support the development of the ''Comprehensive Hurricane Protection Plan for Coastal Louisiana'' by the U.S. Army Corps of Engineers to provide continuous hurricane protection from Morgan City to the Mississippi border; to the Committee on Transportation and Infrastructure.

210. Also, a memorial of the Senate of the State of Michigan, relative to Senate Resolution No. 55 memorializing Congress on voluntary, individual, unorganized, and nonmandatory prayer in public schools; jointly to the Committees on Education and the Workforce and the Judiciary.

211. Also, a memorial of the Senate of the State of Louisiana, relative to Senate Concurrent Resolution No. 59 memorializing Congress to take certain actions to guarantee all monies due to states from any tobacco industry settlement, agreement, or judgment be paid in full to such states and to prohibit any activities that would result in reducing the amount of funds available to the states from any tobacco industry settlement, agreement, or judgment; jointly to the Committees on Commerce and Ways and Means.

212. Also, a memorial of the Senate of the State of Louisiana, relative to Senate Resolution No. 51 memorializing Congress to adopt legislation which would allow the sale of food and other humanitarian aid to the people of Cuba; jointly to the Committees on International Relations and Agriculture.

213. Also, a memorial of the Senate of the State of Louisiana, relative to Senate Concurrent Resolution No. 124 memorializing Congress to provide funding for the construction of the Big Creek Recreation Access Project; jointly to the Committees on Resources and Agriculture.

214. Also, a memorial of the House of Representatives of the State of Michigan, relative to House Concurrent Resolution No. 27 and House Resolution No. 51 memorializing Congress to investigate the issue of apple juice concentrate from other countries being sold in the American Market at prices below cost; jointly to the Committees on Ways and Means and Agriculture.

ADDITIONAL SPONSORS

Under clause 7 of rule XII, sponsors were added to public bills and resolutions as follows:

H.R. 9: Mr. MCHUGH.
H.R. 44: Mr. WALSH.
H.R. 61: Mr. LAMPSON.
H.R. 86: Mr. DIAZ-BALART.
H.R. 123: Mr. BARTLETT of Maryland.
H.R. 170: Mr. ROYCE
H.R. 191: Ms. PRYCE of Ohio.
H.R. 303: Ms. MCKINNEY.
H.R. 316: Mr. DELAHUNT.
H.R. 353: Mr. DEFAZIO, Mr. POMEROY, Mr. SALMON, Mr. WISE, Ms. BALDWIN, Mr. SMITH of Washington, and Mr. GORDON.
H.R. 355: Mr. SMITH of New Jersey.
H.R. 405: Mr. NEAL of Massachusetts, Mr. GEKAS, Mr. PICKETT, and Mr. HOLT.
H.R. 415: Mr. MCGOVERN.
H.R. 453: Mr. CLEMENT, Ms. KILPATRICK, Mr. GEORGE MILLER of California, Mrs. EMERSON, Mr. ALLEN, and Mr. SMITH of Washington.
H.R. 488: Mr. SHERMAN.
H.R. 501: Mrs. NORTHUP.
H.R. 516: Mrs. CUBIN.
H.R. 531: Mr. VITTER.
H.R. 648: Mr. MCHUGH.
H.R. 714: Mr. BAIRD, Mr. DAVIS of Illinois, Mr. KIND, and Mr. SERRANO.
H.R. 731: Mr. KUCINICH.
H.R. 750: Mr. WU, Ms. ESHOO, Mr. WAXMAN, and Mr. PICKETT.
H.R. 783: Mr. NEY and Mr. JONES of North Carolina.
H.R. 802: Mr. MINGE, Mr. CROWLEY, Mr. LARSON, Mr. WU, and Mr. CAPUANO.
H.R. 845: Mr. DINGELL.
H.R. 915: Mr. WISE and Mr. SHAYS.
H.R. 919: Mr. GUTIERREZ.
H.R. 976: Mr. SMITH of Washington and Ms. STABENOW.
H.R. 997: Mr. HILLIARD.
H.R. 1032: Mr. SHOWS.
H.R. 1063: Mr. ANDREWS.
H.R. 1070: Mr. KOLBE and Mr. VITTER.
H.R. 1111: Mrs. NAPOLITANO and Mr. PHELPS.
H.R. 1149: Mr. WAXMAN.
H.R. 1180: Mr. BLAGOJEVICH and Mr. LIPINSKI.
H.R. 1221: Mr. BEREUTER and Mr. GEKAS.
H.R. 1222: Mr. TIERNEY.
H.R. 1288: Mr. MCNULTY.
H.R. 1298: Mr. BONIOR.
H.R. 1325: Mr. LUCAS of Kentucky.
H.R. 1337: Mr. WEXLER and Mr. ROGERS.
H.R. 1344: Mr. HASTINGS of Florida.
H.R. 1354: Mr. KELLY, Mr. TERRY, and Ms. DUNN.
H.R. 1356: Mr. SHERMAN and Mr. SALMON.
H.R. 1358: Mr. GORDON.
H.R. 1445: Mr. OLVER and Mrs. MINK of Hawaii.
H.R. 1482: Mr. WAXMAN.
H.R. 1491: Mr. SMITH of Washington and Mr. OLVER.
H.R. 1504: Mr. LATOURETTE.
H.R. 1507: Mr. SIMPSON.
H.R. 1577: Mr. HUNTER and Mr. RILEY.
H.R. 1581: Mr. COYNE, Mr. DAVIS of Illinois, Mr. GALLEGLY, Mr. GOSS, and Mr. HASTINGS of Florida.
H.R. 1622: Mr. SMITH of Washington.
H.R. 1629: Mr. DEAL of Georgia and Mr. PHELPS.
H.R. 1644: Mrs. CHRISTENSEN and Mr. SANDLIN.
H.R. 1650: Mr. GARY MILLER of California, Mr. BLAGOJEVICH, Mr. ACKERMAN, Mr. HOBSON, and Mr. YOUNG of Alaska.
H.R. 1685: Mr. GARY MILLER of California.
H.R. 1731: Mr. HUTCHINSON and Mr. PICKERING.
H.R. 1747: Mr. HOSTETTLER, Mr. VITTER, and Mr. TERRY.
H.R. 1788: Mr. MENENDEZ and Mr. SMITH of Washington.
H.R. 1812: Mr. KUCINICH.
H.R. 1838: Mr. BERMAN and Mr. KLECZKA.
H.R. 1849: Mr. OWENS.
H.R. 1857: Mr. PICKERING.
H.R. 1862: Mr. BROWN of Ohio and Mr. BOSWELL.
H.R. 1863: Mr. BAIRD.
H.R. 1883: Mr. LEACH, Mr. SOUDER, Mr. IASAKSON, Mr. TANNER, Mr. KOLBE, Mr. CALVERT, Mr. CRAMER, Mr. COYNE, Mr. PICKERING, Mr. BARCIA, Mr. SISISKY, Mrs. MEEK of Florida, Mr. FRANKS of New Jersey, Mrs. JONES of Ohio, Mr. SMITH of Michigan, Mr. ALLEN, Ms. BROWN of Florida, Mr. INSLEE, Mr. MOORE, Mr. LARSON, Mr. LUTHER, Mr. SANFORD, Mr. KUYKENDALL, Mr. RYUN of Kansas, Mr. CHABOT, and Mr. OBERSTAR.
H.R. 1887: Mr. BURTON of Indiana, Mr. HORN, Mr. SMITH of Texas, and Mr. CUNNINGHAM.
H.R. 1926: Mrs. MORELLA, Mr. LINDER, Mr. COOK, Mr. MANZULLO, Mr. GREEN of Wisconsin, and Mr. SISISKY.
H.R. 1933: Mr. GARY MILLER of California, Mr. GOODE, Mr. HUTCHINSON, Mr. HANSEN, and Mr. LAHOOD.
H.R. 1983: Mrs. CHRISTENSEN.
H.R. 2056: Mr. ANDREWS.
H.R. 2120: Ms. JACKSON-LEE of Texas, Mr. ACKERMAN, Mr. JACKSON of Illinois, Mr. MEEHAN, Ms. WATERS, Ms. KAPTUR, Ms. STABENOW, Mr. DAVIS of Florida, Mr. LEWIS of Georgia, Mr. WU, Mr. WEXLER, and Mr. GEJDENSON.
H.R. 2130: Mr. WAXMAN, Mr. HORN, Mr. HOBSON, Mr. NETHERCUTT, Mr. BASS, and Mr. KINGSTON.
H.R. 2283: Mr. KUCINICH.
H.R. 2286: Ms. LOFGREN.
H.R. 2289: Mr. ENGLISH, Mr. SKEEN, Mrs. CAPPS, Mr. SOUDER, Mr. HASTINGS of Washington, and Mr. GOSS.
H.R. 2303: Mr. GILLMOR, Mr. BURTON of Indiana, Mr. GEKAS, Mr. ORTIZ, Mr. BARTLETT of Maryland, Mr. SMITH of Texas, and Mr. FLETCHER.
H.R. 2305: Mr. FATTAH.
H.R. 2340: Mr. DEAL of Georgia and Mr. NORWOOD.

H.R. 2344: Ms. LEE and Mr. GREEN of Texas.
H.R. 2356: Mrs. FOWLER.
H.R. 2357: Mr. KASICH and Mr. REGULA.
H.R. 2386: Mr. FILNER and Mr. GEORGE MILLER of California.
H.R. 2409: Mr. HINOJOSA.
H.R. 2420: Mr. BARTLETT of Maryland and Mr. CALLAHAN.
H.R. 2434: Mr. HEFLEY and Ms. PRYCE of Ohio.
H.R. 2446: Mr. GONZALEZ and Mr. KENNEDY of Rhode Island.
H.R. 2491: Mrs. CLAYTON, Mr. BARTLETT of Maryland, and Mr. GREENWOOD.
H.R. 2498: Mr. PICKERING and Mr. PRICE of North Carolina.
H.R. 2527: Mr. GREEN of Wisconsin.
H.R. 2532: Mr. MCKEON.
H.R. 2539: Ms. ESHOO.
H.R. 2548: Mrs. JOHNSON of Connecticut, Mr. BALDACCI, Mr. HINCHEY, and Mrs. MCCARTHY of New York.
H.R. 2573: Mr. WEXLER.
H.R. 2586: Mr. RAHALL and Mr. STUPAK.
H.R. 2687: Mr. FROST.
H. Con. Res. 34: Mr. PRICE of North Carolina.
H.Con. Res. 60: Mr. CALVERT, Mr. TOOMEY, Mr. KIND, Mr. KENNEDY of Rhode Island, and Mr. GUTIERREZ.
H. Con. Res. 80: Mr. SNYDER, Mr. MCINTYRE, and Ms. DEGETTE.
H. Con. Res. 120: Mr. LIPINSKI, Mr. DEFAZIO, Mrs. MYRICK, Mr. KUYKENDALL, Mr. MOORE, Mr. HYDE, and Mr. CAMP.
H. Con. Res. 124: Ms. NORTON and Mr. WATT of North Carolina.
H. Con. Res. 128: Ms. STABENOW, Mr. FOSSELLA, Mr. OBERSTAR, and Ms. PRYCE of Ohio.
H. Res. 134: Mr. BURTON of Indiana, Mr. CAMPBELL, Mr. JACKSON of Illinois, Mrs. MCCARTHY of New York, Mrs. MORELLA, Mr. PACKARD, Mr. SCARBOROUGH, Mr. SCHAFFER, Mr. TOWNS, Mr. UDALL of Colorado, and Mr. WAXMAN.
H. Res. 187: Mr. COSTELLO.
H. Res. 203: Mrs. KELLY, Mr. HILLEARY, and Mr. GARY MILLER of California.
H. Res. 238: Mr. KOLBE and Mr. SMITH of New Jersey.
H. Res. 268: Mr. ENGLISH and Ms. DUNN.

AMENDMENTS

Under clause 8 of rule XVIII, proposed amendments were submitted as follows:

H.R. 2670

OFFERED BY: MR. EHLERS

AMENDMENT NO. 22: Page 53, line 26, after the dollar amount insert ''(increased by $390,000)''.

Page 54, line 12, after the dollar amount insert ''(increased by $390,000)''.

Page 54, line 13, after the dollar amount insert ''(increased by $390,000)''.

Page 54, line 18, after the dollar amount insert ''(increased by $390,000)''.

Page 56, line 9, after the dollar amount insert ''(reduced by $390,000)''.

H.R. 2670

OFFERED BY: MR. STEARNS

AMENDMENT NO. 23. On page 72, 5 strike ''$2,482,825,000'' and insert ''2,482,325,000''

H.R. 2670

OFFERED BY: MR. TANCREDO

AMENDMENT NO. 24: Page 80, strike line 7 and all that follows through page 81, line 14 (relating to arrearage payments).

CONFERENCE REPORT ON H.R. 2488, FINANCIAL FREEDOM ACT OF 1999

Mr. ARCHER (during the Special Order of Mr. ETHERIDGE) submitted the following conference report and statement on the bill (H.R. 2488) to provide for reconciliation pursuant to sections 105 and 211 of the concurrent resolution on the budget for fiscal year 2000:

CONFERENCE REPORT (H. Rept. 106–289)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 2488), to provide for reconciliation pursuant to sections 105 and 211 of the concurrent resolution on the budget for fiscal year 2000, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Taxpayer Refund and Relief Act of 1999''.

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

(c) SECTION 15 NOT TO APPLY.—No amendment made by this Act shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.

(d) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—BROAD-BASED AND FAMILY TAX RELIEF

Subtitle A—Reduction in Individual Income Taxes

Sec. 101. Reduction in individual income taxes.

Subtitle B—Family Tax Relief

Sec. 111. Elimination of marriage penalty in standard deduction.
Sec. 112. Exclusion for foster care payments to apply to payments by qualified placement agencies.
Sec. 113. Expansion of adoption credit.
Sec. 114. Modification of dependent care credit.
Sec. 115. Marriage penalty relief for earned income credit.

Subtitle C—Repeal of Alternative Minimum Tax on Individuals

Sec. 121. Repeal of alternative minimum tax on individuals.

TITLE II—RELIEF FROM TAXATION ON SAVINGS AND INVESTMENTS

Subtitle A—Capital Gains Tax Relief

Sec. 201. Reduction in individual capital gain tax rates.
Sec. 202. Indexing of certain assets acquired after December 31, 1999, for purposes of determining gain.
Sec. 203. Capital gains tax rates applied to capital gains of designated settlement funds.
Sec. 204. Special rule for members of uniformed services and Foreign Service, and other employees, in determining exclusion of gain from sale of principal residence.
Sec. 205. Tax treatment of income and loss on derivatives.
Sec. 206. Worthless securities of financial institutions.

Subtitle B—Individual Retirement Arrangements

Sec. 211. Modification of deduction limits for IRA contributions.
Sec. 212. Modification of income limits on contributions and rollovers to Roth IRAs.
Sec. 213. Deemed IRAs under employer plans.
Sec. 214. Catchup contributions to IRAs by individuals age 50 or over.

TITLE III—ALTERNATIVE MINIMUM TAX REFORM

Sec. 301. Modification of alternative minimum tax on corporations.
Sec. 302. Repeal of 90 percent limitation on foreign tax credit.

TITLE IV—EDUCATION SAVINGS INCENTIVES

Sec. 401. Modifications to education individual retirement accounts.
Sec. 402. Modifications to qualified tuition programs.
Sec. 403. Exclusion of certain amounts received under the National Health Service Corps Scholarship Program, the F. Edward Hebert Armed Forces Health Professions Scholarship and Financial Assistance Program, and certain other programs.
Sec. 404. Extension of exclusion for employer-provided educational assistance.
Sec. 405. Additional increase in arbitrage rebate exception for governmental bonds used to finance educational facilities.
Sec. 406. Modification of arbitrage rebate rules applicable to public school construction bonds.
Sec. 407. Elimination of 60-month limit and increase in income limitation on student loan interest deduction.
Sec. 408. 2-percent floor on miscellaneous itemized deductions not to apply to qualified professional development expenses of elementary and secondary school teachers.

TITLE V—HEALTH CARE PROVISIONS

Sec. 501. Deduction for health and long-term care insurance costs of individuals not participating in employer-subsidized health plans.
Sec. 502. Long-term care insurance permitted to be offered under cafeteria plans and flexible spending arrangements.
Sec. 503. Additional personal exemption for taxpayer caring for elderly family member in taxpayer's home.
Sec. 504. Expanded human clinical trials qualifying for orphan drug credit.
Sec. 505. Inclusion of certain vaccines against streptococcus pneumoniae to list of taxable vaccines; reduction in per dose tax rate.
Sec. 506. Drug benefits for medicare beneficiaries.

TITLE VI—ESTATE TAX RELIEF

Subtitle A—Repeal of Estate, Gift, and Generation-Skipping Taxes; Repeal of Step Up in Basis At Death

Sec. 601. Repeal of estate, gift, and generation-skipping taxes.

Sec. 602. Termination of step up in basis at death.
Sec. 603. Carryover basis at death.
Subtitle B—Reductions of Estate and Gift Tax Rates Prior to Repeal
Sec. 611. Additional reductions of estate and gift tax rates.
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SEC. 101. REDUCTION IN INDIVIDUAL INCOME TAXES.

(a) REGULAR INCOME TAX RATES.—

(1) IN GENERAL.—Subsection (f) of section 1 is amended by adding at the end the following new paragraph:

''(8) RATE REDUCTIONS.—The following adjustments shall apply in prescribing the tables under paragraph (1):

''(A) REDUCTION IN LOWEST RATE.—With respect to taxable years beginning after December 31, 2000, the rate applicable to the lowest income bracket shall be—

''(i) 14.5 percent in the case of taxable years beginning during 2001 or 2002, and

''(ii) 14.0 percent in the case of taxable years beginning after 2002.

''(B) REDUCTION IN OTHER RATES.—With respect to taxable years beginning after December 31, 2004, each rate (other than the rate referred to in subparagraph (A)) shall be reduced by 1 percentage point.

''(C) PHASEOUT OF MARRIAGE PENALTY IN LOWEST BRACKET.—

''(i) IN GENERAL.—With respect to taxable years beginning after December 31, 2004—

''(I) the maximum taxable income in the lowest rate bracket in the table contained in subsection (a) (and the minimum taxable income in the next higher taxable income bracket in such table) shall be the applicable percentage of the maximum taxable income in the lowest rate bracket in the table contained in subsection (c) (after any other adjustment under this subsection), and

''(II) the comparable taxable income amounts in the table contained in subsection (d) shall be ½ of the amounts determined under subclause (I).

''(ii) APPLICABLE PERCENTAGE.—For purposes of clause (i), the applicable percentage shall be determined in accordance with the following table:

''For taxable years beginning in calendar year—	**The applicable percentage is—**
2005	173.7
2006	176.1
2007	188.1
2008 and thereafter	200.0.

''(D) INCREASE IN MAXIMUM TAXABLE INCOME IN LOWEST BRACKET FOR OTHER INDIVIDUALS.—

''(i) IN GENERAL.—With respect to taxable years beginning after December 31, 2005, the maximum taxable income in the lowest rate bracket in the tables contained in subsections (b) and (c), after any other adjustment under this subsection (and the minimum taxable income in the next higher taxable income bracket in such tables, as so adjusted) shall be increased by $3,000.

''(ii) COST-OF-LIVING ADJUSTMENT.—In the case of any taxable year beginning in any calendar year after 2006, the $3,000 amount in clause (i) 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 2005' for 'calendar year 1992' in subparagraph (B) thereof.''.

''(iii) Any increase under clause (ii) shall be added to the amount it is increasing before such amount is rounded under paragraph (6).

''(9) POST-2001 RATE REDUCTIONS CONTINGENT ON NO INCREASE IN INTEREST ON TOTAL UNITED STATES DEBT.—

''(A) IN GENERAL.—If the calendar year preceding any adjustment year is not a debt reduction calendar year, then—

''(i) such adjustment shall not take effect until the calendar year following the adjustment year, and

''(ii) this subparagraph shall apply to such following calendar year as if it were an adjustment year.

For purposes of this subparagraph, the term 'adjustment year' means, with respect to any adjustment under subparagraph (A), (B), or (D) of paragraph (8), the first calendar year for which such adjustment takes effect without regard to this paragraph.

''(B) DEBT REDUCTION CALENDAR YEAR.—For purposes of this paragraph, the term 'debt reduction calendar year' means any calendar year after 2000 if the Secretary of the Treasury (after consultation with the chairman of the Federal Reserve Board) determines by August 31 of such calendar year that the United States interest expense for the 12-month period ending on July 31 of such calendar year is not more than $1,000,000,000 greater than the United States interest expense for the 12-month period ending on July 31 of the preceding calendar year.

''(C) UNITED STATES INTEREST EXPENSE.—For purposes of this paragraph, the term 'United States interest expense' means interest on obligations which are subject to the public debt limit in section 3101 of title 31, United States Code.''.

(2) TECHNICAL AMENDMENTS.—

(A) Subparagraph (B) of section 1(f)(2) is amended by inserting ''except as provided in paragraph (8),'' before ''by not changing''.

(B) Subparagraph (C) of section 1(f)(2) is amended by inserting ''and the reductions under paragraph (8) in the rates of tax'' before the period.

(C) The heading for subsection (f) of section 1 is amended by inserting ''RATE REDUCTIONS;'' before ''ADJUSTMENTS''.

(D) Section 1(g)(7)(B)(ii)(II) is amended by striking ''15 percent'' and inserting ''the percentage applicable to the lowest income bracket in subsection (c)''.

(E) Subparagraphs (A)(ii)(I) and (B)(i) of section 1(h)(1) are each amended by striking ''28 percent'' and inserting ''27 percent''.

(F) Section 531 is amended by striking ''39.6 percent of the accumulated taxable income'' and inserting ''the product of the accumulated taxable income and the percentage applicable to the highest income bracket in section 1(c)''.

(G) Section 541 is amended by striking ''39.6 percent of the undistributed personal holding company income'' and inserting ''the product of the undistributed personal holding company income and the percentage applicable to the highest income bracket in section 1(c)''.

(H) Section 3402(p)(1)(B) is amended by striking ''specified is 7, 15, 28, or 31 percent'' and all that follows and inserting ''specified is—

''(i) 7 percent,

''(ii) a percentage applicable to 1 of the 3 lowest income brackets in section 1(c), or

''(iii) such other percentage as is permitted under regulations prescribed by the Secretary.''.

(I) Section 3402(p)(2) is amended by striking ''15 percent of such payment'' and inserting ''the product of such payment and the percentage applicable to the lowest income bracket in section 1(c)''.

(J) Section 3402(q)(1) is amended by striking ''28 percent of such payment'' and inserting ''the product of such payment and the percentage applicable to the next to the lowest income bracket in section 1(c)''.

(K) Section 3402(r)(3) is amended by striking ''31 percent'' and inserting ''the rate applicable to the third income bracket in such section''.

(L) Section 3406(a)(1) is amended by striking ''31 percent of such payment'' and inserting ''the product of such payment and the percentage applicable to the third income bracket in section 1(c)''.

(b) MINIMUM TAX RATES.—Subparagraph (A) of section 55(b)(1) is amended by adding at the end the following new clause:

''(iv) RATE REDUCTION.—In the case of taxable years beginning after December 31, 2004, each rate in clause (i) shall be reduced by 1 percentage point.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

Subtitle B—Family Tax Relief

SEC. 111. ELIMINATION OF MARRIAGE PENALTY IN STANDARD DEDUCTION.

(a) IN GENERAL.—Paragraph (2) of section 63(c) (relating to standard deduction) is amended—

(1) by striking ''$5,000'' in subparagraph (A) and inserting ''200 percent of the dollar amount in effect under subparagraph (C) for the taxable year'',

(2) by adding ''or'' at the end of subparagraph (B),

(3) by striking ''in the case of'' and all that follows in subparagraph (C) and inserting ''in any other case.'', and

(4) by striking subparagraph (D).

(b) PHASE-IN.—Subsection (c) of section 63 is amended by adding at the end the following new paragraph:

''(7) PHASE-IN OF INCREASE IN BASIC STANDARD DEDUCTION.—In the case of taxable years beginning before January 1, 2005—

''(A) paragraph (2)(A) shall be applied by substituting for '200 percent'—

''(i) '172.8 percent' in the case of taxable years beginning during 2001,

''(ii) '180.1 percent' in the case of taxable years beginning during 2002,

''(iii) '187.0 percent' in the case of taxable years beginning during 2003, and

''(iv) '193.5 percent' in the case of taxable years beginning during 2004, and

''(B) the basic standard deduction for a married individual filing a separate return shall be one-half of the amount applicable under paragraph (2)(A).

If any amount determined under subparagraph (A) is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.''.

(c) TECHNICAL AMENDMENTS.—

(1) Subparagraph (B) of section 1(f)(6) is amended by striking ''(other than with'' and all that follows through ''shall be applied'' and inserting ''(other than with respect to sections 63(c)(4) and 151(d)(4)(A)) shall be applied''.

(2) Paragraph (4) of section 63(c) is amended by adding at the end the following flush sentence:

''The preceding sentence shall not apply to the amount referred to in paragraph (2)(A).''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 112. EXCLUSION FOR FOSTER CARE PAYMENTS TO APPLY TO PAYMENTS BY QUALIFIED PLACEMENT AGENCIES.

(a) IN GENERAL.—The matter preceding subparagraph (B) of section 131(b)(1) (defining qualified foster care payment) is amended to read as follows:

''(1) IN GENERAL.—The term 'qualified foster care payment' means any payment made pursuant to a foster care program of a State or political subdivision thereof—

''(A) which is paid by—

''(i) the State or political subdivision thereof, or

''(ii) a qualified foster care placement agency, and''.

(b) QUALIFIED FOSTER INDIVIDUALS TO INCLUDE INDIVIDUALS PLACED BY QUALIFIED PLACEMENT AGENCIES.—Subparagraph (B) of section 131(b)(2) (defining qualified foster individual) is amended to read as follows:

''(B) a qualified foster care placement agency.''.

(c) QUALIFIED FOSTER CARE PLACEMENT AGENCY DEFINED.—Subsection (b) of section 131 is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

''(3) QUALIFIED FOSTER CARE PLACEMENT AGENCY.—The term 'qualified foster care placement agency' means any placement agency which is licensed or certified by—

''(A) a State or political subdivision thereof, or

''(B) an entity designated by a State or political subdivision thereof,

for the foster care program of such State or political subdivision to make foster care payments to providers of foster care.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 113. EXPANSION OF ADOPTION CREDIT.

(a) IN GENERAL.—Section 23(a)(1) (relating to allowance of credit) is amended to read as follows:

''(1) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter—

''(A) in the case of an adoption of a child other than a child with special needs, the amount of the qualified adoption expenses paid or incurred by the taxpayer, and

''(B) in the case of an adoption of a child with special needs, $10,000.''.

(b) DOLLAR LIMITATION.—Section 23(b)(1) is amended—

(1) by striking ''($6,000, in the case of a child with special needs)'', and

(2) by striking ''subsection (a)'' and inserting ''subsection (a)(1)''.

(c) YEAR CREDIT ALLOWED.—Section 23(a)(2) is amended by adding at the end the following new flush sentence:

''In the case of the adoption of a child with special needs, the credit allowed under paragraph (1) shall be allowed for the taxable year in which the adoption becomes final.''.

(d) DEFINITION OF ELIGIBLE CHILD.—

(1) IN GENERAL.—Section 23(d)(2) is amended to read as follows:

''(2) ELIGIBLE CHILD.—The term 'eligible child' means any individual who—

''(A) has not attained age 18, or

''(B) is physically or mentally incapable of caring for himself.''.

(2) CLARIFICATION OF TERMINATION.—Section 23 is amended by adding at the end the following new subsection:

''(i) TERMINATION FOR CHILDREN WITHOUT SPECIAL NEEDS.—Except in the case of a child with special needs, this section shall not apply to expenses paid or incurred after December 31, 2001.''

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

SEC. 114. MODIFICATION OF DEPENDENT CARE CREDIT.

(a) INCREASE IN PERCENTAGE OF EMPLOYMENT-RELATED EXPENSES TAKEN INTO ACCOUNT.—Subsection (a)(2) of section 21 (relating to expenses for household and dependent care services necessary for gainful employment) is amended—

(1) by striking ''30 percent'' and inserting ''35 percent (40 percent in the case of taxable years beginning after December 31, 2005)'',

(2) by striking ''$2,000'' and inserting ''$1,000'', and

(3) by striking ''$10,000'' and inserting ''$30,000''.

(b) INDEXING OF LIMIT ON EMPLOYMENT-RELATED EXPENSES.—Section 21(c) (relating to dollar limit on amount creditable) is amended to read as follows:

''(c) DOLLAR LIMIT ON AMOUNT CREDITABLE.—

''(1) IN GENERAL.—The amount of the employment-related expenses incurred during any taxable year which may be taken into account under subsection (a) shall not exceed—

''(A) an amount equal to 50 percent of the amount determined under subparagraph (B) if there is 1 qualifying individual with respect to the taxpayer for such taxable year, or

''(B) $4,800 if there are 2 or more qualifying individuals with respect to the taxpayer for such taxable year.

The amount determined under subparagraph (A) or (B) (whichever is applicable) shall be reduced by the aggregate amount excludable from gross income under section 129 for the taxable year.

''(2) COST-OF-LIVING ADJUSTMENT.—

''(A) IN GENERAL.—In the case of a taxable year beginning after 2001, the $4,800 amount under paragraph (1)(B) shall be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2000' for 'calendar year 1992' in subparagraph (B) thereof.

''(B) ROUNDING RULES.—If any amount after adjustment under subparagraph (A) is not a multiple of $50, such amount shall be rounded to the next lower multiple of $50.''.

(c) MINIMUM DEPENDENT CARE CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—Section 21(e) (relating to special rules) is amended by adding at the end the following:

''(11) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—

''(A) IN GENERAL.—Notwithstanding subsection (d), in the case of any taxpayer with 1 or more qualifying individuals described in subsection (b)(1)(A) under the age of 1, such taxpayer shall be deemed to have employment-related expenses for the taxable year with respect to each such qualifying individual in an amount equal to the sum of—

''(i) $200 for each month in such taxable year during which such qualifying individual is under the age of 1, and

''(ii) the amount of employment-related expenses otherwise incurred for such qualifying individual for the taxable year (determined under this section without regard to this paragraph).

''(B) ELECTION TO NOT APPLY THIS PARAGRAPH.—This paragraph shall not apply with respect to any qualifying individual for any taxable year if the taxpayer elects to not have this paragraph apply to such qualifying individual for such taxable year.''.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

(2) SUBSECTION (C).—The amendment made by subsection (c) shall apply to taxable years beginning after December 31, 2005.

SEC. 115. MARRIAGE PENALTY RELIEF FOR EARNED INCOME CREDIT.

(a) IN GENERAL.—Paragraph (2) of section 32(b) (relating to percentages and amounts) is amended—

(1) by striking ''AMOUNTS.—The earned'' and inserting ''AMOUNTS.—

''(A) IN GENERAL.—Subject to subparagraph (B), the earned'', and

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

''(B) JOINT RETURNS.—In the case of a joint return, the phaseout amount determined under subparagraph (A) shall be increased by $2,000.''.

(b) INFLATION ADJUSTMENT.—Paragraph (1)(B) of section 32(j) (relating to inflation adjustments) is amended to read as follows:

''(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined—

''(i) in the case of amounts in subsections (b)(1)(A) and (i)(1), by substituting 'calendar year 1995' for 'calendar year 1992' in subparagraph (B) thereof, and

''(ii) in the case of the $2,000 amount in subsection (b)(1)(B), by substituting 'calendar year 2005' for 'calendar year 1992' in subparagraph (B) of such section 1.''.

(c) ROUNDING.—Section 32(j)(2)(A) (relating to rounding) is amended by striking ''subsection (b)(2)'' and inserting ''subsection (b)(2)(A) (after being increased under subparagraph (B) thereof)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

Subtitle C—Repeal of Alternative Minimum Tax on Individuals

SEC. 121. REPEAL OF ALTERNATIVE MINIMUM TAX ON INDIVIDUALS.

(a) IN GENERAL.—Subsection (a) of section 55 is amended by adding at the end the following new flush sentence:

''For purposes of this title, the tentative minimum tax on any taxpayer other than a corporation for any taxable year beginning after December 31, 2007, shall be zero.''.

(b) REDUCTION OF TAX ON INDIVIDUALS PRIOR TO REPEAL.—Section 55 is amended by adding at the end the following new subsection:

''(f) PHASEOUT OF TAX ON INDIVIDUALS.—

''(1) IN GENERAL.—The tax imposed by this section on a taxpayer other than a corporation for any taxable year beginning after December 31, 2004, and before January 1, 2008, shall be the applicable percentage of the tax which would be imposed but for this subsection.

''(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage shall be determined in accordance with the following table:

''For taxable years beginning in calendar year—	**The applicable percentage is—**
2005	80
2006	70
2007	60.''.

(c) NONREFUNDABLE PERSONAL CREDITS FULLY ALLOWED AGAINST REGULAR TAX LIABILITY.—

(1) IN GENERAL.—Subsection (a) of section 26 (relating to limitation based on amount of tax) is amended to read as follows:

''(a) LIMITATION BASED ON AMOUNT OF TAX.—The aggregate amount of credits allowed by this subpart for the taxable year shall not exceed the taxpayer's regular tax liability for the taxable year.''.

(2) CHILD CREDIT.—Subsection (d) of section 24 is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

(d) LIMITATION ON USE OF CREDIT FOR PRIOR YEAR MINIMUM TAX LIABILITY.—Subsection (c) of section 53 is amended to read as follows:

''(c) LIMITATION.—

''(1) IN GENERAL.—Except as otherwise provided in this subsection, the credit allowable under subsection (a) for any taxable year shall not exceed the excess (if any) of—

''(A) the regular tax liability of the taxpayer for such taxable year reduced by the sum of the credits allowable under subparts A, B, D, E, and F of this part, over

''(B) the tentative minimum tax for the taxable year.

''(2) TAXABLE YEARS BEGINNING AFTER 2007.—In the case of any taxable year beginning after 2007, the credit allowable under subsection (a) to a taxpayer other than a corporation for any taxable year shall not exceed 90 percent of the excess (if any) of—

''(A) regular tax liability of the taxpayer for such taxable year, over

''(B) the sum of the credits allowable under subparts A, B, D, E, and F of this part.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

TITLE II—RELIEF FROM TAXATION ON SAVINGS AND INVESTMENTS

Subtitle A—Capital Gains Tax Relief

SEC. 201. REDUCTION IN INDIVIDUAL CAPITAL GAIN TAX RATES.

(a) IN GENERAL.—

(1) Sections 1(h)(1)(B) and 55(b)(3)(B) are each amended by striking ''10 percent'' and inserting ''8 percent''.

(2) The following sections are each amended by striking ''20 percent'' and inserting ''18 percent'':

(A) Section 1(h)(1)(C).

(B) Section 55(b)(3)(C).

(C) Section 1445(e)(1).

(D) The second sentence of section 7518(g)(6)(A).

(E) The second sentence of section 607(h)(6)(A) of the Merchant Marine Act, 1936.

(3) Sections 1(h)(1)(D) and 55(b)(3)(D) are each amended by striking ''25 percent'' and inserting ''23 percent''.

(b) CONFORMING AMENDMENTS.—

(1) Section 311 of the Taxpayer Relief Act of 1997 is amended by striking subsection (e).

(2) Section 1(h) is amended—

(A) by striking paragraphs (2), (9), and (13),

(B) by redesignating paragraphs (3) through (8) as paragraphs (2) through (7), respectively, and

(C) by redesignating paragraphs (10), (11), and (12) as paragraphs (8), (9), and (10), respectively.

(3) Paragraph (3) of section 55(b) is amended by striking ''In the case of taxable years beginning after December 31, 2000, rules similar to the rules of section 1(h)(2) shall apply for purposes of subparagraphs (B) and (C).''.

(4) Paragraph (7) of section 57(a) is amended—

(A) by striking ''42 percent'' and inserting ''28 percent'', and

(B) by striking the last sentence.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided by this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 1998.

(2) WITHHOLDING.—The amendment made by subsection (a)(2)(C) shall apply to amounts paid after the date of the enactment of this Act.

SEC. 202. INDEXING OF CERTAIN ASSETS ACQUIRED AFTER DECEMBER 31, 1999, FOR PURPOSES OF DETERMINING GAIN.

(a) IN GENERAL.—Part II of subchapter O of chapter 1 (relating to basis rules of general application) is amended by inserting after section 1021 the following new section:

''SEC. 1022. INDEXING OF CERTAIN ASSETS ACQUIRED AFTER DECEMBER 31, 1999, FOR PURPOSES OF DETERMINING GAIN.

''(a) GENERAL RULE.—

''(1) INDEXED BASIS SUBSTITUTED FOR ADJUSTED BASIS.—Solely for purposes of determining gain on the sale or other disposition by a taxpayer (other than a corporation) of an indexed asset which has been held for more than 1 year, the indexed basis of the asset shall be substituted for its adjusted basis.

''(2) EXCEPTION FOR DEPRECIATION, ETC.—The deductions for depreciation, depletion, and amortization shall be determined without regard to the application of paragraph (1) to the taxpayer or any other person.

''(3) EXCEPTION FOR PRINCIPAL RESIDENCES.—Paragraph (1) shall not apply to any disposition of the principal residence (within the meaning of section 121) of the taxpayer .

''(b) INDEXED ASSET.—

''(1) IN GENERAL.—For purposes of this section, the term 'indexed asset' means—

''(A) common stock in a C corporation (other than a foreign corporation), and

''(B) tangible property,

which is a capital asset or property used in the trade or business (as defined in section 1231(b)).

''(2) STOCK IN CERTAIN FOREIGN CORPORATIONS INCLUDED.—For purposes of this section—

''(A) IN GENERAL.—The term 'indexed asset' includes common stock in a foreign corporation which is regularly traded on an established securities market.

''(B) EXCEPTION.—Subparagraph (A) shall not apply to—

''(i) stock of a foreign investment company (within the meaning of section 1246(b)),

''(ii) stock in a passive foreign investment company (as defined in section 1296),

''(iii) stock in a foreign corporation held by a United States person who meets the requirements of section 1248(a)(2), and

''(iv) stock in a foreign personal holding company (as defined in section 552).

''(C) TREATMENT OF AMERICAN DEPOSITORY RECEIPTS.—An American depository receipt for common stock in a foreign corporation shall be treated as common stock in such corporation.

''(c) INDEXED BASIS.—For purposes of this section—

''(1) GENERAL RULE.—The indexed basis for any asset is—

''(A) the adjusted basis of the asset, increased by

''(B) the applicable inflation adjustment.

''(2) APPLICABLE INFLATION ADJUSTMENT.—The applicable inflation adjustment for any asset is an amount equal to—

''(A) the adjusted basis of the asset, multiplied by

''(B) the percentage (if any) by which—

''(i) the chain-type price index for GDP for the last calendar quarter ending before the asset is disposed of, exceeds

''(ii) the chain-type price index for GDP for the last calendar quarter ending before the asset was acquired by the taxpayer.

The percentage under subparagraph (B) shall be rounded to the nearest 1/10 of 1 percentage point.

''(3) CHAIN-TYPE PRICE INDEX FOR GDP.—The chain-type price index for GDP for any calendar quarter is such index for such quarter (as shown in the last revision thereof released by the Secretary of Commerce before the close of the following calendar quarter).

''(d) SUSPENSION OF HOLDING PERIOD WHERE DIMINISHED RISK OF LOSS; TREATMENT OF SHORT SALES.—

''(1) IN GENERAL.—If the taxpayer (or a related person) enters into any transaction which substantially reduces the risk of loss from holding any asset, such asset shall not be treated as an indexed asset for the period of such reduced risk.

''(2) SHORT SALES.—

''(A) IN GENERAL.—In the case of a short sale of an indexed asset with a short sale period in excess of 1 year, for purposes of this title, the amount realized shall be an amount equal to the amount realized (determined without regard to this paragraph) increased by the applicable inflation adjustment. In applying subsection (c)(2) for purposes of the preceding sentence, the date on which the property is sold short shall be treated as the date of acquisition and the closing date for the sale shall be treated as the date of disposition.

''(B) SHORT SALE PERIOD.—For purposes of subparagraph (A), the short sale period begins on the day that the property is sold and ends on the closing date for the sale.

''(e) TREATMENT OF REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—

''(1) ADJUSTMENTS AT ENTITY LEVEL.—

''(A) IN GENERAL.—Except as otherwise provided in this paragraph, the adjustment under subsection (a) shall be allowed to any qualified investment entity (including for purposes of determining the earnings and profits of such entity).

''(B) EXCEPTION FOR CORPORATE SHAREHOLDERS.—Under regulations—

''(i) in the case of a distribution by a qualified investment entity (directly or indirectly) to a corporation—

''(I) the determination of whether such distribution is a dividend shall be made without regard to this section, and

''(II) the amount treated as gain by reason of the receipt of any capital gain dividend shall be increased by the percentage by which the entity's net capital gain for the taxable year (determined without regard to this section) exceeds the entity's net capital gain for such year determined with regard to this section, and

''(ii) there shall be other appropriate adjustments (including deemed distributions) so as to ensure that the benefits of this section are not allowed (directly or indirectly) to corporate shareholders of qualified investment entities.

For purposes of the preceding sentence, any amount includible in gross income under section 852(b)(3)(D) shall be treated as a capital gain dividend and an S corporation shall not be treated as a corporation.

''(C) EXCEPTION FOR QUALIFICATION PURPOSES.—This section shall not apply for purposes of sections 851(b) and 856(c).

''(D) EXCEPTION FOR CERTAIN TAXES IMPOSED AT ENTITY LEVEL.—

''(i) TAX ON FAILURE TO DISTRIBUTE ENTIRE GAIN.—If any amount is subject to tax under section 852(b)(3)(A) for any taxable year, the amount on which tax is imposed under such section shall be increased by the percentage determined under subparagraph (B)(i)(II). A similar rule shall apply in the case of any amount subject to tax under paragraph (2) or (3) of section 857(b) to the extent attributable to the excess of the net capital gain over the deduction for dividends paid determined with reference to capital gain dividends only. The first sentence of this clause shall not apply to so much of the amount subject to tax under section 852(b)(3)(A) as is designated by the company under section 852(b)(3)(D).

''(ii) OTHER TAXES.—This section shall not apply for purposes of determining the amount of any tax imposed by paragraph (4), (5), or (6) of section 857(b).

''(2) ADJUSTMENTS TO INTERESTS HELD IN ENTITY.—

''(A) REGULATED INVESTMENT COMPANIES.—Stock in a regulated investment company (within the meaning of section 851) shall be an indexed asset for any calendar quarter in the same ratio as—

''(i) the average of the fair market values of the indexed assets held by such company at the close of each month during such quarter, bears to

''(ii) the average of the fair market values of all assets held by such company at the close of each such month.

''(B) REAL ESTATE INVESTMENT TRUSTS.—Stock in a real estate investment trust (within the meaning of section 856) shall be an indexed asset for any calendar quarter in the same ratio as—

''(i) the fair market value of the indexed assets held by such trust at the close of such quarter, bears to

''(ii) the fair market value of all assets held by such trust at the close of such quarter.

''(C) RATIO OF 80 PERCENT OR MORE.—If the ratio for any calendar quarter determined under subparagraph (A) or (B) would (but for this subparagraph) be 80 percent or more, such ratio for such quarter shall be 100 percent.

''(D) RATIO OF 20 PERCENT OR LESS.—If the ratio for any calendar quarter determined under subparagraph (A) or (B) would (but for this subparagraph) be 20 percent or less, such ratio for such quarter shall be zero.

''(E) LOOK-THRU OF PARTNERSHIPS.—For purposes of this paragraph, a qualified investment entity which holds a partnership interest shall be treated (in lieu of holding a partnership interest) as holding its proportionate share of the assets held by the partnership.

''(3) TREATMENT OF RETURN OF CAPITAL DISTRIBUTIONS.—Except as otherwise provided by the Secretary, a distribution with respect to stock in a qualified investment entity which is not a dividend and which results in a reduction in the adjusted basis of such stock shall be treated as allocable to stock acquired by the taxpayer in the order in which such stock was acquired.

''(4) QUALIFIED INVESTMENT ENTITY.—For purposes of this subsection, the term 'qualified investment entity' means—

''(A) a regulated investment company (within the meaning of section 851), and

''(B) a real estate investment trust (within the meaning of section 856).

''(f) OTHER PASS-THRU ENTITIES.—

''(1) PARTNERSHIPS.—

''(A) IN GENERAL.—In the case of a partnership, the adjustment made under subsection (a) at the partnership level shall be passed through to the partners.

''(B) SPECIAL RULE IN THE CASE OF SECTION 754 ELECTIONS.—In the case of a transfer of an interest in a partnership with respect to which the election provided in section 754 is in effect—

''(i) the adjustment under section 743(b)(1) shall, with respect to the transferor partner, be treated as a sale of the partnership assets for purposes of applying this section, and

''(ii) with respect to the transferee partner, the partnership's holding period for purposes of this section in such assets shall be treated as beginning on the date of such adjustment.

''(2) S CORPORATIONS.—In the case of an S corporation, the adjustment made under subsection (a) at the corporate level shall be passed through to the shareholders. This section shall not apply for purposes of determining the amount of any tax imposed by section 1374 or 1375.

''(3) COMMON TRUST FUNDS.—In the case of a common trust fund, the adjustment made under subsection (a) at the trust level shall be passed through to the participants.

''(4) INDEXING ADJUSTMENT DISREGARDED IN DETERMINING LOSS ON SALE OF INTEREST IN ENTITY.—Notwithstanding the preceding provisions of this subsection, for purposes of determining the amount of any loss on a sale or exchange of an interest in a partnership, S corporation, or common trust fund, the adjustment made under subsection (a) shall not be taken into account in determining the adjusted basis of such interest.

''(g) DISPOSITIONS BETWEEN RELATED PERSONS.—

''(1) IN GENERAL.—This section shall not apply to any sale or other disposition of property between related persons except to the extent that the basis of such property in the hands of the transferee is a substituted basis.

''(2) RELATED PERSONS DEFINED.—For purposes of this section, the term 'related persons' means—

''(A) persons bearing a relationship set forth in section 267(b), and

''(B) persons treated as single employer under subsection (b) or (c) of section 414.

''(h) TRANSFERS TO INCREASE INDEXING ADJUSTMENT.—If any person transfers cash, debt, or any other property to another person and the principal purpose of such transfer is to secure or increase an adjustment under subsection (a), the Secretary may disallow part or all of such adjustment or increase.

''(i) SPECIAL RULES.—For purposes of this section—

''(1) TREATMENT OF IMPROVEMENTS, ETC.—If there is an addition to the adjusted basis of any tangible property or of any stock in a corporation during the taxable year by reason of an improvement to such property or a contribution to capital of such corporation—

''(A) such addition shall never be taken into account under subsection (c)(1)(A) if the aggregate amount thereof during the taxable year with respect to such property or stock is less than $1,000, and

''(B) such addition shall be treated as a separate asset acquired at the close of such taxable year if the aggregate amount thereof during the taxable year with respect to such property or stock is $1,000 or more.

A rule similar to the rule of the preceding sentence shall apply to any other portion of an asset to the extent that separate treatment of such portion is appropriate to carry out the purposes of this section.

''(2) ASSETS WHICH ARE NOT INDEXED ASSETS THROUGHOUT HOLDING PERIOD.—The applicable inflation adjustment shall be appropriately reduced for periods during which the asset was not an indexed asset.

''(3) TREATMENT OF CERTAIN DISTRIBUTIONS.—A distribution with respect to stock in a corporation which is not a dividend shall be treated as a disposition.

''(4) ACQUISITION DATE WHERE THERE HAS BEEN PRIOR APPLICATION OF SUBSECTION (a)(1) WITH RESPECT TO THE TAXPAYER.—If there has been a prior application of subsection (a)(1) to an asset while such asset was held by the taxpayer, the date of acquisition of such asset by the taxpayer shall be treated as not earlier than the date of the most recent such prior application.

''(5) COLLAPSIBLE CORPORATIONS.—The application of section 341(a) (relating to collapsible corporations) shall be determined without regard to this section.

''(j) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.''.

(b) CLERICAL AMENDMENT.—The table of sections for part II of subchapter O of chapter 1 is amended by inserting after the item relating to section 1021 the following new item:

''Sec. 1022. Indexing of certain assets acquired after December 31, 1999, for purposes of determining gain.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to the disposition of any property the holding period of which begins after December 31, 1999.

(2) CERTAIN TRANSACTIONS BETWEEN RELATED PERSONS.—The amendments made by this section shall not apply to the disposition of any property acquired after December 31, 1999, from a related person (as defined in section 1022(g)(2) of the Internal Revenue Code of 1986, as added by this section) if—

(A) such property was so acquired for a price less than the property's fair market value, and

(B) the amendments made by this section did not apply to such property in the hands of such related person.

(d) ELECTION TO RECOGNIZE GAIN ON ASSETS HELD ON JANUARY 1, 2000.—For purposes of the Internal Revenue Code of 1986—

(1) IN GENERAL.—A taxpayer other than a corporation may elect to treat—

(A) any readily tradable stock (which is an indexed asset) held by such taxpayer on January 1, 2000, and not sold before the next business day after such date, as having been sold on such next business day for an amount equal to its closing market price on such next business day (and as having been reacquired on such next business day for an amount equal to such closing market price), and

(B) any other indexed asset held by the taxpayer on January 1, 2000, as having been sold on such date for an amount equal to its fair market value on such date (and as having been reacquired on such date for an amount equal to such fair market value).

(2) TREATMENT OF GAIN OR LOSS.—

(A) Any gain resulting from an election under paragraph (1) shall be treated as received or accrued on the date the asset is treated as sold under paragraph (1) and shall be recognized notwithstanding any provision of the Internal Revenue Code of 1986.

(B) Any loss resulting from an election under paragraph (1) shall not be allowed for any taxable year.

(3) ELECTION.—An election under paragraph (1) shall be made in such manner as the Secretary of the Treasury or his delegate may prescribe and shall specify the assets for which such election is made. Such an election, once made with respect to any asset, shall be irrevocable.

(4) READILY TRADABLE STOCK.—For purposes of this subsection, the term ''readily tradable stock'' means any stock which, as of January 1, 2000, is readily tradable on an established securities market or otherwise.

SEC. 203. CAPITAL GAINS TAX RATES APPLIED TO CAPITAL GAINS OF DESIGNATED SETTLEMENT FUNDS.

(a) IN GENERAL.—Paragraph (1) of section 468B(b) (relating to taxation of designated settlement funds) is amended by inserting ''(subject to section 1(h))'' after ''maximum rate''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 204. SPECIAL RULE FOR MEMBERS OF UNIFORMED SERVICES AND FOREIGN SERVICE, AND OTHER EMPLOYEES, IN DETERMINING EXCLUSION OF GAIN FROM SALE OF PRINCIPAL RESIDENCE.

(a) IN GENERAL.—Subsection (d) of section 121 (relating to exclusion of gain from sale of principal residence) is amended by adding at the end the following new paragraphs:

''(9) MEMBERS OF UNIFORMED SERVICES AND FOREIGN SERVICE.—

''(A) IN GENERAL.—The running of the 5-year period described in subsection (a) shall be suspended with respect to an individual during any time that such individual or such individual's spouse is serving on qualified official extended duty as a member of the uniformed services or of the Foreign Service.

''(B) QUALIFIED OFFICIAL EXTENDED DUTY.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'qualified official extended duty' means any period of extended duty as a member of the uniformed services or a member of the Foreign Service during which the member serves at a duty station which is at least 50 miles from such property or is under Government orders to reside in Government quarters.

''(ii) UNIFORMED SERVICES.—The term 'uniformed services' has the meaning given such term by section 101(a)(5) of title 10, United States Code, as in effect on the date of the enactment of the Taxpayer Refund and Relief Act of 1999.

''(iii) FOREIGN SERVICE OF THE UNITED STATES.—The term 'member of the Foreign Service' has the meaning given the term 'member of the Service' by paragraph (1), (2), (3), (4), or (5) of section 103 of the Foreign Service Act of 1980, as in effect on the date of the enactment of the Taxpayer Refund and Relief Act of 1999.

''(iv) EXTENDED DUTY.—The term 'extended duty' means any period of active duty pursuant to a call or order to such duty for a period in excess of 90 days or for an indefinite period.

''(10) OTHER EMPLOYEES.—

''(A) IN GENERAL.—The running of the 5-year period described in subsection (a) shall be suspended with respect to an individual during any time that such individual or such individual's spouse is serving as an employee for a period in excess of 90 days in an assignment by such employee's employer outside the United States.

''(B) LIMITATIONS AND SPECIAL RULES.—

''(i) MAXIMUM PERIOD OF SUSPENSION.—The suspension under subparagraph (A) with respect to a principal residence shall not exceed (in the aggregate) 5 years.

''(ii) MEMBERS OF UNIFORMED SERVICES AND FOREIGN SERVICE.—Subparagraph (A) shall not apply to an individual to whom paragraph (9) applies.

''(iii) SELF-EMPLOYED INDIVIDUAL NOT CONSIDERED AN EMPLOYEE.—For purposes of this paragraph, the term 'employee' does not include an individual who is an employee within the meaning of section 401(c)(1) (relating to self-employed individuals).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to sales and exchanges after the date of the enactment of this Act.

SEC. 205. TAX TREATMENT OF INCOME AND LOSS ON DERIVATIVES.

(a) IN GENERAL.—Section 1221 (defining capital assets) is amended—

(1) by striking ''For purposes'' and inserting the following:

''(a) IN GENERAL.—For purposes'',

(2) by striking the period at the end of paragraph (5) and inserting a semicolon, and

(3) by adding at the end the following:

''(6) any commodities derivative financial instrument held by a commodities derivatives dealer, unless—

''(A) it is established to the satisfaction of the Secretary that such instrument has no connection to the activities of such dealer as a dealer, and

''(B) such instrument is clearly identified in such dealer's records as being described in subparagraph (A) before the close of the day on which it was acquired, originated, or entered into (or such other time as the Secretary may by regulations prescribe);

''(7) any hedging transaction which is clearly identified as such before the close of the day on which it was acquired, originated, or entered into (or such other time as the Secretary may by regulations prescribe); or

''(8) supplies of a type regularly used or consumed by the taxpayer in the ordinary course of a trade or business of the taxpayer.

''(b) DEFINITIONS AND SPECIAL RULES.—

''(1) COMMODITIES DERIVATIVE FINANCIAL INSTRUMENTS.—For purposes of subsection (a)(6)—

''(A) COMMODITIES DERIVATIVES DEALER.—The term 'commodities derivatives dealer' means a person which regularly offers to enter into, assume, offset, assign, or terminate positions in commodities derivative financial instruments with customers in the ordinary course of a trade or business.

''(B) COMMODITIES DERIVATIVE FINANCIAL INSTRUMENT.—

''(i) IN GENERAL.—The term 'commodities derivative financial instrument' means any contract or financial instrument with respect to commodities (other than a share of stock in a corporation, a beneficial interest in a partnership or trust, a note, bond, debenture, or other evidence of indebtedness, or a section 1256 contract (as defined in section 1256(b)), the value or settlement price of which is calculated by or determined by reference to a specified index.

''(ii) SPECIFIED INDEX.—The term 'specified index' means any one or more or any combination of—

''(I) a fixed rate, price, or amount, or

''(II) a variable rate, price, or amount,

which is based on any current, objectively determinable financial or economic information with respect to commodities which is not within the control of any of the parties to the contract or instrument and is not unique to any of the parties' circumstances.

''(2) HEDGING TRANSACTION.—

''(A) IN GENERAL.—For purposes of this section, the term 'hedging transaction' means any transaction entered into by the taxpayer in the normal course of the taxpayer's trade or business primarily—

''(i) to manage risk of price changes or currency fluctuations with respect to ordinary property which is held or to be held by the taxpayer,

''(ii) to manage risk of interest rate or price changes or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, by the taxpayer, or

''(iii) to manage such other risks as the Secretary may prescribe in regulations.

''(B) TREATMENT OF NONIDENTIFICATION OR IMPROPER IDENTIFICATION OF HEDGING TRANSACTIONS.—Notwithstanding subsection (a)(7), the Secretary shall prescribe regulations to properly characterize any income, gain, expense, or loss arising from a transaction—

''(i) which is a hedging transaction but which was not identified as such in accordance with subsection (a)(7), or

''(ii) which was so identified but is not a hedging transaction.

''(3) REGULATIONS.—The Secretary shall prescribe such regulations as are appropriate to carry out the purposes of paragraph (6) and (7) of subsection (a) in the case of transactions involving related parties.''.

(b) MANAGEMENT OF RISK.—

(1) Section 475(c)(3) is amended by striking ''reduces'' and inserting ''manages''.

(2) Section 871(h)(4)(C)(iv) is amended by striking ''to reduce'' and inserting ''to manage''.

(3) Clauses (i) and (ii) of section 988(d)(2)(A) are each amended by striking ''to reduce'' and inserting ''to manage''.

(4) Paragraph (2) of section 1256(e) is amended to read as follows:

''(2) DEFINITION OF HEDGING TRANSACTION.—For purposes of this subsection, the term 'hedging transaction' means any hedging transaction (as defined in section 1221(b)(2)(A)) if, before the close of the day on which such transaction was entered into (or such earlier time as the Secretary may prescribe by regulations), the taxpayer clearly identifies such transaction as being a hedging transaction.''.

(c) CONFORMING AMENDMENTS.—

(1) Each of the following sections are amended by striking ''section 1221'' and inserting ''section 1221(a)'':

(A) Section 170(e)(3)(A).
(B) Section 170(e)(4)(B).
(C) Section 367(a)(3)(B)(i).
(D) Section 818(c)(3).
(E) Section 865(i)(1).
(F) Section 1092(a)(3)(B)(ii)(II).
(G) Subparagraphs (C) and (D) of section 1231(b)(1).
(H) Section 1234(a)(3)(A).

(2) Each of the following sections are amended by striking ''section 1221(1)'' and inserting ''section 1221(a)(1)'':

(A) Section 198(c)(1)(A)(i).
(B) Section 263A(b)(2)(A).
(C) Clauses (i) and (iii) of section 267(f)(3)(B).
(D) Section 341(d)(3).
(E) Section 543(a)(1)(D)(i).
(F) Section 751(d)(1).
(G) Section 775(c).
(H) Section 856(c)(2)(D).
(I) Section 856(c)(3)(C).
(J) Section 856(e)(1).
(K) Section 856(j)(2)(B).
(L) Section 857(b)(4)(B)(i).
(M) Section 857(b)(6)(B)(iii).
(N) Section 864(c)(4)(B)(iii).
(O) Section 864(d)(3)(A).
(P) Section 864(d)(6)(A).
(Q) Section 954(c)(1)(B)(iii).
(R) Section 995(b)(1)(C).
(S) Section 1017(b)(3)(E)(i).
(T) Section 1362(d)(3)(C)(ii).
(U) Section 4662(c)(2)(C).
(V) Section 7704(c)(3).
(W) Section 7704(d)(1)(D).
(X) Section 7704(d)(1)(G).
(Y) Section 7704(d)(5).

(3) Section 818(b)(2) is amended by striking ''section 1221(2)'' and inserting ''section 1221(a)(2)''.

(4) Section 1397B(e)(2) is amended by striking ''section 1221(4)'' and inserting ''section 1221(a)(4)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to any instrument held, acquired, or entered into, any transaction entered into, and supplies held or acquired on or after the date of enactment of this Act.

SEC. 206. WORTHLESS SECURITIES OF FINANCIAL INSTITUTIONS.

(a) IN GENERAL.—The first sentence following section 165(g)(3)(B) (relating to securities of affiliated corporation) is amended to read as follows: ''In computing gross receipts for purposes of the preceding sentence, (i) gross receipts from sales or exchanges of stocks and securities shall be taken into account only to the extent of gains therefrom, and (ii) gross receipts from royalties, rents, dividends, interest, annuities, and gains from sales or exchanges of stocks and securities derived from (or directly related to) the conduct of an active trade or business of an insurance company subject to tax under subchapter L or a qualified financial institution (as defined in subsection (l)(3)) shall be treated as from such sources other than royalties, rents, dividends, interest, annuities, and gains.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to securities which become worthless in taxable years beginning after December 31, 1999.

Subtitle B—Individual Retirement Arrangements

SEC. 211. MODIFICATION OF DEDUCTION LIMITS FOR IRA CONTRIBUTIONS.

(a) INCREASE IN CONTRIBUTION LIMIT.—

(1) IN GENERAL.—Paragraph (1)(A) of section 219(b) (relating to maximum amount of deduction) is amended by striking ''$2,000'' and inserting ''the deductible amount''.

(2) DEDUCTIBLE AMOUNT.—Section 219(b) is amended by adding at the end the following new paragraph:

''(5) DEDUCTIBLE AMOUNT.—For purposes of paragraph (1)(A)—

''(A) IN GENERAL.—The deductible amount shall be determined in accordance with the following table:

''For taxable years beginning in:	**The deductible amount is:**
512001, 2002, and 2003	$3,000
2004 and 2005	$4,000
2006 and thereafter	$5,000.

''(B) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2006, the $5,000 amount under subparagraph (A) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2005' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of $100, such amount shall be rounded to the next lower multiple of $100.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 408(a)(1) is amended by striking ''in excess of $2,000 on behalf of any individual'' and inserting ''on behalf of any individual in excess of the amount in effect for such taxable year under section 219(b)(1)(A)''.

(2) Section 408(b)(2)(B) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(3) Section 408(b) is amended by striking ''$2,000'' in the matter following paragraph (4) and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(4) Section 408(j) is amended by striking ''$2,000''.

(5) Section 408(p)(8) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 212. MODIFICATION OF INCOME LIMITS ON CONTRIBUTIONS AND ROLLOVERS TO ROTH IRAS.

(a) REPEAL OF AGI LIMIT ON CONTRIBUTIONS.—Section 408A(c)(3) (relating to limits based on modified adjusted gross income) is amended—

(1) by striking clause (ii) of subparagraph (A) and inserting:

''(ii) $10,000.'', and

(2) by striking clause (ii) of subparagraph (C) and inserting:

''(ii) the applicable dollar amount is—

''(I) $200,000 in the case of a taxpayer filing a joint return, and

''(II) $100,000 in the case of any other taxpayer.''

(b) INCREASE IN AGI LIMIT FOR ROLLOVER CONTRIBUTIONS.—Section 408A(c)(3)(B) (relating to rollover from IRA) is amended to read as follows:

''(B) ROLLOVER FROM IRA.—A taxpayer shall not be allowed to make a qualified rollover contribution from an individual retirement plan other than a Roth IRA during any taxable year if, for the taxable year of the distribution to which the contribution relates, the taxpayer's adjusted gross income exceeds $100,000 ($200,000 in the case of a taxpayer filing a joint return).''

(c) EFFECTIVE DATES.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 213. DEEMED IRAS UNDER EMPLOYER PLANS.

(a) IN GENERAL.—Section 408 (relating to individual retirement accounts) is amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection:

''(q) DEEMED IRAS UNDER QUALIFIED EMPLOYER PLANS.—

''(1) GENERAL RULE.—If—

''(A) a qualified employer plan elects to allow employees to make voluntary employee contributions to a separate account or annuity established under the plan, and

''(B) under the terms of the qualified employer plan, such account or annuity meets the applicable requirements of this section or section 408A for an individual retirement account or annuity,

then such account or annuity shall be treated for purposes of this title in the same manner as an individual retirement plan (and contributions to such account or annuity as contributions to an individual retirement plan). For purposes of subparagraph (B), the requirements of subsection (a)(5) shall not apply.

''(2) SPECIAL RULES FOR QUALIFIED EMPLOYER PLANS.—For purposes of this title—

''(A) a qualified employer plan shall not fail to meet any requirement of this title solely by reason of establishing and maintaining a program described in paragraph (1), and

''(B) any account or annuity described in paragraph (1), and any contribution to the account or annuity, shall not be subject to any requirement of this title applicable to a qualified employer plan or taken into account in applying any such requirement to any other contributions under the plan.

''(3) DEFINITIONS.—For purposes of this subsection—

''(A) QUALIFIED EMPLOYER PLAN.—The term 'qualified employer plan' has the meaning given such term by section 72(p)(4).

''(B) VOLUNTARY EMPLOYEE CONTRIBUTION.—The term 'voluntary employee contribution' means any contribution (other than a mandatory contribution within the meaning of section 411(c)(2)(C))—

''(i) which is made by an individual as an employee under a qualified employer plan which allows employees to elect to make contributions described in paragraph (1), and

''(ii) with respect to which the individual has designated the contribution as a contribution to which this subsection applies.''.

(b) AMENDMENT OF ERISA.—

(1) IN GENERAL.—Section 4 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1003) is amended by adding at the end the following new subsection:

''(c) If a pension plan allows an employee to elect to make voluntary employee contributions to accounts and annuities as provided in section 408(q) of the Internal Revenue Code of 1986, such accounts and annuities (and contributions thereto) shall not be treated as part of such plan (or as a separate pension plan) for purposes of any provision of this title other than section 403(c), 404, or 405 (relating to exclusive benefit, and fiduciary and co-fiduciary responsibilities).''.

(2) CONFORMING AMENDMENT.—Section 4(a) of such Act (29 U.S.C. 1003(a)) is amended by inserting ''or (c)'' after ''subsection (b)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 1999.

SEC. 214. CATCHUP CONTRIBUTIONS TO IRAS BY INDIVIDUALS AGE 50 OR OVER.

(a) IN GENERAL.—Section 219(b), as amended by section 211, is amended by adding at the end the following new paragraph:

''(6) CATCHUP CONTRIBUTIONS.—

''(A) IN GENERAL.—In the case of an individual who has attained the age of 50 before the close of the taxable year, the dollar amount in effect under paragraph (1)(A) for such taxable year shall be equal to the applicable percentage of such amount determined without regard to this paragraph.

''(B) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be determined in accordance with the following table:

''For taxable years beginning in:	**The applicable percentage is:**
2001	110 percent
2002	120 percent
2003	130 percent
2004	140 percent
2005 and thereafter	150percent.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2000.

TITLE III—ALTERNATIVE MINIMUM TAX REFORM

SEC. 301. MODIFICATION OF ALTERNATIVE MINIMUM TAX ON CORPORATIONS.

(a) LIMITATION ON USE OF CREDIT FOR PRIOR YEAR MINIMUM TAX LIABILITY.—Subsection (c) of section 53, as amended by section 121, is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following new paragraph:

''(2) CORPORATIONS FOR TAXABLE YEARS BEGINNING AFTER 2004.—In the case of a corporation for any taxable year beginning after 2004, the limitation under paragraph (1) shall be increased by the lesser of—

''(A) 50 percent of the tentative minimum tax for the taxable year, or

''(B) the excess (if any) of the tentative minimum tax for the taxable year over the regular tax for the taxable year.''

(b) REPEAL OF 90 PERCENT LIMITATION ON NOL DEDUCTION.—Section 56(d)(1)(A) is amended by striking ''90 percent'' and inserting ''90 percent (100 percent in the case of a corporation)''.

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2004.

(2) SUBSECTION (b).—The amendment made by subsection (b) shall apply to taxable years beginning after December 31, 2001.

SEC. 302. REPEAL OF 90 PERCENT LIMITATION ON FOREIGN TAX CREDIT.

(a) IN GENERAL.—Section 59(a) (relating to alternative minimum tax foreign tax credit) is amended by striking paragraph (2) and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(b) CONFORMING AMENDMENT.—Section 53(d)(1)(B)(i)(II) is amended by striking ''and if section 59(a)(2) did not apply''.

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

TITLE IV—EDUCATION SAVINGS INCENTIVES

SEC. 401. MODIFICATIONS TO EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.

(a) MAXIMUM ANNUAL CONTRIBUTIONS.—

(1) IN GENERAL.—Section 530(b)(1)(A)(iii) (defining education individual retirement account) is amended by striking ''$500'' and inserting ''$2,000''.

(2) CONFORMING AMENDMENT.—Section 4973(e)(1)(A) is amended by striking ''$500'' and inserting ''$2,000''.

(b) TAX-FREE EXPENDITURES FOR ELEMENTARY AND SECONDARY SCHOOL EXPENSES.—

(1) IN GENERAL.—Section 530(b)(2) (defining qualified higher education expenses) is amended to read as follows:

''(2) QUALIFIED EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified education expenses' means—

''(i) qualified higher education expenses (as defined in section 529(e)(3)), and

''(ii) qualified elementary and secondary education expenses (as defined in paragraph (4)).

''(B) QUALIFIED STATE TUITION PROGRAMS.—Such term shall include any contribution to a qualified State tuition program (as defined in section 529(b)) on behalf of the designated beneficiary (as defined in section 529(e)(1)); but there shall be no increase in the investment in the contract for purposes of applying section 72 by reason of any portion of such contribution which is not includible in gross income by reason of subsection (d)(2).''.

(2) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—Section 530(b) (relating to definitions and special rules) is amended by adding at the end the following new paragraph:

''(4) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified elementary and secondary education expenses' means—

''(i) expenses for tuition, fees, academic tutoring, special needs services, books, supplies, computer equipment (including related software and services), and other equipment which are incurred in connection with the enrollment or attendance of the designated beneficiary of the trust as an elementary or secondary school student at a public, private, or religious school, and

''(ii) expenses for room and board, uniforms, transportation, and supplementary items and services (including extended day programs) which are required or provided by a public, private, or religious school in connection with such enrollment or attendance.

''(B) SPECIAL RULE FOR HOMESCHOOLING.—Such term shall include expenses described in subparagraph (A)(i) in connection with education provided by homeschooling if the requirements of any applicable State or local law are met with respect to such education.

''(C) SCHOOL.—The term 'school' means any school which provides elementary education or secondary education (kindergarten through grade 12), as determined under State law.''.

(3) CONFORMING AMENDMENTS.—Section 530 is amended—

(A) by striking ''higher'' each place it appears in subsections (b)(1) and (d)(2), and

(B) by striking ''HIGHER'' in the heading for subsection (d)(2).

(c) WAIVER OF AGE LIMITATIONS FOR CHILDREN WITH SPECIAL NEEDS.—Section 530(b)(1) (defining education individual retirement account) is amended by adding at the end the following flush sentence:

''The age limitations in subparagraphs (A)(ii) and (E) and paragraphs (5) and (6) of subsection (d) shall not apply to any designated beneficiary with special needs (as determined under regulations prescribed by the Secretary).''.

(d) ENTITIES PERMITTED TO CONTRIBUTE TO ACCOUNTS.—Section 530(c)(1) (relating to reduction in permitted contributions based on adjusted gross income) is amended by striking ''The maximum amount which a contributor'' and inserting ''In the case of a contributor who is an individual, the maximum amount the contributor''.

(e) TIME WHEN CONTRIBUTIONS DEEMED MADE.—

(1) IN GENERAL.—Section 530(b) (relating to definitions and special rules), as amended by subsection (b)(2), is amended by adding at the end the following new paragraph:

''(5) TIME WHEN CONTRIBUTIONS DEEMED MADE.—An individual shall be deemed to have made a contribution to an education individual retirement account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).''.

(2) EXTENSION OF TIME TO RETURN EXCESS CONTRIBUTIONS.—Subparagraph (C) of section 530(d)(4) (relating to additional tax for distributions not used for educational expenses) is amended—

(A) by striking clause (i) and inserting the following new clause:

''(i) such distribution is made before the 1st day of the 6th month of the taxable year following the taxable year, and'', and

(B) by striking ''DUE DATE OF RETURN'' in the heading and inserting ''CERTAIN DATE''.

(f) COORDINATION WITH HOPE AND LIFETIME LEARNING CREDITS AND QUALIFIED TUITION PROGRAMS.—

(1) IN GENERAL.—Section 530(d)(2)(C) is amended to read as follows:

''(C) COORDINATION WITH HOPE AND LIFETIME LEARNING CREDITS AND QUALIFIED TUITION PROGRAMS.—For purposes of subparagraph (A)—

''(i) CREDIT COORDINATION.—The total amount of qualified higher education expenses with respect to an individual for the taxable year shall be reduced—

''(I) as provided in section 25A(g)(2), and

''(II) by the amount of such expenses which were taken into account in determining the credit allowed to the taxpayer or any other person under section 25A.

''(ii) COORDINATION WITH QUALIFIED TUITION PROGRAMS.—If, with respect to an individual for any taxable year—

''(I) the aggregate distributions during such year to which subparagraph (A) and section 529(c)(3)(B) apply, exceed

''(II) the total amount of qualified education expenses (after the application of clause (i)) for such year,

the taxpayer shall allocate such expenses among such distributions for purposes of determining the amount of the exclusion under subparagraph (A) and section 529(c)(3)(B).''.

(2) CONFORMING AMENDMENTS.—

(A) Subsection (e) of section 25A is amended to read as follows:

''(e) ELECTION NOT TO HAVE SECTION APPLY.—A taxpayer may elect not to have this section apply with respect to the qualified tuition and related expenses of an individual for any taxable year.''.

(B) Section 135(d)(2)(A) is amended by striking ''allowable'' and inserting ''allowed''.

(C) Section 530(d)(2)(D) is amended—

(i) by striking ''or credit'', and

(ii) by striking ''CREDIT OR'' in the heading.

(D) Section 4973(e)(1) is amended by adding ''and'' at the end of subparagraph (A), by striking subparagraph (B), and by redesignating subparagraph (C) as subparagraph (B).

(g) RENAMING EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS AS EDUCATION SAVINGS ACCOUNTS.—

(1) IN GENERAL.—

(A) Section 530 (as amended by the preceding provisions of this section) is amended by striking ''education individual retirement account'' each place it appears and inserting ''education savings account''.

(B) The heading for paragraph (1) of section 530(b) is amended by striking ''EDUCATION INDIVIDUAL RETIREMENT ACCOUNT'' and inserting ''EDUCATION SAVINGS ACCOUNT''.

(C) The heading for section 530 is amended to read as follows:

''SEC. 530. EDUCATION SAVINGS ACCOUNTS.''.

(D) The item in the table of contents for part VII of subchapter F of chapter 1 relating to section 530 is amended to read as follows:

''Sec. 530. Education savings accounts.''.

(2) CONFORMING AMENDMENTS.—

(A) The following provisions are each amended by striking ''education individual retirement'' each place it appears and inserting ''education savings'':

(i) Section 25A(e)(2).

(ii) Section 26(b)(2)(E).

(iii) Section 72(e)(9).

(iv) Section 135(c)(2)(C).

(v) Subsections (a) and (e) of section 4973.

(vi) Subsections (c) and (e) of section 4975.

(vii) Section 6693(a)(2)(D).

(B) The headings for each of the following provisions are amended by striking ''EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS'' each place it appears and inserting ''EDUCATION SAVINGS ACCOUNTS''.

(i) Section 72(e)(9).

(ii) Section 135(c)(2)(C).

(iii) Section 4973(e).

(iv) Section 4975(c)(5).

(h) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2000.

(2) SUBSECTION (g).—The amendments made by subsection (g) shall take effect on the date of the enactment of this Act.

SEC. 402. MODIFICATIONS TO QUALIFIED TUITION PROGRAMS.

(a) SHORT TITLE.—This section may be cited as the ''Collegiate Learning and Student Savings (CLASS) Act''.

(b) ELIGIBLE EDUCATIONAL INSTITUTIONS PERMITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.—

(1) IN GENERAL.—Section 529(b)(1) (defining qualified State tuition program) is amended by inserting ''or by 1 or more eligible educational institutions'' after ''maintained by a State or agency or instrumentality thereof''.

(2) PRIVATE QUALIFIED TUITION PROGRAMS LIMITED TO BENEFIT PLANS.—Clause (ii) of section 529(b)(1)(A) is amended by inserting ''in the case of a program established and maintained by a State or agency or instrumentality thereof,'' before ''may make''.

(3) CONFORMING AMENDMENTS.—

(A) Sections 72(e)(9), 135(c)(2)(C), 135(d)(1)(D), 529, 530(b)(2)(B), 4973(e), and 6693(a)(2)(C) are each amended by striking ''qualified State tuition'' each place it appears and inserting ''qualified tuition''.

(B) The headings for sections 72(e)(9) and 135(c)(2)(C) are each amended by striking ''QUALIFIED STATE TUITION'' and inserting ''QUALIFIED TUITION''.

(C) The headings for sections 529(b) and 530(b)(2)(B) are each amended by striking ''QUALIFIED STATE TUITION'' and inserting ''QUALIFIED TUITION''.

(D) The heading for section 529 is amended by striking ''state''.

(E) The item relating to section 529 in the table of sections for part VIII of subchapter F of chapter 1 is amended by striking ''State''.

(c) EXCLUSION FROM GROSS INCOME OF EDUCATION DISTRIBUTIONS FROM QUALIFIED TUITION PROGRAMS.—

(1) IN GENERAL.—Section 529(c)(3)(B) (relating to distributions) is amended to read as follows:

''(B) DISTRIBUTIONS FOR QUALIFIED HIGHER EDUCATION EXPENSES.—For purposes of this paragraph—

''(i) IN-KIND DISTRIBUTIONS.—No amount shall be includible in gross income under subparagraph (A) by reason of a distribution which consists of providing a benefit to the distributee which, if paid for by the distributee, would constitute payment of a qualified higher education expense.

''(ii) CASH DISTRIBUTIONS.—In the case of distributions not described in clause (i), if—

''(I) such distributions do not exceed the qualified higher education expenses (reduced by expenses described in clause (i)), no amount shall be includible in gross income, and

''(II) in any other case, the amount otherwise includible in gross income shall be reduced by an amount which bears the same ratio to such amount as such expenses bear to such distributions.

''(iii) EXCEPTION FOR INSTITUTIONAL PROGRAMS.—In the case of any taxable year beginning before January 1, 2004, clauses (i) and (ii) shall not apply with respect to any distribution during such taxable year under a qualified tuition program established and maintained by 1 or more eligible educational institutions.

''(iv) TREATMENT AS DISTRIBUTIONS.—Any benefit furnished to a designated beneficiary under a qualified tuition program shall be treated as a distribution to the beneficiary for purposes of this paragraph.

''(v) COORDINATION WITH HOPE AND LIFETIME LEARNING CREDITS.—The total amount of qualified higher education expenses with respect to an individual for the taxable year shall be reduced—

''(I) as provided in section 25A(g)(2), and

''(II) by the amount of such expenses which were taken into account in determining the credit allowed to the taxpayer or any other person under section 25A.

''(vi) COORDINATION WITH EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.—If, with respect to an individual for any taxable year—

''(I) the aggregate distributions to which clauses (i) and (ii) and section 530(d)(2)(A) apply, exceed

''(II) the total amount of qualified higher education expenses otherwise taken into account under clauses (i) and (ii) (after the application of clause (v)) for such year,

the taxpayer shall allocate such expenses among such distributions for purposes of determining the amount of the exclusion under clauses (i) and (ii) and section 530(d)(2)(A).''.

(2) CONFORMING AMENDMENTS.—

(A) Section 135(d)(2)(B) is amended by striking ''the exclusion under section 530(d)(2)'' and inserting ''the exclusions under sections 529(c)(3)(B)(i) and 530(d)(2)''.

(B) Section 221(e)(2)(A) is amended by inserting ''529,'' after ''135,''.

(d) ROLLOVER TO DIFFERENT PROGRAM FOR BENEFIT OF SAME DESIGNATED BENEFICIARY.—Section 529(c)(3)(C) (relating to change in beneficiaries) is amended—

(1) by striking ''transferred to the credit'' in clause (i) and inserting ''transferred—

''(I) to another qualified tuition program for the benefit of the designated beneficiary, or

''(II) to the credit'',

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

''(iii) LIMITATION ON CERTAIN ROLLOVERS.—Clause (i)(I) shall not apply to any amount transferred with respect to a designated beneficiary if, at any time during the 1-year period ending on the day of such transfer, any other amount was transferred with respect to such beneficiary which was not includible in gross income by reason of clause (i)(I).'', and

(3) by inserting ''OR PROGRAMS'' after ''BENEFICIARIES'' in the heading.

(e) MEMBER OF FAMILY INCLUDES FIRST COUSIN.—Section 529(e)(2) (defining member of family) is amended by striking ''and'' at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and by inserting ''; and'', and by adding at the end the following new subparagraph:

''(D) any first cousin of such beneficiary.''.

(f) DEFINITION OF QUALIFIED HIGHER EDUCATION EXPENSES.—

(1) IN GENERAL.—Subparagraph (A) of section 529(e)(3) (relating to definition of qualified higher education expenses) is amended to read as follows:

''(A) IN GENERAL.—The term 'qualified higher education expenses' means—

''(i) tuition and fees required for the enrollment or attendance of a designated beneficiary at an eligible educational institution for courses of instruction of such beneficiary at such institution, and

''(ii) expenses for books, supplies, and equipment which are incurred in connection with such enrollment or attendance, but not to exceed the allowance for books and supplies included in the cost of attendance (as defined in section 472 of the Higher Education Act of 1965 (20 U.S.C. 1087ll), as in effect on the date of enactment of the Taxpayer Refund and Relief Act of 1999) as determined by the eligible educational institution.''.

(2) EXCEPTION FOR EDUCATION INVOLVING SPORTS, ETC.—Paragraph (3) of section 529(e) (relating to qualified higher education expenses) is amended by adding at the end the following new subparagraph:

''(C) EXCEPTION FOR EDUCATION INVOLVING SPORTS, ETC.—The term 'qualified higher education expenses' shall not include expenses with respect to any course or other education involving sports, games, or hobbies unless such course or other education is part of the beneficiary's degree program or is taken to acquire or improve job skills of the beneficiary.''.

(g) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

(2) QUALIFIED HIGHER EDUCATION EXPENSES.—The amendments made by subsection (f) shall apply to amounts paid for courses beginning after December 31, 1999.

SEC. 403. EXCLUSION OF CERTAIN AMOUNTS RECEIVED UNDER THE NATIONAL HEALTH SERVICE CORPS SCHOLARSHIP PROGRAM, THE F. EDWARD HEBERT ARMED FORCES HEALTH PROFESSIONS SCHOLARSHIP AND FINANCIAL ASSISTANCE PROGRAM, AND CERTAIN OTHER PROGRAMS.

(a) IN GENERAL.—Section 117(c) (relating to the exclusion from gross income amounts received as a qualified scholarship) is amended—

(1) by striking ''Subsections (a)'' and inserting the following:

''(1) IN GENERAL.—Except as provided in paragraph (2), subsections (a)'', and

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

''(2) EXCEPTIONS.—Paragraph (1) shall not apply to any amount received by an individual under—

''(A) the National Health Service Corps Scholarship program under section 338A(g)(1)(A) of the Public Health Service Act,

''(B) the Armed Forces Health Professions Scholarship and Financial Assistance program under subchapter I of chapter 105 of title 10, United States Code,

''(C) the National Institutes of Health Undergraduate Scholarship program under section 487D of the Public Health Service Act, or

''(D) any State program determined by the Secretary to have substantially similar objectives as such programs.''.

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by subsection (a) shall apply to amounts received in taxable years beginning after December 31, 1993.

(2) STATE PROGRAMS.—Section 117(c)(2)(D) of the Internal Revenue Code of 1986 (as added by the amendments made by subsection (a)) shall apply to amounts received in taxable years beginning after December 31, 1999.

SEC. 404. EXTENSION OF EXCLUSION FOR EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE.

Section 127(d) (relating to termination of exclusion for educational assistance programs) is amended by striking ''May 31, 2000'' and inserting ''December 31, 2003''.

SEC. 405. ADDITIONAL INCREASE IN ARBITRAGE REBATE EXCEPTION FOR GOVERNMENTAL BONDS USED TO FINANCE EDUCATIONAL FACILITIES.

(a) IN GENERAL.—Section 148(f)(4)(D)(vii) (relating to increase in exception for bonds financing public school capital expenditures) is amended by striking ''$5,000,000'' the second place it appears and inserting ''$10,000,000''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to obligations issued in calendar years beginning after December 31, 1999.

SEC. 406. MODIFICATION OF ARBITRAGE REBATE RULES APPLICABLE TO PUBLIC SCHOOL CONSTRUCTION BONDS.

(a) IN GENERAL.—Subparagraph (C) of section 148(f)(4) is amended by adding at the end the following new clause:

''(xviii) 4-YEAR SPENDING REQUIREMENT FOR PUBLIC SCHOOL CONSTRUCTION ISSUE.—

''(I) IN GENERAL.—In the case of a public school construction issue, the spending requirements of clause (ii) shall be treated as met if at least 10 percent of the available construction proceeds of the construction issue are spent for the governmental purposes of the issue within the 1-year period beginning on the date the bonds are issued, 30 percent of such proceeds are spent for such purposes within the 2-year period beginning on such date, 60 percent of such proceeds are spent for such purposes within the 3-year period beginning on such date, and 100 percent of such proceeds are spent for such purposes within the 4-year period beginning on such date.

''(II) PUBLIC SCHOOL CONSTRUCTION ISSUE.—For purposes of this clause, the term 'public

school construction issue' means any construction issue if no bond which is part of such issue is a private activity bond and all of the available construction proceeds of such issue are to be used for the construction (as defined in clause (iv)) of public school facilities to provide education or training below the postsecondary level or for the acquisition of land that is functionally related and subordinate to such facilities.

''(III) OTHER RULES TO APPLY.—Rules similar to the rules of the preceding provisions of this subparagraph which apply to clause (ii) also apply to this clause.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to obligations issued after December 31, 1999.

SEC. 407. ELIMINATION OF 60-MONTH LIMIT AND INCREASE IN INCOME LIMITATION ON STUDENT LOAN INTEREST DEDUCTION.

(a) ELIMINATION OF 60-MONTH LIMIT.—

(1) IN GENERAL.—Section 221 (relating to interest on education loans) is amended by striking subsection (d) and by redesignating subsections (e), (f), and (g) as subsections (d), (e), and (f), respectively.

(2) CONFORMING AMENDMENT.—Section 6050S(e) is amended by striking ''section 221(e)(1)'' and inserting ''section 221(d)(1)''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply with respect to any loan interest paid after December 31, 1999, in taxable years ending after such date.

(b) INCREASE IN INCOME LIMITATION.—

(1) IN GENERAL.—Section 221(b)(2)(B) (relating to amount of reduction) is amended by striking clauses (i) and (ii) and inserting the following:

''(i) the excess of—

''(I) the taxpayer's modified adjusted gross income for such taxable year, over

''(II) $45,000 ($90,000 in the case of a joint return), bears to

''(ii) $15,000.''.

(2) CONFORMING AMENDMENT.—Section 221(g)(1) is amended by striking ''$40,000 and $60,000 amounts'' and inserting ''$45,000 and $90,000 amounts''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after December 31, 1999.

SEC. 408. 2-PERCENT FLOOR ON MISCELLANEOUS ITEMIZED DEDUCTIONS NOT TO APPLY TO QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.

(a) IN GENERAL.—Section 67(b) (defining miscellaneous itemized deductions) is amended by striking ''and'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', and'', and by adding at the end the following new paragraph:

''(13) any deduction allowable for the qualified professional development expenses of an eligible teacher.''.

(b) DEFINITIONS.—Section 67 (relating to 2-percent floor on miscellaneous itemized deductions) is amended by adding at the end the following new subsection:

''(g) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES OF ELIGIBLE TEACHERS.—For purposes of subsection (b)(13)—

''(1) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES.—

''(A) IN GENERAL.—The term 'qualified professional development expenses' means expenses in an amount not to exceed $1,000 for any taxable year—

''(i) for tuition, fees, books, supplies, equipment, and transportation required for the enrollment or attendance of an individual in a qualified course of instruction, and

''(ii) with respect to which a deduction is allowable under section 162 (determined without regard to this section).

''(B) QUALIFIED COURSE OF INSTRUCTION.—The term 'qualified course of instruction' means a course of instruction which—

''(i) is—

''(I) at an institution of higher education (as defined in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on the date of the enactment of this subsection), or

''(II) a professional conference, and

''(ii) is part of a program of professional development which is approved and certified by the appropriate local educational agency as furthering the individual's teaching skills.

''(C) LOCAL EDUCATIONAL AGENCY.—The term 'local educational agency' has the meaning given such term by section 14101 of the Elementary and Secondary Education Act of 1965, as so in effect.

''(2) ELIGIBLE TEACHER.—

''(A) IN GENERAL.—The term 'eligible teacher' means an individual who is a kindergarten through grade 12 classroom teacher, instructor, counselor, aide, or principal in an elementary or secondary school.

''(B) ELEMENTARY OR SECONDARY SCHOOL.—The terms 'elementary school' and 'secondary school' have the meanings given such terms by section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801), as so in effect.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000, and ending before January 1, 2005.

TITLE V—HEALTH CARE PROVISIONS

SEC. 501. DEDUCTION FOR HEALTH AND LONG-TERM CARE INSURANCE COSTS OF INDIVIDUALS NOT PARTICIPATING IN EMPLOYER-SUBSIDIZED HEALTH PLANS.

(a) IN GENERAL.—Part VII of subchapter B of chapter 1 is amended by redesignating section 222 as section 223 and by inserting after section 221 the following new section:

''SEC. 222. HEALTH AND LONG-TERM CARE INSURANCE COSTS.

''(a) IN GENERAL.—In the case of an individual, there shall be allowed as a deduction an amount equal to the applicable percentage of the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer and the taxpayer's spouse and dependents.

''(b) APPLICABLE PERCENTAGE.—For purposes of subsection (a), the applicable percentage shall be determined in accordance with the following table:

''For taxable years beginning in calendar year—	The applicable percentage is—
2002, 2003, and 2004	25
2005	35
2006	65
2007 and thereafter	100.

''(c) LIMITATION BASED ON OTHER COVERAGE.—

''(1) COVERAGE UNDER CERTAIN SUBSIDIZED EMPLOYER PLANS.—

''(A) IN GENERAL.—Subsection (a) shall not apply to any taxpayer for any calendar month for which the taxpayer participates in any health plan maintained by any employer of the taxpayer or of the spouse of the taxpayer if 50 percent or more of the cost of coverage under such plan (determined under section 4980B and without regard to payments made with respect to any coverage described in subsection (e)) is paid or incurred by the employer.

''(B) EMPLOYER CONTRIBUTIONS TO CAFETERIA PLANS, FLEXIBLE SPENDING ARRANGEMENTS, AND MEDICAL SAVINGS ACCOUNTS.—Employer contributions to a cafeteria plan, a flexible spending or similar arrangement, or a medical savings account which are excluded from gross income under section 106 shall be treated for purposes of subparagraph (A) as paid by the employer.

''(C) AGGREGATION OF PLANS OF EMPLOYER.—A health plan which is not otherwise described in subparagraph (A) shall be treated as described in such subparagraph if such plan would be so described if all health plans of persons treated as a single employer under subsections (b), (c), (m), or (o) of section 414 were treated as one health plan.

''(D) SEPARATE APPLICATION TO HEALTH INSURANCE AND LONG-TERM CARE INSURANCE.—Subparagraphs (A) and (C) shall be applied separately with respect to—

''(i) plans which include primarily coverage for qualified long-term care services or are qualified long-term care insurance contracts, and

''(ii) plans which do not include such coverage and are not such contracts.

''(2) COVERAGE UNDER CERTAIN FEDERAL PROGRAMS.—

''(A) IN GENERAL.—Subsection (a) shall not apply to any amount paid for any coverage for an individual for any calendar month if, as of the first day of such month, the individual is covered under any medical care program described in—

''(i) title XVIII, XIX, or XXI of the Social Security Act,

''(ii) chapter 55 of title 10, United States Code,

''(iii) chapter 17 of title 38, United States Code,

''(iv) chapter 89 of title 5, United States Code, or

''(v) the Indian Health Care Improvement Act.

''(B) EXCEPTIONS.—

''(i) QUALIFIED LONG-TERM CARE.—Subparagraph (A) shall not apply to amounts paid for coverage under a qualified long-term care insurance contract.

''(ii) CONTINUATION COVERAGE OF FEHBP.—Subparagraph (A)(iv) shall not apply to coverage which is comparable to continuation coverage under section 4980B.

''(d) LONG-TERM CARE 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) DEDUCTION NOT AVAILABLE FOR PAYMENT OF ANCILLARY COVERAGE PREMIUMS.—Any amount paid as a premium for insurance which provides for—

''(1) coverage for accidents, disability, dental care, vision care, or a specified illness, or

''(2) making payments of a fixed amount per day (or other period) by reason of being hospitalized.

shall not be taken into account under subsection (a).

''(f) SPECIAL RULES.—

''(1) COORDINATION WITH DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.—The amount taken into account by the taxpayer in computing the deduction under section 162(l) shall not be taken into account under this section.

''(2) COORDINATION WITH MEDICAL EXPENSE DEDUCTION.—The amount taken into account by the taxpayer in computing the deduction under this section shall not be taken into account under section 213.

''(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out this section, including

regulations requiring employers to report to their employees and the Secretary such information as the Secretary determines to be appropriate.''.

(b) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a) of section 62 is amended by inserting after paragraph (17) the following new item:

''(18) HEALTH AND LONG-TERM CARE INSURANCE COSTS.—The deduction allowed by section 222.''.

(c) CLERICAL AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1 is amended by striking the last item and inserting the following new items:

''Sec. 222. Health and long-term care insurance costs.

''Sec. 223. Cross reference.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 502. LONG-TERM CARE INSURANCE PERMITTED TO BE OFFERED UNDER CAFETERIA PLANS AND FLEXIBLE SPENDING ARRANGEMENTS.

(a) CAFETERIA PLANS.—

(1) IN GENERAL.—Subsection (f) of section 125 (defining qualified benefits) is amended by inserting before the period at the end ''; except that such term shall include the payment of premiums for any qualified long-term care insurance contract (as defined in section 7702B) to the extent the amount of such payment does not exceed the eligible long-term care premiums (as defined in section 213(d)(10)) for such contract''.

(b) FLEXIBLE SPENDING ARRANGEMENTS.—Section 106 (relating to contributions by employer to accident and health plans) is amended by striking subsection (c).

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

SEC. 503. ADDITIONAL PERSONAL EXEMPTION FOR TAXPAYER CARING FOR ELDERLY FAMILY MEMBER IN TAXPAYER'S HOME.

(a) IN GENERAL.—Section 151 (relating to allowance of deductions for personal exemptions) is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

''(e) ADDITIONAL EXEMPTION FOR CERTAIN ELDERLY FAMILY MEMBERS RESIDING WITH TAXPAYER.—

''(1) IN GENERAL.—An exemption of the exemption amount for each qualified family member of the taxpayer.

''(2) QUALIFIED FAMILY MEMBER.—For purposes of this subsection, the term 'qualified family member' means, with respect to any taxable year, any individual—

''(A) who is an ancestor of the taxpayer or of the taxpayer's spouse or who is the spouse of any such ancestor,

''(B) who is a member for the entire taxable year of a household maintained by the taxpayer, and

''(C) who has been certified, before the due date for filing the return of tax for the taxable year (without extensions), by a physician (as defined in section 1861(r)(1) of the Social Security Act) as being an individual with long-term care needs described in paragraph (3) for a period—

''(i) which is at least 180 consecutive days, and

''(ii) a portion of which occurs within the taxable year.

Such term shall not include any individual otherwise meeting the requirements of the preceding sentence unless within the 39½ 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.

''(3) INDIVIDUALS WITH LONG-TERM CARE NEEDS.—An individual is described in this paragraph if the individual—

''(A) is unable to perform (without substantial assistance from another individual) at least 2 activities of daily living (as defined in section 7702B(c)(2)(B)) due to a loss of functional capacity, or

''(B) requires substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment and is unable to perform, without reminding or cuing assistance, 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.

''(4) SPECIAL RULES.—Rules similar to the rules of paragraphs (1), (2), (3), (4), and (5) of section 21(e) shall apply for purposes of this subsection.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 504. EXPANDED HUMAN CLINICAL TRIALS QUALIFYING FOR ORPHAN DRUG CREDIT.

(a) IN GENERAL.—Subclause (I) of section 45C(b)(2)(A)(ii) is amended to read as follows:

''(I) after the date that the application is filed for designation under such section 526, and''.

(b) CONFORMING AMENDMENT.—Clause (i) of section 45C(b)(2)(A) is amended by inserting ''which is'' before ''being'' and by inserting before the comma at the end ''and which is designated under section 526 of such Act''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after December 31, 1999.

SEC. 505. INCLUSION OF CERTAIN VACCINES AGAINST STREPTOCOCCUS PNEUMONIAE TO LIST OF TAXABLE VACCINES; REDUCTION IN PER DOSE TAX RATE.

(a) INCLUSION OF VACCINES.—

(1) IN GENERAL.—Section 4132(a)(1) (defining taxable vaccine) is amended by adding at the end the following new subparagraph:

''(L) Any conjugate vaccine against streptococcus pneumoniae.''.

(2) EFFECTIVE DATE.—

(A) SALES.—The amendment made by this subsection shall apply to vaccine sales beginning on the day after the date on which the Centers for Disease Control makes a final recommendation for routine administration to children of any conjugate vaccine against streptococcus pneumoniae, but shall not take effect if subsection (c) does not take effect.

(B) DELIVERIES.—For purposes of subparagraph (A), in the case of sales on or before the date described in such subparagraph for which delivery is made after such date, the delivery date shall be considered the sale date.

(b) REDUCTION IN PER DOSE TAX RATE.—

(1) IN GENERAL.—Section 4131(b)(1) (relating to amount of tax) is amended by striking ''75 cents'' and inserting ''50 cents''.

(2) EFFECTIVE DATE.—

(A) SALES.—The amendment made by this subsection shall apply to vaccine sales after December 31, 2004, but shall not take effect if subsection (c) does not take effect.

(B) DELIVERIES.—For purposes of subparagraph (A), in the case of sales on or before the date described in such subparagraph for which delivery is made after such date, the delivery date shall be considered the sale date.

(3) LIMITATION ON CERTAIN CREDITS OR REFUNDS.—For purposes of applying section 4132(b) of the Internal Revenue Code of 1986 with respect to any claim for credit or refund filed after August 31, 2004, the amount of tax taken into account shall not exceed the tax computed under the rate in effect on January 1, 2005.

(c) VACCINE TAX AND TRUST FUND AMENDMENTS.—

(1) Sections 1503 and 1504 of the Vaccine Injury Compensation Program Modification Act (and the amendments made by such sections) are hereby repealed.

(2) Subparagraph (A) of section 9510(c)(1) is amended by striking ''August 5, 1997'' and inserting ''October 21, 1998''.

(3) The amendments made by this subsection shall take effect as if included in the provisions of the Tax and Trade Relief Extension Act of 1998 to which they relate.

SEC. 506. DRUG BENEFITS FOR MEDICARE BENEFICIARIES.

(a) IN GENERAL.—Section 213 (relating to medical, dental, etc., expenses) is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

''(e) DRUG BENEFITS FOR MEDICARE BENEFICIARIES.—

''(1) DEDUCTION FOR CERTAIN FORMER PRESCRIPTION DRUGS.—

''(A) IN GENERAL.—Subsection (b) shall not apply to amounts paid for eligible former prescription drugs for a medicare beneficiary who is the taxpayer or the taxpayer's spouse or dependent (as defined in section 152).

''(B) ELIGIBLE FORMER PRESCRIPTION DRUG.—For purposes of subparagraph (A), the term 'eligible former prescription drug' means any drug or biological which is not a prescribed drug at the time purchased by the taxpayer but was a prescribed drug at any prior time during the calendar year in which so purchased or during the 2 preceding calendar years.

''(2) ADJUSTED GROSS INCOME THRESHOLD NOT TO APPLY TO PRESCRIPTION DRUG INSURANCE COVERAGE FOR MEDICARE BENEFICIARIES IF CERTAIN CONDITIONS MET.—The 7.5 percent adjusted gross income threshold in subsection (a) shall not apply to the expenses paid during the taxable year for prescription drug insurance coverage for a medicare beneficiary who is the taxpayer or the taxpayer's spouse or dependent (as defined in section 152) if—

''(A) the Secretary certifies that, throughout such taxable year, the conditions specified in paragraph (3) are met, and

''(B) the charge for such coverage is either separately stated in the contract or furnished to the policyholder by the insurance company in a separate statement.

''(3) CONDITIONS.—For purposes of paragraph (2), the conditions specified in this paragraph are met if all of the following are in effect:

''(A) ASSISTANCE FOR PRESCRIPTION DRUGS FOR LOW-INCOME MEDICARE BENEFICIARIES.—

''(i) Low-income assistance is available to enable the purchase of coverage of prescription drugs as described in subparagraph (B) or (C) for medicare beneficiaries with incomes under 135 percent of the applicable Federal poverty level, with such assistance phasing out for beneficiaries with incomes between 135 percent and 150 percent of such level.

''(ii) The Federal Government provides funding for the costs of such assistance.

''(B) AUTHORIZING MEDIGAP COVERAGE SOLELY OF PRESCRIPTION DRUGS.—At least 1 of the benefit packages authorized to be offered under a medicare supplemental policy under the Social Security Act is a package which provides solely for the coverage of costs of prescription drugs.

''(C) STRUCTURAL MEDICARE REFORM.—Coverage for outpatient prescription drugs for medicare beneficiaries is provided only through integrated comprehensive health plans which offer current medicare covered services and maximum limitations on out-of-pocket spending and such comprehensive plans sponsored by the Health Care Financing Administration compete on the same basis as private plans.

''(D) DEDUCTION FOR ELIGIBLE FORMER PRESCRIPTION DRUGS.—The treatment under paragraph (1) of expenses paid for eligible former prescription drugs applies for such taxable year.

''(4) DEFINITION AND SPECIAL RULE.—

''(A) MEDICARE BENEFICIARY.—For purposes of this subsection, the term 'medicare beneficiary' means an individual who is entitled to benefits under part A, or enrolled under part B or C, of title XVIII of the Social Security Act.

''(B) COORDINATION WITH OTHER EXPENSES.—Expenses to which the 7.5 percent adjusted gross income threshold in subsection (a) does not apply by reason of paragraph (1) and (2) shall not be taken into account in applying such threshold to other expenses.''

(b) DEDUCTION FOR PRESCRIPTION DRUG INSURANCE COVERAGE ALLOWED WHETHER OR NOT TAXPAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a) of section 62 (defining adjusted gross income) is amended by inserting after paragraph (18) the following new paragraph:

''(19) PRESCRIPTION DRUG INSURANCE COVERAGE FOR MEDICARE BENEFICIARIES.—The deduction allowed by section 213(a) to the extent of the expenses to which the 7.5 percent adjusted gross income threshold in subsection (a) does not apply by reason of paragraph (2) of section 213(e).''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

TITLE VI—ESTATE TAX RELIEF

Subtitle A—Repeal of Estate, Gift, and Generation-Skipping Taxes; Repeal of Step Up in Basis At Death

SEC. 601. REPEAL OF ESTATE, GIFT, AND GENERATION-SKIPPING TAXES.

(a) IN GENERAL.—Subtitle B is hereby repealed.

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to the estates of decedents dying, and gifts and generation-skipping transfers made, after December 31, 2008.

SEC. 602. TERMINATION OF STEP UP IN BASIS AT DEATH.

(a) TERMINATION OF APPLICATION OF SECTION 1014.—Section 1014 (relating to basis of property acquired from a decedent) is amended by adding at the end the following:

''(f) TERMINATION.—In the case of a decedent dying after December 31, 2008, this section shall not apply to property for which basis is provided by section 1023.''.

(b) CONFORMING AMENDMENT.—Subsection (a) of section 1016 (relating to adjustments to basis) is amended by striking ''and'' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting ''; and'', and by adding at the end the following:

''(28) to the extent provided in section 1023 (relating to basis for certain property acquired from a decedent dying after December 31, 2008).''.

SEC. 603. CARRYOVER BASIS AT DEATH.

(a) GENERAL RULE.—Part II of subchapter O of chapter 1 (relating to basis rules of general application) is amended by inserting after section 1022, as added by section 202, the following:

''SEC. 1023. CARRYOVER BASIS FOR CERTAIN PROPERTY ACQUIRED FROM A DECEDENT DYING AFTER DECEMBER 31, 2008.

''(a) CARRYOVER BASIS.—Except as otherwise provided in this section, the basis of carryover basis property in the hands of a person acquiring such property from a decedent shall be determined under section 1015.

''(b) CARRYOVER BASIS PROPERTY DEFINED.—

''(1) IN GENERAL.—For purposes of this section, the term 'carryover basis property' means any property—

''(A) which is acquired from or passed from a decedent who died after December 31, 2008, and

''(B) which is not excluded pursuant to paragraph (2).

The property taken into account under subparagraph (A) shall be determined under section 1014(b) without regard to subparagraph (A) of the last sentence of paragraph (9) thereof.

''(2) CERTAIN PROPERTY NOT CARRYOVER BASIS PROPERTY.—The term 'carryover basis property' does not include—

''(A) any item of gross income in respect of a decedent described in section 691,

''(B) property which was acquired from the decedent by the surviving spouse of the decedent but only if the value of such property would have been deductible from the value of the taxable estate of the decedent under section 2056, as in effect on the day before the date of the enactment of the Taxpayer Refund and Relief Act of 1999, and

''(C) any includible property of the decedent if the aggregate adjusted fair market value of such property does not exceed $2,000,000.

For purposes of this subsection, the term 'adjusted fair market value' means, with respect to any property, fair market value reduced by any indebtedness secured by such property.

''(3) LIMITATION ON EXCEPTION FOR PROPERTY ACQUIRED BY SURVIVING SPOUSE.—The adjusted fair market value of property which is not carryover basis property by reason of paragraph (2)(B) shall not exceed $3,000,000. The executor shall allocate the limitation under the preceding sentence among such property.

''(4) PHASEIN OF CARRYOVER BASIS IF PROPERTY EXCEEDS $1,300,000.—

''(A) IN GENERAL.—If the aggregate adjusted fair market value of the includible property of the decedent exceeds $1,300,000, but does not exceed $2,000,000, the amount of the increase in the basis of includible property which would (but for this paragraph) result under section 1014 shall be reduced by the amount which bears the same ratio to such increase as such excess bears to $700,000.

''(B) ALLOCATION OF REDUCTION.—The reduction under subparagraph (A) shall be allocated among only the excepted includible property having net appreciation and shall be allocated in proportion to the respective amounts of such net appreciation. For purposes of the preceding sentence, the term 'net appreciation' means the excess of the adjusted fair market value over the decedent's adjusted basis immediately before such decedent's death.

''(5) INCLUDIBLE PROPERTY.—

''(A) IN GENERAL.—For purposes of this subsection, the term 'includible property' means property which would be included in the gross estate of the decedent under any of the following provisions as in effect on the day before the date of the enactment of the Taxpayer Refund and Relief Act of 1999:

''(i) Section 2033.

''(ii) Section 2038.

''(iii) Section 2040.

''(iv) Section 2041.

''(v) Section 2042(1).

''(B) EXCLUSION OF PROPERTY ACQUIRED BY SPOUSE.—Such term shall not include property which is not carryover basis property by reason of paragraph (2)(B).

''(c) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section.''.

(b) MISCELLANEOUS AMENDMENTS RELATED TO CARRYOVER BASIS.—

(1) CAPITAL GAIN TREATMENT FOR INHERITED ART WORK OR SIMILAR PROPERTY.—

(A) IN GENERAL.—Subparagraph (C) of section 1221(3) (defining capital asset) is amended by inserting ''(other than by reason of section 1023)'' after ''is determined''.

(B) COORDINATION WITH SECTION 170.—Paragraph (1) of section 170(e) (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following: ''For purposes of this paragraph, the determination of whether property is a capital asset shall be made without regard to the exception contained in section 1221(3)(C) for basis determined under section 1023.''.

(2) DEFINITION OF EXECUTOR.—Section 7701(a) (relating to definitions) is amended by adding at the end the following:

''(47) EXECUTOR.—The term 'executor' means the executor or administrator of the decedent, or, if there is no executor or administrator appointed, qualified, and acting within the United States, then any person in actual or constructive possession of any property of the decedent.''.

(3) CLERICAL AMENDMENT.—The table of sections for part II of subchapter O of chapter 1 is amended by adding at the end the following new item:

''Sec. 1023. Carryover basis for certain property acquired from a decedent dying after December 31, 2008.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2008.

Subtitle B—Reductions of Estate and Gift Tax Rates Prior to Repeal

SEC. 611. ADDITIONAL REDUCTIONS OF ESTATE AND GIFT TAX RATES.

(a) MAXIMUM RATE OF TAX REDUCED TO 50 PERCENT.—

(1) IN GENERAL.—The table contained in section 2001(c)(1) is amended by striking the 2 highest brackets and inserting the following:

''Over $2,500,000 ..... $1,025,800, plus 50% of the excess over $2,500,000.''.

(2) PHASE-IN OF REDUCED RATE.—Subsection (c) of section 2001 is amended by adding at the end the following new paragraph:

''(3) PHASE-IN OF REDUCED RATE.—In the case of decedents dying, and gifts made, during 2001, the last item in the table contained in paragraph (1) shall be applied by substituting '53%' for '50%'.''.

(b) REPEAL OF PHASEOUT OF GRADUATED RATES.—Subsection (c) of section 2001 is amended by striking paragraph (2) and redesignating paragraph (3), as added by subsection (a), as paragraph (2).

(c) ADDITIONAL REDUCTIONS OF RATES OF TAX.—Subsection (c) of section 2001, as so

amended, is amended by adding at the end the following new paragraph:

''(3) PHASEDOWN OF TAX.—In the case of estates of decedents dying, and gifts made, during any calendar year after 2004 and before 2009—

''(A) IN GENERAL.—Except as provided in subparagraph (C), the tentative tax under this subsection shall be determined by using a table prescribed by the Secretary (in lieu of using the table contained in paragraph (1)) which is the same as such table; except that—

''(i) each of the rates of tax shall be reduced by the number of percentage points determined under subparagraph (B), and

''(ii) the amounts setting forth the tax shall be adjusted to the extent necessary to reflect the adjustments under clause (i).

''(B) PERCENTAGE POINTS OF REDUCTION.—

''For calendar year:	The number of percentage points is:
2003	1.0
2004	2.0
2005	3.0
2006	4.0
2007	5.5
2008	7.5.

''(C) COORDINATION WITH INCOME TAX RATES.—The reductions under subparagraph (A)—

''(i) shall not reduce any rate under paragraph (1) below the lowest rate in section 1(c), and

''(ii) shall not reduce the highest rate under paragraph (1) below the highest rate in section 1(c).

''(D) COORDINATION WITH CREDIT FOR STATE DEATH TAXES.—Rules similar to the rules of subparagraph (A) shall apply to the table contained in section 2011(b) except that the Secretary shall prescribe percentage point reductions which maintain the proportionate relationship (as in effect before any reduction under this paragraph) between the credit under section 2011 and the tax rates under subsection (c).''.

(d) EFFECTIVE DATES.—

(1) SUBSECTIONS (a) AND (b).—The amendments made by subsections (a) and (b) shall apply to estates of decedents dying, and gifts made, after December 31, 2000.

(2) SUBSECTION (c).—The amendment made by subsection (c) shall apply to estates of decedents dying, and gifts made, after December 31, 2004.

Subtitle C—Unified Credit Replaced With Unified Exemption Amount

SEC. 621. UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES REPLACED WITH UNIFIED EXEMPTION AMOUNT.

(a) IN GENERAL.—

(1) ESTATE TAX.—Part IV of subchapter A of chapter 11 is amended by inserting after section 2051 the following new section:

''SEC. 2052. EXEMPTION.

''(a) IN GENERAL.—For purposes of the tax imposed by section 2001, the value of the taxable estate shall be determined by deducting from the value of the gross estate an amount equal to the excess (if any) of—

''(1) the exemption amount for the calendar year in which the decedent died, over

''(2) the sum of—

''(A) the aggregate amount allowed as an exemption under section 2521 with respect to gifts made by the decedent after December 31, 2000, and

''(B) the aggregate amount of gifts made by the decedent for which credit was allowed by section 2505 (as in effect on the day before the date of the enactment of the Taxpayer Refund and Relief Act of 1999).

Gifts which are includible in the gross estate of the decedent shall not be taken into account in determining the amounts under paragraph (2).

''(b) EXEMPTION AMOUNT.—For purposes of subsection (a), the term 'exemption amount' means the amount determined in accordance with the following table:

''In the case of calendar year:	The exemption amount is:
2001	$675,000
2002 and 2003	$700,000
2004	$850,000
2005	$950,000
2006 or thereafter	$1,000,000.''

(2) GIFT TAX.—Subchapter C of chapter 12 (relating to deductions) is amended by inserting before section 2522 the following new section:

''SEC. 2521. EXEMPTION.

''In computing taxable gifts for any calendar year, there shall be allowed as a deduction in the case of a citizen or resident of the United States an amount equal to the excess of—

''(1) the exemption amount determined under section 2052 for such calendar year, over

''(2) the sum of—

''(A) the aggregate amount allowed as an exemption under this section for all preceding calendar years after 2000, and

''(B) the aggregate amount of gifts for which credit was allowed by section 2505 (as in effect on the day before the date of the enactment of the Taxpayer Refund and Relief Act of 1999).''

(b) REPEAL OF UNIFIED CREDITS.—

(1) Section 2010 (relating to unified credit against estate tax) is hereby repealed.

(2) Section 2505 (relating to unified credit against gift tax) is hereby repealed.

(c) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 2001(b)(1) is amended by inserting before the comma ''reduced by the amount described in section 2052(a)(2)(B)''.

(2)(A) Subsection (b) of section 2011 is amended—

(i) by striking ''adjusted'' in the table, and

(ii) by striking the last sentence.

(B) Subsection (f) of section 2011 is amended by striking '', reduced by the amount of the unified credit provided by section 2010''.

(3) Subsection (a) of section 2012 is amended by striking ''and the unified credit provided by section 2010''.

(4)(A) Subsection (b) of section 2013 is amended by inserting before the period at the end of the first sentence ''and increased by the exemption allowed under section 2052 or 2106(a)(4) (or the corresponding provisions of prior law) in determining the taxable estate of the transferor for purposes of the estate tax''.

(B) Subparagraph (A) of section 2013(c)(1) is amended by striking ''2010,''.

(5) Paragraph (2) of section 2014(b) is amended by striking ''2010,''.

(6) Clause (ii) of section 2056A(b)(12)(C) is amended to read as follows:

''(ii) to treat any reduction in the tax imposed by paragraph (1)(A) by reason of the credit allowable under section 2010 (as in effect on the day before the date of the enactment of the Taxpayer Refund and Relief Act of 1999) or the exemption allowable under section 2052 with respect to the decedent as a credit under section 2505 (as so in effect) or exemption under section 2521 (as the case may be) allowable to such surviving spouse for purposes of determining the amount of the exemption allowable under section 2521 with respect to taxable gifts made by the surviving spouse during the year in which the spouse becomes a citizen or any subsequent year,''.

(7) Paragraph (3) of section 2057(a) is amended to read as follows:

''(3) COORDINATION WITH EXEMPTION AMOUNT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), if this section applies to an estate, the exemption amount under section 2052 shall be $625,000.

''(B) INCREASE IN EXEMPTION AMOUNT IF DEDUCTION IS LESS THAN $675,000.—If the deduction allowed by this section is less than $675,000, the amount of the exemption amount under section 2052 shall be increased (but not above the amount which would apply to the estate without regard to this section) by the excess of $675,000 over the amount of the deduction allowed.''

(8)(A) Subparagraph (B) of section 2101(b)(1) is amended by inserting before the comma ''reduced by the aggregate amount of gifts for which credit was allowed by section 2505 (as in effect on the day before the date of the enactment of the Taxpayer Refund and Relief Act of 1999)''

(B) Subsection (b) of section 2101 is amended by striking the last sentence.

(9) Section 2102 is amended by striking subsection (c).

(10) Subsection (a) of section 2106 is amended by adding at the end the following new paragraph:

''(4) EXEMPTION.—

''(A) IN GENERAL.—An exemption of $60,000.

''(B) RESIDENTS OF POSSESSIONS OF THE UNITED STATES.—In the case of a decedent who is considered to be a nonresident not a citizen of the United States under section 2209, the exemption under this paragraph shall be the greater of—

''(i) $60,000, or

''(ii) that proportion of $175,000 which the value of that part of the decedent's gross estate which at the time of his death is situated in the United States bears to the value of his entire gross estate wherever situated.

''(C) SPECIAL RULES.—

''(i) COORDINATION WITH TREATIES.—To the extent required under any treaty obligation of the United States, the exemption allowed under this paragraph shall be equal to the amount which bears the same ratio to the exemption amount under section 2052 (for the calendar year in which the decedent died) as the value of the part of the decedent's gross estate which at the time of his death is situated in the United States bears to the value of his entire gross estate wherever situated. For purposes of the preceding sentence, property shall not be treated as situated in the United States if such property is exempt from the tax imposed by this subchapter under any treaty obligation of the United States.

''(ii) COORDINATION WITH GIFT TAX EXEMPTION AND UNIFIED CREDIT.—If an exemption has been allowed under section 2521 (or a credit has been allowed under section 2505 as in effect on the day before the date of the enactment of the Taxpayer Refund and Relief Act of 1999) with respect to any gift made by the decedent, each dollar amount contained in subparagraph (A) or (B) or the exemption amount applicable under clause (i) of this subparagraph (whichever applies) shall be reduced by the exemption so allowed under 2521 (or, in the case of such a credit, by the amount of the gift for which the credit was so allowed).''

(11)(A) Subsection (a) of section 2107 is amended by adding at the end the following new paragraph:

''(3) LIMITATION ON EXEMPTION AMOUNT.—Subparagraphs (B) and (C) of section 2106(a)(4) shall not apply in applying section 2106 for purposes of this section.''

(B) Subsection (c) of section 2107 is amended—

(i) by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively, and

(ii) by striking the second sentence of paragraph (2) (as so redesignated).

(12) Section 2206 is amended by striking ''the taxable estate'' in the first sentence and inserting ''the sum of the taxable estate and the amount of the exemption allowed under section 2052 or 2106(a)(4) in computing the taxable estate''.

(13) Section 2207 is amended by striking ''the taxable estate'' in the first sentence and inserting ''the sum of the taxable estate and the amount of the exemption allowed under section 2052 or 2106(a)(4) in computing the taxable estate''.

(14) Subparagraph (B) of section 2207B(a)(1) is amended to read as follows:

''(B) the sum of the taxable estate and the amount of the exemption allowed under section 2052 or 2106(a)(4) in computing the taxable estate.''

(15) Subsection (a) of section 2503 is amended by striking ''section 2522'' and inserting ''section 2521''.

(16) Paragraph (1) of section 6018(a) is amended by striking ''the applicable exclusion amount in effect under section 2010(c)'' and inserting ''the exemption amount under section 2052''.

(17) Subparagraph (A) of section 6601(j)(2) is amended to read as follows:

''(A) the amount of the tax which would be imposed by chapter 11 on an amount of taxable estate equal to $1,000,000, or''.

(18) The table of sections for part II of subchapter A of chapter 11 is amended by striking the item relating to section 2010.

(19) The table of sections for part IV of subchapter A of chapter 11 is amended by inserting after the item relating to section 2051 the following new item:

''Sec. 2052. Exemption.''

(20) The table of sections for subchapter A of chapter 12 is amended by striking the item relating to section 2505.

(21) The table of sections for subchapter C of chapter 12 is amended by inserting before the item relating to section 2522 the following new item:

''Sec. 2521. Exemption.''

(d) EFFECTIVE DATE.—The amendments made by this section—

(1) insofar as they relate to the tax imposed by chapter 11 of the Internal Revenue Code of 1986, shall apply to estates of decedents dying after December 31, 2000, and

(2) insofar as they relate to the tax imposed by chapter 12 of such Code, shall apply to gifts made after December 31, 2000.

Subtitle D—Modifications of Generation-Skipping Transfer Tax

SEC. 631. DEEMED ALLOCATION OF GST EXEMPTION TO LIFETIME TRANSFERS TO TRUSTS; RETROACTIVE ALLOCATIONS.

(a) IN GENERAL.—Section 2632 (relating to special rules for allocation of GST exemption) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following new subsections:

''(c) DEEMED ALLOCATION TO CERTAIN LIFETIME TRANSFERS TO GST TRUSTS.—

''(1) IN GENERAL.—If any individual makes an indirect skip during such individual's lifetime, any unused portion of such individual's GST exemption shall be allocated to the property transferred to the extent necessary to make the inclusion ratio for such property zero. If the amount of the indirect skip exceeds such unused portion, the entire unused portion shall be allocated to the property transferred.

''(2) UNUSED PORTION.—For purposes of paragraph (1), the unused portion of an individual's GST exemption is that portion of such exemption which has not previously been—

''(A) allocated by such individual,

''(B) treated as allocated under subsection (b) with respect to a direct skip occurring during or before the calendar year in which the indirect skip is made, or

''(C) treated as allocated under paragraph (1) with respect to a prior indirect skip.

''(3) DEFINITIONS.—

''(A) INDIRECT SKIP.—For purposes of this subsection, the term 'indirect skip' means any transfer of property (other than a direct skip) subject to the tax imposed by chapter 12 made to a GST trust.

''(B) GST TRUST.—The term 'GST trust' means a trust that could have a generation-skipping transfer with respect to the transferor unless—

''(i) the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by 1 or more individuals who are non-skip persons—

''(I) before the date that the individual attains age 46,

''(II) on or before 1 or more dates specified in the trust instrument that will occur before the date that such individual attains age 46, or

''(III) upon the occurrence of an event that, in accordance with regulations prescribed by the Secretary, may reasonably be expected to occur before the date that such individual attains age 46;

''(ii) the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by 1 or more individuals who are non-skip persons and who are living on the date of death of another person identified in the instrument (by name or by class) who is more than 10 years older than such individuals;

''(iii) the trust instrument provides that, if 1 or more individuals who are non-skip persons die on or before a date or event described in clause (i) or (ii), more than 25 percent of the trust corpus either must be distributed to the estate or estates of 1 or more of such individuals or is subject to a general power of appointment exercisable by 1 or more of such individuals;

''(iv) the trust is a trust any portion of which would be included in the gross estate of a non-skip person (other than the transferor) if such person died immediately after the transfer;

''(v) the trust is a charitable lead annuity trust (within the meaning of section 2642(e)(3)(A)) or a charitable remainder annuity trust or a charitable remainder unitrust (within the meaning of section 664(d)); or

''(vi) the trust is a trust with respect to which a deduction was allowed under section 2522 for the amount of an interest in the form of the right to receive annual payments of a fixed percentage of the net fair market value of the trust property (determined yearly) and which is required to pay principal to a non-skip person if such person is alive when the yearly payments for which the deduction was allowed terminate.

For purposes of this subparagraph, the value of transferred property shall not be considered to be includible in the gross estate of a non-skip person or subject to a right of withdrawal by reason of such person holding a right to withdraw so much of such property as does not exceed the amount referred to in section 2503(b) with respect to any transferor, and it shall be assumed that powers of appointment held by non-skip persons will not be exercised.

''(4) AUTOMATIC ALLOCATIONS TO CERTAIN GST TRUSTS.—For purposes of this subsection, an indirect skip to which section 2642(f) applies shall be deemed to have been made only at the close of the estate tax inclusion period. The fair market value of such transfer shall be the fair market value of the trust property at the close of the estate tax inclusion period.

''(5) APPLICABILITY AND EFFECT.—

''(A) IN GENERAL.—An individual—

''(i) may elect to have this subsection not apply to—

''(I) an indirect skip, or

''(II) any or all transfers made by such individual to a particular trust, and

''(ii) may elect to treat any trust as a GST trust for purposes of this subsection with respect to any or all transfers made by such individual to such trust.

''(B) ELECTIONS.—

''(i) ELECTIONS WITH RESPECT TO INDIRECT SKIPS.—An election under subparagraph (A)(i)(I) shall be deemed to be timely if filed on a timely filed gift tax return for the calendar year in which the transfer was made or deemed to have been made pursuant to paragraph (4) or on such later date or dates as may be prescribed by the Secretary.

''(ii) OTHER ELECTIONS.—An election under clause (i)(II) or (ii) of subparagraph (A) may be made on a timely filed gift tax return for the calendar year for which the election is to become effective.

''(d) RETROACTIVE ALLOCATIONS.—

''(1) IN GENERAL.—If—

''(A) a non-skip person has an interest or a future interest in a trust to which any transfer has been made,

''(B) such person—

''(i) is a lineal descendant of a grandparent of the transferor or of a grandparent of the transferor's spouse or former spouse, and

''(ii) is assigned to a generation below the generation assignment of the transferor, and

''(C) such person predeceases the transferor,

then the transferor may make an allocation of any of such transferor's unused GST exemption to any previous transfer or transfers to the trust on a chronological basis.

''(2) SPECIAL RULES.—If the allocation under paragraph (1) by the transferor is made on a gift tax return filed on or before the date prescribed by section 6075(b) for gifts made within the calendar year within which the non-skip person's death occurred—

''(A) the value of such transfer or transfers for purposes of section 2642(a) shall be determined as if such allocation had been made on a timely filed gift tax return for each calendar year within which each transfer was made,

''(B) such allocation shall be effective immediately before such death, and

''(C) the amount of the transferor's unused GST exemption available to be allocated shall be determined immediately before such death.

''(3) FUTURE INTEREST.—For purposes of this subsection, a person has a future interest in a trust if the trust may permit income or corpus to be paid to such person on a date or dates in the future.''.

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 2632(b) is amended by striking ''with respect to a direct skip'' and inserting ''or subsection (c)(1)''.

(c) EFFECTIVE DATES.—

(1) DEEMED ALLOCATION.—Section 2632(c) of the Internal Revenue Code of 1986 (as added by subsection (a)), and the amendment made by subsection (b), shall apply to transfers subject to chapter 11 or 12 made after December 31, 1999, and to estate tax inclusion periods ending after December 31, 1999.

(2) RETROACTIVE ALLOCATIONS.—Section 2632(d) of the Internal Revenue Code of 1986 (as added by subsection (a)) shall apply to deaths of non-skip persons occurring after the date of the enactment of this Act.

SEC. 632. SEVERING OF TRUSTS.

(a) IN GENERAL.—Subsection (a) of section 2642 (relating to inclusion ratio) is amended by adding at the end the following new paragraph:

''(3) SEVERING OF TRUSTS.—

''(A) IN GENERAL.—If a trust is severed in a qualified severance, the trusts resulting from such severance shall be treated as separate trusts thereafter for purposes of this chapter.

''(B) QUALIFIED SEVERANCE.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The term 'qualified severance' means the division of a single trust and the creation (by any means available under the governing instrument or under local law) of 2 or more trusts if—

''(I) the single trust was divided on a fractional basis, and

''(II) the terms of the new trusts, in the aggregate, provide for the same succession of interests of beneficiaries as are provided in the original trust.

''(ii) TRUSTS WITH INCLUSION RATIO GREATER THAN ZERO.—If a trust has an inclusion ratio of greater than zero and less than 1, a severance is a qualified severance only if the single trust is divided into 2 trusts, one of which receives a fractional share of the total value of all trust assets equal to the applicable fraction of the single trust immediately before the severance. In such case, the trust receiving such fractional share shall have an inclusion ratio of zero and the other trust shall have an inclusion ratio of 1.

''(iii) REGULATIONS.—The term 'qualified severance' includes any other severance permitted under regulations prescribed by the Secretary.

''(C) TIMING AND MANNER OF SEVERANCES.—A severance pursuant to this paragraph may be made at any time. The Secretary shall prescribe by forms or regulations the manner in which the qualified severance shall be reported to the Secretary.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to severances after the date of the enactment of this Act.

SEC. 633. MODIFICATION OF CERTAIN VALUATION RULES.

(a) GIFTS FOR WHICH GIFT TAX RETURN FILED OR DEEMED ALLOCATION MADE.—Paragraph (1) of section 2642(b) (relating to valuation rules, etc.) is amended to read as follows:

''(1) GIFTS FOR WHICH GIFT TAX RETURN FILED OR DEEMED ALLOCATION MADE.—If the allocation of the GST exemption to any transfers of property is made on a gift tax return filed on or before the date prescribed by section 6075(b) for such transfer or is deemed to be made under section 2632 (b)(1) or (c)(1)—

''(A) the value of such property for purposes of subsection (a) shall be its value as finally determined for purposes of chapter 12 (within the meaning of section 2001(f)(2)), or, in the case of an allocation deemed to have been made at the close of an estate tax inclusion period, its value at the time of the close of the estate tax inclusion period, and

''(B) such allocation shall be effective on and after the date of such transfer, or, in the case of an allocation deemed to have been made at the close of an estate tax inclusion period, on and after the close of such estate tax inclusion period.''.

(b) TRANSFERS AT DEATH.—Subparagraph (A) of section 2642(b)(2) is amended to read as follows:

''(A) TRANSFERS AT DEATH.—If property is transferred as a result of the death of the transferor, the value of such property for purposes of subsection (a) shall be its value as finally determined for purposes of chapter 11; except that, if the requirements prescribed by the Secretary respecting allocation of post-death changes in value are not met, the value of such property shall be determined as of the time of the distribution concerned.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by section 1431 of the Tax Reform Act of 1986.

SEC. 634. RELIEF PROVISIONS.

(a) IN GENERAL.—Section 2642 is amended by adding at the end the following new subsection:

''(g) RELIEF PROVISIONS.—

''(1) RELIEF FOR LATE ELECTIONS.—

''(A) IN GENERAL.—The Secretary shall by regulation prescribe such circumstances and procedures under which extensions of time will be granted to make—

''(i) an allocation of GST exemption described in paragraph (1) or (2) of subsection (b), and

''(ii) an election under subsection (b)(3) or (c)(5) of section 2632.

Such regulations shall include procedures for requesting comparable relief with respect to transfers made before the date of the enactment of this paragraph.

''(B) BASIS FOR DETERMINATIONS.—In determining whether to grant relief under this paragraph, the Secretary shall take into account all relevant circumstances, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant. For purposes of determining whether to grant relief under this paragraph, the time for making the allocation (or election) shall be treated as if not expressly prescribed by statute.

''(2) SUBSTANTIAL COMPLIANCE.—An allocation of GST exemption under section 2632 that demonstrates an intent to have the lowest possible inclusion ratio with respect to a transfer or a trust shall be deemed to be an allocation of so much of the transferor's unused GST exemption as produces the lowest possible inclusion ratio. In determining whether there has been substantial compliance, all relevant circumstances shall be taken into account, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant.''.

(b) EFFECTIVE DATES.—

(1) RELIEF FOR LATE ELECTIONS.—Section 2642(g)(1) of the Internal Revenue Code of 1986 (as added by subsection (a)) shall apply to requests pending on, or filed after, the date of the enactment of this Act.

(2) SUBSTANTIAL COMPLIANCE.—Section 2642(g)(2) of such Code (as so added) shall take effect on the date of the enactment of this Act and shall apply to allocations made prior to such date for purposes of determining the tax consequences of generation-skipping transfers with respect to which the period of time for filing claims for refund has not expired. No implication is intended with respect to the availability of relief for late elections or the application of a rule of substantial compliance prior to the enactment of this amendment.

Subtitle E—Conservation Easements

SEC. 641. EXPANSION OF ESTATE TAX RULE FOR CONSERVATION EASEMENTS.

(a) WHERE LAND IS LOCATED.—

(1) IN GENERAL.—Clause (i) of section 2031(c)(8)(A) (defining land subject to a conservation easement) is amended—

(A) by striking ''25 miles'' both places it appears and inserting ''50 miles'', and

(B) striking ''10 miles'' and inserting ''25 miles''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to estates of decedents dying after December 31, 1999.

(b) CLARIFICATION OF DATE FOR DETERMINING VALUE OF LAND AND EASEMENT.—

(1) IN GENERAL.—Section 2031(c)(2) (defining applicable percentage) is amended by adding at the end the following new sentence: ''The values taken into account under the preceding sentence shall be such values as of the date of the contribution referred to in paragraph (8)(B).''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to estates of decedents dying after December 31, 1997.

TITLE VII—TAX RELIEF FOR DISTRESSED COMMUNITIES AND INDUSTRIES

Subtitle A—American Community Renewal Act of 1999

SEC. 701. SHORT TITLE.

This subtitle may be cited as the ''American Community Renewal Act of 1999''.

SEC. 702. DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES.

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

''Subchapter X—Renewal Communities

''Part I. Designation.

''Part II. Renewal community capital gain; renewal community business.

''Part III. Family development accounts.

''Part IV. Additional incentives.

''PART I—DESIGNATION

''Sec. 1400E. Designation of renewal communities.

''SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.

''(a) DESIGNATION.—

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

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

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

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

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

''(2) NUMBER OF DESIGNATIONS.—

''(A) IN GENERAL.—The Secretary of Housing and Urban Development may designate not more than 20 nominated areas as renewal communities.

''(B) MINIMUM DESIGNATION IN RURAL AREAS.—Of the areas designated under paragraph (1), at least 4 must be areas—

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

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

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

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

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

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

''(C) PRIORITY FOR EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES WITH RESPECT TO FIRST HALF OF DESIGNATIONS.—With respect to the first 10 designations made under this section—

''(i) all shall be chosen from nominated areas which are empowerment zones or enterprise communities (and are otherwise eligible for designation under this section); and

''(ii) 2 shall be areas described in paragraph (2)(B).

''(4) LIMITATION ON DESIGNATIONS.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

''(1) AL.—Any designation of an area as a renewal community shall remain in effect during the period beginning on the date of the designation and ending on the earliest of—

''(A) December 31, 2007,

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

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

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

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

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

''(c) AREA AND ELIGIBILITY REQUIREMENTS.—

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

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

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

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

''(C) the area—

''(i) has a population, of at least—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

''(2) COURSE OF ACTION.—

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

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

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

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

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

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

''(vi) State or local income tax benefits for fees paid for services performed by a nongovernmental entity which were formerly performed by a governmental entity.

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

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

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

''(A) licensing requirements for occupations that do not ordinarily require a professional degree;

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

''(C) permit requirements for street vendors who do not create a public nuisance;

''(D) zoning or other restrictions that impede the formation of schools or child care centers; and

''(E) franchises or other restrictions on competition for businesses providing public services, including but not limited to taxicabs, jitneys, cable television, or trash hauling,

except to the extent that such regulation of businesses and occupations is necessary for and well-tailored to the protection of health and safety.

''(e) COORDINATION WITH TREATMENT OF EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.—For purposes of this title, if there are in effect with respect to the same area both—

''(1) a designation as a renewal community; and

''(2) a designation as an empowerment zone or enterprise community,

both of such designations shall be given full effect with respect to such area.

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

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

''(2) STATE.—The term 'State' includes Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Northern Mariana Islands, and any other possession of the United States.

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

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

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

''(C) the District of Columbia.

''(4) APPLICATION OF RULES RELATING TO CENSUS TRACTS AND CENSUS DATA.—The rules of sections 1392(b)(4) and 1393(a)(9) shall apply.

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

''Sec. 1400F. Renewal community capital gain.

''Sec. 1400G. Renewal community business defined.

"SEC. 1400F. RENEWAL COMMUNITY CAPITAL GAIN.

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

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

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

''(A) any qualified community stock;

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

''(C) any qualified community business property.

''(2) QUALIFIED COMMUNITY STOCK.—

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

''(i) such stock is acquired by the taxpayer after December 31, 2000, and before January 1, 2008, at its original issue (directly or through an underwriter) from the corporation solely in exchange for cash;

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

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

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

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

''(A) such interest is acquired by the taxpayer after December 31, 2000, and before January 1, 2008;

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

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

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

''(4) QUALIFIED COMMUNITY BUSINESS PROPERTY.—

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

''(i) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2000, and before January 1, 2008;

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

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

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

''(i) property which is substantially improved (within the meaning of section 1400B(b)(4)(B)(ii)) by the taxpayer before January 1, 2008; and

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

''(c) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (5), (6), and (7) of subsection (b), and subsections (e), (f), and (g), of section 1400B shall apply for purposes of this section.

"SEC. 1400G. RENEWAL COMMUNITY BUSINESS DEFINED.

''For purposes of this part, the term 'renewal community business' means any entity or proprietorship which would be a qualified business entity or qualified proprietorship under section 1397B if—

''(1) references to renewal communities were substituted for references to empowerment zones in such section; and

''(2) '80 percent' were substituted for '50 percent' in subsections (b)(2) and (c)(1) of such section.

"PART III—FAMILY DEVELOPMENT ACCOUNTS

''Sec. 1400H. Family development accounts for renewal community EITC recipients.

''Sec. 1400I. Designation of earned income tax credit payments for deposit to family development account.

"SEC. 1400H. FAMILY DEVELOPMENT ACCOUNTS FOR RENEWAL COMMUNITY EITC RECIPIENTS.

''(a) ALLOWANCE OF DEDUCTION.—

''(1) IN GENERAL.—There shall be allowed as a deduction—

''(A) in the case of a qualified individual, the amount paid in cash for the taxable year by such individual to any family development account for such individual's benefit; and

''(B) in the case of any person other than a qualified individual, the amount paid in cash for the taxable year by such person to any family development account for the benefit of a qualified individual but only if the amount so paid is designated for purposes of this section by such individual.

''(2) LIMITATION.—

''(A) IN GENERAL.—The amount allowable as a deduction to any individual for any taxable year by reason of paragraph (1)(A) shall not exceed the lesser of—

''(i) $2,000, or

''(ii) an amount equal to the compensation includible in the individual's gross income for such taxable year.

''(B) PERSONS DONATING TO FAMILY DEVELOPMENT ACCOUNTS OF OTHERS.—The amount which may be designated under paragraph (1)(B) by any qualified individual for any taxable year of such individual shall not exceed $1,000.

''(3) SPECIAL RULES FOR CERTAIN MARRIED INDIVIDUALS.—Rules similar to rules of section 219(c) shall apply to the limitation in paragraph (2)(A).

''(4) COORDINATION WITH IRAS.—No deduction shall be allowed under this section for any taxable year to any person by reason of a payment to an account for the benefit of a qualified individual if any amount is paid for such taxable year into an individual retirement account (including a Roth IRA) for the benefit of such individual.

''(5) ROLLOVERS.—No deduction shall be allowed under this section with respect to any rollover contribution.

''(b) TAX TREATMENT OF DISTRIBUTIONS.—

''(1) INCLUSION OF AMOUNTS IN GROSS INCOME.—Except as otherwise provided in this subsection, any amount paid or distributed out of a family development account shall be included in gross income by the payee or distributee, as the case may be.

''(2) EXCLUSION OF QUALIFIED FAMILY DEVELOPMENT DISTRIBUTIONS.—Paragraph (1) shall

not apply to any qualified family development distribution.

''(c) QUALIFIED FAMILY DEVELOPMENT DISTRIBUTION.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified family development distribution' means any amount paid or distributed out of a family development account which would otherwise be includible in gross income, to the extent that such payment or distribution is used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder.

''(2) QUALIFIED FAMILY DEVELOPMENT EXPENSES.—The term 'qualified family development expenses' means any of the following:

''(A) Qualified higher education expenses.

''(B) Qualified first-time homebuyer costs.

''(C) Qualified business capitalization costs.

''(D) Qualified medical expenses.

''(E) Qualified rollovers.

''(3) QUALIFIED HIGHER EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified higher education expenses' has the meaning given such term by section 72(t)(7), determined by treating postsecondary vocational educational schools as eligible educational institutions.

''(B) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL.—The term 'postsecondary vocational educational school' means an area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in section 521(33) of such Act), as such sections are in effect on the date of the enactment of this section.

''(C) COORDINATION WITH OTHER BENEFITS.—The amount of qualified higher education expenses for any taxable year shall be reduced as provided in section 25A(g)(2).

''(4) QUALIFIED FIRST-TIME HOMEBUYER COSTS.—The term 'qualified first-time homebuyer costs' means qualified acquisition costs (as defined in section 72(t)(8) without regard to subparagraph (B) thereof) with respect to a principal residence (within the meaning of section 121) for a qualified first-time homebuyer (as defined in section 72(t)(8)).

''(5) QUALIFIED BUSINESS CAPITALIZATION COSTS.—

''(A) IN GENERAL.—The term 'qualified business capitalization costs' means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan.

''(B) QUALIFIED EXPENDITURES.—The term 'qualified expenditures' means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses.

''(C) QUALIFIED BUSINESS.—The term 'qualified business' means any trade or business other than any trade or business—

''(i) which consists of the operation of any facility described in section 144(c)(6)(B), or

''(ii) which contravenes any law.

''(D) QUALIFIED PLAN.—The term 'qualified plan' means a business plan which meets such requirements as the Secretary may specify.

''(6) QUALIFIED MEDICAL EXPENSES.—The term 'qualified medical expenses' means any amount paid during the taxable year, not compensated for by insurance or otherwise, for medical care (as defined in section 213(d)) of the taxpayer, his spouse, or his dependent (as defined in section 152).

''(7) QUALIFIED ROLLOVERS.—The term 'qualified rollover' means any amount paid from a family development account of a taxpayer into another such account established for the benefit of—

''(A) such taxpayer, or

''(B) any qualified individual who is—

''(i) the spouse of such taxpayer, or

''(ii) any dependent (as defined in section 152) of the taxpayer.

Rules similar to the rules of section 408(d)(3) shall apply for purposes of this paragraph.

''(d) TAX TREATMENT OF ACCOUNTS.—

''(1) IN GENERAL.—Any family development account is exempt from taxation under this subtitle unless such account has ceased to be a family development account by reason of paragraph (2). Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc., organizations). Notwithstanding any other provision of this title (including chapters 11 and 12), the basis of any person in such an account is zero.

''(2) LOSS OF EXEMPTION IN CASE OF PROHIBITED TRANSACTIONS.—For purposes of this section, rules similar to the rules of section 408(e) shall apply.

''(3) OTHER RULES TO APPLY.—Rules similar to the rules of paragraphs (4), (5), and (6) of section 408(d) shall apply for purposes of this section.

''(e) FAMILY DEVELOPMENT ACCOUNT.—For purposes of this title, the term 'family development account' means a trust created or organized in the United States for the exclusive benefit of a qualified individual or his beneficiaries, but only if the written governing instrument creating the trust meets the following requirements:

''(1) Except in the case of a qualified rollover (as defined in subsection (c)(7))—

''(A) no contribution will be accepted unless it is in cash; and

''(B) contributions will not be accepted for the taxable year in excess of $3,000.

''(2) The requirements of paragraphs (2) through (6) of section 408(a) are met.

''(f) QUALIFIED INDIVIDUAL.—For purposes of this section, the term 'qualified individual' means, for any taxable year, an individual—

''(1) who is a bona fide resident of a renewal community throughout the taxable year; and

''(2) to whom a credit was allowed under section 32 for the preceding taxable year.

''(g) OTHER DEFINITIONS AND SPECIAL RULES.—

''(1) COMPENSATION.—The term 'compensation' has the meaning given such term by section 219(f)(1).

''(2) MARRIED INDIVIDUALS.—The maximum deduction under subsection (a) shall be computed separately for each individual, and this section shall be applied without regard to any community property laws.

''(3) TIME WHEN CONTRIBUTIONS DEEMED MADE.—For purposes of this section, a taxpayer shall be deemed to have made a contribution to a family development account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

''(4) EMPLOYER PAYMENTS; CUSTODIAL ACCOUNTS.—Rules similar to the rules of sections 219(f)(5) and 408(h) shall apply for purposes of this section.

''(5) REPORTS.—The trustee of a family development account shall make such reports regarding such account to the Secretary and to the individual for whom the account is maintained with respect to contributions (and the years to which they relate), distributions, and such other matters as the Secretary may require under regulations. The reports required by this paragraph—

''(A) shall be filed at such time and in such manner as the Secretary prescribes in such regulations; and

''(B) shall be furnished to individuals—

''(i) not later than January 31 of the calendar year following the calendar year to which such reports relate; and

''(ii) in such manner as the Secretary prescribes in such regulations.

''(6) INVESTMENT IN COLLECTIBLES TREATED AS DISTRIBUTIONS.—Rules similar to the rules of section 408(m) shall apply for purposes of this section.

''(h) PENALTY FOR DISTRIBUTIONS NOT USED FOR QUALIFIED FAMILY DEVELOPMENT EXPENSES.—

''(1) IN GENERAL.—If any amount is distributed from a family development account and is not used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder, the tax imposed by this chapter for the taxable year of such distribution shall be increased by 10 percent of the portion of such amount which is includible in gross income.

''(2) EXCEPTION FOR CERTAIN DISTRIBUTIONS.—Paragraph (1) shall not apply to distributions which are—

''(A) made on or after the date on which the account holder attains age 59½,

''(B) made to a beneficiary (or the estate of the account holder) on or after the death of the account holder, or

''(C) attributable to the account holder's being disabled within the meaning of section 72(m)(7).

''(i) APPLICATION OF SECTION.—This section shall apply to amounts paid to a family development account for any taxable year beginning after December 31, 2000, and before January 1, 2008.

''SEC. 1400I. DESIGNATION OF EARNED INCOME TAX CREDIT PAYMENTS FOR DEPOSIT TO FAMILY DEVELOPMENT ACCOUNT.

''(a) IN GENERAL.—With respect to the return of any qualified individual (as defined in section 1400H(f)) for the taxable year of the tax imposed by this chapter, such individual may designate that a specified portion (not less than $1) of any overpayment of tax for such taxable year which is attributable to the earned income tax credit shall be deposited by the Secretary into a family development account of such individual. The Secretary shall so deposit such portion designated under this subsection.

''(b) MANNER AND TIME OF DESIGNATION.—A designation under subsection (a) may be made with respect to any taxable year—

''(1) at the time of filing the return of the tax imposed by this chapter for such taxable year, or

''(2) at any other time (after the time of filing the return of the tax imposed by this chapter for such taxable year) specified in regulations prescribed by the Secretary.

Such designation shall be made in such manner as the Secretary prescribes by regulations.

''(c) PORTION ATTRIBUTABLE TO EARNED INCOME TAX CREDIT.—For purposes of subsection (a), an overpayment for any taxable year shall be treated as attributable to the earned income tax credit to the extent that such overpayment does not exceed the credit allowed to the taxpayer under section 32 for such taxable year.

''(d) OVERPAYMENTS TREATED AS REFUNDED.—For purposes of this title, any portion of an overpayment of tax designated under subsection (a) shall be treated as being refunded to the taxpayer as of the last date prescribed for filing the return of tax imposed by this chapter (determined without regard to extensions) or, if later, the date the return is filed.

''(e) TERMINATION.—This section shall not apply to any taxable year beginning after December 31, 2007.

''PART IV—ADDITIONAL INCENTIVES

''Sec. 1400K. Commercial revitalization deduction.

''Sec. 1400L. Increase in expensing under section 179.

''SEC. 1400K. COMMERCIAL REVITALIZATION DEDUCTION.

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

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

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

The deduction provided by this section with respect to such expenditure shall be in lieu of any depreciation deduction otherwise allowable on account of such expenditure.

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

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

''(A) such building is located in a renewal community and is placed in service after December 31, 2000;

''(B) a commercial revitalization deduction amount is allocated to the building under subsection (d); and

''(C) depreciation (or amortization in lieu of depreciation) is allowable with respect to the building (without regard to this section).

''(2) QUALIFIED REVITALIZATION EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified revitalization expenditure' means any amount properly chargeable to capital account—

''(i) for property for which depreciation is allowable under section 168 (without regard to this section) and which is—

''(I) nonresidential real property; or

''(II) an addition or improvement to property described in subclause (I);

''(ii) in connection with the construction of any qualified revitalization building which was not previously placed in service or in connection with the substantial rehabilitation (within the meaning of section 47(c)(1)(C)) of a building which was placed in service before the beginning of such rehabilitation; and

''(iii) for land (including land which is functionally related to such property and subordinate thereto).

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

''(i) $10,000,000, reduced by

''(ii) any such expenditures with respect to the building taken into account by the taxpayer or any predecessor in determining the amount of the deduction under this section for all preceding taxable years.

''(C) CERTAIN EXPENDITURES NOT INCLUDED.—The term 'qualified revitalization expenditure' does not include—

''(i) ACQUISITION COSTS.—The costs of acquiring any building or interest therein and any land in connection with such building to the extent that such costs exceed 30 percent of the qualified revitalization expenditures determined without regard to this clause.

''(ii) CREDITS.—Any expenditure which the taxpayer may take into account in computing any credit allowable under this title unless the taxpayer elects to take the expenditure into account only for purposes of this section.

''(c) WHEN EXPENDITURES TAKEN INTO ACCOUNT.—Qualified revitalization expenditures with respect to any qualified revitalization building shall be taken into account for the taxable year in which the qualified revitalization building is placed in service. For purposes of the preceding sentence, a substantial rehabilitation of a building shall be treated as a separate building.

''(d) LIMITATION ON AGGREGATE DEDUCTIONS ALLOWABLE WITH RESPECT TO BUILDINGS LOCATED IN A STATE.—

''(1) IN GENERAL.—The amount of the deduction determined under this section for any taxable year with respect to any building shall not exceed the commercial revitalization deduction amount (in the case of an amount determined under subsection (a)(2), the present value of such amount as determined under the rules of section 42(b)(2)(C) by substituting '100 percent' for '72 percent' in clause (ii) thereof) allocated to such building under this subsection by the commercial revitalization agency. Such allocation shall be made at the same time and in the same manner as under paragraphs (1) and (7) of section 42(h).

''(2) COMMERCIAL REVITALIZATION DEDUCTION AMOUNT FOR AGENCIES.—

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

''(B) STATE COMMERCIAL REVITALIZATION DEDUCTION CEILING.—The State commercial revitalization deduction ceiling applicable to any State—

''(i) for each calendar year after 2000 and before 2008 is $6,000,000 for each renewal community in the State; and

''(ii) zero for each calendar year thereafter.

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

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

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

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

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

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

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

''(B) which considers—

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

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

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

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

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

''(g) TERMINATION.—This section shall not apply to any building placed in service after December 31, 2007.

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

''(a) GENERAL RULE.—In the case of a renewal community business (as defined in section 1400G), for purposes of section 179—

''(1) the limitation under section 179(b)(1) shall be increased by the lesser of—

''(A) $35,000; or

''(B) the cost of section 179 property which is qualified renewal property placed in service during the taxable year; and

''(2) the amount taken into account under section 179(b)(2) with respect to any section 179 property which is qualified renewal property shall be 50 percent of the cost thereof.

''(b) RECAPTURE.—Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified renewal property which ceases to be used in a renewal community by a renewal community business.

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

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

''(A) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2000, and before January 1, 2008; and

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

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

SEC. 703. EXTENSION OF EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS TO RENEWAL COMMUNITIES.

(a) EXTENSION.—Paragraph (2) of section 198(c) (defining targeted area) is amended by redesignating subparagraph (C) as subparagraph (D) and by inserting after subparagraph (B) the following new subparagraph:

''(C) RENEWAL COMMUNITIES INCLUDED.—Except as provided in subparagraph (B), such term shall include a renewal community (as defined in section 1400E) with respect to expenditures paid or incurred after December 31, 2000.''.

(b) EXTENSION OF TERMINATION DATE FOR RENEWAL COMMUNITIES.—Subsection (h) of section 198 is amended by inserting before

the period ''(December 31, 2007, in the case of a renewal community, as defined in section 1400E).''.

SEC. 704. EXTENSION OF WORK OPPORTUNITY TAX CREDIT FOR RENEWAL COMMUNITIES.

(a) EXTENSION.—Subsection (c) of section 51 (relating to termination) is amended by adding at the end the following new paragraph:

''(5) EXTENSION OF CREDIT FOR RENEWAL COMMUNITIES.—

''(A) IN GENERAL.—In the case of an individual who begins work for the employer after the date contained in paragraph (4)(B), for purposes of section 38—

''(i) in lieu of applying subsection (a), the amount of the work opportunity credit determined under this section for the taxable year shall be equal to—

''(I) 15 percent of the qualified first-year wages for such year; and

''(II) 30 percent of the qualified second-year wages for such year;

''(ii) subsection (b)(3) shall be applied by substituting '$10,000' for '$6,000';

''(iii) paragraph (4)(B) shall be applied by substituting for the date contained therein the last day for which the designation under section 1400E of the renewal community referred to in subparagraph (B)(i) is in effect; and

''(iv) rules similar to the rules of section 51A(b)(5)(C) shall apply.

''(B) QUALIFIED FIRST- AND SECOND-YEAR WAGES.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The term 'qualified wages' means, with respect to each 1-year period referred to in clause (ii) or (iii), as the case may be, the wages paid or incurred by the employer during the taxable year to any individual but only if—

''(I) the employer is engaged in a trade or business in a renewal community throughout such 1-year period;

''(II) the principal place of abode of such individual is in such renewal community throughout such 1-year period; and

''(III) substantially all of the services which such individual performs for the employer during such 1-year period are performed in such renewal community.

''(ii) QUALIFIED FIRST-YEAR WAGES.—The term 'qualified first-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning with the day the individual begins work for the employer.

''(iii) QUALIFIED SECOND-YEAR WAGES.—The term 'qualified second-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with respect to such individual determined under clause (ii).''.

(b) CONGRUENT TREATMENT OF RENEWAL COMMUNITIES AND ENTERPRISE ZONES FOR PURPOSES OF YOUTH RESIDENCE REQUIREMENTS.—

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

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

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

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to individuals who begin work for the employer after December 31, 2000.

SEC. 705. CONFORMING AND CLERICAL AMENDMENTS.

(a) DEDUCTION FOR CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS ALLOWABLE WHETHER OR NOT TAXPAYER ITEMIZES.—Subsection (a) of section 62 (relating to adjusted gross income defined) is amended by inserting after paragraph (19) the following new paragraph:

''(20) FAMILY DEVELOPMENT ACCOUNTS.—The deduction allowed by section 1400H(a)(1).''.

(b) TAX ON EXCESS CONTRIBUTIONS.—

(1) TAX IMPOSED.—Subsection (a) of section 4973 is amended by striking ''or'' at the end of paragraph (3), adding ''or'' at the end of paragraph (4), and inserting after paragraph (4) the following new paragraph:

''(5) a family development account (within the meaning of section 1400H(e)),''.

(2) EXCESS CONTRIBUTIONS.—Section 4973 is amended by adding at the end the following new subsection:

''(g) FAMILY DEVELOPMENT ACCOUNTS.—For purposes of this section, in the case of family development accounts, the term 'excess contributions' means the sum of—

''(1) the excess (if any) of—

''(A) the amount contributed for the taxable year to the accounts (other than a qualified rollover, as defined in section 1400H(c)(7)), over

''(B) the amount allowable as a deduction under section 1400H for such contributions; and

''(2) the amount determined under this subsection for the preceding taxable year reduced by the sum of—

''(A) the distributions out of the accounts for the taxable year which were included in the gross income of the payee under section 1400H(b)(1);

''(B) the distributions out of the accounts for the taxable year to which rules similar to the rules of section 408(d)(5) apply by reason of section 1400H(d)(3); and

''(C) the excess (if any) of the maximum amount allowable as a deduction under section 1400H for the taxable year over the amount contributed to the account for the taxable year.

For purposes of this subsection, any contribution which is distributed from the family development account in a distribution to which rules similar to the rules of section 408(d)(4) apply by reason of section 1400H(d)(3) shall be treated as an amount not contributed.''.

(c) TAX ON PROHIBITED TRANSACTIONS.—Section 4975 is amended—

(1) by adding at the end of subsection (c) the following new paragraph:

''(6) SPECIAL RULE FOR FAMILY DEVELOPMENT ACCOUNTS.—An individual for whose benefit a family development account is established and any contributor to such account shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a family development account by reason of the application of section 1400H(d)(2) to such account.''; and

(2) in subsection (e)(1), by striking ''or'' at the end of subparagraph (E), by redesignating subparagraph (F) as subparagraph (G), and by inserting after subparagraph (E) the following new subparagraph:

''(F) a family development account described in section 1400H(e), or''.

(d) INFORMATION RELATING TO CERTAIN TRUSTS AND ANNUITY PLANS.—Subsection (c) of section 6047 is amended—

(1) by inserting ''or section 1400H'' after ''section 219''; and

(2) by inserting '', of any family development account described in section 1400H(e),'', after ''section 408(a)''.

(e) INSPECTION OF APPLICATIONS FOR TAX EXEMPTION.—Clause (i) of section 6104(a)(1)(B) is amended by inserting ''a family development account described in section 1400H(e),'' after ''section 408(a),''.

(f) FAILURE TO PROVIDE REPORTS ON FAMILY DEVELOPMENT ACCOUNTS.—Paragraph (2) of section 6693(a) is amended by striking ''and'' at the end of subparagraph (C), by striking the period and inserting '', and'' at the end of subparagraph (D), and by adding at the end the following new subparagraph:

''(E) section 1400H(g)(6) (relating to family development accounts).''.

(g) CONFORMING AMENDMENTS REGARDING COMMERCIAL REVITALIZATION DEDUCTION.—

(1) Section 172 is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection:

''(j) NO CARRYBACK OF SECTION 1400K DEDUCTION BEFORE DATE OF THE ENACTMENT.—No portion of the net operating loss for any taxable year which is attributable to any commercial revitalization deduction determined under section 1400K may be carried back to a taxable year ending before the date of the enactment of section 1400K.''.

(2) Subparagraph (B) of section 48(a)(2) is amended by inserting ''or commercial revitalization'' after ''rehabilitation'' each place it appears in the text and heading.

(3) Subparagraph (C) of section 469(i)(3) is amended—

(A) by inserting ''or section 1400K'' after ''section 42''; and

(B) by inserting ''AND COMMERCIAL REVITALIZATION DEDUCTION'' after ''CREDIT'' in the heading.

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

''Subchapter X. Renewal Communities.''.

Subtitle B—Farming Incentive

SEC. 711. PRODUCTION FLEXIBILITY CONTRACT PAYMENTS.

Any option to accelerate the receipt of any payment under a production flexibility contract which is payable under the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7200 et seq.), as in effect on the date of the enactment of this Act, shall be disregarded in determining the taxable year for which such payment is properly includible in gross income for purposes of the Internal Revenue Code of 1986.

Subtitle C—Oil and Gas Incentives

SEC. 721. 5-YEAR NET OPERATING LOSS CARRYBACK FOR LOSSES ATTRIBUTABLE TO OPERATING MINERAL INTERESTS OF INDEPENDENT OIL AND GAS PRODUCERS.

(a) IN GENERAL.—Paragraph (1) of section 172(b) (relating to years to which loss may be carried) is amended by adding at the end the following new subparagraph:

''(H) LOSSES ON OPERATING MINERAL INTERESTS OF INDEPENDENT OIL AND GAS PRODUCERS.—In the case of a taxpayer—

''(i) which has an eligible oil and gas loss (as defined in subsection (j)) for a taxable year, and

''(ii) which is not an integrated oil company (as defined in section 291(b)(4)),

such eligible oil and gas loss shall be a net operating loss carryback to each of the 5 taxable years preceding the taxable year of such loss.''.

(b) ELIGIBLE OIL AND GAS LOSS.—Section 172 is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection:

''(j) ELIGIBLE OIL AND GAS LOSS.—For purposes of this section—

''(1) IN GENERAL.—The term 'eligible oil and gas loss' means the lesser of—

''(A) the amount which would be the net operating loss for the taxable year if only income and deductions attributable to operating mineral interests (as defined in section 614(d)) in oil and gas wells are taken into account, or

''(B) the amount of the net operating loss for such taxable year.

''(2) COORDINATION WITH SUBSECTION (b)(2).—For purposes of applying subsection (b)(2), an eligible oil and gas loss for any taxable year shall be treated in a manner similar to the manner in which a specified liability loss is treated.

''(3) ELECTION.—Any taxpayer entitled to a 5-year carryback under subsection (b)(1)(H) from any loss year may elect to have the carryback period with respect to such loss year determined without regard to subsection (b)(1)(H).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to net operating losses for taxable years beginning after December 31, 1998.

SEC. 722. DEDUCTION FOR DELAY RENTAL PAYMENTS.

(a) IN GENERAL.—Section 263 (relating to capital expenditures) is amended by adding after subsection (i) the following new subsection:

''(j) DELAY RENTAL PAYMENTS FOR DOMESTIC OIL AND GAS WELLS.—

''(1) IN GENERAL.—Notwithstanding subsection (a), a taxpayer may elect to treat delay rental payments incurred in connection with the development of oil or gas within the United States (as defined in section 638) as payments which are not chargeable to capital account. Any payments so treated shall be allowed as a deduction in the taxable year in which paid or incurred.

''(2) DELAY RENTAL PAYMENTS.—For purposes of paragraph (1), the term 'delay rental payment' means an amount paid for the privilege of deferring development of an oil or gas well.''.

(b) CONFORMING AMENDMENT.—Section 263A(c)(3) is amended by inserting ''263(j),'' after ''263(i),''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 1999.

SEC. 723. ELECTION TO EXPENSE GEOLOGICAL AND GEOPHYSICAL EXPENDITURES.

(a) IN GENERAL.—Section 263 (relating to capital expenditures) is amended by adding after subsection (j) the following new subsection:

''(k) GEOLOGICAL AND GEOPHYSICAL EXPENDITURES FOR DOMESTIC OIL AND GAS WELLS.—Notwithstanding subsection (a), a taxpayer may elect to treat geological and geophysical expenses incurred in connection with the exploration for, or development of, oil or gas within the United States (as defined in section 638) as expenses which are not chargeable to capital account. Any expenses so treated shall be allowed as a deduction in the taxable year in which paid or incurred.''.

(b) CONFORMING AMENDMENT.—Section 263A(c)(3) is amended by inserting ''263(k),'' after ''263(j),''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to costs paid or incurred in taxable years beginning after December 31, 1999.

SEC. 724. TEMPORARY SUSPENSION OF LIMITATION BASED ON 65 PERCENT OF TAXABLE INCOME.

(a) IN GENERAL.—Subsection (d) of section 613A (relating to limitation on percentage depletion in case of oil and gas wells) is amended by adding at the end the following new paragraph:

''(6) TEMPORARY SUSPENSION OF TAXABLE INCOME LIMIT.—Paragraph (1) shall not apply to taxable years beginning after December 31, 1998, and before January 1, 2005, including with respect to amounts carried under the second sentence of paragraph (1) to such taxable years.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1998.

SEC. 725. DETERMINATION OF SMALL REFINER EXCEPTION TO OIL DEPLETION DEDUCTION.

(a) IN GENERAL.—Paragraph (4) of section 613A(d) (relating to certain refiners excluded) is amended to read as follows:

''(4) CERTAIN REFINERS EXCLUDED.—If the taxpayer or a related person engages in the refining of crude oil, subsection (c) shall not apply to the taxpayer for a taxable year if the average daily refinery runs of the taxpayer and the related person for the taxable year exceed 50,000 barrels. For purposes of this paragraph, the average daily refinery runs for any taxable year shall be determined by dividing the aggregate refinery runs for the taxable year by the number of days in the taxable year.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1999.

Subtitle D—Timber Incentives

SEC. 731. TEMPORARY SUSPENSION OF MAXIMUM AMOUNT OF AMORTIZABLE REFORESTATION EXPENDITURES.

(a) INCREASE IN DOLLAR LIMITATION.—Paragraph (1) of section 194(b) (relating to amortization of reforestation expenditures) is amended by striking ''$10,000 ($5,000'' and inserting ''$25,000 ($12,500''.

(b) TEMPORARY SUSPENSION OF INCREASED DOLLAR LIMITATION.—Subsection (b) of section 194(b) (relating to amortization of reforestation expenditures) is amended by adding at the end the following new paragraph:

''(5) SUSPENSION OF DOLLAR LIMITATION.—Paragraph (1) shall not apply to taxable years beginning after December 31, 1999, and before January 1, 2004.

(c) CONFORMING AMENDMENT.—Paragraph (1) of section 48(b) is amended by striking ''section 194(b)(1)'' and inserting ''section 194(b)(1) and without regard to section 194(b)(5)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 732. CAPITAL GAIN TREATMENT UNDER SECTION 631(b) TO APPLY TO OUTRIGHT SALES BY LAND OWNER.

(a) IN GENERAL.—Subsection (b) of section 631 (relating to disposal of timber with a retained economic interest) is amended—

(1) by inserting ''AND OUTRIGHT SALES OF TIMBER'' after ECONOMIC INTEREST'' in the subsection heading, and

(2) by adding before the last sentence the following new sentence: ''The requirement in the first sentence of this subsection to retain an economic interest in timber shall not apply to an outright sale of such timber by the owner thereof if such owner owned the land (at the time of such sale) from which the timber is cut.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to sales after the date of the enactment of this Act.

TITLE VIII—RELIEF FOR SMALL BUSINESSES

SEC. 801. DEDUCTION FOR 100 PERCENT OF HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Paragraph (1) of section 162(l) is amended to read as follows:

''(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to 100 percent of the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer and the taxpayer's spouse and dependents.''.

(b) CLARIFICATION OF LIMITATIONS ON OTHER COVERAGE.—The first sentence of section 162(l)(2)(B) is amended to read as follows: ''Paragraph (1) shall not apply to any taxpayer for any calendar month for which the taxpayer participates in any subsidized health plan maintained by any employer (other than an employer described in section 401(c)(4)) of the taxpayer or the spouse of the taxpayer.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 802. INCREASE IN EXPENSE TREATMENT FOR SMALL BUSINESSES.

(a) IN GENERAL.—Paragraph (1) of section 179(b) (relating to dollar limitation) is amended to read as follows:

''(1) DOLLAR LIMITATION.—The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed $30,000.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 803. REPEAL OF FEDERAL UNEMPLOYMENT SURTAX.

(a) IN GENERAL.—Section 3301 (relating to rate of Federal unemployment tax) is amended—

(1) by striking ''2007'' and inserting ''2004'', and

(2) by striking ''2008'' and inserting ''2005''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to calendar years beginning after the date of the enactment of this Act.

SEC. 804. INCREASED DEDUCTION FOR MEAL EXPENSES; INCREASED DEDUCTIBILITY OF BUSINESS MEAL EXPENSES FOR INDIVIDUALS SUBJECT TO FEDERAL LIMITATIONS ON HOURS OF SERVICE.

(a) IN GENERAL.—Paragraph (1) of section 274(n) (relating to only 50 percent of meal and entertainment expenses allowed as deduction) is amended by striking ''50 percent'' in the text and inserting ''the allowable percentage''.

(b) ALLOWABLE PERCENTAGES.—Subsection (n) of section 274 is amended by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by inserting after paragraph (2) the following new paragraph:

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

''(A) in the case of amounts for items described in paragraph (1)(B), 50 percent, and

''(B) in the case of expenses for food or beverages, the percentage determined in accordance with the following table:

"For taxable years beginning in calendar year—	The applicable percentage is—
2000 through 2005	50
2006	55
2007 and thereafter	60.''.

(c) INDIVIDUALS SUBJECT TO FEDERAL LIMITATIONS ON HOURS OF SERVICE.—The table in section 274(n)(4)(B) (relating to special rule for individuals subject to Federal hours of service), as redesignated by subsection (b), is amended—

(1) by striking ''or 2007'', and

(2) by striking ''2008'' and inserting ''2007''.

(d) CONFORMING AMENDMENTS.—

(1) The heading for subsection (n) of section 274 is amended by striking ''50 PERCENT'' and inserting ''LIMITED PERCENTAGES''.

(2) Subparagraph (A) of section 274(n)(4), as redesignated by subsection (b), is amended by striking ''50 percent'' and inserting ''the allowable percentage''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 805. INCOME AVERAGING FOR FARMERS AND FISHERMEN NOT TO INCREASE ALTERNATIVE MINIMUM TAX LIABILITY.

(a) IN GENERAL.—Section 55(c) (defining regular tax) is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following:

''(2) COORDINATION WITH INCOME AVERAGING FOR FARMERS AND FISHERMEN.—Solely for purposes of this section, section 1301 (relating to averaging of farm and fishing income) shall not apply in computing the regular tax.''.

(b) ALLOWING INCOME AVERAGING FOR FISHERMEN.—

(1) IN GENERAL.—Section 1301(a) is amended by striking ''farming business'' and inserting ''farming business or fishing business,''.

(2) DEFINITION OF ELECTED FARM INCOME.—

(A) IN GENERAL.—Clause (i) of section 1301(b)(1)(A) is amended by inserting ''or fishing business'' before the semicolon.

(B) CONFORMING AMENDMENT.—Subparagraph (B) of section 1301(b)(1) is amended by inserting ''or fishing business'' after ''farming business'' both places it occurs.

(3) DEFINITION OF FISHING BUSINESS.—Section 1301(b) is amended by adding at the end the following new paragraph:

''(4) FISHING BUSINESS.—The term 'fishing business' means the conduct of commercial fishing as defined in section 3 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 806. FARM, FISHING, AND RANCH RISK MANAGEMENT ACCOUNTS.

(a) IN GENERAL.—Subpart C of part II of subchapter E of chapter 1 (relating to taxable year for which deductions taken) is amended by inserting after section 468B the following:

''SEC. 468C. FARM AND RANCH RISK MANAGEMENT ACCOUNTS.

''(a) DEDUCTION ALLOWED.—In the case of an individual engaged in an eligible farming business or commercial fishing, there shall be allowed as a deduction for any taxable year the amount paid in cash by the taxpayer during the taxable year to a Farm, Fishing, and Ranch Risk Management Account (hereinafter referred to as the 'FFARRM Account').

''(b) LIMITATION.—

''(1) CONTRIBUTIONS.—The amount which a taxpayer may pay into the FFARRM Account for any taxable year shall not exceed 20 percent of so much of the taxable income of the taxpayer (determined without regard to this section) which is attributable (determined in the manner applicable under section 1301) to any eligible farming business or commercial fishing.

''(2) DISTRIBUTIONS.—Distributions from a FFARRM Account may not be used to purchase, lease, or finance any new fishing vessel, add capacity to any fishery, or otherwise contribute to the overcapitalization of any fishery. The Secretary of Commerce shall implement regulations to enforce this paragraph.

''(c) ELIGIBLE BUSINESSES.—For purposes of this section—

''(1) ELIGIBLE FARMING BUSINESS.—The term 'eligible farming business' means any farming business (as defined in section 263A(e)(4)) which is not a passive activity (within the meaning of section 469(c)) of the taxpayer.

''(2) COMMERCIAL FISHING.—The term 'commercial fishing' has the meaning given such term by section (3) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802) but only if such fishing is not a passive activity (within the meaning of section 469(c)) of the taxpayer.

''(d) FFARRM ACCOUNT.—For purposes of this section—

''(1) IN GENERAL.—The term 'FFARRM Account' means a trust created or organized in the United States for the exclusive benefit of the taxpayer, but only if the written governing instrument creating the trust meets the following requirements:

''(A) No contribution will be accepted for any taxable year in excess of the amount allowed as a deduction under subsection (a) for such year.

''(B) The trustee is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with the requirements of this section.

''(C) The assets of the trust consist entirely of cash or of obligations which have adequate stated interest (as defined in section 1274(c)(2)) and which pay such interest not less often than annually.

''(D) All income of the trust is distributed currently to the grantor.

''(E) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

''(2) ACCOUNT TAXED AS GRANTOR TRUST.—The grantor of a FFARRM Account shall be treated for purposes of this title as the owner of such Account and shall be subject to tax thereon in accordance with subpart E of part I of subchapter J of this chapter (relating to grantors and others treated as substantial owners).

''(e) INCLUSION OF AMOUNTS DISTRIBUTED.—

''(1) IN GENERAL.—Except as provided in paragraph (2), there shall be includible in the gross income of the taxpayer for any taxable year—

''(A) any amount distributed from a FFARRM 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 FFARRM Account to the extent that such contribution exceeds the limitation applicable under subsection (b) if requirements similar to the requirements of section 408(d)(4) are met.

For purposes of subparagraph (A), distributions shall be treated as first attributable to income and then to other amounts.

''(f) SPECIAL RULES.—

''(1) TAX ON DEPOSITS IN ACCOUNT WHICH ARE NOT DISTRIBUTED WITHIN 5 YEARS.—

''(A) IN GENERAL.—If, at the close of any taxable year, there is a nonqualified balance in any FFARRM Account—

''(i) there shall be deemed distributed from such Account during such taxable year an amount equal to such balance, and

''(ii) the taxpayer's tax imposed by this chapter for such taxable year shall be increased by 10 percent of such deemed distribution.

The preceding sentence shall not apply if an amount equal to such nonqualified balance is distributed from such Account to the taxpayer before the due date (including extensions) for filing the return of tax imposed by this chapter for such year (or, if earlier, the date the taxpayer files such return for such year).

''(B) NONQUALIFIED BALANCE.—For purposes of subparagraph (A), the term 'nonqualified balance' means any balance in the Account on the last day of the taxable year which is attributable to amounts deposited in such Account before the 4th preceding taxable year.

''(C) ORDERING RULE.—For purposes of this paragraph, distributions from a FFARRM 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 BUSINESS.—At the close of the first disqualification period after a period for which the taxpayer was engaged in an eligible farming business or commercial fishing, there shall be deemed distributed from the FFARRM 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 or commercial fishing.

''(3) CERTAIN RULES TO APPLY.—Rules similar to the following rules shall apply for purposes of this section:

''(A) Section 220(f)(8) (relating to treatment on death).

''(B) Section 408(e)(2) (relating to loss of exemption of account where individual engages in prohibited transaction).

''(C) Section 408(e)(4) (relating to effect of pledging account as security).

''(D) Section 408(g) (relating to community property laws).

''(E) Section 408(h) (relating to custodial accounts).

''(4) TIME WHEN PAYMENTS DEEMED MADE.—For purposes of this section, a taxpayer shall be deemed to have made a payment to a FFARRM Account on the last day of a taxable year if such payment is made on account of such taxable year and is made on or before the due date (without regard to extensions) for filing the return of tax for such taxable year.

''(5) INDIVIDUAL.—For purposes of this section, the term 'individual' shall not include an estate or trust.

''(6) DEDUCTION NOT ALLOWED FOR SELF-EMPLOYMENT TAX.—The deduction allowable by

reason of subsection (a) shall not be taken into account in determining an individual's net earnings from self-employment (within the meaning of section 1402(a)) for purposes of chapter 2.

''(g) REPORTS.—The trustee of a FFARRM Account shall make such reports regarding such Account to the Secretary and to the person for whose benefit the Account is maintained with respect to contributions, distributions, and such other matters as the Secretary may require under regulations. The reports required by this subsection shall be filed at such time and in such manner and furnished to such persons at such time and in such manner as may be required by such regulations.''.

(b) TAX ON EXCESS CONTRIBUTIONS.—

(1) Subsection (a) of section 4973 (relating to tax on excess contributions to certain tax-favored accounts and annuities) is amended by striking ''or'' at the end of paragraph (3), by redesignating paragraph (4) as paragraph (5), and by inserting after paragraph (3) the following:

''(4) a FFARRM Account (within the meaning of section 468C(d)), or''.

(2) Section 4973 is amended by adding at the end the following:

''(g) EXCESS CONTRIBUTIONS TO FFARRM ACCOUNTS.—For purposes of this section, in the case of a FFARRM Account (within the meaning of section 468C(d)), the term 'excess contributions' means the amount by which the amount contributed for the taxable year to the Account exceeds the amount which may be contributed to the Account under section 468C(b) for such taxable year. For purposes of this subsection, any contribution which is distributed out of the FFARRM Account in a distribution to which section 468C(e)(2)(B) applies shall be treated as an amount not contributed.''.

(3) The section heading for section 4973 is amended to read as follows:

''SEC. 4973. EXCESS CONTRIBUTIONS TO CERTAIN ACCOUNTS, ANNUITIES, ETC.''.

(4) The table of sections for chapter 43 is amended by striking the item relating to section 4973 and inserting the following:

''Sec. 4973. Excess contributions to certain accounts, annuities, etc.''.

(c) TAX ON PROHIBITED TRANSACTIONS.—

(1) Subsection (c) of section 4975 (relating to tax on prohibited transactions) is amended by adding at the end the following:

''(6) SPECIAL RULE FOR FFARRM ACCOUNTS.—A person for whose benefit a FFARRM Account (within the meaning of section 468C(d)) is established shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a FFARRM Account by reason of the application of section 468C(f)(3)(A) to such account.''.

(2) Paragraph (1) of section 4975(e) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and by inserting after subparagraph (D) the following:

''(E) a FFARRM Account described in section 468C(d),''.

(d) FAILURE TO PROVIDE REPORTS ON FFARRM ACCOUNTS.—Paragraph (2) of section 6693(a) (relating to failure to provide reports on certain tax-favored accounts or annuities) is amended by redesignating subparagraphs (C) and (D) as subparagraphs (D) and (E), respectively, and by inserting after subparagraph (B) the following:

''(C) section 468C(g) (relating to FFARRM Accounts),''.

(e) CLERICAL AMENDMENT.—The table of sections for subpart C of part II of subchapter E of chapter 1 is amended by inserting after the item relating to section 468B the following:

''Sec. 468C. Farm, Fishing and Ranch Risk Management Accounts.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 807. EXCLUSION OF INVESTMENT SECURITIES INCOME FROM PASSIVE INCOME TEST FOR BANK S CORPORATIONS.

(a) IN GENERAL.—Section 1362(d)(3)(C) (defining passive investment income) is amended by adding at the end the following:

''(v) EXCEPTION FOR BANKS; ETC.—In the case of a bank (as defined in section 581), a bank holding company (as defined in section 246A(c)(3)(B)(ii)), or a qualified subchapter S subsidiary bank, the term 'passive investment income' shall not include—

''(I) interest income earned by such bank, bank holding company, or qualified subchapter S subsidiary bank, or

''(II) dividends on assets required to be held by such bank, bank holding company, or qualified subchapter S subsidiary bank to conduct a banking business, including stock in the Federal Reserve Bank, the Federal Home Loan Bank, or the Federal Agricultural Mortgage Bank or participation certificates issued by a Federal Intermediate Credit Bank.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 808. TREATMENT OF QUALIFYING DIRECTOR SHARES.

(a) IN GENERAL.—Section 1361 is amended by adding at the end the following:

''(f) TREATMENT OF QUALIFYING DIRECTOR SHARES.—

''(1) IN GENERAL.—For purposes of this subchapter—

''(A) qualifying director shares shall not be treated as a second class of stock, and

''(B) no person shall be treated as a shareholder of the corporation by reason of holding qualifying director shares.

''(2) QUALIFYING DIRECTOR SHARES DEFINED.—For purposes of this subsection, the term 'qualifying director shares' means any shares of stock in a bank (as defined in section 581) or in a bank holding company registered as such with the Federal Reserve System—

''(i) which are held by an individual solely by reason of status as a director of such bank or company or its controlled subsidiary; and

''(ii) which are subject to an agreement pursuant to which the holder is required to dispose of the shares of stock upon termination of the holder's status as a director at the same price as the individual acquired such shares of stock.

''(3) DISTRIBUTIONS.—A distribution (not in part or full payment in exchange for stock) made by the corporation with respect to qualifying director shares shall be includible as ordinary income of the holder and deductible to the corporation as an expense in computing taxable income under section 1363(b) in the year such distribution is received.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 1361(b)(1) is amended by inserting '', except as provided in subsection (f),'' before ''which does not''.

(2) Section 1366(a) is amended by adding at the end the following:

''(3) ALLOCATION WITH RESPECT TO QUALIFYING DIRECTOR SHARES.—The holders of qualifying director shares (as defined in section 1361(f)) shall not, with respect to such shares of stock, be allocated any of the items described in paragraph (1).''.

(3) Section 1373(a) is amended by striking ''and'' at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting '', and'', and adding at the end the following:

''(3) no amount of an expense deductible under this subchapter by reason of section 1361(f)(3) shall be apportioned or allocated to such income.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

TITLE IX—INTERNATIONAL TAX RELIEF

SEC. 901. INTEREST ALLOCATION RULES.

(a) ELECTION TO ALLOCATE INTEREST ON A WORLDWIDE BASIS.—Subsection (e) of section 864 (relating to rules for allocating interest, etc.) 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) ELECTION TO ALLOCATE INTEREST ON A WORLDWIDE BASIS.—

''(A) IN GENERAL.—Except as provided in this paragraph, this subsection shall be applied by treating a worldwide affiliated group for which an election under this paragraph is in effect as an affiliated group solely for purposes of allocating and apportioning interest expense of each domestic corporation which is a member of such group.

''(B) WORLDWIDE AFFILIATED GROUP.—For purposes of this paragraph, the term 'worldwide affiliated group' means the group of corporations which consists of—

''(i) all corporations in an affiliated group (as defined in section 1504 without regard to paragraphs (2) and (4) of section 1504(b)), and

''(ii) all foreign corporations (other than a FSC, as defined in section 922(a)) with respect to which corporations described in clause (i) own stock meeting the ownership requirements of section 957(a).

For purposes of clause (ii), ownership shall be determined under section 958; except that paragraphs (3) and (4) of section 318(a) shall not apply for purposes of section 958(b).

''(C) TREATMENT OF WORLDWIDE AFFILIATED GROUP.—For purposes of applying paragraph (1), the taxable income of the domestic members of a worldwide affiliated group from sources outside the United States shall be determined by allocating and apportioning the interest expense of such domestic members to such income in an amount equal to the excess (if any) of—

''(i) the total interest expense of the worldwide affiliated group multiplied by the ratio which the foreign assets of the worldwide affiliated group bears to all the assets of the worldwide affiliated group, over

''(ii) the interest expense of all foreign corporations which are members of the worldwide affiliated group to the extent such interest expense of such foreign corporations would have been allocated and apportioned to foreign source income if this subsection were applied to a group consisting of all the foreign corporations in such worldwide affiliated group.

''(D) ASSETS AND INTEREST EXPENSE OF FOREIGN CORPORATIONS.—

''(i) IN GENERAL.—For purposes of subparagraph (C), only the applicable percentage of the interest expense and assets of a foreign corporation described in subparagraph (B)(ii) shall be taken into account.

''(ii) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the term 'applicable

percentage' means, with respect to any foreign corporation, the percentage equal to the ratio which the value of the stock in such corporation taken into account under subparagraph (B)(ii) (without regard to stock considered as owned under section 958(b)) bears to the aggregate value of all stock in such corporation.

''(E) ELECTION.—An election under this paragraph with respect to any worldwide affiliated group may be made only by the common parent of the affiliated group referred to in subparagraph (B)(i) and may be made only for the first taxable year beginning after December 31, 2001, in which a worldwide affiliated group exists which includes such affiliated group and at least 1 corporation described in subparagraph (B)(ii). Such an election, once made, shall apply to such common parent and all other corporations which are members of such worldwide affiliated group for such taxable year and all subsequent years unless revoked with the consent of the Secretary.''.

(b) ELECTION TO ALLOCATE INTEREST WITHIN FINANCIAL INSTITUTION GROUPS AND SUBSIDIARY GROUPS.—Section 864 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

''(f) ELECTION TO APPLY SUBSECTION (e) ON BASIS OF FINANCIAL INSTITUTION GROUP AND SUBSIDIARY GROUPS.—

''(1) IN GENERAL.—In the case of a worldwide affiliated group for which an election under subsection (e)(6) is in effect, subsection (e) shall be applied—

''(A) by treating an electing financial institution group as if it were a separate worldwide affiliated group, and

''(B) by treating each electing subsidiary group as if it were a separate worldwide affiliated group for purposes of allocating interest expense with respect to qualified indebtedness of members of an electing subsidiary group.

Subsection (e) shall apply to any such electing group in the same manner as subsection (e) applies to the pre-election worldwide affiliated group of which such electing group is a part.

''(2) ELECTING FINANCIAL INSTITUTION GROUP.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'electing financial institution group' means any group of corporations if—

''(i) such group consists only of all of the financial corporations in the pre-election worldwide affiliated group, and

''(ii) an election under this paragraph is in effect for such group of corporations.

''(B) FINANCIAL CORPORATION.—

''(i) IN GENERAL.—The term 'financial corporation' means any corporation if at least 80 percent of its gross income is income described in section 904(d)(2)(C)(ii) and the regulations thereunder which is derived from transactions with unrelated persons.

''(ii) INCOME FROM RELATED FINANCIAL CORPORATIONS.—Dividend income, and income described in section 904(d)(2)(C)(ii) and the regulations thereunder, which is derived directly or indirectly from a financial corporation (as defined in clause (i) without regard to this clause) which is not an unrelated person shall be treated as income described in clause (i).

''(iii) BANK HOLDING COMPANIES.—To the extent provided in regulations prescribed by the Secretary, a bank holding company (within the meaning of section 2(a) of the Bank Holding Company Act of 1956) shall be treated as a corporation meeting the requirements of clause (i).

''(iv) ANTIABUSE RULE.—For purposes of this subparagraph, there shall be disregarded any item of income or gain from a transaction or series of transactions a principal purpose of which is the qualification of any corporation as a financial corporation.

''(C) EFFECT OF CERTAIN TRANSACTIONS.—Rules similar to the rules of paragraph (3)(D) shall apply to transactions between any member of the electing financial institution group and any member of the pre-election worldwide affiliated group (other than a member of the electing financial institution group).

''(D) ELECTION.—An election under this paragraph with respect to any financial institution group may be made only by the common parent of the pre-election worldwide affiliated group and may be made only for the first taxable year beginning after December 31, 2001, in which such affiliated group includes 1 or more financial corporations described in subparagraph (B). Such an election, once made, shall apply to such taxable year and all subsequent years unless revoked with the consent of the Secretary.

''(3) ELECTING SUBSIDIARY GROUPS.—

''(A) IN GENERAL.—The term 'electing subsidiary group' means any group of corporations if—

''(i) such group consists only of corporations in the pre-election worldwide affiliated group,

''(ii) such group includes—

''(I) a domestic corporation (which is not the common parent of the pre-election worldwide affiliated group or a member of an electing financial institution group) which incurs interest expense with respect to qualified indebtedness, and

''(II) every other corporation (other than a member of an electing financial institution group) which is in the pre-election worldwide affiliated group and which would be a member of an affiliated group having such domestic corporation as the common parent, and

''(iii) an election under this paragraph is in effect for such group.

''(B) EQUALIZATION RULE.—All interest expense of a domestic corporation which is a member of a pre-election worldwide affiliated group (other than subsidiary group interest expense) shall be treated as allocated to foreign source income to the extent such expense does not exceed the excess (if any) of—

''(i) the interest expense of the pre-election worldwide affiliated group (including subsidiary group interest expense) which would (but for any election under this paragraph) be allocated to foreign source income, over

''(ii) the subsidiary group interest expense allocated to foreign source income.

For purposes of the preceding sentence, the subsidiary group interest expense is the interest expense to which subsection (e) applies separately by reason of paragraph (1)(B).

''(C) QUALIFIED INDEBTEDNESS.—For purposes of this subsection, the term 'qualified indebtedness' means any indebtedness of a domestic corporation—

''(i) which is held by an unrelated person, and

''(ii) which is not guaranteed (or otherwise supported) by any corporation which is a member of the pre-election worldwide affiliated group other than a corporation which is a member of the electing subsidiary group.

''(D) EFFECT OF CERTAIN TRANSACTIONS ON QUALIFIED INDEBTEDNESS.—In the case of a corporation which is a member of an electing subsidiary group, to the extent that such corporation—

''(i) distributes dividends or makes other distributions with respect to its stock after the date of the enactment of this paragraph to any member of the pre-election worldwide affiliated group (other than to a member of the electing subsidiary group) in excess of the greater of—

''(I) its average annual dividend (expressed as a percentage of current earnings and profits) during the 5-taxable-year period ending with the taxable year preceding the taxable year, or

''(II) 25 percent of its average annual earnings and profits for such 5 taxable year period, or

''(ii) deals with any person in any manner not clearly reflecting the income of the corporation (as determined under principles similar to the principles of section 482),

except as provided by the Secretary, an amount of qualified indebtedness equal to the excess distribution or the understatement or overstatement of income, as the case may be, shall be recharacterized (for the taxable year and subsequent taxable years) for purposes of this subsection as indebtedness which is not qualified indebtedness. If a corporation has not been in existence for 5 taxable years, this subparagraph shall be applied with respect to the period it was in existence.

''(E) ELECTION.—An election under this paragraph with respect to any electing subsidiary group may be made only by the common parent of the pre-election worldwide affiliated group. Such an election, once made, shall apply to the taxable year for which made and the 4 succeeding taxable years unless revoked with the consent of the Secretary. No election may be made under this paragraph if the effect of the election would be to have the same member of the pre-election worldwide affiliated group included in more than 1 electing subsidiary group.

''(4) PRE-ELECTION WORLDWIDE AFFILIATED GROUP.—For purposes of this subsection, the term 'pre-election worldwide affiliated group' means, with respect to a corporation, the worldwide affiliated group of which such corporation would (but for an election under this subsection) be a member for purposes of applying subsection (e).

''(5) UNRELATED PERSON.—For purposes of this subsection, the term 'unrelated person' means any person not bearing a relationship specified in section 267(b) or 707(b)(1) to the corporation.

''(6) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out this subsection and subsection (e), including regulations—

''(A) providing for the direct allocation of interest expense in other circumstances where such allocation would be appropriate to carry out the purposes of this subsection,

''(B) preventing assets or interest expense from being taken into account more than once, and

''(C) dealing with changes in members of any group (through acquisitions or otherwise) treated under this subsection as an affiliated group for purposes of subsection (e).''.

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

SEC. 902. LOOK-THRU RULES TO APPLY TO DIVIDENDS FROM NONCONTROLLED SECTION 902 CORPORATIONS.

(a) IN GENERAL.—Section 904(d)(4) (relating to application of look-thru rules to dividends from noncontrolled section 902 corporations) is amended to read as follows:

''(4) LOOK-THRU APPLIES TO DIVIDENDS FROM NONCONTROLLED SECTION 902 CORPORATIONS.—

''(A) IN GENERAL.—For purposes of this subsection, any dividend from a noncontrolled section 902 corporation with respect to the taxpayer shall be treated as income in a separate category in proportion to the ratio of—

''(i) the portion of earnings and profits attributable to income in such category, to

''(ii) the total amount of earnings and profits.

''(B) SPECIAL RULES.—For purposes of this paragraph—

''(i) IN GENERAL.—Rules similar to the rules of paragraph (3)(F) shall apply; except that the term 'separate category' shall include the category of income described in paragraph (1)(I).

''(ii) EARNINGS AND PROFITS.—

''(I) IN GENERAL.—The rules of section 316 shall apply.

''(II) REGULATIONS.—The Secretary may prescribe regulations regarding the treatment of distributions out of earnings and profits for periods before the taxpayer's acquisition of the stock to which the distributions relate.

''(iii) DIVIDENDS NOT ALLOCABLE TO SEPARATE CATEGORY.—The portion of any dividend from a noncontrolled section 902 corporation which is not treated as income in a separate category under subparagraph (A) shall be treated as a dividend to which subparagraph (A) does not apply.

''(iv) LOOK-THRU WITH RESPECT TO CARRYFORWARDS OF CREDIT.—Rules similar to subparagraph (A) also shall apply to any carryforward under subsection (c) from a taxable year beginning before January 1, 2002, of tax allocable to a dividend from a noncontrolled section 902 corporation with respect to the taxpayer.''.

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (E) of section 904(d)(1), as in effect both before and after the amendments made by section 1105 of the Taxpayer Relief Act of 1997, is hereby repealed.

(2) Section 904(d)(2)(C)(iii), as so in effect, is amended by striking subclause (II) and by redesignating subclause (III) as subclause (II).

(3) The last sentence of section 904(d)(2)(D), as so in effect, is amended to read as follows: ''Such term does not include any financial services income.''.

(4) Section 904(d)(2)(E) is amended by striking clauses (ii) and (iv) and by redesignating clause (iii) as clause (ii).

(5) Section 904(d)(3)(F) is amended by striking ''(D), or (E)'' and inserting ''or (D)''.

(6) Section 864(d)(5)(A)(i) is amended by striking ''(C)(iii)(III)'' and inserting ''(C)(iii)(II)''.

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

SEC. 903. CLARIFICATION OF TREATMENT OF PIPELINE TRANSPORTATION INCOME.

(a) IN GENERAL.—Section 954(g)(1) (defining foreign base company oil related income) is amended by striking ''or'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', or'', and by inserting after subparagraph (B) the following new subparagraph:

''(C) the pipeline transportation of oil or gas within such foreign country.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years of controlled foreign corporations beginning after December 31, 2001, and taxable years of United States shareholders with or within which such taxable years of controlled foreign corporations end.

SEC. 904. SUBPART F TREATMENT OF INCOME FROM TRANSMISSION OF HIGH VOLTAGE ELECTRICITY.

(a) IN GENERAL.—Paragraph (2) of section 954(e) (relating to foreign base company services income) is amended by striking ''or'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', or'', and by inserting after subparagraph (B) the following new subparagraph:

''(C) the transmission of high voltage electricity.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years of controlled foreign corporations beginning after December 31, 2001, and taxable years of United States shareholders with or within which such taxable years of controlled foreign corporations end.

SEC. 905. RECHARACTERIZATION OF OVERALL DOMESTIC LOSS.

(a) GENERAL RULE.—Section 904 is amended by redesignating subsections (g), (h), (i), (j), and (k) as subsections (h), (i), (j), (k), and (l), respectively, and by inserting after subsection (f) the following new subsection:

''(g) RECHARACTERIZATION OF OVERALL DOMESTIC LOSS.—

''(1) GENERAL RULE.—For purposes of this subpart and section 936, in the case of any taxpayer who sustains an overall domestic loss for any taxable year beginning after December 31, 2005, that portion of the taxpayer's taxable income from sources within the United States for each succeeding taxable year which is equal to the lesser of—

''(A) the amount of such loss (to the extent not used under this paragraph in prior taxable years), or

''(B) 50 percent of the taxpayer's taxable income from sources within the United States for such succeeding taxable year,

shall be treated as income from sources without the United States (and not as income from sources within the United States).

''(2) OVERALL DOMESTIC LOSS DEFINED.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'overall domestic loss' means any domestic loss to the extent such loss offsets taxable income from sources without the United States for the taxable year or for any preceding taxable year by reason of a carryback. For purposes of the preceding sentence, the term 'domestic loss' means the amount by which the gross income for the taxable year from sources within the United States is exceeded by the sum of the deductions properly apportioned or allocated thereto (determined without regard to any carryback from a subsequent taxable year).

''(B) TAXPAYER MUST HAVE ELECTED FOREIGN TAX CREDIT FOR YEAR OF LOSS.—The term 'overall domestic loss' shall not include any loss for any taxable year unless the taxpayer chose the benefits of this subpart for such taxable year.

''(3) CHARACTERIZATION OF SUBSEQUENT INCOME.—

''(A) IN GENERAL.—Any income from sources within the United States that is treated as income from sources without the United States under paragraph (1) shall be allocated among and increase the income categories in proportion to the loss from sources within the United States previously allocated to those income categories.

''(B) INCOME CATEGORY.—For purposes of this paragraph, the term 'income category' has the meaning given such term by subsection (f)(5)(E)(i).

''(4) COORDINATION WITH SUBSECTION (f).—The Secretary shall prescribe such regulations as may be necessary to coordinate the provisions of this subsection with the provisions of subsection (f).''.

(b) CONFORMING AMENDMENTS.—

(1) Section 535(d)(2) is amended by striking ''section 904(g)(6)'' and inserting ''section 904(h)(6)''.

(2) Subparagraph (A) of section 936(a)(2) is amended by striking ''section 904(f)'' and inserting ''subsections (f) and (g) of section 904''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to losses for taxable years beginning after December 31, 2005.

SEC. 906. TREATMENT OF MILITARY PROPERTY OF FOREIGN SALES CORPORATIONS.

(a) IN GENERAL.—Section 923(a) (defining exempt foreign trade income) is amended by striking paragraph (5) and by redesignating paragraph (6) as paragraph (5).

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

SEC. 907. TREATMENT OF CERTAIN DIVIDENDS OF REGULATED INVESTMENT COMPANIES.

(a) TREATMENT OF CERTAIN DIVIDENDS.—

(1) NONRESIDENT ALIEN INDIVIDUALS.—Section 871 (relating to tax on nonresident alien individuals) is amended by redesignating subsection (k) as subsection (l) and by inserting after subsection (j) the following new subsection:

''(k) EXEMPTION FOR CERTAIN DIVIDENDS OF REGULATED INVESTMENT COMPANIES.—

''(1) INTEREST-RELATED DIVIDENDS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), no tax shall be imposed under paragraph (1)(A) of subsection (a) on any interest-related dividend received from a regulated investment company.

''(B) EXCEPTIONS.—Subparagraph (A) shall not apply—

''(i) to any interest-related dividend received from a regulated investment company by a person to the extent such dividend is attributable to interest (other than interest described in clause (i), (iii), or the last sentence of subparagraph (E)) received by such company on indebtedness issued by such person or by any corporation or partnership with respect to which such person is a 10-percent shareholder,

''(ii) to any interest-related dividend with respect to stock of a regulated investment company unless the person who would otherwise be required to deduct and withhold tax from such dividend under chapter 3 receives a statement (which meets requirements similar to the requirements of subsection (h)(5)) that the beneficial owner of such stock is not a United States person, and

''(iii) to any interest-related dividend paid to any person within a foreign country (or any interest-related dividend payment addressed to, or for the account of, persons within such foreign country) during any period described in subsection (h)(6) with respect to such country.

Clause (iii) shall not apply to any dividend with respect to any stock the holding period of which begins on or before the date of the publication of the Secretary's determination under subsection (h)(6).

''(C) INTEREST-RELATED DIVIDEND.—For purposes of this paragraph, an interest-related dividend is any dividend (or part thereof) which is designated by the regulated investment company as an interest-related dividend in a written notice mailed to its shareholders not later than 60 days after the close of its taxable year. If the aggregate amount so designated with respect to a taxable year

of the company (including amounts so designated with respect to dividends paid after the close of the taxable year described in section 855) is greater than the qualified net interest income of the company for such taxable year, the portion of each distribution which shall be an interest-related dividend shall be only that portion of the amounts so designated which such qualified net interest income bears to the aggregate amount so designated.

''(D) QUALIFIED NET INTEREST INCOME.—For purposes of subparagraph (C), the term 'qualified net interest income' means the qualified interest income of the regulated investment company reduced by the deductions properly allocable to such income.

''(E) QUALIFIED INTEREST INCOME.—For purposes of subparagraph (D), the term 'qualified interest income' means the sum of the following amounts derived by the regulated investment company from sources within the United States:

''(i) Any amount includible in gross income as original issue discount (within the meaning of section 1273) on an obligation payable 183 days or less from the date of original issue (without regard to the period held by the company).

''(ii) Any interest includible in gross income (including amounts recognized as ordinary income in respect of original issue discount or market discount or acquisition discount under part V of subchapter P and such other amounts as regulations may provide) on an obligation which is in registered form; except that this clause shall not apply to—

''(I) any interest on an obligation issued by a corporation or partnership if the regulated investment company is a 10-percent shareholder in such corporation or partnership, and

''(II) any interest which is treated as not being portfolio interest under the rules of subsection (h)(4).

''(iii) Any interest referred to in subsection (i)(2)(A) (without regard to the trade or business of the regulated investment company).

''(iv) Any interest-related dividend includable in gross income with respect to stock of another regulated investment company.

Such term includes any interest derived by the regulated investment company from sources outside the United States other than interest that is subject to a tax imposed by a foreign jurisdiction if the amount of such tax is reduced (or eliminated) by a treaty with the United States.

''(F) 10-PERCENT SHAREHOLDER.—For purposes of this paragraph, the term '10-percent shareholder' has the meaning given such term by subsection (h)(3)(B).

''(2) SHORT-TERM CAPITAL GAIN DIVIDENDS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), no tax shall be imposed under paragraph (1)(A) of subsection (a) on any short-term capital gain dividend received from a regulated investment company.

''(B) EXCEPTION FOR ALIENS TAXABLE UNDER SUBSECTION (a)(2).—Subparagraph (A) shall not apply in the case of any nonresident alien individual subject to tax under subsection (a)(2).

''(C) SHORT-TERM CAPITAL GAIN DIVIDEND.—For purposes of this paragraph, a short-term capital gain dividend is any dividend (or part thereof) which is designated by the regulated investment company as a short-term capital gain dividend in a written notice mailed to its shareholders not later than 60 days after the close of its taxable year. If the aggregate amount so designated with respect to a taxable year of the company (including amounts so designated with respect to dividends paid after the close of the taxable year described in section 855) is greater than the qualified short-term gain of the company for such taxable year, the portion of each distribution which shall be a short-term capital gain dividend shall be only that portion of the amounts so designated which such qualified short-term gain bears to the aggregate amount so designated.

''(D) QUALIFIED SHORT-TERM GAIN.—For purposes of subparagraph (C), the term 'qualified short-term gain' means the excess of the net short-term capital gain of the regulated investment company for the taxable year over the net long-term capital loss (if any) of such company for such taxable year. For purposes of this subparagraph—

''(i) the net short-term capital gain of the regulated investment company shall be computed by treating any short-term capital gain dividend includible in gross income with respect to stock of another regulated investment company as a short-term capital gain, and

''(ii) the excess of the net short-term capital gain for a taxable year over the net long-term capital loss for a taxable year (to which an election under section 4982(e)(4) does not apply) shall be determined without regard to any net capital loss or net short-term capital loss attributable to transactions after October 31 of such year, and any such net capital loss or net short-term capital loss shall be treated as arising on the 1st day of the next taxable year.

To the extent provided in regulations, clause (ii) shall apply also for purposes of computing the taxable income of the regulated investment company.''.

(2) FOREIGN CORPORATIONS.—Section 881 (relating to tax on income of foreign corporations not connected with United States business) is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

''(e) TAX NOT TO APPLY TO CERTAIN DIVIDENDS OF REGULATED INVESTMENT COMPANIES.—

''(1) INTEREST-RELATED DIVIDENDS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), no tax shall be imposed under paragraph (1) of subsection (a) on any interest-related dividend (as defined in section 871(k)(1)) received from a regulated investment company.

''(B) EXCEPTION.—Subparagraph (A) shall not apply—

''(i) to any dividend referred to in section 871(k)(1)(B), and

''(ii) to any interest-related dividend received by a controlled foreign corporation (within the meaning of section 957(a)) to the extent such dividend is attributable to interest received by the regulated investment company from a person who is a related person (within the meaning of section 864(d)(4)) with respect to such controlled foreign corporation.

''(C) TREATMENT OF DIVIDENDS RECEIVED BY CONTROLLED FOREIGN CORPORATIONS.—The rules of subsection (c)(5)(A) shall apply to any interest-related dividend received by a controlled foreign corporation (within the meaning of section 957(a)) to the extent such dividend is attributable to interest received by the regulated investment company which is described in clause (ii) of section 871(k)(1)(E) (and not described in clause (i), (iii), or the last sentence of such section).

''(2) SHORT-TERM CAPITAL GAIN DIVIDENDS.—No tax shall be imposed under paragraph (1) of subsection (a) on any short-term capital gain dividend (as defined in section 871(k)(2)) received from a regulated investment company.''.

(3) WITHHOLDING TAXES.—

(A) Section 1441(c) (relating to exceptions) is amended by adding at the end the following new paragraph:

''(12) CERTAIN DIVIDENDS RECEIVED FROM REGULATED INVESTMENT COMPANIES.—

''(A) IN GENERAL.—No tax shall be required to be deducted and withheld under subsection (a) from any amount exempt from the tax imposed by section 871(a)(1)(A) by reason of section 871(k).

''(B) SPECIAL RULE.—For purposes of subparagraph (A), clause (i) of section 871(k)(1)(B) shall not apply to any dividend unless the regulated investment company knows that such dividend is a dividend referred to in such clause. A similar rule shall apply with respect to the exception contained in section 871(k)(2)(B).''.

(B) Section 1442(a) (relating to withholding of tax on foreign corporations) is amended—

(i) by striking ''and the reference in section 1441(c)(10)'' and inserting ''the reference in section 1441(c)(10)'', and

(ii) by inserting before the period at the end the following: '', and the references in section 1441(c)(12) to sections 871(a) and 871(k) shall be treated as referring to sections 881(a) and 881(e) (except that for purposes of applying subparagraph (A) of section 1441(c)(12), as so modified, clause (ii) of section 881(e)(1)(B) shall not apply to any dividend unless the regulated investment company knows that such dividend is a dividend referred to in such clause)''.

(b) ESTATE TAX TREATMENT OF INTEREST IN CERTAIN REGULATED INVESTMENT COMPANIES.—Section 2105 (relating to property without the United States for estate tax purposes) is amended by adding at the end the following new subsection:

''(d) STOCK IN A RIC.—

''(1) IN GENERAL.—For purposes of this subchapter, stock in a regulated investment company (as defined in section 851) owned by a nonresident not a citizen of the United States shall not be deemed property within the United States in the proportion that, at the end of the quarter of such investment company's taxable year immediately preceding a decedent's date of death (or at such other time as the Secretary may designate in regulations), the assets of the investment company that were qualifying assets with respect to the decedent bore to the total assets of the investment company.

''(2) QUALIFYING ASSETS.—For purposes of this subsection, qualifying assets with respect to a decedent are assets that, if owned directly by the decedent, would have been—

''(A) amounts, deposits, or debt obligations described in subsection (b) of this section,

''(B) debt obligations described in the last sentence of section 2104(c), or

''(C) other property not within the United States.''.

(c) TREATMENT OF REGULATED INVESTMENT COMPANIES UNDER SECTION 897.—

(1) Paragraph (1) of section 897(h) is amended by striking ''REIT'' each place it appears and inserting ''qualified investment entity''.

(2) Paragraphs (2) and (3) of section 897(h) are amended to read as follows:

''(2) SALE OF STOCK IN DOMESTICALLY CONTROLLED ENTITY NOT TAXED.—The term 'United States real property interest' does not include any interest in a domestically controlled qualified investment entity.

''(3) DISTRIBUTIONS BY DOMESTICALLY CONTROLLED QUALIFIED INVESTMENT ENTITIES.—In the case of a domestically controlled qualified investment entity, rules similar to the

rules of subsection (d) shall apply to the foreign ownership percentage of any gain.''.

(3) Subparagraphs (A) and (B) of section 897(h)(4) are amended to read as follows:

''(A) QUALIFIED INVESTMENT ENTITY.—The term 'qualified investment entity' means any real estate investment trust and any regulated investment company.

''(B) DOMESTICALLY CONTROLLED.—The term 'domestically controlled qualified investment entity' means any qualified investment entity in which at all times during the testing period less than 50 percent in value of the stock was held directly or indirectly by foreign persons.''.

(4) Subparagraphs (C) and (D) of section 897(h)(4) are each amended by striking ''REIT'' and inserting ''qualified investment entity''.

(5) The subsection heading for subsection (h) of section 897 is amended by striking ''REITS'' and inserting ''CERTAIN INVESTMENT ENTITIES''.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to dividends with respect to taxable years of regulated investment companies beginning after December 31, 2004.

(2) ESTATE TAX TREATMENT.—The amendment made by subsection (b) shall apply to estates of decedents dying after December 31, 2004.

(3) CERTAIN OTHER PROVISIONS.—The amendments made by subsection (c) (other than paragraph (1) thereof) shall take effect on January 1, 2005.

SEC. 908. REPEAL OF SPECIAL RULES FOR APPLYING FOREIGN TAX CREDIT IN CASE OF FOREIGN OIL AND GAS INCOME.

(a) IN GENERAL.—Section 907 (relating to special rules in case of foreign oil and gas income) is repealed.

(b) CONFORMING AMENDMENTS.—

(1) Each of the following provisions are amended by striking ''907,'':

(A) Section 245(a)(10).

(B) Section 865(h)(1)(B).

(C) Section 904(d)(1).

(D) Section 904(g)(10)(A).

(2) Section 904(f)(5)(E)(iii) is amended by inserting '', as in effect before its repeal by the Taxpayer Refund and Relief Act of 1999'' after ''section 907(c)(4)(B)''.

(3) Section 954(g)(1) is amended by inserting '', as in effect before its repeal by the Taxpayer Refund and Relief Act of 1999'' after ''907(c)''.

(4) Section 6501(i) is amended—

(A) by striking '', or under section 907(f) (relating to carryback and carryover of disallowed oil and gas extraction taxes)'', and

(B) by striking ''or 907(f)''.

(5) The table of sections for subpart A of part III of subchapter N of chapter 1 is amended by striking the item relating to section 907.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2007.

SEC. 909. ADVANCE PRICING AGREEMENTS TREATED AS CONFIDENTIAL TAXPAYER INFORMATION.

(a) IN GENERAL.—

(1) TREATMENT AS RETURN INFORMATION.—Paragraph (2) of section 6103(b) (defining return information) is amended by striking ''and'' at the end of subparagraph (A), by inserting ''and'' at the end of subparagraph (B), and by inserting after subparagraph (B) the following new subparagraph:

''(C) any advance pricing agreement entered into by a taxpayer and the Secretary and any background information related to such agreement or any application for an advance pricing agreement,''.

(2) EXCEPTION FROM PUBLIC INSPECTION AS WRITTEN DETERMINATION.—Paragraph (1) of section 6110(b) (defining written determination) is amended by adding at the end the following new sentence: ''Such term shall not include any advance pricing agreement entered into by a taxpayer and the Secretary and any background information related to such agreement or any application for an advance pricing agreement.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on the date of the enactment of this Act.

(b) ANNUAL REPORT REGARDING ADVANCE PRICING AGREEMENTS.—

(1) IN GENERAL.—Not later than 90 days after the end of each calendar year, the Secretary of the Treasury shall prepare and publish a report regarding advance pricing agreements.

(2) CONTENTS OF REPORT.—The report shall include the following for the calendar year to which such report relates:

(A) Information about the structure, composition, and operation of the advance pricing agreement program office.

(B) A copy of each model advance pricing agreement.

(C) The number of—

(i) applications filed during such calendar year for advanced pricing agreements;

(ii) advance pricing agreements executed cumulatively to date and during such calendar year;

(iii) renewals of advanced pricing agreements issued;

(iv) pending requests for advance pricing agreements;

(v) pending renewals of advance pricing agreements;

(vi) for each of the items in clauses (ii) through (v), the number that are unilateral, bilateral, and multilateral, respectively;

(vii) advance pricing agreements revoked or canceled, and the number of withdrawals from the advance pricing agreement program; and

(viii) advanced pricing agreements finalized or renewed by industry.

(D) General descriptions of—

(i) the nature of the relationships between the related organizations, trades, or businesses covered by advance pricing agreements;

(ii) the covered transactions and the business functions performed and risks assumed by such organizations, trades, or businesses;

(iii) the related organizations, trades, or businesses whose prices or results are tested to determine compliance with transfer pricing methodologies prescribed in advanced pricing agreements;

(iv) methodologies used to evaluate tested parties and transactions and the circumstances leading to the use of those methodologies;

(v) critical assumptions made and sources of comparables used;

(vi) comparable selection criteria and the rationale used in determining such criteria;

(vii) the nature of adjustments to comparables or tested parties;

(viii) the nature of any ranges agreed to, including information regarding when no range was used and why, when interquartile ranges were used, and when there was a statistical narrowing of the comparables;

(ix) adjustment mechanisms provided to rectify results that fall outside of the agreed upon advance pricing agreement range;

(x) the various term lengths for advance pricing agreements, including rollback years, and the number of advance pricing agreements with each such term length;

(xi) the nature of documentation required; and

(xii) approaches for sharing of currency or other risks.

(E) Statistics regarding the amount of time taken to complete new and renewal advance pricing agreements.

(F) A detailed description of the Secretary of the Treasury's efforts to ensure compliance with existing advance pricing agreements.

(3) CONFIDENTIALITY.—The reports required by this subsection shall be treated as authorized by the Internal Revenue Code of 1986 for purposes of section 6103 of such Code, but the reports shall not include information—

(A) which would not be permitted to be disclosed under section 6110(c) of such Code if such report were a written determination as defined in section 6110 of such Code, or

(B) which can be associated with, or otherwise identify, directly or indirectly, a particular taxpayer.

(4) FIRST REPORT.—The report for calendar year 1999 shall include prior calendar years after 1990.

(c) USER FEE.—Section 7527, as added by title XV of this Act, is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

''(c) ADVANCE PRICING AGREEMENTS.—

''(1) IN GENERAL.—In addition to any fee otherwise imposed under this section, the fee imposed for requests for advance pricing agreements shall be increased by $500.

''(2) REDUCED FEE FOR SMALL BUSINESSES.—The Secretary shall provide an appropriate reduction in the amount imposed by reason of paragraph (1) for requests for advance pricing agreements for small businesses.''.

(d) REGULATIONS.—The Secretary of the Treasury or the Secretary's delegate shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of section 6103(b)(2)(C), and the last sentence of section 6110(b)(1), of the Internal Revenue Code of 1986, as added by this section.

SEC. 910. INCREASE IN DOLLAR LIMITATION ON SECTION 911 EXCLUSION.

(a) GENERAL RULE.—The table contained in clause (i) of section 911(b)(2)(D) is amended to read as follows:

"For calendar year—	The exclusion amount is—
2000	$76,000
2001	78,000
2002	80,000
2003	83,000
2004	86,000
2005	89,000
2006	92,000
2007 and thereafter	95,000.''.

(b) CONFORMING AMENDMENT.—Clause (ii) of section 911(b)(2)(D) is amended by striking ''$80,000'' and inserting ''$95,000''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 911. AIRLINE MILEAGE AWARDS TO CERTAIN FOREIGN PERSONS.

(a) IN GENERAL.—Paragraph (3) of section 4261(e) is amended by redesignating subparagraph (C) as subparagraph (D) and by inserting after subparagraph (B) the following new subparagraph:

''(C) MILEAGE AWARDS ISSUED TO INDIVIDUALS RESIDING OUTSIDE THE UNITED STATES.—The tax imposed by subsection (a) shall not apply to amounts attributable to mileage awards credited to individuals whose mailing

addresses on record with the person providing the right to air transportation are outside the United States.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid after December 31, 2004.

TITLE X—PROVISIONS RELATING TO TAX-EXEMPT ORGANIZATIONS

SEC. 1001. EXEMPTION FROM INCOME TAX FOR STATE-CREATED ORGANIZATIONS PROVIDING PROPERTY AND CASUALTY INSURANCE FOR PROPERTY FOR WHICH SUCH COVERAGE IS OTHERWISE UNAVAILABLE.

(a) IN GENERAL.—Subsection (c) of section 501 (relating to exemption from tax on corporations, certain trusts, etc.) is amended by adding at the end the following new paragraph:

''(28)(A) Any association created before January 1, 1999, by State law and organized and operated exclusively to provide property and casualty insurance coverage for property located within the State for which the State has determined that coverage in the authorized insurance market is limited or unavailable at reasonable rates, if—

''(i) no part of the net earnings of which inures to the benefit of any private shareholder or individual,

''(ii) except as provided in clause (v), no part of the assets of which may be used for, or diverted to, any purpose other than—

''(I) to satisfy, in whole or in part, the liability of the association for, or with respect to, claims made on policies written by the association,

''(II) to invest in investments authorized by applicable law,

''(III) to pay reasonable and necessary administration expenses in connection with the establishment and operation of the association and the processing of claims against the association, or

''(IV) to make remittances pursuant to State law to be used by the State to provide for the payment of claims on policies written by the association, purchase reinsurance covering losses under such policies, or to support governmental programs to prepare for or mitigate the effects of natural catastrophic events,

''(iii) the State law governing the association permits the association to levy assessments on insurance companies authorized to sell property and casualty insurance in the State, or on property and casualty insurance policyholders with insurable interests in property located in the State to fund deficits of the association, including the creation of reserves,

''(iv) the plan of operation of the association is subject to approval by the chief executive officer or other official of the State, by the State legislature, or both, and

''(v) the assets of the association revert upon dissolution to the State, the State's designee, or an entity designated by the State law governing the association, or State law does not permit the dissolution of the association.

''(B)(i) An entity described in clause (ii) shall be disregarded as a separate entity and treated as part of the association described in subparagraph (A) from which it receives remittances described in clause (ii) if an election is made within 30 days after the date that such association is determined to be exempt from tax.

''(ii) An entity is described in this clause if it is an entity or fund created before January 1, 1999, pursuant to State law and organized and operated exclusively to receive, hold, and invest remittances from an association described in subparagraph (A) and exempt from tax under subsection (a), to make disbursements to pay claims on insurance contracts issued by such association, and to make disbursements to support governmental programs to prepare for or mitigate the effects of natural catastrophic events.''.

(b) UNRELATED BUSINESS TAXABLE INCOME.—Subsection (a) of section 512 (relating to unrelated business taxable income) is amended by adding at the end the following new paragraph:

''(6) SPECIAL RULE APPLICABLE TO ORGANIZATIONS DESCRIBED IN SECTION 501(C)(28).—In the case of an organization described in section 501(c)(28), the term 'unrelated business taxable income' means taxable income for a taxable year computed without the application of section 501(c)(28) if at the end of the immediately preceding taxable year the organization's net equity exceeded 15 percent of the total coverage in force under insurance contracts issued by the organization and outstanding at the end of such preceding year.''.

(c) TRANSITIONAL RULE.—No income or gain shall be recognized by an association as a result of a change in status to that of an association described by section 501(c)(28) of the Internal Revenue Code of 1986, as amended by subsection (a).

(d) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1999.

SEC. 1002. MODIFICATION OF SPECIAL ARBITRAGE RULE FOR CERTAIN FUNDS.

(a) IN GENERAL.—Paragraph (1) of section 648 of the Tax Reform Act of 1984 is amended to read as follows:

''(1) such securities or obligations are held in a fund—

''(A) which, except to the extent of the investment earnings on such securities or obligations, cannot be used, under State constitutional or statutory restrictions continuously in effect since October 9, 1969, through the date of issue of the bond issue, to pay debt service on the bond issue or to finance the facilities that are to be financed with the proceeds of the bonds, or

''(B) the annual distributions from which cannot exceed 7 percent of the average fair market value of the assets held in such fund except to the extent distributions are necessary to pay debt service on the bond issue,''.

(b) CONFORMING AMENDMENT.—Paragraph (3) of such section is amended by striking ''the investment earnings of'' and inserting ''distributions from''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 2000.

SEC. 1003. EXEMPTION PROCEDURE FROM TAXES ON SELF-DEALING.

(a) IN GENERAL.—Subsection (d) of section 4941 (relating to taxes on self-dealing) is amended by adding at the end the following new paragraph:

''(3) SPECIAL EXEMPTION.—The Secretary shall establish an exemption procedure for purposes of this subsection. Pursuant to such procedure, the Secretary may grant a conditional or unconditional exemption of any disqualified person or transaction or class of disqualified persons or transactions, from all or part of the restrictions imposed by paragraph (1). The Secretary may not grant an exemption under this paragraph unless he finds that such exemption is—

''(A) administratively feasible,

''(B) in the interests of the private foundation, and

''(C) protective of the rights of the private foundation.

Before granting an exemption under this paragraph, the Secretary shall require adequate notice to be given to interested persons and shall publish notice in the Federal Register of the pendency of such exemption and shall afford interested persons an opportunity to present views.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to transactions occurring after the date of the enactment of this Act.

SEC. 1004. EXPANSION OF DECLARATORY JUDGMENT REMEDY TO TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Subsection (a) of section 7428 (relating to creation of remedy) is amended—

(1) in subparagraph (B) by inserting after ''509(a))'' the following: ''or as a private operating foundation (as defined in section 4942(j)(3))'', and

(2) by amending subparagraph (C) to read as follows:

''(C) with respect to the initial qualification or continuing qualification of an organization as an organization described in section 501(c) (other than paragraph (3)) which is exempt from tax under section 501(a), or''.

(b) COURT JURISDICTION.—Subsection (a) of section 7428 is amended in the material following paragraph (2) by striking ''United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia'' and inserting the following: ''United States Tax Court (in the case of any such determination or failure) or the United States Claims Court or the district court of the United States for the District of Columbia (in the case of a determination or failure with respect to an issue referred to in subparagraph (A) or (B) of paragraph (1)),''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to pleadings filed with respect to determinations (or requests for determinations) made after the date of the enactment of this Act.

SEC. 1005. MODIFICATIONS TO SECTION 512(b)(13).

(a) IN GENERAL.—Paragraph (13) of section 512(b) is amended by redesignating subparagraph (E) as subparagraph (F) and by inserting after subparagraph (D) the following new paragraph:

''(E) PARAGRAPH TO APPLY ONLY TO EXCESS PAYMENTS.—

''(i) IN GENERAL.—Subparagraph (A) shall apply only to the portion of a specified payment received by the controlling organization that exceeds the amount which would have been paid if such payment met the requirements prescribed under section 482.

''(ii) ADDITION TO TAX FOR VALUATION MISSTATEMENTS.—The tax imposed by this chapter on the controlling organization shall be increased by an amount equal to 20 percent of such excess.''.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to payments received or accrued after December 31, 1999.

(2) PAYMENTS SUBJECT TO BINDING CONTRACT TRANSITION RULE.—If the amendments made by section 1041 of the Taxpayer Relief Act of 1997 do not apply to any amount received or accrued after the date of the enactment of this Act under any contract described in subsection (b)(2) of such section, such amendments also shall not apply to amounts received or accrued under such contract before January 1, 2000.

SEC. 1006. MILEAGE REIMBURSEMENTS TO CHARITABLE VOLUNTEERS EXCLUDED FROM GROSS INCOME.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 is amended by inserting after section 138 the following new section:

"SEC. 138A. MILEAGE REIMBURSEMENTS TO CHARITABLE VOLUNTEERS.

''(a) IN GENERAL.—Gross income of an individual does not include amounts received, from an organization described in section 170(c), as reimbursement of operating expenses with respect to use of a passenger automobile for the benefit of such organization for which a deduction would otherwise be allowable under section 170. The preceding sentence shall apply only to the extent that such reimbursement would be deductible under section 274(d) (determined by applying the standard business mileage rate established pursuant to section 274(d)) if the organization were not so described and such individual were an employee of such organization.

''(b) NO DOUBLE BENEFIT.—Subsection (a) shall not apply with respect to any expenses if the individual claims a deduction or credit for such expenses under any other provision of this title.

''(c) EXEMPTION FROM REPORTING REQUIREMENTS.—Section 6041 shall not apply with respect to reimbursements excluded from income under subsection (a).''.

(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by inserting after the item relating to section 138 the following new items:

''Sec. 138A. Reimbursement for use of passenger automobile for charity.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 1007. CHARITABLE CONTRIBUTION DEDUCTION FOR CERTAIN EXPENSES INCURRED IN SUPPORT OF NATIVE ALASKAN SUBSISTENCE WHALING.

(a) IN GENERAL.—Section 170 (relating to charitable, etc., contributions and gifts) is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

''(m) EXPENSES PAID BY CERTAIN WHALING CAPTAINS IN SUPPORT OF NATIVE ALASKAN SUBSISTENCE WHALING.—

''(1) IN GENERAL.—In the case of an individual who is recognized by the Alaska Eskimo Whaling Commission as a whaling captain charged with the responsibility of maintaining and carrying out sanctioned whaling activities and who engages in such activities during the taxable year, the amount described in paragraph (2) (to the extent such amount does not exceed $7,500 for the taxable year) shall be treated for purposes of this section as a charitable contribution.

''(2) AMOUNT DESCRIBED.—

''(A) IN GENERAL.—The amount described in this paragraph is the aggregate of the reasonable and necessary whaling expenses paid by the taxpayer during the taxable year in carrying out sanctioned whaling activities.

''(B) WHALING EXPENSES.—For purposes of subparagraph (A), the term 'whaling expenses' includes expenses for—

''(i) the acquisition and maintenance of whaling boats, weapons, and gear used in sanctioned whaling activities,

''(ii) the supplying of food for the crew and other provisions for carrying out such activities, and

''(iii) storage and distribution of the catch from such activities.

''(3) SANCTIONED WHALING ACTIVITIES.—For purposes of this subsection, the term 'sanctioned whaling activities' means subsistence bowhead whale hunting activities conducted pursuant to the management plan of the Alaska Eskimo Whaling Commission.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 1999.

SEC. 1008. SIMPLIFICATION OF LOBBYING EXPENDITURE LIMITATION.

(a) REPEAL OF GRASSROOTS EXPENDITURE LIMIT.—Paragraph (1) of section 501(h) (relating to expenditures by public charities to influence legislation) is amended to read as follows:

''(1) GENERAL RULE.—In the case of an organization to which this subsection applies, exemption from taxation under subsection (a) shall be denied because a substantial part of the activities of such organization consists of carrying on propaganda, or otherwise attempting, to influence legislation, but only if such organization normally makes lobbying expenditures in excess of the lobbying ceiling amount for such organization for each taxable year.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 501(h)(2) is amended by striking subparagraphs (C) and (D).

(2) Section 4911(b) is amended to read as follows:

''(b) EXCESS LOBBYING EXPENDITURES.—For purposes of this section, the term 'excess lobbying expenditures' means, for a taxable year, the amount by which the lobbying expenditures made by the organization during the taxable year exceed the lobbying nontaxable amount for such organization for such taxable year.''.

(3) Section 4911(c) is amended by striking paragraphs (3) and (4).

(4) Paragraph (1)(A) of section 4911(f) is amended by striking ''limits of section 501(h)(1) have'' and inserting ''limit of section 501(h)(1) has''.

(5) Paragraph (1)(C) of section 4911(f) is amended by striking ''limits of section 501(h)(1) are'' and inserting ''limit of section 501(h)(1) is''.

(6) Paragraphs (4)(A) and (4)(B) of section 4911(f) are each amended by striking ''limits of section 501(h)(1)'' and inserting ''limit of section 501(h)(1)''.

(7) Paragraph (8) of section 6033(b) (relating to certain organizations described in section 501(c)(3)) is amended by inserting ''and'' at the end of subparagraph (A) and by striking subparagraphs (C) and (D).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 1009. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT ACCOUNTS FOR CHARITABLE PURPOSES.

(a) IN GENERAL.—Subsection (d) of section 408 (relating to individual retirement accounts) is amended by adding at the end the following new paragraph:

''(8) DISTRIBUTIONS FOR CHARITABLE PURPOSES.—

''(A) IN GENERAL.—In the case of a qualified charitable distribution from an individual retirement account to an organization described in section 170(c), no amount shall be includible in the gross income of the distributee.

''(B) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the term 'qualified charitable distribution' means any distribution from an individual retirement account—

''(i) which is made on or after the date that the individual for whose benefit the account is maintained has attained age 70½, and

''(ii) which is a charitable contribution (as defined in section 170(c)) made directly from the account to an organization or entity described in section 170(c).

''(C) DENIAL OF DEDUCTION.—The amount allowable as a deduction to the taxpayer for the taxable year under section 170 for qualified charitable distributions shall be reduced (but not below zero) by the sum of the amounts of the qualified charitable distributions during such year which (but for this paragraph) would have been includible in the gross income of the taxpayer for such year.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2002.

TITLE XI—REAL ESTATE PROVISIONS

Subtitle A—Improvements in Low-Income Housing Credit

SEC. 1101. MODIFICATION OF STATE CEILING ON LOW-INCOME HOUSING CREDIT.

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

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

''(ii) the greater of—

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

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

(b) APPLICABLE AMOUNT.—Paragraph (3) of section 42(h) (relating to housing credit dollar amount for agencies) is amended by adding at the end the following new subparagraph:

''(H) APPLICABLE AMOUNT OF STATE CEILING.—For purposes of subparagraph (C)(ii), the applicable amount shall be determined under the following table:

''For calendar year:	**The applicable amount is:**
2000	$1.35
2001	1.45
2002	1.55
2003	1.65
2004 and thereafter	1.75.

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

''(I) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of a calendar year after 2004, the $2,000,000 in subparagraph (C) and the $1.75 amount in subparagraph (H) shall each be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 2003' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING.—

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

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

(e) CONFORMING AMENDMENTS.—

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

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

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

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

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

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

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 2000 but shall not take effect if sections 1102 and 1103 do not take effect.

SEC. 1102. MODIFICATION OF CRITERIA FOR ALLOCATING HOUSING CREDITS AMONG PROJECTS.

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

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

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

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

''(vi) public housing waiting lists,

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

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

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

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

SEC. 1103. ADDITIONAL RESPONSIBILITIES OF HOUSING CREDIT AGENCIES.

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

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

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

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

SEC. 1104. MODIFICATIONS TO RULES RELATING TO BASIS OF BUILDING WHICH IS ELIGIBLE FOR CREDIT.

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

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

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

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

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

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

''(ii) LIMITATION.—The increase in the adjusted basis of any building which is taken into account by reason of clause (i) shall not exceed 10 percent of the eligible basis of the qualified low-income housing project of which it is a part. For purposes of the preceding sentence, all community service facilities which are part of the same qualified low-income housing project shall be treated as 1 facility.

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

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

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

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

SEC. 1105. OTHER MODIFICATIONS.

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

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

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

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

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

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

SEC. 1106. CARRYFORWARD RULES.

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

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

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

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

SEC. 1107. EFFECTIVE DATE.

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

(1) housing credit dollar amounts allocated after December 31, 1999, and

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

Subtitle B—Provisions Relating to Real Estate Investment Trusts

PART I—TREATMENT OF INCOME AND SERVICES PROVIDED BY TAXABLE REIT SUBSIDIARIES

SEC. 1111. MODIFICATIONS TO ASSET DIVERSIFICATION TEST.

(a) IN GENERAL.—Subparagraph (B) of section 856(c)(4) is amended to read as follows:

''(B)(i) not more than 25 percent of the value of its total assets is represented by securities (other than those includible under subparagraph (A)), and

''(ii) except with respect to a taxable REIT subsidiary and securities includible under subparagraph (A)—

''(I) not more than 5 percent of the value of its total assets is represented by securities of any 1 issuer,

''(II) the trust does not hold securities possessing more than 10 percent of the total voting power of the outstanding securities of any 1 issuer, and

''(III) the trust does not hold securities having a value of more than 10 percent of the total value of the outstanding securities of any 1 issuer.''.

(b) EXCEPTION FOR STRAIGHT DEBT SECURITIES.—Subsection (c) of section 856 is amended by adding at the end the following new paragraph:

''(7) STRAIGHT DEBT SAFE HARBOR IN APPLYING PARAGRAPH (4).—Securities of an issuer which are straight debt (as defined in section 1361(c)(5) without regard to subparagraph (B)(iii) thereof) shall not be taken into account in applying paragraph (4)(B)(ii)(III) if—

''(A) the issuer is an individual, or

''(B) the only securities of such issuer which are held by the trust or a taxable REIT subsidiary of the trust are straight debt (as so defined), or

''(C) the issuer is a partnership and the trust holds at least a 20 percent profits interest in the partnership.''.

SEC. 1112. TREATMENT OF INCOME AND SERVICES PROVIDED BY TAXABLE REIT SUBSIDIARIES.

(a) INCOME FROM TAXABLE REIT SUBSIDIARIES NOT TREATED AS IMPERMISSIBLE TENANT SERVICE INCOME.—Clause (i) of section 856(d)(7)(C) (relating to exceptions to impermissible tenant service income) is amended by inserting ''or through a taxable REIT subsidiary of such trust'' after ''income''.

(b) CERTAIN INCOME FROM TAXABLE REIT SUBSIDIARIES NOT EXCLUDED FROM RENTS FROM REAL PROPERTY.—

(1) IN GENERAL.—Subsection (d) of section 856 (relating to rents from real property defined) is amended by adding at the end the following new paragraphs:

''(8) SPECIAL RULE FOR TAXABLE REIT SUBSIDIARIES.—For purposes of this subsection, amounts paid to a real estate investment trust by a taxable REIT subsidiary of such trust shall not be excluded from rents from real property by reason of paragraph (2)(B) if the requirements of either of the following subparagraphs are met:

''(A) LIMITED RENTAL EXCEPTION.—The requirements of this subparagraph are met

with respect to any property if at least 90 percent of the leased space of the property is rented to persons other than taxable REIT subsidiaries of such trust and other than persons described in section 856(d)(2)(B). The preceding sentence shall apply only to the extent that the amounts paid to the trust as rents from real property (as defined in paragraph (1) without regard to paragraph (2)(B)) from such property are substantially comparable to such rents made by the other tenants of the trust's property for comparable space.

''(B) EXCEPTION FOR CERTAIN LODGING FACILITIES.—The requirements of this subparagraph are met with respect to an interest in real property which is a qualified lodging facility leased by the trust to a taxable REIT subsidiary of the trust if the property is operated on behalf of such subsidiary by a person who is an eligible independent contractor.

''(9) ELIGIBLE INDEPENDENT CONTRACTOR.—For purposes of paragraph (8)(B)—

''(A) IN GENERAL.—The term 'eligible independent contractor' means, with respect to any qualified lodging facility, any independent contractor if, at the time such contractor enters into a management agreement or other similar service contract with the taxable REIT subsidiary to operate the facility, such contractor (or any related person) is actively engaged in the trade or business of operating qualified lodging facilities for any person who is not a related person with respect to the real estate investment trust or the taxable REIT subsidiary.

''(B) SPECIAL RULES.—Solely for purposes of this paragraph and paragraph (8)(B), a person shall not fail to be treated as an independent contractor with respect to any qualified lodging facility by reason of any of the following:

''(i) The taxable REIT subsidiary bears the expenses for the operation of the facility pursuant to the management agreement or other similar service contract.

''(ii) The taxable REIT subsidiary receives the revenues from the operation of such facility, net of expenses for such operation and fees payable to the operator pursuant to such agreement or contract.

''(iii) The real estate investment trust receives income from such person with respect to another property that is attributable to a lease of such other property to such person that was in effect as of the later of—

''(I) January 1, 1999, or

''(II) the earliest date that any taxable REIT subsidiary of such trust entered into a management agreement or other similar service contract with such person with respect to such qualified lodging facility.

''(C) RENEWALS, ETC., OF EXISTING LEASES.—For purposes of subparagraph (B)(iii)—

''(i) a lease shall be treated as in effect on January 1, 1999, without regard to its renewal after such date, so long as such renewal is pursuant to the terms of such lease as in effect on whichever of the dates under subparagraph (B)(iii) is the latest, and

''(ii) a lease of a property entered into after whichever of the dates under subparagraph (B)(iii) is the latest shall be treated as in effect on such date if—

''(I) on such date, a lease of such property from the trust was in effect, and

''(II) under the terms of the new lease, such trust receives a substantially similar or lesser benefit in comparison to the lease referred to in subclause (I).

''(D) QUALIFIED LODGING FACILITY.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'qualified lodging facility' means any lodging facility unless wagering activities are conducted at or in connection with such facility by any person who is engaged in the business of accepting wagers and who is legally authorized to engage in such business at or in connection with such facility.

''(ii) LODGING FACILITY.—The term 'lodging facility' means a hotel, motel, or other establishment more than one-half of the dwelling units in which are used on a transient basis.

''(iii) CUSTOMARY AMENITIES AND FACILITIES.—The term 'lodging facility' includes customary amenities and facilities operated as part of, or associated with, the lodging facility so long as such amenities and facilities are customary for other properties of a comparable size and class owned by other owners unrelated to such real estate investment trust.

''(E) OPERATE INCLUDES MANAGE.—References in this paragraph to operating a property shall be treated as including a reference to managing the property.

''(F) RELATED PERSON.—Persons shall be treated as related to each other if such persons are treated as a single employer under subsection (a) or (b) of section 52.''.

(2) CONFORMING AMENDMENT.—Subparagraph (B) of section 856(d)(2) is amended by inserting ''except as provided in paragraph (8),'' after ''(B)''.

(3) DETERMINING RENTS FROM REAL PROPERTY.—

(A)(i) Paragraph (1) of section 856(d) is amended by striking ''adjusted bases'' each place it occurs and inserting ''fair market values''.

(ii) The amendment made by this subparagraph shall apply to taxable years beginning after December 31, 2000.

(B)(i) Clause (i) of section 856(d)(2)(B) is amended by striking ''number'' and inserting ''value''.

(ii) The amendment made by this subparagraph shall apply to amounts received or accrued in taxable years beginning after December 31, 2000, except for amounts paid pursuant to leases in effect on July 12, 1999, or pursuant to a binding contract in effect on such date and at all times thereafter.

SEC. 1113. TAXABLE REIT SUBSIDIARY.

(a) IN GENERAL.—Section 856 is amended by adding at the end the following new subsection:

''(l) TAXABLE REIT SUBSIDIARY.—For purposes of this part—

''(1) IN GENERAL.—The term 'taxable REIT subsidiary' means, with respect to a real estate investment trust, a corporation (other than a real estate investment trust) if—

''(A) such trust directly or indirectly owns stock in such corporation, and

''(B) such trust and such corporation jointly elect that such corporation shall be treated as a taxable REIT subsidiary of such trust for purposes of this part.

Such an election, once made, shall be irrevocable unless both such trust and corporation consent to its revocation. Such election, and any revocation thereof, may be made without the consent of the Secretary.

''(2) 35 PERCENT OWNERSHIP IN ANOTHER TAXABLE REIT SUBSIDIARY.—The term 'taxable REIT subsidiary' includes, with respect to any real estate investment trust, any corporation (other than a real estate investment trust) with respect to which a taxable REIT subsidiary of such trust owns directly or indirectly—

''(A) securities possessing more than 35 percent of the total voting power of the outstanding securities of such corporation, or

''(B) securities having a value of more than 35 percent of the total value of the outstanding securities of such corporation.

The preceding sentence shall not apply to a qualified REIT subsidiary (as defined in subsection (i)(2)). The rule of section 856(c)(7) shall apply for purposes of subparagraph (B).

''(3) EXCEPTIONS.—The term 'taxable REIT subsidiary' shall not include—

''(A) any corporation which directly or indirectly operates or manages a lodging facility or a health care facility, and

''(B) any corporation which directly or indirectly provides to any other person (under a franchise, license, or otherwise) rights to any brand name under which any lodging facility or health care facility is operated.

Subparagraph (B) shall not apply to rights provided to an eligible independent contractor to operate or manage a lodging facility if such rights are held by such corporation as a franchisee, licensee, or in a similar capacity and such lodging facility is either owned by such corporation or is leased to such corporation from the real estate investment trust.

''(4) DEFINITIONS.—For purposes of paragraph (3)—

''(A) LODGING FACILITY.—The term 'lodging facility' has the meaning given to such term by paragraph (9)(D)(ii).

''(B) HEALTH CARE FACILITY.—The term 'health care facility' has the meaning given to such term by subsection (e)(6)(D)(ii).''.

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 856(i) is amended by adding at the end the following new sentence: ''Such term shall not include a taxable REIT subsidiary.''.

SEC. 1114. LIMITATION ON EARNINGS STRIPPING.

Paragraph (3) of section 163(j) (relating to limitation on deduction for interest on certain indebtedness) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by adding at the end the following new subparagraph:

''(C) any interest paid or accrued (directly or indirectly) by a taxable REIT subsidiary (as defined in section 856(l)) of a real estate investment trust to such trust.''.

SEC. 1115. 100 PERCENT TAX ON IMPROPERLY ALLOCATED AMOUNTS.

(a) IN GENERAL.—Subsection (b) of section 857 (relating to method of taxation of real estate investment trusts and holders of shares or certificates of beneficial interest) is amended by redesignating paragraphs (7) and (8) as paragraphs (8) and (9), respectively, and by inserting after paragraph (6) the following new paragraph:

''(7) INCOME FROM REDETERMINED RENTS, REDETERMINED DEDUCTIONS, AND EXCESS INTEREST.—

''(A) IMPOSITION OF TAX.—There is hereby imposed for each taxable year of the real estate investment trust a tax equal to 100 percent of redetermined rents, redetermined deductions, and excess interest.

''(B) REDETERMINED RENTS.—

''(i) IN GENERAL.—The term 'redetermined rents' means rents from real property (as defined in subsection 856(d)) the amount of which would (but for subparagraph (E)) be reduced on distribution, apportionment, or allocation under section 482 to clearly reflect income as a result of services furnished or rendered by a taxable REIT subsidiary of the real estate investment trust to a tenant of such trust.

''(ii) EXCEPTION FOR CERTAIN SERVICES.—Clause (i) shall not apply to amounts received directly or indirectly by a real estate

investment trust for services described in paragraph (1)(B) or (7)(C)(i) of section 856(d).

''(iii) EXCEPTION FOR DE MINIMIS AMOUNTS.—Clause (i) shall not apply to amounts described in section 856(d)(7)(A) with respect to a property to the extent such amounts do not exceed the one percent threshold described in section 856(d)(7)(B) with respect to such property.

''(iv) EXCEPTION FOR COMPARABLY PRICED SERVICES.—Clause (i) shall not apply to any service rendered by a taxable REIT subsidiary of a real estate investment trust to a tenant of such trust if—

''(I) such subsidiary renders a significant amount of similar services to persons other than such trust and tenants of such trust who are unrelated (within the meaning of section 856(d)(8)(F)) to such subsidiary, trust, and tenants, but

''(II) only to the extent the charge for such service so rendered is substantially comparable to the charge for the similar services rendered to persons referred to in subclause (I).

''(v) EXCEPTION FOR CERTAIN SEPARATELY CHARGED SERVICES.—Clause (i) shall not apply to any service rendered by a taxable REIT subsidiary of a real estate investment trust to a tenant of such trust if—

''(I) the rents paid to the trust by tenants (leasing at least 25 percent of the net leasable space in the trust's property) who are not receiving such service from such subsidiary are substantially comparable to the rents paid by tenants leasing comparable space who are receiving such service from such subsidiary, and

''(II) the charge for such service from such subsidiary is separately stated.

''(vi) EXCEPTION FOR CERTAIN SERVICES BASED ON SUBSIDIARY'S INCOME FROM THE SERVICES.—Clause (i) shall not apply to any service rendered by a taxable REIT subsidiary of a real estate investment trust to a tenant of such trust if the gross income of such subsidiary from such service is not less than 150 percent of such subsidiary's direct cost in furnishing or rendering the service.

''(vii) EXCEPTIONS GRANTED BY SECRETARY.—The Secretary may waive the tax otherwise imposed by subparagraph (A) if the trust establishes to the satisfaction of the Secretary that rents charged to tenants were established on an arms' length basis even though a taxable REIT subsidiary of the trust provided services to such tenants.

''(C) REDETERMINED DEDUCTIONS.—The term 'redetermined deductions' means deductions (other than redetermined rents) of a taxable REIT subsidiary of a real estate investment trust if the amount of such deductions would (but for subparagraph (E)) be decreased on distribution, apportionment, or allocation under section 482 to clearly reflect income as between such subsidiary and such trust.

''(D) EXCESS INTEREST.—The term 'excess interest' means any deductions for interest payments by a taxable REIT subsidiary of a real estate investment trust to such trust to the extent that the interest payments are in excess of a rate that is commercially reasonable.

''(E) COORDINATION WITH SECTION 482.—The imposition of tax under subparagraph (A) shall be in lieu of any distribution, apportionment, or allocation under section 482.

''(F) REGULATORY AUTHORITY.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph. Until the Secretary prescribes such regulations, real estate investment trusts and their taxable REIT subsidiaries may base their allocations on any reasonable method.''.

(b) AMOUNT SUBJECT TO TAX NOT REQUIRED TO BE DISTRIBUTED.—Subparagraph (E) of section 857(b)(2) (relating to real estate investment trust taxable income) is amended by striking ''paragraph (5)'' and inserting ''paragraphs (5) and (7)''.

SEC. 1116. EFFECTIVE DATE.

(a) IN GENERAL.—The amendments made by this part shall apply to taxable years beginning after December 31, 2000.

(b) TRANSITIONAL RULES RELATED TO SECTION 1111.—

(1) EXISTING ARRANGEMENTS.—

(A) IN GENERAL.—Except as otherwise provided in this paragraph, the amendment made by section 1111 shall not apply to a real estate investment trust with respect to—

(i) securities of a corporation held directly or indirectly by such trust on July 12, 1999,

(ii) securities of a corporation held by an entity on July 12, 1999, if such trust acquires control of such entity pursuant to a written binding contract in effect on such date and at all times thereafter before such acquisition,

(iii) securities received by such trust (or a successor) in exchange for, or with respect to, securities described in clause (i) or (ii) in a transaction in which gain or loss is not recognized, and

(iv) securities acquired directly or indirectly by such trust as part of a reorganization (as defined in section 368(a)(1) of the Internal Revenue Code of 1986) with respect to such trust if such securities are described in clause (i), (ii), or (iii) with respect to any other real estate investment trust.

(B) NEW TRADE OR BUSINESS OR SUBSTANTIAL NEW ASSETS.—Subparagraph (A) shall cease to apply to securities of a corporation as of the first day after July 12, 1999, on which such corporation engages in a substantial new line of business, or acquires any substantial asset, other than—

(i) pursuant to a binding contract in effect on such date and at all times thereafter before the acquisition of such asset,

(ii) in a transaction in which gain or loss is not recognized by reason of section 1031 or 1033 of the Internal Revenue Code of 1986, or

(iii) in a reorganization (as so defined) with another corporation the securities of which are described in paragraph (1)(A) of this subsection.

(C) LIMITATION ON TRANSITION RULES.—Subparagraph (A) shall cease to apply to securities of a corporation held, acquired, or received, directly or indirectly, by a real estate investment trust as of the first day after July 12, 1999, on which such trust acquires any additional securities of such corporation other than—

(i) pursuant to a binding contract in effect on July 12, 1999, and at all times thereafter, or

(ii) in a reorganization (as so defined) with another corporation the securities of which are described in paragraph (1)(A) of this subsection.

(2) TAX-FREE CONVERSION.—If—

(A) at the time of an election for a corporation to become a taxable REIT subsidiary, the amendment made by section 1021 does not apply to such corporation by reason of paragraph (1), and

(B) such election first takes effect before January 1, 2004,

such election shall be treated as a reorganization qualifying under section 368(a)(1)(A) of such Code.

PART II—HEALTH CARE REITS

SEC. 1121. HEALTH CARE REITS.

(a) SPECIAL FORECLOSURE RULE FOR HEALTH CARE PROPERTIES.—Subsection (e) of section 856 (relating to special rules for foreclosure property) is amended by adding at the end the following new paragraph:

''(6) SPECIAL RULE FOR QUALIFIED HEALTH CARE PROPERTIES.—For purposes of this subsection—

''(A) ACQUISITION AT EXPIRATION OF LEASE.—The term 'foreclosure property' shall include any qualified health care property acquired by a real estate investment trust as the result of the termination of a lease of such property (other than a termination by reason of a default, or the imminence of a default, on the lease).

''(B) GRACE PERIOD.—In the case of a qualified health care property which is foreclosure property solely by reason of subparagraph (A), in lieu of applying paragraphs (2) and (3)—

''(i) the qualified health care property shall cease to be foreclosure property as of the close of the second taxable year after the taxable year in which such trust acquired such property, and

''(ii) if the real estate investment trust establishes to the satisfaction of the Secretary that an extension of the grace period in clause (i) is necessary to the orderly leasing or liquidation of the trust's interest in such qualified health care property, the Secretary may grant 1 or more extensions of the grace period for such qualified health care property.

Any such extension shall not extend the grace period beyond the close of the 6th year after the taxable year in which such trust acquired such qualified health care property.

''(C) INCOME FROM INDEPENDENT CONTRACTORS.—For purposes of applying paragraph (4)(C) with respect to qualified health care property which is foreclosure property by reason of subparagraph (A) or paragraph (1), income derived or received by the trust from an independent contractor shall be disregarded to the extent such income is attributable to—

''(i) any lease of property in effect on the date the real estate investment trust acquired the qualified health care property (without regard to its renewal after such date so long as such renewal is pursuant to the terms of such lease as in effect on such date), or

''(ii) any lease of property entered into after such date if—

''(I) on such date, a lease of such property from the trust was in effect, and

''(II) under the terms of the new lease, such trust receives a substantially similar or lesser benefit in comparison to the lease referred to in subclause (I).

''(D) QUALIFIED HEALTH CARE PROPERTY.—

''(i) IN GENERAL.—The term 'qualified health care property' means any real property (including interests therein), and any personal property incident to such real property, which—

''(I) is a health care facility, or

''(II) is necessary or incidental to the use of a health care facility.

''(ii) HEALTH CARE FACILITY.—For purposes of clause (i), the term 'health care facility' means a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility (as defined in section 7872(g)(4)), or other licensed facility which extends medical or nursing or ancillary services to patients and which, immediately before the termination, expiration, default, or breach of the lease of or mortgage secured by such facility, was operated by a provider of such services which was eligible for participation in the medicare program under title XVIII of the Social Security Act with respect to such facility.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

PART III—CONFORMITY WITH REGULATED INVESTMENT COMPANY RULES

SEC. 1131. CONFORMITY WITH REGULATED INVESTMENT COMPANY RULES.

(a) DISTRIBUTION REQUIREMENT.—Clauses (i) and (ii) of section 857(a)(1)(A) (relating to requirements applicable to real estate investment trusts) are each amended by striking ''95 percent (90 percent for taxable years beginning before January 1, 1980)'' and inserting ''90 percent''.

(b) IMPOSITION OF TAX.—Clause (i) of section 857(b)(5)(A) (relating to imposition of tax in case of failure to meet certain requirements) is amended by striking ''95 percent (90 percent in the case of taxable years beginning before January 1, 1980)'' and inserting ''90 percent''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

PART IV—CLARIFICATION OF EXCEPTION FROM IMPERMISSIBLE TENANT SERVICE INCOME

SEC. 1141. CLARIFICATION OF EXCEPTION FOR INDEPENDENT OPERATORS.

(a) IN GENERAL.—Paragraph (3) of section 856(d) (relating to independent contractor defined) is amended by adding at the end the following flush sentence:

''In the event that any class of stock of either the real estate investment trust or such person is regularly traded on an established securities market, only persons who own, directly or indirectly, more than 5 percent of such class of stock shall be taken into account as owning any of the stock of such class for purposes of applying the 35 percent limitation set forth in subparagraph (B) (but all of the outstanding stock of such class shall be considered outstanding in order to compute the denominator for purpose of determining the applicable percentage of ownership).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

PART V—MODIFICATION OF EARNINGS AND PROFITS RULES

SEC. 1151. MODIFICATION OF EARNINGS AND PROFITS RULES.

(a) RULES FOR DETERMINING WHETHER REGULATED INVESTMENT COMPANY HAS EARNINGS AND PROFITS FROM NON-RIC YEAR.—Subsection (c) of section 852 is amended by adding at the end the following new paragraph:

''(3) DISTRIBUTIONS TO MEET REQUIREMENTS OF SUBSECTION (a)(2)(B).—Any distribution which is made in order to comply with the requirements of subsection (a)(2)(B)—

''(A) shall be treated for purposes of this subsection and subsection (a)(2)(B) as made from the earliest earnings and profits accumulated in any taxable year to which the provisions of this part did not apply rather than the most recently accumulated earnings and profits, and

''(B) to the extent treated under subparagraph (A) as made from accumulated earnings and profits, shall not be treated as a distribution for purposes of subsection (b)(2)(D) and section 855.''.

(b) CLARIFICATION OF APPLICATION OF REIT SPILLOVER DIVIDEND RULES TO DISTRIBUTIONS TO MEET QUALIFICATION REQUIREMENT.—Subparagraph (B) of section 857(d)(3) is amended by inserting before the period ''and section 858''.

(c) APPLICATION OF DEFICIENCY DIVIDEND PROCEDURES.—Paragraph (1) of section 852(e) is amended by adding at the end the following new sentence: ''If the determination under subparagraph (A) is solely as a result of the failure to meet the requirements of subsection (a)(2), the preceding sentence shall also apply for purposes of applying subsection (a)(2) to the non-RIC year.''.

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

Subtitle C—Modification of At-Risk Rules for Publicly Traded Nonrecourse Debt

SEC. 1161. TREATMENT UNDER AT-RISK RULES OF PUBLICLY TRADED NONRECOURSE DEBT.

(a) IN GENERAL.—Subparagraph (A) of section 465(b)(6) (relating to qualified nonrecourse financing treated as amount at risk) is amended by striking ''share of'' and all that follows and inserting ''share of—

''(i) any qualified nonrecourse financing which is secured by real property used in such activity, and

''(ii) any other financing which—

''(I) would (but for subparagraph (B)(ii)) be qualified nonrecourse financing,

''(II) is qualified publicly traded debt, and

''(III) is not borrowed by the taxpayer from a person described in subclause (I), (II), or (III) of section 49(a)(1)(D)(iv).''.

(b) QUALIFIED PUBLICLY TRADED DEBT.—Paragraph (6) of section 465(b) is amended by adding at the end the following new subparagraph:

''(F) QUALIFIED PUBLICLY TRADED DEBT.—For purposes of subparagraph (A), the term 'qualified publicly traded debt' means any debt instrument which is readily tradable on an established securities market. Such term shall not include any debt instrument which has a yield to maturity which equals or exceeds the limitation in section 163(i)(1)(B).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to debt instruments issued after December 31, 1999.

Subtitle D—Treatment of Certain Contributions to Capital of Retailers

SEC. 1171. EXCLUSION FROM GROSS INCOME FOR CERTAIN CONTRIBUTIONS TO THE CAPITAL OF CERTAIN RETAILERS.

(a) IN GENERAL.—Section 118 (relating to contributions to the capital of a corporation) is amended by redesignating subsections (d) and (e) as subsections (e) and (f), respectively, and by inserting after subsection (c) the following new subsection:

''(d) SAFE HARBOR FOR CONTRIBUTIONS TO CERTAIN RETAILERS.—

''(1) GENERAL RULE.—For purposes of this section, the term 'contribution to the capital of the taxpayer' includes any amount of money or other property received by the taxpayer if—

''(A) the taxpayer has entered into an agreement to operate (or cause to be operated) a qualified retail business at a particular location for a period of at least 15 years,

''(B)(i) immediately after the receipt of such money or other property, the taxpayer owns the land and the structure to be used by the taxpayer in carrying on a qualified retail business at such location, or

''(ii) the taxpayer uses such amount to acquire ownership of at least such land and structure,

''(C) such amount meets the requirements of the expenditure rule of paragraph (2), and

''(D) the contributor of such amount does not hold a beneficial interest in any property located on the premises of such qualified retail business other than de minimis amounts of property associated with the operation of property adjacent to such premises.

''(2) EXPENDITURE RULE.—An amount meets the requirements of this paragraph if—

''(A) an amount equal to such amount is expended for the acquisition of land or for acquisition or construction of other property described in section 1231(b)—

''(i) which was the purpose motivating the contribution, and

''(ii) which is used predominantly in a qualified retail business at the location referred to in paragraph (1)(A),

''(B) the expenditure referred to in subparagraph (A) occurs before the end of the second taxable year after the year in which such amount was received, and

''(C) accurate records are kept of the amounts contributed and expenditures made on the basis of the project for which the contribution was made and on the basis of the year of the contribution expenditure.

''(3) DEFINITION OF QUALIFIED RETAIL BUSINESS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'qualified retail business' means a trade or business of selling tangible personal property to the general public if the premises on which such trade or business is conducted is in close proximity to property that the contributor of the amount referred to in paragraph (1) is developing or operating for profit (or, in the case of a contributor which is a governmental entity, is attempting to revitalize).

''(B) SERVICES.—A trade or business shall not fail to be treated as a qualified retail business by reason of sales of services if such sales are incident to the sale of tangible personal property or if the services are de minimis in amount.

''(4) SPECIAL RULES.—

''(A) LEASES.—For purposes of paragraph (1)(B)(i), property shall be treated as owned by the taxpayer if the taxpayer is the lessee of such property under a lease having a term of at least 30 years and on which only nominal rent is required.

''(B) CONTROLLED GROUPS.—For purposes of this subsection, all persons treated as a single employer under subsection (a) or (b) of section 52 shall be treated as 1 person.

''(5) DISALLOWANCE OF DEDUCTIONS AND CREDITS; ADJUSTED BASIS.—Notwithstanding any other provision of this subtitle, no deduction or credit shall be allowed for, or by reason of, any amount received by the taxpayer which constitutes a contribution to capital to which this subsection applies. The adjusted basis of any property acquired with the contributions to which this subsection applies shall be reduced by the amount of the contributions to which this subsection applies.

''(6) REGULATIONS.—The Secretary shall prescribe such regulations are appropriate to prevent the abuse of the purposes of the subsection, including regulations which allocate income and deductions (or adjust the amount excludable under this subsection) in cases in which—

''(A) payments in excess of fair market value are paid to the contributor by the taxpayer, or

''(B) the contributor and the taxpayer are related parties.''.

(b) CONFORMING AMENDMENT.—Subsection (e) of section 118 (as redesignated by subsection (a)) is amended by adding at the end the following flush sentence:

''Rules similar to the rules of the preceding sentence shall apply to any amount treated as a contribution to the capital of the taxpayer under subsection (d).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received after December 31, 1999.

Subtitle E—Private Activity Bond Volume Cap

SEC. 1181. ACCELERATION OF PHASE-IN OF INCREASE IN VOLUME CAP ON PRIVATE ACTIVITY BONDS.

(a) IN GENERAL.—The table contained in section 146(d)(2) (relating to per capita limit; aggregate limit) is amended to read as follows:

Calendar Year	Per Capita Limit	Aggregate Limit
2000	$55.00	165,000,000
2001	60.00	180,000,000
2002	65.00	195,000,000
2003	70.00	210,000,000
2004 and thereafter.	75.00	225,000,000.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to calendar years beginning after 1999.

Subtitle F—Deduction for Renovating Historic Homes

SEC. 1191. DEDUCTION FOR RENOVATING HISTORIC HOMES.

(a) IN GENERAL.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by redesignating section 223 as section 224 and by inserting after section 222 the following new section:

''SEC. 223. HISTORIC HOMEOWNERSHIP REHABILITATION DEDUCTION.

''(a) GENERAL RULE.—In the case of an individual, there shall be allowed as a deduction an amount equal to 50 percent of the qualified rehabilitation expenditures made by the taxpayer with respect to a qualified historic home.

''(b) DOLLAR LIMITATION.—The deduction allowed by subsection (a) with respect to any residence of a taxpayer shall not exceed $50,000 ($25,000 in the case of a married individual filing a separate return).

''(c) QUALIFIED REHABILITATION EXPENDITURE.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified rehabilitation expenditure' means any amount properly chargeable to capital account—

''(A) in connection with the certified rehabilitation of a qualified historic home, and

''(B) for property for which depreciation would be allowable under section 168 if the qualified historic home were used in a trade or business.

''(2) CERTAIN EXPENDITURES NOT INCLUDED.—

''(A) EXTERIOR.—Such term shall not include any expenditure in connection with the rehabilitation of a building unless at least 5 percent of the total expenditures made in the rehabilitation process are allocable to the rehabilitation of the exterior of such building.

''(B) OTHER RULES TO APPLY.—Rules similar to the rules of clauses (ii) and (iii) of section 47(c)(2)(B) shall apply.

''(3) MIXED USE OR MULTIFAMILY BUILDING.—If only a portion of a building is used as the principal residence of the taxpayer, only qualified rehabilitation expenditures which are properly allocable to such portion shall be taken into account under this section.

''(d) CERTIFIED REHABILITATION.—For purposes of this section:

''(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'certified rehabilitation' has the meaning given such term by section 47(c)(2)(C).

''(2) FACTORS TO BE CONSIDERED IN THE CASE OF TARGETED AREA RESIDENCES, ETC.—

''(A) IN GENERAL.—For purposes of applying section 47(c)(2)(C) under this section with respect to the rehabilitation of a building to which this paragraph applies, consideration shall be given to—

''(i) the feasibility of preserving existing architectural and design elements of the interior of such building,

''(ii) the risk of further deterioration or demolition of such building in the event that certification is denied because of the failure to preserve such interior elements, and

''(iii) the effects of such deterioration or demolition on neighboring historic properties.

''(B) BUILDINGS TO WHICH THIS PARAGRAPH APPLIES.—This paragraph shall apply with respect to any building—

''(i) any part of which is a targeted area residence within the meaning of section 143(j)(1), or

''(ii) which is located within an enterprise community or empowerment zone as designated under section 1391,

but shall not apply with respect to any building which is listed in the National Register.

''(3) APPROVED STATE PROGRAM.—The term 'certified rehabilitation' includes a certification made by—

''(A) a State Historic Preservation Officer who administers a State Historic Preservation Program approved by the Secretary of the Interior pursuant to section 101(b)(1) of the National Historic Preservation Act, as in effect on July 21, 1999, or

''(B) a local government, certified pursuant to section 101(c)(1) of the National Historic Preservation Act, as in effect on July 21, 1999, and authorized by a State Historic Preservation Officer, or the Secretary of the Interior where there is no approved State program),

subject to such terms and conditions as may be specified by the Secretary of the Interior for the rehabilitation of buildings within the jurisdiction of such officer (or local government) for purposes of this section.

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

''(1) QUALIFIED HISTORIC HOME.—The term 'qualified historic home' means a certified historic structure—

''(A) which has been substantially rehabilitated, and

''(B) which (or any portion of which)—

''(i) is owned by the taxpayer, and

''(ii) is used (or will, within a reasonable period, be used) by such taxpayer as his principal residence.

''(2) SUBSTANTIALLY REHABILITATED.—The term 'substantially rehabilitated' has the meaning given such term by section 47(c)(1)(C); except that, in the case of any building described in subsection (d)(2), clause (i)(I) of section 47(c)(1)(C) shall not apply.

''(3) PRINCIPAL RESIDENCE.—The term 'principal residence' has the same meaning as when used in section 121.

''(4) CERTIFIED HISTORIC STRUCTURE.—

''(A) IN GENERAL.—The term 'certified historic structure' means any building (and its structural components) which—

''(i) is listed in the National Register, or

''(ii) is located in a registered historic district (as defined in section 47(c)(3)(B)) within which only qualified census tracts (or portions thereof) are located, and is certified by the Secretary of the Interior to the Secretary as being of historic significance to the district.

''(B) CERTAIN STRUCTURES INCLUDED.—Such term includes any building (and its structural components) which is designated as being of historic significance under a statute of a State or local government, if such statute is certified by the Secretary of the Interior to the Secretary as containing criteria which will substantially achieve the purpose of preserving and rehabilitating buildings of historic significance.

''(C) QUALIFIED CENSUS TRACTS.—For purposes of subparagraph (A)(ii)—

''(i) IN GENERAL.—The term 'qualified census tract' means a census tract in which the median family income is less than twice the statewide median family income.

''(ii) DATA USED.—The determination under clause (i) shall be made on the basis of the most recent decennial census for which data are available.

''(5) REHABILITATION NOT COMPLETE BEFORE CERTIFICATION.—A rehabilitation shall not be treated as complete before the date of the certification referred to in subsection (d).

''(6) LESSEES.—A taxpayer who leases his principal residence shall, for purposes of this section, be treated as the owner thereof if the remaining term of the lease (as of the date determined under regulations prescribed by the Secretary) is not less than such minimum period as the regulations require.

''(7) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—If the taxpayer holds stock as a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such stockholder shall be treated as owning the house or apartment which the taxpayer is entitled to occupy as such stockholder.

''(8) ALLOCATION OF EXPENDITURES RELATING TO EXTERIOR OF BUILDING CONTAINING COOPERATIVE OR CONDOMINIUM UNITS.—The percentage of the total expenditures made in the rehabilitation of a building containing cooperative or condominium residential units allocated to the rehabilitation of the exterior of the building shall be attributed proportionately to each cooperative or condominium residential unit in such building for which a deduction under this section is claimed.

''(f) WHEN EXPENDITURES TAKEN INTO ACCOUNT.—Qualified rehabilitation expenditures shall be treated for purposes of this section as made on the date the rehabilitation is completed.

''(g) RECAPTURE.—

''(1) IN GENERAL.—If, before the end of the 5-year period beginning on the date on which the rehabilitation of the building is completed—

''(A) the taxpayer disposes of such taxpayer's interest in such building, or

''(B) such building ceases to be used as the principal residence of the taxpayer,

the taxpayer's gross income for the taxable year in which such disposition or cessation occurs shall be increased by the recapture percentage of the deduction allowed under this section for all prior taxable years with respect to such rehabilitation.

''(2) RECAPTURE PERCENTAGE.—For purposes of paragraph (1), the recapture percentage shall be determined in accordance with the following table:

''If the disposition or cessation occurs within—	The recapture percentage is—
(i) One full year after the taxpayer becomes entitled to the deduction	100
(ii) One full year after the close of the period described in clause (i)	805
(iii) One full year after the close of the period described in clause (ii)	60

''If the disposition or cessation occurs within—	The recapture percentage is—
(iv) One full year after the close of the period described in clause (iii)	40
(v) One full year after the close of the period described in clause (iv)	20.''.

''(h) BASIS ADJUSTMENTS.—For purposes of this subtitle, if a deduction is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the deduction so allowed.

''(i) DENIAL OF DOUBLE BENEFIT.—No deduction shall be allowed under this section for any amount for which credit is allowed under section 47.

''(j) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including regulations where less than all of a building is used as a principal residence and where more than 1 taxpayer use the same dwelling unit as their principal residence.''.

(b) CONFORMING AMENDMENTS.—

(1) Clause (i) of section 56(b)(1)(A) is amended by inserting before the comma ''other than the deduction under section 223 (relating to historic homeownership rehabilitation deduction)''.

(2) Subsection (a) of section 1016 is amended by striking ''and'' at the end of paragraph (27), by striking the period at the end of paragraph (28) and inserting '', and'', and by adding at the end the following new item:

''(29) to the extent provided in section 223(h).''.

(c) CLERICAL AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1 is amended by striking the item relating to section 223 and inserting the following new items:

''Sec. 223. Historic homeownership rehabilitation deduction.

''Sec. 224. Cross reference.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to expenses paid or incurred in taxable years beginning after December 31, 1999.

TITLE XII—PROVISIONS RELATING TO PENSIONS

Subtitle A—Expanding Coverage

SEC. 1201. INCREASE IN BENEFIT AND CONTRIBUTION LIMITS.

(a) DEFINED BENEFIT PLANS.—

(1) DOLLAR LIMIT.—

(A) Subparagraph (A) of section 415(b)(1) (relating to limitation for defined benefit plans) is amended by striking ''$90,000'' and inserting ''$160,000''.

(B) Subparagraphs (C) and (D) of section 415(b)(2) are each amended by striking ''$90,000'' each place it appears in the headings and the text and inserting ''$160,000''.

(C) Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by striking ''the greater of $68,212 or one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$90,000' '' and inserting ''one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$160,000' ''.

(2) LIMIT REDUCED WHEN BENEFIT BEGINS BEFORE AGE 62.—Subparagraph (C) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 62''.

(3) LIMIT INCREASED WHEN BENEFIT BEGINS AFTER AGE 65.—Subparagraph (D) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 65''.

(4) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking ''$90,000'' in paragraph (1)(A) and inserting ''$160,000'', and

(B) in paragraph (3)(A)—

(i) by striking ''$90,000'' in the heading and inserting ''$160,000'', and

(ii) by striking ''October 1, 1986'' and inserting ''July 1, 2000''.

(5) CONFORMING AMENDMENT.—Section 415(b)(2) is amended by striking subparagraph (F).

(b) DEFINED CONTRIBUTION PLANS.—

(1) DOLLAR LIMIT.—Subparagraph (A) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''$30,000'' and inserting ''$40,000''.

(2) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking ''$30,000'' in paragraph (1)(C) and inserting ''$40,000'', and

(B) in paragraph (3)(D)—

(i) by striking ''$30,000'' in the heading and inserting ''$40,000'', and

(ii) by striking ''October 1, 1993'' and inserting ''July 1, 2000''.

(c) QUALIFIED TRUSTS.—

(1) COMPENSATION LIMIT.—Sections 401(a)(17), 404(l), 408(k), and 505(b)(7) are each amended by striking ''$150,000'' each place it appears and inserting ''$200,000''.

(2) BASE PERIOD AND ROUNDING OF COST-OF-LIVING ADJUSTMENT.—Subparagraph (B) of section 401(a)(17) is amended—

(A) by striking ''October 1, 1993'' and inserting ''July 1, 2000'', and

(B) by striking ''$10,000'' both places it appears and inserting ''$5,000''.

(d) ELECTIVE DEFERRALS.—

(1) IN GENERAL.—Paragraph (1) of section 402(g) (relating to limitation on exclusion for elective deferrals) is amended to read as follows:

''(1) IN GENERAL.—

''(A) LIMITATION.—Notwithstanding subsections (e)(3) and (h)(1)(B), the elective deferrals of any individual for any taxable year shall be included in such individual's gross income to the extent the amount of such deferrals for the taxable year exceeds the applicable dollar amount.

''(B) APPLICABLE DOLLAR AMOUNT.—For purposes of subparagraph (A), the applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	**The applicable dollar amount:**
2001	$11,000
2002	$12,000
2003	$13,000
2004	$14,000
2005 or thereafter	$15,000.''

(2) COST-OF-LIVING ADJUSTMENT.—Paragraph (5) of section 402(g) is amended to read as follows:

''(5) COST-OF-LIVING ADJUSTMENT.—In the case of taxable years beginning after December 31, 2005, the Secretary shall adjust the $15,000 amount under paragraph (1)(B) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2004, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Section 402(g) (relating to limitation on exclusion for elective deferrals), as amended by paragraphs (1) and (2), is further amended by striking paragraph (4) and redesignating paragraphs (5), (6), (7), (8), and (9) as paragraphs (4), (5), (6), (7), and (8), respectively.

(B) Paragraph (2) of section 457(c) is amended by striking ''402(g)(8)(A)(iii)'' and inserting ''402(g)(7)(A)(iii)''.

(C) Clause (iii) of section 501(c)(18)(D) is amended by striking ''(other than paragraph (4) thereof)''.

(e) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended—

(A) in subsections (b)(2)(A) and (c)(1) by striking ''$7,500'' each place it appears and inserting ''the applicable dollar amount'', and

(B) in subsection (b)(3)(A) by striking ''$15,000'' and inserting ''twice the dollar amount in effect under subsection (b)(2)(A)''.

(2) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—Paragraph (15) of section 457(e) is amended to read as follows:

''(15) APPLICABLE DOLLAR AMOUNT.—

''(A) IN GENERAL.—The applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	**The applicable dollar amount:**
2001	$11,000
2002	$12,000
2003	$13,000
2004	$14,000
2005 or thereafter	$15,000.

''(B) COST-OF-LIVING ADJUSTMENTS.—In the case of taxable years beginning after December 31, 2005, the Secretary shall adjust the $15,000 amount specified in the table in subparagraph (A) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2004, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(f) SIMPLE RETIREMENT ACCOUNTS.—

(1) LIMITATION.—Clause (ii) of section 408(p)(2)(A) (relating to general rule for qualified salary reduction arrangement) is amended by striking ''$6,000'' and inserting ''the applicable dollar amount''.

(2) APPLICABLE DOLLAR AMOUNT.—Subparagraph (E) of 408(p)(2) is amended to read as follows:

''(E) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—For purposes of subparagraph (A)(ii), the applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	**The applicable dollar amount:**
2001	$7,000
2002	$8,000
2003	$9,000
2004 or thereafter	$10,000.

''(ii) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2004, the Secretary shall adjust the $10,000 amount under clause (i) at the same time

and in the same manner as under section 415(d), except that the base period taken into account shall be the calendar quarter beginning July 1, 2003, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Clause (I) of section 401(k)(11)(B)(i) is amended by striking ''$6,000'' and inserting ''the amount in effect under section 408(p)(2)(A)(ii)''.

(B) Section 401(k)(11) is amended by striking subparagraph (E).

(g) ROUNDING RULE RELATING TO DEFINED BENEFIT PLANS AND DEFINED CONTRIBUTION PLANS.—Paragraph (4) of section 415(d) is amended to read as follows:

''(4) ROUNDING.—

''(A) $160,000 AMOUNT.—Any increase under subparagraph (A) of paragraph (1) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

''(B) $40,000 AMOUNT.—Any increase under subparagraph (C) of paragraph (1) which is not a multiple of $1,000 shall be rounded to the next lowest multiple of $1,000.''.

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

SEC. 1202. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(a) AMENDMENT TO 1986 CODE.—Subparagraph (B) of section 4975(f)(6) (relating to exemptions not to apply to certain transactions) is amended by adding at the end the following new clause:

''(iii) LOAN EXCEPTION.—For purposes of subparagraph (A)(i), the term 'owner-employee' shall only include a person described in subclause (II) or (III) of clause (i).''.

(b) AMENDMENT TO ERISA.—Section 408(d)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1108(d)(2)) is amended by adding at the end the following new subparagraph:

''(C) For purposes of paragraph (1)(A), the term 'owner-employee' shall only include a person described in clause (ii) or (iii) of subparagraph (A).''.

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

SEC. 1203. MODIFICATION OF TOP-HEAVY RULES.

(a) SIMPLIFICATION OF DEFINITION OF KEY EMPLOYEE.—

(1) IN GENERAL.—Section 416(i)(1)(A) (defining key employee) is amended—

(A) by striking ''or any of the 4 preceding plan years'' in the matter preceding clause (i),

(B) by striking clause (i) and inserting the following:

''(i) an officer of the employer having an annual compensation greater than $150,000,'',

(C) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively, and

(D) by striking the second sentence in the matter following clause (iii), as redesignated by subparagraph (C).

(2) CONFORMING AMENDMENT.—Section 416(i)(1)(B)(iii) is amended by striking ''and subparagraph (A)(ii)''.

(b) MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section 416(c)(2)(A) (relating to defined contribution plans) is amended by adding at the end the following: ''Employer matching contributions (as defined in section 401(m)(4)(A)) shall be taken into account for purposes of this subparagraph.''.

(c) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

(1) IN GENERAL.—Paragraph (3) of section 416(g) is amended to read as follows:

''(3) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

''(A) IN GENERAL.—For purposes of determining—

''(i) the present value of the cumulative accrued benefit for any employee, or

''(ii) the amount of the account of any employee,

such present value or amount shall be increased by the aggregate distributions made with respect to such employee under the plan during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which if it had not been terminated would have been required to be included in an aggregation group.

''(B) 5-YEAR PERIOD IN CASE OF IN-SERVICE DISTRIBUTION.—In the case of any distribution made for a reason other than separation from service, death, or disability, subparagraph (A) shall be applied by substituting '5-year period' for '1-year period'.''.

(2) BENEFITS NOT TAKEN INTO ACCOUNT.—Subparagraph (E) of section 416(g)(4) is amended—

(A) by striking ''LAST 5 YEARS'' in the heading and inserting ''LAST YEAR BEFORE DETERMINATION DATE'', and

(B) by striking ''5-year period'' and inserting ''1-year period''.

(d) DEFINITION OF TOP-HEAVY PLANS.—Paragraph (4) of section 416(g) (relating to other special rules for top-heavy plans) is amended by adding at the end the following new subparagraph:

''(H) CASH OR DEFERRED ARRANGEMENTS USING ALTERNATIVE METHODS OF MEETING NONDISCRIMINATION REQUIREMENTS.—The term 'top-heavy plan' shall not include a plan which consists solely of—

''(i) a cash or deferred arrangement which meets the requirements of section 401(k)(12), and

''(ii) matching contributions with respect to which the requirements of section 401(m)(11) are met.

If, but for this subparagraph, a plan would be treated as a top-heavy plan because it is a member of an aggregation group which is a top-heavy group, contributions under the plan may be taken into account in determining whether any other plan in the group meets the requirements of subsection (c)(2).''.

(e) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT REQUIREMENT.—Subparagraph (C) of section 416(c)(1) (relating to defined benefit plans) is amended—

(A) by striking ''clause (ii)'' in clause (i) and inserting ''clause (ii) or (iii)'', and

(B) by adding at the end the following:

''(iii) EXCEPTION FOR FROZEN PLAN.—For purposes of determining an employee's years of service with the employer, any service with the employer shall be disregarded to the extent that such service occurs during a plan year when the plan benefits (within the meaning of section 410(b)) no employee or former employee.''.

(f) ELIMINATION OF FAMILY ATTRIBUTION.—Section 416(i)(1)(B) (defining 5-percent owner) is amended by adding at the end the following new clause:

''(iv) FAMILY ATTRIBUTION DISREGARDED.—Solely for purposes of applying this paragraph (and not for purposes of any provision of this title which incorporates by reference the definition of a key employee or 5-percent owner under this paragraph), section 318 shall be applied without regard to subsection (a)(1) thereof in determining whether any person is a 5-percent owner.''.

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

SEC. 1204. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.

(a) IN GENERAL.—Section 404 (relating to deduction for contributions of an employer to an employees' trust or annuity plan and compensation under a deferred payment plan) is amended by adding at the end the following new subsection:

''(n) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.—Elective deferrals (as defined in section 402(g)(3)) shall not be subject to any limitation contained in paragraph (3), (7), or (9) of subsection (a), and such elective deferrals shall not be taken into account in applying any such limitation to any other contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2000.

SEC. 1205. REPEAL OF COORDINATION REQUIREMENTS FOR DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Subsection (c) of section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations), as amended by section 1201, is amended to read as follows:

''(c) LIMITATION.—The maximum amount of the compensation of any one individual which may be deferred under subsection (a) during any taxable year shall not exceed the amount in effect under subsection (b)(2)(A) (as modified by any adjustment provided under subsection (b)(3)).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2000.

SEC. 1206. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING PENSION PLANS.

(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary of the Treasury or the Secretary's delegate shall not require payment of user fees under the program established under section 7527 of the Internal Revenue Code of 1986 for requests to the Internal Revenue Service for determination letters with respect to the qualified status of a pension benefit plan maintained solely by one or more eligible employers or any trust which is part of the plan. The preceding sentence shall not apply to any request—

(1) made after the 5th plan year the pension benefit plan is in existence, or

(2) made by the sponsor of any prototype or similar plan which the sponsor intends to market to participating employers.

(b) PENSION BENEFIT PLAN.—For purposes of this section, the term ''pension benefit plan'' means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan.

(c) ELIGIBLE EMPLOYER.—For purposes of this section, the term ''eligible employer'' has the same meaning given such term in section 408(p)(2)(C)(i)(I) of the Internal Revenue Code of 1986. The determination of whether an employer is an eligible employer under this section shall be made as of the date of the request described in subsection (a).

(d) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 2000.

SEC. 1207. DEDUCTION LIMITS.

(a) IN GENERAL.—Section 404(a) (relating to general rule) is amended by adding at the end the following:

''(12) DEFINITION OF COMPENSATION.—For purposes of paragraphs (3), (7), (8), and (9), the term 'compensation' shall include amounts treated as participant's compensation under subparagraph (C) or (D) of section 415(c)(3).''.

(b) CONFORMING AMENDMENT.—Subparagraph (B) of section 404(a)(3) is amended by striking the last sentence thereof.

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

SEC. 1208. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX CONTRIBUTIONS.

(a) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 (relating to deferred compensation, etc.) is amended by inserting after section 402 the following new section:

''SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFERRALS AS PLUS CONTRIBUTIONS.

''(a) GENERAL RULE.—If an applicable retirement plan includes a qualified plus contribution program—

''(1) any designated plus contribution made by an employee pursuant to the program shall be treated as an elective deferral for purposes of this chapter, except that such contribution shall not be excludable from gross income, and

''(2) such plan (and any arrangement which is part of such plan) shall not be treated as failing to meet any requirement of this chapter solely by reason of including such program.

''(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified plus contribution program' means a program under which an employee may elect to make designated plus contributions in lieu of all or a portion of elective deferrals the employee is otherwise eligible to make under the applicable retirement plan.

''(2) SEPARATE ACCOUNTING REQUIRED.—A program shall not be treated as a qualified plus contribution program unless the applicable retirement plan—

''(A) establishes separate accounts ('designated plus accounts') for the designated plus contributions of each employee and any earnings properly allocable to the contributions, and

''(B) maintains separate recordkeeping with respect to each account.

''(c) DEFINITIONS AND RULES RELATING TO DESIGNATED PLUS CONTRIBUTIONS.—For purposes of this section—

''(1) DESIGNATED PLUS CONTRIBUTION.—The term 'designated plus contribution' means any elective deferral which—

''(A) is excludable from gross income of an employee without regard to this section, and

''(B) the employee designates (at such time and in such manner as the Secretary may prescribe) as not being so excludable.

''(2) DESIGNATION LIMITS.—The amount of elective deferrals which an employee may designate under paragraph (1) shall not exceed the excess (if any) of—

''(A) the maximum amount of elective deferrals excludable from gross income of the employee for the taxable year (without regard to this section), over

''(B) the aggregate amount of elective deferrals of the employee for the taxable year which the employee does not designate under paragraph (1).

''(3) ROLLOVER CONTRIBUTIONS.—

''(A) IN GENERAL.—A rollover contribution of any payment or distribution from a designated plus account which is otherwise allowable under this chapter may be made only if the contribution is to—

''(i) another designated plus account of the individual from whose account the payment or distribution was made, or

''(ii) a Roth IRA of such individual.

''(B) COORDINATION WITH LIMIT.—Any rollover contribution to a designated plus account under subparagraph (A) shall not be taken into account for purposes of paragraph (1).

''(d) DISTRIBUTION RULES.—For purposes of this title—

''(1) EXCLUSION.—Any qualified distribution from a designated plus account shall not be includible in gross income.

''(2) QUALIFIED DISTRIBUTION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified distribution' has the meaning given such term by section 408A(d)(2)(A) (without regard to clause (iv) thereof).

''(B) DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.—A payment or distribution from a designated plus account shall not be treated as a qualified distribution if such payment or distribution is made within the 5-taxable-year period beginning with the earlier of—

''(i) the 1st taxable year for which the individual made a designated plus contribution to any designated plus account established for such individual under the same applicable retirement plan, or

''(ii) if a rollover contribution was made to such designated plus account from a designated plus account previously established for such individual under another applicable retirement plan, the 1st taxable year for which the individual made a designated plus contribution to such previously established account.

''(C) DISTRIBUTIONS OF EXCESS DEFERRALS AND EARNINGS.—The term 'qualified distribution' shall not include any distribution of any excess deferral under section 402(g)(2) and any income on the excess deferral.

''(3) AGGREGATION RULES.—Section 72 shall be applied separately with respect to distributions and payments from a designated plus account and other distributions and payments from the plan.

''(e) OTHER DEFINITIONS.—For purposes of this section—

''(1) APPLICABLE RETIREMENT PLAN.—The term 'applicable retirement plan' means—

''(A) an employees' trust described in section 401(a) which is exempt from tax under section 501(a), and

''(B) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b).

''(2) ELECTIVE DEFERRAL.—The term 'elective deferral' means any elective deferral described in subparagraph (A) or (C) of section 402(g)(3).''.

(b) EXCESS DEFERRALS.—Section 402(g) (relating to limitation on exclusion for elective deferrals) is amended—

(1) by adding at the end of paragraph (1) the following new sentence: ''The preceding sentence shall not apply to so much of such excess as does not exceed the designated plus contributions of the individual for the taxable year.'', and

(2) by inserting ''(or would be included but for the last sentence thereof)'' after ''paragraph (1)'' in paragraph (2)(A).

(c) ROLLOVERS.—Subparagraph (B) of section 402(c)(8) is amended by adding at the end the following:

''If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated plus account (as defined in section 402A), an eligible retirement plan with respect to such portion shall include only another designated plus account and a Roth IRA.''.

(d) REPORTING REQUIREMENTS.—

(1) W–2 INFORMATION.—Section 6051(a)(8) is amended by inserting '', including the amount of designated plus contributions (as defined in section 402A)'' before the comma at the end.

(2) INFORMATION.—Section 6047 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

''(f) DESIGNATED PLUS CONTRIBUTIONS.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such returns and reports regarding designated plus contributions (as so defined) to the Secretary, participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.''.

(e) CONFORMING AMENDMENTS.—

(1) Section 408A(e) is amended by adding after the first sentence the following new sentence: ''Such term includes a rollover contribution described in section 402A(c)(3)(A).''.

(2) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 402 the following new item:

''Sec. 402A. Optional treatment of elective deferrals as plus contributions.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 1209. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subparagraph (A) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

(1) in clause (i), by inserting ''other than a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined),'' after ''single-employer plan,'',

(2) in clause (iii), by striking the period at the end and inserting '', and'', and

(3) by adding at the end the following new clause:

''(iv) in the case of a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined) for the plan year, $5 for each individual who is a participant in such plan during the plan year.''.

(b) DEFINITION OF NEW SINGLE-EMPLOYER PLAN.—Section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)) is amended by adding at the end the following new subparagraph:

''(F)(i) For purposes of this paragraph, a single-employer plan maintained by a contributing sponsor shall be treated as a new single-employer plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of such plan, the sponsor or any member of such sponsor's controlled group (or any predecessor of either) had not established or maintained a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new single-employer plan.

''(ii)(I) For purposes of this paragraph, the term 'small employer' means an employer which on the first day of any plan year has, in aggregation with all members of the controlled group of such employer, 100 or fewer employees.

''(II) In the case of a plan maintained by 2 or more contributing sponsors that are not

part of the same controlled group, the employees of all contributing sponsors and controlled groups of such sponsors shall be aggregated for purposes of determining whether any contributing sponsor is a small employer.''.

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

SEC. 1210. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR NEW AND SMALL PLANS.

(a) NEW PLANS.—Subparagraph (E) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the end the following new clause:

''(v) In the case of a new defined benefit plan, the amount determined under clause (ii) for any plan year shall be an amount equal to the product of the amount determined under clause (ii) and the applicable percentage. For purposes of this clause, the term 'applicable percentage' means—

''(I) 0 percent, for the first plan year.

''(II) 20 percent, for the second plan year.

''(III) 40 percent, for the third plan year.

''(IV) 60 percent, for the fourth plan year.

''(V) 80 percent, for the fifth plan year.

For purposes of this clause, a defined benefit plan (as defined in section 3(35)) maintained by a contributing sponsor shall be treated as a new defined benefit plan for its first 5 plan years if, during the 36-month period ending on the date of the adoption of the plan, the sponsor and each member of any controlled group including the sponsor (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new plan.''.

(b) SMALL PLANS.—Paragraph (3) of section 4006(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)) is amended—

(1) by striking ''The'' in subparagraph (E)(i) and inserting ''Except as provided in subparagraph (G), the'', and

(2) by inserting after subparagraph (F) the following new subparagraph:

''(G)(i) In the case of an employer who has 25 or fewer employees on the first day of the plan year, the additional premium determined under subparagraph (E) for each participant shall not exceed $5 multiplied by the number of participants in the plan as of the close of the preceding plan year.

''(ii) For purposes of clause (i), whether an employer has 25 or fewer employees on the first day of the plan year is determined taking into consideration all of the employees of all members of the contributing sponsor's controlled group. In the case of a plan maintained by 2 or more contributing sponsors, the employees of all contributing sponsors and their controlled groups shall be aggregated for purposes of determining whether 25-or-fewer-employees limitation has been satisfied.''.

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to plans established after December 31, 2000.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to plan years beginning after December 31, 2000.

Subtitle B—Enhancing Fairness for Women

SEC. 1221. CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.

(a) IN GENERAL.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

''(v) CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.—

''(1) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet any requirement of this title solely because the plan permits an eligible participant to make additional elective deferrals in any plan year.

''(2) LIMITATION ON AMOUNT OF ADDITIONAL DEFERRALS.—

''(A) IN GENERAL.—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of—

''(i) the applicable percentage of the applicable dollar amount for such elective deferrals for such year, or

''(ii) the excess (if any) of—

''(I) the participant's compensation for the year, over

''(II) any other elective deferrals of the participant for such year which are made without regard to this subsection.

''(B) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be determined in accordance with the following table:

''For taxable years beginning in:	**The applicable percentage is:**
2001	10 percent
2002	20 percent
2003	30 percent
2004	40 percent
2005 and thereafter	50 percent.

''(3) TREATMENT OF CONTRIBUTIONS.—In the case of any contribution to a plan under paragraph (1)—

''(A) such contribution shall not, with respect to the year in which the contribution is made—

''(i) be subject to any otherwise applicable limitation contained in section 402(g), 402(h), 403(b), 404(a), 404(h), 408, 415, or 457, or

''(ii) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan, and

''(B) such plan shall not be treated as failing to meet the requirements of section 401(a)(4), 401(a)(26), 401(k)(3), 401(k)(11), 401(k)(12), 401(m), 403(b)(12), 408(k), 408(p), 408B, 410(b), or 416 by reason of the making of (or the right to make) such contribution.

''(4) ELIGIBLE PARTICIPANT.—For purposes of this subsection, the term 'eligible participant' means, with respect to any plan year, a participant in a plan—

''(A) who has attained the age of 50 before the close of the plan year, and

''(B) with respect to whom no other elective deferrals may (without regard to this subsection) be made to the plan for the plan year by reason of the application of any limitation or other restriction described in paragraph (3) or contained in the terms of the plan.

''(5) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

''(A) APPLICABLE DOLLAR AMOUNT.—The term 'applicable dollar amount' means, with respect to any year, the amount in effect under section 402(g)(1)(B), 408(p)(2)(E)(i), or 457(e)(15)(A), whichever is applicable to an applicable employer plan, for such year.

''(B) APPLICABLE EMPLOYER PLAN.—The term 'applicable employer plan' means—

''(i) an employees' trust described in section 401(a) which is exempt from tax under section 501(a),

''(ii) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b),

''(iii) an eligible deferred compensation plan under section 457 of an eligible employer as defined in section 457(e)(1)(A), and

''(iv) an arrangement meeting the requirements of section 408 (k) or (p).

''(C) ELECTIVE DEFERRAL.—The term 'elective deferral' has the meaning given such term by subsection (u)(2)(C).

''(D) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to an applicable employer plan described in subparagraph (B)(iii) for any year to which section 457(b)(3) applies.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2000.

SEC. 1222. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF EMPLOYEES TO DEFINED CONTRIBUTION PLANS.

(a) EQUITABLE TREATMENT.—

(1) IN GENERAL.—Subparagraph (B) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''25 percent'' and inserting ''100 percent''.

(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'',

(B) by striking paragraph (2), and

(C) by inserting ''or any amount received by a former employee after the 5th taxable year following the taxable year in which such employee was terminated'' before the period at the end of the second sentence of paragraph (3).

(3) CONFORMING AMENDMENTS.—

(A) Subsection (f) of section 72 is amended by striking ''section 403(b)(2)(D)(iii))'' and inserting ''section 403(b)(2)(D)(iii), as in effect before the enactment of the Taxpayer Refund and Relief Act of 1999)''.

(B) Section 404(a)(10)(B) is amended by striking '', the exclusion allowance under section 403(b)(2),''.

(C) Section 415(a)(2) is amended by striking '', and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)''.

(D) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

''(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation' means the participant's includible compensation determined under section 403(b)(3).''.

(E) Section 415(c) is amended by striking paragraph (4).

(F) Section 415(c)(7) is amended to read as follows:

''(7) CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.—

''(A) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church or a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of $10,000.

''(B) $40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed $40,000.

''(C) ANNUAL ADDITION.—For purposes of this paragraph, the term 'annual addition'

has the meaning given such term by paragraph (2).''.

(G) Subparagraph (B) of section 402(g)(7) (as redesignated by section 1201) is amended by inserting before the period at the end the following: ''(as in effect before the enactment of the Taxpayer Refund and Relief Act of 1999)''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2000.

(b) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—

(1) IN GENERAL.—Subsection (k) of section 415 is amended by adding at the end the following new paragraph:

''(4) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—For purposes of this section, any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the control required under subsection (b) or (c) of section 414 (as modified by subsection (h)). For purposes of this section, any contribution by an employer to a simplified employee pension plan for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.''.

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to limitation years beginning after December 31, 1999.

(B) EXCLUSION ALLOWANCE.—Effective for limitation years beginning in 2000, in the case of any annuity contract described in section 403(b) of the Internal Revenue Code of 1986, the amount of the contribution disqualified by reason of section 415(g) of such Code shall reduce the exclusion allowance as provided in section 403(b)(2) of such Code.

(3) MODIFICATION OF 403(b) EXCLUSION ALLOWANCE TO CONFORM TO 415 MODIFICATION.—The Secretary of the Treasury shall modify the regulations regarding the exclusion allowance under section 403(b)(2) of the Internal Revenue Code of 1986 to render void the requirement that contributions to a defined benefit pension plan be treated as previously excluded amounts for purposes of the exclusion allowance. For taxable years beginning after December 31, 1999, such regulations shall be applied as if such requirement were void.

(c) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Subparagraph (B) of section 457(b)(2) (relating to salary limitation on eligible deferred compensation plans) is amended by striking ''33⅓ percent'' and inserting ''100 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2000.

SEC. 1223. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) AMENDMENTS TO 1986 CODE.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (12), a plan'', and

(2) by adding at the end the following:

''(12) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

''Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(b) AMENDMENTS TO ERISA.—Section 203(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (4), a plan'', and

(2) by adding at the end the following:

''(4) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A) of the Internal Revenue Code of 1986), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

''Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning after December 31, 2000.

(2) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified by the date of enactment of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of enactment), or

(ii) January 1, 2001, or

(B) January 1, 2005.

(3) SERVICE REQUIRED.—With respect to any plan, the amendments made by this section shall not apply to any employee before the date that such employee has 1 hour of service under such plan in any plan year to which the amendments made by this section apply.

SEC. 1224. SIMPLIFY AND UPDATE THE MINIMUM DISTRIBUTION RULES.

(a) SIMPLIFICATION AND FINALIZATION OF MINIMUM DISTRIBUTION REQUIREMENTS.—

(1) IN GENERAL.—The Secretary of the Treasury shall—

(A) simplify and finalize the regulations relating to minimum distribution requirements under sections 401(a)(9), 408(a)(6) and (b)(3), 403(b)(10), and 457(d)(2) of the Internal Revenue Code of 1986, and

(B) modify such regulations to—

(i) reflect current life expectancy, and

(ii) revise the required distribution methods so that, under reasonable assumptions, the amount of the required minimum distribution does not decrease over a participant's life expectancy.

(2) FRESH START.—Notwithstanding subparagraph (D) of section 401(a)(9) of such Code, during the first year that regulations are in effect under this subsection, required distributions for future years may be redetermined to reflect changes under such regulations. Such redetermination shall include the opportunity to choose a new designated beneficiary and to elect a new method of calculating life expectancy.

(3) EFFECTIVE DATE FOR REGULATIONS.—Regulations referred to in paragraph (1) shall be effective for years beginning after December 31, 2000, and shall apply in such years without regard to whether an individual had previously begun receiving minimum distributions.

(b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD BEGUN BEFORE DEATH OCCURS.—

(1) IN GENERAL.—Subparagraph (B) of section 401(a)(9) is amended by striking clause (i) and redesignating clauses (ii), (iii), and (iv) as clauses (i), (ii), and (iii), respectively.

(2) CONFORMING CHANGES.—

(A) Clause (i) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking ''FOR OTHER CASES'' in the heading, and

(ii) by striking ''the distribution of the employee's interest has begun in accordance with subparagraph (A)(ii)'' and inserting ''his entire interest has been distributed to him,''.

(B) Clause (ii) of section 401(a)(9)(B) (as so redesignated) is amended by striking ''clause (ii)'' and inserting ''clause (i)''.

(C) Clause (iii) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking ''clause (iii)(I)'' and inserting ''clause (ii)(I)'',

(ii) by striking ''clause (iii)(III)'' in subclause (I) and inserting ''clause (ii)(III)'',

(iii) by striking ''the date on which the employee would have attained the age 70½,'' in subclause (I) and inserting ''April 1 of the calendar year following the calendar year in which the spouse attains 70½,'', and

(iv) by striking ''the distributions to such spouse begin,'' in subclause (II) and inserting ''his entire interest has been distributed to him,''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2000.

(c) REDUCTION IN EXCISE TAX.—

(1) IN GENERAL.—Subsection (a) of section 4974 is amended by striking ''50 percent'' and inserting ''10 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2000.

SEC. 1225. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.

(a) IN GENERAL.—Section 414(p)(11) (relating to application of rules to governmental and church plans) is amended—

(1) by inserting ''or an eligible deferred compensation plan (within the meaning of section 457(b))'' after ''subsection (e))'', and

(2) in the heading, by striking ''GOVERNMENTAL AND CHURCH PLANS'' and inserting ''CERTAIN OTHER PLANS''.

(b) WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.—Paragraph (10) of section 414(p) is amended by striking ''and section 409(d)'' and inserting ''section 409(d), and section 457(d)''.

(c) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (11) the following new paragraph:

''(12) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers, distributions, and payments made after December 31, 2000.

SEC. 1226. MODIFICATION OF SAFE HARBOR RELIEF FOR HARDSHIP WITHDRAWALS FROM CASH OR DEFERRED ARRANGEMENTS.

(a) IN GENERAL.—The Secretary of the Treasury shall revise the regulations relating to hardship distributions under section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986 to provide that the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need shall be equal to 6 months.

(b) EFFECTIVE DATE.—The revised regulations under subsection (a) shall apply to years beginning after December 31, 2000.

Subtitle C—Increasing Portability for Participants

SEC. 1231. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

(a) ROLLOVERS FROM AND TO SECTION 457 PLANS.—

(1) ROLLOVERS FROM SECTION 457 PLANS.—

(A) IN GENERAL.—Section 457(e) (relating to other definitions and special rules) is amended by adding at the end the following:

''(16) ROLLOVER AMOUNTS.—

''(A) GENERAL RULE.—In the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A), if—

''(i) any portion of the balance to the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) without regard to subparagraph (C) thereof),

''(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

''(iii) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed,

then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C)) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).

''(C) REPORTING.—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).''.

(B) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.—Section 457(b)(2) (defining eligible deferred compensation plan) is amended by inserting ''(other than rollover amounts)'' after ''taxable year''.

(C) DIRECT ROLLOVER.—Paragraph (1) of section 457(d) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by inserting after subparagraph (B) the following:

''(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31).

Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.''.

(D) WITHHOLDING.—

(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

''(E) under or to an eligible deferred compensation plan which, at the time of such payment, is a plan described in section 457(b) maintained by an employer described in section 457(e)(1)(A); or''.

(ii) Paragraph (3) of section 3405(c) is amended to read as follows:

''(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A).''.

(iii) LIABILITY FOR WITHHOLDING.—Subparagraph (B) of section 3405(d)(2) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', or'', and by adding at the end the following:

''(iv) section 457(b).''.

(2) ROLLOVERS TO SECTION 457 PLANS.—

(A) IN GENERAL.—Section 402(c)(8)(B) (defining eligible retirement plan) is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by inserting after clause (iv) the following new clause:

''(v) an eligible deferred compensation plan described in section 457(b) of an employer described in section 457(e)(1)(A).''.

(B) SEPARATE ACCOUNTING.—Section 402(c) is amended by adding at the end the following new paragraph:

''(11) SEPARATE ACCOUNTING.—Unless a plan described in clause (v) of paragraph (8)(B) agrees to separately account for amounts rolled into such plan from eligible retirement plans not described in such clause, the plan described in such clause may not accept transfers or rollovers from such retirement plans.''.

(C) 10 PERCENT ADDITIONAL TAX.—Subsection (t) of section 72 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

''(9) SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 457(b)) of an employer described in section 457(e)(1)(A) shall be treated as a distribution from a qualified retirement plan described in 4974(c)(1) to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 4974(c)).''.

(b) ALLOWANCE OF ROLLOVERS FROM AND TO 403(b) PLANS.—

(1) ROLLOVERS FROM SECTION 403(b) PLANS.—Section 403(b)(8)(A)(ii) (relating to rollover amounts) is amended by striking ''such distribution'' and all that follows and inserting ''such distribution to an eligible retirement plan described in section 402(c)(8)(B), and''.

(2) ROLLOVERS TO SECTION 403(b) PLANS.—Section 402(c)(8)(B) (defining eligible retirement plan), as amended by subsection (a), is amended by striking ''and'' at the end of clause (iv), by striking the period at the end of clause (v) and inserting '', and'', and by inserting after clause (v) the following new clause:

''(vi) an annuity contract described in section 403(b).''.

(c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section 402(f) (relating to written explanation to recipients of distributions eligible for rollover treatment) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting '', and'', and by adding at the end the following new subparagraph:

''(E) of the provisions under which distributions from the eligible retirement plan receiving the distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from the plan making such distribution.''.

(d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relating to rollover where spouse receives distribution after death of employee) is amended by striking ''; except that'' and all that follows up to the end period.

(e) CONFORMING AMENDMENTS.—

(1) Section 72(o)(4) is amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(2) Section 219(d)(2) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(3) Section 401(a)(31)(B) is amended by striking ''and 403(a)(4)'' and inserting '', 403(a)(4), 403(b)(8), and 457(e)(16)''.

(4) Subparagraph (A) of section 402(f)(2) is amended by striking ''or paragraph (4) of section 403(a)'' and inserting '', paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)''.

(5) Paragraph (1) of section 402(f) is amended by striking ''from an eligible retirement plan''.

(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking ''another eligible retirement plan'' and inserting ''an eligible retirement plan''.

(7) Subparagraph (B) of section 403(b)(8) is amended to read as follows:

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator.''.

(8) Section 408(a)(1) is amended by striking ''or 403(b)(8)'' and inserting '', 403(b)(8), or 457(e)(16)''.

(9) Subparagraphs (A) and (B) of section 415(b)(2) are each amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(10) Section 415(c)(2) is amended by striking ''and 408(d)(3)'' and inserting ''408(d)(3), and 457(e)(16)''.

(11) Section 4973(b)(1)(A) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(f) EFFECTIVE DATE; SPECIAL RULE.—

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

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendment made by this section.

SEC. 1232. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts) is amended by adding ''or'' at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:

''(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such

plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to this paragraph).

For purposes of clause (ii), the term 'eligible retirement plan' means an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B).''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 403(b) is amended by striking ''section 408(d)(3)(A)(iii)'' and inserting ''section 408(d)(3)(A)(ii)''.

(2) Clause (i) of section 408(d)(3)(D) is amended by striking ''(i), (ii), or (iii)'' and inserting ''(i) or (ii)''.

(3) Subparagraph (G) of section 408(d)(3) is amended to read as follows:

''(G) SIMPLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subsection (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account.''.

(c) EFFECTIVE DATE; SPECIAL RULE.—

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

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amendments made by this section.

SEC. 1233. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.

(a) ROLLOVERS FROM EXEMPT TRUSTS.—Paragraph (2) of section 402(c) (relating to maximum amount which may be rolled over) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution to the extent—

''(A) such portion is transferred in a direct trustee-to-trustee transfer to a qualified trust which is part of a plan which is a defined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(B) such portion is transferred to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B).''.

(b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of section 401(a)(31) (relating to limitation) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution if the plan to which such distribution is transferred—

''(i) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B).''.

(c) RULES FOR APPLYING SECTION 72 TO IRAS.—Paragraph (3) of section 408(d) (relating to special rules for applying section 72) is amended by inserting at the end the following:

''(H) APPLICATION OF SECTION 72.—

''(i) IN GENERAL.—If—

''(I) a distribution is made from an individual retirement plan, and

''(II) a rollover contribution is made to an eligible retirement plan described in section 402(c)(8)(B)(iii), (iv), (v), or (vi) with respect to all or part of such distribution,

then, notwithstanding paragraph (2), the rules of clause (ii) shall apply for purposes of applying section 72.

''(ii) APPLICABLE RULES.—In the case of a distribution described in clause (i)—

''(I) section 72 shall be applied separately to such distribution,

''(II) notwithstanding the pro rata allocation of income on, and investment in, the contract to distributions under section 72, the portion of such distribution rolled over to an eligible retirement plan described in clause (i) shall be treated as from income on the contract (to the extent of the aggregate income on the contract from all individual retirement plans of the distributee), and

''(III) appropriate adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.''.

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

SEC. 1234. HARDSHIP EXCEPTION TO 60-DAY RULE.

(a) EXEMPT TRUSTS.—Paragraph (3) of section 402(c) (relating to transfer must be made within 60 days of receipt) is amended to read as follows:

''(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

''(B) HARDSHIP EXCEPTION.—The Secretary may waive the 60-day requirement under subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(b) IRAS.—Paragraph (3) of section 408(d) (relating to rollover contributions), as amended by section 1233, is amended by adding after subparagraph (H) the following new subparagraph:

''(I) WAIVER OF 60-DAY REQUIREMENT.—The Secretary may waive the 60-day requirement under subparagraphs (A) and (D) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

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

SEC. 1235. TREATMENT OF FORMS OF DISTRIBUTION.

(a) PLAN TRANSFERS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Paragraph (6) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by adding at the end the following:

''(D) PLAN TRANSFERS.—

''(i) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(I) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan,

''(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in subclause (I),

''(III) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan,

''(IV) the election described in subclause (III) was made after the participant or beneficiary received a notice describing the consequences of making the election,

''(V) if the transferor plan provides for an annuity as the normal form of distribution under the plan in accordance with section 417, the transfer is made with the consent of the participant's spouse (if any), and such consent meets requirements similar to the requirements imposed by section 417(a)(2), and

''(VI) the transferee plan allows the participant or beneficiary described in clause (iii) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(ii) Clause (i) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This subparagraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(i) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated, and

''(ii) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(2) AMENDMENT TO ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following:

''(4)(A) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(i) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan;

''(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i);

''(iii) the transfer described in clause (i) was made pursuant to a voluntary election

by the participant or beneficiary whose account was transferred to the transferee plan;

''(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election;

''(v) if the transferor plan provides for an annuity as the normal form of distribution under the plan in accordance with section 205, 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 205(c)(2); and

''(vi) the transferee plan allows the participant or beneficiary described in clause (iii) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(B) Subparagraph (A) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(5) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(A) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated; and

''(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2000.

(b) REGULATIONS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—The last sentence of paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended to read as follows: ''The Secretary shall by regulations provide that this subparagraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner.''.

(2) AMENDMENT TO ERISA.—The last sentence of section 204(g)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)(2)) is amended to read as follows: ''The Secretary of the Treasury shall by regulations provide that this paragraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner.''.

(3) SECRETARY DIRECTED.—Not later than December 31, 2001, the Secretary of the Treasury is directed to issue final regulations under section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g) of the Employee Retirement Income Security Act of 1974, including the regulations required by the amendments made by this subsection. Such regulations shall apply to plan years beginning after December 31, 2001, or such earlier date as is specified by the Secretary of the Treasury.

SEC. 1236. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DESK EXCEPTION.—

(1) SECTION 401(k).—

(A) Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking ''separation from service'' and inserting ''severance from employment''.

(B) Subparagraph (A) of section 401(k)(10) (relating to distributions upon termination of plan or disposition of assets or subsidiary) is amended to read as follows:

''(A) IN GENERAL.—An event described in this subparagraph is the termination of the plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7)).''.

(C) Section 401(k)(10) is amended—

(i) in subparagraph (B)—

(I) by striking ''An event'' in clause (i) and inserting ''A termination'', and

(II) by striking ''the event'' in clause (i) and inserting ''the termination'',

(ii) by striking subparagraph (C), and

(iii) by striking ''OR DISPOSITION OF ASSETS OR SUBSIDIARY'' in the heading.

(2) SECTION 403(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking ''separates from service'' and inserting ''has a severance from employment''.

(B) The heading for paragraph (11) of section 403(b) is amended by striking ''SEPARATION FROM SERVICE'' and inserting ''SEVERANCE FROM EMPLOYMENT''.

(3) SECTION 457.—Clause (ii) of section 457(d)(1)(A) is amended by striking ''is separated from service'' and inserting ''has a severance from employment''.

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

SEC. 1237. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.

(a) 403(b) PLANS.—Subsection (b) of section 403 is amended by adding at the end the following new paragraph:

''(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(b) 457 PLANS.—

(1) Subsection (e) of section 457 is amended by adding after paragraph (16) the following new paragraph:

''(17) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(2) Section 457(b)(2) is amended by striking ''(other than rollover amounts)'' and inserting ''(other than rollover amounts and amounts received in a transfer referred to in subsection (e)(17))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after December 31, 2000.

SEC. 1238. EMPLOYERS MAY DISREGARD ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) QUALIFIED PLANS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

''(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).''.

(2) AMENDMENT TO ERISA.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:

''(4) A plan shall not fail to meet the requirements of this subsection if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Internal Revenue Code of 1986.''.

(b) ELIGIBLE DEFERRED COMPENSATION PLANS.—Clause (i) of section 457(e)(9)(A) is amended by striking ''such amount'' and inserting ''the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))''.

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

SEC. 1239. MINIMUM DISTRIBUTION AND INCLUSION REQUIREMENTS FOR SECTION 457 PLANS.

(a) MINIMUM DISTRIBUTION REQUIREMENTS.—Paragraph (2) of section 457(d) (relating to distribution requirements) is amended to read as follows:

''(2) MINIMUM DISTRIBUTION REQUIREMENTS.—A plan meets the minimum distribution requirements of this paragraph if such plan meets the requirements of section 401(a)(9).''.

(b) INCLUSION IN GROSS INCOME.—

(1) YEAR OF INCLUSION.—Subsection (a) of section 457 (relating to year of inclusion in gross income) is amended to read as follows:

''(a) YEAR OF INCLUSION IN GROSS INCOME.—

''(1) IN GENERAL.—Any amount of compensation deferred under an eligible deferred compensation plan, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income—

''(A) is paid to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(A), and

''(B) is paid or otherwise made available to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(B).

''(2) SPECIAL RULE FOR ROLLOVER AMOUNTS.—To the extent provided in section 72(t)(9), section 72(t) shall apply to any amount includible in gross income under this subsection.''.

(2) CONFORMING AMENDMENTS.—

(A) So much of paragraph (9) of section 457(e) as precedes subparagraph (A) is amended to read as follows:

''(9) BENEFITS OF TAX EXEMPT ORGANIZATION PLANS NOT TREATED AS MADE AVAILABLE BY REASON OF CERTAIN ELECTIONS, ETC.—In the case of an eligible deferred compensation plan of an employer described in subsection (e)(1)(B)—''.

(B) Section 457(d) is amended by adding at the end the following new paragraph:

''(3) SPECIAL RULE FOR GOVERNMENT PLAN.—An eligible deferred compensation plan of an employer described in subsection (e)(1)(A) shall not be treated as failing to meet the requirements of this subsection solely by reason of making a distribution described in subsection (e)(9)(A).''

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

Subtitle D—Strengthening Pension Security and Enforcement

SEC. 1241. REPEAL OF 150 PERCENT OF CURRENT LIABILITY FUNDING LIMIT.

(a) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 412(c)(7) (relating to full-funding limitation) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage'', and

(2) by amending subparagraph (F) to read as follows:

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

''In the case of any plan year beginning in—	The applicable percentage is—
2001	160
2002	165
2003	170.''.

(b) AMENDMENT TO ERISA.—Section 302(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1082(c)(7)) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage'', and

(2) by amending subparagraph (F) to read as follows:

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

''In the case of any plan year beginning in—	The applicable percentage is—
2001	160
2002	165
2003	170.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2000.

SEC. 1242. MAXIMUM CONTRIBUTION DEDUCTION RULES MODIFIED AND APPLIED TO ALL DEFINED BENEFIT PLANS.

(a) IN GENERAL.—Subparagraph (D) of section 404(a)(1) (relating to special rule in case of certain plans) is amended to read as follows:

''(D) SPECIAL RULE IN CASE OF CERTAIN PLANS.—

''(i) IN GENERAL.—In the case of any defined benefit plan, except as provided in regulations, the maximum amount deductible under the limitations of this paragraph shall not be less than the unfunded termination liability (determined as if the proposed termination date referred to in section 4041(b)(2)(A)(i)(II) of the Employee Retirement Income Security Act of 1974 were the last day of the plan year).

''(ii) PLANS WITH LESS THAN 100 PARTICIPANTS.—For purposes of this subparagraph, in the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees (as defined in section 414(q)) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years before the termination date.

''(iii) RULE FOR DETERMINING NUMBER OF PARTICIPANTS.—For purposes of determining whether a plan has more than 100 participants, all defined benefit plans maintained by the same employer (or any member of such employer's controlled group (within the meaning of section 412(l)(8)(C))) shall be treated as 1 plan, but only employees of such member or employer shall be taken into account.

''(iv) PLANS ESTABLISHED AND MAINTAIN BY PROFESSIONAL SERVICE EMPLOYERS.—Clause (i) shall not apply to a plan described in section 4021(b)(13) of the Employee Retirement Income Security Act of 1974.''.

(b) CONFORMING AMENDMENT.—Paragraph (6) of section 4972(c) is amended to read as follows:

''(6) EXCEPTIONS.—In determining the amount of nondeductible contributions for any taxable year, there shall not be taken into account so much of the contributions to 1 or more defined contribution plans which are not deductible when contributed solely because of section 404(a)(7) as does not exceed the greater of—

''(A) the amount of contributions not in excess of 6 percent of compensation (within the meaning of section 404(a)) paid or accrued (during the taxable year for which the contributions were made) to beneficiaries under the plans, or

''(B) the sum of—

''(i) the amount of contributions described in section 401(m)(4)(A), plus

''(ii) the amount of contributions described in section 402(g)(3)(A).

For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to a defined benefit plan and then to amounts described in subparagraph (B).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2000.

SEC. 1243. MISSING PARTICIPANTS.

(a) IN GENERAL.—Section 4050 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1350) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following:

''(c) MULTIEMPLOYER PLANS.—The corporation shall prescribe rules similar to the rules in subsection (a) for multiemployer plans covered by this title that terminate under section 4041A.

''(d) PLANS NOT OTHERWISE SUBJECT TO TITLE.—

''(1) TRANSFER TO CORPORATION.—The plan administrator of a plan described in paragraph (4) may elect to transfer a missing participant's benefits to the corporation upon termination of the plan.

''(2) INFORMATION TO THE CORPORATION.—To the extent provided in regulations, the plan administrator of a plan described in paragraph (4) shall, upon termination of the plan, provide the corporation information with respect to benefits of a missing participant if the plan transfers such benefits—

''(A) to the corporation, or

''(B) to an entity other than the corporation or a plan described in paragraph (4)(B)(ii).

''(3) PAYMENT BY THE CORPORATION.—If benefits of a missing participant were transferred to the corporation under paragraph (1), the corporation shall, upon location of the participant or beneficiary, pay to the participant or beneficiary the amount transferred (or the appropriate survivor benefit) either—

''(A) in a single sum (plus interest), or

''(B) in such other form as is specified in regulations of the corporation.

''(4) PLANS DESCRIBED.—A plan is described in this paragraph if—

''(A) the plan is a pension plan (within the meaning of section 3(2))—

''(i) to which the provisions of this section do not apply (without regard to this subsection), and

''(ii) which is not a plan described in paragraphs (2) through (11) of section 4021(b), and

''(B) at the time the assets are to be distributed upon termination, the plan—

''(i) has missing participants, and

''(ii) has not provided for the transfer of assets to pay the benefits of all missing participants to another pension plan (within the meaning of section 3(2)).

''(5) CERTAIN PROVISIONS NOT TO APPLY.—Subsections (a)(1) and (a)(3) shall not apply to a plan described in paragraph (4).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions made after final regulations implementing subsections (c) and (d) of section 4050 of the Employee Retirement Income Security Act of 1974 (as added by subsection (a)), respectively, are prescribed.

SEC. 1244. EXCISE TAX RELIEF FOR SOUND PENSION FUNDING.

(a) IN GENERAL.—Subsection (c) of section 4972 (relating to nondeductible contributions) is amended by adding at the end the following new paragraph:

''(7) DEFINED BENEFIT PLAN EXCEPTION.—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 412(c)(7), determined without regard to subparagraph (A)(i)(I) thereof). For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to defined contribution plans and then to amounts described in this paragraph. If an employer makes an election under this paragraph for a taxable year, paragraph (6) shall not apply to such employer for such taxable year.''.

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

SEC. 1245. EXCISE TAX ON FAILURE TO PROVIDE NOTICE BY DEFINED BENEFIT PLANS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) AMENDMENT TO 1986 CODE.—Chapter 43 of subtitle D (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

''SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUCING BENEFIT ACCRUALS TO SATISFY NOTICE REQUIREMENTS.

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of any applicable pension plan to meet the requirements of subsection (e) with respect to any applicable individual.

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to any applicable individual shall be $100 for each day in the noncompliance period with respect to such failure.

''(2) NONCOMPLIANCE PERIOD.—For purposes of this section, the term 'noncompliance period' means, with respect to any failure, the period beginning on the date the failure first occurs and ending on the date the failure is corrected.

''(c) LIMITATIONS ON AMOUNT OF TAX.—

''(1) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.—In the case of failures that are due to reasonable cause and not to willful neglect, the tax imposed by subsection (a) for failures during the taxable year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed $500,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as 1 plan. For purposes of this paragraph, if not all persons who are treated as a single employer for purposes of this section have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

''(2) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive relative to the failure involved.

''(d) LIABILITY FOR TAX.—The following shall be liable for the tax imposed by subsection (a):

''(1) In the case of a plan other than a multiemployer plan, the employer.

''(2) In the case of a multiemployer plan, the plan.

''(e) NOTICE REQUIREMENTS FOR PLANS SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.—

''(1) IN GENERAL.—If an applicable pension plan is amended to provide for a significant reduction in the rate of future benefit accrual, the plan administrator shall provide written notice to each applicable individual (and to each employee organization representing applicable individuals).

''(2) NOTICE.—The notice required by paragraph (1) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow applicable individuals to understand the effect of the plan amendment.

''(3) TIMING OF NOTICE.—Except as provided in regulations, the notice required by paragraph (1) shall be provided within a reasonable time before the effective date of the plan amendment.

''(4) DESIGNEES.—Any notice under paragraph (1) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(5) NOTICE BEFORE ADOPTION OF AMENDMENT.—A plan shall not be treated as failing to meet the requirements of paragraph (1) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(f) APPLICABLE INDIVIDUAL; APPLICABLE PENSION PLAN.—For purposes of this section—

''(1) APPLICABLE INDIVIDUAL.—The term 'applicable individual' means, with respect to any plan amendment—

''(A) any participant in the plan, and

''(B) any beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)),

who may reasonably be expected to be affected by such plan amendment.

''(2) APPLICABLE PENSION PLAN.—The term 'applicable pension plan' means—

''(A) any defined benefit plan, or

''(B) an individual account plan which is subject to the funding standards of section 412,

which had 100 or more participants who had accrued a benefit, or with respect to whom contributions were made, under the plan (whether or not vested) as of the last day of the plan year preceding the plan year in which the plan amendment becomes effective. Such term shall not include a governmental plan (within the meaning of section 414(d)) or a church plan (within the meaning of section 414(e)) with respect to which the election provided by section 410(d) has not been made.''.

(b) AMENDMENT TO ERISA.—Section 204(h) of the Employee Retirement Income Security Act or 1974 (29 U.S.C. 1054(h)) is amended by adding at the end the following new paragraph:

''(3)(A) A plan to which paragraph (1) applies shall not be treated as meeting the requirements of such paragraph unless, in addition to any notice required to be provided to an individual or organization under such paragraph, the plan administrator provides the notice described in subparagraph (B).

''(B) The notice required by subparagraph (A) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary of the Treasury) to allow individuals to understand the effect of the plan amendment.

''(C) Except as provided in regulations prescribed by the Secretary of the Treasury, the notice required by subparagraph (A) shall be provided within a reasonable time before the effective date of the plan amendment.

''(D) A plan shall not be treated as failing to meet the requirements of subparagraph (A) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.''.

(c) CLERICAL 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 applicable plans reducing benefit accruals to satisfy notice requirements.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan amendments taking effect on or after the date of the enactment of this Act.

(2) TRANSITION.—Until such time as the Secretary of the Treasury issues regulations under sections 4980F(e)(2) and (3) of the Internal Revenue Code of 1986 and section 204(h)(3) of the Employee Retirement Income Security Act of 1974 (as added by the amendments made by this section), a plan shall be treated as meeting the requirements of such sections if it makes a good faith effort to comply with such requirements.

(3) SPECIAL RULE.—The period for providing any notice required by the amendments made by this section shall not end before the date which is 3 months after the date of the enactment of this Act.

SEC. 1246. PROTECTION OF INVESTMENT OF EMPLOYEE CONTRIBUTIONS TO 401(K) PLANS.

(a) IN GENERAL.—Section 1524(b) of the Taxpayer Relief Act of 1997 is amended to read as follows:

''(b) EFFECTIVE DATE.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 1998.

''(2) NONAPPLICATION TO PREVIOUSLY ACQUIRED PROPERTY.—The amendments made by this section shall not apply to any elective deferral which is invested in assets consisting of qualifying employer securities, qualifying employer real property, or both, if such assets were acquired before January 1, 1999.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply as if included in the provision of the Taxpayer Relief Act of 1997 to which it relates.

SEC. 1247. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

''(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2000.

Subtitle E—Reducing Regulatory Burdens

SEC. 1251. MODIFICATION OF TIMING OF PLAN VALUATIONS.

(a) IN GENERAL.—Section 412(c)(9) (relating to annual valuation) is amended—

(1) by striking ''For purposes'' and inserting the following:

''(A) IN GENERAL.—For purposes'', and

(2) by adding at the end the following:

''(B) ELECTION TO USE PRIOR YEAR VALUATION.—

''(i) IN GENERAL.—Except as provided in clause (ii), if, for any plan year—

''(I) an election is in effect under this subparagraph with respect to a plan, and

''(II) the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)), determined as of the valuation date for the preceding plan year,

then this section shall be applied using the information available as of such valuation date.

''(ii) EXCEPTIONS.—

''(I) ACTUAL VALUATION EVERY 3 YEARS.—Clause (i) shall not apply for more than 2 consecutive plan years and valuation shall be under subparagraph (A) with respect to any plan year to which clause (i) does not apply by reason of this subclause.

''(II) REGULATIONS.—Clause (i) shall not apply to the extent that more frequent valuations are required under the regulations under subparagraph (A).

''(iii) ADJUSTMENTS.—Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) ELECTION.—An election under this subparagraph, once made, shall be irrevocable without the consent of the Secretary.''.

(b) AMENDMENTS TO ERISA.—Paragraph (9) of section 302(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended—

(1) by inserting ''(A)'' after ''(9)'', and

(2) by adding at the end the following:

''(B)(i) Except as provided in clause (ii), if, for any plan year—

''(I) an election is in effect under this subparagraph with respect to a plan, and

''(II) the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)), determined as of the valuation date for the preceding plan year,

then this section shall be applied using the information available as of such valuation date.

''(ii)(I) Clause (i) shall not apply for more than 2 consecutive plan years and valuation shall be under subparagraph (A) with respect to any plan year to which clause (i) does not apply by reason of this subclause.

''(II) Clause (i) shall not apply to the extent that more frequent valuations are required under the regulations under subparagraph (A).

''(iii) Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) An election under this subparagraph, once made, shall be irrevocable without the consent of the Secretary of the Treasury.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2000.

SEC. 1252. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEDUCTION.

(a) IN GENERAL.—Section 404(k)(2)(A) (defining applicable dividends) is amended by striking ''or'' at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

''(iii) is, at the election of such participants or their beneficiaries—

''(I) payable as provided in clause (i) or (ii), or

''(II) paid to the plan and reinvested in qualifying employer securities, or''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 1253. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COMPENSATED EMPLOYEES.

(a) IN GENERAL.—Paragraph (4) of section 1114(c) of the Tax Reform Act of 1986 is hereby repealed.

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to plan years beginning after December 31, 1999.

SEC. 1254. EMPLOYEES OF TAX-EXEMPT ENTITIES.

(a) IN GENERAL.—The Secretary of the Treasury shall modify Treasury Regulations section 1.410(b)–6(g) to provide that employees of an organization described in section 403(b)(1)(A)(i) of the Internal Revenue Code of 1986 who are eligible to make contributions under section 403(b) of such Code pursuant to a salary reduction agreement may be treated as excludable with respect to a plan under section 401 (k) or (m) of such Code that is provided under the same general arrangement as a plan under such section 401(k), if—

(1) no employee of an organization described in section 403(b)(1)(A)(i) of such Code is eligible to participate in such section 401(k) plan or section 401(m) plan, and

(2) 95 percent of the employees who are not employees of an organization described in section 403(b)(1)(A)(i) of such Code are eligible to participate in such plan under such section 401 (k) or (m).

(b) EFFECTIVE DATE.—The modification required by subsection (a) shall apply as of the same date set forth in section 1426(b) of the Small Business Job Protection Act of 1996.

SEC. 1255. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Subsection (a) of section 132 (relating to exclusion from gross income) is amended by striking ''or'' at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting '', or'', and by adding at the end the following new paragraph:

''(7) qualified retirement planning services.''.

(b) QUALIFIED RETIREMENT PLANNING SERVICES DEFINED.—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

''(m) QUALIFIED RETIREMENT PLANNING SERVICES.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified retirement planning services' means any retirement planning service provided to an employee and his spouse by an employer maintaining a qualified employer plan.

''(2) NONDISCRIMINATION RULE.—Subsection (a)(7) shall apply in the case of highly compensated employees only if such services are available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer's qualified employer plan.

''(3) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term 'qualified employer plan' means a plan, contract, pension, or account described in section 219(g)(5).''.

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

SEC. 1256. REPORTING SIMPLIFICATION.

(a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR OWNERS AND THEIR SPOUSES.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the requirements for filing annual returns with respect to one-participant retirement plans to ensure that such plans with assets of $250,000 or less as of the close of the plan year need not file a return for that year.

(2) ONE-PARTICIPANT RETIREMENT PLAN DEFINED.—For purposes of this subsection, the term ''one-participant retirement plan'' means a retirement plan that—

(A) on the first day of the plan year—

(i) covered only the employer (and the employer's spouse) and the employer owned the entire business (whether or not incorporated), or

(ii) covered only one or more partners (and their spouses) in a business partnership (including partners in an S or C corporation),

(B) meets the minimum coverage requirements of section 410(b) of the Internal Revenue Code of 1986 without being combined with any other plan of the business that covers the employees of the business,

(C) does not provide benefits to anyone except the employer (and the employer's spouse) or the partners (and their spouses),

(D) does not cover a business that is a member of an affiliated service group, a controlled group of corporations, or a group of businesses under common control, and

(E) does not cover a business that leases employees.

(3) OTHER DEFINITIONS.—Terms used in paragraph (2) which are also used in section 414 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such section.

(b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case of a retirement plan which covers less than 25 employees on the 1st day of the plan year and meets the requirements described in subparagraphs (B), (D), and (E) of subsection (a)(2), the Secretary of the Treasury shall provide for the filing of a simplified annual return that is substantially similar to the annual return required to be filed by a one-participant retirement plan.

(c) EFFECTIVE DATE.—The provisions of this section shall take effect on January 1, 2001.

SEC. 1257. IMPROVEMENT OF EMPLOYEE PLANS COMPLIANCE RESOLUTION SYSTEM.

The Secretary of the Treasury shall continue to update and improve the Employee Plans Compliance Resolution System (or any successor program) giving special attention to—

(1) increasing the awareness and knowledge of small employers concerning the availability and use of the program,

(2) taking into account special concerns and circumstances that small employers face with respect to compliance and correction of compliance failures,

(3) extending the duration of the self-correction period under the Administrative Policy Regarding Self-Correction for significant compliance failures,

(4) expanding the availability to correct insignificant compliance failures under the Administrative Policy Regarding Self-Correction during audit, and

(5) assuring that any tax, penalty, or sanction that is imposed by reason of a compliance failure is not excessive and bears a reasonable relationship to the nature, extent, and severity of the failure.

SEC. 1258. SUBSTANTIAL OWNER BENEFITS IN TERMINATED PLANS.

(a) MODIFICATION OF PHASE-IN OF GUARANTEE.—Section 4022(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended to read as follows:

''(5)(A) For purposes of this paragraph, the term 'majority owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(i) owns the entire interest in an unincorporated trade or business,

''(ii) in the case of a partnership, is a partner who owns, directly or indirectly, 50 percent or more of either the capital interest or the profits interest in such partnership, or

''(iii) in the case of a corporation, owns, directly or indirectly, 50 percent or more in value of either the voting stock of that corporation or all the stock of that corporation. For purposes of clause (iii), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).

''(B) In the case of a participant who is a majority owner, the amount of benefits guaranteed under this section shall equal the product of—

''(i) a fraction (not to exceed 1) the numerator of which is the number of years from the later of the effective date or the adoption date of the plan to the termination date, and the denominator of which is 10, and

''(ii) the amount of benefits that would be guaranteed under this section if the participant were not a majority owner.''.

(b) MODIFICATION OF ALLOCATION OF ASSETS.—

(1) Section 4044(a)(4)(B) of the Employee Retirement Income Security Act of 1974 (29

U.S.C. 1344(a)(4)(B)) is amended by striking ''section 4022(b)(5)'' and inserting ''section 4022(b)(5)(B)''.

(2) Section 4044(b) of such Act (29 U.S.C. 1344(b)) is amended—

(A) by striking ''(5)'' in paragraph (2) and inserting ''(4), (5),'', and

(B) by redesignating paragraphs (3) through (6) as paragraphs (4) through (7), respectively, and by inserting after paragraph (2) the following:

''(3) If assets available for allocation under paragraph (4) of subsection (a) are insufficient to satisfy in full the benefits of all individuals who are described in that paragraph, the assets shall be allocated first to benefits described in subparagraph (A) of that paragraph. Any remaining assets shall then be allocated to benefits described in subparagraph (B) of that paragraph. If assets allocated to such subparagraph (B) are insufficient to satisfy in full the benefits described in that subparagraph, the assets shall be allocated pro rata among individuals on the basis of the present value (as of the termination date) of their respective benefits described in that subparagraph.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1321) is amended—

(A) in subsection (b)(9), by striking ''as defined in section 4022(b)(6)'', and

(B) by adding at the end the following:

''(d) For purposes of subsection (b)(9), the term 'substantial owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(1) owns the entire interest in an unincorporated trade or business,

''(2) in the case of a partnership, is a partner who owns, directly or indirectly, more than 10 percent of either the capital interest or the profits interest in such partnership, or

''(3) in the case of a corporation, owns, directly or indirectly, more than 10 percent in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of paragraph (3), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).''.

(2) Section 4043(c)(7) of such Act (29 U.S.C. 1343(c)(7)) is amended by striking ''section 4022(b)(6)'' and inserting ''section 4021(d)''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to plan terminations—

(A) under section 4041(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341(c)) with respect to which notices of intent to terminate are provided under section 4041(a)(2) of such Act (29 U.S.C. 1341(a)(2)) after December 31, 2000, and

(B) under section 4042 of such Act (29 U.S.C. 1342) with respect to which proceedings are instituted by the corporation after such date.

(2) CONFORMING AMENDMENTS.—The amendments made by subsection (c) shall take effect on the date of enactment of this Act.

SEC. 1259. MODIFICATION OF EXCLUSION FOR EMPLOYER PROVIDED TRANSIT PASSES.

(a) IN GENERAL.—Section 132(f)(3) (relating to cash reimbursements) is amended by striking the last sentence.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 1260. REPEAL OF THE MULTIPLE USE TEST.

(a) IN GENERAL.—Paragraph (9) of section 401(m) is amended to read as follows:

''(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection and subsection (k), including regulations permitting appropriate aggregation of plans and contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2000.

SEC. 1261. FLEXIBILITY IN NONDISCRIMINATION, COVERAGE, AND LINE OF BUSINESS RULES.

(a) NONDISCRIMINATION.—

(1) IN GENERAL.—The Secretary of the Treasury shall, by regulation, provide that a plan shall be deemed to satisfy the requirements of section 401(a)(4) of the Internal Revenue Code of 1986 if such plan satisfies the facts and circumstances test under section 401(a)(4) of such Code, as in effect before January 1, 1994, but only if—

(A) the plan satisfies conditions prescribed by the Secretary to appropriately limit the availability of such test, and

(B) the plan is submitted to the Secretary for a determination of whether it satisfies such test.

Subparagraph (B) shall only apply to the extent provided by the Secretary.

(2) EFFECTIVE DATES.—

(A) REGULATIONS.—The regulation required by paragraph (1) shall apply to years beginning after December 31, 2000.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under paragraph (1)(A) shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(b) COVERAGE TEST.—

(1) IN GENERAL.—Section 410(b)(1) (relating to minimum coverage requirements) is amended by adding at the end the following:

''(D) In the case that the plan fails to meet the requirements of subparagraphs (A), (B) and (C), the plan—

''(i) satisfies subparagraph (B), as in effect immediately before the enactment of the Tax Reform Act of 1986,

''(ii) is submitted to the Secretary for a determination of whether it satisfies the requirement described in clause (i), and

''(iii) satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of this subparagraph.

Clause (ii) shall apply only to the extent provided by the Secretary.''.

(2) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to years beginning after December 31, 2000.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 410(b)(1)(D) of the Internal Revenue Code of 1986 shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(c) LINE OF BUSINESS RULES.—The Secretary of the Treasury shall, on or before December 31, 2000, modify the existing regulations issued under section 414(r) of the Internal Revenue Code of 1986 in order to expand (to the extent that the Secretary determines appropriate) the ability of a pension plan to demonstrate compliance with the line of business requirements based upon the facts and circumstances surrounding the design and operation of the plan, even though the plan is unable to satisfy the mechanical tests currently used to determine compliance.

SEC. 1262. EXTENSION TO INTERNATIONAL ORGANIZATIONS OF MORATORIUM ON APPLICATION OF CERTAIN NONDISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.

(a) IN GENERAL.—Subparagraph (G) of section 401(a)(5), subparagraph (H) of section 401(a)(26), subparagraph (G) of section 401(k)(3), and paragraph (2) of section 1505(d) of the Taxpayer Relief Act of 1997 are each amended by inserting ''or by an international organization which is described in section 414(d)'' after ''or instrumentality thereof)''.

(b) CONFORMING AMENDMENTS.—

(1) The headings for subparagraph (G) of section 401(a)(5) and subparagraph (H) of section 401(a)(26) are each amended by inserting ''AND INTERNATIONAL ORGANIZATION'' after ''GOVERNMENTAL''.

(2) Subparagraph (G) of section 401(k)(3) is amended by inserting ''STATE AND LOCAL GOVERNMENTAL AND INTERNATIONAL ORGANIZATION PLANS.—'' after ''(G)''.

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

Subtitle F—Plan Amendments

SEC. 1271. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) IN GENERAL.—If this section applies to any plan or contract amendment—

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b)(2)(A), and

(2) such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 by reason of such amendment.

(b) AMENDMENTS TO WHICH SECTION APPLIES.—

(1) IN GENERAL.—This section shall apply to any amendment to any plan or annuity contract which is made—

(A) pursuant to any amendment made by this title, or pursuant to any regulation issued under this title, and

(B) on or before the last day of the first plan year beginning on or after January 1, 2003.

In the case of a government plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting ''2005'' for ''2003''.

(2) CONDITIONS.—This section shall not apply to any amendment unless—

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan), and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect, and

(B) such plan or contract amendment applies retroactively for such period.

TITLE XIII—MISCELLANEOUS PROVISIONS

Subtitle A—Provisions Primarily Affecting Individuals

SEC. 1301. CONSISTENT TREATMENT OF SURVIVOR BENEFITS FOR PUBLIC SAFETY OFFICERS KILLED IN THE LINE OF DUTY.

Subsection (b) of section 1528 of the Taxpayer Relief Act of 1997 (Public Law 105–34) is amended by striking the period and inserting

', and to amounts received in taxable years beginning after December 31, 1999, with respect to individuals dying on or before December 31, 1996.''.

SEC. 1302. EXPANSION OF DC HOMEBUYER TAX CREDIT.

(a) EXPANSION OF INCOME LIMITATION.—Section 1400C(b)(1) (relating to limitation based on modified adjusted gross income) is amended—

(1) by striking ''$110,000'' in subparagraph (A)(i) and inserting ''$140,000'', and

(2) by inserting ''($40,000 in the case of a joint return)'' after ''$20,000'' in subparagraph (B).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to purchases on or after the date of the enactment of this Act.

SEC. 1303. NO FEDERAL INCOME TAX ON AMOUNTS AND LANDS RECEIVED BY HOLOCAUST VICTIMS OR THEIR HEIRS.

(a) IN GENERAL.—For purposes of the Internal Revenue Code of 1986, gross income shall not include—

(1) any amount received by an individual (or any heir of the individual)—

(A) from the Swiss Humanitarian Fund established by the Government of Switzerland or from any similar fund established by any foreign country, or

(B) as a result of the settlement of the action entitled ''In re Holocaust Victims' Asset Litigation'', (E.D. NY), C.A. No. 96–4849, or as a result of any similar action; and

(2) the value of any land (including structures thereon) recovered by an individual (or any heir of the individual) from a government of a foreign country as a result of a settlement of a claim arising out of the confiscation of such land in connection with the Holocaust.

(b) EFFECTIVE DATE.—This section shall apply to any amount received on or after the date of the enactment of this Act.

Subtitle B—Provisions Primarily Affecting Businesses

SEC. 1311. DISTRIBUTIONS FROM PUBLICLY TRADED PARTNERSHIPS TREATED AS QUALIFYING INCOME OF REGULATED INVESTMENT COMPANIES.

(a) IN GENERAL.—Paragraph (2) of section 851(b) (defining regulated investment company) is amended by inserting ''income derived from an interest in a publicly traded partnership (as defined in section 7704(b)),'' after ''dividends, interest,''.

(b) SOURCE FLOW-THROUGH RULE NOT TO APPLY.—The last sentence of section 851(b) is amended by inserting ''(other than a publicly traded partnership (as defined in section 7704(b)))'' after ''derived from a partnership''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 1312. SPECIAL PASSIVE ACTIVITY RULE FOR PUBLICLY TRADED PARTNERSHIPS TO APPLY TO REGULATED INVESTMENT COMPANIES.

(a) IN GENERAL.—Subsection (k) of section 469 (relating to separate application of section in case of publicly traded partnerships) is amended by adding at the end the following new paragraph:

''(4) APPLICATION TO REGULATED INVESTMENT COMPANIES.—For purposes of this section, a regulated investment company (as defined in section 851) holding an interest in a publicly traded partnership shall be treated as a taxpayer described in subsection (a)(2) with respect to items attributable to such interest.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 1313. LARGE ELECTRIC TRUCKS, VANS, AND BUSES ELIGIBLE FOR DEDUCTION FOR CLEAN-FUEL VEHICLES IN LIEU OF CREDIT.

(a) IN GENERAL.—Paragraph (1) of section 30(c) (relating to credit for qualified electric vehicles) is amended by adding at the end the following new flush sentence:

''Such term shall not include any vehicle described in subclause (I) or (II) of section 179A(b)(1)(A)(iii).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 1999.

SEC. 1314. MODIFICATIONS TO SPECIAL RULES FOR NUCLEAR DECOMMISSIONING COSTS.

(a) REPEAL OF LIMITATION ON DEPOSITS INTO FUND BASED ON COST OF SERVICE.—Subsection (b) of section 468A is amended to read as follows:

''(b) LIMITATION ON AMOUNTS PAID INTO FUND.—The amount which a taxpayer may pay into the Fund for any taxable year shall not exceed the ruling amount applicable to such taxable year.''.

(b) CLARIFICATION OF TREATMENT OF FUND TRANSFERS.—Subsection (e) of section 468A is amended by adding at the end the following new paragraph:

''(8) TREATMENT OF FUND TRANSFERS.—If, in connection with the transfer of the taxpayer's interest in a nuclear powerplant, the taxpayer transfers the Fund with respect to such powerplant to the transferee of such interest and the transferee elects to continue the application of this section to such Fund—

''(A) the transfer of such Fund shall not cause such Fund to be disqualified from the application of this section, and

''(B) no amount shall be treated as distributed from such Fund, or be includible in gross income, by reason of such transfer.''.

(c) TRANSFERS OF BALANCES IN NONQUALIFIED FUNDS.—Section 468A is amended by redesignating subsections (f) and (g) as subsections (g) and (h), respectively, and by inserting after subsection (e) the following new subsection:

''(f) TRANSFERS OF BALANCES IN NONQUALIFIED FUNDS INTO QUALIFIED FUNDS.—

''(1) IN GENERAL.—Notwithstanding subsection (b), any taxpayer maintaining a Fund to which this section applies with respect to a nuclear powerplant may transfer into such Fund amounts held in any nonqualified fund of such taxpayer with respect to such powerplant.

''(2) MAXIMUM AMOUNT PERMITTED TO BE TRANSFERRED.—The amount permitted to be transferred under paragraph (1) shall not exceed the balance in the nonqualified fund as of December 31, 1998.

''(3) DEDUCTION FOR AMOUNTS TRANSFERRED.—

''(A) IN GENERAL.—The deduction allowed by subsection (a) for any transfer permitted by this subsection shall be allowed ratably over the remaining estimated useful life (within the meaning of subsection (d)(2)(A)) of the nuclear powerplant, beginning with the later of the taxable year during which the transfer is made or the taxpayer's first taxable year beginning after December 31, 2001.

''(B) DENIAL OF DEDUCTION FOR PREVIOUSLY DEDUCTED AMOUNTS.—No deduction shall be allowed for any transfer under this subsection of an amount for which a deduction was allowed when such amount was paid into the nonqualified fund. For purposes of the preceding sentence, a ratable portion of each transfer shall be treated as being from previously deducted amounts to the extent thereof.

''(C) TRANSFERS OF QUALIFIED FUNDS.—If—

''(i) any transfer permitted by this subsection is made to any Fund to which this section applies, and

''(ii) such Fund is transferred thereafter,

any deduction under this subsection for taxable years ending after the date that such Fund is transferred shall be allowed to the transferee and not to the transferor. The preceding sentence shall not apply if the transferor is an organization exempt from tax imposed by this chapter.

''(4) NEW RULING AMOUNT REQUIRED.—Paragraph (1) shall not apply to any transfer unless the taxpayer requests from the Secretary a new schedule of ruling amounts in connection with such transfer.

''(5) NONQUALIFIED FUND.—For purposes of this subsection, the term 'nonqualified fund' means, with respect to any nuclear powerplant, any fund in which amounts are irrevocably set aside pursuant to the requirements of any State or Federal agency exclusively for the purpose of funding the decommissioning of such powerplant.

''(6) NO BASIS IN QUALIFIED FUNDS.—Notwithstanding any other provision of law, the basis of any Fund to which this section applies shall not be increased by reason of any transfer permitted by this subsection.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 1315. CONSOLIDATION OF LIFE INSURANCE COMPANIES WITH OTHER CORPORATIONS.

(a) IN GENERAL.—Section 1504(b) (defining includible corporation) is amended by striking paragraph (2).

(b) CONFORMING AMENDMENTS.—

(1) Subsection (c) of section 1503 is amended by striking paragraph (2) (relating to losses of recent nonlife affiliates).

(2) Section 1504 is amended by striking subsection (c) and by redesignating subsections (d), (e), and (f) as subsections (c), (d), and (e), respectively.

(3) Section 1503(c)(1) (relating to special rule for application of certain losses against income of insurance companies taxed under section 801) is amended by striking ''an election under section 1504(c)(2) is in effect for the taxable year and''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

(2) LOSSES OF RECENT NONLIFE AFFILIATES.—The amendment made by subsection (b)(1) shall apply to taxable years beginning after December 31, 2005.

(d) NO CARRYBACK BEFORE JANUARY 1, 2006.—To the extent that a consolidated net operating loss is allowed or increased by reason of the amendments made by this section, such loss may not be carried back to a taxable year beginning before January 1, 2006.

(e) NONTERMINATION OF GROUP.—No affiliated group shall terminate solely as a result of the amendments made by this section.

(f) WAIVER OF 5-YEAR WAITING PERIOD.—Under regulations prescribed by the Secretary of the Treasury or his delegate, an automatic waiver from the 5-year waiting period for reconsolidation provided in section 1504(a)(3) of the Internal Revenue Code of 1986 shall be granted to any corporation which was previously an includible corporation but was subsequently deemed a nonincludible corporation as a result of becoming a subsidiary of a corporation which was not an includible corporation solely by operation of section 1504(c)(2) of such Code (as in effect on the day before the date of the enactment of this Act).

SEC. 1316. MODIFICATION OF ACTIVE BUSINESS DEFINITION UNDER SECTION 355.

(a) IN GENERAL.—Section 355(b) (defining active conduct of a trade or business) is amended by adding at the end the following new paragraph:

''(3) SPECIAL RULES RELATING TO ACTIVE BUSINESS REQUIREMENT.—

''(A) IN GENERAL.—For purposes of determining whether a corporation meets the requirement of paragraph (2)(A), all members of such corporation's separate affiliated group shall be treated as 1 corporation. For purposes of the preceding sentence, a corporation's separate affiliated group is the affiliated group which would be determined under section 1504(a) if such corporation were the common parent and section 1504(b) did not apply.

''(B) CONTROL.—For purposes of paragraph (2)(D), all distributee corporations which are members of the same affiliated group (as defined in section 1504(a) without regard to section 1504(b)) shall be treated as 1 distributee corporation.''.

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (A) of section 355(b)(2) is amended to read as follows:

''(A) it is engaged in the active conduct of a trade or business,''.

(2) Section 355(b)(2) is amended by striking the last sentence.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to distributions after the date of the enactment of this Act.

(2) TRANSITION RULE.—The amendments made by this section shall not apply to any distribution pursuant to a transaction which is—

(A) made pursuant to an agreement which was binding on such date and at all times thereafter,

(B) described in a ruling request submitted to the Internal Revenue Service on or before such date, or

(C) described on or before such date in a public announcement or in a filing with the Securities and Exchange Commission.

(3) ELECTION TO HAVE AMENDMENTS APPLY.—Paragraph (2) shall not apply if the distributing corporation elects not to have such paragraph apply to distributions of such corporation. Any such election, once made, shall be irrevocable.

SEC. 1317. EXPANSION OF EXEMPTION FROM PERSONAL HOLDING COMPANY TAX FOR LENDING OR FINANCE COMPANIES.

(a) IN GENERAL.—Paragraph (6) of section 542(c) (defining personal holding company) is amended—

(1) by striking ''rents,'' in subparagraph (B), and

(2) by adding ''and'' at the end of subparagraph (B),

(3) by striking subparagraph (C), and

(4) by redesignating subparagraph (D) as subparagraph (C).

(b) EXCEPTION FOR LENDING OR FINANCE COMPANIES DETERMINED ON AFFILIATED GROUP BASIS.—Subsection (d) of section 542 is amended by striking paragraphs (1) and (2) and inserting the following new paragraphs:

''(1) LENDING OR FINANCE BUSINESS DEFINED.— For purposes of subsection (c)(6), the term 'lending or finance business' means a business of—

''(A) making loans,

''(B) purchasing or discounting accounts receivable, notes, or installment obligations,

''(C) engaging in leasing (including entering into leases and purchasing, servicing, and disposing of leases and leased assets),

''(D) rendering services or making facilities available in the ordinary course of a lending or finance business.

''(E) rendering services or making facilities available in connection with activities described in subparagraphs (A), (B), and (C) carried on by the corporation rendering services or making facilities available, or

''(F) rendering services or making facilities available to another corporation which is engaged in the lending or finance business (within the meaning of this paragraph), if such services or facilities are related to the lending or finance business (within such meaning) of such other corporation and such other corporation and the corporation rendering services or making facilities available are members of the same affiliated group (as defined in section 1504).

''(2) EXCEPTION DETERMINED ON AN AFFILIATED GROUP BASIS.—In the case of a lending or finance company which is a member of an affiliated group (as defined in section 1504), such company shall be treated as meeting the requirements of subsection (c)(6) if such group (determined by taking into account only members of such group which are engaged in a lending or finance business) meets such requirements.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 1999.

SEC. 1318. EXTENSION OF EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.

(a) EXPANSION OF QUALIFIED CONTAMINATED SITE.—Section 198(c) is amended to read as follows:

''(c) QUALIFIED CONTAMINATED SITE.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified contaminated site' means any area—

''(A) which is held by the taxpayer for use in a trade or business or for the production of income, or which is property described in section 1221(1) in the hands of the taxpayer, and

''(B) at or on which there has been a release (or threat of release) or disposal of any hazardous substance.

''(2) NATIONAL PRIORITIES LISTED SITES NOT INCLUDED.—Such term shall not include any site which is on, or proposed for, the national priorities list under section 105(a)(8)(B) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (as in effect on the date of the enactment of this section).

''(3) TAXPAYER MUST RECEIVE STATEMENT FROM STATE ENVIRONMENTAL AGENCY.—An area shall be treated as a qualified contaminated site with respect to expenditures paid or incurred during any taxable year only if the taxpayer receives a statement from the appropriate agency of the State in which such area is located that such area meets the requirement of paragraph (1)(B).

''(4) APPROPRIATE STATE AGENCY.—For purposes of paragraph (2), the chief executive officer of each State may, in consultation with the Administrator of the Environmental Protection Agency, designate the appropriate State environmental agency within 60 days of the date of the enactment of this section. If the chief executive officer of a State has not designated an appropriate State environmental agency within such 60-day period, the appropriate environmental agency for such State shall be designated by the Administrator of the Environmental Protection Agency.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to expenditures paid or incurred after December 31, 1999.

Subtitle C—Provisions Relating to Excise Taxes

SEC. 1321. CONSOLIDATION OF HAZARDOUS SUBSTANCE SUPERFUND AND LEAKING UNDERGROUND STORAGE TANK TRUST FUND.

(a) IN GENERAL.—Subchapter A of chapter 98 (relating to trust fund code) is amended by striking sections 9507 and 9508 and inserting the following new section:

''SEC. 9507. ENVIRONMENTAL REMEDIATION TRUST FUND.

''(a) CREATION OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the 'Environmental Remediation Trust Fund' consisting of such amounts as may be—

''(1) appropriated to the Environmental Remediation Trust Fund as provided in this section,

''(2) appropriated to the Environmental Remediation Trust Fund pursuant to section 517(b) of the Superfund Revenue Act of 1986, or

''(3) credited to the Environmental Remediation Trust Fund as provided in section 9602(b).

''(b) TRANSFERS TO ENVIRONMENTAL REMEDIATION TRUST FUND.—

''(1) IN GENERAL.—There are hereby appropriated to the Environmental Remediation Trust Fund amounts equivalent to—

''(A) the taxes received in the Treasury under—

''(i) section 59A, 4611, 4661, or 4671 (relating to environmental taxes),

''(ii) section 4041(d) (relating to additional taxes on motor fuels),

''(iii) section 4081 (relating to tax on gasoline, diesel fuel, and kerosene) to the extent attributable to the Environmental Remediation Trust Fund financing rate under such section,

''(iv) section 4091 (relating to tax on aviation fuel) to the extent attributable to the Environmental Remediation Trust Fund financing rate under such section, and

''(v) section 4042 (relating to tax on fuel used in commercial transportation on inland waterways) to the extent attributable to the Environmental Remediation Trust Fund financing rate under such section,

''(B) amounts recovered on behalf of the Environmental Remediation Trust Fund under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (hereinafter in this section referred to as 'CERCLA'),

''(C) all moneys recovered or collected under section 311(b)(6)(B) of the Clean Water Act,

''(D) penalties assessed under title I of CERCLA,

''(E) punitive damages under section 107(c)(3) of CERCLA, and

''(F) amounts received in the Treasury and collected under section 9003(h)(6) of the Solid Waste Disposal Act.

''(2) LIMITATION ON TRANSFERS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), no amount may be appropriated or credited to the Environmental Remediation Trust Fund on and after the date of any expenditure from any such Trust Fund which is not permitted by this section. The determination of whether an expenditure is so permitted shall be made without regard to—

''(i) any provision of law which is not contained or referenced in this title or in a revenue Act, and

''(ii) whether such provision of law is a subsequently enacted provision or directly or indirectly seeks to waive the application of this paragraph.

''(B) EXCEPTION FOR PRIOR OBLIGATIONS.—Subparagraph (A) shall not apply to any expenditure to liquidate any contract entered into (or for any amount otherwise obligated) in accordance with the provisions of this section.''.

''(c) EXPENDITURES FROM ENVIRONMENTAL REMEDIATION TRUST FUND.—

''(1) IN GENERAL.—Amounts in the Environmental Remediation Trust Fund shall be available, as provided in appropriation Acts, only for purposes of making expenditures—

''(A) to carry out the purposes of—

''(i) paragraphs (1), (2), (5), and (6) of section 111(a) of CERCLA as in effect on July 12, 1999,

''(ii) section 111(c) of CERCLA (as so in effect), other than paragraphs (1) and (2) thereof, and

''(iii) section 111(m) of CERCLA (as so in effect), or

''(B) to carry out section 9003(h) of the Solid Waste Disposal Act as in effect on July 12, 1999.

''(2) EXCEPTION FOR CERTAIN TRANSFERS, ETC., OF HAZARDOUS SUBSTANCES.—No amount in the Environmental Remediation Trust Fund or derived from the Environmental Remediation Trust Fund shall be available or used for the transfer or disposal of hazardous waste carried out pursuant to a cooperative agreement between the Administrator of the Environmental Protection Agency and a State if the following conditions apply—

''(A) the transfer or disposal, if made on December 13, 1985, would not comply with a State or local requirement,

''(B) the transfer is to a facility for which a final permit under section 3005(a) of the Solid Waste Disposal Act was issued after January 1, 1983, and before November 1, 1984, and

''(C) the transfer is from a facility identified as the McColl Site in Fullerton, California.

''(3) TRANSFERS FROM TRUST FUND FOR CERTAIN REPAYMENTS AND CREDITS.—

''(A) IN GENERAL.—The Secretary shall pay from time to time from the Environmental Remediation Trust Fund into the general fund of the Treasury amounts equivalent to—

''(i) amounts paid under—

''(I) section 6420 (relating to amounts paid in respect of gasoline used on farms),

''(II) section 6421 (relating to amounts paid in respect of gasoline used for certain nonhighway purposes or by local transit systems), and

''(III) section 6427 (relating to fuels not used for taxable purposes), and

''(ii) credits allowed under section 34,

with respect to the taxes imposed by section 4041(d) or by sections 4081 and 4091 (to the extent attributable to the Leaking Underground Storage Tank Trust Fund financing rate or the Environmental Remediation Trust Fund financing rate under such sections).

''(B) TRANSFERS BASED ON ESTIMATES.—Transfers under subparagraph (A) shall be made on the basis of estimates by the Secretary, and proper adjustments shall be made in amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

''(d) LIABILITY OF UNITED STATES LIMITED TO AMOUNT IN TRUST FUND.—

''(1) GENERAL RULE.—Any claim filed against the Environmental Remediation Trust Fund may be paid only out of the Environmental Remediation Trust Fund.

''(2) COORDINATION WITH OTHER PROVISIONS.—Nothing in CERCLA or the Superfund Amendments and Reauthorization Act of 1986 (or in any amendment made by either of such Acts) shall authorize the payment by the United States Government of any amount with respect to any such claim out of any source other than the Environmental Remediation Trust Fund.

''(3) ORDER IN WHICH UNPAID CLAIMS ARE TO BE PAID.—If at any time the Environmental Remediation Trust Fund has insufficient funds to pay all of the claims payable out of the Environmental Remediation Trust Fund at such time, such claims shall, to the extent permitted under paragraph (1), be paid in full in the order in which they were finally determined.

''(e) SEPARATE ACCOUNTING IF SUPERFUND REAUTHORIZED.—

''(1) IN GENERAL.—If a Federal law is enacted after September 30, 1999, which authorizes expenditures out of the Environmental Remediation Trust Fund for purposes of carrying out provisions of CERCLA not described in subsection (c)(1)(A), this section shall be applied as if such Fund consisted of 2 accounts: a Superfund Account and a Leaking Underground Storage Tank Account.

''(2) AMOUNTS IN ACCOUNTS.—

''(A) LEAKING UNDERGROUND STORAGE TANK ACCOUNT.—The Leaking Underground Storage Tank Account—

''(i) shall consist of amounts which would have been appropriated or credited to the Leaking Underground Storage Tank Trust Fund but for the amendments made by section 1321 of the Taxpayer Refund and Relief Act of 1999, and

''(ii) shall be available, as provided in appropriation Acts, for the purposes for which the Leaking Underground Storage Tank Trust Fund was available (as in effect on the day before the date of the enactment of such amendments).

''(B) SUPERFUND ACCOUNT.—The Superfund Account—

''(i) shall consist of amounts which would have been appropriated or credited to the Hazardous Substance Superfund but for such amendments, and

''(ii) shall be available, as provided in appropriation Acts, for the purposes for which the Hazardous Substance Superfund was available (as so in effect).

''(3) OPENING BALANCES.—

''(A) LEAKING UNDERGROUND STORAGE TANK ACCOUNT.—The balance in the Leaking Underground Storage Tank Account as of the date of the enactment of the Federal law referred to in paragraph (1) shall be the sum of—

''(i) the amount which bears the same ratio to the balance in such Trust Fund as of such date, bears to the sum of the balances (as of the close of September 30, 1999) in Leaking Underground Storage Tank Trust Fund and the Hazardous Substance Superfund, and

''(ii) the aggregate amount appropriated to the Environmental Remediation Trust Fund after September 30, 1999, by reason of taxes received in the Treasury.

''(B) SUPERFUND ACCOUNT.—The balance in the Superfund Account as of the date of the enactment of the Federal law referred to in paragraph (1) shall be the excess of the balance in such Trust Fund as of such date over the balance of the Leaking Underground Storage Tank Account determined under subparagraph (A).

''(4) SPECIAL TRANSFER RULE.—If the balance in the Environmental Remediation Trust Fund as of the date of the enactment of the Federal law referred to in paragraph (1) is less than the required balance for the Leaking Underground Storage Tank Account, amounts otherwise required to be deposited in the Superfund Account shall be reduced (to the extent of the shortfall) and deposited into the Leaking Underground Storage Tank Account.''.

(b) CONFORMING AMENDMENTS.—

(1) Subsections (c) and (e) of section 4611 are each amended by striking ''Hazardous Substance Superfund'' each place it appears and inserting ''Environmental Remediation Trust Fund''.

(2) Subsection (c) of section 4661 is amended by striking ''Hazardous Substance Superfund'' and inserting ''Environmental Remediation Trust Fund''.

(3) Sections 4041(d), 4042(b), 4081(a)(2)(B), 4081(d)(3), 4091(b), 4092(b), 6421(f), and 6427(l) are each amended by striking ''Leaking Underground Storage Tank'' each place it appears (other than the headings) and inserting ''Environmental Remediation''.

(4) The heading for subsection (d) of section 4041 is amended by striking ''LEAKING UNDERGROUND STORAGE TANK'' and inserting ''ENVIRONMENTAL REMEDIATION''.

(5) The headings for subsections (a)(2)(B) and (d)(3) of section 4081 and section 4091(b)(2) are each amended by striking ''LEAKING UNDERGROUND STORAGE TANK'' and inserting ''ENVIRONMENTAL REMEDIATION''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on October 1, 1999.

(d) ENVIRONMENTAL REMEDIATION TRUST FUND TREATED AS CONTINUATION OF OLD TRUST FUNDS.—The Environmental Remediation Trust Fund established by the amendments made by this section shall be treated for all purposes of law as a continuation of both the Hazardous Substance Superfund and the Leaking Underground Storage Tank Trust Fund. Any reference in any law to the Hazardous Substance Superfund or the Leaking Underground Storage Tank Trust Fund shall be deemed to include (wherever appropriate) a reference to the Environmental Remediation Trust Fund established by such amendments.

SEC. 1322. REPEAL OF CERTAIN MOTOR FUEL EXCISE TAXES ON FUEL USED BY RAILROADS AND ON INLAND WATERWAY TRANSPORTATION.

(a) REPEAL OF LEAKING UNDERGROUND STORAGE TANK TRUST FUND TAXES ON FUEL USED IN TRAINS.—

(1) IN GENERAL.—Paragraph (1) of section 4041(d) is amended by adding at the end the following new sentence: ''The preceding sentence shall not apply to any sale for use, or use, of fuel in a diesel-powered train.''.

(2) CONFORMING AMENDMENTS.—

(A) Paragraph (3) of section 6421(f) is amended by striking ''with respect to—'' and all that follows through ''so much of'' and inserting ''with respect to so much of''.

(B) Paragraph (3) of section 6427(l) is amended by striking ''with respect to—'' and all that follows through ''so much of'' and inserting ''with respect to so much of''.

(b) REPEAL OF 4.3-CENT MOTOR FUEL EXCISE TAXES ON RAILROADS AND INLAND WATERWAY TRANSPORTATION WHICH REMAIN IN GENERAL FUND.—

(1) TAXES ON TRAINS.—

(A) IN GENERAL.—Subparagraph (A) of section 4041(a)(1) is amended by striking ''or a diesel-powered train'' each place it appears and by striking ''or train''.

(B) CONFORMING AMENDMENTS.—

(i) Subparagraph (C) of section 4041(a)(1) is amended by striking clause (ii) and by redesignating clause (iii) as clause (ii).

(ii) Subparagraph (C) of section 4041(b)(1) is amended by striking all that follows ''section 6421(e)(2)'' and inserting a period.

(iii) Paragraph (3) of section 4083(a) is amended by striking ''or a diesel-powered train''.

(iv) Section 6421(f) is amended by striking paragraph (3).

(v) Section 6427(l) is amended by striking paragraph (3).

(2) FUEL USED ON INLAND WATERWAYS.—

(A) IN GENERAL.—Paragraph (1) of section 4042(b) is amended by adding ''and'' at the end of subparagraph (A), by striking '', and'' at the end of subparagraph (B) and inserting a period, and by striking subparagraph (C).

(B) CONFORMING AMENDMENT.—Paragraph (2) of section 4042(b) is amended by striking subparagraph (C).

(c) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on October 1, 1999 (October 1, 2003, in the case of the amendments made by subsection (b)), but shall not take effect if section 1321 does not take effect.

SEC. 1323. REPEAL OF EXCISE TAX ON FISHING TACKLE BOXES.

(a) REPEAL.—Paragraph (6) of section 4162(a) (defining sport fishing equipment) is amended by striking subparagraph (C) and by redesignating subparagraphs (D) through (J) as subparagraphs (C) through (I), respectively.

(b) MODIFICATION OF TRANSFER TO AQUATIC RESOURCES TRUST FUND.—Section 9503(b)(4)(D) is amended—

(1) by striking ''11.5 cents'' in clause (i) and inserting ''11.7 cents'',

(2) by striking ''13 cents'' in clause (ii) and inserting ''13.2 cents'', and

(3) by striking ''13.5 cents'' in clause (iii) and inserting ''13.7 cents''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect 30 days after the date of the enactment of this Act.

SEC. 1324. CLARIFICATION OF EXCISE TAX IMPOSED ON ARROW COMPONENTS.

(a) IN GENERAL.—Paragraph (2) of section 4161(b) (relating to bows and arrows, etc.) is amended to read as follows:

''(2) ARROWS.—

''(A) IN GENERAL.—There is hereby imposed on the sale by the manufacturer, producer, or importer of any shaft, point, article used to attach a point to a shaft, nock, or vane of a type used in the manufacture of any arrow which after its assembly—

''(i) measures 18 inches overall or more in length, or

''(ii) measures less than 18 inches overall in length but is suitable for use with a bow described in paragraph (1)(A),

a tax equal to 12.4 percent of the price for which so sold.

''(B) REDUCED RATE ON CERTAIN HUNTING POINTS.—Subparagraph (A) shall be applied by substituting '11 percent' for '12.4 percent' in the case of a point which is designed primarily for use in hunting fish or large animals.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to articles sold by the manufacturer, producer, or importer after the close of the first calendar month ending more than 30 days after the date of the enactment of this Act.

SEC. 1325. EXEMPTION FROM TICKET TAXES FOR CERTAIN TRANSPORTATION PROVIDED BY SMALL SEAPLANES.

(a) IN GENERAL.—Section 4281 (relating to small aircraft on nonestablished lines) is amended to read as follows:

''SEC. 4281. SMALL AIRCRAFT.

''The taxes imposed by sections 4261 and 4271 shall not apply to—

''(1) transportation by an aircraft having a maximum certificated takeoff weight of 6,000 pounds or less, except when such aircraft is operated on an established line, and

''(2) transportation by a seaplane having a maximum certificated takeoff weight of 6,000 pounds or less with respect to any segment consisting of a takeoff from, and a landing on, water.

For purposes of the preceding sentence, the term 'maximum certificated takeoff weight' means the maximum such weight contained in the type certificate or airworthiness certificate.''.

(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter C of chapter 33 is amended by striking ''on nonestablished lines'' in the item relating to section 4281.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid for transportation beginning after December 31, 1999, but shall not apply to any amount paid on or before such date with respect to taxes imposed by sections 4261 and 4271 of the Internal Revenue Code of 1986.

SEC. 1326. MODIFICATION OF RURAL AIRPORT DEFINITION.

(a) IN GENERAL.—Clause (ii) of section 4261(e)(1)(B) (defining rural airport) is amended by striking the period at the end of subclause (II) and inserting '', or'', and by adding at the end the following new subclause:

''(III) is not connected by paved roads to another airport.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years beginning after 1999.

Subtitle D—Other Provisions

SEC. 1331. TAX-EXEMPT FINANCING OF QUALIFIED HIGHWAY INFRASTRUCTURE CONSTRUCTION.

(a) TREATMENT AS EXEMPT FACILITY BOND.—A bond described in subsection (b) shall be treated as described in section 141(e)(1)(A) of the Internal Revenue Code of 1986, except that—

(1) section 146 of such Code shall not apply to such bond, and

(2) section 147(c)(1) of such Code shall be applied by substituting ''any portion of'' for ''25 percent or more''.

(b) BOND DESCRIBED.—

(1) IN GENERAL.—A bond is described in this subsection if such bond is issued after December 31, 1999, as part of an issue—

(A) 95 percent or more of the net proceeds of which are to be used to provide a qualified highway infrastructure project, and

(B) to which there has been allocated a portion of the allocation to the project under paragraph (2)(C)(ii) which is equal to the aggregate face amount of bonds to be issued as part of such issue.

(2) QUALIFIED HIGHWAY INFRASTRUCTURE PROJECTS.—

(A) IN GENERAL.—For purposes of paragraph (1), the term ''qualified highway infrastructure project'' means a project—

(i) for the construction or reconstruction of a highway, and

(ii) designated under subparagraph (B) as an eligible pilot project.

(B) ELIGIBLE PILOT PROJECT.—

(i) IN GENERAL.—The Secretary of Transportation, in consultation with the Secretary of the Treasury, shall select not more than 15 highway infrastructure projects to be pilot projects eligible for tax-exempt financing.

(ii) ELIGIBILITY CRITERIA.—In determining the criteria necessary for the eligibility of pilot projects, the Secretary of Transportation shall include the following:

(I) The project must serve the general public.

(II) The project is necessary to evaluate the potential of the private sector's participation in the provision of the highway infrastructure of the United States.

(III) The project must be located on publicly-owned rights-of-way.

(IV) The project must be publicly owned or the ownership of the highway constructed or reconstructed under the project must revert to the public.

(V) The project must be consistent with a transportation plan developed pursuant to section 134(g) or 135(e) of title 23, United States Code.

(C) AGGREGATE FACE AMOUNT OF TAX-EXEMPT FINANCING.—

(i) IN GENERAL.—The aggregate face amount of bonds issued pursuant to this section shall not exceed $15,000,000,000, determined without regard to any bond the proceeds of which are used exclusively to refund (other than to advance refund) a bond issued pursuant to this section (or a bond which is a part of a series of refundings of a bond so issued) if the amount of the refunding bond does not exceed the outstanding amount of the refunded bond.

(ii) ALLOCATION.—The Secretary of Transportation, in consultation with the Secretary of the Treasury, shall allocate the amount described in clause (i) among the eligible pilot projects designated under subparagraph (B).

(iii) REALLOCATION.—If any portion of an allocation under clause (ii) is unused on the date which is 3 years after such allocation, the Secretary of Transportation, in consultation with the Secretary of the Treasury, may reallocate such portion among the remaining eligible pilot projects.

SEC. 1332. TAX TREATMENT OF ALASKA NATIVE SETTLEMENT TRUSTS.

(a) IN GENERAL.—Subpart A of part I of subchapter J of chapter 1 (relating to general rules for taxation of trusts and estates) is amended by adding at the end the following new section:

''SEC. 646. ELECTING ALASKA NATIVE SETTLEMENT TRUSTS.

''(a) IN GENERAL.—Except as otherwise provided in this section, the provisions of this subchapter and section 1(e) shall apply to all Settlement Trusts.

''(b) BENEFICIARIES OF ELECTING TRUST NOT TAXED ON CONTRIBUTIONS.—

''(1) IN GENERAL.—In the case of a Settlement Trust for which an election under paragraph (2) is in effect for any taxable year, no amount shall be includible in the gross income of a beneficiary of the Settlement Trust by reason of a contribution to the Settlement Trust made during such taxable year.

''(2) ONE-TIME ELECTION.—

''(A) IN GENERAL.—A Settlement Trust may elect to have the provisions of this section apply to the trust and its beneficiaries.

''(B) TIME AND METHOD OF ELECTION.—An election under subparagraph (A) shall be made—

''(i) on or before the due date (including extensions) for filing the Settlement Trust's return of tax for the 1st taxable year of the Settlement Trust ending after December 31, 1999, and

''(ii) by attaching to such return of tax a statement specifically providing for such election.

''(C) PERIOD ELECTION IN EFFECT.—Except as provided in paragraph (3), an election under subparagraph (A)—

''(i) shall apply to the 1st taxable year described in subparagraph (B)(i) and all subsequent taxable years, and

''(ii) may not be revoked once it is made.

''(c) SPECIAL RULES WHERE TRANSFER RESTRICTIONS MODIFIED.—

''(1) TRANSFER OF BENEFICIAL INTERESTS.—If, at any time, a beneficial interest in a Settlement Trust may be disposed of to a person in a manner which would not be permitted by section 7(h) of the Alaska Native Claims Settlement Act (43 U.S.C. 1606(h)) if the interest were Settlement Common Stock—

''(A) no election may be made under subsection (b)(2) with respect to such trust, and

''(B) if such an election is in effect as of such time, such election shall cease to apply for purposes of subsection (b)(1) as of the 1st day of the taxable year following the taxable year in which such disposition is first permitted.

''(2) STOCK IN CORPORATION.—If—

''(A) the Settlement Common Stock in any Native Corporation which transferred assets to a Settlement Trust making an election under subsection (b)(2) may be disposed of to a person in a manner not permitted by section 7(h) of the Alaska Native Claims Settlement Act (43 U.S.C. 1606(h)), and

''(B) at any time after such disposition of stock is first permitted, such corporation transfers assets to such trust,

subparagraph (B) of paragraph (1) shall be applied to such trust on and after the date of the transfer in the same manner as if the trust permitted dispositions of beneficial interests in the trust in a manner not permitted by such section 7(h).

''(c) TAX TREATMENT OF DISTRIBUTIONS TO BENEFICIARIES.—

''(1) IN GENERAL.—In the case of a Settlement Trust for which an election under subsection (b)(2) is in effect for any taxable year, any distribution to a beneficiary shall be included in gross income of the beneficiary as ordinary income to the extent such distribution reduces the earnings and profits of any Native Corporation making a contribution to such Trust.

''(2) EARNINGS AND PROFITS.—The earnings and profits of any Native Corporation making a contribution to a Settlement Trust shall not be reduced on account thereof at the time of such contribution, but such earnings and profits shall be reduced (up to the amount of such contribution) as distributions are thereafter made by the Settlement Trust which exceed the sum of—

''(A) such Trust's total undistributed net income for all prior years during which an election under subsection (b)(2) is in effect, and

''(B) such Trust's distributable net income.

''(d) DEFINITIONS.—For purposes of this section—

''(1) NATIVE CORPORATION.—The term 'Native Corporation' has the meaning given such term by section 3(m) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(m)).

''(2) SETTLEMENT TRUST.—The term 'Settlement Trust' means a trust which constitutes a Settlement Trust under section 39 of the Alaska Native Claims Settlement Act (43 U.S.C. 1629e).''.

(b) WITHHOLDING ON DISTRIBUTIONS BY ELECTING ANCSA SETTLEMENT TRUSTS.—Section 3402 is amended by adding at the end the following new subsection:

''(t) TAX WITHHOLDING ON DISTRIBUTIONS BY ELECTING ANCSA SETTLEMENT TRUSTS.—

''(1) IN GENERAL.—Any Settlement Trust (as defined in section 646(d)) for which an election under section 646(b)(2) is in effect (in this subsection referred to as an 'electing trust') and which makes a payment to any beneficiary which is includable in gross income under section 646(c) shall deduct and withhold from such payment a tax in an amount equal to such payment's proportionate share of the annualized tax.

''(2) EXCEPTION.—The tax imposed by paragraph (1) shall not apply to any payment to the extent that such payment, when annualized, does not exceed an amount equal to the amount in effect under section 6012(a)(1)(A)(i) for taxable years beginning in the calendar year in which the payment is made.

''(3) ANNUALIZED TAX.—For purposes of paragraph (1), the term 'annualized tax' means, with respect to any payment, the amount of tax which would be imposed by section 1(c) (determined without regard to any rate of tax in excess of 31 percent) on an amount of taxable income equal to the excess of—

''(A) the annualized amount of such payment, over

''(B) the amount determined under paragraph (2).

''(4) ANNUALIZATION.—For purposes of this subsection, amounts shall be annualized in the manner prescribed by the Secretary.

''(5) ALTERNATE WITHHOLDING PROCEDURES.—At the election of an electing trust, the tax imposed by this subsection on any payment made by such trust shall be determined in accordance with such tables or computational procedures as may be specified in regulations prescribed by the Secretary (in lieu of in accordance with paragraphs (2) and (3)).

''(6) COORDINATION WITH OTHER SECTIONS.—For purposes of this chapter and so much of subtitle F as relates to this chapter, payments which are subject to withholding under this subsection shall be treated as if they were wages paid by an employer to an employee.''.

(c) REPORTING.—Section 6041 is amended by adding at the end the following new subsection:

''(f) APPLICATION TO ALASKA NATIVE SETTLEMENT TRUSTS.—In the case of any distribution from a Settlement Trust (as defined in section 646(d)) to a beneficiary which is includable in gross income under section 646(c), this section shall apply, except that—

''(1) this section shall apply to such distribution without regard to the amount thereof,

''(2) the Settlement Trust shall include on any return or statement required by this section information as to the character of such distribution (if applicable) and the amount of tax imposed by chapter 1 which has been deducted and withheld from such distribution, and

''(3) the filing of any return or statement required by this section shall satisfy any requirement to file any other form or schedule under this title with respect to distributive share information (including any form or schedule to be included with the trust's tax return).''.

(d) CLERICAL AMENDMENT.—The table of sections for subpart A of part I of subchapter J of chapter 1 is amended by adding at the end the following new item:

''Sec. 646. Electing Alaska Native Settlement Trusts.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of Settlement Trusts ending after December 31, 1999, and to contributions to such trusts after such date.

SEC. 1333. INCREASE IN THRESHOLD FOR JOINT COMMITTEE REPORTS ON REFUNDS AND CREDITS.

(a) GENERAL RULE.—Subsections (a) and (b) of section 6405 are each amended by striking ''$1,000,000'' and inserting ''$2,000,000''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act, except that such amendment shall not apply with respect to any refund or credit with respect to a report that has been made before such date of the enactment under section 6405 of the Internal Revenue Code of 1986.

SEC. 1334. CREDIT FOR CLINICAL TESTING RESEARCH EXPENSES ATTRIBUTABLE TO CERTAIN QUALIFIED ACADEMIC INSTITUTIONS INCLUDING TEACHING HOSPITALS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by inserting after section 41 the following:

''SEC. 41A. CREDIT FOR MEDICAL INNOVATION EXPENSES.

''(a) GENERAL RULE.—For purposes of section 38, the medical innovation credit determined under this section for the taxable year shall be an amount equal to 40 percent of the excess (if any) of—

''(1) the qualified medical innovation expenses for the taxable year, over

''(2) the medical innovation base period amount.

''(b) QUALIFIED MEDICAL INNOVATION EXPENSES.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified medical innovation expenses' means the amounts which are paid or incurred by the taxpayer during the taxable year directly or indirectly to any qualified academic institution for clinical testing research activities.

''(2) CLINICAL TESTING RESEARCH ACTIVITIES.—

''(A) IN GENERAL.—The term 'clinical testing research activities' means human clinical testing conducted at any qualified academic institution in the development of any product, which occurs before—

''(i) the date on which an application with respect to such product is approved under section 505(b), 506, or 507 of the Federal Food, Drug, and Cosmetic Act (as in effect on the date of the enactment of this section),

''(ii) the date on which a license for such product is issued under section 351 of the Public Health Service Act (as so in effect), 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 (as so in effect).

''(B) PRODUCT.—The term 'product' means any drug, biologic, or medical device.

''(3) QUALIFIED ACADEMIC INSTITUTION.—The term 'qualified academic institution' means any of the following institutions:

''(A) EDUCATIONAL INSTITUTION.—A qualified organization described in section 170(b)(1)(A)(iii) which is owned by, or affiliated with, an institution of higher education (as defined in section 3304(f)).

''(B) TEACHING HOSPITAL.—A teaching hospital which—

''(i) is publicly supported or owned by an organization described in section 501(c)(3), and

''(ii) is affiliated with an organization meeting the requirements of subparagraph (A).

''(C) FOUNDATION.—A medical research organization described in section 501(c)(3) (other than a private foundation) which is affiliated with, or owned by—

''(i) an organization meeting the requirements of subparagraph (A), or

''(ii) a teaching hospital meeting the requirements of subparagraph (B).

''(D) CHARITABLE RESEARCH HOSPITAL.—A hospital that is designated as a cancer center by the National Cancer Institute.

''(4) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified medical innovation expenses' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

''(c) MEDICAL INNOVATION BASE PERIOD AMOUNT.—For purposes of this section, the term 'medical innovation base period amount' means the average annual qualified medical innovation expenses paid by the taxpayer during the 3-taxable year period ending with the taxable year immediately preceding the first taxable year of the taxpayer beginning after December 31, 1998.

''(d) SPECIAL RULES.—

''(1) LIMITATION ON FOREIGN TESTING.—No credit shall be allowed under this section with respect to any clinical testing research activities conducted outside the United States.

''(2) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of subsections (f) and (g) of section 41 shall apply for purposes of this section.

''(3) ELECTION.—This section shall apply to any taxpayer for any taxable year only if such taxpayer elects to have this section apply for such taxable year.

''(4) COORDINATION WITH CREDIT FOR INCREASING RESEARCH EXPENDITURES AND WITH CREDIT FOR CLINICAL TESTING EXPENSES FOR CERTAIN DRUGS FOR RARE DISEASES.—Any qualified medical innovation expense for a taxable year to which an election under this section applies shall not be taken into account for purposes of determining the credit allowable under section 41 or 45C for such taxable year.''.

(b) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—

(1) IN GENERAL.—Section 38(b) (relating to current year business credits) is amended by striking ''plus'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', plus'', and by adding at the end the following:

''(13) the medical innovation expenses credit determined under section 41A(a).''.

(2) TRANSITION RULE.—Section 39(d) is amended by adding at the end the following new paragraph:

''(9) NO CARRYBACK OF SECTION 41A CREDIT BEFORE ENACTMENT.—No portion of the unused business credit for any taxable year which is attributable to the medical innovation credit determined under section 41A may be carried back to a taxable year beginning before January 1, 1999.''.

(c) DENIAL OF DOUBLE BENEFIT.—Section 280C is amended by adding at the end the following new subsection:

''(d) CREDIT FOR INCREASING MEDICAL INNOVATION EXPENSES.—

''(1) IN GENERAL.—No deduction shall be allowed for that portion of the qualified medical innovation expenses (as defined in section 41A(b)) otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit determined for such taxable year under section 41A(a).

''(2) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (2), (3), and (4) of subsection (c) shall apply for purposes of this subsection.''.

(d) DEDUCTION FOR UNUSED PORTION OF CREDIT.—Section 196(c) (defining qualified business credits) is amended by redesignating paragraphs (5) through (8) as paragraphs (6) through (9), respectively, and by inserting after paragraph (4) the following new paragraph:

''(5) the medical innovation expenses credit determined under section 41A(a) (other than such credit determined under the rules of section 280C(d)(2)),''.

(e) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding after the item relating to section 41 the following:

''Sec. 41A. Credit for medical innovation expenses.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

SEC. 1335. PAYMENT OF DIVIDENDS ON STOCK OF COOPERATIVES WITHOUT REDUCING PATRONAGE DIVIDENDS.

(a) IN GENERAL.—Subsection (a) of section 1388 (relating to patronage dividend defined) is amended by adding at the end the following: ''For purposes of paragraph (3), net earnings shall not be reduced by amounts paid during the year as dividends on capital stock or other proprietary capital interests of the organization to the extent that the articles of incorporation or bylaws of such organization or other contract with patrons provide that such dividends are in addition to amounts otherwise payable to patrons which are derived from business done with or for patrons during the taxable year.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions in taxable years beginning after the date of the enactment of this Act.

Subtitle E—Tax Court Provisions

SEC. 1341. TAX COURT FILING FEE IN ALL CASES COMMENCED BY FILING PETITION.

(a) IN GENERAL.—Section 7451 (relating to fee for filing a Tax Court petition) is amended by striking all that follows ''petition'' and inserting a period.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the date of the enactment of this Act.

SEC. 1342. EXPANDED USE OF TAX COURT PRACTICE FEE.

Subsection (b) of section 7475 (relating to use of fees) is amended by inserting before the period at the end ''and to provide services to pro se taxpayers''.

SEC. 1343. CONFIRMATION OF AUTHORITY OF TAX COURT TO APPLY DOCTRINE OF EQUITABLE RECOUPMENT.

(a) CONFIRMATION OF AUTHORITY OF TAX COURT TO APPLY DOCTRINE OF EQUITABLE RECOUPMENT.—Subsection (b) of section 6214 (relating to jurisdiction over other years and quarters) is amended by adding at the end the following new sentence: ''Notwithstanding the preceding sentence, the Tax Court may apply the doctrine of equitable recoupment to the same extent that it is available in civil tax cases before the district courts of the United States and the United States Court of Federal Claims.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to any action or proceeding in the Tax Court with respect to which a decision has not become final (as determined under section 7481 of the Internal Revenue Code of 1986) as of the date of the enactment of this Act.

TITLE XIV—EXTENSIONS OF EXPIRING PROVISIONS

SEC. 1401. RESEARCH CREDIT.

(a) EXTENSION.—

(1) IN GENERAL.—Paragraph (1) of section 41(h) (relating to termination) is amended—

(A) by striking ''June 30, 1999'' and inserting ''June 30, 2004'', and

(B) by striking the material following subparagraph (B).

(2) TECHNICAL AMENDMENT.—Subparagraph (D) of section 45C(b)(1) is amended by striking ''June 30, 1999'' and inserting ''June 30, 2004''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or incurred after June 30, 1999.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(A) by striking ''1.65 percent'' and inserting ''2.65 percent'',

(B) by striking ''2.2 percent'' and inserting ''3.2 percent'', and

(C) by striking ''2.75 percent'' and inserting ''3.75 percent''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1999.

SEC. 1402. SUBPART F EXEMPTION FOR ACTIVE FINANCING INCOME.

(a) IN GENERAL.—Sections 953(e)(10) and 954(h)(9) are each amended—

(1) by striking ''the first taxable year'' and inserting ''taxable years'', and

(2) by striking ''January 1, 2000'' and inserting ''January 1, 2005''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 1403. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLETION FOR MARGINAL PRODUCTION.

(a) IN GENERAL.—Subparagraph (H) of section 613A(c)(6) is amended by striking ''January 1, 2000'' and inserting ''January 1, 2005''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 1404. WORK OPPORTUNITY CREDIT AND WELFARE-TO-WORK CREDIT.

(a) TEMPORARY EXTENSION.—Sections 51(c)(4)(B) and 51A(f) (relating to termination) are each amended by striking ''June 30, 1999'' and inserting ''December 31, 2001''.

(b) CLARIFICATION OF FIRST YEAR OF EMPLOYMENT.—Paragraph (2) of section 51(i) is amended by striking ''during which he was not a member of a targeted group''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after June 30, 1999.

SEC. 1405. EXTENSION AND MODIFICATION OF CREDIT FOR PRODUCING ELECTRICITY FROM CERTAIN RENEWABLE RESOURCES.

(a) EXTENSION AND MODIFICATION OF PLACED-IN-SERVICE RULES.—Paragraph (3) of section 45(c) is amended to read as follows:

''(3) QUALIFIED FACILITY.—

''(A) WIND FACILITY.—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, 2003.

''(B) CLOSED-LOOP BIOMASS FACILITY.—In the case of a facility using closed-loop biomass to produce electricity, the term 'qualified facility' means any facility owned by the taxpayer which is originally placed in service after December 31, 1992, and before July 1, 2003.

''(C) POULTRY WASTE FACILITY.—In the case of a facility using poultry waste to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after December 31, 1999, and before July 1, 2003.''.

(b) EXPANSION OF QUALIFIED ENERGY RESOURCES.—

(1) IN GENERAL.—Section 45(c)(1) (defining qualified energy resources) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by adding at the end the following new subparagraph:

''(C) poultry waste.''.

(2) DEFINITION.—Section 45(c) is amended by adding at the end the following new paragraph:

''(4) POULTRY WASTE.—The term 'poultry waste' means poultry manure and litter, including wood shavings, straw, rice hulls, and other bedding material for the disposition of manure.''.

(c) SPECIAL RULES.—Section 45(d) (relating to definitions and special rules) is amended by adding at the end the following new paragraphs:

''(6) CREDIT ELIGIBILITY IN THE CASE OF GOVERNMENT-OWNED FACILITIES USING POULTRY WASTE.—In the case of a facility using poultry waste to produce electricity and owned by a governmental unit, the person eligible for the credit under subsection (a) is the lessor or the operator of such facility.

''(7) CREDIT NOT TO APPLY TO ELECTRICITY SOLD TO UTILITIES UNDER CERTAIN CONTRACTS.—

''(A) IN GENERAL.—The credit determined under subsection (a) shall not apply to electricity—

''(i) produced at a qualified facility described in paragraph (3)(A) which is placed in service by the taxpayer after June 30, 1999, and

''(ii) sold to a utility pursuant to a contract originally entered into before January 1, 1987 (whether or not amended or restated after that date).

''(B) EXCEPTION.—Subparagraph (A) shall not apply if—

''(i) the prices for energy and capacity from such facility are established pursuant to an amendment to the contract referred to in subparagraph (A)(ii);

''(ii) such amendment provides that the prices set forth in the contract which exceed avoided cost prices determined at the time of delivery shall apply only to annual quantities of electricity (prorated for partial years) which do not exceed the greater of—

''(I) the average annual quantity of electricity sold to the utility under the contract during calendar years 1994, 1995, 1996, 1997, and 1998, or

''(II) the estimate of the annual electricity production set forth in the contract, or, if there is no such estimate, the greatest annual quantity of electricity sold to the utility under the contract in any of the calendar years 1996, 1997, or 1998; and

''(iii) such amendment provides that energy and capacity in excess of the limitation in clause (ii) may be—

''(I) sold to the utility only at prices that do not exceed avoided cost prices determined at the time of delivery, or

''(II) sold to a third party subject to a mutually agreed upon advance notice to the utility.

For purposes of this subparagraph, avoided cost prices shall be determined as provided for in 18 CFR 292.304(d)(1) or any successor regulation.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

TITLE XV—REVENUE OFFSETS

SEC. 1501. RETURNS RELATING TO CANCELLATIONS OF INDEBTEDNESS BY ORGANIZATIONS LENDING MONEY.

(a) IN GENERAL.—Paragraph (2) of section 6050P(c) (relating to definitions and special rules) is amended by striking ''and'' at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting '', and'', and by inserting after subparagraph (C) the following new subparagraph:

''(D) any organization a significant trade or business of which is the lending of money.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to discharges of indebtedness after December 31, 1999.

SEC. 1502. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.

(a) IN GENERAL.—Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end the following new section:

''SEC. 7527. INTERNAL REVENUE SERVICE USER FEES.

''(a) GENERAL RULE.—The Secretary shall establish a program requiring the payment of user fees for—

''(1) requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters, and

''(2) other similar requests.

''(b) PROGRAM CRITERIA.—

''(1) IN GENERAL.—The fees charged under the program required by subsection (a)—

''(A) shall vary according to categories (or subcategories) established by the Secretary,

''(B) shall be determined after taking into account the average time for (and difficulty of) complying with requests in each category (and subcategory), and

''(C) shall be payable in advance.

''(2) EXEMPTIONS, ETC.—The Secretary shall provide for such exemptions (and reduced fees) under such program as the Secretary determines to be appropriate.

''(3) AVERAGE FEE REQUIREMENT.—The average fee charged under the program required by subsection (a) shall not be less than the amount determined under the following table:

''Category:	**Average Fee:**
Employee plan ruling and opinion	$250
Exempt organization ruling	$350
Employee plan determination	$300
Exempt organization determination	$275
Chief counsel ruling	$200.

''(c) TERMINATION.—No fee shall be imposed under this section with respect to requests made after September 30, 2009.''.

(b) CONFORMING AMENDMENTS.—

(1) The table of sections for chapter 77 is amended by adding at the end the following new item:

''Sec. 7527. Internal Revenue Service user fees.''.

(2) Section 10511 of the Revenue Act of 1987 is repealed.

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

SEC. 1503. LIMITATIONS ON WELFARE BENEFIT FUNDS OF 10 OR MORE EMPLOYER PLANS.

(a) BENEFITS TO WHICH EXCEPTION APPLIES.—Section 419A(f)(6)(A) (relating to exception for 10 or more employer plans) is amended to read as follows:

''(A) IN GENERAL.—This subpart shall not apply to a welfare benefit fund which is part of a 10 or more employer plan if the only benefits provided through the fund are 1 or more of the following:

''(i) Medical benefits.

''(ii) Disability benefits.

''(iii) Group term life insurance benefits which do not provide directly or indirectly for any cash surrender value or other money that can be paid, assigned, borrowed, or pledged for collateral for a loan.

The preceding sentence shall not apply to any plan which maintains experience-rating arrangements with respect to individual employers.''.

(b) LIMITATION ON USE OF AMOUNTS FOR OTHER PURPOSES.—Section 4976(b) (defining disqualified benefit) is amended by adding at the end the following new paragraph:

''(5) SPECIAL RULE FOR 10 OR MORE EMPLOYER PLANS EXEMPTED FROM PREFUNDING LIMITS.—For purposes of paragraph (1)(C), if—

''(A) subpart D of part I of subchapter D of chapter 1 does not apply by reason of section 419A(f)(6) to contributions to provide 1 or more welfare benefits through a welfare benefit fund under a 10 or more employer plan, and

''(B) any portion of the welfare benefit fund attributable to such contributions is used for a purpose other than that for which the contributions were made,

then such portion shall be treated as reverting to the benefit of the employers maintaining the fund.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions paid or accrued after June 9, 1999, in taxable years ending after such date.

SEC. 1504. INCREASE IN ELECTIVE WITHHOLDING RATE FOR NONPERIODIC DISTRIBUTIONS FROM DEFERRED COMPENSATION PLANS.

(a) IN GENERAL.—Section 3405(b)(1) (relating to withholding) is amended by striking ''10 percent'' and inserting ''15 percent''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to distributions after December 31, 2000.

SEC. 1505. CONTROLLED ENTITIES INELIGIBLE FOR REIT STATUS.

(a) IN GENERAL.—Subsection (a) of section 856 (relating to definition of real estate investment trust) is amended by striking ''and'' at the end of paragraph (6), by redesignating paragraph (7) as paragraph (8), and by inserting after paragraph (6) the following new paragraph:

''(7) which is not a controlled entity (as defined in subsection (1)); and''.

(b) CONTROLLED ENTITY.—Section 856 is amended by adding at the end the following new subsection:

''(1) CONTROLLED ENTITY.—

''(1) IN GENERAL.—For purposes of subsection (a)(7), an entity is a controlled entity if, at any time during the taxable year, one person (other than a qualified entity)—

''(A) in the case of a corporation, owns stock—

''(i) possessing at least 50 percent of the total voting power of the stock of such corporation, or

''(ii) having a value equal to at least 50 percent of the total value of the stock of such corporation, or

''(B) in the case of a trust, owns beneficial interests in the trust which would meet the requirements of subparagraph (A) if such interests were stock.

''(2) QUALIFIED ENTITY.—For purposes of paragraph (1), the term 'qualified entity' means—

''(A) any real estate investment trust, and

''(B) any partnership in which one real estate investment trust owns at least 50 percent of the capital and profits interests in the partnership.

''(3) ATTRIBUTION RULES.—For purposes of this paragraphs (1) and (2)—

''(A) IN GENERAL.—Rules similar to the rules of subsections (d)(5) and (h)(3) shall apply; except that section 318(a)(3)(C) shall not be applied under such rules to treat stock owned by a qualified entity as being owned by a person which is not a qualified entity.

''(B) STAPLED ENTITIES.—A group of entities which are stapled entities (as defined in section 269B(c)(2)) shall be treated as 1 person.

''(4) EXCEPTION FOR CERTAIN NEW REITS.—

''(A) IN GENERAL.—The term 'controlled entity' shall not include an incubator REIT.

''(B) INCUBATOR REIT.—A corporation shall be treated as an incubator REIT for any taxable year during the eligibility period if it meets all the following requirements for such year:

''(i) The corporation elects to be treated as an incubator REIT.

''(ii) The corporation has only voting common stock outstanding.

''(iii) Not more than 50 percent of the corporation's real estate assets consist of mortgages.

''(iv) From not later than the beginning of the last half of the second taxable year, at least 10 percent of the corporation's capital is provided by lenders or equity investors who are unrelated to the corporation's largest shareholder.

''(v) The corporation annually increases the value of its real estate assets by at least 10 percent.

''(vi) The directors of the corporation adopt a resolution setting forth an intent to engage in a going public transaction.

No election may be made with respect to any REIT if an election under this subsection was in effect for any predecessor of such REIT.

''(C) ELIGIBILITY PERIOD.—

''(i) IN GENERAL.—The eligibility period (for which an incubator REIT election can be made) begins with the REIT's second taxable year and ends at the close of the REIT's third taxable year, except that the REIT may, subject to clauses (ii), (iii), and (iv), elect to extend such period for an additional 2 taxable years.

''(ii) GOING PUBLIC TRANSACTION.—A REIT may not elect to extend the eligibility period under clause (i) unless it enters into an agreement with the Secretary that if it does not engage in a going public transaction by the end of the extended eligibility period, it shall pay Federal income taxes for the 2 years of the extended eligibility period as if it had not made an incubator REIT election and had ceased to qualify as a REIT for those 2 taxable years.

''(iii) RETURNS, INTEREST, AND NOTICE.—

''(I) RETURNS.—In the event the corporation ceases to be treated as a REIT by operation of clause (ii), the corporation shall file any appropriate amended returns reflecting the change in status within 3 months of the close of the extended eligibility period.

''(II) INTEREST.—Interest shall be payable on any tax imposed by reason of clause (ii) for any taxable year but, unless there was a finding under subparagraph (D), no substantial underpayment penalties shall be imposed.

''(III) NOTICE.—The corporation shall, at the same time it files its returns under subclause (I), notify its shareholders and any other persons whose tax position is, or may reasonably be expected to be, affected by the change in status so they also may file any appropriate amended returns to conform their tax treatment consistent with the corporation's loss of REIT status.

''(IV) REGULATIONS.—The Secretary shall provide appropriate regulations setting forth transferee liability and other provisions to ensure collection of tax and the proper administration of this provision.

''(iv) Clauses (ii) and (iii) shall not apply if the corporation allows its incubator REIT status to lapse at the end of the initial 2-year eligibility period without engaging in a going public transaction if the corporation is not a controlled entity as of the beginning of its fourth taxable year. In such a case, the corporation's directors may still be liable for the penalties described in subparagraph (D) during the eligibility period.

''(D) SPECIAL PENALTIES.—If the Secretary determines that an incubator REIT election was filed for a principal purpose other than as part of a reasonable plan to undertake a going public transaction, an excise tax of $20,000 shall be imposed on each of the corporation's directors for each taxable year for which an election was in effect.

''(E) GOING PUBLIC TRANSACTION.—For purposes of this paragraph, a going public transaction means—

''(i) a public offering of shares of the stock of the incubator REIT;

''(ii) a transaction, or series of transactions, that results in the stock of the incubator REIT being regularly traded on an established securities market and that results in at least 50 percent of such stock being held by shareholders who are unrelated to persons who held such stock before it began to be so regularly traded; or

''(iii) any transaction resulting in ownership of the REIT by 200 or more persons (excluding the largest single shareholder) who in the aggregate own at least 50 percent of the stock of the REIT.

For the purposes of this subparagraph, the rules of paragraph (3) shall apply in determining the ownership of stock.

''(F) DEFINITIONS.—The term 'established securities market' shall have the meaning set forth in the regulations under section 897.''.

(c) CONFORMING AMENDMENT.—Paragraph (2) of section 856(h) is amended by striking ''and (6)'' each place it appears and inserting '', (6), and (7)''.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years ending after July 14, 1999.

(2) EXCEPTION FOR EXISTING CONTROLLED ENTITIES.—The amendments made by this section shall not apply to any entity which is a controlled entity (as defined in section 856(l) of the Internal Revenue Code of 1986, as added by this section) as of July 14, 1999, which is a real estate investment trust for the taxable year which includes such date, and which has significant business assets or activities as of such date. For purposes of the preceding sentence, an entity shall be treated as such a controlled entity on July 14, 1999, if it becomes such an entity after such date in a transaction—

(A) made pursuant to a written agreement which was binding on such date and at all times thereafter, or

(B) described on or before such date in a filing with the Securities and Exchange Commission required solely by reason of the transaction.

SEC. 1506. TREATMENT OF GAIN FROM CONSTRUCTIVE OWNERSHIP TRANSACTIONS.

(a) IN GENERAL.—Part IV of subchapter P of chapter 1 (relating to special rules for determining capital gains and losses) is amended by inserting after section 1259 the following new section:

''SEC. 1260. GAINS FROM CONSTRUCTIVE OWNERSHIP TRANSACTIONS.

''(a) IN GENERAL.—If the taxpayer has gain from a constructive ownership transaction with respect to any financial asset and such gain would (without regard to this section) be treated as a long-term capital gain—

''(1) such gain shall be treated as ordinary income to the extent that such gain exceeds the net underlying long-term capital gain, and

''(2) to the extent such gain is treated as a long-term capital gain after the application of paragraph (1), the determination of the capital gain rate (or rates) applicable to such gain under section 1(h) shall be determined on the basis of the respective rate (or rates) that would have been applicable to the net underlying long-term capital gain.

''(b) INTEREST CHARGE ON DEFERRAL OF GAIN RECOGNITION.—

''(1) IN GENERAL.—If any gain is treated as ordinary income for any taxable year by reason of subsection (a)(1), the tax imposed by this chapter for such taxable year shall be increased by the amount of interest determined under paragraph (2) with respect to each prior taxable year during any portion of which the constructive ownership transaction was open. Any amount payable under this paragraph shall be taken into account in computing the amount of any deduction allowable to the taxpayer for interest paid or accrued during such taxable year.

''(2) AMOUNT OF INTEREST.—The amount of interest determined under this paragraph with respect to a prior taxable year is the amount of interest which would have been imposed under section 6601 on the underpayment of tax for such year which would have resulted if the gain (which is treated as ordinary income by reason of subsection (a)(1)) had been included in gross income in the taxable years in which it accrued (determined by treating the income as accruing at a constant rate equal to the applicable Federal rate as in effect on the day the transaction closed). The period during which such interest shall accrue shall end on the due date (without extensions) for the return of tax imposed by this chapter for the taxable year in which such transaction closed.

''(3) APPLICABLE FEDERAL RATE.—For purposes of paragraph (2), the applicable Federal rate is the applicable Federal rate determined under 1274(d) (compounded semiannually) which would apply to a debt instrument with a term equal to the period the transaction was open.

''(4) NO CREDITS AGAINST INCREASE IN TAX.—Any increase in tax under paragraph (1) shall not be treated as tax imposed by this chapter for purposes of determining—

''(A) the amount of any credit allowable under this chapter, or

''(B) the amount of the tax imposed by section 55.

''(c) FINANCIAL ASSET.—For purposes of this section—

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

''(A) any equity interest in any pass-thru entity, and

''(B) to the extent provided in regulations—

''(i) any debt instrument, and

''(ii) any stock in a corporation which is not a pass-thru entity.

''(2) PASS-THRU ENTITY.—For purposes of paragraph (1), the term 'pass-thru entity' means—

''(A) a regulated investment company,

''(B) a real estate investment trust,

''(C) an S corporation,

''(D) a partnership,

''(E) a trust,

''(F) a common trust fund,

''(G) a passive foreign investment company (as defined in section 1297 without regard to subsection (e) thereof),

''(H) a foreign personal holding company,

''(I) a foreign investment company (as defined in section 1246(b)), and

''(J) a REMIC.

''(d) CONSTRUCTIVE OWNERSHIP TRANSACTION.—For purposes of this section—

''(1) IN GENERAL.—The taxpayer shall be treated as having entered into a constructive ownership transaction with respect to any financial asset if the taxpayer—

''(A) holds a long position under a notional principal contract with respect to the financial asset,

''(B) enters into a forward or futures contract to acquire the financial asset,

''(C) is the holder of a call option, and is the grantor of a put option, with respect to the financial asset and such options have substantially equal strike prices and substantially contemporaneous maturity dates, or

''(D) to the extent provided in regulations prescribed by the Secretary, enters into 1 or more other transactions (or acquires 1 or more positions) that have substantially the same effect as a transaction described in any of the preceding subparagraphs.

''(2) EXCEPTION FOR POSITIONS WHICH ARE MARKED TO MARKET.—This section shall not apply to any constructive ownership transaction if all of the positions which are part of such transaction are marked to market under any provision of this title or the regulations thereunder.

''(3) LONG POSITION UNDER NOTIONAL PRINCIPAL CONTRACT.—A person shall be treated as holding a long position under a notional principal contract with respect to any financial asset if such person—

''(A) has the right to be paid (or receive credit for) all or substantially all of the investment yield (including appreciation) on such financial asset for a specified period, and

''(B) is obligated to reimburse (or provide credit for) all or substantially all of any decline in the value of such financial asset.

''(4) FORWARD CONTRACT.—The term 'forward contract' means any contract to acquire in the future (or provide or receive credit for the future value of) any financial asset.

''(e) NET UNDERLYING LONG-TERM CAPITAL GAIN.—For purposes of this section, in the case of any constructive ownership transaction with respect to any financial asset, the term 'net underlying long-term capital gain' means the aggregate net capital gain that the 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 from the deemed ownership under paragraph (1) were taken into account.

The amount of the net underlying long-term capital gain with respect to any financial asset shall be treated as zero unless the amount thereof is established by clear and convincing evidence.

''(f) SPECIAL RULE WHERE TAXPAYER TAKES DELIVERY.—Except as provided in regulations prescribed by the Secretary, if a constructive ownership transaction is closed by reason of taking delivery, this section shall be applied as if the taxpayer had sold all the contracts, options, or other positions which are part of such transaction for fair market value on the closing date. The amount of gain recognized under the preceding sentence shall not exceed the amount of gain treated as ordinary income under subsection (a). Proper adjustments shall be made in the amount of any gain or loss subsequently realized for gain recognized and treated as ordinary income under this subsection.

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

''(1) to permit taxpayers to mark to market constructive ownership transactions in lieu of applying this section, and

''(2) to exclude certain forward contracts which do not convey substantially all of the economic return with respect to a financial asset.''.

(b) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter P of chapter 1 is amended by adding at the end the following new item:

''Sec. 1260. Gains from constructive ownership transactions.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after July 11, 1999.

SEC. 1507. TRANSFER OF EXCESS DEFINED BENEFIT PLAN ASSETS FOR RETIREE HEALTH BENEFITS.

(a) EXTENSION.—

(1) IN GENERAL.—Paragraph (5) of section 420(b) (relating to expiration) is amended by striking ''in any taxable year beginning after December 31, 2000'' and inserting ''made after September 30, 2009''.

(2) CONFORMING AMENDMENTS.—

(A) Section 101(e)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1021(e)(3)) is amended by striking ''1995'' and inserting ''2001''.

(B) Section 403(c)(1) of such Act (29 U.S.C. 1103(c)(1)) is amended by striking ''1995'' and inserting ''2001''.

(C) Paragraph (13) of section 408(b) of such Act (29 U.S.C. 1108(b)(13)) is amended—

(i) by striking ''in a taxable year beginning before January 1, 2001'' and inserting ''made before October 1, 2009'', and

(ii) by striking ''1995'' and inserting ''2001''.

(b) APPLICATION OF MINIMUM COST REQUIREMENTS.—

(1) IN GENERAL.—Paragraph (3) of section 420(c) is amended to read as follows:

''(3) MINIMUM COST REQUIREMENTS.—

''(A) IN GENERAL.—The requirements of this paragraph are met if each group health plan or arrangement under which applicable health benefits are provided provides that the applicable employer cost for each taxable year during the cost maintenance period shall not be less than the higher of the applicable employer costs for each of the 2 taxable years immediately preceding the taxable year of the qualified transfer.

''(B) APPLICABLE EMPLOYER COST.—For purposes of this paragraph, the term 'applicable employer cost' means, with respect to any taxable year, the amount determined by dividing—

''(i) the qualified current retiree health liabilities of the employer for such taxable year determined—

''(I) without regard to any reduction under subsection (e)(1)(B), and

''(II) in the case of a taxable year in which there was no qualified transfer, in the same manner as if there had been such a transfer at the end of the taxable year, by

''(ii) the number of individuals to whom coverage for applicable health benefits was provided during such taxable year.

''(C) ELECTION TO COMPUTE COST SEPARATELY.—An employer may elect to have this paragraph applied separately with respect to individuals eligible for benefits under title XVIII of the Social Security Act at any time during the taxable year and with respect to individuals not so eligible.

''(D) COST MAINTENANCE PERIOD.—For purposes of this paragraph, the term 'cost maintenance period' means the period of 5 taxable years beginning with the taxable year in which the qualified transfer occurs. If a taxable year is in 2 or more overlapping cost maintenance periods, this paragraph shall be applied by taking into account the highest applicable employer cost required to be provided under subparagraph (A) for such taxable year.''.

(2) CONFORMING AMENDMENTS.—

(A) Clause (iii) of section 420(b)(1)(C) is amended by striking ''benefits'' and inserting ''cost''.

(B) Subparagraph (D) of section 420(e)(1) is amended by striking ''and shall not be subject to the minimum benefit requirements of subsection (c)(3)'' and inserting ''or in calculating applicable employer cost under subsection (c)(3)(B)''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to qualified transfers occurring after the date of the enactment of this Act.

(2) TRANSITION RULE.—If the cost maintenance period for any qualified transfer after the date of the enactment of this Act includes any portion of a benefit maintenance period for any qualified transfer on or before such date, the amendments made by subsection (b) shall not apply to such portion of the cost maintenance period (and such portion shall be treated as a benefit maintenance period).

SEC. 1508. MODIFICATION OF INSTALLMENT METHOD AND REPEAL OF INSTALLMENT METHOD FOR ACCRUAL METHOD TAXPAYERS.

(a) REPEAL OF INSTALLMENT METHOD FOR ACCRUAL BASIS TAXPAYERS.—

(1) IN GENERAL.—Subsection (a) of section 453 (relating to installment method) is amended to read as follows:

''(a) USE OF INSTALLMENT METHOD.—

''(1) IN GENERAL.—Except as otherwise provided in this section, income from an installment sale shall be taken into account for purposes of this title under the installment method.

''(2) ACCRUAL METHOD TAXPAYER.—The installment method shall not apply to income from an installment sale if such income would be reported under an accrual method of accounting without regard to this section. The preceding sentence shall not apply to a disposition described in subparagraph (A) or (B) of subsection (l)(2).''.

(2) CONFORMING AMENDMENTS.—Sections 453(d)(1), 453(i)(1), and 453(k) are each amended by striking ''(a)'' each place it appears and inserting ''(a)(1)''.

(b) MODIFICATION OF PLEDGE RULES.—Paragraph (4) of section 453A(d) (relating to pledges, etc., of installment obligations) is amended by adding at the end the following: ''A payment shall be treated as directly secured by an interest in an installment obligation to the extent an arrangement allows the taxpayer to satisfy all or a portion of the indebtedness with the installment obligation.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to sales or

other dispositions occurring on or after the date of the enactment of this Act.

SEC. 1509. LIMITATION ON USE OF NONACCRUAL 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.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by the amendments made by this section to change its method of accounting for its first taxable year ending after the date of the enactment of this Act—

(A) such change shall be treated as initiated by the taxpayer,

(B) such change shall be treated as made with the consent of the Secretary of the Treasury, and

(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account over a period (not greater than 4 taxable years) beginning with such first taxable year.

SEC. 1510. CHARITABLE SPLIT-DOLLAR LIFE INSURANCE, ANNUITY, AND ENDOWMENT CONTRACTS.

(a) IN GENERAL.—Subsection (f) of section 170 (relating to disallowance of deduction in certain cases and special rules) is amended by adding at the end the following new paragraph:

''(10) SPLIT-DOLLAR LIFE INSURANCE, ANNUITY, AND ENDOWMENT CONTRACTS.—

''(A) IN GENERAL.—Nothing in this section or in section 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 shall be construed to allow a deduction, and no deduction shall be allowed, for any transfer to or for the use of an organization described in subsection (c) if in connection with such transfer—

''(i) the organization directly or indirectly pays, or has previously paid, any premium on any personal benefit contract with respect to the transferor, or

''(ii) there is an understanding or expectation that any person will directly or indirectly pay any premium on any personal benefit contract with respect to the transferor.

''(B) PERSONAL BENEFIT CONTRACT.—For purposes of subparagraph (A), the term 'personal benefit contract' means, with respect to the transferor, any life insurance, annuity, or endowment contract if any direct or indirect beneficiary under such contract is the transferor, any member of the transferor's family, or any other person (other than an organization described in subsection (c)) designated by the transferor.

''(C) APPLICATION TO CHARITABLE REMAINDER TRUSTS.—In the case of a transfer to a trust referred to in subparagraph (E), references in subparagraphs (A) and (F) 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 indirect beneficiaries under such contract if—

''(i) such organization possesses all of the incidents of ownership under such contract,

''(ii) such organization is entitled to all the payments under such contract, and

''(iii) the timing and amount of payments under such contract are substantially the same as the timing and amount of payments to each such person under such obligation (as such obligation is in effect at the time of such transfer).

''(E) EXCEPTION FOR CERTAIN CONTRACTS HELD BY CHARITABLE REMAINDER TRUSTS.—A person shall not be treated for purposes of subparagraph (B) as an indirect beneficiary under any life insurance, annuity, or endowment contract held by a charitable remainder annuity trust or a charitable remainder unitrust (as defined in section 664(d)) solely by reason of being entitled to any payment referred to in paragraph (1)(A) or (2)(A) of section 664(d) if—

''(i) such trust possesses all of the incidents of ownership under such contract, and

''(ii) such trust is entitled to all the payments under such contract.

''(F) EXCISE TAX ON PREMIUMS PAID.—

''(i) IN GENERAL.—There is hereby imposed on any organization described in subsection (c) an excise tax equal to the premiums paid by such organization on any life insurance, annuity, or endowment contract if the payment of premiums on such contract is in connection with a transfer for which a deduction is not allowable under subparagraph (A), determined without regard to when such transfer is made.

''(ii) PAYMENTS BY OTHER PERSONS.—For purposes of clause (i), payments made by any other person pursuant to an understanding or expectation referred to in subparagraph (A) shall be treated as made by the organization.

''(iii) REPORTING.—Any organization on which tax is imposed by clause (i) with respect to any premium shall file an annual return which includes—

''(I) the amount of such premiums paid during the year and the name and TIN of each beneficiary under the contract to which the premium relates, and

''(II) such other information as the Secretary may require.

The penalties applicable to returns required under section 6033 shall apply to returns required under this clause. Returns required under this clause shall be furnished at such time and in such manner as the Secretary shall by forms or regulations require.

''(iv) CERTAIN RULES TO APPLY.—The tax imposed by this subparagraph shall be treated as imposed by chapter 42 for purposes of this title other than subchapter B of chapter 42.

''(G) SPECIAL RULE WHERE STATE REQUIRES SPECIFICATION OF CHARITABLE GIFT ANNUITANT IN CONTRACT.—In the case of an obligation to pay a charitable gift annuity referred to in subparagraph (D) which is entered into under the laws of a State which requires, in order for the charitable gift annuity to be exempt from insurance regulation by such State, that each beneficiary under the charitable gift annuity be named as a beneficiary under an annuity contract issued by an insurance company authorized to transact business in such State, the requirements of clauses (i) and (ii) of subparagraph (D) shall be treated as met if—

''(i) such State law requirement was in effect on February 8, 1999,

''(ii) each such beneficiary under the charitable gift annuity is a bona fide resident of such State at the time the obligation to pay a charitable gift annuity is entered into, and

''(iii) the only persons entitled to payments under such contract are persons entitled to payments as beneficiaries under such obligation on the date such obligation is entered into.

''(H) MEMBER OF FAMILY.—For purposes of this paragraph, an individual's family consists of the individual's grandparents, the grandparents of such individual's spouse, the lineal descendants of such grandparents, and any spouse of such a lineal descendant.

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

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this section, the amendment made by this section shall apply to transfers made after February 8, 1999.

(2) EXCISE TAX.—Except as provided in paragraph (3) of this subsection, section 170(f)(10)(F) of the Internal Revenue Code of 1986 (as added by this section) shall apply to premiums paid after the date of the enactment of this Act.

(3) REPORTING.—Clause (iii) of such section 170(f)(10)(F) shall apply to premiums paid after February 8, 1999 (determined as if the tax imposed by such section applies to premiums paid after such date).

SEC. 1511. RESTRICTION ON USE OF REAL ESTATE INVESTMENT TRUSTS TO AVOID ESTIMATED TAX PAYMENT REQUIREMENTS.

(a) IN GENERAL.—Subsection (e) of section 6655 (relating to estimated tax by corporations) is amended by adding at the end the following new paragraph:

''(5) TREATMENT OF CERTAIN REIT DIVIDENDS.—

''(A) IN GENERAL.—Any dividend received from a closely held real estate investment trust by any person which owns (after application of subsections (d)(5) and (l)(3)(B) of section 856) 10 percent or more (by vote or value) of the stock or beneficial interests in the trust shall be taken into account in computing annualized income installments under paragraph (2) in a manner similar to the manner under which partnership income inclusions are taken into account.

''(B) CLOSELY HELD REIT.—For purposes of subparagraph (A), the term 'closely held real estate investment trust' means a real estate investment trust with respect to which 5 or fewer persons own (after application of subsections (d)(5) and (l)(3)(B) of section 856) 50 percent or more (by vote or value) of the stock or beneficial interests in the trust.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to estimated tax payments due on or after September 15, 1999.

SEC. 1512. MODIFICATION OF ANTI-ABUSE RULES RELATED TO ASSUMPTION OF LIABILITY.

(a) IN GENERAL.—Section 357(b)(1) (relating to tax avoidance purpose) is amended—

(1) by striking ''the principal purpose'' and inserting ''a principal purpose'', and

(2) by striking ''on the exchange'' in subparagraph (A).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to assumptions of liability after July 14, 1999.

SEC. 1513. ALLOCATION OF BASIS ON TRANSFERS OF INTANGIBLES IN CERTAIN NONRECOGNITION TRANSACTIONS.

(a) TRANSFERS TO CORPORATIONS.—Section 351 (relating to transfer to corporation controlled by transferor) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

''(h) TREATMENT OF TRANSFERS OF INTANGIBLE PROPERTY.—

''(1) TRANSFERS OF LESS THAN ALL SUBSTANTIAL RIGHTS.

''(A) IN GENERAL.—A transfer of an interest in intangible property (as defined in section 936(h)(3)(B)) shall be treated under this section as a transfer of property even if the transfer is of less than all of the substantial rights of the transferor in the property.

''(B) ALLOCATION OF BASIS.—In the case of a transfer of less than all of the substantial rights of the transferor in the intangible property, the transferor's basis immediately before the transfer shall be allocated among the rights retained by the transferor and the rights transferred on the basis of their respective fair market values.

''(2) NONRECOGNITION NOT TO APPLY TO INTANGIBLE PROPERTY DEVELOPED FOR TRANSFEREE.—This section shall not apply to a transfer of intangible property developed by the transferor or any related person if such development was pursuant to an arrangement with the transferee.''.

(b) TRANSFERS TO PARTNERSHIPS.—Subsection (d) of section 721 is amended to read as follows:

''(d) TRANSFERS OF INTANGIBLE PROPERTY.—

''(1) IN GENERAL.—Rules similar to the rules of section 351(h) shall apply for purposes of this section.

''(2) TRANSFERS TO FOREIGN PARTNERSHIPS.—For regulatory authority to treat intangibles transferred to a partnership as sold, see section 367(d)(3).''.

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

SEC. 1514. DISTRIBUTIONS TO A CORPORATE PARTNER OF STOCK IN ANOTHER CORPORATION.

(a) IN GENERAL.—Section 732 (relating to basis of distributed property other than money) is amended by adding at the end the following new subsection:

''(f) CORRESPONDING ADJUSTMENT TO BASIS OF ASSETS OF A DISTRIBUTED CORPORATION CONTROLLED BY A CORPORATE PARTNER.—

''(1) IN GENERAL.—If—

''(A) a corporation (hereafter in this subsection referred to as the 'corporate partner') receives a distribution from a partnership of stock in another corporation (hereafter in this subsection referred to as the 'distributed corporation'),

''(B) the corporate partner has control of the distributed corporation immediately after the distribution or at any time thereafter, and

''(C) the partnership's adjusted basis in such stock immediately before the distribution exceeded the corporate partner's adjusted basis in such stock immediately after the distribution,

then an amount equal to such excess shall be applied to reduce (in accordance with subsection (c)) the basis of property held by the distributed corporation at such time (or, if the corporate partner does not control the distributed corporation at such time, at the time the corporate partner first has such control).

''(2) EXCEPTION FOR CERTAIN DISTRIBUTIONS BEFORE CONTROL ACQUIRED.—Paragraph (1) shall not apply to any distribution of stock in the distributed corporation if—

''(A) the corporate partner does not have control of such corporation immediately after such distribution, and

''(B) the corporate partner establishes to the satisfaction of the Secretary that such distribution was not part of a plan or arrangement to acquire control of the distributed corporation.

''(3) LIMITATIONS ON BASIS REDUCTION.—

''(A) IN GENERAL.—The amount of the reduction under paragraph (1) shall not exceed the amount by which the sum of the aggregate adjusted bases of the property and the amount of money of the distributed corporation exceeds the corporate partner's adjusted basis in the stock of the distributed corporation.

''(B) REDUCTION NOT TO EXCEED ADJUSTED BASIS OF PROPERTY.—No reduction under paragraph (1) in the basis of any property shall exceed the adjusted basis of such property (determined without regard to such reduction).

''(4) GAIN RECOGNITION WHERE REDUCTION LIMITED.—If the amount of any reduction under paragraph (1) (determined after the application of paragraph (3)(A)) exceeds the aggregate adjusted bases of the property of the distributed corporation—

''(A) such excess shall be recognized by the corporate partner as long-term capital gain, and

''(B) the corporate partner's adjusted basis in the stock of the distributed corporation shall be increased by such excess.

''(5) CONTROL.—For purposes of this subsection, the term 'control' means ownership of stock meeting the requirements of section 1504(a)(2).

''(6) INDIRECT DISTRIBUTIONS.—For purposes of paragraph (1), if a corporation acquires (other than in a distribution from a partnership) stock the basis of which is determined (by reason of being distributed from a partnership) in whole or in part by reference to subsection (a)(2) or (b), the corporation shall be treated as receiving a distribution of such stock from a partnership.

''(7) SPECIAL RULE FOR STOCK IN CONTROLLED CORPORATION.—If the property held by a distributed corporation is stock in a corporation which the distributed corporation controls, this subsection shall be applied to reduce the basis of the property of such controlled corporation. This subsection shall be reapplied to any property of any controlled corporation which is stock in a corporation which it controls.

''(8) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations to avoid double counting and to prevent the abuse of such purposes.''.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendment made by this section shall apply to distributions made after July 14, 1999.

(2) PARTNERSHIPS IN EXISTENCE ON JULY 14, 1999.—In the case of a corporation which is a partner in a partnership as of July 14, 1999, the amendment made by this section shall apply to distributions made to such partner from such partnership after the date of the enactment of this Act.

SEC. 1515. PROHIBITED ALLOCATIONS OF S CORPORATION STOCK HELD BY AN ESOP.

(a) IN GENERAL.—Section 409 (relating to qualifications for tax credit employee stock ownership plans) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

''(p) PROHIBITED ALLOCATION OF SECURITIES IN AN S CORPORATION.—

''(1) IN GENERAL.—An employee stock ownership plan holding employer securities consisting of stock in an S corporation shall provide that no portion of the assets of the plan attributable to (or allocable in lieu of) such employer securities may, during a nonallocation year, accrue (or be allocated directly or indirectly under any plan of the employer meeting the requirements of section 401(a)) for the benefit of any disqualified individual.

''(2) FAILURE TO MEET REQUIREMENTS.—If a plan fails to meet the requirements of paragraph (1)—

''(A) the plan shall be treated as having distributed to any disqualified individual the amount allocated to the account of such individual in violation of paragraph (1) at the time of such allocation,

''(B) the provisions of section 4979A shall apply, and

''(C) the statutory period for the assessment of any tax imposed by section 4979A shall not expire before the date which is 3 years from the later of—

''(i) the allocation of employer securities resulting in the failure under paragraph (1) giving rise to such tax, or

''(ii) the date on which the Secretary is notified of such failure.

''(3) NONALLOCATION YEAR.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'nonallocation year' means any plan year of an employee stock ownership plan if, at any time during such plan year—

''(i) such plan holds employer securities consisting of stock in an S corporation, and

''(ii) disqualified individuals own at least 50 percent of the number of outstanding shares of stock in such S corporation.

''(B) ATTRIBUTION RULES.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The rules of section 318(a) shall apply for purposes of determining ownership, except that—

''(I) in applying paragraph (1) thereof, the members of an individual's family shall include members of the family described in paragraph (4)(D), and

''(II) paragraph (4) thereof shall not apply.

''(ii) DEEMED-OWNED SHARES.—Notwithstanding the employee trust exception in section 318(a)(2)(B)(i), disqualified individuals shall be treated as owning deemed-owned shares.

''(4) DISQUALIFIED INDIVIDUAL.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'disqualified individual' means any individual who is a participant or beneficiary under the employee stock ownership plan if—

''(i) the aggregate number of deemed-owned shares of such individual and the members of the individual's family is at least 20 percent of the number of outstanding shares of stock in the S corporation constituting employer securities of such plan, or

''(ii) if such individual is not described in clause (i), the number of deemed-owned shares of such individual is at least 10 percent of the number of outstanding shares of stock in such corporation.

''(B) TREATMENT OF FAMILY MEMBERS.—In the case of a disqualified individual described in subparagraph (A)(i), any member of the individual's family with deemed-owned shares shall be treated as a disqualified individual if not otherwise a disqualified individual under subparagraph (A).

''(C) DEEMED-OWNED SHARES.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'deemed-owned shares' means, with respect to 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 share of the stock in such corporation which is held by such trust but which is not allocated under the plan to employees.

''(ii) INDIVIDUAL'S SHARE OF UNALLOCATED STOCK.—For purposes of clause (i)(II), an individual's share of unallocated S corporation stock held by the trust is the amount of the unallocated stock which would be allocated to such individual if the unallocated stock were allocated to individuals in the same proportions as the most recent stock allocation under the plan.

''(D) MEMBER OF FAMILY.—For purposes of this paragraph, the term 'member of the family' means, with respect to any individual—

''(i) the spouse of the individual,

''(ii) an ancestor or lineal descendant of the individual or the individual's spouse,

''(iii) a brother or sister of the individual or the individual's spouse and any lineal descendant of the brother or sister, and

''(iv) the spouse of any person described in clause (ii) or (iii).

''(5) DEFINITIONS.—For purposes of this subsection—

''(A) EMPLOYEE STOCK OWNERSHIP PLAN.—The term 'employee stock ownership plan' has the meaning given such term by section 4975(e)(7).

''(B) EMPLOYER SECURITIES.—The term 'employer security' has the meaning given such term by section 409(l).

''(6) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations providing for the treatment of any stock option, restricted stock, stock appreciation right, phantom stock unit, performance unit, or similar instrument granted by an S corporation as stock or not stock.''.

(b) EXCISE TAX.—

(1) IN GENERAL.—Section 4979A(b) (defining prohibited allocation) is amended by striking ''and'' at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting '', and'', and by adding at the end the following new paragraph:

''(3) any allocation of employer securities which violates the provisions of section 409(p).''.

(2) LIABILITY.—Section 4979A(c) (defining liability for tax) is amended by adding at the end the following new sentence: ''In the case of a prohibited allocation described in subsection (b)(3), such tax shall be paid by the S corporation the stock in which was allocated in violation of section 409(p).''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan years beginning after December 31, 2000.

(2) EXCEPTION FOR CERTAIN PLANS.—In the case of any—

(A) employee stock ownership plan established after July 14, 1999, or

(B) employee stock ownership plan established on or before such date if employer securities held by the plan consist of stock in a corporation with respect to which an election under section 1362(a) of the Internal Revenue Code of 1986 is not in effect on such date,

the amendments made by this section shall apply to plan years ending after July 14, 1999.

TITLE XVI—COMPLIANCE WITH BUDGET ACT

SEC. 1601. COMPLIANCE WITH BUDGET ACT.

(a) IN GENERAL.—Except as provided in subsection (b), 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.

(b) SUNSET FOR CERTAIN PROVISIONS.—The amendments made by sections 101, 111, 121, 201, 202, 211, 214, and 1221 of this Act shall not apply to any taxable year beginning after December 31, 2008.

And the Senate agrees to the same.

For consideration of the House bill, and the Senate amendment, and modfications committed to conference:

WM. ARCHER.
DICK ARMEY.
PHILIP M. CRANE.
WM. THOMAS.

As additional conferees for consideration of sections 313, 315–16, 318, 325, 335, 338, 341–42, 344–45, 351, 362–63, 365, 369, 371, 381, 1261, 1305, and 1406 of the Senate amendment, and modfications committed to conference:

BILL GOODLING.
JOHN BOEHNER.
Managers on the Part of the House.

WM. V. ROTH, JR.
TRENT LOTT.
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 2488) to provide for reconciliation pursuant to sections 105 and 211 of the concurrent resolution on the budget for fiscal year 2000, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The Senate amendment struck all of the House bill after the enacting clause and inserted a substitute text.

The House recedes from its disagreement to the amendment of the Senate with an amendment that is a substitute for the House bill and the Senate amendment. The differences between the House bill, the Senate amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clerical changes.

I. BROAD-BASED AND FAMILY TAX RELIEF

A. Reduction in Individual Income Tax Rates and Expansion of Lowest Individual Regular Income Tax Rate Bracket (sec. 101 of the House bill, secs. 101 and 102 of the Senate amendment and secs. 1 and 55 of the Code)

Present Law

Income tax rate structure

To determine regular income tax liability, a taxpayer generally must apply the tax rate schedules (or the tax tables) to his or her taxable income. The rate schedules are divided into several ranges of income, known as income brackets, and the marginal tax rate increases as a taxpayer's income increases. The income bracket amounts are indexed for inflation. Separate rate schedules apply based on an individual's filing status. In order to limit multiple uses of a graduated rate schedule within a family, the net unearned income of a child under age 14 is taxed as if it were the parent's income.

Individual alternative minimum tax ("AMT") rate structure

Present law imposes the individual AMT on an individual to the extent the taxpayer's minimum tax liability exceeds his or her regular tax liability. The AMT is imposed on individuals at rates of (1) 26 percent on the first $175,000 of alternative minimum taxable income (''AMTI'') in excess of a phased-out exemption amount and (2) 28 percent on the amount in excess of $175,000. The lower capital gains rates applicable to the regular tax also apply for purposes of the AMT.

House Bill

Individual regular tax rates

The House bill reduces the regular income tax rates by 10 percent over a 10–year period (2000–2009). Specifically, each rate is reduced by 1.0 percent for taxable years beginning in 2001–2003, 2.5 percent for taxable years beginning in 2004, 5 percent for taxable years beginning in 2005–2007, 7.5 percent for taxable years beginning in 2008, and 10 percent for taxable years beginning in 2009 and thereafter. The tax rates will be rounded up in 2001, rounded down in 2002 and 2003 and rounded up in 2004 and thereafter, annually to the nearest one-tenth of a percent. This rate reduction does not apply to the capital gains tax rates. However, a separate provision of the House bill would reduce individual capital gains rates.

Individual AMT

The House bill reduces the individual AMT tax rates by a total of 10 percent over a 10-year period (2000–2009). Specifically, the individual AMT tax rates are reduced by 1.0 percent for taxable years beginning in 2001–2003, 2.5 percent for taxable years beginning in 2004, 5 percent for taxable years beginning in 2005–2007, 7.5 percent for taxable years beginning in 2008, and 10 percent for taxable years beginning in 2009 and thereafter. The rates will be rounded annually to the nearest one-tenth of a percent, like the regular income tax rates.

Effective date

The House bill is effective for taxable years beginning after December 31, 2000.

Senate Amendment

Individual regular income tax rates

The Senate amendment reduces the lowest individual regular income tax rate from 15 percent to 14 percent. This rate reduction does not apply to the capital gains tax rates.

The Senate amendment also phases in an increase in the size of the 14–percent rate bracket. Specifically, the amendment increases the size of the otherwise applicable 14–percent rate bracket by $2,000 ($4,000 for a married couple filing a joint return) in 2006, and by $2,500 ($5,000 for a married couple filing a joint return) in 2007 and thereafter. The $2,500/$5,000 amounts in 2007 and thereafter are the total increase and are not in addition to the $2,000/$4,000 amounts in 2006. These amounts are indexed for inflation beginning in 2008.

Individual AMT

The Senate amendment does not contain a provision relating to AMT tax rates. A separate provision would make permanent the present-law provision to allow the nonrefundable personal credits fully against the AMT and to allow personal exemptions against the AMT.

Effective date

The Senate amendment provision reducing the tax rate from 15 percent to 14 percent is

effective for taxable years beginning after December 31, 2000. The provision increasing the size of the 14–percent rate bracket is effective for taxable years beginning after December 31, 2005.

Conference Agreement

Individual regular income tax rates

The conference agreement reduces the individual regular income tax rates as follows: (1) from 15 percent to 14 percent; (2) from 28 percent to 27 percent; (3) from 31 percent to 30 percent; (4) from 36 percent to 35 percent; and (5) from 39.6 percent to 38.6 percent. These rate reductions do not apply to the capital gains tax rates. The reduction of the 15–percent rate to a 14–percent rate is phased-in over three years; (1) 14.5 percent in 2001 and 2002; and (2) 14 percent in 2003 and thereafter. Therefore, the 14 percent rate applies to taxable years beginning after December 31, 2002. The reductions in the other rates (both regular and AMT) are effective for taxable years beginning after December 31, 2004.

The conference agreement also widens the lowest (currently 15 percent) regular income tax rate brackets for both singles and head of households by $3,000 for taxable years beginning after December 31, 2005. For taxable years beginning after December 31, 2006, the $3,000 amounts are indexed for inflation.

Individual AMT

The conference agreement reduces the AMT rates as follows; (1) from 26 percent to 25 percent, and (2) from 28 percent rate to 27 percent. The lower capital gains rates applicable to the regular tax also apply for purposes of the AMT.

Effective date

The reduction of the 15–percent rate to a 14–percent rate is effective for taxable years beginning after December 31, 2000. The reductions in the other rates (both regular and AMT) are effective for taxable years beginning after December 31, 2004. The widening of the lowest applicable rate bracket for single and head of household returns is effective for taxable years beginning after December 31, 2005.

B. Marriage Penalty Relief Provisions Relating to the Rate Structure and Standard Deduction Amounts (sec. 111 of the House bill, secs. 201 and 209 of the Senate amendment and secs. 63 and 6013A of the Code)

Present Law

Marriage penalty

A married couple generally is treated as one tax unit that must pay tax on the unit's total taxable income. Although married couples may elect to file separate returns, the rate schedules and provisions are structured so that filing separate returns usually results in a higher tax than filing a joint return. Other rate schedules apply to single persons and to single heads of households.

A ''marriage penalty'' exists when the sum of the tax liabilities of two unmarried individuals filing their own tax returns (either single or head of household returns) is less than their tax liability under a joint return (if the two individuals were to marry). A ''marriage bonus'' exists when the sum of the tax liabilities of the individuals is greater than their combined tax liability under a joint return.

While the size of any marriage penalty or bonus under present law depends upon the individuals' incomes, number of dependents, and itemized deductions, as a general rule married couples whose incomes are split more evenly than 70–30 suffer a marriage penalty. Married couples whose incomes are largely attributable to one spouse generally receive a marriage bonus.

Under present law, the size of the standard deduction and the tax bracket breakpoints follow certain customary ratios across filing statuses. The standard deduction and tax bracket breakpoints for single filers are roughly 60 percent of those for joint filers.[1] With these ratios, unmarried individuals have standard deductions whose sum exceeds the standard deduction they would receive as a married couple filing a joint return. Thus, their taxable income as joint filers may exceed the sum of their taxable incomes as unmarried individuals.

Basic standard deduction

Taxpayers who do not itemize deductions may choose the basic standard deduction (and additional standard deductions, if applicable), which is subtracted (along with the deduction for personal exemptions) from adjusted gross income (''AGI'') in arriving at taxable income. The size of the basic standard deduction varies according to filing status and is indexed for inflation. For 1999, the size of the basic standard deduction is: (1) $7,200 for married couples filing a joint return; (2) $6,250 for head of household returns; (3) $4,300 for single returns; and (4) $3,600 for married couples filing separate returns. Therefore in 1999, the basic standard deduction for joint returns is 1.674 times the basic standard deduction for single returns.

House Bill

Basic standard deduction

The House bill increases the basic standard deduction for a married couple filing a joint return to twice the basic standard deduction for an unmarried individual in each taxable year. This increase is phased-in over three years beginning in 2001 by increasing the standard deduction for a married couple filing a joint return to 1.778 times the standard deduction for an unmarried individual in 2001 and to 1.889 times such amount in 2002. Therefore, the House bill provision is fully effective, (i.e., the basic standard deduction for a married couple will be twice the basic standard deduction for a unmarried individual) for taxable years beginning after December 31, 2002. Also, the basic standard deduction for a married taxpayer filing separately will be increased so that it will continue to equal one-half of the basic standard deduction for a married couple filing jointly. The basic standard deduction for a head of household will be unchanged.

Effective date.—The House bill provision is effective for taxable years beginning after December 31, 2000.

Separate calculations

No provision.

Senate Amendment

Basic standard deduction

The Senate amendment increases the basic standard deduction for a married couple filing a joint return to twice the basic standard deduction for an unmarried individual in each taxable year. This increase is phased-in over eight years beginning in 2001 by increasing the standard deduction for a married couple filing a joint return to: (1) 1.671 times the standard deduction for an unmarried individual in 2001; (2) 1.700 times the standard deduction for an unmarried individual in 2002; (3) 1.727 times the standard deduction for an unmarried individual in 2003; (4) 1.837 times the standard deduction for an unmarried individual in 2004; (5) 1.951 times the standard deduction for an unmarried individual in 2005; (6) 1.953 times the standard deduction for an unmarried individual in 2006; and (7) 1.973 times the standard deduction for an unmarried taxpayer in 2007. Therefore, the Senate amendment provision is fully effective, (i.e., the basic standard deduction for a married couple will be twice the basic standard deduction for a unmarried individual) for taxable years beginning after December 31, 2007. Also, the basic standard deduction for a married taxpayer filing separately will be increased so that it will continue to equal one-half of the basic standard deduction for a married couple filing jointly. The basic standard deduction for a head of household will be unchanged.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2000.

Separate calculations

Under the Senate amendment, married taxpayers have the option to calculate separate taxable income for each spouse and to be taxed as two single individuals on the same return. The tax due is calculated by applying the tax rates for single individuals to the separate taxable incomes. Under the Senate amendment, both spouses must elect to either use a standard deduction or to itemize their deductions. Thus, one spouse is not permitted to itemize deductions while the other spouse claims a standard deduction. If a married couple elects to compute taxable income separately and claim the standard deduction, the applicable standard deduction for each spouse is the standard deduction for single individuals. Under the Senate amendment, once tax liability is calculated on a separate basis, all tax credits and payments of tax are applied as if the couple is filing a joint return.

Income from the performance of services (e.g., wages, salaries, and pensions) are treated as the income of the spouse who performed the services. Income from property is divided between the spouses in accordance with their respective ownership rights in such property. Jointly owned assets are divided evenly.

Deductions generally are allocated to the spouse treated as having the income to which the deduction relates. Special rules apply for certain deductions. The deduction for contributions to an individual retirement arrangement are allocated to the spouse for whom the contribution is made. The deduction for alimony is allocated to the spouse who has the liability to pay the alimony. The deduction for contributions to medical savings accounts is allocated to the spouse with respect to whose employment or self employment the account relates.

Each spouse is entitled to claim one personal exemption. Exemptions for dependents are allocated based on each spouse's relative income.

All credits are determined as if the spouses had filed a joint return. The credit amounts are then applied against the combined tax liability of the couple as calculated under this provision.

For purposes of determining the alternative minimum tax imposed by section 55, the tentative minimum tax shall be the tax which would be computed as if the spouses had filed a joint return, and the regular tax shall be the tax liability computed under section 6013A.

The Secretary of the Treasury is directed to prescribe such regulations as may be necessary or appropriate to carry out the provision.

[1] This is not true for the 39.6-percent rate. The beginning point of this rate bracket is the same for all taxpayers regardless of filing status.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2004.

Conference Agreement

Basic standard deduction

The conference agreement increases the basic standard deduction for a married couple filing a joint return to twice the basic standard deduction for an unmarried individual. This increase is phased-in over five years beginning in 2001 by increasing the standard deduction for a married couple filing a joint return to: (1) 1.728 times the standard deduction for an unmarried individual in 2001; (2) 1.801 times the standard deduction for an unmarried individual in 2002; (3) 1.870 times the standard deduction for an unmarried individual in 2003; (4) 1.935 times the standard deduction for an unmarried individual in 2004; and 2.000 times the standard deduction for an unmarried individual in 2005. Therefore, the provision is fully effective, (i.e., the basic standard deduction for a married couple will be twice the basic standard deduction for a unmarried individual) for taxable years beginning after December 31, 2004. Also, the basic standard deduction for a married taxpayer filing separately will be increased so that it will continue to equal one-half of the basic standard deduction for a married couple filing jointly. The basic standard deduction for a head of household will be unchanged.

Effective date.—The provision is effective for taxable years beginning after December 31, 2000.

Width of 15–percent rate bracket for a married couple filing a joint return

The conference agreement increases the size of the lowest (currently, 15 percent) regular income tax rate bracket for a married couple filing a joint return to twice the size of the corresponding rate bracket for an unmarried individual. This increase is phased-in over four years beginning in 2005 by increasing the lowest regular income tax rate bracket for a married couple filing a joint return to: (1) 1.737 times the lowest regular income tax rate bracket for an unmarried individual in 2005; (2) 1.761 times the lowest regular income tax rate bracket for an unmarried individual in 2006; (3) 1.881 times the lowest regular income tax rate bracket for an unmarried individual in 2007; and (4) 2.000 times the lowest regular income tax rate bracket for an unmarried individual in 2008. Therefore, this provision is fully effective, (i.e., the size of the lowest regular income tax rate bracket for a married couple filing a joint return will be twice the size of the lowest regular income tax rate bracket for an unmarried individual) for taxable years beginning after December 31, 2007.

Effective date.—The provision is effective for taxable years beginning after December 31, 2004.

Separate calculations

The conference agreement does not include the Senate amendment provision.

C. Marriage Penalty Relief Relating to the Earned Income Credit (sec. 202 of the Senate amendment and sec. 32 of the Code)

Present Law

Certain eligible low-income workers are entitled to claim a refundable earned income credit (''EIC'') on their income tax return. A refundable credit is a credit that not only reduces an individual's tax liability but allows refunds to the individual in excess of income tax liability. The amount of the credit an eligible individual may claim depends upon whether the individual has one, more than one, or no qualifying children, and is determined by multiplying the credit rate by the individual's earned income up to an earned income amount. In the case of a married individual who files a joint return with his or her spouse, the income for purposes of these tests is the combined income of the couple. The maximum amount of the credit is the product of the credit rate and the earned income amount. The credit is phased out above certain income levels. For individuals with earned income (or modified AGI, if greater) in excess of the beginning of the phase-out range, the maximum credit amount is reduced by the phase-out rate multiplied by the earned income (or modified AGI, if greater) in excess of the beginning of the phase-out range. For individuals with earned income (or modified AGI, if greater) in excess of the end of the phase-out range, no credit is allowed.

The parameters of the credit for 1999 are provided in the following table.

EARNED INCOME CREDIT PARAMETERS (1999)

	Two or more qualifying children	One qualifying child	No qualifying children
Credit rate (percent)	40.00	34.00	7.65
Earned income amount	$9,540	$6,800	$4,530
Maximum credit	$3,816	$2,312	$347
Phase-out begins	$12,460	$12,460	$5,670
Phase-out rate (percent)	21.06	15.98	7.65
Phase-out ends	$30,580	$26,928	$10,200

House Bill

No provision.

Senate Amendment

The Senate amendment increases the beginning point of the phase out of the EIC for married couples filing a joint return by $2,000. Because the rate of the phase out is not changed by the provision, the end-point of the phase-out ranges is also increased by $2,000. The effect of the increase in the beginning point of the phase-out is to increase the EIC for taxpayers in the phase-out range by an amount up to $2,000 times the phase-out rate. For example, for couples with two or more qualifying children, the maximum increase in the EIC as a result of the proposal would be $2,000 times 21.06 percent, or $421.20. The provision also expands the universe of taxpayers eligible for the EIC. Specifically, the $2,000 increase in the end of the phase-out range makes taxpayers with earnings up to $2,000 beyond the present-law phase-out range newly eligible for the credit. Beginning in 2006, the $2,000 amount is indexed for inflation.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2004.

Conference Agreement

The conference agreement follows the Senate amendment with a modification to the effective date. The provision is effective for taxable years beginning after December 31, 2005.

D. Individual Alternative Minimum Tax Provisions (sec. 121 of the House bill, secs. 206 and 1134 of the Senate amendment, and secs. 26 and 55 of the Code)

Present Law

In general

Present law imposes a minimum tax (''AMT'') on an individual to the extent the taxpayer's minimum tax liability exceeds his or her regular tax liability. The AMT is imposed on individuals at rates of (1) 26 percent on the first $175,000 of alternative minimum taxable income (''AMTI'') in excess of a phased-out exemption amount and (2) 28 percent on the remaining AMTI. The exemptions amounts are $45,000 in the case of married individuals filing a joint return and surviving spouses; $33,750 in the case of other unmarried individuals; and $22,500 in the case of married individuals filing a separate return. These exemption amounts are phased-out by an amount equal to 25 percent of the amount that the individual's AMTI exceeds a threshold amount. These threshold amounts are $150,000 in the case of married individuals filing a joint return and surviving spouses; $112,500 in the case of other unmarried individuals; and $75,000 in the case of married individuals filing a separate return, estates, and trusts. The exemption amounts, the threshold phase-out amounts, and the $175,000 break-point amount are not indexed for inflation. The lower capital gains rates applicable to the regular tax apply for purposes of the AMT.

AMTI is the taxpayer's taxable income increased by certain preference items and adjusted by determining the tax treatment of certain items in a manner that negates the deferral of income resulting from the regular tax treatment of those items.

Preference items in computing AMTI

The minimum tax preference items are:

(1) The excess of the deduction for percentage depletion over the adjusted basis of the property at the end of the taxable year. This preference does not apply to percentage depletion allowed with respect to oil and gas properties.

(2) The amount by which excess intangible drilling costs arising in the taxable year exceed 65 percent of the net income from oil, gas, and geothermal properties. This preference does not apply to an independent producer to the extent the preference would not reduce the producer's AMTI by more than 40 percent.

(3) Tax-exempt interest income on private activity bonds (other than qualified 501(c)(3) bonds) issued after August 7, 1986.

(4) Accelerated depreciation or amortization on certain property placed in service before January 1, 1987.

(5) Forty-two percent of the amount excluded from income under section 1202 (relating to gains on the sale of certain small business stock).

In addition, losses from any tax shelter, farm, or passive activities are denied.[2]

Adjustments in computing AMTI

The adjustments that individuals must make in computing AMTI are:

(1) Depreciation on property placed in service after 1986 and before January 1, 1999, must be computed by using the generally longer class lives prescribed by the alternative depreciation system of section 168(g) and either (a) the straight-line method in the case of property subject to the straight-line method under the regular tax or (b) the 150-percent declining balance method in the case of other property. Depreciation on property placed in service after December 31, 1998, is computed by using the regular tax recovery periods and the AMT methods described in the previous sentence.

(2) Mining exploration and development costs must be capitalized and amortized over a 10-year period.

(3) Taxable income from a long-term contract (other than a home construction contract) must be computed using the percentage of completion method of accounting.

[2] Given the passage of section 469 by the Tax Reform Act of 1986 (relating to the deductibility of losses from passive activities), these provisions are largely ''deadwood.''

(4) The amortization deduction allowed for pollution control facilities placed in service before January 1, 1999 (generally determined using 60-month amortization for a portion of the cost of the facility under the regular tax), must be calculated under the alternative depreciation system (generally, using longer class lives and the straight-line method). The amortization deduction allowed for pollution control facilities placed in service after December 31, 1998, is calculated using the regular tax recovery periods and the straight-line method.

(5) Miscellaneous itemized deductions are not allowed.

(6) Itemized deductions for State, local, and foreign real property taxes, State and local personal property taxes, and State, local, and foreign income, war profits, and excess profits taxes are not allowed.

(7) Medical expenses are allowed only to the extent they exceed 10 percent of the taxpayer's adjusted gross income (AGI).

(8) Standard deductions and personal exemptions are not allowed.

(9) The amount allowable as a deduction for circulation expenditures must be capitalized and amortized over a 3–year period.

(10) The amount allowable as a deduction for research and experimental expenditures must be capitalized and amortized over a 10–year period.[3]

(11) The regular tax rules relating to incentive stock options do not apply.

Other rules

The combination of the taxpayer's net operating loss carryover and foreign tax credits cannot reduce the taxpayer's AMT liability by more than 90 percent of the amount determined without these items.

The various nonrefundable credits allowed under the regular tax generally are allowed only to the extent that the individual's regular tax exceeds the tentative minimum tax. The earned income credit and the child credit of those taxpayers with three or more qualified children are refundable credits and may offset the taxpayer's tentative minimum tax. However, a taxpayer must reduce these refundable credits by the amount the taxpayer's tentative minimum tax exceeds his or her regular tax liability.[4]

If an individual is subject to AMT in any year, the amount of tax exceeding the taxpayer's regular tax liability is allowed as a credit (the ''AMT credit'') in any subsequent taxable year to the extent the taxpayer's regular tax liability exceeds his or her tentative minimum tax in such subsequent year. For individuals, the AMT credit is allowed only to the extent the taxpayer's AMT liability is a result of adjustments that are timing in nature. Most individual AMT adjustments relate to itemized deductions and personal exemptions and are not timing in nature.

House Bill

The House bill allows an individual to offset the entire regular tax liability (without regard to the minimum tax) by the personal nonrefundable credits, and also repeals the provision reducing the refundable child credit by the AMT.

The House bill phases out the individual AMT. For taxable years beginning in 2005, only 80 percent of the full AMT liability will be imposed. That percentage will be reduced to 70 percent in 2006, 60 percent in 2007, 50 percent in 2008, and the AMT will be fully repealed for taxable years beginning after 2008.

Under the House bill, an individual will be allowed to use the AMT credit to offset 90 percent of its regular tax liability (determined after the application of the other nonrefundable credits).

Effective date.—The provisions relating to the personal credits are effective for taxable years beginning after December 31, 1998. The phase-out of the AMT will be effective for taxable years beginning after December 31, 2004. The repeal of the AMT and the provision relating to the use of AMT credits apply to taxable years beginning after December 31, 2008.

Senate Amendment

The Senate amendment follows the House bill in the treatment of personal credits under the AMT.

The Senate amendment allows the personal exemption in computing AMT (except for $300 per exemption).

Effective date.—The provisions relating to the personal credits are effective for taxable years beginning after December 31, 1998. The provision relating to the personal exemption applies to taxable years beginning after December 31, 2005.

Conference Agreement

The conference agreement follows the House bill, except that the AMT is repealed for taxable years beginning after December 31, 2007.

E. Expand the Exclusion from Income for Certain Foster Care Payments (sec. 1301 of the House bill sec. 203 of the Senate amendment and sec. 131 of the Code)

Present Law

Generally, a foster care provider may exclude qualified foster care payments, (including difficulty of care payments) from gross income if certain requirements are satisfied.[5] First, such payments must be paid to the foster care providers by either (1) a State or political subdivision of a State; or (2) a tax-exempt placement agency. Second, the payments, including difficulty of care payments, must be paid to the foster care provider for the care of a ''qualified foster individual'' in the foster care provider's home. A qualified foster individual is an individual living in a foster care family home in which the individual was placed by: (1) an agency of the State or a political subdivision of a State; or (2) a tax-exempt placement agency if such individual was under the age of 19 at the time of placement. Third, the exclusion of foster care payments generally applies to qualified foster care payments for five or fewer foster care individuals over the age of 19 in a foster home. In the case of difficulty of care payments, the exclusion applies to payments for ten or fewer foster care individuals under the age of 19 in a foster home and to payments for five or fewer foster care individuals at least age 19 in a foster home.

House Bill

The House bill makes two principal modifications to the exclusion for qualified foster care payments. First, the House bill expands the list of persons eligible to make qualified foster care payments. Therefore, the exclusion applies to qualified payments made pursuant to a foster care program of a State or local government which are paid by either: (1) a State or political subdivision of a State; or (2) a qualified foster care placement agency, whether taxable or tax-exempt. Second, the bill expands the list of persons eligible to place foster care individuals. Specifically, the bill allows placements by either: (1) a State or a political subdivision of a State; or (2) a qualified foster care placement agency. For these purposes, a qualified foster care placement agency is defined as any placement agency which is licensed or certified by: (1) a State or political subdivision of a State; or (2) an entity designated by a State or political subdivision thereof, for the foster care program of such State or political subdivision to make payments to providers of foster care.

The House bill allows State and local governments to employ both tax-exempt and taxable entities to administer their foster care programs more efficiently; however, it does not extend the exclusion to payments outside such foster care programs (e.g., payments to a foster care provider from friends or relatives of foster care individual in its care).

Effective date.—The House bill provision is effective for taxable years beginning after December 31, 1999.

Senate Amendment

Same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

F. Increase and Expand the Dependent Care Credit (sec. 204 of the Senate amendment and sec. 21 of the Code)

Present Law

In general

A taxpayer who maintains a household which includes one or more qualifying individuals may claim a nonrefundable credit against income tax liability for up to 30 percent of a limited amount of employment-related dependent care expenses. Eligible employment-related expenses are limited to $2,400 if there is one qualifying individual or $4,800 if there are two or more qualifying individuals. Generally, a qualifying individual is a dependent under the age of 13 or a physically or mentally incapacitated dependent or spouse. No credit is allowed for any qualifying individual unless a valid taxpayer identification number (''TIN'') has been provided for that individual. A taxpayer is treated as maintaining a household for a period if the taxpayer (or the taxpayer's spouse, if married) provides more than one-half the cost of maintaining the household for that period. In the case of married taxpayers, the credit is not available unless they file a joint return.

Employment-related dependent care expenses are expenses for the care of a qualifying individual incurred to enable the taxpayer to be gainfully employed, other than expenses incurred for an overnight camp. For example, amounts paid for the services of a housekeeper generally qualify if such services are performed at least partly for the benefit of a qualifying individual; amounts paid for a chauffeur or gardener do not qualify.

Expenses that may be taken into account in computing the credit generally may not exceed an individual's earned income or, in the case of married taxpayers, the earned income of the spouse with the lesser earnings.

[3] No adjustment is required if the taxpayer materially participates in the activity that relates to the research and experimental expenditures.

[4] For 1998 only, the nonrefundable personal credits were not limited by the tentative minimum tax, and the refundable child credit was not reduced by the minimum tax.

[5] A difficulty of care payment is a payment designated by the person making such payment as compensation for providing the additional care of a qualified foster care individual which is required by reason of a physical, mental, or emotional handicap of such individual and with respect to which the State has determined that there is a need for additional compensation.

Thus, if one spouse has no earned income, generally no credit is allowed.

The 30-percent credit rate is reduced, but not below 20 percent, by 1 percentage point for each $2,000 (or fraction thereof) of adjusted gross income (''AGI'') above $10,000.

Interaction with employer-provided dependent care assistance

For purposes of the dependent care credit, the maximum amounts of employment-related expenses ($2,400/$4,800) are reduced to the extent that the taxpayer has received employer-provided dependent care assistance that is excludable from gross income (sec. 129). The exclusion for dependent care assistance is limited to $5,000 per year and does not vary with the number of children.

House Bill

No provision.

Senate Amendment

The Senate amendment makes three changes to the dependent care tax credit. First, the maximum credit percentage is increased from 30 percent to 40 percent for taxpayers with AGI of $30,000 or less. The 40–percent credit rate is phased-down by one percentage point for each $1,000 of AGI, or fraction thereof, between $30,001 and $49,000. The credit percentage is 20 percent for taxpayers with AGI of $49,001 or greater. Second, beginning in 2001, the maximum amount of eligible employment-related expenses ($2,400/$4,800) is indexed for inflation. Finally, the Senate amendment extends up to $960 of additional credit ($1,920 for two or more qualifying dependents) to taxpayers with qualifying dependents under the age of one. This additional credit, computed as the applicable credit rate times $200 of deemed expenses per month ($400 of deemed expenses per month for two or more qualifying dependents), is available regardless of whether the taxpayer actually incurred any out-of-pocket child care expenses.

The present-law reduction of the dependent care credit for employer-provided dependent care assistance is not changed.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2000.

Conference Agreement

The conference agreement follows the Senate amendment with two modifications to the effective date. First, the maximum credit percentage will be 35 percent for taxable years beginning in 2001 through 2005, and 40 percent for taxable years beginning after 2005. Second, the extension of the credit to taxpayers with qualifying dependents under the age of one will be effective for taxable years beginning after 2005.

The present-law reduction of the dependent care credit for employer-provided dependent care assistance is not changed.

G. Tax Credit for Employer-Provided Child Care Facilities (sec. 205 of the Senate amendment and new sec. 45D of the Code)

Present Law

Generally, present law does not provide a tax credit to employers for supporting child care or child care resource and referral services.[6] An employer, however, may be able to claim such expenses as deductions for ordinary and necessary business expenses. Alternatively, the employer may be required to capitalize the expenses and claim depreciation deductions over time.

House Bill

No provision.

Senate Amendment

Employer tax credit for supporting employee child care

Under the Senate amendment, taxpayers receive a tax credit equal to 25 percent of qualified expenses for employee child care. These expenses include costs incurred: (1) to acquire, construct, rehabilitate or expand property that is to be used as part of the taxpayer's qualified child care facility; (2) for the operation of the taxpayer's qualified child care facility, including the costs of training and continuing education for employees of the child care facility; or (3) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer. To be a qualified child care facility, the principal use of the facility must be for child care, and the facility must be duly licensed by the State agency with jurisdiction over its operations. Also, if the facility is owned or operated by the taxpayer, at least 30 percent of the children enrolled in the center (based on an annual average or the enrollment measured at the beginning of each month) must be children of the taxpayer's employees. If a taxpayer opens a new facility, it must meet the 30-percent employee enrollment requirement within two years of commencing operations. If a new facility failed to meet this requirement, the credit would be subject to recapture.

To qualify for the credit, the taxpayer must offer child care services, either at its own facility or through third parties, on a basis that does not discriminate in favor of highly compensated employees.

Employer tax credit for child care resource and referral services

Under the Senate amendment, a taxpayer is entitled to a tax credit equal to 10 percent of expenses incurred to provide employees with child care resource and referral services.

Other rules

The maximum total credit that may be claimed by a taxpayer under the Senate amendment can not exceed $150,000 per year. Any amounts for which the taxpayer may otherwise claim a tax deduction are reduced by the amount of these credits. Similarly, if the credits are taken for expenses of acquiring, constructing, rehabilitating, or expanding a facility, the taxpayer's basis in the facility is reduced by the amount of the credits.

Effective date

The credits are effective for taxable years beginning after December 31, 2000.

Conference Agreement

The conference agreement does not include the Senate amendment provision.

H. Extension and Expansion of the Adoption Tax Credit (sec. 210 of the Senate amendment and sec. 23 of the Code)

Present Law

Taxpayers are entitled to a maximum nonrefundable credit against income tax liability of $5,000 per child for qualified adoption expenses paid or incurred by the taxpayer (sec. 23). In the case of a special needs adoption, the maximum credit amount is $6,000 ($5,000 in the case of a foreign special needs adoption). A special needs child is a child who the State has determined: (1) cannot or should not be returned to the home of the birth parents, and (2) has a specific factor or condition because of which the child cannot be placed with adoptive parents without adoption assistance. The adoption of a child who is not a citizen or a resident of the United States is a foreign adoption.

Qualified adoption expenses are reasonable and necessary adoption fees, court costs, attorneys' fees, and other expenses that are directly related to the legal adoption of an eligible child. All reasonable and necessary expenses required by a State as a condition of adoption are qualified adoption expenses. Otherwise qualified adoption expenses paid or incurred in one taxable year are not taken into account for purposes of the credit until the next taxable year unless the expenses are paid or incurred in the year the adoption becomes final.

An eligible child is an individual (1) who has not attained age 18 or (2) who is physically or mentally incapable of caring for himself or herself. After December 31, 2001, the credit will be available only for domestic special needs adoptions. No credit is allowed for expenses incurred (1) in violation of State or Federal law, (2) in carrying out any surrogate parenting arrangement, (3) in connection with the adoption of a child of the taxpayer's spouse, (4) that are reimbursed under an employer adoption assistance program or otherwise, or (5) for a foreign adoption that is not finalized.

The credit is phased out ratably for taxpayers with modified AGI above $75,000, and is fully phased out at $115,000 of modified AGI. For these purposes modified AGI is computed by increasing the taxpayer's AGI by the amount otherwise excluded from gross income under Code sections 911, 931, or 933.

House Bill

No provision.

Senate Amendment

The Senate amendment makes three changes to the adoption credit. First, it provides that the maximum credit for domestic special needs adoptions is increased to $10,000 from $6,000. Second, taxpayers making a domestic special needs adoption are deemed to have paid or incurred $10,000 of qualified expenses in all cases. Third, the sunset for non-special needs adoptions is repealed.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2000.

Conference Agreement

The conference agreement makes two changes to the adoption credit. First, it provides that the maximum credit for special needs adoptions is increased to $10,000 from $6,000. Second, taxpayers making a special needs adoption are deemed to have paid or incurred $10,000 of qualified expenses in all cases. The conference agreement does not change the present-law sunset of the adoption credit for non-special needs adoptions.

Effective date.—The conference agreement provision is effective for taxable years beginning after December 31, 2000.

II. SAVINGS AND INVESTMENT TAX RELIEF PROVISIONS

A. Partial Exclusion for Interest and Dividends (sec. 201 of the House bill and new sec. 116 of the Code)

Present Law

The Code states that, except as otherwise provided, ''gross income means all income from whatever source derived'' (sec. 61). Because there is no exclusion for interest and dividends, interest and dividends received by individuals are includible in gross income and subject to tax.

[6] An employer may claim the welfare-to-work tax credit on the eligible wages of certain long-term family assistance recipients. For purposes of the welfare-to-work credit, eligible wages includes amounts paid by the employer for dependent care assistance.

House Bill

The House bill gives individual taxpayers an exclusion from income of interest and dividends (other than capital gain dividends from RICs and REITs, dividends from farmers' cooperative associations, and dividends received from an employee stock ownership plan), received during a taxable year.[7] This exclusion is phased-in over five years. The maximum exclusion from income is $50 of combined interest and dividends ($100 for married couples filing a joint return) for taxable years beginning in 2001 and 2002. The maximum exclusion from income is $100 of combined interest and dividends ($200 for married couples filing a joint return) for taxable years beginning in 2003 and 2004. The maximum exclusion is $200 of combined interest and dividends ($400 for married couples filing a joint return) for taxable years beginning after December 31, 2004. The amount of the combined interest and dividends excluded under the House bill is in addition to the amount of any interest or dividend which is exempt from tax under any other provision (e.g., interest on certain State and local bonds which is exempt from tax under section 103 of the Code).

In determining eligibility for the earned income credit (''EIC''), any interest or dividends excluded from gross income under the House bill are included in modified adjusted gross income for purposes of phase-out rules of the EIC and disqualified income for purposes of the EIC disqualified income test. Similarly, any interest or dividends excluded from gross income under the House bill are included in modified adjusted gross income for purposes of the taxation of certain Social Security benefits.

The fact that dividends may be excluded from income pursuant to the House bill does not affect the computation of the foreign tax credit.

The exclusion under the House bill is in addition to, and is applied after, the exclusion for educational savings bond interest (sec. 135). In applying those provisions of the Code (such as secs. 86, 219, 221, and 469) that determine modified adjusted gross income without regard to section 135, it is intended that the exclusion under this provision be computed without regard to the exclusion under section 135.

In addition, the IRS is encouraged to simplify the process of completing tax forms to the greatest extent practicable, including, for example, considering raising the administratively-established dollar thresholds for completing Schedule B or for being able to use the Form 1040EZ.

Effective date.—The House bill provision is effective for taxable years beginning after December 31, 2000.

Senate Amendment

No provision.

Conference Agreement

The conference agreement does not include the House bill provision.

B. Individual Capital Gains (sec. 202 of the House bill, sec. 207 of the Senate amendment, and secs. 1(h) and 1022 of the Code)

Present Law

In general, gain or loss reflected in the value of an asset is not recognized for income tax purposes until a taxpayer disposes of the asset. On the sale or exchange of capital assets, any gain generally is included in income, and the net capital gain of an individual is taxed at maximum rates lower than the rates applicable to ordinary income. Net capital gain is the excess of the net long-term capital gain for the taxable year over the net short-term capital loss for the year. Gain or loss is treated as long-term if the asset is held for more than one year. In determining gain or loss, no adjustment is allowed for inflation.

A capital asset generally means any property except (1) inventory, stock in trade, or property held primarily for sale to customers in the ordinary course of the taxpayer's trade or business, (2) depreciable or real property used in the taxpayer's trade or business, (3) specified literary or artistic property, (4) business accounts or notes receivable, or (5) certain U.S. publications. In addition, the net gain from the disposition of certain property used in the taxpayer's trade or business is treated as long-term capital gain. Gain from the disposition of depreciable personal property is not treated as capital gain to the extent of all previous depreciation allowances. Gain from the disposition of depreciable real property is generally not treated as capital gain to the extent of the depreciation allowances in excess of the allowances that would have been available under the straight-line method of depreciation.

The maximum rate of tax on the adjusted net capital gain of an individual is 20 percent. In addition, any adjusted net capital gain which otherwise would be taxed at the lowest individual rate (currently 15 percent) is taxed at a 10–percent rate. These rates apply for purposes of both the regular tax and the alternative minimum tax.

The ''adjusted net capital gain'' of an individual is the net capital gain reduced (but not below zero) by the sum of the 28–percent rate gain and the unrecaptured section 1250 gain. The net capital gain is reduced by the amount of gain which the individual treats as investment income for purposes of determining the investment interest limitation under section 163(d).

The term ''28–percent rate gain'' means the amount of net gain attributable to long-term capital gains and losses from the sale or exchange of collectibles (as defined in section 408(m) without regard to paragraph (3) thereof) (''collectibles gain and loss''), an amount of gain equal to the amount of gain excluded from gross income under section 1202, relating to certain small business stock (''section 1202 gain''),[8] the net short-term capital loss for the taxable year, and any long-term capital loss carryover to the taxable year.

''Unrecaptured section 1250 gain'' means any long-term capital gain from the sale or exchange of section 1250 property (i.e., depreciable real estate) held more than one year to the extent of the gain that would have been treated as ordinary income if section 1250 applied to all depreciation, rather than only to a portion of the depreciation, reduced by the net loss (if any) attributable to the items taken into account in computing 28–percent rate gain. The amount of unrecaptured section 1250 gain (before the reduction for the net loss) attributable to the disposition of property to which section 1231 applies shall not exceed the net section 1231 gain for the year.

The unrecaptured section 1250 gain is taxed at a maximum rate of 25 percent, and the 28–percent rate gain is taxed at a maximum rate of 28 percent.

For taxable years beginning after December 31, 2000, any gain from the sale or exchange of property held more than five years which would otherwise be taxed at the 10–percent rate will instead be taxed at an 8–percent rate. Any gain from the sale or exchange of property held more than five years and the holding period for which begins after December 31, 2000, which would otherwise be taxed at a 20–percent rate will be taxed at an 18–percent rate. A taxpayer holding a capital asset or property used in the trade or business on January 1, 2001, may elect to treat the asset as having been sold in a taxable transaction on that date for an amount equal to its fair market value, and having been reacquired for an amount equal to such value.

House Bill

The House bill reduces the 10- and 20–percent rates on the adjusted net capital gain to 7.5 and 15 percent, respectively. The 25–percent rate on unrecaptured section 1250 gain is reduced to 20 percent. These lower rates apply to both the regular tax and the alternative minimum tax.[9]

The bill repeals the 8- and 18–percent rates on certain gain from property held more than 5 years.

Effective date.—The provision applies to taxable years ending on or after July 1, 1999.

For taxable years which include July 1, 1999, the lower rates apply to amounts properly taken into account for the portion of the year on or after that date. This generally has the effect of applying the lower rates to capital assets sold or exchanged (and installment payments received) on or after July 1, 1999. In the case of gain taken into account by a pass-through entity, the date taken into account by the entity is the appropriate date for applying this rule.

Senate Amendment

The Senate amendment allows an individual a deduction for up to $1,000 of net capital gain. Collectible gain and loss is taxed as short-term capital gain or loss.

Effective date.—The provision is effective for taxable years beginning after December 31. 2005.

Conference Agreement

Rates

The conference agreement follows the House bill, except that the rates on adjusted net capital gain are reduced to 8 and 18 percent respectively, and the rate on unrecaptured section 1250 gain is reduced to 23 percent.

Effective date.—The reduced rates apply to taxable years beginning after December 31, 1998.

Indexing

The conference agreement also generally provides for an inflation adjustment to (i.e., indexing of) the adjusted basis of certain assets (called ''indexed assets'') held more than one year for purposes of determining gain (but not loss) upon a sale or other disposition of such assets by a taxpayer other than a C corporation. Assets held by trusts, estates, S corporations, regulated investment companies (''RICs''), real estate investment trusts (''REITs''), and partnerships are eligible for indexing, to the extent gain on such

[7] From 1954 until 1986, the Code (sec. 116) contained an exclusion from income (in varying amounts) for dividends. For 1981 only, that provision was also extended to interest; this proposal is generally parallel to that provision. The exclusion for dividends was repealed by the Tax Reform Act of 1986.

[8] This results in a maximum effective regular tax rate on qualified gain from small business stock of 14 percent.

[9] The provision does not change the regular tax rate for gain from collectibles and small business stock. The provision reduces the maximum effective AMT rate on small business stock to slightly below 15 percent (depending on the amount of individual rate cut for the taxable year).

assets is taken into account by taxpayers other than C corporations.

Assets eligible for the inflation adjustment generally include common (but not preferred) stock of C corporations and tangible property that are capital assets or property used in a trade or business. A personal residence does not qualify for indexing.

The inflation adjustment under the provision would be computed by multiplying the taxpayer's adjusted basis in the indexed asset by an inflation adjustment percentage. The inflation adjustment percentage would be the percentage by which the GDP deflator for the last calendar quarter ending before the disposition exceeds the GDP deflator for the last calendar quarter ending before the asset was acquired by the taxpayer. The inflation adjustment percentage will be rounded to the nearest one-tenth of a percent. No adjustment will be made if the inflation adjustment is one or less.

In the case of a RIC or a REIT, the indexing adjustments generally apply in computing the taxable income and the earnings and profits of the RIC or REIT. The indexing adjustments, however, are not applicable in determining whether a corporation qualifies as a RIC or REIT.

In the case of shares held in a RIC or REIT, partial indexing generally is provided by the provision based on the ratio of the value of indexed assets held by the entity to the value of all its assets. The ratio of indexed assets to total assets will be determined quarterly (for RICs, the quarterly ratio would be based on a three-month average). If the ratio of indexed assets to total assets exceeds 80 percent in any quarter, full indexing of the shares will be allowed for that quarter. If less than 20 percent of the assets are indexed assets in any quarter, no indexing will be allowed for that quarter for the shares. Partnership interests held by a RIC or REIT will be subject to a look-through test for purposes of determining whether, and to what degree, the shares in the RIC or REIT are indexed.

A return of capital distribution by a RIC or REIT generally will be treated by a shareholder as allocable to stock acquired by the shareholder in the order in which the stock was acquired.

Stock in an S corporation or an interest in a partnership or common trust fund is not an indexed asset. Under the provision, the individual owner receives the benefit of the indexing adjustment when the S corporation, partnership, or common trust fund disposes of indexed assets. Under the provision, any inflation adjustments at the entity level flows through to the holders and result in a corresponding increase in the basis of the holder's interest in the entity. Where a partnership has a section 754 election in effect, a partner transferring his interest in the partnership is entitled to any indexing adjustment that has accrued at the partnership level with respect to the partner and the transferee partner is entitled to the benefits of indexing for inflation occurring after the transfer.

The indexing adjustment is disregarded in determining any loss on the sale of an interest in a partnership, S corporation or common trust fund.

Common stock of a foreign corporation generally is an indexed asset if the stock is regularly traded on an established securities market. Indexed assets, however, do not include stock in a foreign investment company, a passive foreign investment company (including a qualified electing fund), a foreign personal holding company, or, in the hands of a shareholder who meets the requirements of section 1248(a)(2) (generally pertaining to 10–percent shareholders of controlled foreign corporations), any other foreign corporation. An American Depository Receipt (ADR) for common stock in a foreign corporation is treated as common stock in the foreign corporation and, therefore, the basis in an ADR for common stock generally will be indexed.

No indexing is provided for improvements or contributions to capital if the aggregate amount of the improvements or contributions to capital during the taxable year with respect to the property or stock is less than $1,000. If the aggregate amount of such improvements or contributions to capital is $1,000 or more, each addition is treated as a separate asset acquired at the close of the taxable year.

No indexing adjustment is allowed during any period during which there is a substantial diminution of the taxpayer's risk of loss from holding the indexed asset by reason of any transaction entered into by the taxpayer, or a related party.

In the case of a short sale of an indexed asset with a short sale period in excess of one year, the proposal requires that the amount realized be indexed for inflation for the short sale period.

The provision does not index the basis of property for sales or dispositions between related persons, except to the extent the adjusted basis of property in the hands of the transferee is a substituted basis (e.g., gifts).

Under the provision, indexing reduces the amount of ordinary gain that would be recognized in cases where a corporation is treated as a collapsible corporation (under sec. 341) with respect to a distribution or sale of stock.

Effective date.—The indexing provision applies to assets the holding period for which begins after December 31, 1999. An individual holding an indexed asset on January 1, 2000, may elect to treat the indexed asset as having been sold on such date for its fair market value, and having been reacquired for that value. If an election is made, any gain is recognized (and any loss disallowed).

C. Apply Capital Gain Rates to Capital Gains Earned by Designated Settlement Funds (sec. 203 of the House bill and sec. 468B of the Code)

Present Law

Under present law, designated settlement funds are taxed at the highest rate of tax imposed on individuals, currently 39.6 percent, on their entire taxable income (sec. 468B).

House Bill

Under the House bill, the net capital gain of a designated settlement fund will be taxed in the same manner as in the case of an individual, i.e., the lower rates applicable to net capital gain set forth in section 1(h), as amended by the bill, will apply.

Effective date.—The provision applies to taxable years beginning after December 31, 1999.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

D. Exclusion of Gain on the Sale of a Principal Residence by a Member of the Uniformed Service or the Foreign Service of the United States or Certain Other Individuals Relocated Outside of the United States (sec. 204 of the House bill and sec. 121 of the Code)

Present Law

Under present law, an individual taxpayer may exclude up to $250,000 ($500,000 if married filing a joint return) of gain realized on the sale or exchange of a principal residence. To be eligible for the exclusion, the taxpayer must have owned and used the residence as a principal residence for at least two of the five years prior to the sale or exchange. A taxpayer who fails to meet these requirements by reason of a change of place of employment, health, or, to the extent provided under regulations, unforeseen circumstances is able to exclude an amount equal to the fraction of the $250,000 ($500,000 if married filing a joint return) that is equal to the fraction of the two years that the ownership and use requirements are met. There are no special rules relating to: (1) members of the uniformed services or the Foreign Service of the United States or (2) individuals relocated outside of the United States.

House Bill

Under the House bill, the five-year test period for ownership and use is suspended during certain absences due to service in the uniformed services or the Foreign Service of the United States. The uniformed services include: (1) the armed forces (the Army, Navy, Air Force, Marine Corp, and Coast Guard); (2) the commissioned corps of the National Oceanic and Atmospheric Administration; and (3) the commissioned corps of the Public Health Service. Specifically, the five-year period ending on the date of the sale or exchange of a principal residence will not include any periods during which the taxpayer or the taxpayer's spouse is on qualified official extended duty as a member of the uniformed services or the Foreign Service of the United States. Qualified official extended duty is any period of extended duty by a member of the uniformed services or the Foreign Service of the United States while serving at a place of duty at least 50 miles away from the taxpayer's principal residence or under orders compelling residence in Government furnished quarters. Extended duty is defined as any period of active duty pursuant to a call or order to such duty for a period in excess of 90 days or for an indefinite period.

The House bill also suspends for up to five years, the five-year test period for an individual relocated for a period of more than 90 days outside of the United States by the individual's (or spouse's) employer. This provision does not apply to self-employed individuals.

Effective date.—The House bill provision is effective for sales or exchanges of principal residences after the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

E. Clarify the Tax Treatment of Income and Losses on Derivatives (sec. 205 of the House bill, sec. 1306 of the Senate amendment, and sec. 1221 of the Code)

Present Law

Capital gain treatment applies to gain on the sale or exchange of a capital asset. Capital assets include property other than (1)

stock in trade or other types of assets includible in inventory, (2) property used in a trade or business that is real property or property subject to depreciation, (3) accounts or notes receivable acquired in the ordinary course of a trade or business, (4) certain copyrights (or similar property), and (5) U.S. government publications. Gain or loss on such assets generally is treated as ordinary, rather than capital, gain or loss. Certain other Code sections also treat gains or losses as ordinary. For example, the gains or losses of securities dealers or certain electing commodities dealers or electing traders in securities or commodities that are subject to ''mark-to-market'' accounting are treated as ordinary (sec. 475).

Treasury regulations (which were finalized in 1994) require ordinary character treatment for most business hedges and provide timing rules requiring that gains or losses on hedging transactions be taken into account in a manner that matches the income or loss from the hedged item or items. The regulations apply to hedges that meet a standard of ''risk reduction'' with respect to ordinary property held (or to be held) or certain liabilities incurred (or to be incurred) by the taxpayer and that meet certain identification and other requirements (Treas. reg. sec. 1.1221–2).

House Bill

The House bill adds three categories to the list of assets the gain or loss on which is treated as ordinary (sec. 1221). The new categories are: (1) commodities derivative financial instruments entered into by derivatives dealers; (2) hedging transactions; and (3) supplies of a type regularly consumed by the taxpayer in the ordinary course of a taxpayer's trade or business. In defining a hedging transaction, the House bill generally codifies the approach taken by the Treasury regulations, but modifies the rules. The ''risk reduction'' standard of the regulations is broadened to ''risk management'' with respect to ordinary property held (or to be held) or certain liabilities incurred (or to be incurred).

Effective date.—The house bill is effective for any instrument held, acquired or entered into, any transaction entered into, and supplies held or acquired on or after the date of enactment.

Senate Amendment

The Senate amendment generally follows the House bill except that the Senate amendment makes one modification to the definition of a hedging transaction. In addition to managing certain risks with respect to ordinary property held (or to be held) or certain liabilities incurred (or to be incurred), the Senate amendment provides that the definition of a hedging transaction includes a transaction entered into primarily to manage such other risks as the Secretary may prescribe in regulations.

Conference Agreement

The conference agreement follows the Senate amendment.

F. Treatment of Loss on Worthless Stock of Subsidiary (sec. 206 of the House bill and sec. 165(g)(3) of the Code)

Present Law

Under present law, the loss on stock of a subsidiary corporation that becomes worthless is treated as an ordinary loss (rather than a capital loss), unless 10 percent or more of its gross receipts for all taxable years has been, with minor exceptions, from royalties, rents, dividends, interest, annuities, and gains from the sales or exchanges of stocks and securities (sec. 165(g)(3)).

House Bill

Under the House bill, income from the conduct of an active trade or business of an insurance company or financial institution will not be included as gross receipts from the types of passive income listed above. Thus, a loss recognized with respect to the worthless stock of a subsidiary corporation which is an insurance company or financial institution could be treated as an ordinary loss, rather than as a capital loss.

Effective date.—The provision applies to stock becoming worthless in taxable years beginning after December 31, 1999.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows he House bill.

G. Individual Retirement Arrangements (''IRAs'') (sec. 113 of the House bill, secs. 301–303, 305, and 321 of the Senate amendment, and secs. 219, 408, and 408A of the Code)

Present Law

In general

There are two general types of individual retirement arrangements (''IRAs'') under present law: traditional IRAs, to which both deductible and nondeductible contributions may be made, and Roth IRAs. The Federal income tax rules regarding each type of IRA (and IRA contribution) differ.

Traditional IRAs

Under present law, an individual may make deductible contributions to an IRA up to the lesser of $2,000 or the individual's compensation if neither the individual nor the individual's spouse is an active participant in an employer-sponsored retirement plan. In the case of a married couple, deductible IRA contributions of up to $2,000 can be made for each spouse (including, for example, a homemaker who does not work outside the home), if the combined compensation of both spouses is at least equal to the contributed amount. If the individual (or the individual's spouse) is an active participant in an employer-sponsored retirement plan, the $2,000 deduction limit is phased out for taxpayers with adjusted gross income (''AGI'') over certain levels for the taxable year.

The AGI phase-out limits for taxpayers who are active participants in employer-sponsored plans are as follows.

Single Taxpayers

Taxable years beginning in:	*Phase-out range*
1998	$30,000–40,000
1999	31,000–41,000
2000	32,000–42,000
2001	33,000–43,000
2002	34,000–44,000
2003	40,000–50,000
2004	45,000–55,000
2005 and thereafter	50,000–60,000

Joint Returns

Taxable years beginning in:	*Phase-out range*
1998	$50,000–60,000
1999	51,000–61,000
2000	52,000–62,000
2001	53,000–63,000
2002	54,000–64,000
2003	60,000–70,000
2004	65,000–75,000
2005	70,000–80,000
2006	75,000–85,000
2007 and thereafter	80,000–100,000

If the individual is not an active participant in an employer-sponsored retirement plan, but the individual's spouse is, the $2,000 deduction limit is phased out for taxpayers with AGI between $150,000 and $160,000.

To the extent an individual cannot or does not make deductible contributions to an IRA or contributions to a Roth IRA, the individual may make nondeductible contributions to a traditional IRA.

Amounts held in a traditional IRA are includible in income when withdrawn (except to the extent the withdrawal is a return of nondeductible contributions). Includible amounts withdrawn prior to attainment of age 59–1/2 are subject to an additional 10–percent early withdrawal tax, unless the withdrawal is due to death or disability, is made in the form of certain periodic payments, is used to pay medical expenses in excess of 7.5 percent of AGI, is used to purchase health insurance of an unemployed individual, is used for education expenses, or is used for first-time homebuyer expenses of up to $10,000.

Roth IRAs

Individuals with AGI below certain levels may make nondeductible contributions to a Roth IRA. The maximum annual contribution that may be made to a Roth IRA is the lesser of $2,000 or the individual's compensation for the year. The contribution limit is reduced to the extent an individual makes contributions to any other IRA for the same taxable year. As under the rules relating to IRAs generally, a contribution of up to $2,000 for each spouse may be made to a Roth IRA provided the combined compensation of the spouses is at least equal to the contributed amount. The maximum annual contribution that can be made to a Roth IRA is phased out for single individuals with AGI between $95,000 and $110,000 and for joint filers with AGI between $150,000 and $160,000.

Taxpayers with modified AGI of $100,000 or less generally may convert a traditional IRA into an Roth IRA. The amount converted is includible in income as if a withdrawal had been made, except that the 10–percent early withdrawal tax does not apply and, if the conversion occurred in 1998, the income inclusion may be spread ratably over 4 years. Married taxpayers who file separate returns cannot convert a traditional IRA into a Roth IRA.

Amounts held in a Roth IRA that are withdrawn as a qualified distribution are not includible in income, nor subject to the additional 10–percent tax on early withdrawals. A qualified distribution is a distribution that (1) is made after the 5–taxable year period beginning with the first taxable year for which the individual made a contribution to a Roth IRA, and (2) which is made after attainment of age 59–1/2, on account of death or disability, or is made for first-time homebuyer expenses of up to $10,000.

Distributions from a Roth IRA that are not qualified distributions are includible in income to the extent attributable to earnings, and subject to the 10–percent early withdrawal tax (unless an exception applies).[10] The same exceptions to the early withdrawal tax that apply to IRAs apply to Roth IRAs.

IRA investments

In general, IRAs may not invest in collectibles. Under one exception to this rule, IRAs may invest in certain gold, silver, and platinum coins and coins issued under the laws of any State.

[10] Early distribution of converted amounts may also accelerate income inclusion of converted amounts that are taxable under the 4–year rule applicable to 1998 conversions.

House Bill

The House bill increases the AGI limit on conversions of traditional IRAs to Roth IRAs to $160,000 for joint filers.

Effective date.—The House bill is effective for years beginning after December 31, 1999.

Senate Amendment

Increase in annual contribution limits

The Senate amendment provision increases the maximum annual dollar contribution limit for IRA contributions in $1,000 annual increments, beginning in 2001, until the limit reaches $5,000 in 2003. Thereafter, the limit is indexed for inflation in $100 increments.

Additional catch-up contributions

The Senate amendment increases the IRA maximum contribution limit for individuals who have attained age 50 before the end of the taxable year. The otherwise maximum dollar contribution limit (before application of the AGI phase-out limits) for such an individual is increased by the applicable percentage. The applicable percentage is 10 percent in 2001, and increases by 10 percentage points until the applicable percent is 50 in 2005 and thereafter.

Increase in AGI limits for deductible IRA contributions

Under the Senate amendment provision, the AGI phase-out limits for active participants in an employer-sponsored plan is increased by $2,000 ($4,000 in the case of married taxpayers filing a joint return) in 2008 and by $2,500 ($5,000 in the case of married taxpayers filing a joint return) in 2009. Thus, the phase-out limits are as follows for taxable years beginning in 2008–2009.

Single Returns

Taxable years beginning in:	*Phase-out range*
2008	$52,000–62,000
2009	54,500–64,500

Joint Returns

Taxable years beginning in:	*Phase-out range*
2008	$84,000–104,000
2009	89,000–109,000

The present-law income phase-out range for an individual who is not an active participant, but whose spouse is, remains at $150,000 to $160,000.

AGI limits for Roth IRAs

The provision repeals the Roth IRA contribution AGI phase-out limits. The provision also increases the AGI limit on conversions of traditional IRAs to Roth IRAs to $1 million ($500,000 in the case of a married taxpayer filing a separate return).

IRA investments in coins

The provision allows IRAs to invest in any coin certified by a recognized grading service and traded on a nationally recognized electronic network, or listed by a recognized wholesale reporting service and which (1) is or was at any time legal tender in the United States, or (2) issued under the laws of any State. Such coins must be in the physical possession of the IRA trustee or custodian.

Deemed IRAs under employer plans

If a qualified retirement plan or a section 403(b) annuity permits employees to make voluntary employee contributions to a separate account or annuity that (1) is established under the qualified plan or section 403(b) annuity, and (2) meets the requirements applicable to either traditional IRAs (sec. 408) or Roth IRAs (sec. 408A), the separate account or annuity will be deemed a traditional IRA or a Roth IRA, as applicable. The deemed IRA, and contributions thereto, will not be subject to the Code rules pertaining to qualified plans or section 403(b) annuities, as applicable. In addition, the deemed IRA, and contributions thereto, will not be taken into account in applying these rules to any other contributions under the qualified plan or section 403(b) annuity. The deemed IRA, and contributions thereto, will be subject to the exclusive benefit and fiduciary rules of ERISA, but will not be subject to the ERISA reporting and disclosure, participation, vesting, funding, and enforcement requirements that apply to pension plans.

Effective date

The Senate amendment provision generally is effective for taxable years beginning after December 31, 2000. The increase in the AGI limits for deductible IRA contributions is effective for taxable years beginning after December 31, 2007. The provision increasing the AGI limit for conversions to Roth IRAs is effective for taxable years beginning after December 31, 2002. The provision relating to IRA investment in coins is effective for taxable years beginning after December 31, 1999. The provision relating to deemed IRAs is effective for plan years beginning after December 31, 2000.

Conference Agreement

The conference agreement follows the Senate amendment, with modifications.

Increase in annual contribution limits

Under the conference agreement, the maximum IRA contribution limit is increased from $2,000 as follows: $3,000 in 2001–2003; $4,000 in 2004–2005; $5,000 in 2006–2008, with indexing thereafter.

Additional catch-up contributions

The conference agreement follows the Senate amendment.

Increase in AGI limits for deductible IRA contributions

The conference agreement does not include the Senate amendment.

AGI limits for Roth IRAs

The conference agreement increases the AGI phase-out limits for Roth IRAs to $200,000—$210,000 for joint filers and to $100,000—$110,000 for all other filers.

The conference agreement increases the Roth IRA AGI conversion limit to $200,000 for joint filers ($100,000 for all other filers).

IRA investments in coins

The conference agreement does not include the Senate amendment.

Deemed IRAs under employer plans

The conference agreement follows the Senate amendment.

Effective date

The conference agreement generally is effective for years beginning after December 31, 2000. The provisions increasing the AGI phase-out limits for Roth IRAs and the Roth IRA AGI conversion limit are effective for years beginning after December 31, 2002.

H. Creation of Individual Development Accounts (sec. 304 of the Senate amendment, and new sec. 530A of the Code)

Present Law

There are no tax benefits to encourage financial institutions to match savings of low-income individuals.

House Bill

No provision.

Senate Amendment

In general

The Senate amendment creates individual development accounts (''IDAs'') to which eligible individuals can contribute. In addition, the Senate amendment provides a tax credit for certain matching contributions made to an IDA by the financial institution maintaining the IDA. Eligible individuals are individuals who are: (1) at least 18 years of age; (2) a citizen or legal resident of the United States; and (3) a member of a household eligible for the earned income credit, Temporary Assistance for Needy Families (''TANF''), or with family gross income of 60 percent or less of area median gross income and net worth of $10,000 or less.

Contributions to an IDA by eligible individuals

Only eligible individuals are allowed to contribute to an IDA. Contributions to IDAs by individuals are not deductible, and earnings on such contributions are includible in income. The maximum contribution that can be made to an IDA for a taxable year is the lesser of (1) $350 or (2) the individual's taxable compensation for the year. A special rule would allow contributions of up to $350 for each spouse in a married couple if the total compensation of the spouses is at least equal to the amount contributed.

Matching contributions

The Senate amendment provides a tax credit to financial institutions that make matching contributions to IDAs of individuals.[11] The tax credit equals 85 percent of matching contributions, rounded up to the nearest $10, up to a maximum annual credit of $300 per eligible individual. The credit is available in each year that a matching contribution is made.

Matching contributions (and earnings thereon) are not includible in the gross income of the eligible individual.

If an individual withdraws his or her own IDA contributions (or earnings thereon) for a purpose other than a qualified purpose, the matching contribution attributable to such individual contribution is forfeited.[12] Matching contributions may be withdrawn only in a qualified purpose distribution.

A qualified purpose distribution is a distribution (1) that is made after the individual has completed an economic literacy course, (2) that is made by the financial institution directly to the person to whom the funds are to (or to another IDA) and (3) is used for (a) certain educational expenses, (b) first-time homebuyer expenses, and (c) business start-up expenses.

Effect on means-tested programs

Any amounts in the IDA are not to be taken into account for certain Federal means-tested programs.

Effective date

The provision is effective for contributions to IDAs and matching contributions made with respect to such IDAs after December 31, 2000, and before January 1, 2006.

Conference Agreement

The conference agreement does not include the Senate amendment.

III. BUSINESS INVESTMENT AND JOB CERTAIN PROVISIONS

A. Alternative Tax for Corporate Capital Gains (sec. 301 of the House bill and sec. 1201 of the Code)

Present Law

Under present law, the net capital gain of a corporation is taxed at the same rates as

[11] Matching contributions (and earnings) are accounted for separately from individual IDA contributions (and earnings).

[12] The financial institution is to use forfeited amounts to make other matching contributions. No credit is provided with respect to such reallocated contributions.

ordinary income, and subject to tax at graduated rates up to 35 percent.

House Bill

Under the House bill, an alternative tax rate of 30 percent applies to the net capital gain of a corporation if that tax is lower than the corporation's regular tax.

Effective date.—The provision applies to taxable years beginning after December 31, 2004.

Senate Amendment

No provision.

Conference Agreement

The conference agreement does not contain the provision in the House bill.

B. Corporate Alternative Minimum Tax (sec. 302(a) of the House bill, sec. 1103 of the Senate amendment and secs. 53 and 56 of the Code)

Present Law

In general

Present law imposes a minimum tax on a corporation to the extent the corporation's minimum tax liability exceeds its regular tax liability. This alternative minimum tax (''AMT'') is imposed on corporations at the rate of 20 percent on the alternative minimum taxable income (''AMTI'') in excess of a $40,000 phased-out exemption amount. The exemption amount is phased-out by an amount equal to 25 percent of the amount that the corporation's AMTI exceeds $150,000.

AMTI is the taxpayer's taxable income increased by certain preference items and adjusted by determining the tax treatment of certain items in a manner that negates the deferral of income resulting from the regular tax treatment of those items.

A corporation with average gross receipts of less that $7.5 million for the prior three taxable years is exempt from the corporate minimum tax. The $7.5 million threshold is reduced to $5 million for the corporation's first 3-taxable year period.

Preference items in computing AMTI

The corporate minimum tax preference items are:

(1) The excess of the deduction for percentage depletion over the adjusted basis of the property at the end of the taxable year. This preference does not apply to percentage depletion allowed with respect to oil and gas properties.

(2) The amount by which excess intangible drilling costs arising in the taxable year exceed 65 percent of the net income from oil, gas, and geothermal properties. This preference does not apply to an independent producer to the extent the preference would not reduce the producer's AMTI by more than 40 percent.

(3) Tax-exempt interest income on private activity bonds (other than qualified 501(c)(3) bonds) issued after August 7, 1986.

(4) Accelerated depreciation or amortization on certain property placed in service before January 1, 1987.

Adjustments in computing AMTI

The adjustments that corporations must make in computing AMTI are:

(1) Depreciation on property placed in service after 1986 and before January 1, 1999, must be computed by using the generally longer class lives prescribed by the alternative depreciation system of section 168(g) and either (a) the straight-line method in the case of property subject to the straight-line method under the regular tax or (b) the 150–percent declining balance method in the case of other property. Depreciation on property placed in service after December 31, 1998, is computed by using the regular tax recovery periods and the AMT methods described in the previous sentence.

(2) Mining exploration and development costs must be capitalized and amortized over a 10–year period.

(3) Taxable income from a long-term contract (other than a home construction contract) must be computed using the percentage of completion method of accounting.

(4) The amortization deduction allowed for pollution control facilities placed in service before January 1, 1999 (generally determined using 60–month amortization for a portion of the cost of the facility under the regular tax), must be calculated under the alternative depreciation system (generally, using longer class lives and the straight-line method). The amortization deduction allowed for pollution control facilities placed in service after December 31, 1998, is calculated using the regular tax recovery periods and the straight-line method.

(5) The special rules applicable to Merchant Marine construction funds are not applicable.

(6) The special deduction allowable under section 833(b) for Blue Cross and Blue Shield organizations is not allowed.

(7) The adjusted current earnings adjustment, described below.

Adjusted current earning ("ACE") adjustment

The adjusted current earnings adjustment is the amount equal to 75 percent of the amount by which the adjusted current earnings (''ACE'') of a corporation exceeds its AMTI (determined without the ACE adjustment and the alternative tax net operating loss deduction. In determining ACE the following rules apply:

(1) For property placed in service before 1994, depreciation generally is determined using the straight-line method and the class life determined under the alternative depreciation system.

(2) Any amount that is excluded from gross income under the regular tax but is included for purposes of determining earnings and profits is included in determining ACE.

(3) The inside build-up of a life insurance contract is included in ACE (and the related premiums are deductible).

(4) Intangible drilling costs of integrated oil companies must be capitalized and amortized over a 60–month period.

(5) The regular tax rules of section 173 (allowing circulation expenses to be amortized) and section 248 (allowing organizational expenses to be amortized) do not apply.

(6) Inventory must be calculated using the FIFO, rather than LIFO, method.

(7) The installment sales method generally may not be used.

(8) No loss may be recognized on the exchange of any pool of debt obligations for another pool of debt obligations having substantially the same effective interest rates and maturities.

(9) Depletion (other than for oil and gas) must be calculated using the cost, rather than the percentage, method.

(10) In certain cases, the assets of a corporation that has undergone an ownership change must be stepped-down to their fair market values.

Other rules

The combination of the taxpayer's net operating loss carryover and foreign tax credits cannot reduce the taxpayer's AMT liability by more than 90 percent of the amount determined without these items.

The various nonrefundable business credits allowed under the regular tax generally are not allowed against the AMT.

If a corporation is subject to AMT in any year, the amount of tax exceeding the taxpayer's regular tax liability is allowed as a credit (the ''AMT credit'') in any subsequent taxable year to the extent the taxpayer's regular tax liability exceeds its tentative minimum tax in such subsequent year.

House Bill

For taxable years beginning in 2005, the limitation on the amount of AMT credits allowable to a corporation will be increased by 20 percent of the corporation's tentative minimum tax. This percentage is raised to 30, 40 and 50 percent, respectively, for 2006, 2007 and 2008. The AMT credit may not exceed an amount equal to the sum of the regular tax and minimum tax less the other nonrefundable credits.

For taxable years beginning after 2008, the provision repeals the corporate AMT. A corporation then will be allowed to use the AMT credit to offset 90 percent of its regular tax liability (determined after the application of other nonrefundable credits).

Effective dates.—The provision allowing the AMT credit to be offset a portion of the minimum tax applies to taxable years beginning after December 31, 2004.

The provision repealing the AMT applies to taxable years beginning after December 31, 2008.

Senate Amendment

The Senate amendment allows a corporation with long-term AMT credits to use the AMT credit to offset a portion of its tentative minimum tax. The portion so allowed is the least of : (1) the amount of the corporation's long-term minimum tax credit; (2) 50 percent of the corporation's tentative minimum tax; or (3) the amount by which the corporation's tentative minimum tax exceeds its regular tax for the taxable year.

Under the amendment, an AMT credit is a long-term minimum tax credit if the credit is attributable to the adjusted net minimum tax of the corporation for a taxable year that began after 1986 and ended before the fifth taxable year immediately preceding the taxable year for which the determination is being made.

Effective date.—The provision applies to taxable years beginning after December 31, 2003.

Conference Agreement

The conference agreement allows a corporation to increase the use of minimum tax credits to the extent of the lesser of 50 percent of the tentative minimum tax for the taxable year or the excess (if any) of the tentative minimum tax over the regular tax for the taxable year.

The conference agreement also allows a corporation to use AMT net operating loss deductions to offset 100 percent (rather than 90 percent) of the AMTI.

Effective dates.—The credit provision applies to taxable years beginning after December 31, 2004. The net operating deduction provision applies to taxable years beginning after December 31, 2001.

C. Repeal of Limitation of Foreign Tax Credit Under Alternative Minimum Tax (sec. 302(b) of the House bill, sec. 907 of the Senate amendment, and sec. 59 of the Code)

Present Law

Under present law, taxpayers are subject to an alternative minimum tax (''AMT''), which is payable, in addition to all other tax liabilities, to the extent that it exceeds the taxpayer's regular income tax liability. The tax is imposed at a flat rate of 20 percent, in the case of corporate taxpayers, on alternative minimum taxable income (''AMTI'')

in excess of a phased-out exemption amount. The maximum rate for noncorporate taxpayers is 28 percent. AMTI is the taxpayer's taxable income increased for certain tax preferences and adjusted by determining the tax treatment of certain items in a manner which negates the exclusion or deferral of income resulting from the regular tax treatment of those items.

Taxpayers are permitted to reduce their AMT liability by an AMT foreign tax credit. The AMT foreign tax credit for a taxable year is determined under principles similar to those used in computing the regular tax foreign tax credit, except that (1) the numerator of the AMT foreign tax credit limitation fraction is foreign source AMTI and (2) the denominator of that fraction is total AMTI.[13] Taxpayers may elect to use as their AMT foreign tax credit limitation fraction the ratio of foreign source *regular* taxable income to total AMTI (sec. 59(a)(4)).

The AMT foreign tax credit for any taxable year generally may not offset a taxpayer's entire pre-credit AMT. Rather, the AMT foreign tax credit is limited to 90 percent of AMT computed without an AMT net operating loss deduction, an AMT energy preference deduction, or an AMT foreign tax credit. For example, assume that a corporation has $10 million of AMTI from foreign sources, has no AMT net operating loss or energy preference deductions, and is subject to the AMT. In the absence of the AMT foreign tax credit, the corporation's tax liability would be $2 million. Accordingly, the AMT foreign tax credit cannot be applied to reduce the taxpayer's tax liability below $200,000. Any unused AMT foreign tax credit may be carried back 2 years and carried forward 5 years for use against AMT in those years under the principles of the foreign tax credit carryback and carryforward rules set forth in section 904(c).

House Bill

The House bill repeals the 90-percent limitation on the utilization of the AMT foreign tax credit.

Effective date.—The provision is effective for taxable years beginning after December 31, 2001.

Senate Amendment

The Senate amendment is the same as the House bill, with a modification to the effective date.

Effective date.—The provision is effective for taxable years beginning after December 31, 2004.

Conference Agreement

The conference agreement follows the House bill.

IV. EDUCATION TAX RELIEF PROVISIONS

A. Student Loan Interest Deduction (secs. 112 and 406 of the House bill, sec. 401 of the Senate amendment, and sec. 221 of the Code)

Present Law

Certain individuals who have paid interest on qualified education loans may claim an above-the-line deduction for such interest expenses, subject to a maximum annual deduction limit (sec. 221). The deduction is allowed only with respect to interest paid on a qualified education loan during the first 60 months in which interest payments are required. Required payments of interest generally do not include nonmandatory payments, such as interest payments made during a period of loan forbearance. Months during which interest payments are not required because the qualified education loan is in deferral or forbearance do not count against the 60–month period. No deduction is allowed to an individual if that individual is claimed as a dependent on another taxpayer's return for the taxable year.

A qualified education loan generally is defined as any indebtedness incurred solely to pay for certain costs of attendance (including room and board) of a student (who may be the taxpayer, the taxpayer's spouse, or any dependent of the taxpayer as of the time the indebtedness was incurred) who is enrolled in a degree program on at least a half-time basis at (1) an accredited post-secondary educational institution defined by reference to section 481 of the Higher Education Act of 1965, or (2) an institution conducting an internship or residency program leading to a degree or certificate from an institution of higher education, a hospital, or a health care facility conducting post-graduate training.

The maximum allowable deduction per taxpayer return is $1,500 in 1999, $2,000 in 2000, and $2,500 in 2001 and thereafter.[14] The deduction is phased out ratably for individual taxpayers with modified adjusted gross income (''AGI'') of $40,000–$55,000 and $60,000–$75,000 for joint returns. The income ranges will be indexed for inflation after 2002.

House Bill

The House bill increases the beginning point of the income phaseout for the student loan interest deduction for taxpayers filing joint returns to twice the beginning point of the income phaseouts applicable to single taxpayers and doubles the phaseout range for joint filers. The House bill also repeals both the limit on the number of months during which interest paid on a qualified education loan is deductible and the restriction that nonmandatory payments of interest are not deductible.

Effective date.—The House bill generally is effective for taxable years beginning after December 31, 1999. The House bill provision repealing the 60–month limit on deductible student loan interest is effective for interest paid on qualified education loans after December 31, 1999.

Senate Amendment

The Senate amendment is the same as the House bill, except that it increases the beginning point of the income phaseout for the student loan interest deduction for individual taxpayers from $40,000 to $50,000 and does not double the phaseout range for joint filers. Like the House bill, the Senate amendment increases the beginning point of the income phaseout for taxpayers filing joint returns to twice the beginning point of the income phaseouts applicable to single taxpayers.

Effective date.—The Senate amendment generally is effective generally for taxable years ending after December 31, 1999. The Senate amendment provision repealing the 60–month limit on deductible student loan interest is effective for interest paid on qualified education loans after December 31, 1999, in taxable years ending after such date.

Conference Agreement

The conference agreement follows the Senate amendment, with the modification that the beginning point of the income phaseout for individual taxpayers is $45,000. Thus, beginning in 2000, the deduction will be phased out ratably for individual taxpayers with modified AGI of $45,000 to $60,000 and for taxpayers filing joint returns with modified AGI of $90,000–$105,000.

B. Expand Education Savings Accounts (sec. 401 of the House bill and secs. 530 and 4973 of the Code)

Present Law

In general

Section 530 provides tax-exempt status to education individual retirement accounts (''education IRAs''), meaning certain trusts (or custodial accounts) which are created or organized in the United States exclusively for the purpose of paying the qualified higher education expenses of a named beneficiary.[15] Contributions to education IRAs may be made only in cash. Annual contributions to education IRAs may not exceed $500 per designated beneficiary (except in cases involving certain tax-free rollovers, as described below), and may not be made after the designated beneficiary reaches age 18.[16] Moreover, an excise tax is imposed if a contribution is made by any person to an education IRA established on behalf of a beneficiary during any taxable year in which any contributions are made by anyone to a qualified State tuition program (defined under sec. 529) on behalf of the same beneficiary.

Phase-out of contribution limit

The $500 annual contribution limit for education IRAs is phased out ratably for contributors with modified adjusted gross income (''AGI'') between $95,000 and $110,000 (between $150,000 and $160,000 for joint returns). Individuals with modified AGI above the phase-out range are not allowed to make contributions to an education IRA established on behalf of any individual.

Treatment of distributions

Amounts distributed from an education IRA are excludable from gross income to the extent that the amounts distributed do not exceed qualified higher education expenses of the designated beneficiary incurred during the year the distribution is made (provided that a HOPE credit or Lifetime Learning credit is not claimed with respect to the beneficiary for the same taxable year). Distributions from an education IRA are generally deemed to consist of distributions of principal (which, under all circumstances, are excludable from gross income) and earnings (which may be excludable from gross income) by applying the ratio that the aggregate amount of contributions to the account for the beneficiary bears to the total balance of the account. If the qualified higher education expenses of the student for the year are at least equal to the total amount of the distribution (i.e., principal and earnings combined) from an education IRA, then the earnings in their entirety are excludable from gross income. If, on the other hand, the qualified higher education expenses of the student for the year are less than the total amount of the distribution (i.e., principal and earnings combined) from an education

[13] Similar to the regular tax foreign tax credit, the AMT foreign tax credit is subject to the separate limitation categories set forth in section 904(d). Under the AMT foreign tax credit, however, the determination of whether any income is high taxed for purposes of the high-tax-kick-out rules (sec. 904(d)(2)) is made on the basis of the applicable AMT rate rather than the highest applicable rate of regular tax.

[14] The maximum allowable deduction for 1998 was $1,000.

[15] Education IRAs generally are not subject to Federal income tax, but are subject to the unrelated business income tax (''UBIT'') imposed by section 511.

[16] An excise tax may be imposed under present law to the extent that excess contributions above the $500 annual limit are made to an education IRA.

IRA, then the qualified higher education expenses are deemed to be paid from a pro-rata share of both the principal and earnings components of the distribution. Thus, in such a case, only a portion of the earnings are excludable (i.e., a portion of the earnings based on the ratio that the qualified higher education expenses bear to the total amount of the distribution) and the remaining portion of the earnings is includible in the distributee's gross income.

To the extent that a distribution exceeds qualified higher education expenses of the designated beneficiary, an additional 10–percent tax is imposed on the earnings portion of such excess distribution, unless such distribution is made on account of the death or disability of, or scholarship received by, the designated beneficiary. The additional 10–percent tax also does not apply to the distribution of any contribution to an education IRA made during the taxable year if such distribution is made on or before the date that a return is required to be filed (including extensions of time) by the beneficiary for the taxable year during which the contribution was made (or, if the beneficiary is not required to file such a return, April 15th of the year following the taxable year during which the contribution was made).

Present law allows tax-free transfers or rollovers of account balances from one education IRA benefitting one beneficiary to another education IRA benefitting another beneficiary (as well as redesignations of the named beneficiary), provided that the new beneficiary is a member of the family of the old beneficiary. For this purpose, a ''member of the family'' means persons described in paragraphs (1) through (8) of section 152(a)—e.g., sons, daughters, brothers, sisters, nephews and nieces, certain in-laws—and any spouse of such persons or of the original beneficiary.

Any balance remaining in an education IRA is deemed to be distributed within 30 days after the date that the named beneficiary reaches age 30 (or, if earlier, within 30 days of the date that the beneficiary dies).

Qualified higher education expenses

The term ''qualified higher education expenses'' includes tuition, fees, books, supplies, and equipment required for the enrollment or attendance of the designated beneficiary at an eligible education institution, regardless of whether the beneficiary is enrolled at an eligible educational institution on a full-time, half-time, or less than half-time basis. Moreover, the term ''qualified higher education expenses'' includes certain room and board expenses for any period during which the beneficiary is at least a half-time student. Qualified higher education expenses include expenses with respect to undergraduate or graduate-level courses. In addition, qualified higher education expenses include amounts paid or incurred to purchase tuition credits (or to make contributions to an account) under a qualified State tuition program, as defined in section 529, for the benefit of the beneficiary of the education IRA.

Qualified higher education expenses generally include only out-of-pocket expenses. Such qualified higher education expenses do not include expenses covered by educational assistance for the benefit of the beneficiary that is excludable from gross income. Thus, total qualified higher education expenses are reduced by scholarship or fellowship grants excludable from gross income under present-law section 117, as well as any other tax-free educational benefits, such as employer-provided educational assistance that is excludable from the employee's gross income under section 127.[17]

Present law also provides that, if any qualified higher education expenses are taken into account in determining the amount of the exclusion for a distribution from an education IRA, then no deduction (e.g., for trade or business expenses deductible under sec. 162), or exclusion (e.g., for expenses paid with interest on education savings bonds excludable under sec. 135), or credit is allowed with respect to such expenses.

Eligible educational institution

Eligible educational institutions are defined by reference to section 481 of the Higher Education Act of 1965. Such institutions generally are accredited post-secondary educational institutions offering credit toward a bachelor's degree, an associate's degree, a graduate-level or professional degree, or another recognized post-secondary credential. Certain proprietary institutions and post-secondary vocational institutions also are eligible institutions. The institution must be eligible to participate in Department of Education student aid programs.

House Bill

Annual contribution limit

The House bill increases the annual education IRA contribution limit to $2,000. Thus, in years beginning after 2000, aggregate contributions that can be made by all contributors to one (or more) education IRAs established on behalf of any particular beneficiary are limited to $2,000 for each year.

Qualified expenses

The House bill expands the definition of qualified education expenses that may be paid with tax-free distributions from an education IRA for distributions made in taxable years beginning after December 31, 2000. Specifically, the definition of qualified education expenses is expanded to include ''qualified elementary and secondary education expenses,'' meaning (1) tuition, fees, academic tutoring, special needs services, books, supplies, and equipment (including computers and related software and services) incurred in connection with the enrollment or attendance of the designated beneficiary as an elementary or secondary student at a public, private, or religious school providing elementary or secondary education (kindergarten through grade 12), and (2) room and board, uniforms, transportation, and supplementary items and services (including extended-day programs) required or provided by such a school in connection with such enrollment or attendance of the designated beneficiary.[18] ''Qualified elementary and secondary education expenses'' also include certain homeschooling education expenses if the requirements of any applicable State or local law are met with respect to such homeschooling.

Under the House bill, the definition of ''qualified higher education expenses'' is modified to mean: (1) tuition and fees required for the enrollment or attendance of a designated beneficiary at an eligible education institution, and (2) expenses for books, supplies, and equipment incurred in connection with such enrollment or attendance (but not in excess of the allowance for books and supplies determined by the educational institution for purposes of Federal financial assistance programs).[19] The House bill also provides that ''qualified higher education expenses'' does not include expenses for education involving sports, games, or hobbies unless this education is part of the student's degree program or is taken to acquire or improve job skills of the individual. The House bill does not change the definition of ''qualified higher education expenses'' with respect to expenses for room and board.

Special needs beneficiaries

The House bill also provides that, although contributions to an education IRA generally may not be made after the designated beneficiary reaches age 18, contributions may continue to be made to an education IRA in the case of a special needs beneficiary (as defined by Treasury Department regulations). In addition, under the House bill, in the case of a special needs beneficiary, a deemed distribution of any balance in an education IRA will not occur when the beneficiary reaches age 30.

Contributions by persons other than individuals

The House bill clarifies that corporations and other entities (including tax-exempt organizations) are permitted to make contributions to education IRAs, regardless of the income of the corporation or entity during the year of the contribution. As under present law, the eligibility of high-income individuals to make contributions to education IRAs is phased out ratably for individuals with modified AGI between $95,000 and $110,000 ($150,000 and $160,000 for joint returns).

Contributions permitted until April 15

Under the House bill, individual contributors to education IRAs are deemed to have made a contribution on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions), generally April 15.[20] The House bill also provides that the additional 10–percent tax does not apply to the distribution of any contribution to an education IRA made during the taxable year if such distribution is made on or before the first day of the sixth month of the taxable year (generally June 1) following the taxable year during which the contribution was or was deemed made.

Coordination with HOPE and Lifetime Learning credits

For distributions made after December 31, 2000, the House bill allows a taxpayer to claim a HOPE credit or Lifetime Learning credit for a taxable year and to exclude from gross income amounts distributed (both the principal and the earnings portions) from an education IRA on behalf of the same student

[17] No reduction of qualified higher education expenses is required, however, for a gift, bequest, devise, or inheritance.

[18] Contributions made to education IRAs prior to December 31, 2000, (and earnings thereon) may be used for distributions for qualified elementary and secondary education expenses made after January 1, 2001. Thus, it is not necessary for trustees of education IRAs to keep separate accounts with respect to contributions made prior to January 1, 2001, and earnings thereon.

[19] ''Qualified higher education expenses'' for purposes of education IRAs are defined by reference to the definition of such expenses for purposes of qualified State tuition programs (sec. 530(b)(2)(A)). Because the House bill modifies the definition of ''qualified higher education expenses'' for purposes of qualified State tuition programs (sec. 529(e)(3)), the definition of ''qualified higher education expenses'' for education IRAs is also modified.

[20] Trustees of education IRAs will require documentation from a contributor (whether an individual, corporation, or other entity) indicating the taxable year to which the contribution should be allocated.

as long as the distribution is not used for the same educational expenses for which a credit was claimed.

Coordination with qualified tuition programs

The House bill repeals the excise tax on contributions made by any person to an education IRA on behalf of a beneficiary during any taxable year in which any contributions are made by anyone to a qualified State tuition program on behalf of the same beneficiary (sec. 4973(e)(1)(B)).

Change name to "Education Savings Accounts'

The House bill changes the name of education IRAs to ''Education Savings Accounts.''

Effective date

The House bill provisions modifying education IRAs generally are effective for taxable years beginning after December 31, 2000. The House bill provision modifying the definition of ''qualified higher education expenses'' applies to amounts paid for education furnished after December 31, 1999, the same date that this provision is effective for qualified state tuition plans described in section 529. The House bill provision changing the name of education IRAs to Education Savings Accounts is effective on the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

C. ALLOW TAX-FREE DISTRIBUTIONS FROM STATE AND PRIVATE EDUCATION PROGRAMS (SEC. 402 OF THE HOUSE BILL, SEC. 402 OF THE SENATE AMENDMENT, AND SEC. 529 OF THE CODE)

Present Law

Section 529 provides tax-exempt status to ''qualified State tuition programs,'' meaning certain programs established and maintained by a State (or agency or instrumentality thereof) under which persons may (1) purchase tuition credits or certificates on behalf of a designated beneficiary that entitle the beneficiary to a waiver or payment of qualified higher education expenses of the beneficiary, or (2) make contributions to an account that is established for the purpose of meeting qualified higher education expenses of the designated beneficiary of the account (a ''savings account plan''). The term ''qualified higher education expenses'' generally has the same meaning as does the term for purposes of education IRAs (as described above) and, thus, includes expenses for tuition, fees, books, supplies, and equipment required for the enrollment or attendance at an eligible educational institution[21], as well as certain room and board expenses for any period during which the student is at least a half-time student.

No amount is included in the gross income of a contributor to, or beneficiary of, a qualified State tuition program with respect to any distribution from, or earnings under, such program, except that (1) amounts distributed or educational benefits provided to a beneficiary (e.g., when the beneficiary attends college) are included in the beneficiary's gross income (unless excludable under another Code section) to the extent such amounts or the value of the educational benefits exceed contributions made on behalf of the beneficiary, and (2) amounts distributed to a contributor (e.g., when a parent receives a refund) are included in the contributor's gross income to the extent such amounts exceed contributions made on behalf of the beneficiary.[22]

A qualified State tuition program is required to provide that purchases or contributions only be made in cash.[23] Contributors and beneficiaries are not allowed to directly or indirectly direct the investment of contributions to the program (or earnings thereon). The program is required to maintain a separate accounting for each designated beneficiary. A specified individual must be designated as the beneficiary at the commencement of participation in a qualified State tuition program (i.e., when contributions are first made to purchase an interest in such a program), unless interests in such a program are purchased by a State or local government or a tax-exempt charity described in section 501(c)(3) as part of a scholarship program operated by such government or charity under which beneficiaries to be named in the future will receive such interests as scholarships. A transfer of credits (or other amounts) from one account benefitting one designated beneficiary to another account benefitting a different beneficiary is considered a distribution (as is a change in the designated beneficiary of an interest in a qualified State tuition program), unless the beneficiaries are members of the same family. For this purpose, the term ''member of the family'' means persons described in paragraphs (1) through (8) of section 152(a)—e.g., sons, daughters, brothers, sisters, nephews and nieces, certain in-laws—and any spouse of such persons or of the original beneficiary. Earnings on an account may be refunded to a contributor or beneficiary, but the State or instrumentality must impose a more than de minimis monetary penalty unless the refund is (1) used for qualified higher education expenses of the beneficiary, (2) made on account of the death or disability of the beneficiary, or (3) made on account of a scholarship received by the designated beneficiary to the extent the amount refunded does not exceed the amount of the scholarship used for higher education expenses.

To the extent that a distribution from a qualified State tuition program is used to pay for qualified tuition and related expenses (as defined in sec. 25A(f)(1)), the distributee (or another taxpayer claiming the distributee as a dependent) may claim the HOPE credit or Lifetime Learning credit under section 25A with respect to such tuition and related expenses (assuming that the other requirements for claiming the HOPE credit or Lifetime Learning credit are satisfied and the modified AGI phaseout for those credits does not apply).

House Bill

Qualified tuition program

The House bill expands the definition of ''qualified tuition program'' to include certain prepaid tuition programs established and maintained by one or more eligible educational institutions (which may be private institutions) that satisfy the requirements under section 529 (other than the present-law State sponsorship rule). In the case of a qualified tuition program maintained by one or more private educational institutions, persons will be able to purchase tuition credits or certificates on behalf of a designated beneficiary (as described in section 529(b)(1)(A)(i)), but will not be able to make contributions to a savings account plan (described in section 529(b)(1)(A)(ii)).

Exclusion from gross income

Under the House bill, an exclusion from gross income is provided for distributions made in taxable years beginning after December 31, 2000, from qualified State tuition programs to the extent that the distribution is used to pay for qualified higher education expenses. This exclusion from gross income is extended to distributions from qualified tuition programs established and maintained by an entity other than a State or agency or instrumentality thereof, for distributions made in taxable years after December 31, 2003.

The House bill also allows a taxpayer to claim a HOPE credit or Lifetime Learning credit for a taxable year and to exclude from gross income amounts distributed (both the principal and the earnings portions) from a qualified tuition program on behalf of the same student as long as the distribution is not used for the same expenses for which a credit was claimed.

Definition of qualified higher education expenses

Under the House bill, the definition of ''qualified higher education expenses'' is modified to mean: (1) tuition and fees required for the enrollment or attendance of a designated beneficiary at an eligible educational institution, and (2) expenses for books, supplies, and equipment incurred in connection with such enrollment or attendance (but not in excess of the allowance for books and supplies determined by the educational institution for purposes of Federal financial assistance programs).[24] The House bill also provides that ''qualified higher education expenses'' will not include expenses for education involving sports, games, or hobbies unless this education is part of the student's degree program or is taken to acquire or improve job skills of the individual. The bill does not change the definition of ''qualified higher education expenses'' with respect to expenses for room and board.

Rollovers for benefit of same beneficiary

The House bill provides that a transfer of credits (or other amounts) from one qualified tuition program for the benefit of a designated beneficiary to another qualified tuition program for the benefit of the same beneficiary will not be considered a distribution for a maximum of one such transfer in each 1–year period.

Member of family

The House bill further provides that, for purposes of tax-free rollovers and changes of designated beneficiaries, a ''member of the family'' includes first cousins of such beneficiary.

Effective date

The House bill provision permitting the establishment of qualified tuition programs

[21] ''Eligible educational institutions'' are defined the same for purposes of education IRAs and qualified State tuition programs.

[22] Distributions from qualified State tuition programs are treated as representing a pro- rata share of the principal (i.e., contributions) and accumulated earnings in the account.

[23] Sections 529(c)(2), (c)(4), and (c)(5), and section 530(d)(3) provide special estate and gift tax rules for contributions made to, and distributions made from, qualified State tuition programs and education IRAs.

[24] The conferees intend that, with respect to a distribution made from a qualified tuition program that does not exceed the allowance for books and supplies determined for purposes of Federal financial assistance by the eligible educational institution where the beneficiary is enrolled, Treasury regulations will provide that beneficiaries need not substantiate actual purchases of books, supplies, and equipment.

maintained by one or more private educational institutions is effective for taxable years beginning after December 31, 2000. The exclusion from gross income for certain distributions from qualified State tuition programs under section 529 is effective for distributions made in taxable years beginning after December 31, 2000. In the case of a qualified tuition program established and maintained by an entity other than a State or agency or instrumentality thereof, the House bill provision allowing an exclusion from gross income for certain distributions is effective for distributions made in taxable years beginning after December 31, 2003. The House bill provision coordinating distributions from qualified tuition programs with the HOPE and Lifetime Learning credits is effective for distributions made after December 31, 2000. The House bill provision modifying the definition of qualified higher education expenses is effective for amounts paid for education furnished after December 31, 1999. The House bill provisions allowing rollovers for the same beneficiary and including first cousins as a member of the family are effective for taxable years beginning after December 31, 2000.

Senate Amendment

The Senate amendment is the same as the House bill, except that it provides for coordination of the HOPE credit or Lifetime Learning credit with distributions from education individual retirement accounts (''education IRAs'') (in addition to distributions from qualified tuition plans) as long as the distributions are not used for the same expenses for which a credit was claimed. The Senate amendment also provides that the section may be cited as the ''Collegiate Learning and Student Savings (CLASS) Act.''

Effective date.—The Senate amendment provision permitting the establishment of qualified tuition programs maintained by one or more private educational institutions is effective for taxable years beginning after December 31, 1999. The exclusion from gross income for certain distributions from qualified State tuition programs under section 529 is effective for distributions made in taxable years beginning after December 31, 1999. In the case of a qualified tuition program established and maintained by an entity other than a State or agency or instrumentality thereof, the Senate amendment provision allowing an exclusion from gross income for certain distributions is effective for distributions made in taxable years beginning after December 31, 2003. The Senate amendment provision coordinating distributions from qualified tuition programs and education IRAs with the HOPE and Lifetime Learning credits is effective for distributions made after December 31, 1999. The Senate amendment provision modifying the definition of qualified higher education expenses is effective for amounts paid for courses beginning after December 31, 1999. The provisions allowing rollovers for the same beneficiary and including first cousins as a member of the family is effective for taxable years beginning after December 31, 1999.

Conference Agreement

The conference agreement follows the Senate amendment, except that the provision coordinating the HOPE and Lifetime Learning credits with distributions from education IRAs is not included because this provision is included in the conference agreement provision for education IRAs.

D. Eliminate Tax on Awards under National Health Service Corps Scholarship Program, F. Edward Hebert Armed Forces Health Professions Scholarship and Financial Assistance Program, National Institutes of Health Undergraduate Scholarship Program, and Certain State-sponsored Scholarship Programs (sec. 403 of the House bill and the Senate amendment and sec. 117 of the Code)

Present Law

Section 117 excludes from gross income qualified scholarships received by an individual who is a candidate for a degree and used for tuition and fees required for the enrollment or attendance (or for fees, books, supplies, and equipment required for courses of instruction) at a primary, secondary, or post-secondary educational institution. The tax-free treatment provided by section 117 does not extend to scholarship amounts covering regular living expenses, such as room and board. In addition to the exclusion for qualified scholarships, section 117 provides an exclusion from gross income for qualified tuition reductions for certain education provided to employees (and their spouses and dependents) of certain educational organizations.

Section 117(c) specifically provides that the exclusion for qualified scholarships and qualified tuition reductions does not apply to any amount received by a student that represents payment for teaching, research, or other services by the student required as a condition for receiving the scholarship or tuition reduction.

The National Health Service Corps Scholarship Program (the ''NHSC Scholarship Program''), the F. Edward Hebert Armed Forces Health Professions Scholarship and Financial Assistance Program (the ''Armed Forces Scholarship Program''), and the National Institutes of Health Undergraduate Scholarship Program (the ''NIH Scholarship Program'') provide education awards to participants on condition that the participants provide certain services. In the case of the NHSC Program, the recipient of the scholarship is obligated to provide medical services in a geographic area (or to an underserved population group or designated facility) identified by the Public Health Service as having a shortage of health-care professionals. In the case of the Armed Forces Scholarship Program, the recipient of the scholarship is obligated to serve a certain number of years in the military at an armed forces medical facility. The National Institutes of Health Undergraduate Scholarship Program (the ''NIH Scholarship Program'') awards scholarships to students from disadvantaged backgrounds interested in pursuing a career in biomedical research. In exchange, the recipients must work for the National Institutes of Health after graduation. Several States also provide a limited number of scholarships to students in health professions who are obligated to work in underserved areas for a period of time after graduation. Because the recipients of scholarships in all of these programs are required to perform services in exchange for the education awards, the awards used to pay higher education expenses are taxable income to the recipient.

House Bill

The House bill provides that amounts received by an individual under the NHSC Scholarship Program, the Armed Forces Scholarship Program, the NIH Scholarship Program, or any State-sponsored health scholarship program determined by the Secretary of the Treasury to have substantially similar objectives to these programs are eligible for tax-free treatment as qualified scholarships under section 117, without regard to any service obligation by the recipient. As with other qualified scholarships under section 117, the tax-free treatment does not apply to amounts received by students for regular living expenses, including room and board.

Effective date.—The House bill is effective for education awards received under the NHSC Scholarship Program, the Armed Forces Scholarship Program, and the NIH Scholarship Program after December 31, 1993. The House bill is effective for education awards received under any State-sponsored health scholarship program designated by the Secretary of the Treasury after December 31, 1999.

Senate Amendment

The Senate amendment is the same as the House bill, except that it does not extend the exclusion from gross income to the NIH Scholarship Program or State-sponsored health scholarship programs.

Conference Agreement

The conference agreement follows the House bill.

E. Exclusion for Employer-Provided Educational Assistance (sec. 404 of the Senate amendment and sec. 127 of the Code)

Present Law

Educational expenses paid by an employer for its employees are generally deductible to the employer.

Employer-paid educational expenses are excludable from the gross income and wages of an employee if provided under a section 127 educational assistance plan or if the expenses qualify as a working condition fringe benefit under section 132. Section 127 provides an exclusion of $5,250 annually for employer-provided educational assistance. The exclusion does not apply to graduate courses. The exclusion for employer-provided educational assistance expires with respect to courses beginning on or after June 1, 2000.

In order for the exclusion to apply, certain requirements must be satisfied. The educational assistance must be provided pursuant to a separate written plan of the employer. The educational assistance program must not discriminate in favor of highly compensated employees. In addition, not more than 5 percent of the amounts paid or incurred by the employer during the year for educational assistance under a qualified educational assistance plan can be provided for the class of individuals consisting of more than 5–percent owners of the employer (and their spouses and dependents).

Educational expenses that do not qualify for the section 127 exclusion may be excludable from income as a working condition fringe benefit.[25] In general, education qualifies as a working condition fringe benefit if the employee could have deducted the education expenses under section 162 if the employee paid for the education. In general, education expenses are deductible by an individual under section 162 if the education (1) maintains or improves a skill required in a trade or business currently engaged in by the taxpayer, or (2) meets the express requirements of the taxpayer's employer, applicable law or regulations imposed as a condition of continued employment. However, education expenses are generally not deductible if they relate to certain minimum educational requirements or to education or training that

[25] These rules also apply in the event that section 127 expires and is not reinstated.

enables a taxpayer to begin working in a new trade or business.[26]

House Bill

No provision.

Senate Amendment

The provision extends the exclusion for employer-provided educational assistance through 2003, thus, the exclusion is not available with respect to courses beginning after December 31, 2003. The provision also extends the exclusion to graduate education, effective for courses beginning on or after January 1, 2000, and before January 1, 2004.

Effective date.—The provision is generally effective on the date of enactment.

Conference Agreement

The conference agreement follows the Senate amendment with respect to the extension of the exclusion as applied to undergraduate education, but does not include the extension of the exclusion to graduate education.

F. Liberalize Tax-Exempt Financing Rules for Public School Construction (secs. 404–405 of the House bill, secs. 405—407 of the Senate amendment, and secs. 103, 148, and 149 of the Code)

Present Law

Tax-exempt bonds

In general

Interest on debt incurred by States or local governments is excluded from income if the proceeds of the borrowing are used to carry out governmental functions of those entities or the debt is repaid with governmental funds (sec. 103). Like other activities carried out and paid for by States and local governments, the construction, renovation, and operation of public schools is an activity eligible for financing with the proceeds of tax-exempt bonds.

Interest on bonds that nominally are issued by States or local governments, but the proceeds of which are used (directly or indirectly) by a private person and payment of which is derived from funds of such a private person is taxable unless the purpose of the borrowing is approved specifically in the Code or in a non-Code provision of a revenue Act. These bonds are called ''private activity bonds.'' The term ''private person'' includes the Federal Government and all other individuals and entities other than States or local governments.

Private activities eligible for financing with tax-exempt private activity bonds

The Code includes several exceptions permitting States or local governments to act as conduits providing tax-exempt financing for private activities. Both capital expenditures and limited working capital expenditures of charitable organizations described in section 501(c)(3) of the Code—including elementary, secondary, and post-secondary schools—may be financed with tax-exempt private activity bonds (''qualified 501(c)(3) bonds'').

In most cases, the volume of tax-exempt private activity bonds is restricted by aggregate annual limits imposed on bonds issued by issuers within each State. These annual volume limits equal $50 per resident of the State, or $150 million if greater. The annual State private activity bond volume limits are scheduled to increase to the greater of $75 per resident of the State or $225 million in calendar year 2007. The increase will be phased in ratably beginning in calendar year 2003. This increase was enacted by the Tax and Trade Relief Extension Act of 1998. Qualified 501(c)(3) bonds are among the tax-exempt private activity bonds that are not subject to these volume limits.

Private activity tax-exempt bonds may not be used to finance schools owned or operated by private, for-profit businesses.

Arbitrage restrictions on tax-exempt bonds

The Federal income tax does not apply to income of States and local governments that is derived from the exercise of an essential governmental function. To prevent these tax-exempt entities from issuing more Federally subsidized tax-exempt bonds than is necessary for the activity being financed or from issuing such bonds earlier than necessary, the Code includes arbitrage restrictions limiting the ability to profit from investment of tax-exempt bond proceeds. In general, arbitrage profits may be earned only during specified periods (e.g., defined ''temporary periods'') before funds are needed for the purpose of the borrowing or on specified types of investments (e.g., ''reasonably required reserve or replacement funds''). Subject to limited exceptions, investment profits that are earned during these periods or on such investments must be rebated to the Federal Government.

The Code includes three exceptions applicable to education-related bonds. First, issuers of all types of tax-exempt bonds are not required to rebate arbitrage profits if all of the proceeds of the bonds are spent for the purpose of the borrowing within six months after issuance. In the case of governmental bonds (including bonds to finance public schools) the six-month expenditure exception is treated as satisfied if at least 95 percent of the proceeds is spent within six months and the remaining five percent is spent within 12 months after the bonds are issued.

Second, in the case of bonds to finance certain construction activities, including school construction and renovation, the six-month period is extended to 24 months for construction proceeds. Arbitrage profits earned on construction proceeds are not required to be rebated if all such proceeds (other than certain retainage amounts) are spent by the end of the 24–month period and prescribed intermediate spending percentages are satisfied.

Third, governmental bonds issued by ''small'' governments are not subject to the rebate requirement. Small governments are defined as general purpose governmental units that issue no more than $5 million of tax-exempt governmental bonds in a calendar year. The $5 million limit is increased to $10 million if at least $5 million of the bonds are used to finance public schools.

Restriction on Federal guarantees of tax-exempt bonds

Unlike interest on State or local government bonds, interest on Federal debt (e.g., Treasury bills) is taxable. Generally, interest on State and local government bonds that are Federally guaranteed does not qualify for tax-exemption. This restriction was enacted in 1984. The 1984 legislation included exceptions for housing bonds and for certain other Federal insurance programs that were in existence when the restriction was enacted.

Qualified zone academy bonds

As an alternative to traditional tax-exempt bonds, certain States and local governments are given the authority to issue ''qualified zone academy bonds.'' Under present law, a total of $400 million of qualified zone academy bonds may be issued in each of 1998 and 1999. The $400 million aggregate bond authority is allocated each year to the States according to their respective populations of individuals below the poverty line. Each State, in turn, allocates the credit to qualified zone academies within such State. A State may carry over any unused allocation into subsequent years.

1. Increase amount of governmental bonds that may be issued by governments qualifying for the "small governmental unit" arbitrage rebate exception

House Bill

The additional amount of governmental bonds for public schools that small governmental units may issue without being subject to the arbitrage rebate requirement is increased from $5 million to $10 million. Thus, these governmental units may issue up to $15 million of governmental bonds in a calendar year provided that at least $10 million of the bonds are used to finance public school construction expenditures.

Effective date.—The provision is effective for bonds issued in calendar years beginning after December 31, 1999.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

2. Liberalize construction bond expenditure rule for governmental bonds for public schools

House Bill

The present-law 24-month expenditure exception to the arbitrage rebate requirement are liberalized for certain public school bonds. Under the bill, no rebate is required with respect to earnings on available construction proceeds of public school bonds if the proceeds are spent within 48 months after the bonds are issued and the following intermediate spending levels are satisfied:

12 months	At least 10 percent
24 months	At least 30 percent
36 months	At least 60 percent
48 months	100 percent (less present-law retainage amounts which must be spent within 60 months of issuance)

Effective date.—The provision applies to bonds issued in calendar years beginning after 1999.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

3. Allow issuance of tax-exempt private activity bonds for public school facilities

House Bill

No provision.

Senate Amendment

The private activities for which tax-exempt bonds may be issued are expanded to include elementary and secondary public school facilities which are owned by private, for-profit corporations pursuant to public-private partnership agreements with a State or local educational agency. The term school facility includes school buildings and functionally related and subordinate land (including stadiums or other athletic facilities primarily used for school events) and depreciable personal property used in the school

[26] In the case of an employee, education expenses (if not reimbursed by the employer) may be claimed as an itemized deduction only if such expenses, along with other miscellaneous deductions, exceed 2 percent of the taxpayer's AGI. The 2-percent floor limitation is disregarded in determining whether an item is excludable as a working condition fringe benefit.

facility. The school facilities for which these bonds are issued must be operated by a public educational agency as part of a system of public schools.

A public-private partnership agreement is defined as an arrangement pursuant to which the for-profit corporate party constructs, rehabilitates, refurbishes or equips a school facility. The agreement must provide that, at the end of the contract term, ownership of the bond-financed property is transferred to the public school agency party to the agreement for no additional consideration.

Issuance of these bonds is subject to a separate annual per-State volume limit equal to the greater of $10 per resident ($5 million, if greater) in lieu of the present-law State private activity bond volume limits. As with the present-law State private activity bond volume limits, States decide how to allocate the bond authority to State and local government agencies. Bond authority that is unused in the year in which it arises may be carried forward for up to three years for public school projects under rules similar to the carryforward rules of the present-law private activity bond volume limits.

Effective date.—The provision applies to bonds issued after December 31, 1999.

Conference Agreement

The conference does not include the Senate amendment provision.

4. Permit limited Federal guarantees of school construction bonds by the Federal Housing Finance Board

House Bill

No provision.

Senate Amendment

The Federal Housing Finance Board is permitted to authorize the regional Federal Home Loan Banks in its system to guarantee limited amounts of public school bonds. Eligible bonds are governmental bonds with respect to which 95 percent of more of the proceeds are used for public school construction. The aggregate amount of bonds which may be guaranteed by all such Banks pursuant to this provision is $500 million per year.

Effective date.—The provision will become effective upon enactment (after the date of enactment of the amendment) of legislation authorizing the Federal Housing Finance Board and Federal Home Loan Banks to provide the guarantees.

Conference Agreement

The conference agreement does not include the Senate amendment provision.

G. Expansion of Deduction for Computer Donations to Schools (sec. 1124 of the Senate amendment and sec. 170(e)(6) of the Code)

Present Law

The maximum charitable contribution deduction that may be claimed by a corporation for any one taxable year is limited to 10 percent of the corporation's taxable income for that year (disregarding charitable contributions and with certain other modifications) (sec. 170(b)(2)). Corporations also are subject to certain limitations based on the type of property contributed. In the case of a charitable contribution of short-term gain property, inventory, or other ordinary income property, the amount of the deduction generally is limited to the taxpayer's basis (generally, cost) in the property. However, special rules in the Code provide an augmented deduction for certain corporate contributions. Under these special rules, the amount of the augmented deduction is equal to the lesser of (1) the basis of the donated property plus one-half of the amount of ordinary income that would have been realized if the property had been sold, or (2) twice basis.

Section 170(e)(6) allows corporate taxpayers an augmented deduction for qualified contributions of computer technology and equipment (i.e., computer software, computer or peripheral equipment, and fiber optic cable related to computer use) to be used within the United States for educational purposes in grades K–12. Eligible donees are: (1) any educational organization that normally maintains a regular faculty and curriculum and has a regularly enrolled body of pupils in attendance at the place where its educational activities are regularly carried on; and (2) tax-exempt charitable organizations that are organized primarily for purposes of supporting elementary and secondary education. A private foundation also is an eligible donee, provided that, within 30 days after receipt of the contribution, the private foundation contributes the property to an eligible donee described above.

Qualified contributions are limited to gifts made no later than two years after the date the taxpayer acquired or substantially completed the construction of the donated property. In addition, the original use of the donated property must commence with the donor or the donee. Accordingly, qualified contributions generally are limited to property that is no more than two years old. Such donated property could be computer technology or equipment that is inventory or depreciable trade or business property in the hands of the donor.

Donee organizations are not permitted to transfer the donated property for money or services (e.g., a donee organization cannot sell the computers). However, a donee organization may transfer the donated property in furtherance of its exempt purposes and be reimbursed for shipping, installation, and transfer costs. For example, if a corporation contributes computers to a charity that subsequently distributes the computers to several elementary schools in a given area, the charity could be reimbursed by the elementary schools for shipping, transfer, and installation costs.

The special treatment applies only to donations made by C corporations; S corporations, personal holding companies, and service organizations are not eligible donors.

The provision is scheduled to expire for contributions made in taxable years beginning after December 31, 2000.

House Bill

No provision.

Senate Amendment

The Senate amendment makes the augmented deduction of section 170(e)(6) available for gifts made no later than three years after the date the taxpayer acquired or substantially completed the construction of the donated property. The Senate amendment also modifies the current-law original use requirement (i.e., the original use of the donated property must be the donor or the donee) by making the deduction available to donors who reacquire computers prior to donation. Thus, a corporation would be permitted to donate computers that were traded in or returned to them under a lease program.

Effective date.—The Senate amendment is effective for contributions made in taxable years ending after the date of enactment.

Conference Agreement

The conference agreement does not include the Senate amendment provision.

H. Credit for Computer Donations to Schools and Senior Centers (sec. 1125 of the Senate amendment and new sec. 45E of the Code)

Present Law

The maximum charitable contribution deduction that may be claimed by a corporation for any one taxable year is limited to 10 percent of the corporation's taxable income for that year (disregarding charitable contributions and with certain other modifications) (sec. 170(b)(2)). Corporations also are subject to certain limitations based on the type of property contributed. In the case of a charitable contribution of short-term gain property, inventory, or other ordinary income property, the amount of the deduction generally is limited to the taxpayer's basis (generally, cost) in the property. However, special rules in the Code provide an augmented deduction for certain corporate contributions. Under these special rules, the amount of the augmented deduction is equal to the lesser of (1) the basis of the donated property plus one-half of the amount of ordinary income that would have been realized if the property had been sold, or (2) twice basis.

Section 170(e)(6) allows corporate taxpayers an augmented deduction for qualified contributions of computer technology and equipment (i.e., computer software, computer or peripheral equipment, and fiber optic cable related to computer use) to be used within the United States for educational purposes in grades K–12. Qualified contributions are limited to gifts made no later than two years after the date the taxpayer acquired or substantially completed the construction of the donated property. In addition, the original use of the donated property must commence with the donor or the donee. Eligible donees are: (1) any educational organization that normally maintains a regular faculty and curriculum and has a regularly enrolled body of pupils in attendance at the place where its educational activities are regularly carried on; and (2) tax-exempt charitable organizations that are organized primarily for purposes of supporting elementary and secondary education. A private foundation also is an eligible donee, provided that, within 30 days after receipt of the contribution, the private foundation contributes the property to an eligible donee described above.

House Bill

No provision.

Senate Amendment

The Senate amendment permits businesses to claim a tax credit in lieu of the augmented deduction for qualified contributions of computer technology and equipment, as defined under section 170(e)(6)(B).[27] In addition, the Senate amendment allows businesses to claim a credit for contributions of computer technology or equipment to multipurpose senior centers (as defined by reference to the Older Americans Act of 1965) for use by individuals who are at least 60 years old to improve job skills in computers.

The credit is equal to 30 percent of the amount calculated for purposes of determining the augmented deduction under section 170(e)(6)(A) (i.e., the lesser of the basis of the donated property plus one-half of the amount of ordinary income that would have been realized if the property had been sold,

[27] In addition, the Senate amendment provides that the term ''qualified computer contribution,'' for purposes of the computer donation credit, includes a computer only if the computer software that serves as the computer's operating system has been lawfully installed.

or twice basis). If the donee is a qualified educational organization or senior center located in an empowerment zone, enterprise community, or Indian reservation (as defined in sec. 168(j)(6)), the proposed credit would be equal to 50 percent of the amount calculated for purposes of determining the augmented deduction under section 170(e)(6)(A). No deduction is allowed for the portion of computer donations made during a taxable year that is equal to the amount of the credit claimed during the year.

Effective date.—The Senate amendment provision providing a 30-percent credit for qualified computer donations is effective for contributions made in taxable years beginning one year after the date of enactment and before taxable years beginning on or after the date which is three years after the date of enactment. The Senate amendment provision providing a 50-percent credit for qualified computer donations to eligible recipients in empowerment zones, enterprise communities, and Indian reservations is effective for contributions made during taxable years beginning after the date of enactment and before taxable years beginning on or after the date which is three years after the date of enactment.

Conference Agreement

The conference agreement does not include the Senate amendment.

I. Two-Percent Floor Not To Apply to Professional Development Expenses of Teachers (sec. 1123 of the Senate amendment and sec. 67 of the Code)

Present Law

In general, taxpayers are not permitted to deduct education expenses. However, employees may deduct the cost of certain work-related education. For costs to be deductible, the education must either be required by the taxpayer's employer or by law to retain taxpayer's current job or be necessary to maintain or improve skills required in the taxpayer's current job. Expenses incurred for education that is necessary to meet minimum education requirements of an employee's present trade or business or that can qualify an employee for a new trade or business are not deductible.

An employee is allowed to deduct work-related education and other business expenses only to the extent such expenses (together with other miscellaneous itemized deductions) exceed 2 percent of the taxpayer's adjusted gross income.

House Bill

No provision.

Senate Amendment

The Senate amendment provides that qualified professional development expenses incurred by an elementary or secondary school teacher (including instructors, aides, counselors and principals) with respect to certain courses of instruction would not be subject to the 2–percent floor on miscellaneous itemized deductions. Qualified professional development expenses are expenses for tuition, fees, books, supplies, equipment, and transportation required for enrollment or attendance in a qualified course of instruction, provided that such expenses are otherwise deductible under present law. A qualified course of instruction means a professional conference or a course of instruction at an institution of higher education (as defined in sec. 481 of the Higher Education Act of 1965), and which is part of a program of professional development that is approved and certified by the appropriate local educational agency as furthering the individual's teaching skills.

Additionally, the 2–percent floor would not apply to incidental expenses paid by an eligible teacher in an amount not greater than $125 for any taxable year for books, supplies and equipment related to instruction, teaching, or other educational job-related activities of the teacher. The exception to the 2–percent for incidental expenses would also apply to homeschooling if the requirements of applicable State or local law are met with respect to the homeschooling.

Effective date.—Taxable years beginning after December 31, 2000, and ending on or before December 31, 2004.

Conference Agreement

The conference agreement follows the Senate amendment with modifications. The conference agreement provides an exception to the 2–percent floor for the qualified professional development expenses of eligible teachers, not to exceed $1,000 per year. The conference agreement does not provide an exception to the 2–percent floor for job-related incidental expenses.

J. Exclusion for Education Benefits Provided by Employers to Children of Employees (sec. 404 of the Senate amendment and sec. 117 of the Code)

Present Law

If certain requirements are satisfied, employer-paid educational expenses are excludable from the gross income and wages of an employee if provided under a section 127 educational assistance plan or if the expenses qualify as a working condition fringe benefit under section 132. Section 127 provides an exclusion of $5,250 annually for employer-provided educational assistance. The exclusion does not apply to graduate courses. The exclusion for employer-provided educational assistance expires with respect to courses beginning on or after June 1, 2000. These exclusions do not apply with respect to education provided to an individual other than the employee.

Section 117 provides that, if certain conditions are satisfied, a qualified scholarship is excludable from the gross income of an individual who is a candidate for a degree.

House Bill

No provision.

Senate Amendment

The Senate amendment provides that educational benefits provided to children of employees are excludable from gross income as a scholarship, regardless of whether the child is a candidate for a degree program. Any such benefits must be in addition to any other compensation payable to the employee. The exclusion does not apply to any amount provided to a child of an individual who owns more than 5 percent of the employer.

The maximum amount excludable for a taxable year with respect to a child of an employee may not exceed $2,000. In addition, the maximum amount excludable from an employee's income for a year under the provision may not exceed the excess of the amount excludable under section 127 ($5,250) over the amount excluded from the employee's income under section 127 for that year.

Effective date.—The provision is effective for taxable years beginning after the date of enactment.

Conference Agreement

The conference agreement does not include the Senate amendment.

K. Credit for Interest on Higher Education Loans (sec. 208 of the Senate amendment and new sec. 25B of the Code)

Present Law

Certain individuals who have paid interest on qualified education loans may claim an above-the-line deduction for such interest expenses, subject to a maximum annual deduction limit (sec. 221). The deduction is allowed only with respect to interest paid on a qualified education loan during the first 60 months in which interest payments are required. Required payments of interest generally do not include nonmandatory payments, such as interest payments made during a period of loan forbearance. Months during which interest payments are not required because the qualified education loan is in deferral or forbearance do not count against the 60-month period. No deduction is allowed to an individual if that individual is claimed as a dependent on another taxpayer's return for the taxable year.

A qualified education loan generally is defined as any indebtedness incurred solely to pay for certain costs of attendance (including room and board) of a student (who may be the taxpayer, the taxpayer's spouse, or any dependent of the taxpayer as of the time the indebtedness was incurred) who is enrolled in a degree program on at least a half-time basis at (1) an accredited post-secondary educational institution defined by reference to section 481 of the Higher Education Act of 1965, or (2) an institution conducting an internship or residency program leading to a degree or certificate from an institution of higher education, a hospital, or a health care facility conducting post-graduate training.

The maximum allowable deduction per taxpayer return is $1,500 in 1999, $2,000 in 2000, and $2,500 in 2001 and thereafter.[28] The deduction is phased out ratably for individual taxpayers with modified adjusted gross income (''AGI'') of $40,000–$55,000 and $60,000–$75,000 for joint returns. The income ranges will be indexed for inflation after 2002.

House Bill

No provision.

Senate Amendment

Under the Senate amendment, certain individuals who have paid interest on qualified education loans may claim a tax credit for such interest expenses, up to a maximum credit of $1,500 per year. The credit is allowed only with respect to interest paid on a qualified education loan during the first 60 months in which interest payments are required. A qualified education loan is defined in the same manner as for the deduction for student loan interest under section 221. No credit is allowed to an individual if that individual is claimed as a dependent on another taxpayer's return for the taxable year. In addition, no credit is allowed for any amount taken into account for any deduction under chapter 1 of the Code.

The credit is phased out ratably for individual taxpayers with modified AGI of $50,000–$70,000 ($80,000–$100,000 for joint returns). The income phase-out ranges will be indexed for inflation after the year 2005, rounded to the closest multiple of $50.

Effective date.—The Senate amendment is effective for interest due and paid after December 31, 2004, on any qualified education loan.

[28] The maximum allowable deduction for 1998 was $1,000.

Conference Agreement

The conference agreement does not include the Senate amendment.

V. HEALTH CARE TAX RELIEF PROVISIONS

A. Above-the-Line Deduction for Health Insurance Expenses (sec. 501 of the House bill and the Senate amendment and new sec. 222 of the Code)

Present Law

Under present law, the tax treatment of health insurance expenses depends on the individual's circumstances. Self-employed individuals may deduct a portion of health insurance expenses for the individual and his or her spouse and dependents. The deductible percentage of health insurance expenses of a self-employed individual is 60 percent in 1999 through 2001; 70 percent in 2002; and 100 percent in 2003 and thereafter. The deduction for health insurance expenses of self-employed individuals is not available for any month in which the taxpayer is eligible to participate in a subsidized health plan maintained by the employer of the taxpayer or the taxpayer's spouse. The deduction applies to qualified long-term care insurance premiums treated as medical expenses under the itemized deduction for medical expenses, described below.

Employees can exclude from income 100 percent of employer-provided health insurance.

Individuals who itemize deductions may deduct their health insurance expenses only to the extent that the total medical expenses of the individual exceed 7.5 percent of adjusted gross income (sec. 213). Subject to certain dollar limitations, premiums for qualified long-term care insurance are treated as medical expenses for purposes of the itemized deduction for medical expenses (sec. 213). The amount of qualified long-term care insurance premiums that may be taken into account for 1999 is as follows: $210 in the case of an individual 40 years old or less; $400 in the case of an individual who is more than 40 but not more than 50; $800 in the case of an individual who is more than 50 but not more than 60; $2,120 in the case of an individual who is more than 60 but not more than 70; and $2,660 in the case of an individual who is more than 70. These dollar limits are indexed for inflation.

House Bill

The House bill provides an above-the-line deduction for a percentage of the amount paid during the year for insurance which constitutes medical care (as defined under sec. 213, other than long-term care insurance treated as medical care under sec. 213) for the taxpayer and his or her spouse and dependents.[29] The deductible percentage is: 25 percent in 2001; 40 percent in 2002; 50 percent in 2003 through 2006; 75 percent in 2007; and 100 percent in 2008 and thereafter.

The deduction is not available to an individual for any month in which the individual is covered under an employer-sponsored health plan if at least 50 percent of the cost of the coverage is paid or incurred by the employer[30] For purposes of this rule, any amounts excludable from the gross income of the employee under the exclusion for employer-provided health coverage is treated as paid or incurred by the employer; thus, for example, health insurance purchased by an employee through a cafeteria plan with salary reduction amounts is considered to be paid for by the employer.[31] In determining whether the 50–percent threshold is met, all health plans of the employer in which the employee participates are treated as a single plan. If the employer pays for less than 50 percent of the cost of all health plans in which the individual participates, the deduction is available only with respect to each plan with respect to which the employer subsidy is less than 50 percent. Cost is determined as under the health care continuation rules.

The deduction is not available to individuals enrolled in Medicare, Medicaid, the Federal Employees Health Benefit Program (''FEHBP''),[32] Champus, VA, Indian Health Service, or Children's Health Insurance programs. Thus, for example, the deduction is not available with respect to Medigap coverage, because such coverage is provided to individuals enrolled in Medicare.

The provision authorizes the Secretary to prescribe rules necessary to carry out the provision, including appropriate reporting requirements for employers.

Effective date.—The provision is effective for taxable years beginning after December 31, 2000.

Senate Amendment

The Senate amendment is the same as the House bill, except that the deductible percentage of health care insurance expenses is as follows: 25 percent in 2001, 2002, and 2003; 50 percent in 2004 and 2005; and 100 percent in 2006 and thereafter.

In addition, under the Senate amendment, the deduction is not available with respect to insurance providing coverage for accidents, disability, dental care, vision care or a specific disease or making payments of a fixed amount per day (or other period) on account of hospitalization. Such insurance and employer payments for such insurance are not taken into account in determining whether the employee pays more than half the cost of the health insurance.

Effective date.—Same as the House bill.

Conference Agreement

The conference agreement follows the Senate amendment, with modifications to the deductible percentage.

Effective date.—The provision is effective for taxable years beginning after December 31, 2001.

B. Provisions Relating to Long-term Care Insurance (secs. 501 and 502 of the House bill, secs. 501 and 502 of the Senate amendment and secs. 105 and 125 and new sec. 222 of the Code)

Present Law

Tax treatment of health insurance and long-term care insurance

Under present law, the tax treatment of health insurance expenses depends on the individual's circumstances. Self-employed individuals may deduct a portion of health insurance expenses for the individual and his or her spouse and dependents. The deductible percentage of health insurance expenses of a self-employed individual is 60 percent in 1999 through 2001; 70 percent in 2002; and 100 percent in 2003 and thereafter. The deduction for health insurance expenses of self-employed individuals is not available for any month in which the taxpayer is eligible to participate in a subsidized health plan maintained by the employer of the taxpayer or the taxpayer's spouse. The deduction applies to qualified long-term care insurance premiums treated as medical expenses under the itemized deduction for medical expenses, described below.

Employees can exclude from income 100 percent of employer-provided health insurance or qualified long-term care insurance.

Individuals who itemize deductions may deduct their health insurance expenses only to the extent that the total medical expenses of the individual exceed 7.5 percent of adjusted gross income (sec. 213). Subject to certain dollar limitations, premiums for qualified long-term care insurance are treated as medical expenses for purposes of the itemized deduction for medical expenses (sec. 213). The amount of qualified long-term care insurance premiums that may be taken into account for 1999 is as follows: $210 in the case of an individual 40 years old or less; $400 in the case of an individual who is more than 40 but not more than 50; $800 in the case of an individual who is more than 50 but not more than 60; $2,120 in the case of an individual who is more than 60 but not more than 70; and $2,660 in the case of an individual who is more than 70. These dollar limits are indexed for inflation.

Cafeteria plans

Under present law, compensation generally is includible in gross income when actually or constructively received. An amount is constructively received by an individual if it is made available to the individual or the individual has an election to receive such amount. Under one exception to the general principle of constructive receipt, amounts are not included in the gross income of a participant in a cafeteria plan described in section 125 of the Code solely because the participant may elect among cash and certain employer-provided qualified benefits under the plan. This constructive receipt exception is not available if the individual is permitted to revoke a benefit election during a period of coverage in the absence of a change in family status or certain other events.

In general, qualified benefits are certain specified benefits that are excludable from an employee's gross income by reason of a specific provision of the Code. Thus, employer-provided accident or health coverage, group-term life insurance coverage (whether or not subject to tax by reason of being in excess of the dollar limit on the exclusion for such insurance), and benefits under dependent care assistance programs may be provided through a cafeteria plan. The cafeteria plan exception from the principle of constructive receipt generally also applies for employment tax (FICA and FUTA) purposes.[33]

Long-term care insurance cannot be provided under a cafeteria plan.

Flexible spending arrangements

A flexible spending arrangement (''FSA'') is a reimbursement account or other arrangement under which an employer pays or

[29] The deduction only applies to health insurance that constitutes medical care; it does not apply to medical expenses. The deduction applies to self-insured arrangements (provided such arrangements constitute insurance, e.g., there is appropriate risk-shifting) and coverage under employer plans treated as insurance under section 104. Another provision of the bill provides a similar deduction for qualified long-term care insurance expenses.

[30] This rule is applied separately with respect to qualified long-term care insurance.

[31] Excludable employer contributions to a health flexible spending arrangement or medical savings account (including salary reduction contributions) are also considered amounts paid by the employer for health insurance that constitutes medical care. Salary reduction contributions are not considered to be amounts paid by the employee.

[32] This rule does not prevent individuals covered by the FEHBP from deducting premiums for health care continuation coverage, provided the requirements for the deduction are otherwise met.

[33] Elective contributions under a qualified cash or deferred arrangement that is part of a cafeteria plan are subject to employment taxes.

reimburses employees for medical expenses or certain other nontaxable employer-provided benefits, such as dependent care. An FSA may be part of a cafeteria plan and may be funded through salary reduction. FSAs may also be provided by an employer outside a cafeteria plan. FSAs are commonly used, for example, to reimburse employees for medical expenses not covered by insurance. Qualified long-term care services cannot be provided through an FSA.

House Bill

Deduction for qualified long-term care insurance expenses

The provision provides an above-the-line deduction for a percentage of the amount paid during the year for long-term care insurance which constitutes medical care (as defined under sec. 213) for the taxpayer and his or her spouse and dependents.[34] The deductible percentage is: 25 percent in 2001, 2002, and 2003; 50 percent in 2004 and 2005; and 100 percent in 2006 and thereafter.

The deduction is not available to an individual for any month in which the individual is covered under an employer-sponsored health plan if at least 50 percent of the cost of the coverage is paid or incurred by the employer.[35] For purposes of this rule, any amounts excludable from the gross income of the employee with respect to qualified long-term care insurance are treated as paid or incurred by the employer. In determining whether the 50–percent threshold is met, all plans of the employer providing long-term care in which the employee participates are treated as a single plan. If the employer pays less than 50 percent of the cost of all long-term care plans in which the individual participates, the deduction is available only with respect to each plan with respect to which the employer pays for less than 50 percent of the cost. Cost is determined as under the health care continuation rules.

Long-term care insurance provided through a cafeteria plan

The provision authorizes the Secretary to prescribe rules necessary to carry out the provision, including appropriate reporting requirements for employers.

The provision provides that qualified long-term care insurance is a qualified benefit under a cafeteria plan. The provision also provides that qualified long-term care services can be provided under an FSA.[36]

Effective date

The provision is effective for taxable years beginning after December 31, 2000.

Senate Amendment

Deduction for qualified long-term care insurance expenses

The provision is the same as the House bill, with the following modification. Under the Senate amendment, the percentage deduction for qualified long-term care insurance expenses is as follows: 25 percent in 2001, 2002, and 2003; 50 percent in 2004 and 2005; and 100 percent in 2006 and thereafter.

Long-term care insurance provided through a cafeteria plan

The Senate amendment is the same as the House bill, with the modification that qualified long-term care insurance is treated as a qualified benefit under the cafeteria plan rules only to the extent that such insurance is treated as a medical expense under the itemized deduction for medical expenses (i.e., only to the extent of the premium limitations under sec. 213).

Effective date

The Senate amendment is the same as the House bill.

Conference Agreement

Deduction for qualified long-term care insurance expenses

The conference agreement follows the Senate amendment, with modifications to the deductible percentage.

As under the Senate amendment, the 50–percent rule is applied separately to health insurance and qualified long-term care insurance. For example, suppose an employee participates in a health insurance plan of the employer and that the employer pays for 100 percent of the cost of the coverage. The employee also participates in an employer-sponsored qualified long-term care insurance plan, and the employer pays for 10 percent of the cost of the qualified long-term care insurance. The employee pays for the remaining 90 percent of the long-term care insurance premium on an after-tax basis. The employee is not entitled to the deduction for health insurance expenses, but may deduct the 90 percent of the long-term care insurance premium she pays on an after-tax basis (subject to the premium limitations contained in section 213).

Long-term care insurance provided through a cafeteria plan

The conference agreement follows the Senate amendment. Under the conference agreement, as under the Senate amendment, the qualified long-term care insurance may only be offered under a cafeteria plan to the extent the cost of such insurance does not exceed the premium limitations contained in section 213.

Effective date

The provision is effective with respect to years beginning after December 31, 2001.

C. Extend Availability of Medical Savings Accounts (sec. 503 of the House bill and sec. 220 of the Code)

Present Law

In general

Within limits, contributions to a medical savings account (''MSA'')[37] are deductible in determining AGI if made by an eligible individual and are excludable from gross income and wages for employment tax purposes if made by the employer of an eligible individual. Earnings on amounts in an MSA are not currently taxable. Distributions from an MSA for medical expenses are not taxable. Distributions not used for medical expenses are taxable. In addition, distributions not used for medical expenses are subject to an additional 15–percent tax unless the distribution is made after age 65, death, or disability.

Eligible individuals

MSAs are available to employees covered under an employer-sponsored high deductible plan of a small employer and self-employed individuals regardless of the size of the entity for which the individual performs services.[38] An employer is a small employer if it employed, on average, no more than 50 employees on business days during either the preceding or the second preceding year.

In order for an employee of a small employer to be eligible to make MSA contributions (or to have employer contributions made on his or her behalf), the employee must be covered under an employer-sponsored high deductible health plan (see the definition below) and must not be covered under any other health plan (other than a plan that provides certain permitted coverage, described below). In the case of an employee, contributions can be made to an MSA either by the individual or by the individual's employer. However, an individual is not eligible to make contributions to an MSA for a year if any employer contributions are made to an MSA on behalf of the individual for the year. Similarly, if the individual's spouse is covered under the high deductible plan covering such individual and the spouse's employer makes a contribution to an MSA for the spouse, the individual may not make MSA contributions for the year.

Similarly, in order to be eligible to make contributions to an MSA, a self-employed individual must be covered under a high deductible health plan and no other health plan (other than a plan that provides certain permitted coverage, described below). A self-employed individual is not an eligible individual (by reason of being self-employed) if the high deductible plan under which the individual is covered is established or maintained by an employer of the individual (or the individual's spouse).

An individual with other coverage in addition to a high deductible plan is still eligible for an MSA if such other coverage is certain permitted insurance or is coverage (whether provided through insurance or otherwise) for accidents, disability, dental care, vision care, or long-term care. Permitted insurance is: (1) Medicare supplemental insurance; (2) insurance if substantially all of the coverage provided under such insurance relates to (a) liabilities incurred under worker's compensation law, (b) tort liabilities, (c) liabilities relating to ownership or use of property (e.g., auto insurance), or (d) such other similar liabilities as the Secretary may prescribe by regulations; (3) insurance for a specified disease or illness; and (4) insurance that provides a fixed payment for hospitalization.

If a small employer with an MSA plan ceases to become a small employer (i.e., exceeds the 50–employee limit), then the employer (and its employees) can continue to establish and make contributions to MSAs (including contributions for new employees and employees that did not previously have an MSA) until the year following the first year in which the employer has more than 200 employees. After that, those employees who had an MSA (to which individual or employer contributions were made in any year) can continue to make contributions (or have contributions made on their behalf) even if the employer has more than 200 employees.

[34] The deduction would only apply to insurance that constitutes medical care; it would not apply to long-term care insurance expenses. The deduction would apply to self-insured arrangements (provided such arrangements constitute insurance, e.g., there is appropriate risk- shifting) and coverage under employer plans treated as insurance under section 104. Another provision of the bill provides a similar deduction for health insurance expenses.

[35] This rule is applied separately with respect to health insurance.

[36] Excludable employer contributions to a flexible spending arrangement or a cafeteria plan for qualified long-term care insurance or services are considered an amount paid by the employer for long-term care insurance.

[37] In general, an MSA is a trust or custodial account created exclusively for the benefit of the account holder and is subject to rules similar to those applicable to individual retirement arrangements. The trustee of an MSA can be a bank, insurance company, or other person who demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with applicable requirements.

[38] Self-employed individuals include more than 2–percent shareholders of S corporations who are treated as partners for purposes of fringe benefit rules pursuant to section 1372.

Tax treatment of and limits on contributions

Individual contributions to an MSA are deductible (within limits) in determining adjusted gross income (i.e., ''above the line''). In addition, employer contributions are excludable from gross income and wages for employment tax purposes (within the same limits), except that this exclusion does not apply to contributions made through a cafeteria plan. No deduction is allowed to any individual for MSA contributions if such individual is a dependent on another taxpayer's tax return.

In the case of a self-employed individual, the deduction cannot exceed the individual's earned income from the trade or business with respect to which the high deductible plan is established. In the case of an employee, the deduction cannot exceed the individual's compensation attributable to the employer sponsoring the high deductible plan in which the individual is enrolled.

The maximum annual contribution that can be made to an MSA for a year is 65 percent of the deductible under the high deductible plan in the case of individual coverage and 75 percent of the deductible in the case of family coverage.

Contributions for a year can be made until the due date for the individual's tax return for the year (determined without regard to extensions).

If an employer provides high deductible health plan coverage coupled with an MSA to employees and makes employer contributions to the MSAs during a calendar year, the employer must make available a comparable contribution on behalf of all employees with comparable coverage during the same coverage period in the calendar year. Contributions are considered comparable if they are either of the same dollar amount or the same percentage of the deductible under the high deductible plan. The comparability rule does not restrict contributions that can be made to an MSA by a self-employed individual.

If employer contributions do not comply with the comparability rule during a calendar year, then the employer is subject to an excise tax equal to 35 percent of the aggregate amount contributed by the employer to MSAs of the employer for the year. In the case of a failure to comply with the comparability rule which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed to the extent that the payment of the tax is excessive relative to the failure involved.

Definition of high deductible plan

A high deductible plan is a health plan with an annual deductible of at least $1,550 and no more than $2,300 in the case of individual coverage and at least $3,050 and no more than $4,600 in the case of family coverage. In addition, the maximum out-of-pocket expenses with respect to allowed costs (including the deductible) must be no more than $3,050 in the case of individual coverage and no more than $5,600 in the case of family coverage.[39] A plan does not fail to qualify as a high deductible plan merely because it does not have a deductible for preventive care as required by State law. A plan does not qualify as a high deductible health plan if substantially all of the coverage under the plan is for permitted coverage (as described above). In the case of a self-insured plan, the plan must in fact be insurance (e.g., there must be appropriate risk shifting) and not merely a reimbursement arrangement.

Tax treatment of MSAs

Earnings on amounts in an MSA are not currently includible in income.

Taxation of distributions

Distributions from an MSA for the medical expenses of the individual and his or her spouse or dependents generally are excludable from income.[40] However, in any year for which a contribution is made to an MSA, withdrawals from an MSA maintained by that individual generally are excludable from income only if the individual for whom the expenses were incurred was covered under a high deductible plan for the month in which the expenses were incurred.[41] This rule is designed to ensure that MSAs are in fact used in conjunction with a high deductible plan, and that they are not primarily used by other individuals who have health plans that are not high deductible plans.

For this purpose, medical expenses are defined as under the itemized deduction for medical expenses, except that medical expenses do not include expenses for insurance other than long-term care insurance, premiums for health care continuation coverage, and premiums for health care coverage while an individual is receiving unemployment compensation under Federal or State law.

Distributions that are not used for medical expenses are includible in income. Such distributions are also subject to an additional 15–percent tax unless made after age 65, death, or disability.

Cap on taxpayers utilizing MSAs

The number of taxpayers benefiting annually from an MSA contribution is limited to a threshold level (generally 750,000 taxpayers). If it is determined in a year that the threshold level has been exceeded (called a ''cut-off'' year) then, in general, for succeeding years during the 4–year pilot period 1997–2000, only those individuals who (1) made an MSA contribution or had an employer MSA contribution for the year or a preceding year (i.e., are active MSA participants) or (2) are employed by a participating employer, is eligible for an MSA contribution. In determining whether the threshold for any year has been exceeded, MSAs of individuals who were not covered under a health insurance plan for the six month period ending on the date on which coverage under a high deductible plan commences would not be taken into account.[42] However, if the threshold level is exceeded in a year, previously uninsured individuals is subject to the same restriction on contributions in succeeding years as other individuals. That is, they would not be eligible for an MSA contribution for a year following a cut-off year unless they are an active MSA participant (i.e., had an MSA contribution for the year or a preceding year) or are employed by a participating employer.

The number of MSAs established has not exceeded the threshold level.

End of MSA pilot program

After December 31, 2000, no new contributions may be made to MSAs except by or on behalf of individuals who previously had MSA contributions and employees who are employed by a participating employer. An employer is a participating employer if (1) the employer made any MSA contributions for any year to an MSA on behalf of employees or (2) at least 20 percent of the employees covered under a high deductible plan made MSA contributions of at least $100 in the year 2000.

Self-employed individuals who made contributions to an MSA during the period 1997-2000 also may continue to make contributions after 2000.

House Bill

Eligible individuals and cap on MSAs

The House bill expands availability of MSAs to include all employees covered under a high deductible plan of an employer. Self-employed individuals continue to be eligible to contribute to an MSA.

The House bill also eliminates the cap on the number of taxpayers that can benefit annually from MSA contributions.

Definition of high deductible plan and limits on contributions

The provision modifies the definition of a high deductible plan by decreasing the lower threshold for the annual deductible. Thus, under the provision, a high deductible plan means a plan with an annual deductible of at least $1,000 and not more than $2,300 (indexed) in the case of individual coverage and at least $2,000 and not more than $4,600 (indexed) in the case of family coverage. The limits on out-of-pocket expenses is the same as under present law.

The provision increases the amount of deductible (or excludable) contributions to an MSA to 100 percent of the deductible under the high deductible plan. The provision also allows an individual to make deductible contributions to an MSA even if the individual's employer also made contributions. The provision provides that MSAs may be offered as part of a cafeteria plan. The total contributions to MSAs on behalf on an individual for a year may not exceed 100 percent of the deductible under the high deductible plan.

End of MSA pilot program

The provision makes MSAs permanent.

Effective date

The provision is effective for taxable years beginning after December 31, 2000.

Senate Amendment

No provision.

Conference Agreement

The conference agreement does not include the House bill provision.

D. Additional Personal Exemption for Caretakers (sec. 504 of the House bill, sec. 503 of the Senate amendment and sec. 151 of the Code)

Present Law

Present law does not provide an additional personal exemption based solely on the custodial care of parents or grandparents. However, taxpayers with dependent parents generally are able to claim a personal exemption for each of these dependents, if they satisfy five tests: (1) a member of household or relationship test; (2) a citizenship test; (3) a joint return test; (4) a gross income test; and (5) a support test. The taxpayer is also required to list each dependent's tax identification number (the ''TIN'') on the tax return.

The total amount of personal exemptions is subtracted (along with certain other items) from adjusted gross income (''AGI'')

[39] These dollar amounts are for 1999. These amounts are indexed for inflation in $50 increments.

[40] This exclusion does not apply to expenses that are reimbursed by insurance or otherwise.

[41] The exclusion still applies to expenses for continuation coverage or coverage while the individual is receiving unemployment compensation, even if for an individual who is not an eligible individual.

[42] Permitted coverage, as described above, does not constitute coverage under a health insurance plan for this purpose.

in arriving at taxable income. The amount of each personal exemption is $2,750 for 1999, and is adjusted annually for inflation. For 1999, the total amount of the personal exemptions is phased out for taxpayers with AGI in excess of $126,600 for single taxpayers, $158,300 for heads of household, and $189,950 for married couples filing joint returns. For 1999, the point at which a taxpayer's personal exemptions are completely phased- out is $249,100 for single taxpayers, $280,800 for heads of households, and $312,450 for married couples filing joint returns.

House Bill

The House bill provides taxpayers who maintain a household including one or more ''qualified persons'' with an additional personal exemption for each qualified person.

A ''qualified person ''is an individual who: (1) satisfies a relationship test, (2) satisfies a residency test, (3) satisfies an identification test, and (4) has been certified as having long-term care needs. The individual satisfies the relationship test if the individual was the father or mother of: (a) the taxpayer, (b) the taxpayer's spouse, or (c) a former spouse of the taxpayer. A stepfather, stepmother, and ancestors of the father or mother are treated as a father or mother for these purposes.

An individual satisfies the residency test if the individual had the same principal place of abode as the taxpayer for the taxpayer's entire taxable year.

An individual satisfies the identification test if the individual's name and taxpayer identification number (''TIN'') is included on the taxpayer's return for the taxable year.

In order to be a qualified individual, an individual must be certified before the due date of the return for the taxable year (without extensions) by a licensed physician as having long-term care needs for period which is at least 180 consecutive days and a portion of which occurs within the taxable year. The certification must be made no more than 39–1/2 months before the due date for the return (or within such other period as the Secretary has prescribed).

Under the provision, an individual has long-term care needs if the individual is unable to perform at least 2 activities of daily living (''ADLs'') without substantial assistance from another individual, due to a loss of functional capacity. As with the present-law rules relating to long- term care, ADLs are: (1) eating; (2) toileting; (3) transferring; (4) bathing; (5) dressing; and (6) continence. Substantial assistance includes hands-on assistance (that is, the physical assistance of another person without which the individual is unable to perform the ADL) and stand-by assistance (that is, the presence of another person within arm's reach of the individual that is necessary to prevent, by physical intervention, injury to the individual when performing the ADL).

As an alternative to the 2–ADL test described above, an individual is considered to have long-term care needs if he or she (1) requires substantial supervision for at least 6 months to be protected from threats to health and safety due to severe cognitive impairment and (2) is unable for at least 6 months to perform at least one or more ADLs or to engage in age appropriate activities as determined under regulations prescribed by the Secretary of the Treasury in consultation with the Secretary of Health and Human Services.

The House bill provides that a taxpayer is treated as maintaining a household for any period only if over one-half of the cost of maintaining the household for such period is furnished by such taxpayer or, if such taxpayer is married, by such taxpayer and the taxpayer's spouse. The House bill also provides that taxpayers who are married at the end of the taxable year must file a joint return to receive the credit unless they lived apart from their respective spouse for the last six months of the taxable year and the individual claiming the credit (1) maintained as his or her home a household for the qualified person for the entire taxable year and (2) furnished over one-half of the cost of maintaining that household in that taxable year. Finally, the House bill provides that a taxpayer legally separated from his or her spouse under a decree of divorce or of separate maintenance will not be considered married for purposes of this provision.

Effective date.—The House bill provision is effective for taxable years beginning after December 31, 1999.

Senate Amendment

Same as House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

E. Expand Human Clinical Trials Expenses Qualifying for the Orphan Drug Tax Credit (sec. 505 of the House bill and sec. 45C of the Code)

Present Law

Taxpayers may claim a 50–percent credit for expenses related to human clinical testing of drugs for the treatment of certain rare diseases and conditions, generally those that afflict less than 200,000 persons in the United States. Qualifying expenses are those paid or incurred by the taxpayer after the date on which the drug is designated as a potential treatment for a rare disease or disorder by the Food and Drug Administration (''FDA'') in accordance with the section 526 of the Federal Food, Drug, and Cosmetic Act.

House Bill

The House bill expands qualifying expenses to include those expenses related to human clinical testing incurred after the date on which the taxpayer files an application with the FDA for designation of the drug under section 526 of the Federal Food, Drug, and Cosmetic Act as a potential treatment for a rare disease or disorder. As under present law, the credit may only be claimed for such expenses related to drugs designated as a potential treatment for a rare disease or disorder by the FDA in accordance with section 526 of such Act.

Effective date.—The provision would be effective for expenditures paid or incurred after December 31, 1999.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

Effective date.—The provision would be effective for expenditures paid or incurred after December 31, 1999.

F. Add Certain Vaccines Against Streptococcus Pneumoniae to the List of Taxable Vaccines; Reduce Vaccine Excise Tax (sec. 506 of the House bill, sec. 504 of the Senate amendment and secs. 4131 and 4132 of the Code)

Present Law

A manufacturer's excise tax is imposed at the rate of 75 cents per dose (sec. 4131) on the following vaccines recommended for routine administration to children: diphtheria, pertussis, tetanus, measles, mumps, rubella, polio, HIB (haemophilus influenza type B), hepatitis B, varicella (chicken pox), and rotavirus gastroenteritis. The tax applied to any vaccine that is a combination of vaccine components equals 75 cents times the number of components in the combined vaccine.

Amounts equal to net revenues from this excise tax are deposited in the Vaccine Injury Compensation Trust Fund (''Vaccine Trust Fund'') to finance compensation awards under the Federal Vaccine Injury Compensation Program for individuals who suffer certain injuries following administration of the taxable vaccines. This program provides a substitute Federal, ''no fault'' insurance system for the State-law tort and private liability insurance systems otherwise applicable to vaccine manufacturers and physicians. All persons immunized after September 30, 1988, with covered vaccines must pursue compensation under this Federal program before bringing civil tort actions under State law.

House Bill

The House bill adds any conjugate vaccine against streptococcus pneumoniae to the list of taxable vaccines.

In addition, the House bill directs the General Accounting Office (''GAO'') to report to the House Committee on Ways and Means and the Senate Committee on Finance on the operation and management of expenditures from the Vaccine Trust Fund and to advise the Committees on the adequacy of the Vaccine Trust Fund to meet future claims under the Federal Vaccine Injury Compensation Program.

The GAO is directed to report its findings to the House Committee on Ways and Means and the Senate Committee on Finance not later than December 31, 1999.

Effective date.—The provision is effective for vaccine purchases beginning on the day after the date on which the Centers for Disease Control make final recommendation for routine administration of conjugated streptococcus pneumonia vaccines to children.

Senate Amendment

The Senate amendment is identical to the House bill in adding any conjugate vaccine against streptococcus pneumoniae to the list of taxable vaccines.

The Senate amendment also reduces the rate of tax applicable to all taxable vaccines from 75 cents per dose to 25 cents per dose for sales of vaccines after December 31, 2004.

The Senate amendment also changes the effective date enacted in Public Law 105–277 and certain other conforming amendments to expenditure purposes to enable certain payments to be made from the Trust Fund.

In addition, the Senate amendment is identical to the House bill in directing the General Accounting Office (''GAO'') to report to the House Committee on Ways and Means and the Senate Committee on Finance on the operation and management of expenditures from the Vaccine Trust Fund and to advise the Committees on the adequacy of the Vaccine Trust Fund to meet future claims under the Federal Vaccine Injury Compensation Program, except that the GAO is directed to report its findings to the House Committee on Ways and Means and the Senate Committee on Finance within one year of the date of enactment.

Effective date.—The provision is effective for vaccine purchases beginning on the day after the date on which the Centers for Disease Control make final recommendation for routine administration of conjugated streptococcus pneumonia vaccines to children. The addition of conjugate streptococcus

pneumoniae vaccines to the list of taxable vaccines is contingent upon the inclusion in this legislation of the modifications to Public Law 105–277.

The provision to reduce the rate of tax to 25 cents per dose would be effective for sales after December 31, 2004. No floor stocks refunds would be permitted for vaccines held on December 31, 2004. For the purpose of determining the amount of refund of tax on a vaccine returned to the manufacturer or importer, for vaccines returned after August 31, 2004 and before January 1, 2005, the amount of tax assumed to have been paid on the initial purchase of the returned vaccine is not to exceed $0.25 per dose. The reduction in the rate of tax is contingent upon the inclusion in this legislation of the modifications to Public Law 105–277.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment in adding any conjugate vaccine against streptococcus pneumoniae to the list of taxable vaccines. In addition, the conference agreement follows the House bill and the Senate amendment by changing the effective date enacted in Public Law 105–277 and certain other conforming amendments to expenditure purposes to enable certain payments to be made from the Trust Fund.

The conference agreement also reduces the rate of tax applicable to all taxable vaccines from 75 cents per dose to 50 cents per dose for sales of vaccines after December 31, 2004.

In addition, the conferees direct the General Accounting Office (''GAO'') to report to the House Committee on Ways and Means and the Senate Committee on Finance on the operation and management of expenditures from the Vaccine Trust Fund and to advise the Committees on the adequacy of the Vaccine Trust Fund to meet future claims under the Federal Vaccine Injury Compensation Program.

Within its report, to the greatest extent possible, the conferees would like to see a thorough statistical report of the number of claims submitted annually, the number of claims settled annually, and the value of settlements. The conferees would like to learn about the statistical distribution of settlements, including the mean and median values of settlements, and the extent to which the value of settlements varies with an injury attributed to an identifiable vaccine. The conferees also would like to learn about the settlement process, including a statistical distribution of the amount of time required from the initial filing of a claim to a final resolution.

The Code provides that certain administrative expenses may be charged to the Vaccine Trust Fund. The conferees intend that the GAO report include an analysis of the overhead and administrative expenses charged to the Vaccine Trust Fund.

The conferees request that the GAO report its findings to the House Committee on Ways and Means and the Senate Committee on Finance not later than December 31, 1999.

Effective date.—The provision is effective for vaccine purchases beginning on the day after the date on which the Centers for Disease Control make final recommendation for routine administration of conjugated streptococcus pneumonia vaccines to children. No floor stocks tax is to be collected for amounts held for sale on that date. For sales on or before the date on which the Centers for Disease Control make final recommendation for routine administration of conjugate streptococcus pneumonia vaccines to children for which delivery is made after such date, the delivery date is deemed to be the sale date. The addition of conjugate streptococcus pneumoniae vaccines to the list of taxable vaccines is contingent upon the inclusion in this legislation of the modifications to Public Law 105–277.

The provision to reduce the rate of tax to 50 cents per dose would be effective for sales after December 31, 2004. No floor stocks refunds would be permitted for vaccines held on December 31, 2004. For the purpose of determining the amount of refund of tax on a vaccine returned to the manufacturer or importer, for vaccines returned after August 31, 2004 and before January 1, 2005, the amount of tax assumed to have been paid on the initial purchase of the returned vaccine is not to exceed $0.50 per dose.

G. Above-the-Line Deduction for Prescription Drug Insurance Coverage of Medicare Beneficiaries if Certain Medicare and Low-Income Assistance Provisions Are in Effect (sec. 507 of the House bill and sec. 213 of the Code)

Present Law

Individuals who itemize deductions may deduct their health insurance expenses, including the cost of prescription drugs, to the extent that the total medical expenses of the individual exceed 7.5 percent of adjusted gross income (sec. 213).

House Bill

The provision provides an above-the-line deduction for Medicare beneficiaries for prescription drug insurance. The deduction will take effect when (a) the Federal Government provides assistance for prescription drug coverage for low-income Medicare beneficiaries, (b) all policies supplemental to Medicare provide coverage for costs of prescription drugs, and (c) coverage for outpatient prescription drugs for Medicare beneficiaries is provided only through integrated comprehensive health plans which offer current Medicare covered services and maximum limitations on out-of-pocket spending and such comprehensive plans sponsored by the Health Care Financing Administration compete on the same basis as private plans.

Effective date.—The provision is effective for taxable years beginning after the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill with modifications. The conference agreement modifies the contingency with respect to Medicare supplemental policies requiring all such policies to provide prescription drug coverage to require that at least one of the benefit packages authorized to be offered under a Medicare supplemental policy is a package which provides solely for the coverage of costs for prescription drugs. The conference agreement also includes an additional contingency in order for the above-the-line deduction contained in the House bill to take effect. Under the conference agreement, the above-the-line deduction is also contingent upon the enactment of a provision, included in the conference agreement effective for taxable years beginning after December 31, 2002, that provides that, in the case of individuals enrolled in Medicare, medical expenses for purposes of the itemized deduction for medical care includes formerly prescription drugs. Formerly prescription drugs are drugs that within the year of purchase or the two preceding taxable years were available by prescription only.

H. Credit for Employee Health Insurance Expenses of Small Employers (sec. 609 of the Senate amendment and new sec. 45E of the Code)

Present Law

Under present law, employee health insurance expenses paid by the employer are generally deductible as an ordinary and necessary business expense.

House Bill

No provision.

Senate Amendment

The Senate amendment allows small employers a credit for the amount paid by the employer during the taxable year with respect to health insurance expenses of qualified employees.[43] The credit is equal to 60 percent of such expenses in the case of self-only coverage of a qualified employee and 70 percent in the case of family coverage. The maximum amount that can be taken into account in determining the credit with respect to any qualified employee for a taxable year may not exceed $1,000 in the case of self-only coverage and $1,715 in the case of family coverage. No deduction is allowed with respect to expenses taken into account under the credit.

An employer is a small employer for a year if the employer employed an average of 9 or fewer employees on business days during either of the 2 preceding calendar years. A special rule applies in the case of employers that were not in business in the preceding calendar year.

A qualified employee is an employee of the employer receiving total wages at an annual rate of more than $5,000 and not more than $16,000. Beginning after 2001, the $16,000 limit is indexed for cost-of-living adjustments. An employee does not include self-employed individuals. Leased employees (with in the meaning of sec. 414(n) are treated as employees for purposes of the credit.

The credit is part of the general business credit.

Effective date.—The provision is effective for amounts paid or incurred in taxable years beginning after December 31, 2000.

Conference Agreement

The conference agreement does not include the Senate amendment.

VI. ESTATE, GIFT, AND GENERATION-SKIPPING TRANSFER TAX RELIEF PROVISIONS

A. Phase in Repeal of Estate, Gift, and Generation-Skipping Taxes (secs. 601–603, 611, and 621 of the House bill, secs. 701–702 of the Senate amendment, and secs. 2001–2704 of the Code)

Present Law

A gift tax is imposed on lifetime transfers and an estate tax is imposed on transfers at death. The gift tax and the estate tax are unified so that a single graduated rate schedule applies to cumulative taxable transfers made by a taxpayer during his or her lifetime and at death. The unified estate and gift tax rates begin at 18 percent on the first $10,000 in cumulative taxable transfers and reach 55 percent on cumulative taxable transfers over $3 million. In addition, a 5-percent surtax is imposed on taxable transfers at death between $10 million and the amount necessary to phase out the benefits of the graduated rates.

A unified credit is available with respect to taxable transfers by gift and at death. The

[43] Salary reduction contributions are not treated as employer payments for purposes of the credit.

unified credit amount effectively exempts from tax a total of $650,000 in 1999, $675,000 in 2000 and 2001, $700,000 in 2002 and 2003, $850,000 in 2004, $950,000 in 2005, and $1 million in 2006 and thereafter.

A generation-skipping transfer (''GST'') tax generally is imposed on transfers, either directly or through a trust or similar arrangement, to a ''skip person'' (i.e., a beneficiary in a generation more than one generation below that of the transferor). Transfers subject to the GST tax include direct skips, taxable terminations, and taxable distributions. The GST tax is imposed at the top estate and gift tax rate (which, under present law, is 55 percent) on cumulative generation-skipping transfers in excess of $1 million (indexed beginning in 1999).

The basis of property acquired or passing from a decedent generally is its fair market value on the date of the decedent's death (or, if the alternative valuation date is elected, the earlier of six months after death or the date the property is sold or distributed by the estate). This step up (or step down) in basis eliminates the recognition of any income on the appreciation of the property that occurred prior to the decedent's death, and it has the effect of eliminating any tax benefit from any unrealized loss. The basis of property acquired by gift generally is the same as it was in the hands of the donor. However, if the donor's basis was greater than the fair market value of the property at the time of gift, then, for purposes of determining loss on the disposition of the property, the basis is its fair market value at the time of gift.

House Bill

The House bill repeals the 5–percent surtax (which phases out the benefit of the graduated rates), the unified credit is converted into a unified exemption, and the rates in excess of 53 percent are repealed beginning in 2001. In 2002, the rates in excess of 50 percent are repealed.

In 2003 through 2006, all estate and gift tax rates are reduced by 1 percentage point per year. In 2007, all estate and gift tax rates are reduced by 1.5 percentage points. In 2008, all estate and gift tax rates are reduced by 2 percentage points.

Beginning in 2009, the estate, gift, and GST taxes are repealed, and carryover basis applies for transfers from estates in excess of $2 million (the carryover basis regime is phased in for transfers from estates valued in excess of $1.3 million and not over $2 million). Transfers to surviving spouses will continue to receive a step up in basis.

Effective date.—The unified credit is replaced with a unified exemption, and the 5–percent surtax and rates in excess of 53 percent are repealed for estates of decedents dying and gifts and generation-skipping transfers made after December 31, 2000. The rates in excess of 50 percent are repealed for estates of decedents dying and gifts and generation-skipping transfers made after December 31, 2001.

All estate and gift tax rates are reduced by 1 percentage point for estates of decedents dying and gifts and generation-skipping transfers made after December 31, 2002, but before January 1, 2007. All estate and gift tax rates are reduced by 1.5 percentage points for estates of decedents dying and gifts and generation-skipping transfers made after December 31, 2006, but before January 1, 2008. All estate and gift tax rates are reduced by 2 percentage points for estates of decedents dying and gifts and generation-skipping transfers made after December 31, 2008.

The estate, gift, and GST taxes are repealed and the carryover basis regime takes effect for estates of decedents dying and gifts and generation-skipping transfers made after December 31, 2008.

Senate Amendment

The Senate amendment repeals the rates in excess of 53 percent beginning in 2001. Beginning in 2004, the 5–percent bubble (which phases out the benefits of the graduated rates) is repealed and the unified credit is converted into a unified exemption. Beginning in 2007, the unified exemption is increased from $1 million to $1.5 million.

Effective date.—The rates in excess of 53 percent are repealed and the unified credit is converted into a unified exemption, both for estates of decedents dying and gifts and generation-skipping transfers made after December 31, 2003. The unified exemption is increased from $1 million to $1.5 million for estates of decedents dying and gifts made after December 31, 2006.

Conference Agreement

The conference agreement follows the House bill, with modifications. After the estate, gift, and GST taxes are repealed and the carryover basis regime takes effect, the first $3 million of transfers from decedents to surviving spouses will receive a step up in basis. Transfers to surviving spouses that are eligible for a step up in basis are not counted toward the transfers for which the carryover basis regime is phased in for estates valued in excess of $1.3 million and not over $2 million.

Effective date.—Same as the House bill.

B. Modify Generation-Skipping Transfer Tax Rules

1. Deemed allocation of the generation-skipping transfer ("GST") tax exemption to lifetime transfers to trusts that are not direct skips (sec. 631 of the House bill and sec. 2632 of the Code)

Present Law

A GST tax generally is imposed on transfers, either directly or through a trust or similar arrangement, to a ''skip person'' (i.e., a beneficiary in a generation more than one generation below that of the transferor). Transfers subject to the GST tax include direct skips, taxable terminations, and taxable distributions. An exemption of $1 million (indexed beginning in 1999) is provided for each person making generation-skipping transfers. The exemption may be allocated by a transferor (or his or her executor) to transferred property.

A direct skip is any transfer subject to estate or gift tax of an interest in property to a skip person. A skip person may be a natural person or certain trusts. All persons assigned to the second or more remote generation below the transferor are skip persons (e.g., grandchildren and great-grandchildren). Trusts are skip persons if (1) all interests in the trust are held by skip persons, or (2) no person holds an interest in the trust and at no time after the transfer may a distribution (including distributions and terminations) be made to a non-skip person.

A taxable termination is a termination (by death, lapse of time, release of power, or otherwise) of an interest in property held in trust unless, immediately after such termination, a non-skip person has an interest in the property, or unless at no time after the termination may a distribution (including a distribution upon termination) be made from the trust to a skip person. A taxable distribution is a distribution from a trust to a skip person (other than a taxable termination or direct skip).

The tax rate on generation-skipping transfers is a flat rate of tax equal to the maximum estate and gift tax rate in effect at the time of the transfer (55 percent under present law) multiplied by the ''inclusion ratio.'' The inclusion ratio with respect to any property transferred in a GST indicates the amount of GST tax exemption allocated to a trust. The allocation of GST tax exemption reduces the 55–percent tax rate on a GST.

If an individual makes a direct skip during his or her lifetime, any unusued GST tax exemption is automatically allocated to the direct skip to the extent necessary to make the inclusion ratio for such property as low as possible. An individual may elect out of the automatic allocation for lifetime direct skips.

For lifetime transfers made to a trust that are not direct skips, the transferor must allocate GST tax exemption'the allocation is not automatic. If GST tax exemption is allocated on a timely-filed gift tax return, then the portion of the trust which is exempt from GST tax is based on the value of the property at the time of the transfer. If, however, the allocation is not made on a timely-filed gift tax return, then the portion of the trust which is exempt from GST tax is based on the value of the property at the time the allocation of GST tax exemption was made.

Treas. Reg. 26.2632–1(d) further provides that any unused GST tax exemption, which has not been allocated to transfers made during an individual's life, is automatically allocated on the due date for filing the decedent's estate tax return. Unused GST tax exemption is allocated pro rata on the basis of the value of the property as finally determined for estate tax purposes, first to direct skips treated as occurring at the transferor's death. The baalance, if any, of unused GST tax exemption is allocated pro rata on the basis of the estate tax value of the non-exempt portion of the trust property (or in the case of trusts that are not included in the gross estate, on the basis of the date of death value of the trust) to trusts with respect to which a taxable termination may occur or from which a taxable distribution may be made.

House Bill

Under the House bill, GST tax exemption is automatically allocated to transfers made during life that are ''indirect skips.'' An indirect skip is any transfer of property (that is not a direct skip) subject to the gift tax that is made to a GST trust.

A GST trust is defined as a trust that could have a GST with respect to the transferor (e.g., a taxable termination or taxable distribution), unless:

the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by 1 or more individuals who are non-skip persons (a) before the date that the individual attains age 46, or (b) on or before 1 or more dates specified in the trust instrument that will occur before the date that such individual attains age 46, or (c) upon the occurrence of an event that, in accordance with regulations prescribed by the Treasury Secretary, may reasonably be expected to occur before the date that such individual attains age 46;

the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by 1 or more individuals who are non-skip persons and who are living on the date of death of another person identified in the instrument (by name of by class) who is more than 10 years older than such individuals;

the trust instrument provides that, if 1 or more individuals who are non-skip persons

die on or before a date or event described in clause (1) or (2), more than 25 percent of the trust corpus either must be distributed to the estate or estates of 1 or more of such individuals or is subject to a general power of appointment exercisable by 1 or more of such individuals;

the trust is a trust any portion of which would be included in the gross estate of a non- skip person (other than the transferor) if such person died immediately after the transfer;

the trust is a charitable lead annuity trust or a charitable remainder annuity trust or a charitable unitrust; or

the trust is a trust with respect to which a deduction was allowed under section 2522 for the amount of an interest in the form of the right to receive annual payments of a fixed percentage of the net fair market value of the trust property (determined yeaerly) and which is required to pay principal to a non-skip person if such person is alive when the yearly payments for which the deduction was allowed terminate.

If any individual makes an indirect skip during the individual's lifetime, then any unused portion of such individual's GST tax exemption is allocated to the property transferred to the extent necessary to produce the lowest possible inclusion ratio for such property.

An individual may elect not to have the automatic allocation rules apply to an indirect skip, and such elections will be deemed timely if filed on a timely-filed gift tax return for the calendar year in which the transfer was made or deemed to have bee made or on such later date or dates as may be prescribed by the Treasury Secretary. An individual may elect not to have the automatic allocation rules apply to any or all transfers made by such individual to a particular trust and may elect to treat any trust as a GST trust with respect to any or all transfers made by the individual to such trust, and such election may be made on a timely-filed gift tax return for the calendar year for which the election is to become effective.

Effective date.—The provision applies to transfers subject to estate or gift tax made after December 31, 1999, and to estate tax inclusion periods ending after December 31, 1999.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

2. Retroactive allocation of the GST tax exemption (sec. 631 of the House bill, sec. 731 of the Senate amendment, and sec. 2632 of the Code)

Present Law

A taxable termination is a termination (by death, lapse of time, release of power, or otherwise) of an interest in property held in trust unless, immediately after such termination, a non-skip person has an interest in the property, or unless at no time after the termination may a distribution (including a distribution upon termination) be made from the trust to a skip person. A taxable distribution is a distribution from a trust to a skip person (other than a taxable termination or direct skip). If a transferor allocates GST tax exemption to a trust prior to the taxable termination or taxable distribution, GST tax may be avoided.

A transferor likely will not allocate GST tax exemption to a trust that the transferor expects will benefit only non-skip persons. However, if a taxable termination occurs because, for example, the transferor's child unexpectedly dies such that the trust terminates in favor of the transferor's grandchild, and GST tax exemption had not been allocated to the trust, then GST tax would be due even if the transferor had unused GST tax exemption.

House Bill

Under the House bill, GST tax exemption may be allocated retroactively when there is an unnatural order of death. If a lineal descendant of the transferor predeceased the transferor, then the transferor may allocate any unused GST tax exemption to any previous transfer or transfers to the trust on a chronological basis. The provision allows a transferor to retroactively allocate GST tax exemption to a trust where a beneficiary (a) is a non-skip person, (b) is a lineal descendant of the transferor's grandparent or grandparent of the transferor's spouse, (c) is a generation younger than the generation of the transferor, and (d) dies before the transferor. Exemption is allocated under this rule retroactively, and the applicable fraction and inclusion ratio under this provision are determined based on the value of the property on the date that the property was transferred to the trust.

Effective date.—The provision applies to deaths of non-skip persons occurring after the date of enactment.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

3. Severing of trusts holding property having an inclusion ratio of greater than zero (sec. 632 of the House bill, sec. 732 of the Senate amendment, and sec. 2642 of the Code)

Present Law

An exemption of $1 million (indexed beginning in 1999) is provided for each person making generation-skipping transfers. The exemption may be allocated by a transferor (or his or her executor) to transferred property.

If the value of transferred property exceeds the amount of the GST tax exemption allocated to that property, then the GST tax generally is determined by multiplying a flat tax rate equal to the highest estate tax rate (55 percent under present law) by the ''inclusion ratio'' and the value of the taxable property at the time of the taxable event. The ''inclusion ratio'' is the number one minus the ''applicable fraction.'' The applicable fraction is a fraction calculated by dividing the amount of the GST tax exemption allocated to the property by the value of the property.

Under Treas. Reg. 26.2654–1(b), a trust may be severed into two or more trusts (e.g., one with an inclusion ratio of zero and one with an inclusion ratio of one) only if (1) the trust is severed according to a direction in the governing instrument or (2) the trust is severed pursuant to the trustee's discretionary powers, but only if certain other conditions are satisfied (e.g., the severance occurs or a reformation proceeding begins before the estate tax return is due). Under current Treasury regulations, however, a trustee cannot establish inclusion ratios of zero and one by severing a trust that is subject to the GST tax after the trust has been created.

House Bill

Under the House bill, a trust may be severed in a ''qualified severance.'' A qualified severance is defined as the division of a single trust and the creation of two or more trusts if (1) the single trust was divided on a fractional basis, and (2) the terms of the new trusts, in the aggregate, provide for the same succession of interests of beneficiaries as are provided in the original trust. If a trust has an inclusion ratio of greater than zero and less than one, a severance is a qualified severance only if the single trust is divided into two trusts, one of which receives a fractional share of the total value of all trust assets equal to the applicable fraction of the single trust immediately before the severance. In such case, the trust receiving such fractional share shall have an inclusion ratio of one. Under the provision, a trustee may elect to sever a trust in a qualified severance at any time.

Effective date.—The provision is effective for severances of trusts occurring after the date of enactment.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

4. Modification of certain valuation rules (sec. 633 of the House bill, sec. 733 of the Senate amendment, and sec. 2642 of the Code)

Present Law

Under present law, the inclusion ratio is determined using gift tax values for allocations of GST tax exemption made on timely filed gift tax returns. The inclusion ratio generally is determined using estate tax values for allocations of GST tax exemption made to transfers at death. Treas. Reg. 26.2642–5(b) provides that, with respect to taxable terminations and taxable distributions, the inclusion ratio becomes final on the later of the period of assessment with respect to the first transfer using the inclusion ratio or the period for assessing the estate tax with respect to the transferor's estate.

House Bill

Under the House bill, in connection with timely and automatic allocations of GST tax exemption, the value of the property for purposes of determining the inclusion ratio shall be its finally determined gift tax value or estate tax value depending on the circumstances of the transfer. In the case of a GST tax exemption allocation deemed to be made at the conclusion of an estate tax inclusion period, the value for purposes of determining the inclusion ratio shall be its value at that time.

Effective date.—The provision is effective as though included in the amendments made by section 1431 of the Tax Reform Act of 1986.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

5. Relief from late elections (sec. 634 of the House bill, sec. 734 of the Senate amendment, and sec. 2642 of the Code)

Present Law

An election to allocate GST tax exemption to a specific transfer may be made at any time up to the time for filing the transferor's estate tax return. If an allocation is made on a gift tax return filed timely with respect to the transfer to a trust, then the value on the date of transfer to the trust is used for determining GST tax exemption allocation. However, if the allocation relating to a specific

transfer is not made on a timely-filed gift tax return, then the value on the date of allocation must be used. There is no statutory provision allowing relief for an inadvertent failure to make an election on a timely-filed gift tax return to allocate GST tax exemption.

House Bill

Under the House bill, the Treasury Secretary is authorized and directed to grant extensions of time to make the election to allocate GST tax exemption and to grant exceptions to the time requirement. If such relief is granted, then the value on the date of transfer to a trust would be used for determining GST tax exemption allocation.

In determining whether to grant relief for late elections, the Treasury Secretary is directed to consider all relevant circumstances, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Treasury Secretary deems relevant. For purposes of determining whether to grant relief, the time for making the allocation (or election) is treated as if not expressly prescribed by statute.

Effective date.—The provision applies to requests pending on, or filed after, the date of enactment.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment. The conferees expect that the Treasury Secretary will issue regulations that will facilitate the liberal granting of relief under this provision.

6. Substantial compliance (sec. 634 of the House bill, sec. 734 of the Senate amendment, and sec. 2642 of the Code)

Present Law

Under present law, there is no statutory rule which provides that substantial compliance with the statutory and regulatory requirements for allocating GST tax exemption will suffice to establish that GST tax exemption was allocated to a particular transfer or trust.

House Bill

Under the House bill, substantial compliance with the statutory and regulatory requirements for allocating GST tax exemption will suffice to establish that GST tax exemption was allocated to a particular transfer or a particular trust. If a taxpayer demonstrates substantial compliance, then so much of the transferor's unused GST tax exemption will be allocated to the extent it produces the lowest possible inclusion ratio. In determining whether there has been substantial compliance, all relevant circumstances will be considered, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Treasury Secretary deems appropriate.

Effective date.—The substantial compliance provisions are effective on the date of enactment and apply to allocations made prior to such date for purposes of determining the tax consequences of generation-skipping transfers with respect to which the period of time for filing claims for refund has not expired.[44]

[44] No implication is intended with respect to the application of a rule of substantial compliance prior to enactment of this provision.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

C. Expand Estate Tax Rule for Conservation Easements (sec. 711 of the Senate amendment and sec. 2031 of the Code)

Present Law

An executor may elect to exclude from the taxable estate 40 percent of the value of any land subject to a qualified conservation easement, up to a maximum exclusion of $100,000 in 1998, $200,000 in 1999, $300,000 in 2000, $400,000 in 2001, and $500,000 in 2002 and thereafter (sec. 2031(c)). The exclusion percentage is reduced by 2 percentage points for each percentage point (or fraction thereof) by which the value of the qualified conservation easement is less than 30 percent of the value of the land (determined without regard to the value of such easement and reduced by the value of any retained development right).

A qualified conservation easement is one that meets the following requirements: (1) the land is located within 25 miles of a metropolitan area (as defined by the Office of Management and Budget) or a national park or wilderness area, or within 10 miles of an Urban National Forest (as designated by the Forest Service of the U.S. Department of Agriculture); (2) the land has been owned by the decedent or a member of the decedent's family at all times during the three- year period ending on the date of the decedent's death; and (3) a qualified conservation contribution (within the meaning of sec. 170(h)) of a qualified real property interest (as generally defined in sec. 170(h)(2)(C)) was granted by the decedent or a member of his or her family. For purposes of the provision, preservation of a historically important land area or a certified historic structure does not qualify as a conservation purpose.

In order to qualify for the exclusion, a qualifying easement must have been granted by the decedent, a member of the decedent's family, the executor of the decedent's estate, or the trustee of a trust holding the land, no later than the date of the election. To the extent that the value of such land is excluded from the taxable estate, the basis of such land acquired at death is a carryover basis (i.e., the basis is not stepped-up to its fair market value at death). Property financed with acquisition indebtedness is eligible for this provision only to the extent of the net equity in the property. The exclusion from estate taxes does not extent to the value of any development rights retained by the decedent or donor.

House Bill

No provision.

Senate Amendment

The Senate amendment expands the availability of qualified conservation easements by modifying the distance requirements. Under the provision, the distance from which the land must be situated from a metropolitan area, national park, or wilderness area is increased from 25 to 50 miles, and the distance from which the land must be situated from an Urban National Forest is increased from 10 to 25 miles. The Senate amendment also clarifies that the date for determining easement compliance is the date on which the donation was made.

Effective date.—The provision that clarifies the date for determining easement compliance is effective for estates of decedents dying after December 31, 1997. The provisions that modify the distance rules are effective for estates of decedents dying after December 31, 1999.

Conference Agreement

The conference agreement follows the Senate amendment.

D. Increase Annual Gift Exclusion (sec. 721 of the Senate amendment)

Present Law

An annual exclusion of $10,000 of transfers of present interests in property is provided for each donee. If the non-donor spouse consents to split the gift with the donor spouse, then the annual exclusion is $20,000 for each donee. Unlimited transfers between spouses are permitted without imposition of a gift tax. In the case of gifts made after 1998, the $10,000 amount is increased by a cost-of-living adjustment.

House Bill

No provision.

Senate Amendment

Under the Senate amendment, the annual gift exclusion for each donee is increased to $20,000 beginning in 2005.

Effective date.—The annual gift exclusion is increased to $20,000, for each donee, for gifts made after December 31, 2004.

Conference Agreement

The conference agreement does not include the Senate amendment provision.

E. Increase Estate Tax Deduction for Family-Owned Business Interest (sec. 608 of the Senate amendment and sec. 2057 of the Code)

Present Law

An estate is permitted to deduct the adjusted value of the qualified ''family-owned business interests'' of the decedent, up to a total of $675,000. The deduction plus the unified credit exclusion amount may not exceed $1.3 million. If the deduction is taken, then the unified credit exclusion amount is $625,000; however, if the deduction is less than $675,000, then the unified credit is increased (but not above the unified credit that would apply without regard to the deduction) by the excess of $675,000 over the deduction allowed. (Code sec. 2057.)

A qualified family-owned business interest is defined as any interest in a trade or business (regardless of the form in which it is held) with a principal place of business in the United States if one family owns at least 50 percent of the trade or business, two families own 70 percent, or three families own 90 percent, as long as the decedent's family owns at least 30 percent of the trade or business. An interest in a trade or business does not qualify if any interest in the business (or a related entity) was publicly-traded at any time within three years of the decedent's death. An interest in a trade or business also does not qualify if more than 35 percent of the adjusted ordinary gross income of the business for the year of the decedent's death was personal holding company income (as defined in sec. 543). In the case of a trade or business that owns an interest in another trade or business (i.e., ''tiered entities''), special look-through rules apply. The value of a trade or business qualifying as a family-owned business interest is reduced to the extent the business holds passive assets or excess cash or marketable securities.

To qualify for the deduction, the decedent (or a member of the decedent's family) must have owned and materially participated in the trade or business for at least 5 of the 8 years preceding the decedent's date of death.

In addition, each qualified heir (or a member of the qualified heir's family) is required to actively participate in the trade or business for at least 10 years following the decedent's death.

The benefit of the deduction for qualified family-owned business interests is subject to recapture if, within 10 years of the decedent's death and before the qualified heir's death, one of the following ''recapture events'' occurs: (1) the qualified heir ceases to meet the material participation requirements; (2) the qualified heir disposes of any portion of his or her interest in the family-owned business, other than by a disposition to a member of the qualified heir's family or through a qualified conservation contribution; (3) the principal place of business of the trade or business ceases to be located in the United States; or (4) the qualified heir loses U.S. citizenship.

The portion of the reduction in estate taxes that is recaptured depends upon the number of years that the qualified heir (or members of the qualified heir's family) materially participated in the trade or business between the date of the decedent's death and the date of the recapture event. If the qualified heir (or his or her family members) materially participated in the trade or business after the decedent's death for less than six years, 100 percent of the reduction in estate taxes attributable to that heir's interest is recaptured; if the participation was for at least six years but less than seven years, 80 percent of the reduction in estate taxes is recaptured; if the participation was for at least seven years but less than eight years, 60 percent is recaptured; if the participation was for at least eight years but less than nine years, 40 percent is recaptured; and if the participation was for at least nine years but less than ten years, 20 percent of the reduction in estates taxes is recaptured. In general, there is no requirement that the qualified heir (or members of his or her family) continue to hold or participate in the trade or business more than 10 years after the decedent's death. As under section 2032A(c)(7)(A), however, the 10–year recapture period may be extended for a period of up to two years if the qualified heir does not begin to use the property for a period of up to two years after the decedent's death.

House Bill

No provision.

Senate Amendment

The Senate amendment increases the qualified ''family-owned business interests'' deduction from $675,000 to $1.975 million. The deduction plus the unified credit exclusion amount may not exceed $2.6 million.

Effective date.—The provision is effective for decedents dying after December 31, 2000.

Conference Agreement

The conference agreement does not include the Senate amendment provision.

VII. DISTRESSED COMMUNITIES AND INDUSTRIES PROVISIONS

A. Renewal Community Provisions (secs. 701–706 of the House bill and secs. 51, 198, 4973, 4975, 6047, 6104, 6693, and new secs. 1400E–L of the Code)

Present Law

Pursuant to the Omnibus Budget Reconciliation Act of 1993 (''OBRA 1993''), the Secretaries of Housing and Urban Development (''HUD'') and the Department of Agriculture designated a total of nine empowerment zones and 95 enterprise communities on December 21, 1994. Of the nine empowerment zones, six are in urban areas and three are in rural areas.[45]

In general, businesses located in these empowerment zones qualify for the following tax incentives: (1) a 20-percent wage credit for the first $15,000 of wages paid to a zone resident who works in the empowerment zone; (2) an additional $20,000 of section 179 expensing for certain property placed in service by an enterprise zone business; and (3) special tax-exempt financing for certain zone facilities. Businesses located in enterprise communities are eligible for the special tax-exempt financing benefits but not the other tax incentives available in the empowerment zones. The tax incentives for empowerment zones and enterprise communities generally remain in effect for ten years.

The Taxpayer Relief Act of 1997 (''1997 Act'') authorized the designation of two new urban empowerment zones[46] and 20 additional empowerment zones. The new urban empowerment zones, whose designations take effect on January 1, 2000, are eligible for substantially the same tax incentives as the nine empowerment zones authorized by OBRA 1993 except that the wage credit is phased down beginning in 2005 and expires after 2007. Businesses in the 20 additional empowerment zones are not eligible for the wage credit (but are eligible to receive up to $20,000 of additional section 179 expensing and to utilize the special tax-exempt financing benefits).

House Bill

The House bill authorizes the designation of 20 ''renewal communities'' within which special tax incentives would be available. The following is a description of the designation process and the tax incentives that would be available within the renewal communities.

Designation process

Designation of 20 renewal communities.—The House bill authorizes the Secretary of HUD to designate up to 20 ''renewal communities'' from areas nominated by States and local governments. At least four of the designated communities must be in rural areas (defined as areas which are (1) within local government jurisdictions with a population less than 50,000, (2) outside of a metropolitan statistical area, or (3) determined by HUD to be a rural area). The Secretary of HUD would be required to publish (within four months after enactment) regulations describing the selection process; all designations of renewal communities would have to be made within 24 months after such regulations are published. The designation of an area as a renewal community terminates after December 31, 2007.[47]

Old empowerment zones and enterprise communities could seek additional designation as renewal communities.—The bill allows the previously designated empowerment zones and enterprise communities to apply for designation as renewal communities. Priority is given in the designation of the first ten renewal communities to nominated areas that are designated as empowerment zones or enterprise communities under present law and that otherwise meet the requirements for designation as a renewal community. If a previously designated empowerment zone or enterprise community is selected as one of the 20 renewal communities, then the area's designation as an empowerment zone or enterprise community remains in effect and the same area would also be designated as a renewal community. For such an area obtaining dual- designation status, the special tax incentives available for empowerment zones (or enterprise communities, as the case may be) *and* for renewal communities would be available.

Eligibility criteria.—To be designated as a renewal community, a nominated area must meet all of the following criteria: (1) each census tract has a poverty rate of at least 20 percent; (2) in the case of an urban area, at least 70 percent of the households have incomes below 80 percent of the median income of households within the local government jurisdiction; (3) the unemployment rate is at least 1.5 times the national unemployment rate; and (4) the area is one of pervasive poverty, unemployment, and general distress.

Except with respect to the designation of the first ten renewal communities when priority would be given to existing empowerment zones and enterprise communities (as described above), those areas with the highest average ranking of eligibility factors (1), (2), and (3) above would be designated as renewal communities. The Secretary of HUD shall take into account in selecting areas for designation the extent to which such areas have a high incidence of crime, as well as whether the area has census tracts identified in the May 12, 1998, report of the Government Accounting Office regarding the identification of economically distressed areas.

There are *no* geographic size or maximum population limitations placed on the designated renewal communities. The provision merely requires that the boundary of a designated community be ''continuous'' and that the designated community have a minimum population of 4,000 if the community is located within a metropolitan statistical area (at least 1,000 in all other cases, or the community must be entirely within an Indian reservation).

Required State and local government course of action.—In order for an area to be designated as a renewal community, State and local governments are required to submit a written course of action that promises within the nominated area at least five of the following: (1) a reduction of tax rates or fees; (2) an increase in the level of efficiency of local services; (3) crime reduction strategies; (4) actions to remove or streamline governmental requirements; (5) involvement by private entities and community groups, such as to provide jobs and job training and financial assistance; (6) State or local income tax benefits for fees paid for services performed by a nongovernmental entity that were formerly performed by a government entity; and (7) the gift (or sale at below fair market value) of surplus realty by the State or local government to community organizations or private companies.

In addition, the bill requires that the nominating State and local governments promise to promote economic growth in the nominated area by repealing or not enforcing (1) licensing requirements for occupations that do not ordinarily require a professional

[45] The six urban empowerment zones are located in New York City, Chicago, Atlanta, Detroit, Baltimore, and Philadelphia-Camden (New Jersey). The three rural empowerment zones are located in the Kentucky Highlands (Clinton, Jackson and Wayne counties, Kentucky), Mid- Delta Mississippi (Bolivar, Holmes, Humphreys, Leflore counties, Mississippi), and Rio Grande Valley Texas (Cameron, Hidalgo, Starr, and Willacy counties, Texas).

[46] The new urban empowerment zones are located in Los Angeles and Cleveland.

[47] The designation would terminate earlier than December 31, 2007, if (1) an earlier termination date is designated by the State or local government in their designation, or (2) the Secretary of HUD revokes the designation as of an earlier date.

degree, (2) zoning restrictions on home-based businesses which do not create a public nuisance, (3) permit requirements for street vendors who do not create a public nuisance, (4) zoning or other restrictions that impede the formation of schools or child care centers, and (5) franchises or other restrictions on competition for businesses providing public services, including but not limited to taxicabs, jitneys, cable television, or trash hauling, unless such regulations are necessary for and well-tailored to the protection of health and safety.

Tax incentives for renewal communities

The following tax incentives generally would be available during the seven-year period beginning January 1, 2001, and ending December 31, 2007.

100-percent capital gain exclusion.—The bill provides for a 100 percent capital gains exclusion for capital gain from the sale of any qualified community asset acquired after December 31, 2000, and before January 1, 2008, and held for more than five years. A ''qualified community asset'' includes: (1) qualified community stock (meaning original-issue stock purchased for cash in a ''renewal community business''); (2) a qualified community partnership interest (meaning a partnership interest acquired for cash in a renewal community business); and (3) qualified community business property (meaning tangible real and personal property used in a renewal community business if acquired (or substantially improved) by the taxpayer after December 31, 2000). A ''renewal community business'' is similar to the present-law definition of an enterprise zone business[48] except that 80 percent of the gross income must be derived from the conduct of a qualified business within a renewal community. Property continues to be a ''qualified community asset'' if sold (or otherwise transferred) to a subsequent purchaser, provided that the property continues to represent an interest in (or is tangible property used in) a renewal community business. The termination of an area's status as a renewal community does not affect whether property is a qualified community asset. Gain attributable to the period before January 1, 2001, and after December 31, 2007, is not eligible for the 100-percent exclusion.

Family development accounts.—The bill allow individuals to claim an above-the-line deduction for certain amounts paid in cash to a family development account (''FDA'') established for the benefit of a ''qualified individual,'' meaning an individual who both resides in a renewal community throughout the taxable year and was allowed to claim the earned income credit (EIC) during the preceding taxable year. A qualified individual may claim a deduction of up to $2,000 per year for amounts he or she contributes to his or her own FDA. Any other person may contribute amounts to one or more FDAs established for the benefit of a qualified individual and deduct up to $1,000 per qualified individual. Contributions to an FDA made on or before April 15th of the current taxable year could be treated as made during the preceding taxable year. The bill permits (but does not require) individuals to direct that the IRS directly deposit their EIC refunds into an FDA on behalf of such individual.

The bill provides that up to five of the renewal communities may be designated by the Secretary of HUD as ''FDA matching demonstration areas,'' with respect to which HUD will, at the request of a qualified individual, match amounts contributed to FDAs, up to $1,000 per individual per taxable year (with a $2,000 lifetime cap). At least two of the FDA matching demonstration areas must be rural areas. The Secretary of HUD may designate renewal communities as FDA matching demonstration areas only during the 24-month period after such Secretary prescribes regulations regarding such areas. The matching grant amounts made under this demonstration program are excluded from the gross income of the account holder, and no deduction is allowed for matching grant amounts. The Treasury Secretary must provide notice to residents of FDA matching demonstration areas of the availability of matching contributions.

An FDA is exempt from taxation (other than UBIT imposed by present-law section 511). A distribution from an FDA is not included in the gross income of the distributee if it is a ''qualified family development distribution.'' A qualified family development distribution is defined as a distribution from an FDA that is used exclusively to pay for (1) qualified higher educational expenses, (2) qualified first-time homebuyer expenses, (3) qualified business capitalization costs[49], or (4) qualified medical expenses. Such qualified expenses must be incurred on behalf of the FDA account holder, or the spouse or dependent of the account holder.

Distributions from an FDA that are not qualified family development distributions are included in gross income and subject to either a 100-percent additional tax (in the case of a distribution attributable to a demonstration matching contribution) or a 10-percent additional tax (in the case of any other distribution). The 100-percent and 10-percent additional taxes do not apply to distributions that are made on or after the account holder attains age 59½, dies, or becomes disabled. Any distribution from an FDA that is not a qualified family development distribution is deemed to have been made from demonstration matching contributions (thus subject to a 100-percent additional tax) until all such demonstration matching contributions have been withdrawn. This is to encourage account holders to use the amounts contributed to the FDA for qualified family development distributions or to save such amounts for retirement.

The bill permits tax-free rollovers of amounts in an FDA into another such account established for the benefit of an individual who (1) *both* resides in a renewal community throughout the taxable year and was allowed to claim the earned income credit during the preceding taxable year, and (2) either is the account holder or is a spouse or dependent of the account holder.

Commercial revitalization deduction.—The bill allows each State to allocate an amount of ''commercial revitalization deductions'' with respect to qualified revitalization expenditures incurred in connection with a qualified revitalization building. The commercial revitalization deduction is equal to (a) 50 percent of qualified revitalization expenditures for the taxable year in which a qualified revitalization building is placed in service or, at the election of the taxpayer, (b) a ten-percent deduction for qualified revitalization expenditures per year for a 10-year period beginning with the year in which the building is placed in service. A ''qualified revitalization expenditure'' means the cost (up to $10 million) of constructing or substantially rehabilitating a building used for commercial purposes in a designated renewal community, including certain land acquisition costs. A commercial revitalization deduction would be in lieu of any depreciation deduction otherwise allowable on account of such expenditure.

Each State would be allowed to allocate no more than $6 million worth of commercial revitalization deductions to each renewal community located within the State for each calendar year after 2000 and before 2008. The appropriate State agency would make the allocations pursuant to a qualified allocation plan. The qualified allocation plan would (1) set forth the selection criteria to be used to determine priorities as appropriate to local conditions; (2) consider how the building project would contribute to the renewal community and its residents, and (3) provide a procedure that the agency would follow to monitor compliance.

A qualified revitalization building must be located in a renewal community and placed in service after December 31, 2000, and before January 1, 2008.

Additional section 179 expensing.—A renewal community business is allowed an additional $35,000 of section 179 expensing for qualified renewal property placed in service after December 31, 2000, and before January 1, 2008. If a renewal community business is located in an area that is designated as *both* an empowerment zone and a renewal community, such business could be allowed an additional $55,000 of section 179 expensing (i.e., $20,000 of additional expensing because the area is designated an empowerment zone *plus* $35,000 of additional expensing because the area is designated a renewal community). The section 179 expensing allowed to a taxpayer is phased out by the amount by which 50 percent of the cost of qualified renewal property placed in service during the year by the taxpayer exceeds $200,000. The term qualified renewal property'' is similar to ''qualified zone property'' under section 1397C.

Expensing of environmental remediation costs (''brownfields'').—A renewal community is treated as a ''targeted area'' under section

[48] An ''enterprise zone business'' is defined as a corporation or partnership (or proprietorship) if for the taxable year: (1) the sole trade or business of the corporation or partnership is the active conduct of a qualified business within an empowerment zone or enterprise community; (2) at least 50 percent of the total gross income is derived from the active conduct of a ''qualified business'' within a zone or community; (3) a substantial portion of the business' tangible property is used within a zone or community; (4) a substantial portion of the business' intangible property is used in the active conduct of such business; (5) a substantial portion of the services performed by employees are performed within a zone or community; (6) at least 35 percent of the employees are residents of the zone or community; and (7) less than five percent of the average of the aggregate unadjusted bases of the property owned by the business is attributable to (a) certain financial property, or (b) collectibles not held primarily for sale to customers in the ordinary course of an active trade or business (sec. 1397B).

A ''qualified business'' is defined as any trade or business other than a trade or business that consists predominantly of the development or holding of intangibles for sale or license. In addition, the leasing of real property that is located within the empowerment zone or community to others is treated as a qualified business only if (1) the leased property is not residential property, and (2) at least 50 percent of the gross rental income from the real property is from enterprise zone businesses. The rental of tangible personal property to others is not a qualified business unless at least 50 percent of the rental of such property is by enterprise zone businesses or by residents of an empowerment zone or enterprise community (sec. 1397B(d)).

[49] As is the case for enterprise zone businesses, a qualified business capitalization cost would not include expenditures incurred for the capitalization of any trade or business described in section 144(c)(6)(B) (*e.g.*, a country club, hot tub facility, or liquor store).

198 which permits expensing of certain environmental remediation costs. Thus, taxpayers can elect to treat certain environmental remediation expenditures that otherwise would be capitalized as deductible in the year paid or incurred. The expenditure must be incurred in connection with the abatement or control of environmental contaminants, as required by Federal and State law, at a trade or business site located within a designated renewal community. This provision applies to expenditures incurred after December 31, 2000, and before January 1, 2008.

Extension of work opportunity tax credit (''WOTC'').—The provision makes two changes to the WOTC. Beginning in 2001, the provision expands the high-risk youth and qualified summer youth categories in the present-law WOTC to include qualified individuals who live in a renewal community. Second, in the event that the WOTC program were to expire and not be extended, the bill permits employers engaged in a trade or business in a renewal community to claim a tax credit with respect to individuals hired from one or more targeted groups that live and perform substantially all of their work in a renewal community. The tax credit equals 15 percent of the qualified first-year wages and 30 percent of the qualified second-year wages through December 31, 2007. No more than $10,000 of wages may be taken into account in each year. Qualified wages generally consist of wages paid or incurred during the period for which the WOTC is being calculated.

Targeted groups eligible for the tax credit include: (1) certain individuals certified by the designated local agency as being a member of a family receiving assistance under a IV-A program for any nine months during the 18–month period ending on the hiring date; (2) certain ex-felons having a hiring date within one year of release from prison or date of conviction; (3) individuals who are at least 18 but not 25 years of age and have a principal place of abode within an empowerment zone, enterprise community, or renewal community; (4) individuals who are at least 18 but not 25 years of age who are certified as being a member of a family receiving assistance under a food stamp program under the Food Stamp Act of 1977 for a period of at least six months ending on the hiring date; (5) individuals who have a physical or mental disability that constitutes a substantial handicap to employment and who have been referred to the employer while receiving, or after completing, vocational rehabilitation services; (6) individuals who are 16 or 17 years of age, perform services during any 90–day period between May 1 and September 15, and have a principal place of abode within an empowerment zone, enterprise community, or renewal community; (7) certain veterans who receive food stamps; and (8) recipients of certain Supplemental Security Income benefits.

HUD reports.—Not later than the close of the fourth calendar year after the year the Secretary of HUD first designates an area as a renewal community and every four years thereafter, the Secretary of HUD must report to Congress on the effects of such designation in stimulating the creation of new jobs, particularly for disadvantaged workers and long-term unemployed individuals, and promoting the revitalization of economically distressed areas.

Effective date

Although renewal communities would be designated within 24 months after publication of regulations by HUD, the tax benefits available in renewal communities are effective for the 7-year period beginning January 1, 2001, and ending December 31, 2007.

Senate Amendment

No provision.

Conference Agreement

The conference agreement generally follows the House bill with the following modifications. The conference agreement does not provide for the designation of the ''FDA matching demonstration areas.'' In addition, the conference agreement does not include the provision requiring a report by the Secretary of HUD to Congress.

B. Provide That Federal Production Payments to Farmers Are Taxable in the Year Received (sec. 711 of the House bill)

Present Law

A taxpayer generally is required to include an item in income no later than the time of its actual or constructive receipt, unless such amount properly is accounted for in a different period under the taxpayer's method of accounting. If a taxpayer has an unrestricted right to demand the payment of an amount, the taxpayer is in constructive receipt of that amount whether or not the taxpayer makes the demand and actually receives the payment.

The Federal Agriculture Improvement and Reform Act of 1996 (the ''FAIR Act'') provides for production flexibility contracts between certain eligible owners and producers and the Secretary of Agriculture. These contracts generally cover crop years from 1996 through 2002. Annual payments are made under such contracts at specific times during the Federal government's fiscal year. Section 112(d)(2) of the FAIR Act provides that one-half of each annual payment is to be made on either December 15 or January 15 of the fiscal year, at the option of the recipient.[50] The remaining one-half of the annual payment must be made no later than September 30 of the fiscal year. The Emergency Farm Financial Relief Act of 1998 added section 112(d)(3) to the FAIR Act which provides that all payments for fiscal year 1999 are to be paid at such time or times during fiscal year 1999 as the recipient may specify. Thus, the one-half of the annual amount that would otherwise be required to be paid no later than September 30, 1999 can be specified for payment in calendar year 1998.

These options potentially would have resulted in the constructive receipt (and thus inclusion in income) of the payments to which they relate at the time they could have been exercised, whether or not they were in fact exercised. However, section 2012 of the Tax and Trade Relief Extension Act of 1998 provided that the time a production flexibility contract payment under the FAIR Act properly is includible in income is to be determined without regard to either option, effective for production flexibility contract payments made under the FAIR Act in taxable years ending after December 31, 1995.

House Bill

Any option to accelerate the receipt of any payment under a production flexibility contract which is payable under the FAIR Act, as in effect on the date of enactment of the provision, is to be disregarded in determining the taxable year in which such payment is properly included in gross income. Options to accelerate payments that are enacted in the future are covered by this rule, providing the payment to which they relate is mandated by the FAIR Act as in effect on the date of enactment of this Act.

The provision does not delay the inclusion of any amount in gross income beyond the taxable period in which the amount is received.

Effective date.—The provision is effective on the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

C. Allow Net Operating Losses from Oil and Gas Properties To Be Carried Back for Up to Five Years (sec. 721 of the House bill, sec. 1104 of the Senate amendment, and sec. 172 of the Code)

Present Law

A net operating loss (''NOL'') generally is the amount by which business deductions of a taxpayer exceed business gross income. In general, an NOL may be carried back two years and carried forward 20 years to offset taxable income in such years. A carryback of an NOL results in the refund of Federal income tax for the carryback year. A carryforward of an NOL reduces Federal income tax for the carryforward year. Special NOL carryback rules apply to (1) casualty and theft losses of individual taxpayers, (2) Presidentially declared disasters for taxpayers engaged in a farming business or a small business, (3) real estate investment trusts, (4) specified liability losses, (5) excess interest losses, and (6) farm losses.

House Bill

The House bill provides a special five-year carryback for certain eligible oil and gas losses. The carryforward period remains 20 years. An ''eligible oil and gas loss'' is defined as the lesser of (1) the amount which would be the taxpayer's NOL for the taxable year if only income and deductions attributable to operating mineral interests in oil and gas wells were taken into account, or (2) the amount of such net operating loss for such taxable year. In calculating the amount of a taxpayer's NOL carrybacks, the portion of the NOL that is attributable to an eligible oil and gas loss is treated as a separate NOL and taken into account after the remaining portion of the NOL for the taxable year.

Effective date.—The provision applies to net operating losses arising in taxable years beginning after December 31, 1998.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

D. Deduction for Delay Rental Payments (sec. 722 of the House bill, sec. 1106 of the Senate amendment, and sec. 263A of the Code)

Present Law

Present law generally requires costs associated with inventory and property held for resale to be capitalized rather than currently deducted as they are incurred. (sec. 263). Oil and gas producers typically contract for mineral production in exchange for royalty payments. If mineral production is delayed, these contracts provide for ''delay rental payments'' as a condition of their extension. The Treasury Department has taken the position that the uniform capitalization rules of section 263A require delay rental payments to be capitalized.

[50] This rule applies to fiscal years after 1996. For fiscal year 1996, this payment was to be made not later than 30 days after the production flexibility contract was entered into.

House Bill

The House bill allows delay rental payments to be deducted currently.

Effective date.—The provision applies to rental payments incurred in taxable years beginning after December 31, 1999.

No inference is intended from the prospective effective date of this provision as to the proper treatment of pre-effective date delay rental payments.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

E. Election to Expense Geological and Geophysical Expenditures (sec. 723 of the House bill, sec. 1105 of the Senate amendment, and sec. 263 of the Code)

Present Law

Under present law, current deductions are not allowed for any amount paid for new buildings or for permanent improvements or betterments made to increase the value of any property or estate (sec. 263(a)). Treasury Department regulations define capital amounts to include amounts paid or incurred (1) to add to the value, or substantially prolong the useful life, of property owned by the taxpayer or (2) to adapt property to a new or different use.[51]

The proper income tax treatment of geological and geophysical costs (''G&G costs'') associated with oil and gas production has been the subject of a number of court decisions and administrative rulings. G&G costs are incurred by the taxpayer for the purpose of obtaining and accumulating data that will serve as a basis for the acquisition and retention of oil or gas properties by taxpayers exploring for the minerals. Courts have ruled that such costs are capital in nature and are not deductible as ordinary and necessary business expenses.

House Bill

The House bill allows geological and geophysical costs incurred in connection with oil and gas exploration in the United States to be deducted currently.

Effective date.—The provision is effective for G&G costs incurred in taxable years beginning after December 31, 1999.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

F. Temporary Suspension of Limitation Based on 65 Percent of Taxable Income (sec. 724 of the House bill and sec. 613 of the Code)

Present Law

Depletion, like depreciation, is a form of capital cost recovery. In both cases, the taxpayer is allowed a deduction in recognition of the fact that an asset—in the case of depletion for oil or gas interests, the mineral reserve itself—is being expended in order to produce income. Certain costs incurred prior to drilling an oil or gas property are recovered through the depletion deduction. These include costs of acquiring the lease or other interest in the property and geological and geophysical costs (in advance of actual drilling). Depletion is available to any person having an economic interest in a producing property.

Two methods of depletion currently are allowable under the Code: (1) the cost depletion method, and (2) the percentage depletion method (secs. 611–613). Under the cost depletion method, the taxpayer deducts that portion of the adjusted basis of the depletable property which is equal to the ratio of units sold from that property during the taxable year to the number of units remaining as of the end of taxable year plus the number of units sold during the taxable year. Thus, the amount recovered under cost depletion may never exceed the taxpayer's basis in the property.

Under the percentage depletion method, generally, 15 percent of the taxpayer's gross income from an oil- or gas-producing property is allowed as a deduction in each taxable year (sec. 613A(c)). The amount deducted generally may not exceed 100 percent of the net income from that property in any year (the ''net-income limitation'') (sec. 613(a)).[52] Additionally, the percentage depletion deduction for all oil and gas properties may not exceed 65 percent of the taxpayer's overall taxable income (determined before such deduction and adjusted for certain loss carrybacks and trust distributions) (sec. 613A(d)(1)).

House Bill

The limit on percentage depletion deductions to no more than 65 percent of the taxpayer's overall taxable income is suspended for taxable years beginning after December 31, 1998, and before January 1, 2005.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

G. Modify Small Refiner Limit for Eligibility for Percentage Depletion Deductions (sec. 725 of the House bill and sec. 613A of the Code)

Present Law

Present law classifies oil and gas producers as independent producers or integrated companies. The Code provides numerous different, and typically more generous, tax rules for operations by independent producers. One such rule allows independent producers to claim percentage depletion deductions rather than deducting the costs of their asset, a producing well, based on actual production from the well (i.e., cost depletion).

A producer is an independent producer only if its refining and retail operations are relatively small. For example, an independent producer may not have refining operations the runs from which exceed 50,000 barrels on any day in the taxable year during which independent producer status is claimed.

House Bill

The House bill changes the refinery limitation on claiming independent producer status from a limit based on actual daily production to a limit based on average daily production for the taxable year: the average daily refinery run for the taxable year may not exceed 50,000 barrels. For this purpose, the taxpayer shall calculate average daily production by dividing total production for the taxable year by the total number of days in the taxable year.

Effective date.—The provision is effective for taxable years beginning after December 31, 1999.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

H. Increase the Maximum Dollar Amount of Reforestation Expenditures Eligible for Amortization and Credit (sec. 731 of the House bill, sec. 1108 of the Senate amendment, and sec. 194 of the Code)

Present Law

Amortization of reforestation costs (sec. 194)

A taxpayer may elect to amortize up to $10,000 ($5,000 in the case of a separate return by a married individual) of qualifying reforestation expenditures incurred during the taxable year with respect to qualifying timber property. Amortization is taken over 84 months (7 years) and is subject to a mandatory half-year convention.[53] In the case of an individual, the amortization deduction is allowed in determining adjusted gross income (an above-the-line deduction) rather than as an itemized deduction. The amount eligible for amortization has not been increased since the election was added to the Code in 1980.[54]

Qualifying reforestation expenditures are the direct costs a taxpayer incurs in connection with the forestation or reforestation of a site by planting or seeding, and include costs for the preparation of the site, the cost of the seed or seedlings, and the cost of the labor and tools (including depreciation of long lived assets such as tractors and other machines) used in the reforestation activity. Qualifying reforestation expenditures do not include expenditures that would otherwise be deductible and do not include costs for which the taxpayer has been reimbursed under a governmental cost sharing program, unless the amount of the reimbursement is also included in the taxpayer's gross income.

Qualifying timber property includes any woodlot or other site that is located in the United States that will contain trees in significant commercial quantities and that is held by the taxpayer for the planting, cultivating, caring for, and cutting of trees for sale or use in the commercial production of timber products. The regulations require that the site consist of at least one acre that is devoted to such activities.[55] A taxpayer may hold qualifying timber property in fee or by lease. Where the property is held by one person for life with the remainder to another person, the life tenant is considered the owner of the property for this purpose.

Reforestation amortization is subject to recapture as ordinary income on sale of qualifying timber property within 10 years of the year in which the qualifying reforestation expenditures were incurred.[56]

Reforestation tax credit (sec. 48(b))

A tax credit is allowed equal to 10 percent of the reforestation expenditures incurred

[51] Treas. Reg. sec. 1.263(a)-(1)(b).

[52] The Taxpayer Relief Act of 1997 suspended the 100–percent net-income limitation for production from marginal wells for taxable years beginning after December, 31, 1997, and before January 1, 2000. This suspension is extended for an additional period, through December 31, 2004, in another section of the House bill and the Senate amendment.

[53] Under the half-year convention, all reforestation expenditures are considered to be incurred on the first day of the first month of the second half of the taxable year. Thus, an amortization deduction equal to 6/84 of the expenditures for the year is allowed in the first and eighth years and an amortization deduction equal to 1/7 (12/84) of such expenditures is allowed in the second through seventh years.

[54] Sec. 301(a) of the Multiemployer Pension Plan Amendments Act of 1980.

[55] Treas. Reg. sec. 1.194–3(a).

[56] Sec. 1245(b)(7); Treas. Reg. sec. 1.194–1(c).

during the year that are properly elected to be amortized. An amount allowed as a credit is subject to recapture if the qualifying timber property to which the expenditure relates is disposed of within 5 years.

House Bill

The provision increases the amount of reforestation expenditures eligible for 7–year amortization and the reforestation credit from $10,000 to $25,000 per taxable year (from $5,000 to $12,500 in the case of a separate return by a married individual).

For taxable years beginning in 2000 through 2003, the provision removes the limitation on the amount eligible for 7–year amortization.

Effective date.—The provision is effective for expenditures paid or incurred in taxable years beginning after December 31, 1998. Expenditures paid or incurred prior to the effective date would continue to be recovered under the rules of present law. For taxable years beginning in 1999 and after 2003, the amount of reforestation expenditures eligible for 7–year amortization and for the credit is limited to $25,000. For taxable years beginning in 2000 through 2003, the amount of reforestation expenditures eligible for the credit is limited to $25,000 and no limit would apply to the amount eligible for 7–year amortization.

Senate Amendment

The Senate amendment is generally the same as the House bill, except that the Senate amendment is effective for taxable years beginning after December 31, 1999.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment, effective as provided in the Senate amendment. Accordingly, there is no change in the amount of reforestation expenditures eligible for amortization and the credit for taxable years beginning in 1999. For taxable years beginning in 2000 through 2003, the amount of reforestation expenditures eligible for the credit is limited to $25,000 and no limit applies to the amount eligible for 7–year amortization. For taxable years beginning after 2003, the amount of reforestation expenditures eligible for 7–year amortization and for the credit is limited to $25,000.

I. Capital Gains Treatment Under Section 631(b) to Apply to Outright Sales by Landowners (sec. 732 of the House bill, sec. 1136 of the Senate amendment, and sec. 631(b) of the Code)

Present Law

Gain on the cutting and sale of timber generally is eligible for capital gains treatment, provided the growing timber has been held for more than one year. If the taxpayer sells the timber at the time it is cut, the capital gain is measured as the difference between the sales price of the timber less cost of sales and any unrecovered costs of growing the timber.

If the taxpayer sells the timber prior to its being cut, a special rule allows the taxpayer to treat the sale as a capital gain, provided the taxpayer retains an economic interest in the timber and holds the timber for more than one year prior to the date of disposal. The date of disposal is deemed to be the date the timber is cut, unless the taxpayer receives payment for the timber prior to the date it is cut and elects to treat the date of payment as the date of disposal.

House Bill

In the case of a sale of timber by the owner of the land from which the timber is cut, the requirement that a taxpayer retain an economic interest in the timber in order to treat gains on sales prior to the time the timber is cut as capital gains does not apply. Outright sales of timber by the landowner will qualify for capital gains treatment in the same manner as sales with a retained economic interest qualify under present law. The provision does not modify the rule that deems the date of cutting to be the date of disposition. Thus, unless the taxpayer receives payment prior to the date of cutting and elects to treat that date as the date of disposition, the date of sale will be the date of cutting whether or not an economic interest is retained.

Effective date.—The provision is effective for sales of timber after the date of enactment. A sale will not be considered to occur after the date of enactment if the taxpayer conveys its interest in the timber on or before the date of enactment, even if the deemed date of disposition is after the date of enactment.

Senate Amendment

Same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

J. Minimum Tax Relief for the Steel Industry (sec. 741 of the House bill and sec. 53 of the Code)

Present Law

A corporate taxpayer receives a minimum tax credit for any year in which it pays alternative minimum tax. The alternative minimum tax is the excess of tentative minimum tax over regular tax[57] and generally represents the additional tax a corporate taxpayer is required to pay in any year as a result of the alternative minimum tax system. The minimum tax credit may be used in future years to the extent regular tax exceeds tentative minimum tax. The minimum tax credit may not be used to reduce liability below tentative minimum tax. The credit may be carried forward indefinitely.

For example, a corporate taxpayer has $1,000 of minimum tax credits available in a year in which its regular tax is $200 and its tentative minimum tax is $100. The taxpayer may use $100 of its minimum tax credits (the excess of regular tax over tentative minimum tax) to reduce its current liability to $100. The taxpayer would then have $900 of minimum tax credits available in the following year.

If instead the corporate taxpayer had regular tax of $100 and tentative minimum tax of $200, it would not be allowed to use any of its minimum tax credits because there is no excess of regular tax over tentative minimum tax. The taxpayer would have a current liability of $200 ($100 of regular tax and $100 of alternative minimum tax) and would generate an additional $100 of minimum tax credits, giving it minimum tax credits of $1100 available for the following year.

House Bill

The provision allows minimum tax credits to offset 90 percent of tentative minimum tax[58] in the case of a steel company, in addition to any excess of regular tax over tentative minimum tax. The benefit of the provision is limited to amounts that are attributable to the trade or business of manufacturing steel within the United States for sale to customers. The rules regarding the determination of minimum tax credits are not changed. The Secretary is authorized to issue regulations to insure that the benefit of the provision is limited to steel companies.

For example, under the provision, a company that has exclusively engaged in the trade or business of manufacturing steel within the United States for sale to customers has $1,000 of minimum tax credits available in a year in which its regular tax is $200 and its tentative minimum tax is $100. The taxpayer may use minimum tax credits of $100 (the excess of its regular tax over its tentative minimum tax) plus $90 (90 percent of its tentative minimum tax), for a total of $190, to reduce its current liability to $10. The taxpayer would then have $810 of minimum tax credits available in the following year.

If instead the steel company had regular tax of $100 and tentative minimum tax of $200, it would be allowed to use $180 (90 percent of its tentative minimum tax) of its minimum tax credits to reduce its current liability to $20. The net effect on its minimum tax credits would be a reduction of $80[59], giving it minimum tax credits of $920 available for the following year.

Effective date.—The provision is effective for taxable years beginning after December 31, 1998.

Senate Amendment

No provision.

Conference Agreement

The conference agreement does not include the House bill provision.

VIII. SMALL BUSINESS TAX RELIEF PROVISIONS

A. Accelerate 100–Percent Self-Employed Health Insurance Deduction (sec. 801 of the House bill, sec. 601 of the Senate amendment, and sec. 162(l) of the Code)

Present Law

Under present law, the tax treatment of health insurance expenses depends on the individual's circumstances. Self-employed individuals may deduct a portion of health insurance expenses for the individual and his or her spouse and dependents. The deductible percentage of health insurance expenses of a self-employed individual is 60 percent in 1999 through 2001, 70 percent in 2002, and 100 percent in 2003 and thereafter. The deduction for health insurance expenses of self-employed individuals is not available for any month in which the taxpayer is eligible to participate in a subsidized health plan maintained by the employer of the taxpayer or the taxpayer's spouse.

The self-employed health deduction also applies to qualified long-term care insurance premiums treated as medical care for purposes of the itemized deduction for medical expenses.

House Bill

Beginning in 2000, the House bill increases the deduction for health insurance expenses (and qualified long-term care insurance expenses) of self-employed individuals to 100 percent.

Effective date.—The provision is effective for taxable years beginning after December 31, 1999.

[57] For this purpose, tentative minimum tax is determined net of alternative minimum tax foreign tax credits and regular tax is determined net of regular tax foreign tax credits.

[58] Determined net of the alternative minimum tax foreign tax credit.

[59] The determination of minimum tax credits available in the following year is a multiple step process, involving an increase in the stock of minimum tax credits by the amount that tentative minimum tax exceeds regular tax ($100), combined with a reduction by the amount used ($180), for a net reduction of $80.

Senate Amendment

The Senate amendment is the same as the House bill, except that the Senate amendment also provides that the self-employed health deduction is not available for any month in which the taxpayer participates in any subsidized health plan maintained by any employer of the taxpayer or the taxpayer's spouse.

Effective date.—Same as the House bill.

Conference Agreement

The conference agreement follows the Senate amendment. Under the conference agreement, as under the Senate amendment, the self-employed health deduction is not available for any month in which the taxpayer participates in any subsidized health plan maintained by any employer of the taxpayer or the taxpayer's spouse. Thus, for example, suppose that A is a sole proprietor and that A and his spouse, S, are eligible to participate in the health plan sponsored by S's employer, but decline to participate. A and S are entitled to the self-employed health deduction.

Effective date.—Taxable years beginning after December 31, 1999.

B. Increase Section 179 Expensing (sec. 802 of the House bill, sec. 602 of the Senate amendment, and sec. 179 of the Code)

Present Law

Present law provides that, in lieu of depreciation, a taxpayer with a sufficiently small amount of annual investment may elect to deduct up to $19,000 (for taxable years beginning in 1999) of the cost of qualifying property placed in service for the taxable year (sec. 179). In general, qualifying property is defined as depreciable tangible personal property that is purchased for use in the active conduct of a trade or business. The $19,000 amount is reduced (but not below zero) by the amount by which the cost of qualifying property placed in service during the taxable year exceeds $200,000. In addition, the amount eligible to be expensed for a taxable year may not exceed the taxable income for a taxable year that is derived from the active conduct of a trade or business (determined without regard to this provision). Any amount that is not allowed as a deduction because of the taxable income limitation may be carried forward to succeeding taxable years (subject to similar limitations).

The $19,000 amount is increased to $25,000 for taxable years beginning in 2003 and thereafter. The increase is phased in as follows: for taxable years beginning in 2000, the amount is $20,000; for taxable years beginning in 2001 or 2002, the amount is $24,000; and for taxable years beginning in 2003 and thereafter, the amount is $25,000.

House Bill

The House bill provides that the maximum dollar amount that may be deducted under section 179 is increased to $30,000 for taxable years beginning in 2000 and thereafter, without the present-law phase-in rule.

Effective date.—The provision is effective for taxable years beginning after December 31, 1999.

Senate Amendment

Same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

C. Repeal of Temporary Federal Unemployment Surtax (sec. 803 of the House bill, sec. 603 of the Senate amendment and sec. 3301 of the Code)

Present Law

The Federal Unemployment Tax Act (''FUTA'') imposes a 6.2–percent gross tax rate on the first $7,000 paid annually by covered employers to each employee. Employers in States with programs approved by the Federal Government and with no delinquent Federal loans may credit 5.4–percentage points against the 6.2–percent tax rate, making the minimum, net Federal unemployment tax rate 0.8 percent. Since all States currently have approved programs, 0.8 percent is the Federal tax rate that generally applies. This Federal revenue finances administration of the unemployment system, half of the Federal-State extended benefits program, and a Federal account for State loans. The States use the revenue turned back to them by the 5.4–percent credit to finance their regular State programs and half of the Federal-State extended benefits program.

In 1976, Congress passed a temporary surtax of 0.2 percent of taxable wages to be added to the permanent FUTA tax rate. Thus, the current 0.8–percent FUTA tax rate has two components: a permanent tax rate of 0.6 percent, and a temporary surtax rate of 0.2 percent. The temporary surtax subsequently has been extended through 2007.

House Bill

The House bill repeals the temporary FUTA surtax after December 31, 2004.

Effective date.—The House bill provision is effective for labor performed on or after January 1, 2005.

Senate Amendment

Same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

D. Farmer and Fisherman Income Averaging (sec. 604 of the Senate amendment and secs. 55(c) and 1301 of the Code)

Present Law

An individual taxpayer may elect to compute his or her current year tax liability by averaging, over the prior three-year period, all or portion of his or her taxable income from the trade or business of farming. The averaging election is not coordinated with the alternative minimum tax. Thus, some farmers may become subject to the alternative minimum tax solely as a result of the averaging election.

House Bill

No provision.

Senate Amendment

The election to average income is extended to cover income from the trade or business of fishing as well as farming. For this purpose, the trade or business of fishing is the conduct of commercial fishing as defined in Section 3 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802) and includes the trade or business of catching, taking or harvesting fish that are intended to enter commerce through sale, barter or trade.

The provision coordinates farmers' and fishermen's income averaging with the alternative minimum tax. A farmer of fisherman electing to average his or her farm income will owe alternative minimum tax only to the extent he or she would have owed alternative minimum tax had averaging not been elected. This is achieved by excluding the impact of the election to average farm income from the calculation of both regular tax and tentative minimum tax, solely for the purpose of determining alternative minimum tax.

Effective date.—The provision is effective for taxable years beginning after December 31, 1999.

Conference Agreement

The conference agreement follows the Senate amendment.

E. Farm, Fish and Ranch Risk Management Accounts (sec. 605 of the Senate amendment and secs. 468C and 4973 of the Code)

Present Law

There is no provision in present law allowing the elective deferral of farm or fishing income.

House Bill

No provision.

Senate Amendment

The bill allows taxpayers engaged in an eligible business to establish Farm, Fish and Ranch Risk Management (FFARRM) accounts. An eligible business is any trade or business of farming in which the taxpayer actively participates, including the operation of a nursery or sod farm or the raising or harvesting of crop-bearing or ornamental trees[60]. An eligible business is also the trade or business of commercial fishing as that term is defined under section (3) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802) and includes the trade or business of catching, taking or harvesting fish that are intended to enter commerce through sale, barter or trade.

Contributions to a FFARRM account are deductible and are limited to 20 percent of the taxable income that is attributable to the eligible business. The deduction is to be taken into account in determining adjusted gross income and will reduce income attributable to the eligible business for all income tax purposes other than the determination of the 20 percent of eligible income limitation on contributions to a FFARRM account. Contributions will be deemed to have been made on the last day of the taxable year if made on or before the due date (without regard to extensions) of the taxpayer's return for that year.

A FFARRM account is taxed as a grantor trust and any earnings are required to be distributed currently. Thus, any income earned in the FFARRM account is taxed currently to the farmer or fisherman who established the account.

Contributions to a FFARRM account do not reduce earnings from self-employment. Accordingly, distributions are not included in self-employment income.

Amounts may remain on deposit in a FFARRM account for up to five years. Any amount that has not been distributed by the close of the fourth year following the year of deposit is deemed to be distributed and includible in the gross income of the account owner. Distributions for the year are considered to first be made from the earnings that are required to be distributed. Additional amounts distributed for the year are considered to be made from the oldest deposits.

Distributions from a FFARRM account may not be used to purchase, lease, or finance any new fishing vessel, add capacity to any fishery, or otherwise contribute to the overcapitalization of any fishery. The Secretary of Commerce shall implement regulations enforcing this restriction.

A FFARRM account may not be maintained by a taxpayer who has ceased to engage in an eligible business. If the taxpayer does not engage in an eligible business during two consecutive taxable years, the balance in the FFARRM account is deemed to

[60] An evergreen tree that is more than 6 years old when severed from the roots (and thus eligible for captial gains treatment on cutting) is not considered an ornamental tree for this purpose.

be distributed to the taxpayer on the last day of such two year period.

If the taxpayer who established the FFARRM account dies, and the taxpayer's surviving spouse acquires the taxpayer's interest in the FFARRM account by reason of being designated as the beneficiary of the account at the death of the taxpayer, the surviving spouse will ''step into the shoes'' of the deceased taxpayer with respect to the FFARRM account. In other cases, the account will cease to be a FFARRM account on the date of the taxpayer's death and the balance in the account will be deemed distributed to the taxpayer on the date of death.

A FFARRM account is a trust that is created or organized in the United States for the exclusive benefit of the taxpayer who establishes it. The trustee must be a bank or other person who demonstrates to the satisfaction of the Secretary that it will administer the trust in a manner consistent with the requirements of the section. At all times, the assets of the trust must consist entirely of cash and obligations which have adequate stated interest (as defined in section 1274(c)(2)) and which pay such adequate interest not less often than annually. The trust must distribute all income currently, and its assets may not be commingled except in a common trust fund or common investment fund. Additional protections, including rules preventing the trust from engaging in prohibited transactions or from being pledged as security for a loan, are provided.

Penalties apply in the case of excess contributions and failures to make required distributions.

Effective date.—The provision is effective for taxable years beginning after December 31, 2000.

Conference Agreement

The conference agreement follows the Senate amendment.

F. S Corporation Bank Provisions

1. Definition of passive investment income for banks (sec. 606 of the Senate amendment and sec. 1362 of the Code)

Present Law

An S corporation is subject to corporate-level tax, at the highest marginal corporate tax rate, on its net passive income if the corporation has (1) accumulated earnings and profits[61] at the close of the taxable year and (2) gross receipts more than 25 percent of which are passive investment income. In addition, an S corporation election is terminated whenever the corporation has accumulated C earnings and profits at the close of three consecutive taxable years and has gross receipts for each of such years more than 25 percent of which are passive investment income.

For these purposes, ''passive investment income'' generally means gross receipts derived from royalties, rents, dividends, interest, annuities, and sales or exchanges of stock or securities (to the extent of gains).

Treasury regulations provide that passive income does not include gross receipts directly derived in the ordinary course of a trade or business of lending or financing.[62] The Internal Revenue Service has ruled that income earned by an S corporation on specified banking assets will be treated as gross receipts directly derived from the active and regular conduct of a banking business.[63]

House Bill

No provision.

Senate Amendment

The Senate amendment provides that, for purposes of applying the passive income test to a bank or a bank holding company, interest income and dividends received on assets required to conduct a banking business are not to be treated as passive income.

Effective date.—The provision applies to taxable years beginning after December 31, 1999.

Conference Agreement

The conference agreement follows the Senate amendment.

2. Bank director stock (sec. 607 of the Senate amendment and sec. 1361 of the Code)

Present Law

The taxable income or loss of an S corporation is taken into account by the corporation's shareholders, rather than by the entity, whether or not such income is distributed. A small business corporation may elect to be treated as an S corporation. A ''small business corporation'' generally is defined as a domestic corporation which does not have (1) more than 75 shareholders; (2) a shareholder (other than certain trusts, estates, and tax-exempt organizations) who is not an individual; (3) a nonresident alien as a shareholder; and (4) more than one class of stock.

House Bill

No provision.

Senate Amendment

Under the Senate amendment, qualifying director shares is not treated as a second class of stock. Instead, payments on the stock are deductible by the corporation and includible in income of the holder of the stock. No allocations of income or loss are made with respect to the stock. Qualifying director shares are shares of stock in a bank or bank holding company that are held by an individual solely by reason of being a director and which are subject to an agreement to dispose of the shares upon termination of director status at the price paid to acquire the shares.

Effective date.—The provision applies to taxable years beginning after December 31, 1999.

Conference Agreement

The conference agreement follows the Senate amendment.

IX. INTERNATIONAL TAX RELIEF PROVISIONS

A. Allocate Interest Expense on Worldwide Basis (sec. 901 of the House bill, sec. 901 of the Senate amendment, and sec. 864 of the Code)

Present Law

In general

In order to compute the foreign tax credit limitation, a taxpayer must determine the amount of taxable income from foreign sources. Thus, the taxpayer must allocate and apportion deductions between items of U.S.-source gross income, on the one hand, and items of foreign- source gross income, on the other. Generally, it is left to the Treasury to provide detailed rules for the allocation and apportionment of expenses.

In the case of interest expense, regulations generally are based on the approach that money is fungible and that interest expense is properly attributable to all business activities and property of a taxpayer, regardless of any specific purpose for incurring an obligation on which interest is paid. (Exceptions to the fungibility concept are recognized or required, however, in particular cases, some of which are described below.) The Code provides that for interest allocation purposes all members of an affiliated group of corporations generally are to be treated as a single corporation (the so-called ''one-taxpayer rule''), and that allocation must be made on the basis of assets rather than gross income.

Affiliated group

In general

The term ''affiliated group'' in this context generally is defined by reference to the rules for determining whether corporations are eligible to file consolidated returns. However, some groups of corporations are eligible to file consolidated returns yet are not treated as affiliated for interest allocation purposes, and other groups of corporations are treated as affiliated for interest allocation purposes even though they are not eligible to file consolidated returns. Thus, under the one-taxpayer rule, the factors affecting the allocation of interest expense of one corporation may affect the sourcing of taxable income of another, related corporation even if the two corporations do not elect to file, or are ineligible to file, consolidated returns. (See, e.g., Treas. Reg. sec. 1.861–11T(g).)

Definition of affiliated group—consolidated return rules

For consolidation purposes, the term ''affiliated group'' means one or more chains of includible corporations connected through stock ownership with a common parent corporation which is an includible corporation, but only if the common parent owns directly at least 80 percent of the total voting power of all classes of stock and at least 80 percent of the total value of all outstanding stock of at least one other includible corporation. In addition, for each such other includible corporation (except the common parent), stock possessing at least 80 percent of the total voting power of all classes of its stock and at least 80 percent of the total value of all of its outstanding stock must be directly owned by one or more other includible corporations.

Generally the term ''includible corporation'' means any domestic corporation except certain corporations exempt from tax under section 501 (for example, corporations organized and operated exclusively for charitable or educational purposes), certain life insurance companies, corporations electing application of the possession tax credit, regulated investment companies, real estate investment trusts, and domestic international sales corporations. A foreign corporation generally is not an includible corporation.

Definition of affiliated group—special interest allocation rules

Subject to exceptions, the consolidated return and interest allocation definitions of affiliation generally are consistent with each other.[64] For example, both definitions exclude all foreign corporations from the affiliated group. Thus, while debt generally is considered fungible among the assets of a group of domestic affiliated corporations, the same rule does not apply as between the domestic and foreign members of a group with the same degree of common control as the domestic affiliated group.

[61] An S corporation generally will have accumulated corporation earnings and profits if it had been a C corporation prior to electing to be an S corporation.

[62] Treas. Regulation sec. 1–1362–2(c)(5)(iii)(B).

[63] Notice 97–5, 1997–1 C. B. 352 (January 13, 1997).

[64] One such exception is that the affiliated group for interest allocation purposes includes section 936 corporations that are excluded from the consolidated group.

Banks, savings institutions and other financial affiliates

The affiliated group for interest allocation purposes generally excludes what are referred to in the regulations as ''financial corporations'' (Treas. Reg. sec. 1.861–11T(d)(4)). These include any corporation, otherwise a member of the affiliated group for consolidation purposes, that is a financial institution (described in section 581 or section 591), the business of which is predominantly with persons other than related persons or their customers, and which is required by State or Federal law to be operated separately from any other entity which is not a financial institution (sec. 864(e)(5)(C)). The category of financial corporations also includes, to the extent provided in regulations, bank holding companies, subsidiaries of banks and bank holding companies, and savings institutions predominantly engaged in the active conduct of a banking, financing, or similar business (sec. 864(e)(5)(D)).

A financial corporation is not treated as a member of the regular affiliated group for purposes of applying the one-taxpayer rule to other nonfinancial members of that group. Instead, all such financial corporations that would be so affiliated are treated as a separate single corporation for interest allocation purposes.

House Bill

Worldwide affiliated group election

The House bill modifies the present-law interest expense allocation rules (which generally apply for purposes of computing the foreign tax credit limitations) by providing a one- time election under which the taxable income of the domestic members of an affiliated group from sources outside the United States generally would be determined by allocating and apportioning interest expense of the domestic members of a worldwide affiliated group on a worldwide-group basis. The election provides taxpayers with the option either to apply fungibility principles on a worldwide basis or to continue to apply present law.

Under the House bill, the common parent of an affiliated group can make a one-time election to apply the present-law interest expense allocation and apportionment rules under section 864(e) by allocating and apportioning interest expense of the domestic members of the worldwide affiliated group on a worldwide-group basis. If an affiliated group makes this election, subject to certain modifications and exceptions discussed below, the taxable income of the domestic members of the worldwide affiliated group from sources outside the United States is determined by allocating and apportioning the interest expense of those domestic members to foreign-source income in an amount equal to the worldwide affiliated group's worldwide interest expense multiplied by a ratio of the foreign assets of the worldwide affiliated group over the total assets of the worldwide affiliated group.

For purposes of the new elective rules based on worldwide fungibility, the worldwide affiliated group means all corporations in an affiliated group (as that term is defined under present law for interest expense allocation purposes)[65] as well as any foreign corporations with respect to which domestic members of the affiliated group own stock meeting the ownership requirements for treatment as a controlled foreign corporation under section 957(a) (without regard to the constructive ownership rules of section 958(b)). Hence, if more than 50 percent of the total combined voting power or the total value of the stock of a foreign corporation is owned (directly or indirectly) by domestic members of the affiliated group that are U.S. shareholders (i.e., that own 10 percent or more of the total combined voting power of the stock of such foreign corporation), then such foreign corporation is included in an electing worldwide affiliated group.

With respect to foreign corporations included in a worldwide affiliated group, the House bill provides that only a pro rata portion of such foreign corporation's interest expense and assets is treated as attributable to the worldwide affiliated group and taken into account for purposes of determining the allocation and apportionment of interest expense. The pro rata portion is determined by the ratio of the value of the stock of the foreign corporation owned by domestic members of the worldwide affiliated group (regardless of whether the foreign corporation qualifies as more than 50–percent owned because of either vote or value) to the total value of the stock of such foreign corporation.

In short, the taxable income from sources outside the United States of electing domestic group members generally is determined by allocating and apportioning interest expense of the domestic members of the worldwide affiliated group as if all of the interest expense and assets of 80–percent or greater owned domestic corporations (i.e., corporations that are part of the affiliated group under present-law section 864(e)(5)(A) as modified to include insurance companies) and a pro rata portion of the interest expense and assets of greater than 50–percent owned foreign subsidiaries were attributable to a single corporation.

Although a pro rata portion of the interest expense of a foreign subsidiary is taken into account for purposes of allocating the interest expense of the domestic members of the electing worldwide affiliated group for foreign tax credit limitation purposes, the interest expense incurred by a foreign subsidiary is not deductible on a U.S. return. After calculating the interest expense allocation based on the worldwide affiliated group, the interest expense of the domestic members preliminarily allocable to foreign-source income is reduced (but not below zero) by the applicable pro rata portion of the interest expense incurred by a foreign member of the group to the extent that such interest would be allocated to foreign sources if the provision's principles were applied separately to the foreign members of the group.

The worldwide affiliated group election is to be made by the common parent of the affiliated group. It must be made for the first taxable year beginning after December 31, 2001 (the effective date under the House bill), in which a worldwide affiliated group exists that includes at least one foreign corporation that meets the requirements for inclusion in a worldwide affiliated group. Once made, the election applies to the common parent and all other members of the worldwide affiliated group for the taxable year for which the election was made and all subsequent taxable years.

Annual elections

Regardless of whether a taxpayer elects to continue to be governed by the present-law allocation rules or to apply the new worldwide fungibility principle, the House bill provides two annual elections that are exceptions to the ''one-taxpayer'' rule described above: (1) the ''subsidiary group'' election, and (2) a ''financial institution group'' election.

Subsidiary group election

Under the subsidiary group election, at the annual election of the common parent of the affiliated group, certain interest expense attributable to qualified indebtedness incurred by a domestic member of the affiliated group (other than the common parent) is allocated and apportioned by treating the borrower and its direct and indirect subsidiaries as a separate group (in which the borrower would be treated as the common parent). The regime that is elected by the entire affiliated group (i.e., present law or the worldwide fungibility principles of the House bill) applies to all the qualified indebtedness of the members of that separate electing subsidiary group. For this purpose, qualified indebtedness generally means any borrowing from unrelated parties that is not guaranteed or in any other way supported by any corporation within the same affiliated group (other than a member of the subsidiary group) of the borrower.

If the common parent of the affiliated group makes the election with respect to a domestic member of an affiliated group, the subsidiary group election applies to all direct and indirect subsidiaries of that member. No member of an electing subsidiary group can be treated as a member of another electing subsidiary group. Therefore, a separate subsidiary group election could not be made with respect to lower-tier subsidiaries in an electing subsidiary group. If the subsidiary group election is made, the House bill also provides that an ''equalization'' rule applies under which interest expense (if any) incurred by domestic members of the affiliated group with respect to indebtedness that is not qualified indebtedness of an electing subsidiary group is allocated first to foreign-source income to the extent necessary to achieve (if possible) the allocation and apportionment of interest expense to foreign-source income that would have resulted had the subsidiary group election not been made. In addition, the House bill provides anti-abuse rules under which certain transfers from one member of a subsidiary group to a member of the affiliated group outside of the subsidiary group are treated as reducing the amount of qualified indebtedness.

Financial institution group election

The House bill provides a financial institution group election that expands and replaces the bank group rules of present law (sec. 864(e)(5)(B)–(D)). At the annual election of the common parent of the affiliated group, the interest expense allocation and apportionment rules that apply to the affiliated group as a whole (i.e., present law or the worldwide approach), can be applied separately to a subgroup of the affiliated group consisting of corporations that are predominantly engaged in a banking, insurance, financing, or similar business (as well as certain bank holding companies). For this purpose, a corporation is predominantly engaged in such a business if at least 80 percent of its gross income is ''financial services income'' as described in section 904(d)(2)(C)(ii) and the regulations thereunder.[66] The financial institution group rules, if elected, apply to all members of the affiliated group that

[65] The bill expands the present-law definition of an affiliated group for interest expense allocation purposes to include certain insurance companies that are generally excluded from an affiliated group under section 1504(b)(2) (without regard to whether such companies are covered by an election under section 1504(c)(2)). As is the case under present law, the affiliated group includes section 936 corporations.

[66] See Treas. Reg. sec. 1.904–4(e)(2).

are considered to be predominantly engaged in the active conduct of a banking, insurance, financing, or similar business, or otherwise considered to be a bank holding company. In addition, if a financial institution group election has been made, a member of the affiliated group that is part of the financial institution group could not also be a member of a separate subsidiary group at the same time. Anti-abuse rules similar to those that apply in connection with the subsidiary group election also apply to the financial institution group.

Regulatory authority

The House bill grants the Treasury Secretary authority to prescribe rules to carry out the purposes of the provision, including rules (1) to address changes in members of an affiliated group (including acquisitions or other business combinations of affiliated groups in which one group has made an election to apply the worldwide approach and the other group applies present law); (2) to prevent assets and interest expense from being taken into account more than once; and (3) to provide for direct allocation of interest expense in circumstances where such allocation would be appropriate to carry out the purposes of the provision.

Effective date

The provision in the House bill is effective for taxable years beginning after December 31, 2001.

Senate Amendment

The Senate amendment generally follows the House bill, but makes the following modifications.

Worldwide affiliated group election

The Senate amendment follows the House bill in that the common parent of an affiliated group can make a one-time election to apply the present-law interest expense allocation and apportionment rules under section 864(e) by allocating and apportioning interest expense of the domestic members of the worldwide affiliated group on a worldwide-group basis. If an affiliated group makes this election, subject to certain modifications and exceptions, the taxable income of the domestic members of the worldwide affiliated group from sources outside the United States is determined by allocating and apportioning the interest expense of those domestic members to foreign-source income in an amount equal to the excess (if any) of (1) the worldwide affiliated group's worldwide interest expense multiplied by the ratio which the foreign assets of the worldwide affiliated group bears to the total assets of the worldwide affiliated group, over (2) the interest expense incurred by a foreign member of the group to the extent that such interest would be allocated to foreign sources if the provision's principles were applied separately to the foreign members of the group.[67] While this approach is generally the same as that under the House bill, the Senate amendment modifies the House bill to provide the actual allocation and apportionment formula in the statute.

The Senate amendment modifies the House bill definition of a worldwide affiliated group for purposes of the new elective rules based on worldwide fungibility. Under the Senate amendment, the worldwide affiliated group means all corporations in an affiliated group (as that term is defined under present law for interest expense allocation purposes)[68] as well as any foreign corporations that would be members of such an affiliated group if section 1504(b)(3) did not apply (i.e., in which at least 80 percent of the vote and value of the stock of such corporations is owned by one or more other corporations included in the affiliated group). In addition, unlike the House bill, the Senate amendment takes into account all of the interest expense and assets of foreign corporations that are part of an electing worldwide affiliated group rather than a pro rata portion. In short, under the Senate amendment, the taxable income from sources outside the United States of electing domestic group members generally is determined by allocating and apportioning interest expense of the domestic members of the worldwide affiliated group as if all of the interest expense and assets of 80–percent or greater owned domestic corporations (i.e., corporations that are part of the affiliated group under present-law section 864(e)(5)(A) as modified to include insurance companies) and 80–percent or greater owned foreign corporations were attributable to a single corporation.

The worldwide affiliated group election is to be made by the common parent of the affiliated group. It must be made for the first taxable year beginning after December 31, 2004 (the effective date under the Senate amendment), in which a worldwide affiliated group exists that includes at least one foreign corporation that meets the requirements for inclusion in a worldwide affiliated group. Once made, the election applies to the common parent and all other members of the worldwide affiliated group for the taxable year for which the election is made and all subsequent taxable years.

Subsidiary group election

The Senate amendment modifies the House bill to exclude the annual ''subsidiary group'' election.

Financial institution group election

The Senate amendment provides a ''financial institution group'' election that expands the bank group rules of present law (sec. 864(e)(5)(B)–(D)), but modifies the House bill by providing that this election is a one-time election as opposed to an annual election, and by providing that the election is only available to the extent that a worldwide affiliated group election has been made. Thus, unlike the House bill, under the Senate amendment the election would not be available to an affiliated group that continues to apply the present-law interest expense allocation rules.

Under the Senate amendment, at the election of the common parent of the affiliated group that has made the election to apply the worldwide affiliated group rules, those rules can be applied separately to a subgroup of the worldwide affiliated group that consists of (1) all corporations that are part of the present-law bank group and (2) all ''financial corporations.'' For this purpose, the Senate amendment follows the House bill by providing that a corporation is a financial corporation if at least 80 percent of its gross income is ''financial services income'' (as described in section 904(d)(2)(C)(ii) and the regulations thereunder).[69] The Senate amendment modifies the House bill, however, by requiring that such income be derived from transactions with unrelated persons.

Under the Senate amendment, the financial institution group rules, if elected, apply to all members of the worldwide affiliated group that are financial corporations within the meaning of the provision. The election must be made for the first taxable year beginning after December 31, 2004, in which a worldwide affiliated group includes a financial corporation that would qualify as part of the expanded financial institution group (other than a corporation that would qualify as part of the present-law bank group). Once made, the election applies to the financial institution group for the taxable year and all subsequent taxable years. In addition, the Senate amendment provides anti-abuse rules under which certain transfers from one member of a financial institution group to a member of the worldwide affiliated group outside of the financial institution group are treated as reducing the amount of indebtedness of the separate financial institution group.

Effective date

The provision in the Senate amendment is effective for taxable years beginning after December 31, 2004.

Conference Agreement

The conference agreement generally follows the House bill with the following modifications.

Worldwide affiliated group election

The conference agreement modifies the present-law interest expense allocation rules by providing a one-time election under which the taxable income of the domestic members of an affiliated group from sources outside the United States generally would be determined by allocating and apportioning interest expense of the domestic members of a worldwide affiliated group on a worldwide-group basis. The election provides taxpayers with the option either to apply fungibility principles on a worldwide basis or to continue to apply present law. The conference agreement makes no changes to the present-law interest expense allocation rules; all aspects of the provision apply only to the extent that a worldwide affiliated group election is made.

Under the conference agreement, if an affiliated group makes the worldwide affiliated group election, subject to certain modifications and exceptions, the taxable income of the domestic members of the worldwide affiliated group from sources outside the United States is determined by allocating and apportioning the interest expense of those domestic members to foreign-source income in an amount equal to the excess (if any) of (1) the worldwide affiliated group's worldwide interest expense multiplied by the ratio which the foreign assets of the worldwide affiliated group bears to the total assets of the worldwide affiliated group, over (2) the interest expense incurred by a foreign member of the group (and taken into account for allocation purposes) to the extent that such interest would be allocated to foreign sources if the provision's principles were applied separately to the foreign members of the group. While this approach is generally the same as that under the House bill, the conference agreement follows the Senate

[67] Although the interest expense of a foreign subsidiary is taken into account for purposes of allocating the interest expense of the domestic members of the electing worldwide affiliated group for foreign tax credit limitation purposes, the interest expense incurred by a foreign subsidiary is not deductible on a U.S. return.

[68] The Senate amendment follows the House bill by expanding the definition of an affiliated group for interest expense allocation purposes to include certain insurance companies that are generally excluded from an affiliated group under section 1504(b)(2) (without regard to whether such companies are covered by an election under section 1504(c)(2)). The Senate amendment modifies this expansion, however, to apply only when the worldwide affiliated group election has been made.

[69] See Treas. Reg. sec. 1.904–4(e)(2).

amendment by providing the actual allocation and apportionment formula in the statute.

For purposes of the new elective rules based on worldwide fungibility, the worldwide affiliated group means all corporations in an affiliated group (as that term is defined under present law for interest expense allocation purposes)[70] as well as any foreign corporations with respect to which domestic members of the affiliated group own stock meeting the ownership requirements for treatment as a controlled foreign corporation under section 957(a). For this purpose, the conference agreement modifies the House bill to permit limited constructive ownership rules (as described in section 958(b)) to apply. The conferees, however, believe that certain constructive ownership rules such as option attribution and ''to-corporation'' attribution (sec. 318(a)(3) and (4)) does not provide sufficient economic ownership to justify inclusion in the worldwide affiliated group. The conference agreement therefore disregards these types of constructive ownership. Hence, if more than 50 percent of the total combined voting power or the total value of the stock of a foreign corporation is owned (directly, indirectly, or, in certain circumstances, constructively) by domestic members of the affiliated group that are U.S. shareholders (i.e., that own 10 percent or more of the total combined voting power of the stock of such foreign corporation), then such foreign corporation is included in an electing worldwide affiliated group.

With respect to foreign corporations included in a worldwide affiliated group, the conference agreement follows the House bill in providing that only a pro rata portion of such foreign corporation's interest expense and assets is treated as attributable to the worldwide affiliated group and taken into account for purposes of determining the allocation and apportionment of interest expense. The pro rata portion is determined by the ratio of the value of the stock of the foreign corporation owned (within the meaning of section 958(a)) by domestic members of the worldwide affiliated group (regardless of whether the foreign corporation qualifies as more than 50–percent owned because of either vote or value) to the total value of the stock of such foreign corporation.

Under the conference agreement, the worldwide affiliated group election is to be made by the common parent of the affiliated group. It must be made for the first taxable year beginning after December 31, 2001 (the effective date under the conference agreement), in which a worldwide affiliated group exists that includes at least one foreign corporation that meets the requirements for inclusion in a worldwide affiliated group. Once made, the election applies to the common parent and all other members of the worldwide affiliated group for the taxable year for which the election was made and all subsequent taxable years.

Additional elections

The conference agreement modifies the annual elections provided in the House bill as follows. To the extent that a worldwide affiliated group elects to apply the new worldwide fungibility principle, the conference agreement provides two additional elections that are exceptions to the ''one-taxpayer'' rule described above: (1) the ''subsidiary group'' election, and (2) the ''financial institution group'' election.

Subsidiary group election

Under the subsidiary group election, at the election of the common parent of the affiliated group, certain interest expense attributable to qualified indebtedness incurred by a domestic member of the affiliated group (other than the common parent) is allocated and apportioned by treating the borrower and its direct and indirect subsidiaries as a separate group (in which the borrower would be treated as the common parent). The conference agreement modifies the House bill by providing that election is only available to the extent that the affiliated group has elected the worldwide fungibility rules, and those rules apply to the qualified indebtedness of the members of that separate electing subsidiary group. For this purpose, qualified indebtedness generally means any borrowing from unrelated parties that is not guaranteed or in any other way supported by any corporation within the same worldwide affiliated group (other than a member of the subsidiary group) of the borrower.

If the common parent of the worldwide affiliated group makes the election with respect to a domestic member of an affiliated group, the subsidiary group election applies to all direct and indirect subsidiaries of that member. The conference agreement modifies the House bill to provide that the election, once made, applies to the taxable year and the four succeeding taxable years (unless revoked with the consent of the Treasury Secretary). The conferees are concerned with certain potentials for abuse and believe that a five-year period is a reasonable duration for which the subsidiary group election should apply. In addition, as under the House bill, no member of an electing subsidiary group can be treated as a member of another electing subsidiary group. Therefore, a separate subsidiary group election cannot be made with respect to lower-tier subsidiaries in an electing subsidiary group.

The conference agreement follows the House bill by providing that, if the subsidiary group election is made, an ''equalization'' rule applies under which interest expense (if any) incurred by domestic members of the worldwide affiliated group with respect to indebtedness that is not qualified indebtedness of an electing subsidiary group is allocated first to foreign- source income to the extent necessary to achieve (if possible) the allocation and apportionment of interest expense to foreign-source income that would have resulted had the subsidiary group election not been made. In addition, the conference agreement provides anti-abuse rules under which certain transfers from one member of a subsidiary group to a member of the affiliated group outside of the subsidiary group would be recharacterized as reducing the amount of qualified indebtedness, except as otherwise provided by the Treasury Secretary.

Financial institution group election

The conference agreement generally follows the Senate amendment with respect to the financial institution group election, with certain technical modifications. The conference agreement provides a one-time financial institution group election that replaces and expands the bank group rules of present law (sec. 864(e)(5)(B)-(D)). At the election of the common parent of the affiliated group that has made the election to apply the worldwide affiliated group rules, those rules can be applied separately to a subgroup of the worldwide affiliated group that consists of all ''financial corporations'' that are part of the worldwide affiliated group.

For purposes of the financial institution group election, the conference agreement provides that a corporation is a financial corporation if at least 80 percent of its gross income is (1) ''financial services income'' (as described in section 904(d)(2)(C)(ii) and the regulations thereunder),[71] that is derived from transactions with unrelated persons or (2) dividends or financial services income derived directly or indirectly from related corporations that satisfy the 80–percent test by deriving financial services income from transactions with unrelated persons.[72] For this purpose, the conferees intend that certain ordering rules and netting rules with respect to amounts paid or accrued to and amounts received or accrued from related persons, similar to those provided in Treas. Reg. sec. 1.904–5(k), will apply. The conferees also intend that, for this purpose, gross income will not include gain from the disposition of the stock of a corporation that is related to the transferor prior to such disposition.[73] In addition, the conference agreement provides an anti-abuse rule under which items of income or gain from a transaction a principal purpose of which is to qualify a corporation as a financial corporation under these rules are disregarded.

Under the conference agreement, the financial institution group rules, if elected, apply to all members of the worldwide affiliated group that are financial corporations within the meaning of the provision. If a financial institution group election has been made, a member of the worldwide affiliated group that is part of the financial institution group cannot also be a member of a separate subsidiary group. The election must be made for the first taxable year beginning after December 31, 2001, in which a worldwide affiliated group includes a corporation that qualifies as a financial corporation. Once made, the election applies to the financial institution group for the taxable year and all subsequent taxable years. Therefore, if a financial institution group election is in place, a corporation that qualifies as a financial corporation for a taxable year will be included in the financial institution group for that year notwithstanding that it may not have qualified in prior years for which the election was in place. Similarly, a corporation that was a financial corporation in the first year in which an election was made will be included in the financial institution group for all subsequent years, but only to the extent that such corporation qualifies as a financial corporation for a given year. In addition, the conference agreement provides anti-abuse rules similar to those that apply in connection with the subsidiary group election.

Regulatory authority

The conference agreement follows the House bill and the Senate amendment in granting the Treasury Secretary authority to prescribe rules to carry out the purposes of the provision. Such authority includes, among other things, the authority to provide

[70] The conference agreement expands the present-law definition of an affiliated group for interest expense allocation purposes with respect to an electing worldwide affiliated group to include certain insurance companies that are generally excluded from an affiliated group under section 1504(b)(2) (without regard to whether such companies are covered by an election under section 1504(c)(2)). As is the case under present law, the affiliated group includes section 936 corporations.

[71] See Treas. Reg. sec. 1.904–4(e)(2).

[72] As is the case under the House bill, the conference agreement provides that certain bank holding companies that would qualify as part of the present-law bank group are also considered to be financial corporations.

[73] See Treas. Reg. sec. 1.904–4(e)(3)(i).

for direct allocation of interest expense in appropriate circumstances. The conferees intend that this authority to provide for direct allocation of interest expense includes, for example, circumstances in which interest expense is incurred by foreign corporations in order to circumvent the purposes of the provision.

Effective date

The provision in the conference agreement is effective for taxable years beginning after December 31, 2001.

B. Look-Through Rules to Apply to Dividends from Noncontrolled Section 902 Corporations (sec. 902 of the House bill, sec. 902 of the Senate amendment, and sec. 904 of the Code)

Present Law

U.S. persons may credit foreign taxes against U.S. tax on foreign-source income. The amount of foreign tax credits that may be claimed in a year is subject to a limitation that prevents taxpayers from using foreign tax credits to offset U.S. tax on U.S.-source income. Separate limitations are applied to specific categories of income.

Special foreign tax credit limitations apply in the case of dividends received from a foreign corporation in which the taxpayer owns at least 10 percent of the stock by vote and which is not a controlled foreign corporation (a so-called ''10/50 company'').[74] Dividends paid by a 10/50 company in taxable years beginning before January 1, 2003, are subject to a separate foreign tax credit limitation for each 10/50 company. Dividends paid by a 10/50 company that is not a passive foreign investment company in taxable years beginning after December 31, 2002, out of earnings and profits accumulated in taxable years beginning before January 1, 2003, are subject to a single foreign tax credit limitation for all 10/50 companies (other than passive foreign investment companies). Dividends paid by a 10/50 company that is a passive foreign investment company out of earnings and profits accumulated in taxable years beginning before January 1, 2003, continue to be subject to a separate foreign tax credit limitation for each such 10/50 company. Dividends paid by a 10/50 company in taxable years beginning after December 31, 2002, out of earnings and profits accumulated in taxable years after December 31, 2002, are treated as income in a foreign tax credit limitation category in proportion to the ratio of the earnings and profits attributable to income in such foreign tax credit limitation category to the total earnings and profits (a so-called ''look-through'' approach). For these purposes, distributions are treated as made from the most recently accumulated earnings and profits. Regulatory authority is granted to provide rules regarding the treatment of distributions out of earnings and profits for periods prior to the taxpayer's acquisition of such stock.

House Bill

The House bill simplifies the application of the foreign tax credit limitation by applying the look-through approach to all dividends paid by a 10/50 company, regardless of the year in which the earnings and profits out of which the dividend is paid were accumulated. The House bill eliminates the single-basket limitation approach for dividends from such companies for foreign tax credit limitation purposes.

The House bill provides a transition rule under which pre-effective date foreign tax credits associated with a 10/50 company separate limitation category can be carried forward into post-effective date years. Under the House bill, look-through principles similar to those applicable to post-effective date dividends from a 10/50 company apply to determine the appropriate foreign tax credit limitation category or categories with respect to the foreign tax credit carryforward.

The House bill also provides a default rule in cases in which taxpayers are unable to obtain the necessary information to apply the look-through rules with respect to dividends from a 10/50 company (or in which the income is not treated as falling within one of certain enumerated limitation categories). In such cases, the House bill treats the dividend (or a portion thereof) from such 10/50 company as a dividend that is not subject to the look-through rules.

Effective date.—The provision is effective for taxable years beginning after December 31, 2001.

Senate Amendment

The Senate amendment is the same as the House bill, with a modification to the effective date.

Effective date.—The provision is effective for taxable years beginning after December 31, 2004.

Conference Agreement

The conference agreement follows the House bill.

C. Subpart F Treatment of Pipeline Transportation Income and Income from Transmission of High Voltage Electricity (secs. 903–904 of the House bill, secs. 903–904 of the Senate amendment, and sec. 954 of the Code)

Present Law

Under the subpart F rules, U.S. 10–percent shareholders of a controlled foreign corporation (''CFC'') are subject to U.S. tax currently on their shares of certain income earned by the foreign corporation, whether or not such income is distributed to the shareholders (referred to as ''subpart F income''). Subpart F income includes foreign base company income, which in turn includes five categories of income: foreign personal holding company income, foreign base company sales income, foreign base company services income, foreign base company shipping income, and foreign base company oil related income (sec. 954(a)).

Foreign base company services income includes income from services performed (1) for or on behalf of a related party and (2) outside the country of the CFC's incorporation (sec. 954(e)). Treasury regulations provide that the services of the foreign corporation will be treated as performed for or on behalf of the related party if, for example, a party related to the foreign corporation furnishes substantial assistance to the foreign corporation in connection with the provision of services (Treas. Reg. sec. 1.954–4(b)(1)(iv)).

Foreign base company oil related income is income derived outside the United States from the processing of minerals extracted from oil or gas wells into their primary products; the transportation, distribution, or sale of such minerals or primary products; the disposition of assets used by the taxpayer in a trade or business involving the foregoing; or the performance of any related services. However, foreign base company oil related income does not include income derived from a source within a foreign country in connection with: (1) oil or gas which was extracted from a well located in such foreign country or, (2), oil, gas, or a primary product of oil or gas which is sold by the CFC or a related person for use or consumption within such foreign country or is loaded in such country as fuel on a vessel or aircraft. An exclusion also is provided for income of a CFC that is a small producer (i.e., a corporation whose average daily oil and natural gas production, including production by related corporations, is less than 1,000 barrels).

House Bill

The House bill exempts income derived in connection with the performance of services which are directly related to the transmission of high voltage electricity from the definition of foreign base company services income. Thus, the income of a CFC that owns a high voltage transmission line for the purpose of providing electricity generated by a related party to a third party outside the CFC's country of incorporation does not constitute foreign base company services income. No inference is intended as to the treatment of such income under present law.

The House bill also provides an additional exception to the definition of foreign base company oil related income. Under the House bill, foreign base company oil related income does not include income derived from a source within a foreign country in connection with the pipeline transportation of oil or gas within such foreign country. Thus, the exception applies whether or not the CFC that owns the pipeline also owns any interest in the oil or gas transported. In addition, the exception applies to income earned from the transportation of oil or gas by pipeline in a country in which the oil or gas was neither extracted nor consumed.

Effective date.—The provision is effective for taxable years of CFCs beginning after December 31, 2001, and taxable years of U.S. shareholders with or within which such taxable years of CFCs end.

Senate Amendment

The Senate amendment is the same as the House bill, with a modification to the effective date.

Effective date.—The provision is effective for taxable years of CFCs beginning after December 31, 2002, and taxable years of U.S. shareholders with or within which such taxable years of CFCs end.

Conference Agreement

The conference agreement follows the House bill.

D. Recharacterization of Overall Domestic Loss (sec. 905 of the House bill and sec. 904 of the Code)

Present Law

A premise of the foreign tax credit is that it should not reduce a taxpayer's U.S. tax on its U.S.-source income; rather, it should only reduce U.S. tax on foreign-source income. An overall foreign tax credit limitation prevents taxpayers from using foreign tax credits to offset U.S. tax on U.S.-source income. The overall limitation is calculated by prorating a taxpayer's pre-credit U.S. tax on its worldwide income between its U.S.-source and foreign-source taxable income. The ratio (not exceeding 100 percent) of the taxpayer's foreign-source taxable income to worldwide taxable income is multiplied by its pre-credit U.S. tax to establish the amount of U.S. tax allocable to the taxpayer's foreign-source income and, thus, the upper limit on the foreign tax credit for the year. If the taxpayer's foreign-source taxable income exceeds worldwide taxable income (because of a

[74] A controlled foreign corporation in which the taxpayer owns at least 10 percent of the stock by vote is treated as a 10/50 company with respect to any distribution out of earnings and profits for periods when it was not a controlled foreign corporation.

domestic source loss), then the full amount of pre-credit U.S. tax may be offset by the foreign tax credit.

If a taxpayer's losses from foreign sources exceed its foreign-source income, the excess (''overall foreign loss'' or ''OFL'') may offset U.S.-source income. Such an offset reduces the effective rate of U.S. tax on U.S.-source income. To eliminate a double benefit (that is, the reduction of U.S. tax previously noted and, later, full allowance of a foreign tax credit with respect to foreign-source income), an OFL recapture rule applies. Under this rule, a portion of foreign-source taxable income earned after an OFL year is recharacterized as U.S.-source taxable income for foreign tax credit purposes (and for purposes of the possessions tax credit) (sec. 904(f)(1)). Foreign-source taxable income up to the amount of the unrecaptured OFL may be so treated. In general, no more than 50 percent of the foreign-source taxable income earned in any particular taxable year is recharacterized as U.S.-source taxable income, unless a taxpayer elects a higher percentage.[75] The effect of the recapture is to reduce the foreign tax credit limitation in one or more years following an OFL year and, therefore, the amount of U.S. tax that can be offset by foreign tax credits in the later year or years.

An overall U.S.-source loss reduces pre-credit U.S. tax on worldwide income to an amount less than the hypothetical tax that would apply to the taxpayer's foreign-source income if viewed in isolation. The existence of foreign-source taxable income in the year of the U.S. loss reduces or eliminates any net operating loss carryover that the U.S. loss would otherwise have generated absent the foreign income. In addition, as the pre-credit U.S. tax on worldwide income is reduced, so is the foreign tax credit limitation. As a result, some foreign tax credits in the year of the U.S. loss must be credited, if at all, in a carryover year. Tax on domestic-source taxable income in a subsequent year may be offset by a net operating loss carryforward (if any), but not by a foreign tax credit carryforward. There is presently no mechanism for resourcing such subsequent U.S.-source income as foreign-source income.

House Bill

The House bill applies a resourcing rule to U.S.-source income where the taxpayer has suffered a reduction in the amount of its foreign tax credit limitation due to a prior overall domestic loss. Under the House bill, in the case of a taxpayer that has incurred an overall domestic loss, the portion of the taxpayer's U.S.-source taxable income for each succeeding taxable year that is equal to the lesser of (1) the amount of the unrecharacterized overall domestic loss, or (2) 50 percent of the taxpayer's U.S.-source taxable income for such succeeding taxable year is recharacterized as foreign-source taxable income.

The House bill defines an overall domestic loss for this purpose as any domestic loss to the extent it offsets foreign-source taxable income for the current taxable year or for any preceding taxable year by reason of a loss carryback. For this purpose, a domestic loss means the amount by which the U.S.-source gross income for the taxable year is exceeded by the sum of the deductions properly apportioned or allocated thereto, determined without regard to any loss carried back from a subsequent taxable year. Under the House bill, an overall domestic loss does not include any loss for any taxable year unless the taxpayer elected the use of the foreign tax credit for such taxable year.

Any U.S.-source income resourced under the House bill is allocated among the various foreign tax credit separate limitation categories in the same proportion that those categories were reduced by the prior overall domestic loss. In addition, the House bill grants the Treasury Secretary authority to prescribe regulations as may be necessary to coordinate the operation of the OFL recapture rules with the operation of the overall domestic loss recharacterization rules that would be added by the House bill.

Effective date.—The provision applies to losses incurred in taxable years beginning after December 31, 2004.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill, with a modification to the effective date.

Effective date.—The provision applies to losses incurred in taxable years beginning after December 31, 2005.

E. Treatment of Military Property of Foreign Sales Corporations (sec. 906 of the House bill, sec. 908 of the Senate amendment, and sec. 923 of the Code)

Present Law

A portion of the foreign trade income of an eligible foreign sales corporation (''FSC'') is exempt from federal income tax. Foreign trade income is defined as the gross income of a FSC that is attributable to foreign trading gross receipts. In general, the term ''foreign trading gross receipts'' means the gross receipts of a FSC from the sale or lease of export property, services related and subsidiary to the sale or lease of export property, engineering or architectural services for construction projects located outside the United States, and certain managerial services for an unrelated FSC or DISC.

Section 923(a)(5) contains a special limitation relating to the export of military property. Under regulations prescribed by the Treasury Secretary, the portion of a FSC's foreign trading gross receipts from the disposition of, or services relating to, military property that may be treated as exempt foreign trade income is limited to 50 percent of the amount that would otherwise be so treated. For this purpose, the term ''military property'' means any property that is an arm, ammunition, or implement of war designated in the munitions list published pursuant to federal law. Under this provision, the export of military property through a FSC is accorded one-half the tax benefit that is accorded to exports of non-military property.

House Bill

The House bill repeals the special FSC limitation relating to the export of military property, thus providing exports of military property through a FSC with the same treatment currently provided exports of non-military property.

Effective date.—The provision is effective for taxable years beginning after December 31, 2001.

Senate Amendment

The Senate amendment is the same as the House bill, with a modification to the effective date.

Effective date.—The provision is effective for taxable years beginning after December 31, 2004.

Conference Agreement

The conference agreement follows the House bill.

F. Modify Treatment of RIC Dividends Paid to Foreign Persons (sec. 907 of the House bill and secs. 871, 881, 897, 1441, 1442, and 2105 of the Code)

Present Law

Regulated investment companies

A regulated investment company (''RIC'') is a domestic corporation that, at all times during the taxable year, is registered under the Investment Company Act of 1940 as a management company or as a unit investment trust, or has elected to be treated as a business development company under that Act (sec. 851(a)). In addition, to qualify as a RIC, a corporation must elect such status and must satisfy certain tests (sec. 851(b)). Generally, a RIC pays no income tax because it is permitted to deduct dividends paid to its shareholders in computing its taxable income.

A RIC generally may pass through to its shareholders the character of its long-term capital gains. It does this by designating a dividend it pays as a capital gain dividend to the extent that the RIC has net capital gain (i.e., net long-term capital gain over net short-term capital loss). These capital gain dividends are treated as long-term capital gains by the shareholders. A RIC generally also can pass through to its shareholders the character of tax-exempt interest from State and municipal bonds, but only if, at the close of each quarter of its taxable year, at least 50 percent of the value of the total assets of the RIC consists of these obligations. In this case, the RIC generally may designate a dividend it pays as an exempt-interest dividend to the extent that the RIC has tax-exempt interest income. These exempt-interest dividends are treated as interest excludable from gross income by the shareholders.

U.S. source investment income of foreign persons

The United States generally imposes a flat 30–percent tax, collected by withholding, on the gross amount of U.S.-source investment income payments, such as interest, dividends, rents, royalties, or similar types of income, to nonresident alien individuals and foreign corporations (''foreign persons'') (secs. 871(a), 881, 1441, and 1442). Under treaties, the United States may reduce or eliminate such taxes. Even taking into account U.S. treaties, however, the tax on a dividend generally is not entirely eliminated. Instead, U.S.-source portfolio investment dividends received by foreign persons generally are subject to U.S. withholding tax at a rate of at least 15 percent.

Although payments of U.S.-source interest that is not effectively connected with a U.S. trade or business generally are subject to the 30–percent withholding tax, there are significant exceptions to that rule under which the U.S.-source interest payments to foreign persons are exempt from U.S. tax.

In addition, foreign persons generally are not subject to U.S. tax on gain realized on the disposition of stock or securities issued by a U.S. person, unless the gain is effectively connected with the conduct of a trade or business in the United States. Under the

[75] If a taxpayer with an OFL disposes of property that was used predominantly outside the United States in a trade or business, the taxpayer generally is deemed to have received and recognized foreign-source taxable income as the result of a disposition in an amount at least equal to the lesser of the gain actually realized on the disposition or the remaining amount of the unrecaptured OFL. Furthermore, the annual 50–percent limit on the resourcing of foreign-source income does not apply to that amount of foreign-source income realized by reason of the disposition.

Foreign Investment in Real Property Tax Act of 1980 (''FIRPTA''), as amended, gain or loss of a foreign person from the disposition of a U.S. real property interest is subject to net basis tax as if the taxpayer were engaged in a trade or business within the United States and the gain or loss were effectively connected with such trade or business (sec. 897). Under the FIRPTA provisions, a distribution by a real estate investment trust (''REIT'') to a foreign person generally is, to the extent attributable to gain from sales or exchanges by the REIT of U.S. real property interests, treated as gain recognized by the foreign person from the sale or exchange of a U.S. real property interest (sec. 897(h)). In view of the nature of a REIT, an interest in a REIT may in some cases be considered to be a U.S. real property interest.

Estate taxation

Decedents who were citizens or residents of the United States are generally subject to Federal estate tax on all property, wherever situated. Nonresidents who are not U.S. citizens, however, are subject to estate tax only on their property which is within the United States. Property within the United States generally includes debt obligations of U.S. persons, including the Federal government and State and local governments (sec. 2104(c)), but does not include either bank deposits or portfolio obligations, the interest on which would be exempt from U.S. income tax under section 871 (sec. 2105(b)).

House Bill

Under the House bill, a RIC that earns certain net interest income that would not be subject to U.S. tax if earned by a foreign person directly may, to the extent of such income, designate a dividend it pays as derived from such net interest income. A foreign person who is a shareholder in the RIC generally would treat such a dividend as exempt from gross-basis U.S. tax, just as if the foreign person had earned the interest directly. Similarly, a RIC that earns an excess of net short-term capital gains over net long-term capital losses, which excess would not be subject to U.S. tax if earned by a foreign person directly, generally may, to the extent of such excess, designate a dividend it pays as derived from such excess. A foreign person who is a shareholder in the RIC generally would treat such a dividend as exempt from gross-basis U.S. tax, just as if the foreign person had realized the amount directly.

As is true under present law for distributions from REITs, the House bill provides that any distribution by a RIC to a foreign person shall, to the extent attributable to gain from the sale or exchange by the RIC of an asset that is considered a U.S. real property interest, be treated as gain recognized by the foreign person from the sale or exchange of a U.S. real property interest.

The House bill also extends the special rules for domestically-controlled REITS to domestically- controlled RICs. The House bill provides that the estate of a foreign decedent is exempt from U.S. estate tax on a transfer of stock in the RIC in the proportion that the assets held by the RIC are debt obligations, deposits, or other property that would generally be treated as situated outside the United States if held directly by the estate.

Effective date.—The House bill generally applies to dividends with respect to taxable years of RICs beginning after December 31, 2004. With respect to the treatment of a RIC for estate tax purposes, the House bill applies to estates of decedents dying after December 31, 2004. With respect to the treatment of RICs under section 897 (dealing with U.S. real property interests), the House bill is effective on January 1, 2005.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

G. Repeal of Special Rules for Applying Foreign Tax Credit in Case of Foreign Oil and Gas Income (sec. 908 of the House bill and sec. 907 of the Code)

Present Law

U.S. persons are subject to U.S. income tax on their worldwide income. A credit against U.S. tax on foreign-source income is allowed for foreign taxes paid or accrued (or deemed paid) (secs. 901, 902).

The amount of foreign tax credits that a taxpayer may claim in a year is subject to a limitation that prevents taxpayers from using foreign tax credits to offset U.S. tax on U.S.-source income (sec. 904). The foreign tax credit limitation is calculated on an overall basis and separately for specific categories of income. The amount of creditable taxes paid or accrued (or deemed paid) in any taxable year that exceeds the respective foreign tax credit limitations is permitted to be carried back two years and carried forward five years (sec. 904(c)).

Special rules apply with respect to the foreign tax credit in the case of foreign oil and gas income (sec. 907). Under a special limitation, taxes on foreign oil and gas extraction income are creditable only to the extent that they do not exceed a specified amount (e.g., 35 percent of such income in the case of a corporation) (sec. 907(a)). For this purpose, foreign oil and gas extraction income is income derived from foreign sources from the extraction of minerals from oil or gas wells or the sale or exchange of assets used by the taxpayer in such extraction. A taxpayer must have excess limitation under the special rules applicable to foreign extraction taxes and excess limitation under the general foreign tax credit provisions in order to utilize excess foreign oil and gas extraction taxes in a carryback or carryforward year. In addition, in the case of taxes paid or accrued to any foreign country with respect to certain foreign oil related income, discriminatory foreign taxes are not treated as creditable foreign taxes (sec. 907(b)).

House Bill

The House bill repeals the special rules of section 907 for applying the foreign tax credit in the case of foreign oil and gas income.

Effective date.—The provision is effective for taxable years beginning after December 31, 2004.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill, with a modification to the effective date.

Effective date.—The provision is effective for taxable years beginning after December 31, 2007.

H. Study of Proper Treatment of European Union under Subpart F Same Country Exceptions (sec. 909 of the House bill)

Present Law

In general, U.S. 10–percent shareholders of a controlled foreign corporation (''CFC'') are required to include in income for U.S. tax purposes currently certain income of the CFC (referred to as ''subpart F income''), without regard to whether the income is distributed to the shareholders (sec. 951(a)(1)(A)). In effect, the Code treats the U.S. 10–percent shareholders of a CFC as having received a current distribution of their pro rata shares of the CFC's subpart F income. For this purpose, a U.S. 10–percent shareholder is a U.S. person that owns 10 percent or more of the corporation's stock (measured by vote) (sec. 951(b)). In general, a foreign corporation is a CFC if U.S. 10–percent shareholders own more than 50 percent of such corporation's stock (measured by vote or by value) (sec. 957).

Subpart F income typically is passive income or income that is relatively movable from one taxing jurisdiction to another. Subpart F income consists of foreign base company income (defined in sec. 954), insurance income (defined in sec. 953), and certain income relating to international boycotts and other violations of public policy (defined in sec. 952(a)(3)-(5)). Subpart F income does not include income of the CFC that is effectively connected with the conduct of a trade or business within the United States (on which income the CFC is subject to current U.S. tax) (sec. 952(b)).

Income of a CFC may be excepted from the subpart F provisions under various same country exceptions. For example, a major category of foreign base company income is foreign personal holding company income, which generally includes, among other things, certain dividends, interest, rents and royalties (sec. 954(c)). Same country exceptions from treatment as subpart F foreign personal holding company income generally are provided for dividends and interest received by the CFC from a related person that (1) is a corporation organized under the laws of the same foreign country in which the CFC is created or organized and (2) has a substantial part of its assets used in a trade or business located in such same foreign country. Similarly, same country exceptions from subpart F foreign personal holding income generally are provided for rents and royalties received by the CFC from a related corporation for the use of property within the country in which the CFC is created or organized (sec. 954(c)(3)).

House Bill

The House bill directs the Treasury Secretary to conduct a study of the feasibility of treating all countries included in the European Union as one country for purposes of applying same country exceptions under subpart F. The House bill requires the results of the study to be reported to the House Committee on Ways and Means and the Senate Committee on Finance, along with any legislative recommendations, no later than 6 months after the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement does not include the provision in the House bill. The conferees, however, encourage the Treasury Department to study the feasibility of treating all countries included in the European Union as one country for purposes of applying same country exceptions under subpart F.

Provide Waiver from Denial of Foreign Tax Credits (sec. 910 of the House bill and sec. 901(j) of the Code)

Present Law

In general, U.S. persons may credit foreign taxes against U.S. tax on foreign-source income. The amount of foreign tax credits that can be claimed in a year is subject to a limitation that prevents taxpayers from using

foreign tax credits to offset U.S. tax on U.S.-source income. Separate limitations are applied to specific categories of income.

Pursuant to special rules applicable to taxes paid to certain foreign countries, no foreign tax credit is allowed for income, war profits, or excess profits taxed paid, accrued, or deemed paid to a country which satisfies specified criteria, to the extent that the taxes are with respect to income attributable to a period during which such criteria were satisfied (sec. 901(j)). Section 901(j) applies with respect to any foreign country: (1) the government of which the United States does not recognize, unless such government is otherwise eligible to purchase defense articles or services under the Arms Export Control Act, (2) with respect to which the United States has severed diplomatic relations, (3) with respect to which the United States has not severed diplomatic relations but does not conduct such relations, or (4) which the Secretary of State has, pursuant to section 6(j) of the Export Administration Act of 1979, as amended, designated as a foreign country which repeatedly provides support for acts of international terrorisms (a ''section 901(j) foreign country''). The denial of credits applies to any foreign country during the period beginning on the later of January 1, 1987, or six months after such country becomes a section 901(j) country, and ending on the date the Secretary of State certifies to the Secretary of the Treasury that such country is no longer a section 901(j) country.

Taxes treated as noncreditable under section 901(j) generally are permitted to be deducted notwithstanding the fact that the taxpayer elects use of the foreign tax credit for the taxable year with respect to other taxes. In addition, income for which foreign tax credits are denied generally cannot be sheltered from U.S. tax by other creditable foreign taxes.

Under the rules of subpart F, U.S. 10–percent shareholders of a controlled foreign corporation (''CFC'') are required to include in income currently certain types of income of the CFC, whether or not such income is actually distributed currently to the shareholders (referred to as ''subpart F income''). Subpart F income includes income derived from any foreign country during a period in which the taxes imposed by that country are denied eligibility for the foreign tax credit under section 901(j) (sec. 952(a)(5)).

House Bill

The House bill provides that section 901(j) no longer applies with respect to a foreign country if the President determines that the application of section 901(j) to such foreign country is not in the national interests of the United States.

Effective date.—The provision is effective as of the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement does not include the provision in the House bill.

J. Prohibit Disclosure of APAs and APA Background Files (sec. 911 of the House bill, sec. 905 of the Senate amendment and secs. 6103 and 6110 of the Code)

Present Law

Section 6103

Under section 6103, returns and return information are confidential and cannot be disclosed unless authorized by the Internal Revenue Code.

The Code defines return information broadly. Return information includes:

A taxpayer's identity, the nature, source or amount of income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax withheld, deficiencies, overassessments, or tax payments;

Whether the taxpayer's return was, is being, or will be examined or subject to other investigation or processing; or

Any other data, received by, recorded by, prepared by, furnished to, or collected by the Secretary with respect to a return or with respect to the determination of the existence, or possible existence, of liability (or the amount thereof) of any person under this title for any tax, penalty, interest, fine, forfeiture, or other imposition, or offense.[76]

Section 6110 and the Freedom of Information Act

With certain exceptions, section 6110 makes the text of any written determination the IRS issues available for public inspection. A written determination is any ruling, determination letter, technical advice memorandum, or Chief Counsel advice. Once the IRS makes the written determination publicly available, the background file documents associated with such written determination are available for public inspection upon written request. The Code defines ''background file documents'' as any written material submitted in support of the request. Background file documents also include any communications between the IRS and persons outside the IRS concerning such written determination that occur before the IRS issues the determination.

Before making them available for public inspection, section 6110 requires the IRS to delete specific categories of sensitive information from the written determination and background file documents.[77] It also provides judicial and administrative procedures to resolve disputes over the scope of the information the IRS will disclose. In addition, Congress has also wholly exempted certain matters from section 6110's public disclosure requirements.[78] Any part of a written determination or background file that is not disclosed under section 6110 constitutes ''return information.''[79]

The Freedom of Information Act (FOIA) lists categories of information that a federal agency must make available for public inspection.[80] It establishes a presumption that agency records are accessible to the public. The FOIA, however, also provides nine exemptions from public disclosure. One of those exemptions is for matters specifically exempted from disclosure by a statute other than the FOIA if the exempting statute meets certain requirements.[81] Section 6103 qualifies as an exempting statute under this FOIA provision. Thus, returns and return information that section 6103 deems confidential are exempt from disclosure under the FOIA.

Section 6110 is the exclusive means for the public to view IRS written determinations.[82] If section 6110 covers the written determination, then the public cannot use the FOIA to obtain that determination.

Advance Pricing Agreements

The Advanced Pricing Agreement (''APA'') program is an alternative dispute resolution program conducted by the IRS, which resolves international transfer pricing issues prior to the filing of the corporate tax return. Specifically, an APA is an advance agreement establishing an approved transfer pricing methodology entered into among the taxpayer, the IRS, and a foreign tax authority. The IRS and the foreign tax authority generally agree to accept the results of such approved methodology. Alternatively, an APA also may be negotiated between just the taxpayer and the IRS; such an APA establishes an approved transfer pricing methodology for U.S. tax purposes. The APA program focuses on identifying the appropriate transfer pricing methodology; it does not determine a taxpayer's tax liability. Taxpayers voluntarily participate in the program.

To resolve the transfer pricing issues, the taxpayer submits detailed and confidential financial information, business plans and projections to the IRS for consideration. Resolution involves an extensive analysis of the taxpayer's functions and risks. Since its inception in 1991, the APA program has resolved more than 180 APAs, and approximately 195 APA requests are pending.

Currently pending in the U.S. District Court for the District of Columbia are three consolidated lawsuits asserting that APAs are subject to public disclosure under either section 6110 or the FOIA.[83] Prior to this litigation and since the inception of the APA program, the IRS held the position that APAs were confidential return information protected from disclosure by section 6103.[84]

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[76] Sec. 6103(b)(2)(A).

[77] Sec. 6110(c) provides for the deletion of identifying information, trade secrets, confidential commercial and financial information and other material.

[78] Sec. 6110(l).

[79] Sec. 6103(b)(2)(B) (''The term ''return information'' means . . . any part of any written determination or any background file document relating to such written determination (as such terms are defined in section 6110(b)) which is not open to public inspection under section 6110'').

[80] Unless published promptly and offered for sale, an agency must provide for public inspection and copying: (1) final opinions as well as orders made in the adjudication of cases; (2) statements of policy and interpretations not published in the Federal Register; (3) administrative staff manuals and instructions to staff that affect a member of the public; and (4) agency records which have been or the agency expects to be, the subject of repetitive FOIA requests. 5 U.S.C. sec. 552(a)(2). An agency must also publish in the Federal Register: the organizational structure of the agency and procedures for obtaining information under the FOIA; statements describing the functions of the agency and all formal and informal procedures; rules of procedure, descriptions of forms and statements describing all papers, reports and examinations; rules of general applicability and statements of general policy; and amendments, revisions and repeals of the foregoing. 5 U.S.C. sec. 552(a)(1). All other agency records can be sought by FOIA request; however, some records may be exempt from disclosure.

[81] Exemption 3 of the FOIA provides that an agency is not required to disclose matters that are: ''(3) specifically exempted from disclosure by statute (other than section 552b of this title) provided that such statute (A) requires that the matters be withheld from the public in such a manner as to leave no discretion on the issue, or (B) establishes particular criteria for withholding or refers to particular types of matters to be withheld; . . .'' 5 U.S.C. §552(b)(3).

[82] Sec. 6110(m).

[83] *BNA* v. *IRS,* Nos. 96–376, 96–2820, and 96–1473 (D.D.C.). The Bureau of National Affairs, Inc. (BNA) publishes matters of interest for use by its subscribers. BNA contends that APAs are not return information as they are prospective in application. Thus at the time they are entered into they do not relate to ''the determination of the existence, or possible existence, of liability or amount thereof . . .''

[84] The IRS contended that information received or generated as part of the APA process pertains to a taxpayer's liability and therefore was return information as defined in sec. 6103(b)(2)(A). Thus, the information was subject to section 6103's restrictions on the dissemination of returns and return information. Rev. Proc. 91–22, sec. 11, 1991–1 C.B. 526, 534 and Rev. Proc. 96–53, sec. 12, 1996–2 C.B. 375, 386.

On January 11, 1999, the IRS conceded that APAs are ''rulings'' and therefore are ''written determinations'' for purposes of section 6110.[85] Although the court has not yet issued a ruling in the case, the IRS announced its plan to publicly release both existing and future APAs. The IRS then transmitted existing APAs to the respective taxpayers with proposed deletions. It has received comments from some of the affected taxpayers. Where appropriate, foreign tax authorities have also received copies of the relevant APAs for comment on the proposed deletions. No APAs have yet been released to the public.

Some taxpayers assert that the IRS erred in adopting the position that APAs are subject to section 6110 public disclosure. Several have sought to participate as *amici* in the lawsuit to block the release of APAs. They are concerned that release under section 6110 could expose them to expensive litigation to defend the deletion of the confidential information from their APAs. They are also concerned that the section 6110 procedures are insufficient to protect the confidentiality of their trade secrets and other financial and commercial information.

House Bill

The House bill amends section 6103 to provide that APAs and related background information are confidential return information under section 6103. Related background information is meant to include: the request for an APA, any material submitted in support of the request, and any communication (written or otherwise) prepared or received by the Secretary in connection with an APA, regardless of when such communication is prepared or received. Protection is not limited to agreements actually executed; it includes material received and generated in the APA process that does not result in an executed agreement.

Further, APAs and related background information are not ''written determinations'' as that term is defined in section 6110. Therefore, the public inspection requirements of section 6110 do not apply to APAs and related background information. A document's incorporation in a background file, however, is not intended to be grounds for not disclosing an otherwise disclosable document from a source other than a background file.

The House bill statutorily requires that the Treasury Department prepare and publish an annual report on the status of APAs. The annual report is to contain the following information:

Information about the structure, composition, and operation of the APA program office;

A copy of each current model APA;

Statistics regarding the amount of time to complete new and renewal APAs;

The number of APA applications filed during such year;

The number of APAs executed to date and for the year;

The number of APA renewals issued to date and for the year;

The number of pending APA requests;

The number of pending APA renewals;

The number of APAs executed and pending (including renewals and renewal requests) that are unilateral, bilateral and multilateral, respectively;

The number of APAs revoked or canceled, and the number of withdrawals from the APA program, to date and for the year;

The number of finalized new APAs and renewals by industry;[86] and

General descriptions of:

the nature of the relationships between the related organizations, trades, or businesses covered by APAs;

the related organizations, trades, or businesses whose prices or results are tested to determine compliance with the transfer pricing methodology prescribed in the APA;

the covered transactions and the functions performed and risks assumed by the related organizations, trades or businesses involved;

methodologies used to evaluate tested parties and transactions and the circumstances leading to the use of those methodologies;

critical assumptions;

sources of comparables;

comparable selection criteria and the rationale used in determining such criteria;

the nature of adjustments to comparables and/or tested parties;

the nature of any range agreed to, including information such as whether no range was used and why, whether an inter-quartile range was used, or whether there was a statistical narrowing of the comparables;

adjustment mechanisms provided to rectify results that fall outside of the agreed upon APA range;

the various term lengths for APAs, including rollback years, and the number of APAs with each such term length;

the nature of documentation required; and

approaches for sharing of currency or other risks.

The first report is to cover the period January 1, 1991, through the calendar year including the date of enactment. The Treasury Department cannot include any information in the report which would have been deleted under section 6110(c) if the report were a written determination as defined in section 6110. Additionally, the report cannot include any information which can be associated with or otherwise identify, directly or indirectly, a particular taxpayer. The Secretary is expected to obtain input from taxpayers to ensure proper protection of taxpayer information and, if necessary, utilize its regulatory authority to implement appropriate processes for obtaining this input. For purposes of section 6103, the report requirement is treated as part of Title 26.

The IRS user fee otherwise required to be paid for an APA is increased by $500. The Secretary has the authority to make appropriate reductions in such fee for small businesses.

While the House bill statutorily requires an annual report, it is not intended to discourage the Treasury Department from issuing other forms of guidance, such as regulations or revenue rulings, consistent with the confidentiality provisions of the Code.

Effective date.—The provision is effective on the date of enactment; accordingly, no APAs, regardless of whether executed before or after enactment, or related background file documents can be released to the public after the date of enactment. It requires the Treasury Department to publish the first annual report no later than March 30, 2000.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment. In addition, the conference agreement requires the IRS to describe, in each annual report, its efforts to ensure compliance with existing APA agreements.

K. Increase Dollar Limitation on Section 911 Exclusion (sec. 912 of the House bill and sec. 911 of the Code)

Present Law

U.S. citizens generally are subject to U.S. income tax on their worldwide income. A U.S. citizen who earns income in a foreign country also may be taxed on such income by that foreign country. A credit against the U.S. income tax imposed on foreign-source income is allowed for foreign taxes paid on such income.

U.S. citizens living abroad may be eligible to exclude from their income for U.S. tax purposes certain foreign earned income and foreign housing costs. In order to qualify for these exclusions, a U.S. citizen must be either (1) a bona fide resident of a foreign country or countries for an uninterrupted period that includes an entire taxable year, or (2) present in a foreign country or countries for 330 days out of any 12 consecutive month period. In addition, the taxpayer must have his or her tax home in a foreign country.

The exclusion for foreign earned income generally applies to income earned from sources outside the United States as compensation for personal services actually rendered by the taxpayer. The maximum exclusion for foreign earned income for taxable years before 1998 is $70,000. Beginning in 1998, the maximum exclusion is increased in increments of $2,000 per year until the exclusion amount is $80,000 (i.e., in the year 2002). The maximum exclusion is $74,000 for 1999. The exclusion is indexed for inflation beginning in 2008 (for inflation after 2006).

The exclusion for housing costs applies to reasonable expenses, other than deductible interest and taxes, paid or incurred by or on behalf of the taxpayer for housing for the taxpayer and his or her spouse and dependents in a foreign country. The exclusion amount for housing costs for a taxable year is equal to the excess of such housing costs for the taxable year over an amount computed pursuant to a specified formula.

The combined earned income exclusion and housing cost exclusion may not exceed the taxpayer's total foreign earned income. The taxpayer's foreign tax credit is reduced by the amount of the credit that is attributable to excluded income.

House Bill

The House bill increases the maximum exclusion for foreign earned income in annual increments of $3,000 per year beginning in 2003, until the exclusion amount is $95,000 (i.e., in the year 2007). Thus, for the years 2003 through 2007, the maximum exclusion gradually increases from $83,000 to $95,000. Beginning in 2008, the maximum exclusion amount of $95,000 is indexed for inflation.

Effective date.—The provision is effective for taxable years beginning after December 31, 1999.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

L. Exempt Certain Sales of Frequent-Flyer and Similar Reduced-Fare Air Transportation Rights from Aviation Excise Taxes (sec. 906 of the Senate amendment and sec. 4261 of the Code)

Present Law

An 7.5–percent excise tax is imposed on the sale by an air transportation provider of the

[85] IR 1999–05.

[86] This information was previously released in IRS Publication 3218, ''IRS Report on Application and Administration of I.R.C. Section 482.''

right to frequent-flyer or similar reduced-fare air transportation. Like the aviation excise taxes imposed on the sale of actual air transportation, this tax is imposed on all amounts paid for the right to air transportation if the right can be used for transportation to, from, or within the United States. In both cases, tax is imposed without regard to whether the sale occurs within the United States or elsewhere. Further, subject to an exception for rights actually used for purposes other than air transportation (as determined under Treasury Department regulations), the tax is imposed without regard to whether the rights ultimately are used for travel (to, from, or within United States or between two or more points in foreign countries) or expire without use.

The current authority granted to the Treasury Department to exempt certain awards does not permit an exemption unless the rights actually are used for a purpose other than air transportation (e.g., hotels or car rentals). Thus, under present law, rights are taxable even if transportation for which they ultimately are used has no nexus to the United States.

House Bill

No provision.

Senate Amendment

The Senate amendment exempts from the 7.5–percent tax, air transportation rights sold which are credited to accounts of persons having a mailing address outside the United States. Mailing addresses are those listed on the records of the operator of the frequent-flyer or similar program.

Effective date.—The provision applies to air transportation rights sold after December 31, 2004.

Conference Agreement

The conference agreement follows the Senate amendment. As with the present-law regulatory exception for certain rights shown to be used for purposes other than air transportation, this statutory exemption is limited to amounts which are documented by the person providing the right to transportation (i.e., the operator of the frequent-flyer or similar program) as credited to accounts of persons having mailing addresses outside the United States.

X. TAX–EXEMPT ORGANIZATION PROVISIONS

A. Provide Tax Exemption for Organizations Created by a State to Provide Property and Casualty Insurance Coverage for Property for Which Such Coverage Is Otherwise Unavailable (sec. 1001 of the House bill, sec. 801 of the Senate amendment, and sec. 501(c)(28) of the Code)

Present Law

A life insurance company is subject to tax on its life insurance company taxable income, which is its life insurance income reduced by life insurance deductions (sec. 801). Similarly, a property and casualty insurance company is subject to tax on its taxable income, which is determined as the sum of its underwriting income and investment income (as well as gains and other income items) (sec. 831). Present law provides that the term ''corporation'' includes an insurance company (sec. 7701(a)(3)).

In general, the Internal Revenue Service (''IRS'') takes the position that organizations that provide insurance for their members or other individuals are not considered to be engaged in a tax-exempt activity. The IRS maintains that such insurance activity is either (1) a regular business of a kind ordinarily carried on for profit, or (2) an economy or convenience in the conduct of members' businesses because it relieves the members from obtaining insurance on an individual basis.

Certain insurance risk pools have qualified for tax exemption under Code section 501(c)(6). In general, these organizations (1) assign any insurance policies and administrative functions to their member organizations (although they may reimburse their members for amounts paid and expenses); (2) serve an important common business interest of their members; and (3) must be membership organizations financed, at least in part, by membership dues.

State insurance risk pools may also qualify for tax exempt status under section 501(c)(4) as a social welfare organization or under section 115 as serving an essential governmental function of a State. In seeking qualification under section 501(c)(4), insurance organizations generally are constrained by the restrictions on the provision of ''commercial-type insurance'' contained in section 501(m). Section 115 generally provides that gross income does not include income derived from the exercise of any essential governmental function or accruing to a State or any political subdivision thereof.

Certain specific provisions provide tax-exempt status to organizations meeting statutory requirements.

Health coverage for high-risk individuals

Section 501(c)(26) provides tax-exempt status to any membership organization that is established by a State exclusively to provide coverage for medical care on a nonprofit basis to certain high-risk individuals, provided certain criteria are satisfied. The organization may provide coverage for medical care either by issuing insurance itself or by entering into an arrangement with a health maintenance organization (''HMO'').

High-risk individuals eligible to receive medical care coverage from the organization must be residents of the State who, due to a pre-existing medical condition, are unable to obtain health coverage for such condition through insurance or an HMO, or are able to acquire such coverage only at a rate that is substantially higher than the rate charged for such coverage by the organization. The State must determine the composition of membership in the organization. For example, a State could mandate that all organizations that are subject to insurance regulation by the State must be members of the organization.

The provision further requires the State or members of the organization to fund the liabilities of the organization to the extent that premiums charged to eligible individuals are insufficient to cover such liabilities. Finally, no part of the net earnings of the organization can inure to the benefit of any private shareholder or individual.

Workers' compensation reinsurance organizations

Section 501(c)(27)(A) provides tax-exempt status to any membership organization that is established by a State before June 1, 1996, exclusively to reimburse its members for workers' compensation insurance losses, and that satisfies certain other conditions. A State must require that the membership of the organization consist of all persons who issue insurance covering workers' compensation losses in such State, and all persons and governmental entities who self-insure against such losses. In addition, the organization must operate as a nonprofit organization by returning surplus income to members or to workers' compensation policyholders on a periodic basis and by reducing initial premiums in anticipation of investment income.

State workmen's compensation act companies

Section 501(c)(27)(B) provides tax-exempt status for any organization that is created by State law, and organized and operated exclusively to provide workmen's compensation insurance and related coverage that is incidental to workmen's compensation insurance, and that meets certain additional requirements. The workmen's compensation insurance must be required by State law, or be insurance with respect to which State law provides significant disincentives if it is not purchased by an employer (such as loss of exclusive remedy or forfeiture of affirmative defenses such as contributory negligence). The organization must provide workmen's compensation to any employer in the State (for employees in the State or temporarily assigned out-of-State) seeking such insurance and meeting other reasonable requirements. The State must either extend its full faith and credit to the initial debt of the organization or provide the initial operating capital of such organization. For this purpose, the initial operating capital can be provided by providing the proceeds of bonds issued by a State authority; the bonds may be repaid through exercise of the State's taxing authority, for example. For periods after the date of enactment, either the assets of the organization must revert to the State upon dissolution, or State law must not permit the dissolution of the organization absent an act of the State legislature. Should dissolution of the organization become permissible under applicable State law, then the requirement that the assets of the organization revert to the State upon dissolution applies. Finally, the majority of the board of directors (or comparable oversight body) of the organization must be appointed by an official of the executive branch of the State or by the State legislature, or by both.

House Bill

The provision provides tax-exempt status for any association created before January 1, 1999, by State law and organized and operated exclusively to provide property and casualty insurance coverage for property located within the State for which the State has determined that coverage in the authorized insurance market is limited or unavailable at reasonable rates, provided certain requirements are met.

Under the provision, no part of the net earnings of the association may inure to the benefit of any private shareholder or individual. Except as provided in the case of dissolution, no part of the assets of the association may be used for, or diverted to, any purpose other than: (1) to satisfy, in whole or in part, the liability of the association for, or with respect to, claims made on policies written by the association; (2) to invest in investments authorized by applicable law; (3) to pay reasonable and necessary administration expenses in connection with the establishment and operation of the association and the processing of claims against the association (4) to make remittances pursuant to State law to be used by the State to provide for the payment of claims on policies written by the association, purchase reinsurance covering losses under such policies, or to support governmental programs to prepare for or mitigate the effects of natural catastrophic events. The provision requires that the State law governing the association permit the association to levy assessments on insurance companies authorized to sell

property and casualty insurance in the State, or on property and casualty insurance policyholders with insurable interests in property located in the State to fund deficits of the association, including the creation of reserves. The provision requires that the plan of operation of the association be subject to approval by the chief executive officer or other official of the State, by the State legislature, or both. In addition, the provision requires that 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 that State law not permit the dissolution of the association.

The provision provides a special rule in the case of any entity or fund created before January 1, 1999, pursuant to State law and organized and operated exclusively to receive, hold, and invest remittances from an association exempt from tax under the provision, to make disbursements to pay claims on insurance contracts issued by the association, and to make disbursements to support governmental programs to prepare for or mitigate the effects of natural catastrophic events. The special rule provides that the entity or fund may elect to be disregarded as a separate entity and be treated as part of the association exempt from tax under the provision, from which it receives such remittances. The election is required to be made no later than 30 days following the date on which the association is determined to be exempt from tax under the provision, and would be effective as of the effective date of that determination.

An organization described in the provision is treated as having unrelated business taxable income (''UBIT'') in the amount of its taxable income (computed as if the organization were not exempt from tax under the proposal), 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 that preceding year.

Under the provision, no income or gain is recognized solely as a result of the change in status to that of an association exempt from tax under the provision.

Effective date.—The provision is effective for taxable years beginning after December 31, 1999. No inference is intended as to the tax status under present law of associations described in the provision.

Senate Amendment

Same as House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

B. Conform Provisions Relating to Arbitrage Treatment to Reflect Proposed State Constitutional Amendments (sec. 1002 of the House bill)

Present Law

In general, present-law tax-exempt bond arbitrage restrictions provide that interest on a State or local government bond is not eligible for tax-exemption if the proceeds are invested, directly or indirectly, in materially higher yielding investments or if the debt service on the bond is secured by or paid from (directly or indirectly) such investments. An exception, enacted in 1984, provides that the pledge of income from investments in a Fund established under a provision of a State constitution adopted in 1876 as security for a limited amount of tax-exempt bonds for two State university systems will not cause interest on those bonds to be taxable. The terms of this exception are limited to State constitutional or statutory restrictions in effect as of October 9, 1969.

The General Assembly of the State has approved proposed constitutional amendments regarding the manner in which amounts in the Fund are paid for the benefit of the two university systems. These proposed amendments are to be voted on by the State's citizens in November 1999. If approved, the amendments will in substance eliminate the benefits of the 1984 exception from the tax-exempt bond arbitrage restrictions for future debt.

House Bill

The 1984 exception is conformed to the proposed State constitutional amendments to permit its continued applicability to bonds of the two university systems. Limitations on the aggregate amount of bonds which may benefit from the exception are not modified.

Effective date.—The provision applies to bonds issued after December 31, 1999.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

C. Authorize Secretary of Treasury to Grant Waivers from Section 4941 Prohibitions (sec. 1004 of the House bill and sec. 4941 of the Code)

Present Law

In order to prohibit transactions between tax-exempt private foundations and certain related persons, present law provides for the imposition of excise taxes when ''disqualified persons'' engage in acts of ''self-dealing'' with a private foundation (sec. 4941). Disqualified persons include foundation managers (directors, trustees, and officers of the foundation), substantial contributors to the foundation, certain family members of these persons, and certain entities related to these persons. Disqualified persons also include government officials at certain levels.

Acts of self-dealing include any direct or indirect: (1) sale, exchange, or leasing of property between a private foundation and a disqualified person, (2) lending of money or extensions of credit between a private foundation and a disqualified person, (3) furnishing of goods, services, or facilities between a private foundation and a disqualified person, (4) payment of compensation (or payment or reimbursement of expenses) by a private foundation to a disqualified person, (5) transfer to, or use by or for the benefit of, a disqualified person of the income or assets of a private foundation, and (6) agreement by a private foundation to make any payment of money or other property to a government official.[87] There is no exception from the prohibition on acts of self-dealing for inadvertent violations, and even transactions which arguably may benefit the private foundation may be subject to tax as an act of self-dealing.

Self-dealing excise taxes are imposed on a disqualified person who has engaged in a self-dealing transaction, and on any foundation manager who knowingly participates in the transaction. At the first level of tax, a disqualified person is subject to an initial tax at a rate of 5 percent and a foundation manager at a rate of 2.5 percent (up to a maximum of $10,000) of the ''amount involved'' in the act of self-dealing. Where the self-dealing transaction involves the use of money (e.g., a loan) or other property, the ''amount involved'' generally is the greater of the amount of money and the fair market value of the other property given or the amount of money and the fair market value of the property received. Section 4941 also imposes a second level of taxes at higher rates where an act of self-dealing has occurred and the transaction is not corrected within a specified period of time.

House Bill

The House bill requires the Secretary of the Treasury to establish an exemption procedure pursuant to which the Secretary can grant a conditional or unconditional exemption from the self- dealing prohibition of section 4941. The Secretary is permitted to grant an exemption for any disqualified person or transaction, or class of disqualified persons or transactions, if such exemption is: (1) administratively feasible, (2) in the interests of the private foundation, and (3) protective of the rights of the private foundation. The House bill requires that, prior to granting such an exemption, the Secretary must: (1) require that adequate notice be given to interested persons, (2) publish notice in the Federal Register of the pendency of a request for an exemption, and (3) afford interested persons an opportunity to present their views.

Effective date.—The House bill is effective for transactions occurring after the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

D. Extend Declaratory Judgment Procedures to Non–501(c)(3) Tax-exempt Organizations (sec. 1005 of the House bill and sec. 7428 of the Code)

Present Law

In order for an organization to be granted tax exemption as a charitable entity described in section 501(c)(3), it generally must file an application for recognition of exemption with the IRS and receive a favorable determination of its status. Similarly, for most organizations, a charitable organization's eligibility to receive tax-deductible contributions is dependent upon its receipt of a favorable determination from the IRS. In general, a section 501(c)(3) organization can rely on a determination letter or ruling from the IRS regarding its tax-exempt status, unless there is a material change in its character, purposes, or methods of operation. In cases where an organization violates one or more of the requirements for tax exemption under section 501(c)(3), the IRS is authorized to revoke an organization's tax exemption, notwithstanding an earlier favorable determination.

In situations where the IRS denies an organization's application for recognition of exemption under section 501(c)(3) or fails to act on such application, or where the IRS informs a section 501(c)(3) organization that it is considering revoking or adversely modifying its tax- exempt status, present law authorizes the organization to seek a declaratory judgment regarding its tax status (sec. 7428). Section 7428 provides a remedy in the case of a dispute involving a determination by the IRS with respect to: (1) the initial qualification or continuing qualification of an organization as a charitable organization

[87] There are certain limited transactions between disqualified persons and private foundations that are defined by statute not to constitute acts of self-dealing.

for tax exemption purposes or for charitable contribution deduction purposes; (2) the initial classification or continuing classification of an organization as a private foundation; (3) the initial classification or continuing classification of an organization as a private operating foundation; or (4) the failure of the IRS to make a determination with respect to (1), (2), or (3). A ''determination'' in this context generally means a final decision by the IRS affecting the tax qualification of a charitable organization, although it also can include a proposed revocation of an organization's tax-exempt status or public charity classification. Section 7428 vests jurisdiction over controversies involving such a determination in the U.S. District Court for the District of Columbia, the U.S. Court of Federal Claims, and the U.S. Tax Court.

Prior to utilizing the declaratory judgment procedure, an organization must have exhausted all administrative remedies available to it within the IRS. For the first 270 days after a request for a determination is made, an organization is deemed to not have exhausted its administrative remedies. Provided that no determination is made during the 270–day period, the organization may initiate an action for declaratory judgment after the period has elapsed. If, however, the IRS makes an adverse determination during the 270–day period, an organization may initiate a declaratory judgment immediately. The 270–day period does not begin with respect to applications for recognition of tax-exempt status until the date a substantially completed application is submitted.

In contrast to the rules governing charities, it is a disputed issue as to whether non-charities (i.e., organizations not described in section 501(c)(3), including trade associations, social welfare organizations, social clubs, labor and agricultural organizations, and fraternal organizations) are required to file an application with the IRS to obtain a determination of their tax-exempt status. If an organization voluntarily files an application for recognition of exemption and receives a favorable determination from the IRS, the determination of tax-exempt status is usually effective as of the date of formation of the organization if its purposes and activities during the period prior to the date of the determination letter were consistent with the requirements for exemption. However, if the organization files an application for recognition of exemption and later receives an adverse determination from the IRS, the IRS may assert that the organization is subject to tax on some or all of its income for open taxable years. In addition, as with charitable organizations, the IRS may revoke or modify an earlier favorable determination regarding an organization's tax-exempt status.

Under present law, a non-charity (i.e., an organization not described in section 501(c)(3)) may not seek a declaratory judgment with respect to an IRS determination regarding its tax- exempt status. The only remedies available to such an organization are to petition the U.S. Tax Court for relief following the issuance of a notice of deficiency or to pay any tax owed and sue for refund in federal district court or the U.S. Court of Federal Claims.

House Bill

The House bill extends declaratory judgment procedures similar to those currently available only to charities under section 7428 to other section 501(c) determinations. Jurisdiction over controversies involving such determinations is limited to the United States Tax Court.

Effective date.—The House bill is effective for pleadings with respect to determinations made after the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

E. Modify Section 512(b)(13) (sec. 1006 of the bill and, Sec. 802 of the Senate amendment and section 512(b)(13) of the Code)

Present Law

In general, interest, rents, royalties and annuities are excluded from the unrelated business income (''UBI'') of tax-exempt organizations. However, section 512(b)(13) treats otherwise excluded rent, royalty, annuity, and interest income as UBI if such income is received from a taxable or tax-exempt subsidiary that is 50 percent controlled by the parent tax-exempt organization. In the case of a stock subsidiary, ''control'' means ownership by vote or value of more than 50 percent of the stock. In the case of a partnership or other entity, control means ownership of more than 50 percent of the profits, capital or beneficial interests. In addition, present law applies the constructive ownership rules of section 318 for purposes of section 512(b)(13). Thus, a parent exempt organization is deemed to control any subsidiary in which it holds more than 50 percent of the voting power or value, directly (as in the case of a first-tier subsidiary) or indirectly (as in the case of a second-tier subsidiary).

Under present law, interest, rent, annuity, or royalty payments made by a controlled entity to a tax-exempt organization are includable in the latter organization's UBI and are subject to the unrelated business income tax to the extent the payment reduces the net unrelated income (or increases any net unrelated loss) of the controlled entity.

The Taxpayer Relief Act of 1997 (the ''1997 Act'') made several modifications, as described above, to the control requirement of section 512(b)(13). In order to provide transitional relief, the changes made by the 1997 Act do not apply to any payment received or accrued during the first two taxable years beginning on or after the date of enactment of the 1997 Act (August 5, 1997) if such payment is received or accrued pursuant to a binding written contract in effect on June 8, 1997, and at all times thereafter before such payment (but not pursuant to any contract provision that permits optional accelerated payments).

House Bill

The House bill provides that the general rule of section 512(b)(13), which includes interest, rent, annuity, or royalty payments made by a controlled entity to a tax-exempt organization in the latter organization's UBI, applies only to the portion of payments received in a taxable year that exceed the amount of the specified payment which would have been paid if such payment had been determined under the principles of section 482. Thus, if a payment of rent by a controlled subsidiary to its tax-exempt parent organization exceeds fair market value, the excess amount of such payment over fair market value (as determined in accordance with section 482) is included in the parent organizations's UBI. The House bill also imposes an addition to tax of 20 percent of the excess amount of any such payment.

The House bill provides relief for payments under contracts that are still subject to the binding contract transition rule of the 1997 Act on the date of enactment of the proposal (but for which the transition rule would expire prior to the effective date of the proposal) by extending the transition rule until December 31, 1999.

Effective date.—The provision providing an exception from the general rule of section 512(b)(13) for interest, rent, annuity, or royalty payments from controlled subsidiaries that do not exceed fair market value generally applies to payments received or accrued after December 31, 1999.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

F. Simplify Lobbying Expenditure Limitations (sec. 803 of the Senate amendment and secs. 501(h) and 4911 of the Code)

Present Law

An organization does not qualify for tax-exempt status as a charitable organization under section 501(c)(3) unless no substantial part of its activities constitutes carrying on propaganda or otherwise attempting to influence legislation (commonly referred to as ''lobbying''). For purposes of determining whether legislative activities are a substantial part of a public charity's overall functions, a public charity may elect either the ''substantial part'' test or the ''expenditure'' test.

The substantial part test uses a facts and circumstances approach to measure the permissible level of legislative activities. Because there is no statutory or regulatory guidance, it is not clear whether the determination is based on the organization's activities, its expenditures, or both.

As an alternative to the substantial part test, the expenditure test permits public charities to elect to be governed by specific expenditure limitations on their lobbying activities under section 501(h). The expenditure test establishes two expenditure limits: one restricts the total amount of lobbying expenditures the public charity can make, the other restricts grass roots lobbying expenditures as a subset of total lobbying expenditures. A public charity's total lobbying expenditures for a year are the sum of its expenditures for direct lobbying and its expenditures for grass roots lobbying.

Direct lobbying is defined as an attempt to influence legislation through communication with a member or staff of a legislative body or with any other government official or employee who may participate in the formulation of legislation. The communication will constitute direct lobbying only if such communication ''refers to specific legislation'' and reflects a view on such legislation (Treas. Reg. sec. 56.4911–2(b)(1)(ii)). Grass roots lobbying is defined as an attempt to influence legislation through a communication with members of the public that seeks to affect their opinions about the legislation (Treas. Reg. sec. 56.4911–2(b)(2)(i)). The communication must refer to specific legislation, reflect a view on the legislation, and encourage the recipient of the communication to take action with respect to the legislation.

Under the expenditure test, a public charity will be denied exemption under section 501(c)(3) because of lobbying activities only if it normally either (1) makes total lobbying expenditures in excess of the ''lobbying ceiling amount'' or (2) makes grass roots expenditures in excess of the ''grass roots ceiling amount'' (sec. 501(h)(1)). The lobbying ceiling amount is 150 percent of the organization's ''lobbying nontaxable amount'' and

the grass roots ceiling amount is 150 percent of the ''grass roots nontaxable amount.'' The lobbying nontaxable amount is the lesser of $1 million or an amount determined as a percentage of an organization's exempt purpose expenditures. The grass roots nontaxable amount is 25 percent of the organization's lobbying nontaxable amount for that taxable year. A public charity that has elected the expenditure test and that exceeds either or both of these limitations is subject to a 25 percent tax on the greater of the two excess lobbying expenditures.

House Bill

No provision.

Senate Amendment

The Senate amendment removes the separate percentage limitation on grass roots lobbying expenditures. Consequently, public charities that have elected the expenditure test under section 501(h) are subject to an expenditure limitation only on their total lobbying expenditures.

Effective date.—The Senate amendment is effective for taxable years beginning after December 31, 1999.

Conference Agreement

The conference agreement follows the Senate amendment.

G. Tax-Free Withdrawals From IRAs for Charitable Purposes (sec. 804 of the Senate amendment and sec. 408(d) of the Code)

Present Law

Under present law, individualsmay make deductible contributions to a traditional individual retirement arrangement (''IRA''). Amounts in an IRA are includible in income when withdrawn (except to the extent the withdrawal represents a return of after-tax contributions). Includible amounts withdrawn before attainment of age 59½ are subject to an additional 10- percent early withdrawal tax, unless an exception applies.

Generally, a taxpayer who itemizes deductions may deduct cash contributions to charity, as well as the fair market value of contributions of property. The amount of the deduction otherwise allowable for the taxable year with respect to a charitable contribution may be reduced, depending on the type of property contributed, the type of charitable organization to which the property is contributed, and the income of the taxpayer.

For donations of cash by individuals, total deductible contributions to public charities may not exceed 50 percent of a taxpayer's adjusted gross income (''AGI'') for a taxable year. To the extent a taxpayer has not exceeded the 50–percent limitation, contributions of cash to private foundations and certain other nonprofit organizations and contributions of capital gain property to public charities generally may be deducted up to 30 percent of the taxpayer's AGI. If a taxpayer makes a contribution in one year which exceeds the applicable 50–percent or 30–percent limitation, the excess amount of the contribution may be carried over and deducted during the next five taxable years.

In addition to the percentage limitations imposed specifically on charitable contributions, present law imposes a reduction on most itemized deductions, including charitable contribution deductions, for taxpayers with adjusted gross income in excess of a threshold amount, which is indexed annually for inflation. The threshold amount for 1999 is $126,600 ($63,300 for married individuals filing separate returns). For those deductions that are subject to the limit, the total amount of itemized deductions is reduced by 3 percent of AGI over the threshold amount, but not by more than 80 percent of itemized deductions subject to the limit. The effect of this reduction may be to limit a taxpayer's ability to deduct some of his or her charitable contributions.

House Bill

No provision.

Senate Amendment

The provision provides an exclusion from gross income for qualified charitable distributions from an IRA: (1) to a charitable organization to which deductible contributions can be made; (2) to a charitable remainder annuity trust or charitable remainder unitrust; (3) to a pooled income fund (as defined in sec. 642(c)(5)); or (4) for the issuance of a charitable gift annuity. The exclusion applies with respect to distributions described in (2), (3), or (4) only if no person holds an income interest in the trust, fund, or annuity attributable to such distributions other than the IRA owner, his or her spouse, or a charitable organization.

In determining the character of distributions from a charitable remainder annuity trust or a charitable remainder unitrust to which a qualified charitable distribution from an IRA was made, the charitable remainder trust is required to treat as ordinary income the portion of the distribution from the IRA to the trust which would have been includible in income but for the provision, and as corpus any remaining portion of the distribution. Similarly, in determining the amount includible in gross income by reason of a payment from a charitable gift annuity purchased with a qualified charitable distribution from an IRA, the taxpayer is not permitted to treat the portion of the distribution from the IRA used to purchase the annuity as an investment in the annuity contract.

A qualified charitable distribution is any distribution from an IRA which is made after age 70½, which qualifies as a charitable contribution (within the meaning of sec. 170(c)), and which is made directly to the charitable organization or to a charitable remainder annuity trust, charitable remainder unitrust, pooled income fund, or charitable gift annuity (as described above).[88] A taxpayer is not permitted to claim a charitable contribution deduction for amounts transferred from his or her IRA to charity or to a trust, fund, or annuity that, because of the provision, are excluded from the taxpayer's income.

Effective date.—The provision is effective with respect to distributions after December 31, 2000.

Conference Agreement

The conference agreement follows the Senate amendment, except that an exclusion from gross income for a qualified charitable distribution from an IRA is available only for a distribution made to a charitable organization to which deductible contributions can be made, and not for distributions to charitable remainder trusts, pooled income funds, or for the issuance of charitable gift annuities.

Effective date.—The provision is effective for distributions in taxable years beginning after December 31, 2002.

[88] The Committee intends that, in the case of transfer to a trust, fund, or annuity, the full amount distributed from an IRA will meet the definition of a qualified charitable distribution if the charitable organization's interest in the distribution would qualify as a charitable contribution under section 170.

H. Provide Exclusion for Mileage Reimbursements by Charitable Organizations (sec. 1302 of the House bill, sec. 805 of the Senate amendment, and new sec. 138A of the Code)

Present Law

In computing taxable income, individuals who do not elect the standard deduction may claim itemized deductions, including a deduction (subject to certain limitations) for charitable contributions or gifts made during the taxable year to a qualified charitable organization or governmental entity (sec. 170). Individuals who elect the standard deduction may not claim a deduction for charitable contributions made during the taxable year.

No charitable contribution deduction is allowed for a contribution of services. However, unreimbursed expenditures made incident to providing donated services to a qualified charitable organization—such as out-of-pocket transportation expenses necessarily incurred in performing donated services—may constitute a deductible contribution (Treas. Reg. sec. 1.170A–1(g)).[89] However, no charitable contribution deduction is allowed for traveling expenses (including expenses for meals and lodging) while away from home, whether paid directly or by reimbursement, unless there is no significant element of personal pleasure, recreation, or vacation in such travel (sec. 170(j)). Moreover, a taxpayer may not deduct as a charitable contribution out-of-pocket expenditures incurred on behalf of a charity if such expenditures are made for the purposes of influencing legislation (sec. 170(f)(6)).

For purposes of computing the charitable contribution deduction for the use of a passenger automobile (including vans, pickups, and panel trucks) in connection with providing donated services to a qualified charitable organization, the standard mileage rate is 14 cents per mile (sec. 170(i)). Volunteer drivers who are reimbursed for mileage expenses have taxable income to the extent the reimbursement exceeds 14 cents per mile.

House Bill

Under the House bill, reimbursement by an entity or organization described in section 170(c) (including public charities and private foundations) for the costs of using an automobile in connection with providing donated services is excludable from the gross income of the volunteer, provided that (1) reimbursement does not exceed the rate prescribed for business use, and (2) applicable recordkeeping requirements are satisfied. The expenditures for which a volunteer is reimbursed must be expenditures for which a deduction would otherwise be allowable under section 170. The bill does not permit a volunteer to exclude a reimbursement from income if the volunteer claims a deduction or credit with respect to his or her automobile transportation expenses incurred in connection with providing donated services.

Effective date.—The provision is effective for taxable years beginning after December 31, 1999.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

[89] Treasury Regulation section 1.170A–1(g) allows taxpayers to deduct only their own unreimbursed expenses incurred in performing services for a qualified charitable organization, and not expenses incident to a third party's performance of services. See *Davis* v. *United States*, 495 U.S. 472 (1990).

I. Charitable Contribution Deduction for Certain Expenses in Support of Native Alaskan Subsistence Whaling (sec. 806 of the Senate amendment and sec. 170 of the Code)

Present Law

In computing taxable income, individuals who do not elect the standard deduction may claim itemized deductions, including a deduction (subject to certain limitations) for charitable contributions or gifts made during the taxable year to a qualified charitable organization or governmental entity (sec. 170). Individuals who elect the standard deduction may not claim a deduction for charitable contributions made during the taxable year.

No charitable contribution deduction is allowed for a contribution of services. However, unreimbursed expenditures made incident to the rendition of services to an organization, contributions to which are deductible, may constitute a deductible contribution (Treas. Reg. sec. 1.170A–1(g)). Specifically, section 170(j) provides that no charitable contribution deduction is allowed for traveling expenses (including amounts expended for meals and lodging) while away from home, whether paid directly or by reimbursement, unless there is no significant element of personal pleasure, recreation, or vacation in such travel.

House Bill

No provision.

Senate Amendment

The Senate amendment allows individuals to claim a deduction under section 170 not exceeding $7,500 per taxable year for certain expenses incurred in carrying out sanctioned whaling activities. The deduction is available only to an individual who is recognized by the Alaska Eskimo Whaling Commission as a whaling captain charged with the responsibility of maintaining and carrying out sanctioned whaling activities. The deduction is available for reasonable and necessary expenses paid by the taxpayer during the taxable year for (1) the acquisition and maintenance of whaling boats, weapons, and gear used in sanctioned whaling activities, (2) the supplying of food for the crew and other provisions for carrying out such activities, and (3) storage and distribution of the catch from such activities.

For purposes of the provision, the term ''sanctioned whaling activities'' means subsistence bowhead whale hunting activities conducted pursuant to the management plan of the Alaska Eskimo Whaling Commission. No inference is intended regarding the deductibility of any whaling expenses incurred in a taxable year ending before January 1, 2000.

Effective date.—The Senate amendment is effective for taxable years ending after December 31, 1999.

Conference Agreement

The conference agreement follows the Senate amendment.

J. Charitable Giving Provisions (secs. 807–809 of the Senate amendment and secs. 170 and 63 of the Code)

Present Law

Generally, a taxpayer who itemizes deductions may deduct cash contributions to charity made within a taxable year (generally, January 1–December 31 for calendar-year taxpayers), as well as the fair market value of contributions of property. The amount of the deduction otherwise allowable for the taxable year with respect to a charitable contribution may be reduced, depending on the type of property contributed, the type of charitable organization to which the property is contributed, and the income of the taxpayer. Taxpayers who do not itemize their deductions may not claim a deduction for charitable contributions made during the taxable year.

For donations of cash by individuals, total deductible contributions to public charities, private operating foundations, and certain types of private non-operating foundations may not exceed 50 percent of a taxpayer's ''contribution base,'' which is typically the taxpayer's adjusted gross income (''AGI''), for a taxable year (sec. 170(b)(1)). To the extent a taxpayer has not exceeded the 50–percent limitation, contributions of cash to private foundations and certain other charitable organizations and contributions of capital gain property to public charities generally may be deducted up to 30 percent of the taxpayer's contribution base. If a taxpayer makes a contribution in one year which exceeds the applicable 50–percent or 30–percent limitation, the excess amount of the contribution may be carried over and deducted during the next five taxable years.

The maximum charitable contribution deduction that may be claimed by a corporation for any one taxable year is limited to 10 percent of the corporation's taxable income for that year. (sec. 170(b)(2)).

House Bill

No provision.

Senate Amendment

Deadline for contributions to low-income schools extended until return filing date

The Senate amendment allows taxpayers to claim a charitable contribution deduction for donations to public, private, and parochial low-income elementary and secondary schools made after the end of the taxable year and on or before the date for filing the taxpayer's Federal income tax return (not including extensions). For example, a calendar-year taxpayer may make a contribution to a qualifying school on March 23, 2001, and claim a charitable contribution deduction for that gift on his or her Federal income tax return for the year 2000 filed on April 15, 2001.[90] For purposes of the provision, a low-income school is defined as one where more than 50 percent of the students qualify for free or reduced price lunches.

Effective date.—The Senate amendment is effective for taxable years beginning after December 31, 1999.

Charitable contribution deduction for non-itemizers

For 2005 and 2006, the Senate amendment allows taxpayers who do not itemize their deductions to claim a deduction for charitable contributions in addition to the standard deduction. The deduction is limited to $50 for individual taxpayers and $100 for taxpayers filing joint returns. The deduction is available for any donation that is allowable as a deductible charitable contribution under section 170(a). Thus, contributions of cash, as well as tangible personal property (e.g., clothing and furniture), are eligible for the deduction.

Effective date.—The Senate amendment is effective for taxable years 2005 and 2006.

Increase AGI percentage limits for individuals

The Senate amendment phases up the percentage limitations applicable to charitable contributions of cash and capital gain property to public charities and certain other charitable entities (organizations and entities described in section 170(b)(1)(A)) by individuals. Beginning in 2002, the Senate amendment increases the 50–percent and 30–percent limitations by 2 percent per year until the limitations are equal to 60 percent and 30 percent, respectively, in 2006. In 2007, the limitations are increased to 70 percent and 50 percent, respectively.

Effective date.—The Senate amendment is effective for taxable years beginning after December 31, 2001.

Increase AGI percentage limits for corporations

The Senate amendment phases up the percentage limitation applicable to charitable contributions by corporations. Beginning in 2002, the Senate amendment increases the 10-percent limitation by 2 percent per year until the limitation is equal to 20 percent in 2006.

Effective date.—The Senate amendment is effective for taxable years beginning after December 31, 2001.

Conference Agreement

The conference agreement does not include the Senate amendment charitable giving provisions.

K. Modify Excess Business Holdings Rules for Publicly Traded Stock (sec. 810 of the Senate amendment and sec. 4943 of the Code)

Present Law

Private foundations, which are charitable organizations that do not qualify as public charities, are subject to certain restrictions on their operations. Violations of these restrictions may subject the foundation and, in some cases, their foundation managers to excise taxes. One such restriction prohibits a private foundation from owning more than specified equity interests in business enterprises, including corporations, partnerships, estates, or trusts (sec. 4943). A private foundation, together with all disqualified persons, generally may not hold more than 20 percent of a corporation's voting stock, a partnership's profits interest, or similar interest in a business enterprise.[91] The limit increases to 35 percent if effective control of the business is in the hands of one or more persons who are not disqualified persons. These rules do not apply if the foundation owns less than 2 percent of a business, or if the business engages in activities that are substantially related to the foundation's charitable purpose.

If a foundation acquires business holdings other than by purchase (i.e., by gift or bequest), and the holdings would result in the foundation having excess business holdings, the foundation effectively has five years to reduce those holdings to permissible levels. In the case of an unusually large gift or bequest, the initial five-year disposition period

[90] The taxpayer will not be permitted to claim a deduction for the same gift on his or her 2001 Federal income tax return filed in 2002.

[91] A disqualified person is a person (including an individual, corporation, partnership, trust, or estate) that has a particularly influential relationship with respect to a private foundation. Disqualified persons include: (1) substantial contributors to a foundation (e.g., the founder of a foundation); (2) foundation managers (officers, directors, or trustees of a foundation, or an individual having powers or responsibilities similar to these positions); (3) persons who own more than a 20 percent interest in an entity (corporation, partnership, trust, or other unincorporated enterprise) that is a disqualified person with respect to a foundation; (4) family members of persons described in (1), (2), and (3); (5) corporations, partnerships, trusts, or estates that are more than 35 percent owned by persons described in (1), (2), (3), and (4); and (6) only for purposes of the self-dealing rules of section 4943, government officials at certain levels.

may be extended by the Internal Revenue Service for an additional five years if the foundation is able to demonstrate that it has made diligent efforts to dispose of the excess holdings within the initial five-year period and that disposition within that period was not possible (except at a price substantially below fair market value) because of the size and complexity or diversity of the holdings.

The initial tax imposed on a foundation with excess business holdings is 5 percent of the value of such holdings during the taxable year. The amount of tax is computed with respect to the greatest amount of excess business holdings during the taxable year. If the foundation fails to divest itself of the excess holdings within a certain period of time, an additional tax equal to 200 percent of their value is imposed on the excess business holdings remaining at the end of the period.

Present law also prohibits transactions between private foundations and disqualified persons by imposing excise taxes when disqualified persons engage in acts of ''self-dealing'' with a private foundation (sec. 4941). Acts of self-dealing include any direct or indirect: (1) sale, exchange, or leasing of property between a private foundation and a disqualified person, (2) lending of money or extensions of credit between a private foundation and a disqualified person, (3) furnishing of goods, services, or facilities between a private foundation and a disqualified person, (4) payment of compensation (or payment or reimbursement of expenses) by a private foundation to a disqualified person, (5) transfer to, or use by or for the benefit of, a disqualified person of the income or assets of a private foundation, and (6) agreement by a private foundation to make any payment of money or other property to a government official.[92] There is no exception from the prohibition on acts of self-dealing for inadvertent violations, and even transactions which arguably may benefit the private foundation may be subject to tax as an act of self-dealing.

Self-dealing excise taxes are imposed on a disqualified person who has engaged in a self-dealing transaction, and on any foundation manager who knowingly participates in the transaction.

House Bill

No provision.

Senate Amendment

The Senate amendment provides an exception to the excess business holdings rules of section 4943 in certain circumstances. Under the Senate amendment, for the taxable year 2007, a private foundation and all disqualified persons are permitted to own up to 40 percent of the voting stock and 40 percent in value of all outstanding shares of all classes of stock in an incorporated business enterprise if the stock held by the foundation and disqualified persons is publicly traded stock for which market quotations are readily available. For the taxable year 2008 and thereafter, the percentage of stock that may be owned by a private foundation and all disqualified persons for purposes of this provision increases to 49 percent.

The Senate amendment limits the extent to which disqualified persons with respect to the foundation can engage in transactions with up to 49–percent owned corporations. Disqualified persons are not permitted to receive compensation from the corporation or to engage in any act with the corporation that would constitute self-dealing under section 4941 if the corporation were a private foundation and the disqualified persons were disqualified persons with respect to such corporation. Disqualified persons may not own, in the aggregate, more than 2 percent of the voting stock and not more than 2 percent in value of all outstanding shares of all classes of stock in such corporation. Finally, an audit committee of the board of directors (consisting of a majority of persons who are not disqualified persons) of each corporation that is up to 49–percent owned by a private foundation must certify in writing to the foundation that the committee is not aware, after due inquiry, that any disqualified person has received compensation from the corporation or has engaged in an act of self-dealing with the corporation. This certification must be filed by the private foundation with its annual information return.

Effective date.—The provision is effective for foundations established by bequest of decedents dying after December 31, 2006.

Conference Agreement

The conference agreement does not include the Senate amendment.

L. Certain Costs of Private Foundation in Removing Hazardous Substances Treated as Qualifying Distribution (sec. 811 of the Senate amendment and sec. 4942 of the Code)

Present Law

Tax-exempt private foundations generally are required to make annual ''qualifying distributions'' of a specified minimum amount called the ''distributable amount'' (sec. 4942). The ''distributable amount'' is an amount equal to 5 percent of the fair market value of the foundation's investment assets for the year, reduced by (1) any excise tax on the foundation's investment income (under sec. 4940), (2) any tax on unrelated business taxable income (under sec. 511), and (3) by carryovers of excess distributions from prior years. ''Qualifying distributions'' include direct expenditures to accomplish charitable purposes and grants to public charities or private operating foundations. In addition, if certain requirements are met, a qualifying distribution also may include amounts ''set aside'' to be paid with five years for a specific charitable project.

House Bill

No provision.

Senate Amendment

Under the Senate amendment, the distributable amount of a private foundation for purposes of section 4942 is reduced by any amounts paid or incurred for (1) investigatory costs, (2) direct costs of removal, and (3) costs of remedial action with respect to a hazardous substance released at a facility which was owned or operated by the private foundation. The provision is limited to a facility that was transferred to the foundation before December 11, 1980, for which active operation by the foundation was terminated before December 12, 1980. In addition, the provision does not apply to costs that were incurred pursuant to a pending order issued to the foundation unilaterally by the President or the President's assignee under section 106 of the Comprehensive Response, Compensation and Liability Act, or pursuant to a nonconsensual judgement against the foundation in a governmental costs recovery action under section 107 of such Act. For purpose of this provision, ''hazardous substance'' has the meaning given to such term by section 9601(14) of the Comprehensive Environmental Compensation and Liability Act.

Effective date.—Taxable years beginning after December 31, 1999.

Conference Agreement

The conference agreement does not include the Senate amendment.

XI. REAL ESTATE TAX RELIEF PROVISIONS

A. Provisions Relating to REITs (secs. 1101–1106, 1111, 1121, 1131, 1141, and 1151 of the House bill, secs. 1021–1026, 1031, 1041, 1051, 1061 and 1071 of the Senate amendment, and secs. 852, 856, and 857 of the Code)

Present Law

Real estate investment trust (''REITs'') are treated, in substance, as pass-through entities under present law. Pass-through status is achieved by allowing the REIT a deduction for dividends paid to its shareholders. REITs are restricted to investing in passive investments primarily in real estate and securities. Specifically, a REIT is required to receive at least 95 percent of its income from real property rents and from securities. Amounts received as impermissible ''tenant services income'' are not treated as rents from real property. In general, such amounts are for services rendered to tenants that are not ''customarily furnished'' in connection with the rental of real property. Rents for certain personal property leased in connection with real property are treated as rents from real property if the adjusted basis of the personal property does not exceed 15 percent of the aggregate adjusted bases of the real and the personal property. Special rules also permit amounts to be received from certain ''foreclosure property,'' treated as such for 3 years after the property is acquired by the REIT in foreclosure after a default (or imminent default) on a lease of such property or on indebtedness which such property secured.

A REIT is not treated as providing services that produce impermissible tenant services income if such services are provided by an independent contractor from whom the REIT does not derive or receive any income. An independent contractor is defined as a person who does not own, directly or indirectly, more than 35 percent of the shares of the REIT. Also, no more than 35 percent of the total shares of stock of an independent contractor (or of the interests in assets or net profits, if not a corporation) can be owned directly or indirectly by persons owning 35 percent or more of the interests in the REIT.

A REIT is limited in the amount that it can own in other corporations. Specifically, a REIT cannot own securities (other than Government securities and certain real estate assets) in an amount greater than 25 percent of the value of REIT assets. In addition, it cannot own securities of any one issuer representing more than 5 percent of the total value of REIT assets or more than 10 percent of the voting securities of any corporate issuer. Under an exception to this rule, a REIT can own 100 percent of the stock of a corporation, but in that case the income and assets of such corporation are treated as income and assets of the REIT. Securities for purposes of these rules are defined by reference to the Investment Company Act of 1940.[93]

A REIT is generally required to distribute 95 percent of its income before the end of its taxable year, as deductible dividends paid to shareholders. This rule is similar to a rule for regulated investment companies (''RICs'') that requires distribution of 90 percent of income. Both REITS and RICs can make certain ''deficiency dividends'' after

[92] There are certain limited transactions between disqualified persons and private foundations that are defined by statute not to constitute acts of self-dealing.

[93] 15 U.S.C. 80a–1 and following.

the close of the taxable year, and have these treated as made before the end of the year. The regulations applicable to REITS state that a distribution will be treated as a ''deficiency dividend'' and thus as made before the end of the prior taxable year, only to the extent the earnings and profits for that year exceed the amount of distributions actually made during the taxable year.

A REIT that has been or has combined with a C corporation will be disqualified if, as of the end of its taxable year, it has accumulated earnings and profits from a non-REIT year. A similar rule applies to regulated investment companies (''RICs''). In the case of a REIT, any distribution made in order to comply with this requirement is treated a being first from pre-REIT accumulated earnings and profits. RICs do not have a similar ordering rule.

In the case of a RIC, under a provision entitled ''procedures similar to deficiency dividend procedures'', any distribution made within a specified period after determination that the investment company did not qualify as a RIC for the taxable year will, ''for purposes of applying [the earnings and profits rule that forbids a RIC to have non-RIC earnings and profits] to subsequent taxable years'', be treated as applying to the RIC for the non-RIC year. The REIT rules do not specify any particular separate treatment of distributions made after the end of the taxable year for purposes of the earnings and profits rule. Treasury regulations under the REIT provisions state that ''distribution procedures similar to those .–.–. for regulated investment companies apply to non-REIT earnings and profits of a real estate investment trust.''

House Bill

Taxable REIT subsidiaries

Under the provision, a REIT generally cannot own more than 10 percent of the total value of securities of a single issuer, in addition to the present law rule that a REIT cannot own more than 10 percent of the outstanding voting securities of a single issuer.

For purposes of the new 10–percent value test, securities are generally defined to exclude safe harbor debt owned by a REIT (as defined for purposes of sec. 1361(c)(5)(B)(i) and (ii)) if the REIT (and any taxable REIT subsidiary of such REIT) owns no other securities of the issuer. However, in the case of a REIT that owns securities of a partnership, safe harbor debt is excluded from the definition of securities only if the REIT owns at least 20–percent or more of the profits interest in the partnership. The purpose of the partnership rule requiring a 20 percent profits interest is to assure that if the partnership produces income that would be disqualified income to the REIT, the REIT will be treated as receiving a significant portion of that income directly, even though it may also derive qualified interest income through its safe harbor debt interest.

An exception to the limitations on ownership of securities of a single issuer applies in the case of a ''taxable REIT subsidiary'' that meets certain requirements. To qualify as a taxable REIT subsidiary, both the REIT and the subsidiary corporation must join in an election. In addition, any corporation (other than a REIT or a qualified REIT subsidiary under section 856(i) that does not properly elect with the REIT to be a taxable REIT subsidiary) of which a taxable REIT subsidiary owns, directly or indirectly, more than 35 percent of the vote or value is automatically treated as a taxable REIT subsidiary. Securities (as defined in the Investment Company Act of 1940) of taxable REIT subsidiaries could not exceed 25 percent of the total value of a REIT's assets.

A taxable REIT subsidiary can engage in certain business activities that under present law could disqualify the REIT because, but for the proposal, the taxable REIT subsidiary's activities and relationship with the REIT could prevent certain income from qualifying as rents from real property. Specifically, the subsidiary can provide services to tenants of REIT property (even if such services were not considered services customarily furnished in connection with the rental of real property), and can manage or operate properties, generally for third parties, without causing amounts received or accrued directly or indirectly by REIT for such activities to fail to be treated as rents from real property.

However, the subsidiary cannot directly or indirectly operate or manage a lodging or healthcare facility. Nevertheless, it can lease a qualified lodging facility (e.g, a hotel) from the REIT (provided no gambling revenues were derived by the hotel or on its premises); and the rents paid are treated as rents from real property so long as the lodging facility was operated by an independent contractor for a fee. The subsidiary can bear all expenses of operating the facility and receive all the net revenues, minus the independent contractor's fee.

For purposes of the rule that an independent contractor may operate a qualified lodging facility, an independent contractor will qualify so long as, at the time it enters into the management agreement with the taxable REIT subsidiary, it is actively engaged in the trade or business of operating qualified lodging facilities for any person who is not related to the REIT or the taxable REIT subsidiary. The REIT may receive income from such an independent contractor with respect to certain pre-existing leases.

Also, the subsidiary generally cannot provide to any person rights to any brand name under which hotels or healthcare facilities are operated. An exception applies to rights provided to an independent contractor to operate or manage a lodging facility, if the rights are held by the subsidiary as licensee or franchisee, and the lodging facility is owned by the subsidiary or leased to it by the REIT.

Interest paid by a taxable REIT subsidiary to the related REIT is subject to the earnings stripping rules of section 163(j). Thus the taxable REIT subsidiary cannot deduct interest in any year that would exceed 50 percent of the subsidiary's adjusted gross income.

If any amount of interest, rent, or other deductions of the taxable REIT subsidiary for amounts paid to the REIT is determined to be other than at arm's length (''redetermined'' items) , an excise tax of 100 percent is imposed on the portion that was excessive. ''Safe harbors'' are provided for certain rental payments where the amounts are de minimis, there is specified evidence that charges to unrelated parties are substantially comparable, certain charges for services from the taxable REIT subsidiary are separately stated, or the subsidiary's gross income from the service is not less than 150 percent of the subsidiary's direct cost in furnishing the service.

In determining whether rents are arm's length rents, the fact that such rents do not meet the requirements of the specified safe harbors shall not be taken into account. In addition, rent received by a REIT shall not fail to qualify as rents from real property by reason of the fact that all or any portion of such rent is redetermined for purposes of the excise tax.

The Commissioner of Internal Revenue is to conduct a study to determine how many taxable REIT subsidiaries are in existence and the aggregate amount of taxes paid by such subsidiaries. A report shall be submitted to the Congress describing the results of such study.

Health care REITS

The provision permits a REIT to own and operate a health care facility for at least two years, and treat it as permitted ''foreclosure'' property, if the facility is acquired by the termination or expiration of a lease of the property. Extensions of the 2 year period can be granted.

Conformity with regulated investment company rules

Under the provision, the REIT distribution requirements are modified to conform to the rules for regulated investment companies. Specifically, a REIT is required to distribute only 90 percent, rather than 95 percent, of its income.

Definition of independent contractor

If any class of stock of the REIT or the person being tested as an independent contractor is regularly traded on an established securities market, only persons who directly or indirectly own 5 percent or more of such class of stock shall be counted in determining whether the 35 percent ownership limitations have been exceeded.

Modification of earnings and profits rules for RICs and REITS

The rule allowing a RIC to make a distribution after a determination that it had failed RIC status, and thus meet the requirement of no non-RIC earnings and profits in subsequent years, is modified to clarify that, when the reason for the determination is that the RIC had non- RIC earnings and profits in the initial year, the procedure would apply to permit RIC qualification in the initial year to which such determination applied, in addition to subsequent years.

The RIC earnings and profits rules are also modified to provide an ordering rule similar to the REIT rule, treating a distribution to meet the requirements of no non-RIC earnings and profits as coming first from the earliest earnings and profits accumulated in any year for which the RIC did not qualify as a RIC. In addition, the REIT deficiency dividend rules are modified to apply the same earnings and profits ordering rule to such dividends as other REIT dividends.

Effective date

The House bill is generally effective for taxable years beginning after December 31, 2000. The provision with respect to modification of earnings and profits rules is effective for distributions after December 31, 2000.

In the case of the provisions relating to permitted ownership of securities of an issuer, special transition rules apply. The new rules forbidding a REIT to own more than 10 percent of the value of securities of a single issuer do not apply to a REIT with respect to securities held directly or indirectly by such REIT on July 12, 1999, or acquired pursuant to the terms of written binding contract in effect on that date and at all times thereafter until the acquisition. Also, securities received in a tax-free exchange or reorganization, with respect to or in exchange for such grandfathered securities would be grandfathered. This transition ceases to apply to securities of a corporation as of the first day after July 12, 1999 on which such corporation engages in a substantial new line of business, or acquires any

substantial asset, other than pursuant to a binding contract in effect on such date and at all times thereafter, or in a reorganization or transaction in which gain or loss is not recognized by reason of section 1031 or 1033 of the Code. If a corporation makes an election to become a taxable REIT subsidiary, effective before January 1, 2004 and at a time when the REIT's ownership is grandfathered under these rules, the election is treated as a reorganization under section 368(a)(1)(A) of the Code.

Senate Amendment

The Senate amendment is the same as the House bill with certain clarifications and one additional provision.

General clarifications

The Senate amendment clarifies that straight-debt securities of an individual issuer are not treated as securities for purposes of the new prohibition on a REIT owning 10 percent of the value of a single issuer.

The Senate amendment clarifies the definition of ''redetermined deductions'' for purposes of the 100 percent excise tax, to indicate that these are deductions of the taxable REIT subsidiary that would be reduced (not increased) under the arm's length rules of section 482.

The Senate amendment clarifies the application of the transition rule permitting a REIT to own more than 10 percent of the value of securities of an issuer if such securities are held by the REIT on July 12, 1999. Under the Senate amendment, the grandfathering of such securities ceases to apply if the REIT acquires additional securities of that issuer after that date, other than pursuant to a binding contract in effect on that date and at all times thereafter, or in a reorganization with another corporation the securities of which are grandfathered.

Rental income clarification

The Senate amendment clarifies that rents paid to a REIT are not generally qualified rents if the REIT owns more than 10 percent of the value, (as well as of the vote) of a corporation paying the rents. The amendment clarifies that the only exception is for rents that are paid by taxable REIT subsidiaries and that also meet the limited rental exception (where 90 percent of space is leased to third parties) or the exception for certain lodging facilities (operated by an independent contractor) specified in the House bill.

Effective date.—The new 10 percent of value limitation for purposes of defining qualified rents is effective for taxable years beginning after December 31, 1999. There is an exception for rents paid under a lease or pursuant to a binding contract in effect on July 12, 1999 and at all times thereafter.

Provision regarding rental income from certain personal property

The Senate amendment modifies the present law rule that permits certain rents from personal property to be treated as real estate rental income if such personal property does not exceed 15 percent of the aggregate of real and personal property. The Senate amendment replaces the present law comparison of the adjusted bases of properties with a comparison based on fair market values.

Effective date.—The provision regarding rental income from certain personal property is effective for taxable years beginning after December 31, 1999.

Conference Agreement

The conference agreement follows the Senate amendment.

Effective date.—The effective dates of the conference agreement are the same as under the Senate amendment, except that the effective dates of (i) the clarification that a 10 percent of value ownership limitation applies to certain rents, and (2) the provision using a fair market value test for rental income from certain personal property, are for taxable years beginning after December 31, 2000 (rather than after December 31, 1999).

B. Modify At-Risk Rules for Publicly Traded Nonrecourse Debt (sec. 1161 of the House bill and sec. 465(b)(6) of the Code)

Present Law

Present law provides an at-risk limitation on losses from business and income-producing activities, applicable to individuals and certain closely held corporations (sec. 465). Under the at-risk rules, a taxpayer generally is not considered at risk with respect to borrowed amounts if the taxpayer is not personally liable for repayment of the debt (e.g., nonrecourse loans), and in certain other circumstances.

In the case of the activity of holding real property, however, an exception is provided for qualified nonrecourse financing that is secured by real property used in the activity (sec. 465(b)(6)). The qualified nonrecourse financing rules require, among other things, that the financing be borrowed by the taxpayer from a qualified person or from certain governmental entities. For this purpose, a qualified person is one that is actively and regularly engaged in the business of lending money (and that is not a related person with respect to the taxpayer, is not a person from whom the taxpayer acquired the property or a related person, and is not a person that receives a fee with respect to the taxpayer's investment or a related person (sec. 49(a)(1)(D)(iv)). A related person is one with certain types of relationships to the taxpayer defined by statute (sec. 465(b)(3)(C)). The qualified nonrecourse financing rules also require that the financing be secured by real property used in the activity (sec. 465(b)(6)(A)).

House Bill

The House bill modifies the rules relating to qualified nonrecourse financing to provide that, in the case of an activity of holding real property, a taxpayer is considered at risk with respect to the taxpayer's share of certain financing that is not borrowed from a person that is regularly engaged in the business of lending money, and that is not secured by real property used in the activity, if the financing is qualified publicly traded debt.

The financing may not be borrowed from a person that is a related person with respect to the taxpayer, that is a person from whom the taxpayer acquired the property or a related person, or that is a person that receives a fee with respect to the taxpayer's investment or a related person.

Qualified publicly traded debt generally means any debt instrument that is readily tradable on an established securities market. However, qualified publicly traded debt does not include any debt instrument, the yield to maturity on which equals or exceeds the applicable Federal rate of interest for the calendar month in which it is issued, plus 5 percentage points. The applicable Federal rate is the rate determined under section 1274(d) with respect to the term of the debt instrument. Under the provision, it is intended that ''readily tradable on an established securities market'' have the same meaning as under section 453(f)(5).

Effective date.—The provision is effective for debt instruments issued after December 31, 1999.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

C. Qualified Lessee Construction Allowances Not Limited to Short-term Leases for Certain Retailers (sec. 1171 of the House bill and sec. 110 of the Code)

Present Law

Section 110 provides that the gross income of a lessee does not include amounts received in cash (or treated as a rent reduction) from a lessor under a short-term lease of retail space for the purpose of the lessee's construction or improvement of qualified long-term real property for use in the lessee's trade or business at the retail space subject to the short-term lease. The exclusion only applies to the extent the allowance does not exceed the amount expended by the lessee on the construction or improvement of qualified long-term real property. For this purpose, ''qualified long-term real property'' means nonresidential real property that is part of, or otherwise present at, retail space used by the lessee and that reverts to the lessor at the termination of the lease. A ''short-term lease'' means a lease or other agreement for the occupancy or use of retail space for a term of 15 years or less (as determined pursuant to sec. 168(i)(3)). ''Retail space'' means real property leased, occupied, or otherwise used by the lessee in its trade or business of selling tangible personal property or services to the general public.

The lessor must treat the amounts expended on the construction allowance as nonresidential real property owned by the lessor. The Secretary is granted the authority to require reporting to ensure that both the lessor and lessee treat such amounts as nonresidential real property owned by the lessor.[94]

House Bill

The provision eliminates the section 110 requirement that the lease be for a term of 15 years or less in the case of payment (or rent reduction) to a ''qualified retail business.'' Payments by a lessor to such businesses for the purpose of constructing or improving long-term real property would not be included in the income of the lessee regardless of the term of the lease, provided the payments are used for such purpose.

For this purpose, a qualified retail business would be defined as a trade or business of selling tangible personal property to the general public. A trade or business will not fail to be considered a qualified retail business by reason of sales of services to the general public if such sales are incidental to the sale of tangible personal property (such as tailoring services provided incidental to the sale of a suit or dress) or are de minimis in amount. For this purpose, services would be considered de minimis in amount if they represent 10% or less of the gross receipts of the business at the retail space subject to the lease.

The provision does not eliminate the short-term lease requirement in all situations that are otherwise eligible for section 110 under present law. Section 110 presently applies

[94] Section 110 provides for regulations to be issued establishing the time and manner information must be provided the Secretary concerning amounts received (or treated as a rent reduction), amounts expended on qualified long-term real property, and such other information as the Secretary deems necessary to carry out the provision. These regulations have not yet been issued.

(assuming the other standards are met) if the retail space of the lessee will be used in the trade or business of selling tangible personal property or services to the public. If the lessee will earn more than 10% of the gross receipts of the space from the sale of services (other than from services that are incidental to the sale of tangible personal property), section 110 will continue to be available only if the lease is for a term of 15 years or less.

Effective date.—The provision applies to leases entered into after December 31, 1999. No inference is intended as to the treatment of amounts that are not affected by the provision.

Senate Amendment

No provision.

Conference Agreement

The conference agreement does not include the House bill provision.

D. Exclusion From Gross Income for Certain Contributions to the Capital of Certain Retailers (sec. 1172 of the House bill and sec. 118 of the Code)

Present Law

Section 118(a) provides that gross income does not include any contribution to the capital of a corporation. The test for determining whether a particular payment is a contribution to capital is the intent or motive of the transferor. The contribution (1) must become a part of the recipient's capital structure; (2) may not be compensation for a ''specific, quantifiable service''; (3) must be bargained for; (4) must result in a benefit to the recipient; and (5) ordinarily will contribute to the production of additional income. *United States* v. *Chicago, Burlington & Quincy R.R.*, 412 U.S. 401, 411, 93 S. Ct. 2169, 2175, 37 L. Ed. 2d 30 (1973).

Two appellate courts have applied section 118(a) to inducements paid by developers to retailers in exchange for the agreement of the retailers to ''anchor'' future shopping centers. *Federated Department Stores* v. *Commissioner* 51 TC 500 (1968), aff'd 426 F. 2d 417 (6th Cir., 1970), *May Department Stores Co.* v. *Commissioner*, 33 TCM 1128 (1974), aff'd 519 F. 2d 1154 (8th Cir., 1975). In both cases, the courts held that the benefits anticipated by the developer were speculative and intangible, and thus could not be considered in payment for any particular service.

The recipient taxpayer is allowed no basis in any property it receives as a contribution to capital, or an property it acquires within 12 months with the proceeds of a contribution to capital (sec. 362).

A portion of a single payment may qualify as a nontaxable contribution to capital, while the remainder is considered to be part of a taxable transaction. Where there are multiple purposes to the payment, the payment may be examined to determine what portion is eligible for section 118(a) treatment. *G.M. Trading Corporation* v. *Commissioner*, 121 F. 3d 977 (5th Cir., 1997).

House Bill

The provision establishes a safe harbor allowing certain inducements received by retailers to be treated as nontaxable contributions to capital. In order to qualify for the safe harbor, the inducement must be in exchange for the retailer's agreement to operate a qualified retail business at particular location for a period of at least 15 years. The retailer must, immediately after the receipt of the contribution, own the land and structures to be used by the taxpayer in carrying on the qualified retail business at the agreed location and must satisfy an expenditure rule.

The safe harbor does not apply if the contributor owns a beneficial interest in property located on the premises of the qualified retail business, other than de minimis amounts of property associated with the operation of adjacent property. For example, a developer may be the owner of the pipes and related equipment making up the water system of a shopping mall. Ownership of such property on premises owned by the retailer is expected to be considered de minimis and would not prevent the application of the safeharbor. On the other hand, ownership of more than a de minimis amount of assets or the ownership of assets disqualifies the inducement from safeharbor treatment. For example, if a developer owns and leases to a retailer the retailer's point of sale equipment, any inducement paid by the developer to the retailer will not qualify under the safeharbor as a nontaxable contribution to capital.[95] The rule applies to property owned by the developer on the premises of the retailer. The premises of the retailer is the area in which the retailer holds out personal property for sale to the general public. The premises of the retailer do not include adjacent space, such as a parking facility under the store which is owned and operated by the developer whose use is not limited to customers of the taxpayer. The rule also does not prevent the developer paying the inducement from owning a beneficial interest in the retailers, or joining in a joint venture with the retailer unless the joint venture involves ownership of property on the premises of the retailer that would prevent the use of the safeharbor if owned directly by the developer.

The expenditure rule requires that, prior to the end of the second taxable year after the year in the contribution was received, the retailer spend an amount equal to the amount of the contribution for the acquisition of land or structure, or for the acquisition or construction of other property to be used in the qualified retail business at the agreed location. Accurate records would be required to be kept that establish the satisfaction of the expenditure rule. It is not intended that the retailer be required to trace specific expenditures to the inducement.

A qualified retail business is defined as a trade or business of selling tangible personal property to the general public. A trade or business will not fail to be considered a qualified retail business by reason of sales of services to the general public if such sales are incidental to the sale of tangible personal property (such as tailoring services provided incidental to the sale of a suit or dress) or are de minimis in amount. For this purpose, services are considered de minimis in amount if they represent 10 percent or less of the gross receipts of the business at the retail space subject to the lease.

Anti-abuse rules are provided to prevent the use of the safeharbor for amounts that are not intended by the parties as contributions to capital. The Secretary is authorized to allocate income and deductions, or to reduce the amount of any contribution to capital under the safeharbor, in cases in which it is established that above market rates have been paid from the retailer to the developer in another transaction. A rate is not expected to be considered to be above market if it is the same on a square footage basis as the rate charged other retailers at the same location. For example, a developer charges all retailers in the mall a common area maintenance charge. If this charge is equal to a standard rate times the square footage of each store in the mall, it will not be considered to be an above market rate with respect to any single retailer.

The Secretary is also authorized to allocate income and deductions, or reduce the amount of any contribution to capital, to the extent necessary to prevent the abuse of the purposes of this section where the transaction takes place between related parties. It is expected that this authority will be used to prevent the conversion of nondepreciable or longer lived property into costs that may be recovered over a shorter period of time. For example, if a retailer who owns a piece of land contributes that land to a joint venture and then accept the land from the joint venture as an inducement to operate a retail facility for 20 years an anchor for a new mall, it is expected that the Secretary will use its authority to reduce the amount of any contribution to capital in a transaction between related parties to prevent the application of the safeharbor. However, it is not intended that the authority to will be used simply because the retailer and a related party engage in transactions that are concluded on an arm's-length basis and do not result in the conversion of nondepreciable or longer lived assets into costs that may be recovered over a shorter period of time.

The provision does not limit the application of section 118(a) of present law. No inference is intended as to whether any payment constitutes a nontaxable contribution to capital under section 118(a) whether or not such payment qualifies for the safeharbor provided by this provision.

Effective date.—The provision is effective for contributions received after December 31, 1999.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

E. Increase the Low-Income Housing Tax Credit Cap and Make Other Modifications (secs. 1331–1337 of the House Bill, sec. 1001 of the Senate amendment and sec. 42 of the Code)

Present Law

In general

The low-income housing tax credit may be claimed over a 10-year period for the cost of rental housing occupied by tenants having incomes below specified levels. The credit percentage for newly constructed or substantially rehabilitated housing that is not Federally subsidized is adjusted monthly by the Internal Revenue Service so that the 10 annual installments have a present value of 70 percent of the total qualified expenditures. The credit percentage for new substantially rehabilitated housing that is Federally subsidized and for existing housing that is substantially rehabilitated is calculated to have a present value of 30 percent qualified expenditures.

Credit cap

The aggregate credit authority provided annually to each State is $1.25 per resident, except in the case of projects that also receive financing with proceeds of tax-exempt bonds issued subject to the private activity bond volume limit and certain carry-over amounts,

[95] Ownership of property on the premises of the retailer by the developer does not automatically prevent an inducement from qualifying as a nontaxable contribution to capital under section 118(a), provided the taxpayer can establish the facts required for that provision to apply.

Expenditure test

Generally, the building must be placed in service in the year in which it receives an allocation to qualify for the credit. An exception is provided in the case where the taxpayer has expended an amount equal to 10–percent or more of the taxpayer's reasonably expected basis in the building by the end of the calendar year in which the allocation is received and certain other requirements are met.

Basis of building eligible for the credit

Buildings receiving assistance under the HOME investment partnerships act (''HOME'') are not eligible for the enhanced credit for buildings located in high cost areas (i.e., qualified census tracts and difficult development areas). Under the enhanced credit, the 70-percent and 30-percent credit are increased to a 91-percent and 39-percent credit, respectfully.

Eligible basis is generally limited to the portion of the building used by qualified low-income tenants for residential living and some common areas.

State allocation plans

Each State must develop a plan for allocating credits and such plan must include certain allocation criteria including: (1) project location; (2) housing needs characteristics; (3) project characteristics; (4) sponsor characteristics; (5) participation of local tax-exempts; (6) tenant populations with special needs; and (7) public housing waiting lists. The State allocation plan must also give preference to housing projects: (1) that serve the lowest income tenants; and (2) that are obligated to serve qualified tenants for the longest periods.

Credit administration

There are no explicit requirements that housing credit agencies perform a comprehensive market study of the housing needs of the low-income individuals in the area to be served by the project, nor that such agency conduct site visits to monitor for compliance with habitability standards.

Stacking rule

Authority to allocate credits remains at the State (as opposed to local) government level unless State law provides otherwise.[96] Generally, credits may be allocated only from volume authority arising during the calendar year in which the building is placed in service, except in the case of: (1) credits claimed on additions to qualified basis; (2) credits allocated in a later year pursuant to an earlier binding commitment made no later than the year in which the building is placed in service; and (3) carryover allocations.

Each State annually receives low-income housing credit authority equal to $1.25 per State resident for allocation to qualified low-income projects.[97] In addition to this $1.25 per resident amount, each State's ''housing credit ceiling'' includes the following amounts: (1) the unused State housing credit ceiling (if any) of such State for the preceding calendar year;[98] (2) the amount of the State housing credit ceiling (if any) returned in the calendar year;[99] and (3) the amount of the national pool (if any) allocated to such State by the Treasury Department.

The national pool consists of States' unused housing credit carryovers. For each State, the unused housing credit carryover for a calendar year consists of the excess (if any) of the unused State housing credit ceiling for such year over the excess (if any) of the aggregate housing credit dollar amount allocated for such year over the sum of $1.25 per resident and the credit returns for such year. The amounts in the national pool are allocated only to a State which allocated its entire housing credit ceiling for the preceding calendar year, and requested a share in the national pool not later than May 1 of the calendar year. The national pool allocation to qualified States is made on a pro rata basis equivalent to the fraction that a State's population enjoys relative to the total population of all qualified States for that year.

The present-law stacking rule provides that a State is treated as using its annual allocation of credit authority ($1.25 per State resident) and any returns during the calendar year followed by any unused credits carried forward from the preceding year's credit ceiling and finally any applicable allocations from the National pool.

House Bill

Credit cap

The $1.25 per capita cap is increased to $1.75 per capita. This increase is phased-in by increasing the credit cap by 10 cents per capita each year for five years. The credit cap would be: $1.35 in calendar year 2000; $1.45 in calendar 2001; $1.55 in calendar year 2002; $1.65 in calendar year 2003; and $1.75 in calendar year 2004. The $1.75 per capita credit cap is indexed for inflation beginning in 2004.

Expenditure test

The bill allows a building which receives an allocation in the second half of a calendar to qualify under the 10–percent test if the taxpayer expends an amount equal to 10–percent or more of the taxpayer's reasonably expected basis in the building within six months of receiving the allocation regardless of whether the 10–percent test is met by the end of the calendar year.

Basis of building eligible for the credit

The bill makes three changes to the basis rules of the credit. First, buildings receiving HOME assistance are made eligible for the enhanced credit. Second, the definition of qualified census tracts for purposes of the enhanced credit is expanded to include any census tracts with a poverty rate of 25 percent or more. Third, the bill extends the credit to a portion of the building used as a community service facility not in excess of 20 percent of the total eligible basis in the building. A community service facility is defined as any facility designed to serve primarily individuals whose income is 60 percent or less of area median income.

State allocation plans

The bill strikes the plan criteria relating to participation of local tax-exempts, replacing it with two other criteria: tenant populations of individuals with children and projects intended for eventual tenant ownership. It also provides that the present-law criteria relating to sponsor characteristics include whether the project involves the use of existing housing as part of a community revitalization plan. Also, the bill adds a third category of housing projects to the preferential list. That third category is for projects located in qualified census tracts which contribute to a concerted community revitalization plan.

Credit administration

The bill requires a comprehensive market study of the housing needs of the low-income individuals in the area to be served by the project and a written explanation available to the general public for any allocation not made in accordance with the established priorities and selection criteria of the housing credit agency. It also requires site inspections by the housing credit agency to monitor compliance with habitability standards applicable to the project.

Stacking rule

The bill modifies the stacking rule so that each State would be treated as using its allocation of the unused State housing credit ceiling (if any) from the preceding calendar before the current year's allocation of credit (including any credits returned to the State) and then finally any National pool allocations.

Effective date

In general, the House bill is effective for calendar years beginning after December 31, 2000, and buildings placed-in-service after such date in the case of projects that also receive financing with proceeds of tax-exempt bonds subject to the private activity bond volume limit which are issued after such date. The increase and indexing of the credit cap is effective for calendar years after December 31, 1999.

Senate Amendment

Credit cap

The Senate amendment makes two changes to the credit cap. First, the $1.25 per capita cap for each State modified so that small population State are given a minimum of $2 million of annual credit cap. Second, the $1.25 per capita element of the credit cap is increased to $1.75 per capita. This increase is phased-in by increasing the credit cap by 10 cents per capita each year for five years. Therefore the credit cap will be: $1.35 per capita or $2 million, whichever is greater, in calendar year 2001; $1.45 per capita or $2 million, whichever is greater, in calendar 2002; $1.55 per capita or $2 million, whichever is greater, in calendar year 2003; $1.65 per capita or $2 million, whichever is greater, in calendar year 2004; and $1.75 per capita or $2 million, whichever is greater, in calendar year 2005 and thereafter.

Expenditure test

No provision.

Basis of building eligible for the credit

The Senate amendment provides that assistance received under the Native American Housing Assistance and Self-Determination Act of 1996 is not taken into account in determining whether a building is Federally subsidized for purposes of the credit. This allows such buildings to qualify for something other than the 30-percent credit generally applicable to Federally subsidized buildings.

State allocation plans

No provision.

Credit administration

No provision.

[96] For example, constitutional home rule cities in Illinois are guaranteed their proportionate share of the $1.25 amount, based on their population relative to that of the State as a whole.

[97] A State's population, for these purposes, is the most recent estimate of the State's population released by the Bureau of the Census before the beginning of the year to which the limitation applies. Also, for these purposes, the District of Columbia and the U.S. possessions (i.e., Puerto Rico, the Virgin Islands, Guam, the Northern Marianas and American Samoa) are treated as States.

[98] The unused State housing credit ceiling is the amount (if positive) of the previous year's annual credit limitation plus credit returns less the credit actually allocated in that year.

[99] Credit returns are the sum of any amounts allocated to projects within a State which fail to become a qualified low-income housing project within the allowable time period plus any amounts allocated to a project within a State under an allocation which is canceled by mutual consent of the housing credit agency and the allocation recipient.

Stacking rule

Same as the House bill.

Effective date

The Senate amendment provision is effective for calendar years beginning after December 31, 2000.

Conference Agreement

Credit cap

The conference agreement follows the House bill with a modification. The modification provides a minimum of $2 million of annual credit cap to small population states beginning in calendar year 2000. The $2 million annual credit cap is indexed for inflation, beginning in the same year that indexing begins for the per capita cap.

Expenditure test

The conference agreement follows the House bill.

Basis of building eligible for the credit

The conference agreement includes two of the three House bill changes to the credit basis rules and the Senate amendment provision relating to assistance received under the Native American Housing Assistance and Self-Determination Act of 1996. The first House bill provision included in the conference agreement provides that the definition of qualified census tracts for purposes of the enhanced credit is expanded to include any census tracts with a poverty rate of 25 percent or more. The second House bill provision included in the conference agreement is modified so that it extends the credit to a portion of the building used as a community service facility not in excess of 10 percent of the total eligible basis in the building. A community service facility is defined as any facility designed to serve primarily individuals whose income is 60 percent or less of area median income. The House bill provision relating to buildings receiving HOME assistance being made eligible for the enhanced credit is not included in the conference agreement.

State allocation plans

The conference agreement includes the House bill provision.

Credit administration

The conference agreement includes the House bill provision.

Stacking rule

The conference agreement follows the House bill and the Senate amendment.

Effective date

The provision is generally effective for calendar years beginning after December 31, 1999, and buildings placed-in-service after such date in the case of projects that also receive financing with proceeds of tax-exempt bonds subject to the private activity bond volume limit which are issued after such date.

The increase in the credit cap is contingent upon enactment as part of the bill of the separate provisions relating to State allocation plans and credit administration.

F. Tax Credit for Renovating Historic Homes (section 1011 of the Senate amendment and new section 25B of the Code)

Present Law

Present law provides an income tax credit for certain expenditures incurred in rehabilitating certified historic structures and certain nonresidential buildings placed in service before 1936 (Code sec. 47). The amount of the credit is determined by multiplying the applicable rehabilitation percentage by the basis of the property that is attributable to qualified rehabilitation expenditures. The applicable rehabilitation percentage is 20 percent for certified historic structures and 10 percent for qualified rehabilitated buildings (other than certified historic structures) that were originally placed in service before 1936.

A qualified rehabilitated building is a nonresidential building eligible for the 10–percent credit only if the building is substantially rehabilitated and a specific portion of the existing structure of the building is retained in place upon completion of the rehabilitation. A residential or nonresidential building is eligible for the 20–percent credit that applies to certified historic structures only if the building is substantially rehabilitated (as determined under the eligibility rules for the 10–percent credit). In addition, the building must be listed in the National Register or the building must be located in a registered historic district and must be certified by the Secretary of the Interior as being of historical significance to the district.

House bill

No provision.

Senate Amendment

The Senate amendment permits a taxpayer to claim a 20–percent credit for qualified rehabilitation expenditures made with respect to a qualified historic home which the taxpayer subsequently occupies as his or her principal residence for at least five years. The total credit which could be claimed by the taxpayer is limited to $20,000 ($10,000 in the case of married taxpayer filing a separate return) with respect to any qualified historic home.

The bill applies to (1) structures listed in the National Register; (2) structures located in a registered national, State, or local historic district, and certified by the Secretary of the Interior as being of historic significance to the district, but only if the median income of the historic district is less than twice the State median income; (3) any structure designated as being of historic significance under a State or local statute, if such statute is certified by the Secretary of the Interior as achieving the purpose of preserving and rehabilitating buildings of historic significance.

For this purpose, a building generally is considered substantially rehabilitated if the qualified rehabilitation expenditures incurred during a 24–month measuring period exceed the greater of (1) the adjusted basis of the building as of the later of the first day of the 24–month period or the beginning of the taxpayer's holding period for the building, or (2) $5,000. In the case of structures in empowerment zones, in enterprise communities, in a census tract in which 70 percent of families have income which is 80 percent or less of the State median family income, and areas of chronic distress as designated by the State and approved by the Secretary of Housing and Urban Development only the $5,000 expenditure requirement applies. In addition, for all structures, at least 5 percent of the rehabilitation expenditures have to be allocable to the exterior of the structure.

To qualify for the credit, the rehabilitation must be certified by a State or local government subject to conditions specified by the Secretary of the Interior.

The credit may be claimed in one of three ways. First, if the taxpayer directly incurs the qualifying expenditures in rehabilitation of his or her principal residence, the taxpayer may claim the tax credit on his or her return.

Second, the taxpayer may claim the credit on his or her return if the taxpayer is the first purchaser of a structure on which qualified rehabilitation expenditures have been made.

Third, the taxpayer may elect to receive an historic rehabilitation mortgage credit certificate. An historic rehabilitation mortgage credit certificate is a certificate stating the value of the credit that would be allowable to the taxpayer for qualified historic rehabilitation expenditures. The taxpayer may transfer the historic rehabilitation mortgage credit certificate to a lending institution in connection with a loan that is to be secured by the structure on which the qualified rehabilitation expenditures were incurred. In exchange for the rehabilitation mortgage credit certificate, the lending institution provides the taxpayer with a loan, the rate of interest on which is less than that for which the taxpayer otherwise would have qualified.

In the case of structures located in empowerment zones, in enterprise communities, in a census tract in which 70 percent of families have income which is 80 percent or less of the State median family income, and areas of chronic distress as designated by the State and approved by the Secretary of Housing and Urban Development, the taxpayer may elect that the loan be satisfied by principal payments less than those that would otherwise be required such that the present value of the reduced principal payments over the term of the loan be substantially equivalent to the value stated on the historic rehabilitation mortgage credit certificate.

The lending institution that enters into the exchange with the taxpayer may claim the credit amount against its regular income tax liability. Reductions in interest payments and reductions in principal payments resulting from a qualified exchange of a rehabilitation mortgage credit certificate would not be taxable income to the taxpayer.

If a taxpayer ceases to maintain the structure as his or her personal residence within five years from the date of the rehabilitation, the credit is recaptured on a pro rata basis. In the case of a taxpayer who elected to receive and exchange a rehabilitation mortgage credit certificate with a lending institution, any recapture liability would be paid by the taxpayer.

Effective date.—The provision is effective for expenditures paid or incurred beginning after December 31, 1999.

Conference Agreement

The conference agreement follows the Senate amendment, but modifies the provision to provide a tax deduction for qualified expenses incurred by a homeowner who makes renovations to his or her principal residence. Thus, the conference agreement provides that a taxpayer may claim a deduction for 50 percent of qualified rehabilitation expenditures made with respect to a qualified historic home which the taxpayer subsequently occupies as his or her principal residence for at least five years. The total amount of deduction which could be claimed by the taxpayer is limited to $50,000 ($25,000 in the case of married taxpayer filing a separate return) with respect to any qualified historic home. The deduction is to be treated as a miscellaneous itemized deduction, subject to the present-law two-percent floor on miscellaneous deductions. For taxpayers subject to the alternative minimum tax, the deduction for qualified expenditures may be claimed against the taxpayer's alternative minimum taxable income.

The conference agreement follows the Senate amendment with respect to the definitions of qualifying structures and qualifying

expenditures, and regarding certification requirements.

If a taxpayer ceases to maintain the structure as his or her personal residence within five years from the date of the rehabilitation, the deduction is recaptured, on a pro rata basis, as taxable income to the taxpayer.

Effective date.—The provision is effective for expenditures paid or incurred beginning after December 31, 1999.

G. Accelerate the Scheduled Increase in State Volume Limits on Tax-Exempt Private Activity Bonds (sec. 1351 of the House bill, sec. 1081 of the Senate amendment and sec. 146 of the Code)

Present Law

Interest on bonds issued by States and local governments is excluded from income if the proceeds of the bonds are used to finance activities conducted and paid for by the governmental units (sec. 103). Interest on bonds issued by these governmental units to finance activities carried out and paid for by private persons (''private activity bonds'') is taxable unless the activities are specified in the Internal Revenue Code. Private activity bonds on which interest may be tax-exempt include bonds for privately operated transportation facilities (airports, docks and wharves, mass transit, and high speed rail facilities), privately owned and/or provided municipal services (water, sewer, solid waste disposal, and certain electric and heating facilities), economic development (small manufacturing facilities and redevelopment in economically depressed areas), and certain social programs (low-income rental housing, qualified mortgage bonds, student loan bonds, and exempt activities of charitable organizations described in sec. 501(c)(3)).

The volume of tax-exempt private activity bonds that States and local governments may issue for most of these purposes in each calendar year is limited by State-wide volume limits. The current annual volume limits are $50 per resident of the State or $150 million if greater. The volume limits do not apply to private activity bonds to finance airports, docks and wharves, certain governmentally owned, but privately operated solid waste disposal facilities, certain high speed rail facilities, and to certain types of private activity tax-exempt bonds that are subject to other limits on their volume (qualified veterans' mortgage bonds and certain ''new'' empowerment zone and enterprise community bonds).

The current annual volume limits that apply to private activity tax-exempt bonds increase to $75 per resident of each State or $225 million, if greater, beginning in calendar year 2007. The increase is, ratably phased in, beginning with $55 per capita or $165 million, if greater, in calendar year 2003.

House Bill

The House bill increases the present-law annual State private activity bond volume limits to $75 per resident of each State or $225 million (if greater).

Effective date.—The House bill volume limit increases are effective for calender years after December 31, 1999.

Senate Amendment

The Senate amendment increases the present-law annual State private activity bond volume limits to $75 per resident of each State or $225 million (if greater) beginning in calendar year 2005. The increase is phased-in as follows, beginning in calendar year 2001:

Calendar year	Volume limit
2001	$55 per resident ($165 million if greater).
2002	$60 per resident ($180 million if greater).
2003	$65 per resident ($195 million if greater).
2004	$70 per resident ($210 million if greater).

Effective date.—The Senate amendment volume limit increases are effective beginning in calendar year 2001 and will be fully effective in calendar year 2005 and thereafter.

Conference Agreement

The conference agreement increases the present-law annual State private activity bond volume limits to $75 per resident of each State or $225 million (if greater) beginning in calendar year 2004. The increase is phased-in as follows, beginning in calendar year 2000:

Calendar year	Volume limit
2000	$55 per resident ($165 million if greater).
2001	$60 per resident ($180 million if greater).
2002	$65 per resident ($195 million if greater).
2003	$70 per resident ($210 million if greater).

Effective date.—The provision is effective beginning in calendar year 2000 and will be fully effective in calendar year 2004 and thereafter.

H. Treatment of Leasehold Improvements (sec. 1091 of the Senate amendment and sec. 168 of the Code)

Present Law

Depreciation of leasehold improvements

Depreciation allowances for property used in a trade or business generally are determined under the modified Accelerated Cost Recovery System (''MACRS'') of section 168. Depreciation allowances for improvements made on leased property are determined under MACRS, even if the MACRS recovery period assigned to the property is longer than the term of the lease (sec. 168(i)(8)).[100] This rule applies regardless whether the lessor or lessee places the leasehold improvements in service.[101] If a leasehold improvement constitutes an addition or improvement to nonresidential real property already placed in service, the improvement is depreciated using the straight-line method over a 39–year recovery period, beginning in the month the addition or improvement was placed in service (secs. 168(b)(3), (c)(1), (d)(2), and (i)(6)).[102]

Treatment of dispositions of leasehold improvements

A lessor of leased property that disposes of a leasehold improvement which was made by the lessor for the lessee of the property may take the adjusted basis of the improvement into account for purposes of determining gain or loss if the improvement is irrevocably disposed of or abandoned by the lessor at the termination of the lease.[103] This rule conforms the treatment of lessors and lessees with respect to leasehold improvements disposed of at the end of a term of lease. For purposes of applying this rule, it is expected that a lessor must be able to separately account for the adjusted basis of the leasehold improvement that is irrevocably disposed of or abandoned. This rule does not apply to the extent section 280B applies to the demolition of a structure, a portion of which may include leasehold improvements.[104]

House Bill

No provision.

Senate Amendment

The provision provides that 15–year property for purposes of the depreciation rules of section 168 includes qualified leasehold improvement property. The straight line method is required to be used with respect to qualified leasehold improvement property.

Qualified leasehold improvement property is any improvement to an interior portion of a building that is nonresidential real property, provided certain requirements are met. The improvement must be made under or pursuant to a lease either by the lessee (or sublessee) of that portion of the building, or by the lessor of that portion of the building. That portion of the building is to be occupied exclusively by the lessee (or any sublessee). The original use of the qualified leasehold improvement property must begin with the lessee, and must begin after December 31, 2002.[105] The improvement must be placed in service more than three years after the date the building was first placed in service.

Qualified leasehold improvement property does not include any improvement for which the expenditure is attributable to the enlargement of the building, any elevator or escalator, any structural component benefitting a common area, or the internal structural framework of the building.

No special rule is specified for the class life of qualified leasehold improvement property. Therefore, the general rule that the class life for nonresidential real and residential rental property is 40 years applies.

For purposes of the provision, a commitment to enter into a lease is treated as a lease, and the parties to the commitment are treated as lessor and lessee, provided the lease is in effect at the time the qualified leasehold improvement property is placed in service. A lease between related persons is not considered a lease for this purpose.

Effective date.—The provision is effective for qualified leasehold improvement property placed in service after December 31, 2002.

Conference Agreement

The conference agreement does not include the Senate amendment provision. However, the conferees expect that the depreciation study (pursuant to section 2022 of the Tax and Trade Relief Extension Act of 1998) will

[100] The Tax Reform Act of 1986 modified the Accelerated Cost Recovery System (''ACRS'') to institute MACRS. Prior to the adoption of ACRS by the Economic Recovery Act of 1981, taxpayers were allowed to depreciate the various components of a building as separate assets with separate useful lives. The use of component depreciation was repealed upon the adoption of ACRS. The Tax Reform Act of 1986 also denied the use of component depreciation under MACRS.

[101] Former Code sections 168(f)(6) and 178 provided that in certain circumstances, a lessee could recover the cost of leasehold improvements made over the remaining term of the lease. These provisions were repealed by the Tax Reform Act of 1986.

[102] If the improvement is characterized as tangible personal property, ACRS or MACRS depreciation is calculated using the shorter recovery periods and accelerated methods applicable to such property. The determination of whether certain improvements are characterized as tangible personal property or as nonresidential real property often depends on whether or not the improvements constitute a ''structural component'' of a building (as defined by Treas. Reg. sec. 1.48–1(e)(1)). See, for example, *Metro National Corp.*, 52 TCM 1440 (1987); *King Radio Corp.*, 486 F.2d 1091 (10th Cir., 1973); *Mallinckrodt, Inc.*, 778 F.2d 402 (8th Cir., 1985) (with respect various leasehold improvements).

[103] The conference report describing this provision mistakenly states that the provision applies to improvements that are irrevocably disposed of or abandoned by the lessee (rather than the lessor) at the termination of the lease.

[104] Under present law, section 280B denies a deduction for any loss sustained on the demolition of any structure.

[105] The Finance Committee report describing the provision erroneously states that this date is December 31, 2000.

include an examination of the depreciation issues raised in the House bill and the Senate amendment, including leasehold improvements and section 1250 property used in connection with a franchise.

XII. PENSION REFORM PROVISIONS

A. Expanding Coverage

1. Increase in benefit and contribution limits (sec. 1201 of the House bill, sec. 312 of the Senate amendment, and secs. 401(a)(17), 402(g), 408(p), 415 and 457 of the Code)

Present Law

In general

Under present law, limits apply to contributions and benefits under qualified plans (sec. 415), the amount of compensation that may be taken into account under a plan for determining benefits (sec. 401(a)(17)), the maximum amount of elective deferrals that an individual may make to a salary reduction plan or tax sheltered annuity (sec. 402(g)), and deferrals under an eligible deferred compensation plan of a tax-exempt organization or a State or local government (sec. 457).

Limitations on contributions and benefits

Under present law, the limits on contributions and benefits under qualified plans are based on the type of plan. Under a defined contribution plan, the qualification rules limit the annual additions to the plan with respect to each plan participant to the lesser of (1) 25 percent of compensation or (2) $30,000 (for 1999). Annual additions are the sum of employer contributions, employee contributions, and forfeitures with respect to an individual under all defined contribution plans of the same employer. The $30,000 limit is indexed for cost-of-living adjustments in $5,000 increments.

Under a defined benefit plan, the maximum annual benefit payable at retirement is generally the lesser of (1) 100 percent of average compensation, or (2) $130,000 (for 1999). The dollar limit is adjusted for cost-of-living increases in $5,000 increments.

Under present law, in general, the dollar limit on annual benefits is reduced if benefits under the plan begin before the social security retirement age (currently, age 65) and increased if benefits begin after social security retirement age.[1]

Compensation limitation

Under present law, the annual compensation of each participant that may be taken into account for purposes of determining contributions and benefits under a plan, applying the deduction rules, and for nondiscrimination testing purposes is limited to $160,000 (for 1999). The compensation limit is indexed for cost-of-living adjustments in $10,000 increments.

Elective deferral limitations

Under present law, under certain salary reduction arrangements, an employee may elect to have the employer make payments as contributions to a plan on behalf of the employee, or to the employee directly in cash. Contributions made at the election of the employee are called elective deferrals.

The maximum annual amount of elective deferrals that an individual may make to a qualified cash or deferred arrangement (a ''section 401(k) plan''), a tax-sheltered annuity (''section 403(b) annuity'') or a salary reduction simplified employee pension plan (''SEP'') is $10,000 (for 1999). The maximum annual amount of elective deferrals that an individual may make to a SIMPLE plan is $6,000. These limits are indexed for inflation in $500 increments.

Section 457 plans

The maximum annual deferral under a deferred compensation plan of a State or local government or a tax-exempt organization (a ''section 457 plan'') is the lesser of (1) $8,000 (for 1999) or (2) 33–1/3 percent of compensation. The $8,000 dollar limit is increased for inflation in $500 increments. Under a special catch-up rule, the section 457 plan may provide that, for one or more of the participant's last 3 years before retirement, the otherwise applicable limit is increased to the lesser of (1) $15,000 or (2) the sum of the otherwise applicable limit for the year plus the amount by which the limit applicable in preceding years of participation exceeded the deferrals for that year.

House Bill

Limits on contributions and benefits

The House bill increases the $30,000 annual addition limit for defined contribution plans to $40,000. This amount is indexed in $1,000 increments.[2]

The House bill increases the $130,000 annual benefit limit under a defined benefit plan to $160,000. The dollar limit is reduced for benefit commencement before age 62 and increased for benefit commencement after age 65.

Compensation limitation

The House bill increases the limit on compensation that may be taken into account under a plan to $200,000. This amount is indexed in $5,000 increments.

Elective deferral limitations

Beginning in 2001, the House bill increases the dollar limit on annual elective deferrals under section 401(k) plans, section 403(b) annuities and salary reduction SEPs in $1,000 annual increments until the limits reach $15,000 in 2005. Beginning in 2001, the House bill increases the maximum annual elective deferrals that may be made to a SIMPLE plan in $1,000 annual increments until the limit reaches $10,000 in 2004. The $15,000 and $10,000 dollar limits are indexed in $500 increments, as under present law.

Section 457 plans

The House bill increases the dollar limit on deferrals under a section 457 plan to conform to the elective deferral limitation. Thus, the limit is $11,000 in 2001, and is increased in $1,000 annual increments until the limit reaches $15,000 in 2005. The limit is indexed thereafter in $500 increments. The limit is twice the otherwise applicable dollar limit in the three years prior to retirement.[3]

Effective date

The House bill is effective for years beginning after December 31, 2000, with a delayed effective date for plans maintained pursuant to a collective bargaining agreement.

Senate Amendment

Beginning in 2001, the Senate amendment increases the dollar limit on annual elective deferrals under section 401(k) plans, section 403(b) annuities and salary reduction SEPs in $1,000 annual increments until the limits reach $15,000 in 2005. Beginning in 2001, the Senate amendment increases the maximum annual elective deferrals that may be made to a SIMPLE plan in $1,000 annual increments until the limit reaches $10,000 in 2004. The $15,000 and $10,000 dollar limits are indexed in $500 increments, as under present law.

The Senate amendment increases the dollar limit on deferrals under a section 457 plan to $9,000 in 2001, $10,000 in 2002, $11,000 in 2003, and $12,000 in 2004. The limit is indexed thereafter in $500 increments. The limit is twice the otherwise applicable dollar limit in the three years prior to retirement.[4]

Effective date.—The Senate amendment is effective for years beginning after December 31, 2000.

Conference Agreement

The conference agreement follows the House bill.

Effective date.—The conference agreement is effective for years beginning after December 31, 2000.

2. Plan loans for subchapter S shareholders, partners, and sole proprietors (sec. 1202 of the House bill, sec. 313 of the Senate amendment and sec. 4975 of the Code)

Present Law

The Internal Revenue Code prohibits certain transactions (''prohibited transactions'') between a qualified plan and a disqualified person in order to prevent persons with a close relationship to the qualified plan from using that relationship to the detriment of plan participants and beneficiaries.[5] Certain types of transactions are exempted from the prohibited transaction rules, including loans from the plan to plan participants, if certain requirements are satisfied. In addition, the Department of Labor can grant an administrative exemption from the prohibited transaction rules if she finds the exemption is administratively feasible, in the interest of the plan and plan participants and beneficiaries, and protective of the rights of participants and beneficiaries of the plan.

For purposes of the prohibited transaction rules, an owner-employee means (1) a sole proprietor, (2) a partner who owns more than 10 percent of either the capital interest or the profits interest in the partnership, (3) an employee or officer of a Subchapter S corporation who owns more than 5 percent of the outstanding stock of the corporation, and (4) the owner of an individual retirement arrangement (''IRA''). The term owner-employee also includes certain family members of an owner-employee and certain corporations owned by an owner-employee.

Under the Internal Revenue Code, a two-tier excise tax is imposed on disqualified persons who engage in a prohibited transaction. The first level tax is equal to 15 percent of the amount involved in the transaction. The second level tax is imposed if the prohibited transaction is not corrected within a certain period, and is equal to 100 percent of the amount involved.

House Bill

The House bill generally eliminates the special present-law rules relating to plan loans made to an owner-employee. Thus, the general statutory exemption applies to such transactions. Present law continues to apply with respect to IRAs.

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[1] An overall limit applies if a participant participates in a defined contribution plan and a defined benefit plan maintained by the same employer (sec. 415(e)). This limit is repealed for years beginning after December 31, 1999.

[2] The 25 percent of compensation limitation is increased to 100 percent of compensation under another provision of the House bill.

[3] Another provision of the bill increases the 33–1/3 percentage of compensation limit to 100 percent.

[4] Another provision of the Senate amendment increases the 33–1/3 percentage of compensation limit to 100 percent.

[5] Title I of the Employee Retirement Income Security Act of 1974, as amended (''ERISA''), also contains prohibited transaction rules. The Code and ERISA provisions are substantially similar, although not identical.

Effective date.—The House bill is effective with respect to loans made after December 31, 2000.

Senate Amendment

The Senate amendment is the same as the House bill.[6]

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

3. Modification of top-heavy rules (sec. 1203 of the House bill, sec. 319 of the Senate amendment, and sec. 416 of the Code)

Present Law

In general

Under present law, additional qualification requirements apply to plans that primarily benefit an employer's key employees (''top-heavy plans''). These additional requirements provide (1) more rapid vesting for plan participants who are non-key employers and (2) minimum nonintegrated employer contributions or benefits for plan participants who are non-key employees.

Definition of top-heavy plan

In general, a top-heavy plan is a plan under which more than 60 percent of the contributions or benefits are provided to key employees.

For purposes of determining whether a plan is a top-heavy plan, benefits derived both from employer and employee contributions, including employee elective contributions, are taken into account. In addition, the accrued benefit of a participant in a defined benefit plan and the account balance of a participant in a defined contribution plan includes any amount distributed within the 5–year period ending on the determination date.

An individual's accrued benefit or account balance is not taken into account in determining whether a plan is top-heavy if the individual has not performed services for the employer during the 5–year period ending on the determination date.

SIMPLE plans are not subject to the top-heavy rules.

Definition of key employee

A key employee is an employee who, during the plan year that ends on the determination date or any of the 4 preceding plan years, is (1) an officer earning over one-half of the defined benefit plan dollar limitation of section 415 ($65,000 for 1999), (2) a 5–percent owner of the employer, (3) a 1–percent owner of the employer earning over $150,000, or (4) one of the 10 employees earning more than the defined contribution plan dollar limit ($30,000 for 1999) with the largest ownership interests in the employer. A family ownership attribution rule applies to the determination of 1–percent owner status, 5–percent owner status, and largest ownership interest. Under this attribution rule, an individual is treated as owning stock owned by the individual's spouse, children, grandchildren, or parents.

Minimum benefit for non-key employees

A minimum benefit generally must be provided to all non-key employees in a top-heavy plan. In general, a top-heavy defined benefit plan must provide a minimum benefit equal to the lesser of (1) 2 percent of compensation multiplied by the employee's years of service, or (2) 20 percent of compensation. A top-heavy defined contribution plan must provide a minimum annual contribution equal to the lesser of (1) 3 percent of compensation, or (2) the percentage of compensation at which contributions were made for key employees (including employee elective contributions made by key employees and employer matching contributions).

For purposes of the minimum benefit rules, only benefits derived from employer contributions (other than amounts employees have elected to defer) to the plan are taken into account, and an employee's social security benefits are disregarded (i.e., the minimum benefit is nonintegrated). Employer matching contributions may be used to satisfy the minimum contribution requirement; however, in such a case the contributions are not treated as matching contributions for purposes of applying the special nondiscrimination requirements applicable to employee elective contributions and matching contributions under sections 401(k) and (m). Thus, such contributions would have to meet the general nondiscrimination test of section 401(a)(4).[7]

Qualified cash or deferred arrangements

Under a qualified cash or deferred arrangement (a ''section 401(k) plan''), an employee may elect to have the employer make payments as contributions to a qualified plan on behalf of the employee, or to the employee directly in cash. Contributions made at the election of the employee are called elective deferrals. A special nondiscrimination test applies to elective deferrals under cash or deferred arrangements, which compares the elective deferrals of highly compensated employees with elective deferrals of nonhighly compensated employees. (This test is called the actual deferral percentage test or the ''ADP'' test). Employer matching contributions under qualified defined contribution plans are also subject to a similar nondiscrimination test. (This test is called the actual contribution percentage test or the ''ACP'' test.)

Under a design-based safe harbor, a cash or deferred arrangement is deemed to satisfy the ADP test if the plan satisfies one of two contribution requirements and satisfies a notice requirement.

House Bill

Definition of top-heavy plan

The House bill provides that a plan consisting of a cash-or-deferred arrangement that satisfies the design-based safe harbor for such plans and matching contributions that satisfy the safe harbor rule for such contributions is not a top-heavy plan. Matching or nonelective contributions provided under such a plan may be taken into account in satisfying the minimum contribution requirements applicable to top-heavy plans.[8]

In determining whether a plan is top-heavy, the House bill provides that distributions during the year ending on the date the top-heavy determination is being made are taken into account. The present-law 5–year rule applies with respect to in-service distributions. Similarly, the House bill provides that an individual's accrued benefit or account balance is not taken into account if the individual has not performed services for the employer during the 1–year period ending on the date the top-heavy determination is being made.

Definition of key employee

The House bill (1) provides that an employee is not considered a key employee by reason of officer status unless the employee earns more than $150,000 in compensation for the year, and (2) repeals the top–10 owner key employee category.

The House bill repeals the 4–year lookback rule for determining key employee status and provides that an employee is a key employee only if he or she is a key employee during the current plan year.

Minimum benefit for non-key employees

Under the House bill, matching contributions are taken into account in determining whether the minimum benefit requirement has been satisfied.[9]

The House bill provides that, in determining the minimum benefit required under a defined benefit plan, a year of service does not include any year in which no employee benefits under the plan (as determined under sec. 410).

Effective date

The House bill is effective for years beginning after December 31, 2000.

Senate Amendment

Definition of top-heavy plan

The Senate amendment provides that a plan consisting of a cash-or-deferred arrangement that satisfies the design-based safe harbor for such plans and matching contributions that satisfy the safe harbor rule for such contributions is not a top-heavy plan. Matching or nonelective contributions provided under such a plan may be taken into account in satisfying the minimum contribution requirements applicable to top-heavy plans.[10]

Definition of key employee

The family ownership attribution rule no longer applies in determining whether an individual is a 5–percent owner of the employer for purposes of the top-heavy rules only.

Minimum benefit for non-key employees

Under the provision, matching contributions are taken into account in determining whether the minimum benefit requirement has been satisfied.[11]

Effective date

The Senate amendment provision is effective for years beginning after December 31, 2000.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment. As under the Senate amendment, the family ownership attribution rule no longer applies in determining whether an individual is a 5–percent owner of the employer for purposes of the top-heavy rules only.

4. Elective deferrals not taken into account for purposes of deduction limits (sec. 1204 of the House bill, sec. 314 of the Senate amendment, and sec. 404 of the Code)

Present Law

Employer contributions to one or more qualified retirement plans are deductible

[6] The Senate amendment also amends the corresponding provisions of ERISA.

[7] Tres. Reg. sec. 1.416–1 Q&A M–19.

[8] This provision is not intended to preclude the use of nonelective contributions that are used to satisfy the safe harbor rules from being used to satisfy other qualified retirement plan nondiscrimination rules, including those involving cross-testing.

[9] Thus, this provision overrides the provision in Treasury regulations that, if matching contributions are used to satisfy the minimum benefit requirement, then they are not treated as matching contributions for purposes of the section 401(m) nondiscrimination rules.

[10] This provision is not intended to preclude the use of nonelective contributions that are used to satisfy the safe harbor rules from being used to satisfy other qualified retirement plan nondiscrimination rules, including those involving cross-testing.

[11] Thus, this provision overrides the provision in Treasury regulations that, if matching contributions are used to satisfy the minium benefit requirement, then they are not treated as matching contributions for purposes of the section 401(m) nondiscrimination rules.

subject to certain limits. In general, the deduction limit depends on the kind of plan.

In the case of a defined benefit pension plan or a money purchase pension plan, the employer generally may deduct the amount necessary to satisfy the minimum funding cost of the plan for the year. If a defined benefit pension plan has more than 100 participants, the maximum amount deductible is at least equal to the plan's unfunded current liabilities.

In the case of a profit-sharing or stock bonus plan, the employer generally may deduct an amount equal to 15 percent of compensation of the employees covered by the plan for the year.

If an employer sponsors both a defined benefit pension plan and a defined contribution plan that covers some of the same employees (or a money purchase pension plan and another kind of defined contribution plan), the total deduction for all plans for a plan year generally is limited to the greater of (1) 25 percent of compensation or (2) the contribution necessary to meet the minimum funding requirements of the defined benefit pension plan for the year (or the amount of the plan's unfunded current liabilities, in the case of a plan with more than 100 participants).

For purposes of the deduction limits, employee elective deferral contributions to a section 401(k) plan are treated as employer contributions and, thus, are subject to the generally applicable deduction limits.

Subject to certain exceptions, nondeductible contributions are subject to a 10–percent excise tax.

House Bill

Under the House bill, elective deferral contributions are not subject to the deduction limits, and the application of a deduction limitation to any other employer contribution to a qualified retirement plan does not take into account elective deferral contributions.

Effective date.—The House bill is effective for years beginning after December 31, 2000.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

5. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations (sec. 1205 of the House bill and sec. 457 of the Code)

Present Law

Compensation deferred under an eligible deferred compensation plan of a tax-exempt or State and local government employer (a ''section 457 plan'') is not includible in gross income until paid or made available. In general, the maximum permitted annual deferral under such a plan is the lesser of (1) $8,000 (in 1999) or (2) 33⅓ percent of compensation. The $8,000 limit is increased for inflation in $500 increments.

The $8,000 limit (as modified under the catch-up rule), applies to all deferrals under all section 457 plans in which the individual participates. In addition, in applying the $8,000 limit, contributions under a tax-sheltered annuity (''section 403(b) annuity''), elective deferrals under a qualified cash or deferred arrangement (''section 401(k) plan''), salary reduction contributions under a simplified employee pension plan (''SEP''), and contributions under a SIMPLE plan are taken into account. Further, the amount deferred under a section 457 plan is taken into account in applying a special catch-up rule for section 403(b) annuities.

House Bill

The House bill repeals the rules coordinating the section 457 dollar limit with contributions under other types of plans.[12]

Effective date.—The House bill is effective for years beginning after December 31, 2000.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

6. Eliminate IRS user fees for certain requests regarding employer plans (sec. 1206 of the House bill, sec. 317 of the Senate amendment, and sec. 7527 of the Code)

Present Law

An employer that maintains a retirement plan for the benefit of its employees may request from the Internal Revenue Service (''IRS'') a determination as to whether the form of the plan satisfies the requirements applicable to tax-qualified plans (sec. 401(a)). In order to obtain from the IRS a determination letter on the qualified status of the plan, the employer must pay a user fee. The user fee may range from $125 to $1,250, depending upon the scope of the request and the type and format of the plan.[13]

House Bill

Under the House bill, a small employer (100 or fewer employees) is not required to pay a user fee for any determination letter request with respect to the qualified status of a retirement plan that the employer maintains. The House bill applies only to requests by employers for determination letters concerning the qualified retirement plans they maintain. Therefore, a sponsor of a prototype plan is required to pay a user fee for a request for a notification letter, opinion letter, or similar ruling. A small employer that adopts a prototype plan, however, is not required to pay a user fee for a determination letter request with respect to the employer's plan.

Effective date.—The House bill is effective for determination letter requests made after December 31, 2000.

Senate Amendment

The Senate amendment provides that no user fee may be required with respect to a request for a ruling, opinion letter, determination letter, or similar request regarding the qualified status of a new pension plan. A new pension plan would be a plan of an employer which has not maintained a qualified plan in the three most recent years ending before the year in which the request is made.

Conference Agreement

The conference agreement follows the House bill, with the modification that the user fee is eliminated only for determination letter requests made during the first 5 plan years of the plan.

7. Definition of compensation for purposes of deduction limits (sec. 1207 of the House bill and sec. 404 of the Code)

Present Law

Employer contributions to one or more qualified retirement plans are deductible subject to certain limits. In general, the deduction limit depends on the kind of plan. Subject to certain exceptions, nondeductible contributions are subject to a 10-percent excise tax.

In the case of a defined benefit pension plan or a money purchase pension plan, the employer generally may deduct the amount necessary to satisfy the minimum funding cost of the plan for the year. If a defined benefit pension plan has more than 100 participants, the maximum amount deductible is at least equal to the plan's unfunded current liabilities.

In some cases, the amount of deductible contributions is limited by compensation. In the case of a profit-sharing or stock bonus plan, the employer generally may deduct an amount equal to 15 percent of compensation of the employees covered by the plan for the year.

If an employer sponsors both a defined benefit pension plan and a defined contribution plan that covers some of the same employees (or a money purchase pension plan and another kind of defined contribution plan), the total deduction for all plans for a plan year generally is limited to the greater of (1) 25 percent of compensation or (2) the contribution necessary to meet the minimum funding requirements of the defined benefit pension plan for the year (or the amount of the plan's unfunded current liabilities, in the case of a plan with more than 100 participants).

In the case of an employee stock ownership plan (''ESOP''), principal payments on a loan used to acquire qualifying employer securities are deductible up to 25 percent of compensation.

For purposes of the deduction limits, employee elective deferral contributions to a qualified cash or deferred arrangement (''section 401(k) plan'') are treated as employer contributions and, thus, are subject to the generally applicable deduction limits.[14]

For purposes of the deduction rules, compensation generally includes only taxable compensation, and thus does not include salary reduction amounts, such as elective deferrals under a section 401(k) plan or a tax-sheltered annuity (''section 403(b) annuity''), elective contributions under a deferred compensation plan of a tax-exempt organization or a State or local government (''section 457 plan''), and salary reduction contributions under a section 125 cafeteria plan. For purposes of the contribution limits under section 415, compensation does include such salary reduction amounts.

House Bill

Under the House bill, the definition of compensation for purposes of the deduction rules includes salary reduction amounts treated as compensation under section 415.[15]

Effective date.—The House bill provision is effective for years beginning after December 31, 2000.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

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[12] The limits on deferrals under a section 457 plan are modified under other provisions of the House bill.

[13] User fees are statutorily authorized; however, the IRS sets the dollar amount of the fee applicable to any particular type of request.

[14] Another provision in the House bill provides that elective deferrals are not subject to the deduction limits.

[15] A technical correction in the House bill expands the salary reduction amounts treated as compensation under section 415 to include amounts used to purchase qualified transportation benefits (under sec. 132(f)).

8. Option to treat elective deferrals as after-tax contributions (sec. 1208 of the House bill, sec. 311 of the Senate amendment, and new sec. 402A of the Code)

Present Law

A qualified cash or deferred arrangement (''section 401(k) plan'') or a tax-sheltered annuity (''section 403(b) annuity'') may permit a participant to elect to have the employer make payments as contributions to the plan or to the participant directly in cash. Contributions made to the plan at the election of a participant are elective deferrals. Elective deferrals must be nonforfeitable and are subject to an annual dollar limitation (sec. 402(g)) and distribution restrictions. In addition, elective deferrals under a section 401(k) plan are subject to special nondiscrimination rules. Elective deferrals (and earnings attributable thereto) are not includible in a participant's gross income until distributed from the plan.

Individuals with adjusted gross income below certain levels generally may make nondeductible contributions to a Roth IRA and may convert a deductible or nondeductible IRA into a Roth IRA. Amounts held in a Roth IRA that are withdrawn as a qualified distribution are not includible in income, nor subject to the additional 10-percent tax on early withdrawals. A qualified distribution is a distribution that (1) is made after the 5-taxable year period beginning with the first taxable year for which the individual made a contribution to a Roth IRA, and (2) is made after attainment of age 59½, is made on account of death or disability, or is a qualified special purpose distribution (i.e., for first-time homebuyer expenses of up to $10,000). A distribution from a Roth IRA that is not a qualified distribution is includible in income to the extent attributable to earnings, and is subject to the 10-percent tax on early withdrawals (unless an exception applies).[16]

House Bill

A section 401(k) plan or a section 403(b) annuity is permitted to include a ''qualified plus contribution program'' that permits a participant to elect to have all or a portion of the participant's elective deferrals under the plan treated as designated plus contributions. Designated plus contributions are elective deferrals that the participant designates as not excludable from the participant's gross income.

The annual dollar limitation on a participant's designated plus contributions is the section 402(g) annual limitation on elective deferrals, reduced by the participant's elective deferrals that the participant does not designate as designated plus contributions. Designated plus contributions are treated as any other elective deferral for purposes of nonforfeitability requirements and distribution restrictions. Under a section 401(k) plan, designated plus contributions also are treated as any other elective deferral for purposes of the special nondiscrimination requirements.

The plan is required to establish a separate account, and maintain separate recordkeeping, for a participant's designated plus contributions (and earnings allocable thereto). A qualified distribution from a participant's designated plus contributions account is not includible in the participant's gross income. A qualified distribution is a distribution that is made after the end of a specified nonexclusion period and that is (1) made on or after the date on which the participant attains age 59½, (2) made to a beneficiary (or to the estate of the participant) on or after the death of the participant, or (3) attributable to the participant's being disabled.[17] The nonexclusion period is the 5-year-taxable period beginning with the earlier of (1) the first taxable year for which the participant made a designated plus contribution to any designated plus contribution account established for the participant under the plan, or (2) if the participant has made a rollover contribution to the designated plus contribution account that is the source of the distribution from a designated plus contribution account established for the participant under another plan, the first taxable year for which the participant made a designated plus contribution to the previously established account.

A distribution from a designated plus contributions account that is a corrective distribution of an elective deferral (and income allocable thereto) that exceeds the section 402(g) annual limit on elective deferrals is not a qualified distribution.

A participant is permitted to roll over a distribution from a designated plus contributions account only to another designated plus contributions account or a Roth IRA of the participant.

The Secretary of the Treasury is directed to require the plan administrator of each section 401(k) plan or section 403(b) annuity that permits participants to make designated plus contributions to make such returns and reports regarding designated plus contributions to the Secretary, plan participants and beneficiaries, and other persons that the Secretary may designate.

Effective date.—The House bill is effective for taxable years beginning after December 31, 2000.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

9. Increase minimum benefit under defined benefit plans (sec. 1209 of the House bill and sec. 415 of the Code)

Present Law

Under a defined benefit plan, the maximum annual benefit payable at retirement is generally the lesser of (1) 100 percent of the participant's compensation, or (2) $130,000 (for 1999).[18] Payment of a minimum annual benefit is permitted even if the benefit exceeds the normally applicable benefit limitations. Thus, the limits on benefits are deemed to be satisfied if the aggregate annual retirement benefit of a participant under all defined benefit pension plans of the employer does not exceed $10,000 and the participant has not participated in a defined contribution plan of the employer. The $10,000 limit is reduced for participants with less than 10 years of service with the employer.

House Bill

Under the House bill, beginning in 2001, the minimum annual benefit permitted under a defined benefit plan is increased in $10,000 annual increments until the minimum benefit amount reaches $40,000 in 2003. The $40,000 amount is not indexed. In addition, a participant is entitled to the minimum benefit even if the participant had participated in a defined contribution plan of the employer.

Effective date.—The House bill is effective for years beginning after December 31, 2000.

Senate Amendment

No provision.

Conference Agreement

The conference agreement does not include the House bill provision.

10. Reduced PBGC premiums for small and new plans (secs. 315–316 of the Senate amendment and sec. 4006 of ERISA)

Present Law

Under present law, the Pension Benefit Guaranty Corporation (''PBGC'') provides insurance protection for participants and beneficiaries under certain defined benefit pension plans by guaranteeing certain basic benefits under the plan in the event the plan is terminated with insufficient assets to pay benefits promised under the plan. The PBGC guarantee is phased in ratably in the case of plans that have been in effect for less than 5 years, and with respect to benefit increases from a plan amendment that was in effect for less than 5 years before termination of the plan. The guaranteed benefits are funded in part by premium payments from employers who sponsor defined benefit plans. The amount of the required annual PBGC premium for a single-employer plan is generally a flat rate premium of $19 per participant and an additional variable rate premium based on a charge of $9 per $1,000 of unfunded vested benefits. Unfunded vested benefits under a plan generally means (1) the unfunded current liability for vested benefits under the plan, over (2) the value of the plan's assets, reduced by any credit balance in the funding standard account. No variable rate premium is imposed for a year if contributions to the plan were at least equal to the full funding limit.

House Bill

No provision.

Senate Amendment

Reduced flat-rate premiums for new plans of small employers

Under the Senate amendment, for the first five plan years of a new single-employer plan of a small employer, the flat-rate PBGC premium is $5 per plan participant.

A small employer is a contributing sponsor that, on the first day of the plan year, has 100 or fewer employees. For this purpose, all employees of the members of the controlled group of the contributing sponsor are taken into account. In the case of a plan to which more than one unrelated contributing sponsor contributes, employees of all contributing sponsors (and their controlled group members) are taken into account in determining whether the plan is a plan of a small employer.

Reduced variable PBGC premium for new plans

The Senate amendment provides that the variable premium is phased in for new defined benefit plans over a six-year period starting with the plan's first plan year. The amount of the variable premium is a percentage of the variable premium otherwise due, as follows: 0 percent of the otherwise applicable variable premium in the first plan year; 20 percent in the second plan year; 40 percent in the third plan year; 60 percent in the fourth plan year; 80 percent in the fifth

[16] Early distributions of converted amounts may also accelerate income inclusion of converted amounts that are taxable under the 4-year rule applicable to 1998 conversions.

[17] A qualified special purpose distribution, as defined under the rules relating to Roth IRAs, does not qualify as a tax-free distribution from a designated plus contributions account.

[18] Another provision of the House bill increases the dollar limit on the annual benefit payable under a defined benefit plan.

plan year; and 100 percent in the sixth plan year (and thereafter).

A new defined benefit plan is defined as under the flat-rate premium provision relating to new small employer plans.

Effective date

The Senate amendment provisions are effective for plans established after December 31, 2000.

Conference Agreement

The conference agreement follows the Senate amendment, with a modification. In the case of any plan (not just a new plan) of an employer with 25 or fewer employees, the variable- rate premium is no more than $5 multiplied by the number of plan participants in the plan at the close of the preceding year.

Effective date.—The provision is generally effective for plans established after December 31, 2000. The provision regarding plans of employers with 25 or fewer employees is effective for plan years beginning after December 31, 2000.

11. SAFE annuities and trusts (sec. 318 of the Senate amendment and new sec. 408B of the Code)

Present Law

A small business may establish a simplified defined contribution retirement plan called a savings incentive match plan for employees (''SIMPLE'') retirement plan. An employer is eligible to adopt a SIMPLE plan if the employer employs 100 or fewer employees who received at least $5,000 in compensation during the preceding year and does not maintain another retirement plan.

A SIMPLE plan may be either an individual retirement arrangement for each employee (''SIMPLE IRA'') or part of a qualified cash or deferred arrangement (a ''SIMPLE 401(k)''). A SIMPLE IRA is not subject to the nondiscrimination rules or top-heavy rules generally applicable to qualified plans. Similarly, a SIMPLE 401(k) is deemed to satisfy the special nondiscrimination tests applicable to 401(k) plans and is not subject to the top-heavy rules. The other qualified plan rules apply to a SIMPLE 401(k), however.

SIMPLE plans are subject to special contribution rules. Employees may elect during the 60–day period preceding a plan year to make elective contributions under a SIMPLE plan of up to $6,000 during the plan year. The $6,000 dollar limit is adjusted for cost-of-living increases in $500 increments.

An employer that maintains a SIMPLE plan generally is required to match each employee's elective contributions on a dollar-for-dollar basis up to 3 percent of the employee's compensation. As an alternative to a matching contribution for any year, an employer may make a nonelective contribution on behalf of each eligible employee equal to 2 percent of the employee's compensation.

Under a SIMPLE IRA, the compensation limit does not apply for purposes of the required employer matching contribution. If the employer satisfies the contribution requirement by making a nonelective contribution, however, the amount of compensation taken into account for each participant to determine the amount of the required employer contribution may not exceed the compensation limit.

Under a SIMPLE 401(k), the compensation limit applies for purposes of the matching contribution as well as the nonelective contribution.

No contributions other than employee elective contributions and required employer contributions may be made to a SIMPLE plan. All contributions under a SIMPLE plan must be fully vested.

Present law does not provide for a simplified defined benefit plan similar to the SIMPLE plan.

House Bill

No provision.

Senate Amendment

Under the Senate amendment, a small business may establish a simplified retirement plan called the secure assets for employees (''SAFE'') plan. The SAFE plan combines the features of a defined benefit plan and a defined contribution plan.

Employer and employee eligibility and vesting

An employer is eligible to adopt a SAFE plan if the employer employs 100 or fewer employees who received at least $5,000 in compensation during the preceding year and does not maintain another retirement plan other than a plan that provides only for elective deferrals or matching contributions, an eligible deferred compensation plan of a tax-exempt organization or a State or local government (''section 457 plan''), or a collectively bargained plan.

Each employee whose compensation was at least $5,000 in any 2 preceding consecutive years and in the current year generally is eligible to participate. All benefits under a SAFE plan are fully vested at all times.

Benefits and funding

A SAFE plan provides a fully funded minimum defined benefit. For each year of participation, a participant generally accrues a minimum annual benefit at retirement equal to 3 percent of the participant's compensation for the year. The employer may elect to provide a benefit of 2 percent, 1 percent, or 0 percent of compensation for any year for all participants if the employer notifies the participants of such lower percentage within a reasonable period before the beginning of the year. Benefits under a SAFE plan are subject to the annual limitation on compensation that may be taken into account under a qualified plan ($160,000 in 1999).

An employer may count up to 10 years of service performed by a participant before the adoption of a SAFE plan (''prior service year'') if the same number of prior service years is available to all employees eligible to participate in the SAFE plan for the first plan year. Prior service years is taken into account by doubling the amount of the contribution the employer would otherwise make for each participant with prior service years, beginning with the first year the SAFE plan is in effect. A participant's prior service years do not include any years in which a participant was an active participant in any defined benefit plan maintained by the employer or received less than $5,000 in compensation from the employer.

Each year the employer is required to contribute to the SAFE plan on behalf of each participant an amount sufficient to provide the annual benefit accrued for the year payable at age 65, using specified actuarial assumptions (including an interest rate not less than 3 percent and not greater than 5 percent per year). A SAFE plan may be funded either through an individual retirement annuity for each employee (''SAFE Annuity'') or through a trust (a ''SAFE Trust'').

Under a SAFE Trust, each participant has an account to which actual investment returns are credited. If a participant's account balance is less than the total of past employer contributions credited with a specified interest rate (not less than 3 percent and not greater than 5 percent per year), the employer is required to make up the shortfall. If the investment returns in a participant's account exceed the specified interest rate, the participant is entitled to the larger account balance. Permissible investments of a SAFE Trust are securities that are readily tradable on an established securities market and insurance company products that are regulated by State law.

Under a SAFE Annuity, each year the employer is required to contribute the amount necessary to purchase an annuity that provides the benefit accrual for the year.

The required contributions to a SAFE plan are deductible under the rules applicable to qualified defined benefit plans. An excise tax applies if the employer fails to make the required contribution for the year.

Benefits under a SAFE plan are not guaranteed by the Pension Benefit Guaranty Corporation.

Distributions

A SAFE plan may provide for distributions at any time. Distributions from a SAFE plan are subject to tax under the present-law rules applicable to distributions from qualified plans, except that a distribution prior to the participant's attainment of age 59½ generally are subject to an additional tax equal to 20 percent of the amount distributed.

A SAFE plan must provide for payment of benefits in the form of a single life annuity payable at age 65 or any actuarially equivalent form of benefit. A SAFE plan is not subject to the joint and survivor annuity requirements applicable to other defined benefit pension plans.

Nondiscrimination requirements and other rules

A SAFE plan is not subject to the nondiscrimination rules, the top-heavy plan rules, or the limitations on benefits or contributions applicable to qualified retirement plans. A SAFE plan is subject to the qualified plan requirement that a participant's benefit accrual may not cease merely because the participant has attained a specified age (sec. 411(b)(1)(H)). Simplified reporting and disclosure requirements apply to SAFE plans.

Effective date

The Senate amendment provision is effective for years beginning after December 31, 2000.

Conference Agreement

The conference agreement does not include the Senate amendment.

B. Enhancing Fairness for Women

1. Additional catch-up contributions (sec. 1221 of the House bill, sec. 321 of the Senate amendment, and secs. 219, 402(g), 408(p), and 457 of the Code)

Present Law

Elective deferral limitations

Under present law, under certain salary reduction arrangements, an employee may elect to have the employer make payments as contributions to a plan on behalf of the employee, or to the employee directly in cash. Contributions made at the election of the employee are called elective deferrals.

The maximum annual amount of elective deferrals that an individual may make to a qualified cash or deferred arrangement (a ''401(k) plan''), a tax-sheltered annuity (''section 403(b) annuity'') or a salary reduction simplified employee pension plan (''SEP'') is $10,000 (for 1999). The maximum annual amount of elective deferrals that an individual may make to a SIMPLE plan is $6,000. These limits are indexed for inflation in $500 increments.

Section 457 plans

The maximum annual deferral under a deferred compensation plan of a State or local government or a tax-exempt organization (a ''section 457 plan'') is the lesser of (1) $8,000 (for 1999) or (2) 33⅓ percent of compensation. The $8,000 dollar limit is increased for inflation in $500 increments. Under a special catch-up rule, the section 457 plan may provide that, for one or more of the participant's last 3 years before retirement, the otherwise applicable limit is increased to the lesser of (1) $15,000 or (2) the sum of the otherwise applicable limit for the year plus the amount by which the limit applicable in preceding years of participation exceeded the deferrals for that year.

IRAs

Under present law, the maximum annual contribution that can be made to all an individuals IRAs is the lesser of $2,000 or the individual's compensation for the year. Special rules apply in the case of a married couple to allow up to the maximum contribution for each spouse, provided that the combined compensation of the spouses is at least equal to the total IRA contributions.

House Bill

The House bill provides that the otherwise applicable dollar limit on elective deferrals under a section 401(k) plan, section 403(b) annuity, or SIMPLE, or deferrals under a section 457 plan are increased for individuals who have attained age 50 by the end of the year.[19] The otherwise applicable dollar limit is increased by $1,000 in each year beginning in 2001 until the amount of the increase is $5,000 in 2005. Thereafter, the $5,000 limit is indexed for inflation in $500 increments. In the case of section 457 plans, this catch-up rule does not apply during the participant's last 3 years before retirement (in those years, the regularly applicable dollar limit is doubled).

Effective date.—The provision is effective for taxable years beginning after December 31, 2000.

Senate Amendment

The Senate amendment provides that individuals who have attained age 50 may make additional catch-up elective contributions to employer-sponsored retirement plans and additional catch-up IRA contributions.

In the case of employer-sponsored retirement plans, the provision applies to elective deferrals under a section 401(k) plan, section 403(b) annuity, SIMPLE, or section 457 plan. Additional contributions may be made by an individual who has attained age 50 before the end of the plan year and with respect to whom no other elective deferrals may otherwise be made to the plan for the year because of the application of any limitation of the Code (e.g., the annual limit on elective deferrals) or of the plan. Under the provision, the additional amount of elective contributions that may be made by an eligible individual participating in such a plan is the lesser of (1) the applicable percent of the maximum dollar amount of elective deferrals otherwise excludable from the gross income of the participant for the year (under sec. 402(g)) or (2) the participant's compensation for the year reduced by any other elective deferrals of the participant for the year.[20] The applicable percent is 10 percent in 2001, and increases by 10 percentage points until the applicable percent is 50 in 2005 and thereafter.

Catch-up contributions made under the provision are not subject to any other contribution limits and are not taken into account in applying other contribution limits. In addition, such contributions are not subject to applicable nondiscrimination rules.[21]

An employer may make matching contributions with respect to catch-up contributions. Any such matching contributions are subject to the normally applicable rules.[22]

Effective date.—The Senate amendment is effective for years beginning after December 31, 2000.

Conference Agreement

The conference agreement follows the Senate amendment.

2. Equitable treatment for contributions of employees to defined contribution plans (sec. 1222 of the House bill, sec. 322 of the Senate amendment, and secs. 403(b), 415, and 457 of the Code)

Present Law

Present law imposes limits on the contributions that may be made to tax-favored retirement plans.

Defined contribution plans

In the case of a tax-qualified defined contribution plan, the limit on annual additions that can be made to the plan on behalf of an employee is the lesser of $30,000 (for 1999) or 25 percent of the employee's compensation (sec. 415(c)). Annual additions include employer contributions, including contributions made at the election of the employee (i.e., employee elective deferrals), after-tax employee contributions, and any forfeitures allocated to the employee. For this purpose, compensation means taxable compensation of the employee, plus elective deferrals, and similar salary reduction contributions. A separate limit applies to benefits under a defined benefit plan.

For years beginning before January 1, 2000, an overall limit applies if an employee is a participant in both a defined contribution plan and a defined benefit plan of the same employer.

Tax-sheltered annuities

In the case of a tax-sheltered annuity (a ''section 403(b) annuity''), the annual contribution generally cannot exceed the lesser of the exclusion allowance or the section 415(c) defined contribution limit. The exclusion allowance for a year is equal to 20 percent of the employee's includible compensation, multiplied by the employee's years of service, minus excludable contributions for prior years under qualified plans, tax-sheltered annuities or section 457 plans of the employer.

For purposes of determining the contribution limits applicable to section 403(b) annuities, includible compensation means the amount of compensation received from the employer for the most recent period which may be counted as a year of service under the exclusion allowance. In addition, includible compensation includes elective deferrals and similar salary reduction amounts.

Treasury regulations include provisions regarding application of the exclusion allowance in cases where the employee participates in a section 403(b) annuity and a defined benefit plan. The Taxpayer Relief Act of 1997 directed the Secretary of the Treasury to revise these regulations, effective for years beginning after December 31, 1999, to reflect the repeal of the overall limit on contributions and benefits.

Section 457 plans

Compensation deferred under an eligible deferred compensation plan of a tax-exempt or State and local governmental employer (a ''section 457 plan'') is not includible in gross income until paid or made available. In general, the maximum permitted annual deferral under such a plan is the lesser of (1) $8,000 (in 1999) or (2) 33⅓ percent of compensation. The $8,000 limit is increased for inflation in $500 increments.

House Bill

Increase in defined contribution plan limit

The House bill increases the 25 percent of compensation limitation on annual additions under a defined contribution plan to 100 percent.[23]

Conforming limits on tax-sheltered annuities

The House bill repeals the exclusion allowance applicable to contributions to tax- sheltered annuities. Thus, such annuities are subject to the limits applicable to tax-qualified plans.

Section 457 plans

The House bill increases the 33⅓ percent of compensation limitation on deferrals under a section 457 plan to 100 percent of compensation.

Effective date

The House bill is effective for years beginning after December 31, 2000.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment, with a modification. The conference agreement directs the Secretary of the Treasury to revise the regulations relating to the exclusion allowance under section 403(b)(2) to render void the requirement that contributions to a defined benefit plan be treated as previously excluded amounts for purposes of the exclusion allowance. For taxable years beginning after December 31, 1999, the regulatory provisions regarding the exclusion allowance are to be applied as if the requirement that contributions to a defined benefit plan be treated as previously excluded amounts for purposes of the exclusion allowance were void.

Effective date.—The provisions are generally effective for years beginning after December 31, 2000. The provision regarding the regulations under section 403(b)(2) is effective on the date of enactment.

3. Faster vesting of employer matching contributions (sec. 1223 of the bill, sec. 325 of the Senate amendment, and sec. 411 of the Code)

Present Law

Under present law, a plan is not a qualified plan unless a participant's employer-provided benefit vests at least as rapidly as under one of two alternative minimum vesting schedules. A plan satisfies the first schedule if a participant acquires a nonforfeitable right to 100 percent of the participant's accrued benefit derived from employer contributions upon the completion of 5 years

[19] Another provision in the House bill increases the dollar limit on elective deferrals under such arrangements.

[20] In the case of a section 457 plans, this catch-up rule does not apply during the participant's last 3 years before retirement (in those years, the regularly applicable dollar limit is doubled).

[21] Another provision in the Senate amendment provides that elective contributions are deductible without regard to the otherwise applicable deduction limits.

[22] The Senate amendment contains a similar catch-up rule for IRAs, described earlier.

[23] Another provision of the House bill increases the defined contribution plan dollar limit.

of service. A plan satisfies the second schedule if a participant has a nonforfeitable right to at least 20 percent of the participant's accrued benefit derived from employer contributions after 3 years of service, 40 percent after 4 years of service, 60 percent after 5 years of service, 80 percent after 6 years of service, and 100 percent after 7 years of service.[24]

House Bill

Under the House bill, employer matching contributions have to vest at least as rapidly as under one of the following two alternative minimum vesting schedules. A plan satisfies the first schedule if a participant acquires a nonforfeitable right to 100 percent of employer matching contributions upon the completion of 3 years of service. A plan satisfies the second schedule if a participant has a nonforfeitable right to 20 percent of employer matching contributions for each year of service beginning with the participant's second year of service and ending with 100 percent after 6 years of service.

Effective date.—The provision is effective for plan years beginning after December 31, 2000, with a delayed effective date for plans maintained pursuant to a collective bargaining agreement. The provision does not apply to any employee until the employee has an hour of service after the effective date. In applying the new vesting schedule, service before the effective date is taken into account.

Senate Amendment

The Senate amendment is the same as the House bill.[25]

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

4. Simplify and update the minimum distribution rules (secs. 1224 and 1239 of the House bill and secs. 401(a)(9) and 457 of the Code)

Present Law

In general

Minimum distribution rules apply to all types of tax-favored retirement vehicles, including qualified plans, individual retirement arrangements (''IRAs''), tax-sheltered annuities (''section 403(b) annuities''), and eligible deferred compensation plans of tax-exempt and State and local government employers (''section 457 plans''). In general, under these rules, distribution of minimum benefits must begin no later than the required beginning date. Minimum distribution rules also apply to benefits payable with respect to a plan participant who has died. Failure to comply with the minimum distribution rules results in an excise tax imposed on the individual plan participant equal to 50 percent of the required minimum distribution not distributed for the year. The excise tax can be waived if the individual establishes to the satisfaction of the Secretary that the shortfall in the amount distributed was due to reasonable error and reasonable steps are being taken to remedy the shortfall.

Distributions prior to the death of the individual

In the case of distributions prior to the death of the plan participant, the minimum distribution rules are satisfied if either (1) the participant's entire interest in the plan is distributed by the required beginning date, or (2) the participant's interest in the plan is to be distributed (in accordance with regulations), beginning not later than the required beginning date, over a permissible period. The permissible periods are (1) the life of the participant, (2) the lives of the participant and a designated beneficiary, (3) the life expectancy of the participant, or (4) the joint life and last survivor expectancy of the participant and a designated beneficiary. In calculating minimum required distributions, life expectancies of the participant and the participant's spouse may be recomputed annually.

In the case of qualified plans, tax-sheltered annuities, and section 457 plans, the required beginning date is the April 1 of the calendar year following the later of (1) the calendar year in which the employee attains age 70½ or (2) the calendar year in which the employee retires. However, in the case of a 5–percent owner of the employer, distributions are required to begin no later than the April 1 of the calendar year following the year in which the 5–percent owner attains age 70½. If commencement of benefits is delayed beyond age 70½ from a defined benefit plan, then the accrued benefit of the employee must be actuarially increased to take into account the period after age 70½ in which the employee was not receiving benefits under the plan.[26] In the case of distributions from an IRA other than a Roth IRA, the required beginning date is the April 1 following the calendar year in which the IRA owner attains age 70½. The pre-death minimum distribution rules do not apply to Roth IRAs.

In general, under proposed regulations, in order to satisfy the minimum distribution rules, annuity payments under a defined benefit plan must be paid in period payments made at intervals not longer than one year over a permissible period, and must be nonincreasing, or increase only as a result of the following: (1) cost-of-living adjustments; (2) cash refunds of employee contributions; (3) benefit increases under the plan; or (4) an adjustment due to death of the employee's beneficiary. In the case of a defined contribution plan, the minimum required distribution is determined by dividing the employee's benefit by the applicable life expectancy.

Distributions after the death of the plan participant

The minimum distribution rules also apply to distributions to beneficiaries of deceased participants. In general, if the participant dies after minimum distributions have begun, the remaining interest must be distributed at least as rapidly as under the minimum distribution method being used as of the date of death. If the participant dies before minimum distributions have begun, then the entire remaining interest must generally be distributed within 5 years of the participant's death. The 5–year rule does not apply if distributions begin within 1 year of the participant's death and are payable over the life expectancy of a designated beneficiary. A surviving spouse beneficiary is not required to begin distribution until the date the deceased participant would have attained age 70½.

Special rules for section 457 plans

Eligible deferred compensation plans of State and local and tax-exempt employers (''section 457 plans'') are subject to the minimum distribution rules described above. Such plans are also subject to additional minimum distribution requirements (sec. 457(d)(2)(b)).

House Bill

Modification of post-death distribution rules

The House bill applies the present-law rules applicable if the participant dies before distribution of minimum benefits has begun to all post-death distributions. Thus, in general, if the employee dies before his or her entire interest has been distributed, distribution of the remaining interest must be made within 5 years of the date of death, or begin within one year of the date of death and paid over the life or life expectancy of a designated beneficiary. In the case of a surviving spouse, distributions are not required to begin until the surviving spouse attains age 70½. Minimum distributions that have already begun may be recalculated under the new rule.

Reduction in excise tax

The House bill reduces the excise tax on failures to satisfy the minimum distribution rules to 10 percent of the amount that was required to be distributed but was not distributed.

Treasury regulations

The Treasury is directed to update, simplify and finalize the regulations relating to the minimum distribution rules. The Treasury is directed to reflect in the regulations current life expectancies and to revise the required distribution methods so that, under reasonable assumptions, the amount of the required distribution does not decrease over time. The regulations are to permit recalculation of distributions for future years to reflect the change in the regulations, and to permit the election of a new designated beneficiary and method of calculating life expectancy. The regulations are effective for years beginning after December 31, 2000.

Section 457 plans

The House bill repeals the special minimum distribution rules applicable to section 457 plans. Thus, such plans are subject to the same minimum distribution rules applicable to other types of tax-favored arrangements.

Effective date

In general, the provision is effective for years beginning after December 31, 2000.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

5. Clarification of tax treatment of division of section 457 plan benefits upon divorce (sec. 1225 of the House bill, sec. 323 of the Senate amendment, and sec. 457 of the Code)

Present Law

Under present law, benefits provided under a qualified retirement plan for a participant may not be assigned or alienated to creditors of the participant, except in very limited circumstances. One exception to the prohibition on assignment or alienation rule is a qualified domestic relations order (''QDRO''). A QDRO is a domestic relations order that creates or recognizes a right of an alternate payee to any plan benefit payable with respect to a participant, and that meets certain procedural requirements.

Under present law, a distribution from a governmental plan or a church plan is treated as made pursuant to a QDRO if it is made pursuant to a domestic relations order that

[24] The minimum vesting requirements are also contained in title I of the Employee Retirement Income Security Act of 1974, as amended (''ERISA'').

[25] The Senate amendment makes corresponding changes to title I of ERISA.

[26] State and local government plans and church plans are not required to actuarially increase benefits that begin after age 70½

creates or recognizes a right of an alternate payee to any plan benefit payable with respect to a participant. Such distributions are not required to meet the procedural requirements that apply with respect to distributions from qualified plans.

Under present law, amounts distributed from a qualified plan generally are taxable to the participant in the year of distribution. However, if amounts are distributed to the spouse (or former spouse) of the participant by reason of a QDRO, the benefits are taxable to the spouse (or former spouse). Amounts distributed pursuant to a QDRO to an alternate payee other than the spouse (or former spouse) are taxable to the plan participant.

Section 457 of the Internal Revenue Code provides rules for deferral of compensation by an individual participating in an eligible deferred compensation plan (''section 457 plan'') of a tax-exempt or State and local government employer. The QDRO rules do not apply to section 457 plans.

House Bill

The House bill applies the taxation rules for qualified plan distributions pursuant to a QDRO to distributions made pursuant to a domestic relations order from a section 457 plan. In addition, a section 457 plan is not treated as violating the restrictions on distributions from such plans due to payments to an alternate payee under a QDRO. The special rule applicable to governmental plans and church plans applies for purposes of determining whether a distribution is pursuant to a QDRO.

Effective date.—The provision is effective for transfers, distributions and payments made after December 31, 2000.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

6. Modification of safe harbor relief for hardship withdrawals from 401(k) plans (sec. 324 of the Senate amendment)

Present Law

Elective deferrals under a qualified cash or deferred arrangement (a ''section 401(k) plan'') may not be distributable prior to the occurrence of one or more specified events. One event upon which distribution is permitted is the financial hardship of the employee. Applicable Treasury regulations[27] provide that a distribution is made on account of hardship only if the distribution is made on account of an immediate and heavy financial need of the employee and is necessary to satisfy the heavy need.

The Treasury regulations provide a safe harbor under which a distribution may be deemed necessary to satisfy an immediate and heavy financial need. One requirement of this safe harbor is that the employee be prohibited from making elective contributions and employee contributions to the plan and all other plans maintained by the employer for at least 12 months after receipt of the hardship distribution.

House Bill

No provision.

Senate Amendment

The Secretary of the Treasury is directed to revise the applicable regulations to reduce from 12 months to 6 months the period during which an employee must be prohibited from making elective contributions and employee contributions in order for a distribution to be deemed necessary to satisfy an immediate and heavy financial need.

Effective date.—The Senate amendment provision is effective for years beginning after December 31, 2000.

Conference Agreement

The conference agreement follows the Senate amendment.

C. Increasing Portability for Participants

1. Rollovers of retirement plan and IRA distributions (secs. 1231–1233 and 1239 of the House bill, secs. 331–333 and 339 of the Senate amendment, and secs. 401, 402, 403(b), 408, 457, and 3405 of the Code)

Present Law

In general

Present law permits the rollover of funds from a tax-favored retirement plan to another tax-favored retirement plan. The rules that apply depend on the type of plan involved. Similarly, the rules regarding the tax treatment of amounts that are not rolled over depend on the type of plan involved.

Distributions from qualified plans

Under present law, an ''eligible rollover distribution'' from a tax-qualified employer-sponsored retirement plan may be rolled over tax free to a traditional individual retirement arrangement (''IRA'')[28] or another qualified plan.[29] An ''eligible rollover distribution'' means any distribution to an employee of all or any portion of the balance to the credit of the employee in a qualified plan, except the term does not include (1) any distribution which is one of a series of substantially equal periodic payments made (a) for the life (or life expectancy) of the employee or the joint lives (or joint life expectancies) of the employee and the employee's designated beneficiary, or (b) for a specified period of 10 years or more, (2) any distribution to the extent such distribution is required under the minimum distribution rules, and (3) certain hardship distributions. The maximum amount that can be rolled over is the amount of the distribution includible in income, i.e., after-tax employee contributions cannot be rolled over. Qualified plans are not required to accept rollovers.

Distributions from tax-sheltered annuities

Eligible rollover distributions from a tax-sheltered annuity (''section 403(b) annuity'') may be rolled over into an IRA or another section 403(b) annuity. Distributions from a section 403(b) annuity cannot be rolled over into a tax-qualified plan. Section 403(b) annuities are not required to accept rollovers.

IRA distributions

Distributions from a traditional IRA, other than minimum required distributions, can be rolled over into another IRA. In general, distributions from an IRA cannot be rolled over into a qualified plan or section 403(b) annuity. An exception to this rule applies in the case of so-called ''conduit IRAs.'' Under the conduit IRA rule, amounts can be rolled from a qualified plan into an IRA and then subsequently rolled back to another qualified plan if the amounts in the IRA are attributable solely to rollovers from a qualified plan. Similarly, an amount may be rolled over from a section 403(b) annuity to an IRA and subsequently rolled back into a section 403(b) annuity if the amounts in the IRA are attributable solely to rollovers from a section 403(b) annuity.

Distributions from section 457 plans

A ''section 457 plan'' is an eligible deferred compensation plan of a State or local government or tax-exempt employer that meets certain requirements. In some cases, different rules apply under section 457 to governmental plans and plans of tax-exempt employers. For example, governmental section 457 plans are like qualified plans in that plan assets are required to be held in a trust for the exclusive benefit of plan participants and beneficiaries. In contrast, benefits under a section 457 plan of a tax-exempt employer are unfunded, like nonqualified deferred compensation plans of private employers.

Section 457 benefits can be transferred to another section 457 plan. Distributions from a section 457 plan cannot be rolled over to another section 457 plan, a qualified plan, a section 403(b) annuity, or an IRA.

Rollovers by surviving spouses

A surviving spouse that receives an eligible rollover distribution may roll over the distribution into an IRA, but not a qualified plan or section 403(b) annuity.

Direct rollovers and withholding requirements

Qualified plans and section 403(b) annuities are required to provide that a plan participant has the right to elect that an eligible rollover distribution be directly rolled over to another eligible retirement plan. If the plan participant does not elect the direct rollover option, then withholding is required on the distribution at a 20–percent rate.

Notice of eligible rollover distribution

The plan administrator of a qualified plan or a section 403(b) annuity is required to provide a written explanation of rollover rules to individuals who receive a distribution eligible for rollover. In general, the notice is to be provided within a reasonable period of time before making the distribution and is to include an explanation of (1) the provisions under which the individual may have the distribution directly rolled over to another eligible retirement plan, (2) the provision that requires withholding if the distribution is not directly rolled over, (3) the provision under which the distribution may be rolled over within 60 days of receipt, and (4) if applicable, certain other rules that may apply to the distribution. The Treasury Department has provided more specific guidance regarding timing and content of the notice.

Taxation of distributions

As is the case with the rollover rules, different rules regarding taxation of benefits apply to different types of tax-favored arrangements. In general, distributions from a qualified plan, section 403(b) annuity, or IRA are includible in income in the year received. In certain cases, distributions from qualified plans are eligible for capital gains treatment and averaging. These rules do not apply to distributions from another type of plan. Distributions from a qualified plan, IRA, and section 403(b) annuity generally are subject to an additional 10-percent early withdrawal tax if made before age 59½. There are a number of exceptions to the early withdrawal tax. Some of the exceptions apply to all three types of plans, and others apply only to certain types of plans. For example, the 10-percent early withdrawal tax does not apply to IRA distributions for educational expenses, but does apply to similar distributions from qualified plans and section 403(b)

[27] Treas. Reg. sec. 1.401(k)–1.

[28] A ''traditional'' IRA refers to IRAs other than Roth IRAs or SIMPLE IRAs. All references to IRAs refers only to traditional IRAs.

[29] An eligible rollover distribution may either be rolled over by the distributee within 60 days of the date of the distribution or, as described below, directly rolled over by the distributing plan.

annuities. Benefits under a section 457 plan are generally includible in income when paid or made available. The 10-percent early withdrawal tax does not apply to section 457 plans.

House Bill

In general

The House bill provides that eligible rollover distributions from qualified retirement plans, section 403(b) annuities, and governmental section 457 plans generally may be rolled over to any of such plans or arrangements.[30] Similarly, distributions from an IRA generally may be rolled over into a qualified plan, section 403(b) annuity, or governmental section 457 plan. The direct rollover and withholding rules are extended to distributions from a governmental section 457 plan, and such plans are required to provide the written notification regarding eligible rollover distributions. The rollover notice (with respect to all plans) is required to include a description of the provisions under which distributions from the plan to which the distribution is rolled over may be subject to restrictions and tax consequences different than those applicable to distributions from the distributing plan. Qualified plans, section 403(b) annuities, and section 457 plans are not required to accept rollovers.

Some special rules apply in certain cases. A distribution from a qualified plan is not eligible for capital gains or averaging treatment if there was a rollover to the plan that would not have been permitted under present law. Thus, in order to preserve capital gains and averaging treatment for a qualified plan distribution that is rolled over, the rollover has to be made to a ''conduit IRA'' as under present law, and then rolled back into a qualified plan. Amounts distributed from a section 457 plan are subject to the early withdrawal tax to the extent the distribution consists of amounts attributable to rollovers from another type of plan. Section 457 plans are required to separately account for such amounts.

The provision also provides that benefits in governmental section 457 plans are includible in income when paid.

Rollover of after-tax contributions

The provision provides that employee after-tax contributions may be rolled over into another qualified plan or a traditional IRA. In the case of a rollover from a qualified plan to another qualified plan, the rollover may be accomplished only through a direct rollover. In addition, a qualified plan may not accept rollovers of after-tax contributions unless the plan provides separate accounting for such contributions (and earnings thereon). After-tax contributions (including nondeductible contributions to an IRA) may not be rolled over from an IRA into a qualified plan, tax-sheltered annuity, or section 457 plan.

In the case of a distribution from a traditional IRA that is rolled over into an eligible rollover plan that is not an IRA, the distribution is attributed first to amounts other than after-tax contributions.

Expansion of spousal rollovers

The provision provides that surviving spouses may roll over distributions to a qualified plan, section 403(b) annuity, or governmental section 457 plan in which the spouse participates.

Treasury regulations

The Secretary is directed to prescribe rules necessary to carry out the provisions. Such rules may include, for example, reporting requirements and mechanisms to address mistakes relating to rollovers. It is anticipated that the IRS will develop forms to assist individuals who roll over after-tax contributions to an IRA in keeping track of such contributions. Such forms could, for example, expand Form 8606—Nondeductible IRAs, to include information regarding after-tax contributions.

Effective date

The provision is effective for distributions made after December 31, 2000.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

2. Waiver of 60-day rule (sec. 1234 of the House bill, sec. 334 of the Senate amendment, and secs. 402 and 408 of the Code)

Present Law

Under present law, amounts received from an IRA or qualified plan may be rolled over tax free if the rollover is made within 60 days of the date of the distribution. The Secretary does not have the authority to waive the 60-day requirement.

House Bill

The House bill provides that the Secretary may waive the 60-day rollover period if the failure to waive such requirement would be against equity or good conscience, including cases of casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.

Effective date.—The House bill provision applies to distributions made after December 31, 2000.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

3. Treatment of forms of distribution (sec. 1235 of the House bill, sec. 335 of the Senate amendment, and sec. 411(d)(6) of the Code)

Present Law

An amendment of a qualified retirement plan may not decrease the accrued benefit of a plan participant. An amendment is treated as reducing an accrued benefit if, with respect to benefits accrued before the amendment is adopted, the amendment has the effect of either (1) eliminating or reducing an early retirement benefit or a retirement-type subsidy, or (2) except as provided by Treasury regulations, eliminating an optional form of benefit (sec. 411(d)(6)).[31]

The prohibition against the elimination of an optional form of benefit applies to plan mergers, spinoffs, transfers, and transactions amending or having the effect of amending a plan or plans to transfer plan benefits. For example, if Plan A, a profit-sharing plan that provides for distribution of benefits in annual installments over ten or twenty years, is merged with Plan B, a profit-sharing plan that provides for distribution of benefits in annual installments over life expectancy at the time of retirement, the merged plan must preserve the ten- or twenty-year installment option with respect to benefits accrued under Plan A as of the date of the merger and the installments over life expectancy with respect to benefits accrued under Plan B as of the date of the merger. Similarly, for example, if a participant's benefit under a defined contribution plan is transferred to another defined contribution plan maintained by the same or a different employer, the optional forms of benefit available with respect to the participant's accrued benefit under the transferor plan must be preserved.[32]

House Bill

A defined contribution plan to which benefits are transferred is not treated as reducing a participant's or beneficiary's accrued benefit even though it does not provide all of the forms of distribution previously available under the transferor plan if (1) the plan receives from another defined contribution plan a direct transfer of the participant's or beneficiary's benefit accrued under the transferor plan, or the plan results from a merger or other transaction that has the effect of a direct transfer (including consolidations of benefits attributable to different employers within a multiple employer plan), (2) the terms of both the transferor plan and the transferee plan authorize the transfer, (3) the transfer occurs pursuant to a voluntary election by the participant or beneficiary that is made after the participant or beneficiary received a notice describing the consequences of making the election, (4) if the transferor plan provides for an annuity as the normal form of distribution in accordance with the joint and survivor annuity rules (sec. 417), the participant's spouse (if any) consents to the transfer in a manner similar to the consent required by section 417, and (5) the transferee plan allows the participant or beneficiary to receive distribution of his or her benefit under the transferee plan in the form of a single sum distribution.

In addition, except to the extent provided by the Secretary of the Treasury in regulations, a defined contribution plan is not treated as reducing a participant's accrued benefit if (1) a plan amendment eliminates a form of distribution previously available under the plan, (2) a single sum distribution is available to the participant at the same time or times as the form of distribution eliminated by the amendment, and (3) the single sum distribution is based on the same or greater portion of the participant's accrued benefit as the form of distribution eliminated by the amendment.

The Secretary is directed to issue, not later than December 31, 2001, final regulations under section 411(d)(6) implementing the provision.

Furthermore, the provision authorizes the Secretary of the Treasury to provide by regulations that the prohibitions against eliminating or reducing an early retirement benefit, a retirement-type subsidy, or an optional form of benefit not apply to plan amendments that do not adversely affect the rights of participants in a material manner but that do eliminate or reduce early retirement benefits, retirement-type subsidies, and optional forms of benefit that create significant burdens and complexities for a plan and its participants.

Effective date.—The provision is effective for years beginning after December 31, 2000, except that the direction to the Secretary regarding regulations is effective on the date of enactment.

Senate Amendment

The Senate amendment is the same as the House bill.

[30] Hardship distributions from governmental section 457 plans would be considered eligible rollover distributions.

[31] A similar provision is contained in Title I of ERISA.

[32] Treas. Reg. sec. 1.411(d)–4, Q&A–2(a)(3)(i).

Conference Agreement

The conference agreement follows the House bill and the Senate amendment, with the modification that the Secretary is required to provide by regulations that the prohibitions against eliminating or reducing an early retirement benefit, a retirement-type subsidy, or an optional form of benefit not apply to plan amendments that do not adversely affect the rights of participants in a material manner but that do eliminate or reduce early retirement benefits, retirement-type subsidies, and optional forms of benefit that create significant burdens and complexities for a plan and its participants. As under the House bill and the Senate amendment, the conferees intend that the factors to be considered in determining whether an amendment has a materially adverse effect on a participant would include (1) all of the participant's early retirement benefits, retirement-type subsidies, and optional forms of benefits that are reduced or eliminated by the amendment, (2) the extent to which early retirement benefits, retirement-type subsidies, and optional forms of benefit in effect with respect to a participant after the amendment effective date provide rights that are comparable to the rights that are reduced or eliminated by the plan amendment, (3) the number of years before the participant attains normal retirement age under the plan (or early retirement age, as applicable), (4) the size of the participant's benefit that is affected by the plan amendment, in relation to the amount of the participant's compensation, and (5) the number of years before the plan amendment is effective.

The conference agreement clarifies that the Secretary is to issue final regulations under section 411(d)(6), including regulations required under the provision, no later than December 31, 2001.

Effective date.—The provision is generally effective for years beginning after December 31, 2001. The direction to the Secretary regarding regulations is effective on the date of enactment.

4. Rationalization of restrictions on distributions (sec. 1236 of the House bill, sec. 336 of the Senate amendment, and secs. 401(k), 403(b), and 457 of the Code)

Present Law

Elective deferrals under a qualified cash or deferred arrangement (''section 401(k) plan''), tax-sheltered annuity (''section 403(b) annuity''), or an eligible deferred compensation plan of a tax-exempt organization or State or local government (''section 457 plan''), may not be distributable prior to the occurrence of one or more specified events. These permissible distributable events include ''separation from service.''

A separation from service occurs only upon a participant's death, retirement, resignation or discharge, and not when the employee continues on the same job for a different employer as a result of the liquidation, merger, consolidation or other similar corporate transaction. A severance from employment occurs when a participant ceases to be employed by the employer that maintains the plan. Under a so-called ''same desk rule,'' a participant's severance from employment does not necessarily result in a separation from service.[33]

In addition to separation from service and other events, a section 401(k) plan that is maintained by a corporation may permit distributions to certain employees who experience a severance from employment with the corporation that maintains the plan but does not experience a separation from service because the employee continues on the same job for a different employer as a result of a corporate transaction. If the corporation disposes of substantially all of the assets used by the corporation in a trade or business, a distributable event occurs with respect to the accounts of the employees who continue employment with the corporation that acquires the assets. If the corporation disposes of its interest in a subsidiary, a distributable event occurs with respect to the accounts of the employees who continue employment with the subsidiary.

House Bill

The House bill modifies the distribution restrictions applicable to section 401(k) plans, section 403(b) annuities, and section 457 plans to provide that distribution may occur upon severance from employment rather than separation from service. In addition, the provisions for distribution from a section 401(k) plan based upon a corporation's disposition of its assets or a subsidiary are repealed; this special rule is no longer necessary under the provision.

Effective date.—The provision is effective for distributions after December 31, 2000.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

5. Purchase of service credit under governmental pension plans (sec. 1237 of the House bill, sec. 337 of the Senate amendment, and secs. 403(b) and 457 of the Code)

Present Law

A qualified retirement plan maintained by a State or local government employer may provide that a participant may make after-tax employee contributions in order to purchase permissive service credit, subject to certain limits (sec. 415). Permissive service credit means credit for a period of service recognized by the governmental plan only if the employee voluntarily contributes to the plan an amount (as determined by the plan) that does not exceed the amount necessary to fund the benefit attributable to the period of service and that is in addition to the regular employee contributions, if any, under the plan.

In the case of any repayment of contributions and earnings to a governmental plan with respect to an amount previously refunded upon a forfeiture of service credit under the plan (or another plan maintained by a State or local government employer within the same State), any such repayment is not taken into account for purposes of the section 415 limits on contributions and benefits. Also, service credit obtained as a result of such a repayment is not considered permissive service credit for purposes of the section 415 limits.

A participant may not use a rollover or direct transfer of benefits from a tax-sheltered annuity (''section 403(b) annuity'') or an eligible deferred compensation plan of a tax-exempt organization of a State or local government (''section 457 plan'') to purchase permissive service credits or repay contributions and earnings with respect to a forfeiture of service credit.

House Bill

A participant in a State or local governmental plan is not required to include in gross income a direct trustee-to-trustee transfer to a governmental defined benefit plan from a section 403(b) annuity or a section 457 plan if the transferred amount is used (1) to purchase permissive service credits under the plan, or (2) to repay contributions and earnings with respect to an amount previously refunded under a forfeiture of service credit under the plan (or another plan maintained by a State or local government employer within the same State).

Effective date.—The provision is effective for transfers after December 31, 2000.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

6. Employers may disregard rollovers for purposes of cash-out rules (sec. 1238 of the House bill, sec. 338 of the Senate amendment, and sec. 411(a)(11) of the Code)

Present Law

If a qualified retirement plan participant ceases to be employed by the employer that maintains the plan, the plan may distribute the participant's nonforfeitable accrued benefit without the consent of the participant and, if applicable, the participant's spouse, if the present value of the benefit does not exceed $5,000. If such an involuntary distribution occurs and the participant subsequently returns to employment covered by the plan, then service taken into account in computing benefits payable under the plan after the return need not include service with respect to which a benefit was involuntarily distributed unless the employee repays the benefit.[34]

Generally, a participant may roll over an involuntary distribution from a qualified plan to an IRA or to another qualified plan.[35]

House Bill

Under the House bill, a plan is permitted to provide that the present value of a participant's nonforfeitable accrued benefit is determined without regard to the portion of such benefit that is attributable to rollover contributions (and any earnings allocable thereto).

Effective date.—The provision is effective for distributions after December 31, 2000.

Senate Amendment

The Senate amendment is the same as the House bill.[36]

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

D. Strengthening Pension Security And Enforcement

1. Phase in repeal of 150 percent of current liability funding limit; deduction for contributions to fund termination liability (secs. 1241–1242 of the House bill, secs. 341 and 347 of the Senate amendment, and secs. 404(a)(1), 412(c)(7), and 4972(c) of the Code)

Present Law

Under present law, defined benefit pension plans are subject to minimum funding requirements designed to ensure that pension

[33] Rev. Rul. 79–336, 1979–2 C.B. 187.

[34] A similar provision is cntained in Title I of ERISA.

[35] Other provisions of the House bill expand the kinds of plans to which benefits may be rolled over.

[36] The Senate amendment also makes changes to the corresponding provisions of ERISA.

plans have sufficient assets to pay benefits. A defined benefit pension plan is funded using one of a number of acceptable actuarial cost methods.

No contribution is required under the minimum funding rules in excess of the full funding limit. The full funding limit is generally defined as the excess, if any, of (1) the lesser of (a) the accrued liability under the plan (including normal cost) or (b) 155 percent of the plan's current liability, over (2) the value of the plan's assets (sec. 412(c)(7)).[37] In general, current liability is all liabilities to plan participants and beneficiaries accrued to date, whereas the accrued liability full funding limit is based on projected benefits. The current liability full funding limit is scheduled to increase as follows: 160 percent for plan years beginning in 2001 or 2002, 165 percent for plan years beginning in 2003 and 2004, and 170 percent for plan years beginning in 2005 and thereafter.[38] In no event is a plan's full funding limit less than 90 percent of the plan's current liability over the value of the plan's assets.

An employer sponsoring a defined benefit pension plan generally may deduct amounts contributed to satisfy the minimum funding standard for the plan year. Contributions in excess of the full funding limit generally are not deductible. Under a special rule, an employer that sponsors a defined benefit pension plan (other than a multiemployer plan) which has more than 100 participants for the plan year may deduct amounts contributed of up to 100 percent of the plan's unfunded current liability.

House Bill

Current liability full funding limit

The House bill gradually increases and then repeals the current liability full funding limit. The current liability full funding limit is 160 percent of current liability for plan years beginning in 2001, 165 percent for plan years beginning in 2002, and 170 percent for plan years beginning in 2003. The current liability full funding limit is repealed for plan years beginning in 2004 and thereafter.

Deduction for contributions to fund termination liability

The special rule allowing a deduction for unfunded current liability generally is extended to all defined benefit pension plans, i.e., the provision applies to multiemployer plans and plans with 100 or fewer participants. The special rule does not apply to plans not covered by the PBGC termination insurance program.[39]

The House bill also modifies the rule by providing that the deduction is for up to 100 percent of unfunded termination liability, determined as if the plan terminated at the end of the plan year. In the case of a plan with less than 100 participants for the plan year, termination liability does not include the liability attributable to benefit increases for highly compensated employees resulting from a plan amendment which was made or became effective, whichever is later, within the last two years.

Effective date

The House bill is effective for plan years beginning after December 31, 2000.

Senate Amendment

The Senate amendment is the same as the House bill.[40]

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

2. Excise tax relief for sound pension funding (sec. 1243 of the House bill, sec. 343 of the Senate amendment, and sec. 4972 of the Code)

Present Law

Under present law, defined benefit pension plans are subject to minimum funding requirements designed to ensure that pension plans have sufficient assets to pay benefits. A defined benefit pension plan is funded using one of a number of acceptable actuarial cost methods.

No contribution is required under the minimum funding rules in excess of the full funding limit. The full funding limit is generally defined as the excess, if any, of (1) the lesser of (a) the accrued liability under the plan (including normal cost) or (b) 155 percent of the plan's current liability, over (2) the value of the plan's assets (sec. 412(c)(7)). In general, current liability is all liabilities to plan participants and beneficiaries accrued to date, whereas the accrued liability full funding limit is based on projected benefits. The current liability full funding limit is scheduled to increase as follows: 160 percent for plan years beginning in 2001 or 2002, 165 percent for plan years beginning in 2003 and 2004, and 170 percent for plan years beginning in 2005 and thereafter.[41] In no event is a plan's full funding limit less than 90 percent of the plan's current liability over the value of the plan's assets.

An employer sponsoring a defined benefit pension plan generally may deduct amounts contributed to satisfy the minimum funding standard for the plan year. Contributions in excess of the full funding limit generally are not deductible. Under a special rule, an employer that sponsors a defined benefit pension plan (other than a multiemployer plan) which has more than 100 participants for the plan year may deduct amounts contributed of up to 100 percent of the plan's unfunded current liability.

Present law also provides that contributions to defined contribution plans are deductible, subject to certain limitations.

Subject to certain exceptions, an employer that makes nondeductible contributions to a plan is subject to an excise tax equal to 10 percent of the amount of the nondeductible contributions for the year. The 10-percent excise tax does not apply to contributions to certain terminating defined benefit plans. The 10-percent excise tax also does not apply to contributions of up to 6 percent of compensation to a defined contribution plan for employer matching and employee elective deferrals.

House Bill

In determining the amount of nondeductible contributions, the employer may elect not to take into account contributions to a defined benefit pension plan except to the extent they exceed the accrued liability full funding limit. Thus, if an employer elects, contributions in excess of the current liability full funding limit are not subject to the excise tax on nondeductible contributions. An employer making such an election for a year may not take advantage of the present-law exceptions for certain terminating plans and certain contributions to defined contribution plans.

Effective date.—The House bill is effective for years beginning after December 31, 2000.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

3. Notice of significant reduction in plan benefit accruals (sec. 1244 of the House bill, sec. 344 of the Senate amendment, new sec. 4980F of the Code, and sec. 204(h) of ERISA)

Present Law

Section 204(h) of Title I of ERISA provides that a defined benefit pension plan or a money purchase pension plan may not be amended so as to provide for a significant reduction in the rate of future benefit accrual, unless, after adoption of the plan amendment and not less than 15 days before the effective date of the plan amendment, the plan administrator provides a written notice (''section 204(h) notice''), setting forth the plan amendment (or a summary of the amendment written in a manner calculated to be understood by the average plan participant) and its effective date. The plan administrator must provide the section 204(h) notice to each plan participant, each alternate payee under an applicable qualified domestic relations order (''QDRO''), and each employee organization representing participants in the plan. The applicable Treasury regulations[42] provide, however, that a plan administrator need not provide the section 204(h) notice to any participant or alternate payee whose rate of future benefit accrual is reasonably expected not to be reduced by the amendment, nor to an employee organization that does not represent a participant to whom the section 204(h) notice must be provided. In addition, the regulations provide that the rate of future benefit accrual is determined without regard to optional forms of benefit, early retirement benefits, retirement-type subsidiaries, ancillary benefits, and certain other rights and features.

A covered amendment generally will not become effective with respect to any participants and alternate payees whose rate of future benefit accrual is reasonably expected to be reduced by the amendment but who do not receive a section 204(h) notice. An amendment will become effective with respect to all participants and alternate payees to whom the section 204(h) notice was required to be provided if the plan administrator (1) has made a good faith effort to comply with the section 204(h) notice requirements, (2) has provided a section 204(h) notice to each employee organization that represents any participant to whom a section 204(h) notice was required to be provided, (3) has failed to provide a section 204(h) notice to no more than a de minimis percentage of participants and alternate payees to whom a section 204(h) notice was required to be provided, and (4) promptly upon

[37] The minimum funding requirements, including the full funding limit, are also contained in title I of ERISA.

[38] As originally enacted in the Pension Protection Act of 1997, the current liability full funding limit was 150 percent of current liability. The Taxpayer Relief Act of 1997 increased the current liability full funding limit to 155 percent in 1999 and 2000, and adopted the scheduled increases described in the text.

[39] The PBGC termination insurance program does not cover plans of professional service employers that have fewer thatn 25 participants.

[40] The Sente amendment also amends the corresponding provisions of ERISA.

[41] As originally enacted in the Pension Protection Act of 1997, the current liability full funding limit was 150 percent of current liability. The Texpayer Relief Act of 1997 increased the current liability full funding limit to 155 percent in 1999 and 2000, and adopted the scheduled increases described int he text. Another provision in the bill gradually increases and then repeals the current liability full funding limit.

[42] Treas. Reg. sec. 1.411(d)–6.

discovering the oversight, provides a section 204(h) notice to each omitted participant and alternate payee.

The Internal Revenue Code does not require any notice concerning a plan amendment that provides for a significant reduction in the rate of future benefit accrual.

House Bill

The House bill adds to the Internal Revenue Code a requirement that the plan administrator of a defined benefit pension plan or a money purchase pension plan with more than 100 participants furnish a written notice concerning a plan amendment that provides for a significant reduction in the rate of future benefit accrual. The plan administrator is required to provide in this notice, in a manner calculated to be understood by the average plan participant, sufficient information (as defined in Treasury regulations) to allow participants to understand the effect of the amendment.

The plan administrator is required to provide this notice to each affected participant, each affected alternate payee, and each employee organization representing affected participants. For purposes of the House bill, an affected participant or alternate payee is a participant or alternate payee to whom the significant reduction in the rate of future benefit accrual is reasonably expected to apply.

Except to the extent provided by Treasury regulations, the plan administrator is required to provide the notice within a reasonable time before the effective date of the plan amendment.

The provision imposes on a plan administrator that fails to comply with the notice requirement an excise tax equal to $100 per day per omitted participant and alternate payee. For failures due to reasonable cause and not to willful neglect, the total excise tax imposed during a taxable year of the employer will not exceed $500,000. Furthermore, in the case of a failure due to reasonable cause and not to willful neglect, the Secretary of the Treasury is authorized to waive the excise tax to the extent that the payment of the tax would be excessive relative to the failure involved.

The legislative history indicates that it is anticipated that the Secretary will issue the necessary regulations within 90 days of enactment and that such guidance may be relatively detailed because of the need to provide for alternative disclosures rather than a single disclosure methodology that may not fit all situations, and the need to consider the complex actuarial calculations and assumptions involved in providing necessary disclosures.

Effective date.—The House bill is effective for plan amendments taking effect on or after the date of enactment. The period for providing any notice required under the House bill will not end before the last day of the 3–month period following the date of enactment. Prior to the issuance of Treasury regulations, a plan will be treated as meeting the requirements of the provision if the plan makes a good faith effort to comply with such requirements.

Senate Amendment

The Senate amendment adds to the Internal Revenue Code a requirement that the plan administrator of a defined benefit pension plan furnish a written notice concerning a plan amendment that provides for a significant reduction in the rate of future benefit accrual, including any elimination or reduction of an early retirement benefit or retirement-type subsidy.[43] The notice must set forth the plan amendment and its effective date and provide sufficient information (as defined in Treasury regulations) to allow participants to understand how the amendment generally will affect different classes of employees. The plan administrator is required to provide the notice not less than 30 days before the effective date of the plan amendment.

The plan administrator must provide this generalized notice to each participant and alternate payee to whom the amendment applies, and to each employee organization representing such individuals. The plan administrator is not required to provide this notice to any participant who has less than 1 year of participation in the plan or who is entitled to receive the greater of the participant's accrued benefit under the amended plan formula or under the formula as in effect immediately prior to the amendment effective date.

If the amendment provides for a significant change in the manner in which accrued benefits are determined under the plan, or requires an affected participant or affected alternate payee to choose between 2 or more benefit formulas, the plan administrator is required to provide an additional notice to each affected participant and affected alternate payee within 6 months after the effective date of the amendment. For purposes of the Senate amendment, an affected participant or alternate payee generally is a participant or alternate payee to whom the significant reduction in the rate of future benefit accrual is reasonably expected to apply. A participant who has less than 1 year of participation in the plan, or who is entitled to receive the greater of the participant's accrued benefit under the amended plan formula or under the formula as in effect immediately prior to the amendment effective date, is not an affected participant.

The legislative history provides that an example of an amendment that provides for a significant change in the manner in which accrued benefits are determined is an amendment that replaces a benefit formula that defines a participant's normal retirement benefit as a percentage of the participant's final average compensation with a benefit formula that defines a participant's normal retirement benefit in terms of a hypothetical account credited with annual allocations of contributions and interest. The legislative history also provides that examples of amendments that do not provide for a significant change in the manner in which accrued benefits are determined are (1) an amendment that reduces the percentage of average compensation that the plan provides as an annual benefit commencing at normal retirement age from 60 percent to 50 percent, and (2) an amendment that modifies the definition of compensation used to determine average compensation by providing for the exclusion of bonuses and overtime.

The plan administrator is required to provide in this additional notice (1) the individual's accrued benefit (and, if the amendment adds the option of an immediate lump sum distribution, the present value of the accrued benefit) as of the amendment effective date, determined under the terms of the plan in effect immediately before the effective date, (2) the individual's accrued benefit as of the amendment effective date, determined under the terms of the plan in effect on the amendment effective date and without regard to any minimum accrued benefit that may not be decreased by the amendment (sec. 411(d)(6)), and (3) either (a) sufficient information (as defined in Treasury regulations) for the individual to compute his or her projected accrued benefit or to acquire information necessary to compute such projected accrued benefit, or (b) a determination of the individual's projected accrued benefit with a disclosure of the assumptions (which must be reasonable in the aggregate) used by the plan in determining the projected accrued benefit. For purposes of this additional notice, an individual's accrued benefit and projected accrued benefit are computed as if the accrued benefit were in the form of a single life annuity at normal retirement age, taking into account any early retirement subsidy.

The legislative history provides that, with respect to the description of the individual's accrued benefit as of the amendment effective date, an example of determining such benefit under the terms of the plan in effect on the amendment effective date and without regard to the sec. 411(d)(6) protected benefit is a situation in which (1) an amendment replaces a benefit formula that defines a participant's normal retirement benefit as a percentage of the participant's final average compensation with a benefit formula that defines a participant's normal retirement benefit in terms of a hypothetical account credited with annual allocations of contributions and interest, (2) the amendment adds the option of an immediate lump sum distribution, (3) the present value of a participant's sec. 411(d)(6) protected benefit is $50,000, and (4) the beginning balance of the participant's hypothetical account balance under the terms of the plan in effect on the amendment effective date is $25,000. In this example, the required notice would inform the participant that, as of the amendment effective date, the individual's accrued benefit determined under the terms of the plan in effect immediately before the effective date is $50,000, and the individual's accrued benefit determined under the terms of the plan in effect on the amendment effective date is $25,000.

With respect to a plan amendment that requires an affected participant or affected alternate payee to choose between 2 or more benefit formulas, the Secretary of the Treasury, after consultation with the Secretary of Labor, is authorized to require additional information to be provided in the notices and to require either of the notices to be provided at a different time. The legislative history states that this authorization is not intended to result in a modification of the present-law fiduciary requirements under Title I of ERISA.

Under the Senate amendment, the notice requirement does not apply to governmental plans or church plans with respect to which an election to have the qualified plan participation, vesting, and funding rules apply has not been made (sec. 410(d)).

The Senate amendment generally imposes on a plan administrator that fails to comply with the notice requirement an excise tax equal to $100 per day per omitted participant and alternate payee. For failures due to reasonable cause and not to willful neglect, the total excise tax imposed during a taxable year of the employer will not exceed $500,000. Furthermore, in the case of a failure due to reasonable cause and not to willful neglect,

[43] The provision also modifies the present-law notice requirement contained in section 204(h) of Title I of ERISA to provide that an applicable pension plan may not be amended to provide for a significant reduction in the rate of future benefit accrual unles the plan administrator complies with a notice requirement similar to the notice requirement that the provision adds to the Internal Revenue Code.

the Secretary of the Treasury is authorized to waive the excise tax to the extent that the payment of the tax would be excessive relative to the failure involved. The legislative history provides that an example of facts and circumstances under which reasonable cause may exist for a failure to comply with the notice requirement is a plan administrator's inability to provide the required generalized notice concerning a plan amendment if the amendment results from a business merger or acquisition transaction and the timing of the transaction prevents the plan administrator from providing the notice at least 30 days prior to the effective date of the amendment.

Effective date.—The Senate amendment is effective for plan amendments taking effect on or after the date of enactment. The period for providing any notice required under the provision will not end before the last day of the 3–month period following the date of enactment. Prior to the issuance of Treasury regulations, a plan will be treated as meeting the requirements of the provision if the plan makes a good faith effort to comply with such requirements. Pending the issuance of regulations, the legislative history provides that examples of good faith compliance in which the Senate amendment would not require additional employee communications include: (1) A plan amendment provides that participants may choose to have their accrued benefits determined under the amended plan formula or under the formula as in effect immediately prior to the amendment effective date, and the plan administrator provides participants with comparison information, including clearly stated assumptions, relative to the amended and prior formulas so that participants are able to make an informed decision; (2) A plan administrator provides to participants estimates of accrued benefits at various career stages, determined under the amended plan formula and under the formula as in effect immediately prior to the amendment effective date, including clearly stated assumptions, and stated as annuities and/or lump sums (without regard to section 417) as appropriate under the plan provisions; (3) An employer informs certain employees before they are hired that the employer's current plan benefit formula will be amended at a specified future date, and these employees participate in the plan under the formula as in effect immediately prior to the amendment until such specified future date (good faith compliance would be relevant for these employees only).

Conference Agreement

The conference agreement follows the House bill, with modifications. Under the conference agreement, the notice requirement does not apply to governmental plans or church plans with respect to which an election to have the qualified plan participation, vesting, and funding rules apply has not been made (sec. 410(d)). The provision also modifies the present- law notice requirement contained in section 204(h) of Title I of ERISA to provide that an applicable pension plan may not be amended to provide for a significant reduction in the rate of future benefit accrual unless the plan administrator complies with a notice requirement similar to the notice requirement that the provision adds to the Internal Revenue Code.

The conferees intend that in issuing regulations under the provision, the Treasury Department generally will follow the approach under the Senate amendment. Thus, the conferees intend that Treasury regulations will provide for a notice that describes how the amendment generally will affect different classes of employees and that the regulations will require the plan administrator to furnish this notice not less than 30 days before the effective date of the amendment. With respect to an amendment that provides for a significant change in the manner in which accrued benefits are determined under the plan, or requires an affected participant or affected alternate payee to choose between 2 or more benefit formulas, the conferees intend that the regulations will require the plan administrator to provide an additional notice to each affected participant and affected alternate payee within 6 months after the effective date of the amendment.

An example of an amendment that provides for a significant change in the manner in which accrued benefits are determined is an amendment that replaces a benefit formula that defines a participant's normal retirement benefit as a percentage of the participant's final average compensation with a benefit formula that defines a participant's normal retirement benefit in terms of a hypothetical account credited with annual allocations of contributions and interest. Examples of amendments that do not provide for a significant change in the manner in which accrued benefits are determined are (1) an amendment that reduces the percentage of average compensation that the plan provides as an annual benefit commencing at normal retirement age from 60 percent to 50 percent, and (2) an amendment that modifies the definition of compensation used to determine average compensation by providing for the exclusion of bonuses and overtime.

The conferees intend that the regulations will require the plan administrator to provide in this additional notice (1) the individual's accrued benefit (and, if the amendment adds the option of an immediate lump sum distribution, the present value of the accrued benefit) as of the amendment effective date, determined under the terms of the plan in effect immediately before the effective date, (2) the individual's accrued benefit as of the amendment effective date, determined under the terms of the plan in effect on the amendment effective date and without regard to any minimum accrued benefit that may not be decreased by the amendment (sec. 411(d)(6)), and (3) either (a) sufficient information for the individual to compute his or her projected accrued benefit or to acquire information necessary to compute such projected accrued benefit, or (b) a determination of the individual's projected accrued benefit with a disclosure of the assumptions (which must be reasonable in the aggregate) used by the plan in determining the projected accrued benefit. The conferees intend that the regulations will provide that, for purposes of this additional notice, an individual's accrued benefit and projected accrued benefit are computed as if the accrued benefit were in the form of a single life annuity at normal retirement age, taking into account any early retirement subsidy.

With respect to the description of the individual's accrued benefit as of the amendment effective date, an example of determining such benefit under the terms of the plan in effect on the amendment effective date and without regard to the sec. 411(d)(6) protected benefit is a situation in which (1) an amendment replaces a benefit formula that defines a participant's normal retirement benefit as a percentage of the participant's final average compensation with a benefit formula that defines a participant's normal retirement benefit in terms of a hypothetical account credited with annual allocations of contributions and interest, (2) the amendment adds the option of an immediate lump sum distribution, (3) the present value of a participant's sec. 411(d)(6) protected benefit is $50,000, and (4) the beginning balance of the participant's hypothetical account balance under the terms of the plan in effect on the amendment effective date is $25,000. In this example, the conferees intend that the regulations would provide that the required notice would inform the participant that, as of the amendment effective date, the individual's accrued benefit determined under the terms of the plan in effect immediately before the effective date is $50,000, and the individual's accrued benefit determined under the terms of the plan in effect on the amendment effective date is $25,000.

With respect to a plan amendment that requires an affected participant or affected alternate payee to choose between 2 or more benefit formulas, the conferees intend that the Secretary of the Treasury, after consultation with the Secretary of Labor, may require additional information to be provided in the notices and to require either of the notices to be provided at a different time. The conferees do not intend this authorization to result in a modification of the present-law fiduciary requirements under Title I of ERISA.

An example of facts and circumstances under which reasonable cause may exist for a failure to comply with the notice requirement is a plan administrator's inability to provide the required generalized notice concerning a plan amendment if the amendment results from a business merger or acquisition transaction and the timing of the transaction prevents the plan administrator from providing the notice at least 30 days prior to the effective date of the amendment.

Effective date.—The conference agreement follows the House bill and the Senate amendment. As under the Senate amendment, pending the issuance of regulations, examples of good faith compliance in which the provision would not require additional employee communications include: (1) A plan amendment provides that participants may choose to have their accrued benefits determined under the amended plan formula or under the formula as in effect immediately prior to the amendment effective date, and the plan administrator provides participants with comparison information, including clearly stated assumptions, relative to the amended and prior formulas so that participants are able to make an informed decision; (2) A plan administrator provides to participants estimates of accrued benefits at various career stages, determined under the amended plan formula and under the formula as in effect immediately prior to the amendment effective date, including clearly stated assumptions, and stated as annuities and/or lump sums (without regard to section 417) as appropriate under the plan provisions; (3) An employer informs certain employees before they are hired that the employer's current plan benefit formula will be amended at a specified future date, and these employees participate in the plan under the formula as in effect immediately prior to the amendment until such specified future date (good faith compliance would be relevant for these employees only).

4. Extension of PBGC missing participants program (sec. 342 of the Senate amendment, and secs. 206(f) and 4050 of ERISA)

Present Law

The plan administrator of a defined benefit pension plan that is subject to Title IV of

ERISA, is maintained by a single employer, and terminates under a standard termination is required to distribute the assets of the plan. With respect to a participant whom the plan administrator cannot locate after a diligent search, the plan administrator satisfies the distribution requirement only by purchasing irrevocable commitments from an insurer to provide all benefit liabilities under the plan or transferring the participant's designated benefit to the Pension Benefit Guaranty Corporation (''PBGC''), which holds the benefit of the missing participant as trustee until the PBGC locates the missing participant and distributes the benefit.

The PBGC missing participant program is not available to multiemployer plans or defined contribution plans and other plans not covered by Title IV of ERISA.

House Bill

No provision.

Senate Amendment

The PBGC is directed to prescribe for terminating multiemployer plans rules similar to the present-law missing participant rules applicable to terminating single employer plans that are subject to Title IV of ERISA.

Effective date.—The Senate amendment is effective for distributions from terminating plans that occur after the PBGC adopts final regulations implementing the Senate amendment.

Conference Agreement

The conference agreement follows the Senate amendment, with modifications. In addition to the extension of the missing participant program to multiemployer plans, to the extent provided in PBGC regulations, plan administrators of certain types of plans that are not covered by the PBGC missing participant program under present law are permitted, but not required, to elect to transfer missing participants' benefits to the PBGC upon plan termination. Specifically, the provision extends the missing participants program to defined contribution plans, defined benefit plans that do not have more than 25 active participants and are maintained by professional service employers, and the portions of defined benefit plans that provide benefits based upon the separate accounts of participants and therefore are treated as defined contribution plans under ERISA.

Effective date.—The conference agreement is effective with respect to distributions made after the PBGC adopts final regulations implementing the provision.

5. Investment of employee contributions in 401(k) plans (sec. 345 of the Senate amendment)

Present Law

The Employee Retirement Income Security Act of 1974, as amended (''ERISA'') prohibits certain employee benefit plans from acquiring securities or real property of the employer who sponsors the plan if, after the acquisition, the fair market value of such securities and property exceeds 10 percent of the fair market value of plan assets. The 10-percent limitation does not apply to any ''eligible individual account plans'' that specifically authorize such investments. Generally, eligible individual account plans are defined contribution plans, including plans containing a cash or deferred arrangement (''401(k) plans'').

The term ''eligible individual account plan'' does not include the portion of a plan that consists of elective deferrals (and earnings on the elective deferrals) made under section 401(k) if elective deferrals equal to more than 1 percent of any employee's eligible compensation are required to be invested in employer securities and employer real property. Eligible compensation is compensation that is eligible to be deferred under the plan. The portion of the plan that consists of elective deferrals (and earnings thereon) is still treated as an individual account plan, and the 10-percent limitation does not apply, as long as elective deferrals (and earnings thereon) are not required to be invested in employer securities or employer real property.

The rule excluding elective deferrals (and earnings thereon) from the definition of individual account plan does not apply if individual account plans are a small part of the employer's retirement plans. In particular, that rule does not apply to an individual account plan for a plan year if the value of the assets of all individual account plans maintained by the employer do not exceed 10 percent of the value of the assets of all pension plans maintained by the employer (determined as of the last day of the preceding plan year). Multiemployer plans are not taken into account in determining whether the value of the assets of all individual account plans maintained by the employer exceed 10 percent of the value of the assets of all pension plans maintained by the employer. The rule excluding elective deferrals (and earnings thereon) from the definition of individual account plan does not apply to an employee stock ownership plan as defined in section 4975(e)(7) of the Internal Revenue Code.

The rule excluding elective deferrals (and earnings thereon) from the definition of individual account plan applies to elective deferrals for plan years beginning after December 31, 1998 (and earnings thereon). It does not apply with respect to earnings on elective deferrals for plan years beginning before January 1, 1999.

House Bill

No provision.

Senate Amendment

The Senate amendment modifies the effective date of the rule excluding certain elective deferrals (and earnings thereon) from the definition of individual account plan by providing that the rule does not apply to any elective deferral used to acquire an interest in the income or gain from employer securities or employer real property acquired (1) before January 1, 1999, or (2) after such date pursuant to a written contract which was binding on such date and at all times thereafter.

Effective date.—The Senate amendment is effective as if included in the section of the Taxpayer Relief Act of 1997 that contained the rule excluding certain elective deferrals (and earnings thereon).

Conference Agreement

The conference agreement follows the Senate amendment, with a modification to eliminate the exception for employer securities or real property acquired pursuant to certain binding contracts. Thus, under the conference agreement, the rule excluding certain elective deferrals (and earnings thereon) from the definition of individual account plan does not apply to any elective deferral used to acquire an interest in the income or gain from employer securities or employer real property acquired before January 1, 1999.

Effective date.—The conference agreement follows the Senate amendment.

6. Periodic pension benefit statements (sec. 351 of the Senate amendment and sec. 105 of ERISA)

Present Law

Title I of ERISA provides that a pension plan administrator must furnish a benefit statement to any participant or beneficiary who makes a written request for such a statement. This statement must indicate, on the basis of the latest available information, (1) the participant's or beneficiary's total accrued benefit, and (2) the participant's or beneficiary's vested accrued benefit or the earliest date on which the accrued benefit will become vested. A participant or beneficiary is not entitled to receive more than 1 benefit statement during any 12–month period. The plan administrator must furnish the benefit statement no later than 60 days after receipt of the request or, if later, 120 days after the close of the immediately preceding plan year.

In addition, the plan administrator must furnish a benefit statement to each participant whose employment terminates or who has a 1-year break in service. For purposes of this benefit statement requirement, a ''1–year break in service'' is a calendar year, plan year, or other 12-month period designated by the plan during which the participant does not complete more than 500 hours of service for the employer. A participant is not entitled to receive more than 1 benefit statement with respect to consecutive breaks in service. The plan administrator must provide a benefit statement required upon termination of employment or a break in service no later than 180 days after the end of the plan year in which the termination of employment or break in service occurs.

House Bill

No provision.

Senate Amendment

A plan administrator of a defined contribution plan generally must furnish a benefit statement to each participant at least once annually and to a beneficiary upon written request.

In addition to providing a benefit statement to a beneficiary upon written request, the plan administrator of a defined benefit plan generally must either (1) furnish a benefit statement at least once every 3 years to each participant who has a vested accrued benefit and who is employed by the employer at the time the plan administrator furnishes the benefit statements to participants, or (2) annually furnish written, electronic, telephonic, or other appropriate notice to each participant of the availability of and the manner in which the participant may obtain the benefit statement.

The plan administrator of a multiemployer plan or a multiple employer plan is required to furnish a benefit statement only upon written request of a participant or beneficiary.[44]

The plan administrator is required to write the benefit statement in a manner calculated to be understood by the average plan participant and is permitted to furnish the statement in written, electronic, telephonic, or other appropriate form.

Effective date.—The Senate amendment is effective for plan years beginning after December 31, 2000.

Conference Agreement

The conference agreement does not include the Senate amendment.

[44] A multiple employer plan is a plan that is maintained by 2 or more unrelated employers but that is not maintained pursuant to a collective bargaining (sec. 413(c)).

E. Reducing Regulatory Burdens

11. Repeal of the multiple use test (sec. 1251 of the House bill and sec. 401(m) of the Code)

Present Law

Elective deferrals under a qualified cash or deferred arrangement (''section 401(k) plan'') are subject to a special annual nondiscrimination test (''ADP test''). The ADP test compares the actual deferral percentages (''ADPs'') of the highly compensated employee group and the nonhighly compensated employee group. The ADP for each group generally is the average of the deferral percentages separately calculated for the employees in the group who are eligible to make elective deferrals for all or a portion of the relevant plan year. Each eligible employee's deferral percentage generally is the employee's elective deferrals for the year divided by the employee's compensation for the year.

The plan generally satisfies the ADP test if the ADP of the highly compensated employee group for the current plan year is either (1) not more than 125 percent of the ADP of the nonhighly compensated employee group for the prior plan year, or (2) not more than 200 percent of the ADP of the nonhighly compensated employee group for the prior plan year and not more than 2 percentage points greater than the ADP of the nonhighly compensated employee group for the prior plan year.

Employer matching contributions and after-tax employee contributions under a defined contribution plan also are subject to a special annual nondiscrimination test (''ACP test''). The ACP test compares the actual deferral percentages (''ACPs'') of the highly compensated employee group and the nonhighly compensated employee group. The ACP for each group generally is the average of the contribution percentages separately calculated for the employees in the group who are eligible to make after-tax employee contributions or who are eligible for an allocation of matching contributions for all or a portion of the relevant plan year. Each eligible employee's contribution percentage generally is the employee's aggregate after-tax employee contributions and matching contributions for the year divided by the employee's compensation for the year.

The plan generally satisfies the ACP test if the ACP of the highly compensated employee group for the current plan year is either (1) not more than 125 percent of the ACP of the nonhighly compensated employee group for the prior plan year, or (2) not more than 200 percent of the ACP of the nonhighly compensated employee group for the prior plan year and not more than 2 percentage points greater than the ACP of the nonhighly compensated employee group for the prior plan year.

For any year in which (1) at least one highly compensated employee is eligible to participate in an employer's plan or plans that are subject to both the ADP test and the ACP test, (2) the plan subject to the ADP test satisfies the ADP test but the ADP of the highly compensated employee group exceeds 125 percent of the ADP of the nonhighly compensated employee group, and (3) the plan subject to the ACP test satisfies the ACP test but the ACP of the highly compensated employee group exceeds 125 percent of the ACP of the nonhighly compensated employee group, an additional special nondiscrimination test (''Multiple Use test'') applies to the elective deferrals, employer matching contributions, and after-tax employee contributions. The plan or plans generally satisfy the Multiple Use test if the sum of the ADP and the ACP of the highly compensated employee group does not exceed the greater of (1) the sum of (A) 1.25 times the greater of the ADP or the ACP of the nonhighly compensated employee group, and (B) 2 percentage points plus (but not more than 2 times) the lesser of the ADP or the ACP of the nonhighly compensated employee group, or (2) the sum of (A) 1.25 times the lesser of the ADP or the ACP of the nonhighly compensated employee group, and (B) 2 percentage points plus (but not more than 2 times) the greater of the ADP or the ACP of the nonhighly compensated employee group.

House Bill

The House bill repeals the Multiple Use test.

Effective date.—The House bill is effective for years beginning after December 31, 2000.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

2. Modification of timing of plan valuations (sec. 1252 of the House bill, sec. 362 of the Senate amendment, and sec. 412 of the Code)

Present Law

Under present law, in the case of plans subject to the minimum funding rules, a plan valuation is generally required annually. The Secretary may require that a valuation be made more frequently in particular cases.

Prior to the Retirement Protection Act of 1994, plan valuations generally were required at least once every three years.

House Bill

The House bill allows an employer to elect to use the prior year's plan valuation in certain cases. The election may be made only with respect to a defined benefit plan with assets of at least 125 percent of current liability (determined as of the valuation date for the preceding year). If the prior year's valuation is used, it must be adjusted, as provided in regulations, to reflect significant differences in participants. An election made under the House bill may be revoked only with the consent of the Secretary. In any event, a plan valuation is required once every three years.[45]

Effective date.—The House bill is effective for plan years beginning after December 31, 2000.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

3. Flexibility in nondiscrimination and line of business rules (sec. 1253 of the House bill, sec. 361 of the Senate amendment, and secs. 401(a)(4), 410(b), and 414(r) of the Code)

Present Law

A plan is not a qualified retirement plan if the contributions or benefits provided under the plan discriminate in favor of highly compensated employees (sec. 401(a)(4)). The applicable Treasury regulations set forth the exclusive rules for determining whether a plan satisfies the nondiscrimination requirement. These regulations state that the form of the plan and the effect of the plan in operation determine whether the plan is nondiscriminatory and that intent is irrelevant.

Similarly, a plan is not a qualified retirement plan if the plan does not benefit a minimum number of employees (sec. 410(b)). A plan satisfies this minimum coverage requirement if and only if it satisfies one of the tests specified in the applicable Treasury regulations. If an employer is treated as operating separate lines of business, the employer may apply the minimum coverage requirements to a plan separately with respect to the employees in each separate line of business (sec. 414(r)). Under a so-called ''gateway'' requirement, however, the plan must benefit a classification of employees that does not discriminate in favor of highly compensated employees in order for the employer to apply the minimum coverage requirements separately for the employees in each separate line of business. A plan satisfies this gateway requirement only if it satisfies one of the tests specified in the applicable Treasury regulations.

House Bill

The Secretary of the Treasury is directed to modify, on or before December 31, 2000, the existing regulations issued under section 401(a)(4) and section 414(r) in order to expand (to the extent that the Secretary may determine to be appropriate) the ability of a plan to demonstrate compliance with the nondiscrimination and line of business requirements based upon the facts and circumstances surrounding the design and operation of the plan, even though the plan is unable to satisfy the mechanical tests currently used to determine compliance.

Effective date.—The House bill is effective on the date of enactment.

Senate Amendment

The Secretary of the Treasury is directed to provide by regulation applicable to years beginning after December 31, 2000, that a plan is deemed to satisfy the nondiscrimination requirements of section 401(a)(4) if the plan satisfies the pre–1994 facts and circumstances test, satisfies the conditions prescribed by the Secretary to appropriately limit the availability of such test, and is submitted to the Secretary for a determination of whether it satisfies such test (to the extent provided by the Secretary).

Similarly, a plan complies with the minimum coverage requirement of section 410(b) if the plan satisfies the pre–1989 coverage rules, is submitted to the Secretary for a determination of whether it satisfies the pre–1989 coverage rules (to the extent provided by the Secretary), and satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of the pre–1989 coverage rules.

Effective date.—The Senate amendment is effective on the date of enactment.

Conference Agreement

The conference agreement follows the Senate amendment with respect to coverage and nondiscrimination rules and the House bill with respect to line of business rules.

4. ESOP dividends may be reinvested without loss of dividend deduction (sec. 1254 of the House bill, sec. 364 of the Senate amendment, and sec. 404(k) of the Code)

Present Law

An employer is entitled to deduct certain dividends paid in cash during the employer's taxable year with respect to stock of the employer that is held by an employee stock ownership plan (''ESOP''). The deduction is

[45] As under present law, the Secretary could require that a valuation be made more frequently in particular cases.

allowed with respect to dividends that, in accordance with plan provisions, are (1) paid in cash directly to the plan participants or their beneficiaries, (2) paid to the plan and subsequently distributed to the participants or beneficiaries in cash no later than 90 days after the close of the plan year in which the dividends are paid to the plan, or (3) used to make payments on loans (including payments of interest as well as principal) that were used to acquire the employer securities (whether or not allocated to participants) with respect to which the dividend is paid.

House Bill

In addition to the deductions permitted under present law for dividends paid with respect to employer securities that are held by an ESOP, an employer is entitled to deduct dividends that, at the election of plan participants or their beneficiaries, are (1) payable in cash directly to plan participants or beneficiaries, (2) paid to the plan and subsequently distributed to the participants or beneficiaries in cash no later than 90 days after the close of the plan year in which the dividends are paid to the plan, or (3) paid to the plan and reinvested in qualifying employer securities.

Effective date.—The House bill is effective for taxable years beginning after December 31, 2000.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

5. Notice and consent period regarding distributions (sec. 1255 of the House bill, sec. 365 of the Senate amendment, and sec. 417 of the Code)

Present Law

Notice and consent requirements apply to certain distributions from qualified retirement plans. These requirements relate to the content and timing of information that a plan must provide to a participant prior to a distribution, and to whether the plan must obtain the participant's consent and the consent of the participant's spouse to the distribution. The nature and extent of the notice and consent requirements applicable to a distribution depend upon the value of the participant's vested accrued benefit and whether the joint and survivor annuity requirements (sec. 417) apply to the participant.[46]

If the present value of the participant's vested accrued benefit exceeds $5,000, the plan may not distribute the participant's benefit without the written consent of the participant. The participant's consent to a distribution is not valid unless the participant has received from the plan a notice that contains a written explanation of (1) the material features and the relative values of the optional forms of benefit available under the plan, and (2) in certain cases, the right, if any, to defer receipt of the distribution. In addition, the plan must provide to the participant notice of (1) the participant's right, if any, to have the distribution directly transferred to another retirement plan or IRA, and (2) the rules concerning the taxation of a distribution. If the joint and survivor annuity requirements apply to the participant, the plan must provide to the participant a written explanation of (1) the terms and conditions of the qualified joint and survivor annuity (''QJSA''), (2) the participant's right to make, and the effect of, an election to waive the QJSA, (3) the rights of the participant's spouse with respect to a participant's waiver of the QJSA, and (4) the right to make, and the effect of, a revocation of a waiver of the QJSA. The plan generally must provide these 3 notices to the participant no less than 30 and no more than 90 days before the date distribution commences.

If the participant's vested accrued benefit does not exceed $5,000, the terms of the plan may provide for distribution without the participant's consent. The plan generally is required, however, to provide to the participant a notice that contains a written explanation of (1) the participant's right, if any, to have the distribution directly transferred to another retirement plan or IRA, and (2) the rules concerning the taxation of a distribution. The plan generally must provide this notice to the participant no less than 30 and no more than 90 days before the date distribution commences.

House Bill

A qualified retirement plan is required to provide the applicable distribution notice no less than 30 days and no more than 6 months before the date distribution commences. The Secretary of the Treasury is directed to modify the applicable regulations to reflect the extension of the notice period to 6 months and to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

Effective date.—The House bill is effective for years beginning after December 31, 2000.

Senate Amendment

A qualified retirement plan is required to provide the applicable distribution notice no less than 30 days and no more than 12 months before the date distribution commences. The Secretary of the Treasury is directed to modify the applicable regulations to reflect the extension of the notice period to 12 months and to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

Effective date.—The Senate amendment is effective for years beginning after December 31, 2000.

Conference Agreement

No provision.

6. Repeal transition rule relating to certain highly compensated employees (sec. 1256 of the House bill, sec. 366 of the Senate amendment, and sec. 414(q) of the Code)

Present Law

Under present law, for purposes of the rules relating to qualified plans, a highly compensated employee is generally defined as an employee[47] who (1) was a 5-percent owner of the employer at any time during the year or the preceding year or (2) either (a) had compensation for the preceding year in excess of $80,000 (for 1999) or (b) at the election of the employer, had compensation in excess of $80,000 for the preceding year and was in the top 20 percent of employees by compensation for such year.

Under a rule enacted in the Tax Reform Act of 1986, a special definition of highly compensated employee applies for purposes of the nondiscrimination rules relating to qualified cash or deferred arrangements (''section 401(k) plans'') and matching contributions. This special definition applies to an employer incorporated on December 15, 1924, that meets certain specific requirements.

House Bill

The House bill repeals the special definition of highly compensated employee under the Tax Reform Act of 1986. Thus, the present-law definition applies.

Effective date.—The House bill is effective for plan years beginning after December 31, 2000.

Senate Amendment

The Senate amendment is the same as the House bill.

Effective date.—The Senate amendment is effective for plan years beginning after December 31, 1999.

Conference Agreement

The conference agreement follows the Senate amendment.

7. Employees of tax-exempt entities (sec. 1257 of the House bill, sec. 367 of the Senate amendment, and sec. 410 of the Code)

Present Law

The Tax Reform Act of 1986 provided that nongovernmental tax-exempt employers were not permitted to maintain a qualified cash or deferred arrangement (''section 401(k) plan''). This prohibition was repealed, effective for years beginning after December 31, 1996, by the Small Business Job Protection Act of 1996.

Treasury regulations provide that, in applying the nondiscrimination rules to a section 401(k) plan (or a section 401(m) plan that is provided under the same general arrangement as the section 401(k) plan), the employer may treat as excludable those employees of a tax-exempt entity who could not participate in the arrangement due to the prohibition on maintenance of a section 401(k) plan by such entities. Such employees may be disregarded only if more than 95 percent of the employees who could participate in the section 401(k) plan benefit under the plan for the plan year.[48]

Tax-exempt charitable organizations may maintain a tax-sheltered annuity (a ''section 403(b) annuity'') that allows employees to make salary reduction contributions.

House Bill

The Treasury Department is directed to revise its regulations under section 410(b) to provide that employees of a tax-exempt charitable organization who are eligible to make salary reduction contributions under a section 403(b) annuity may be treated as excludable employees for purposes of testing a section 401(k) plan, or a section 401(m) plan that is provided under the same general arrangement as the section 401(k) plan of the employer if (1) no employee of such tax-exempt entity is eligible to participate in the section 401(k) or 401(m) plan and (2) at least 95 percent of the employees who are not employees of the charitable employer are eligible to participate in such section 401(k) plan or section 401(m) plan.

The revised regulations will be effective for years beginning after December 31, 1996.

Effective date.—The House bill is effective on the date of enactment.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

[46] Similar provisions are contained in Title I of ERISA.

[47] An employee includes a self-employed individual.

[48] Treas. Reg. sec. 1.410(b)–6(g).

8. Treatment of employer-provided retirement advice (sec. 1258 of the House bill, sec. 352 of the Senate amendment, and sec. 132 of the Code)

Present Law

Under present law, certain employer-provided fringe benefits are excludable from gross income (sec. 132) and wages for employment tax purposes. These excludable fringe benefits include working condition fringe benefits and de minimis fringes. In general, a working condition fringe benefit is any property or services provided by an employer to an employee to the extent that, if the employee paid for such property or services, such payment would be allowable as a deduction as a business expense. A de minimis fringe benefit is any property or services provided by the employer the value of which, after taking into account the frequency with which similar fringes are provided, is so small as to make accounting for it unreasonable or administratively impracticable.

In addition, if certain requirements are satisfied, up to $5,250 annually of employer-provided educational assistance is excludable from gross income (sec. 127) and wages. This exclusion expires with respect to courses beginning after May 31, 2000.[49] Education not excludable under section 127 may be excludable as a working condition fringe.

There is no specific exclusion under present law for employer-provided retirement planning services. However, such services may be excludable as employer-provided educational assistance or a fringe benefit.

House Bill

Qualified retirement planning services provided to an employee and his or her spouse are excludable from income and wages. The exclusion does not apply with respect to highly compensated employees unless the services are available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer's pension plan. The exclusion is not limited to information regarding the plan but includes, for example, information regarding how the plan relates to retirement income planning as a whole.

Effective date.—The House bill is effective with respect to taxable years beginning after December 31, 2000.

Senate Amendment

Under the Senate amendment, qualified retirement planning services provided to an employee and his or her spouse by an employer maintaining a qualified plan are excludable from income and wages. The exclusion does not apply with respect to highly compensated employees unless the services are available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer's qualified plan. The exclusion is intended to allow employers to provide advice and information regarding retirement planning. The exclusion is not limited to information regarding the qualified plan, and, thus, for example, applies to advice and information regarding retirement income planning for an individual and his or her spouse and how the employer's plan fits into the individual's overall retirement income plan. On the other hand, the exclusion is not intended to apply to services that may be related to retirement planning, such as tax preparation, accounting, legal or brokerage services.

Effective date.—The Senate amendment is effective with respect to taxable years beginning after December 31, 2000.

Conference Agreement

The conference agreement follows the Senate amendment. As under the Senate amendment, the exclusion is intended to allow employers to provide advice and information regarding retirement planning. The exclusion is not limited to information regarding the qualified plan, and, thus, for example, applies to advice and information regarding retirement income planning for an individual and his or her spouse and how the employer's plan fits into the individual's overall retirement income plan. On the other hand, the exclusion is not intended to apply to services that may be related to retirement planning, such as tax preparation, accounting, legal or brokerage services. The conferees also intend that the provision is not to be interpreted as narrowing present law.

9. Provisions relating to plan amendments (sec. 1259 of the House bill and sec. 371 of the Senate amendment)

Present Law

Plan amendments to reflect amendments to the law generally must be made by the time prescribed by law for filing the income tax return of the employer for the employer's taxable year in which the change in law occurs.

House Bill

Any amendments to a plan or annuity contract required to be made by the House bill are not required to be made before the last day of the first plan year beginning on or after January 1, 2003. In the case of a governmental plan, the date for amendments is extended to the last day of the first plan year beginning on or after January 1, 2005.

Effective date.—The House bill is effective on the date of enactment.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

10. Model plans for small businesses (sec. 1260 of the House bill)

Present Law

The Internal Revenue Service (''IRS'') previously has established uniform plan[50] and prototype plan[51] programs that were designed, in part, to simplify the preparation of qualified retirement plan documents and the determination letter application process. Neither the IRS nor the Secretary of the Treasury previously have issued model plan documents.

House Bill

The Secretary of the Treasury is directed to issue, not later than December 31, 2000, at least one model defined contribution plan document and at least one model defined benefit plan document that fit the needs of small businesses and that is treated as meeting the requirements of section 401(a) with respect to the form of the plan. To the extent that the requirements of section 401(a) are modified after the issuance of the model plans, the Secretary is directed to issue, in a timely manner, model amendments that, if adopted in a timely manner by an employer that adopts a model plan, will cause the model plan to be treated as meeting the requirements of section 401(a), as modified, with respect to the form of the plan.

Alternatively, the Secretary is permitted, in its discretion, to enhance and simplify the existing prototype plan programs in a manner that achieves the purposes of the model plans.

Effective date.—The House bill is effective on the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement does not include the House bill provision.

11. Reporting simplification (sec. 1261 of the House bill and sec. 371 of the Senate amendment)

Present Law

A plan administrator of a pension, annuity, stock bonus, profit-sharing or other funded plan of deferred compensation generally must file with the Secretary of the Treasury an annual return for each plan year containing certain information with respect to the qualification, financial condition, and operation of the plan. Title I of ERISA also may require the plan administrator to file annual reports concerning the plan with the Department of Labor and the Pension Benefit Guaranty Corporation (''PBGC''). The plan administrator must use the Form 5500 series as the format for the required annual return.[52] The Form 5500 series annual return/report, which consists of a primary form and various schedules, includes the information required to be filed with all three agencies. The plan administrator satisfies the reporting requirement with respect to each agency by filing the Form 5500 series annual return/report with the Internal Revenue Service (''IRS''), which forwards the form to the Department of Labor and the PBGC.

The Form 5500 series consists of 3 different forms: Form 5500, Form 5500–C/R, and Form 5500–EZ. Form 5500 is the most comprehensive of the forms and requires the most detailed financial information. Form 5500–C/R requires less information than Form 5500, and Form 5500–EZ, which consists of only 1 page, is the simplest of the forms.

The size of the plan determines which form a plan administrator must file. If the plan has more than 100 participants at the beginning of the plan year, the plan administrator generally must file Form 5500. If the plan has fewer than 100 participants at the beginning of the plan year, the plan administrator generally may file Form 5500–C/R. A plan administrator generally may file Form 5500–EZ if (1) the only participants in the plan are the sole owner of a business that maintains the plan (and such owner's spouse), or partners in a partnership that maintains the plan (and such partners' spouses), (2) the plan is not aggregated with another plan in order to satisfy the minimum coverage requirements of section 410(b), (3) the employer is not a member of a related group of employers, and (4) the employer does not receive the services of leased employees. If the plan satisfies the eligibility requirements for Form 5500–EZ and the total value of the plan year and all prior plan years does not exceed $100,000, the plan administrator is not required to file a return.

House Bill

The Secretary of the Treasury is directed to provide for the filing of a simplified annual return substantially similar to the

[49] The exclusion does not apply with respect to gradulate-level courses.

[50] Rev. Proc. 84–46, 1984–2 C.B. 787.

[51] Rev. Proc. 84–23, 1984–1 C.B. 457; Rev. Proc. 89–9, 1989–1 C.B. 780; Rev. Proc. 89–13, 1989–1 C.B. 801.

[52] Treas. Reg. sec. 301.6058–1(a).

Form 5500–EZ by a plan that (1) covers less than 25 employees on the first day of the plan year, (2) is not aggregated with another plan in order to satisfy the minimum coverage requirements of section 410(b), (3) is maintained by an employer that is not a member of a related group of employers, and (4) is maintained by an employer that does not receive the services of leased employees.

Effective date.—The House bill is effective on the date of enactment.

Senate Amendment

The Secretary of the Treasury is directed to modify the annual return filing requirements with respect to plans that satisfy the eligibility requirements for Form 5500–EZ to provide that if the total value of the plan assets of such a plan as of the end of the plan year and all prior plan years does not exceed $500,000, the plan administrator is not required to file a return.

In addition, the Secretary of the Treasury is directed to provide for the filing of a simplified annual return substantially similar to the Form 5500–EZ by a plan that (1) covers less than 25 employees on the first day of the plan year, (2) is not aggregated with another plan in order to satisfy the minimum coverage requirements of section 410(b), (3) is maintained by an employer that is not a member of a related group of employers, and (4) is maintained by an employer that does not receive the services of leased employees.

Effective date.—The provision is effective on January 1, 2001.

Conference Agreement

The conference agreement follows the Senate amendment, with a modification. The Secretary of the Treasury is directed to modify the annual return filing requirements with respect to plans that satisfy the eligibility requirements for Form 5500–EZ to provide that if the total value of the plan assets of such a plan as of the end of the plan year and all prior plan years does not exceed $250,000, the plan administrator is not required to file a return.

Effective date.—The provision is effective on January 1, 2001.

12. Improvement to Employee Plans Compliance Resolution System (sec. 1262 of the House bill)

Present Law

A retirement plan that is intended to be a tax-qualified plan provides retirement benefits on a tax-favored basis if the plan satisfies all of the requirements of section 401(a). Similarly, an annuity that is intended to be a tax-sheltered annuity provides retirement benefits on a tax- favored basis if the program satisfies all of the requirements of section 403(b). Failure to satisfy all of the applicable requirements of section 401(a) or section 403(b) may disqualify a plan or annuity for the intended tax-favored treatment.

The Internal Revenue Service (''IRS'') has established the Employee Plans Compliance Resolution System (''EPCRS''), which is a comprehensive system of correction programs for sponsors of retirement plans and annuities that are intended, but have failed, to satisfy the requirements of section 401(a) and section 403(b), as applicable.[53] EPCRS permits employers to correct compliance failures and continue to provide their employees with retirement benefits on a tax-favored basis.

The IRS has designed EPCRS to (1) encourage operational and formal compliance, (2) promote voluntary and timely correction of compliance failures, (3) provide sanctions for compliance failures identified on audit that are reasonable in light of the nature, extent, and severity of the violation, (4) provide consistent and uniform administration of the correction programs, and (5) permit employers to rely on the availability of EPCRS in taking corrective actions to maintain the tax-favored status of their retirement plans and annuities.

The basic elements of the programs that comprise EPCRS are self-correction, voluntary correction with IRS approval, and correction on audit. The Administrative Policy Regarding Self-Correction (''APRSC'') permits a plan sponsor that has established compliance practices to correct certain insignificant failures at any time (including during an audit), and certain significant failures within a 2–year period, without payment of any fee or sanction. The Voluntary Compliance Resolution (''VCR'') program, the Walk-In Closing Agreement Program (''Walk-In CAP''), and the Tax-Sheltered Annuity Voluntary Correction (''TVC'') program permit an employer, at any time before an audit, to pay a limited fee and receive IRS approval of a correction. For a failure that is discovered on audit and corrected, the Audit Closing Agreement Program (''Audit CAP'') provides for a sanction that bears a reasonable relationship to the nature, extent, and severity of the failure and that takes into account the extent to which correction occurred before audit.

The IRS has expressed its intent that EPCRS will be updated and improved periodically in light of experience and comments from those who use it.

House Bill

The Secretary of the Treasury is directed to continue to update and improve EPCRS, giving special attention to (1) increasing the awareness and knowledge of small employers concerning the availability and use of EPCRS, (2) taking into account special concerns and circumstances that small employers face with respect to compliance and correction of compliance failures, (3) extending the duration of the self-correction period under APRSC for significant compliance failures, (4) expanding the availability to correct insignificant compliance failures under APRSC during audit, and (5) assuring that any tax, penalty, or sanction that is imposed by reason of a compliance failure is not excessive and bears a reasonable relationship to the nature, extent, and severity of the failure.

Effective date.—The House bill is effective on the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

13. Modifications to section 415 limits for multiemployer and governmental plans (sec. 1263 of the House bill, secs. 346 and 348 of the Senate amendment, and sec. 415 of the Code)

Present Law

Under present law, limits apply to contributions and benefits under qualified plans (sec. 415). The limits on contributions and benefits under qualified plans are based on the type of plan.

Under a defined benefit plan, the maximum annual benefit payable at retirement is generally the lesser of (1) 100 percent of average compensation for the highest three years, or (2) $130,000 (for 1999). The dollar limit is adjusted for cost-of-living increases in $5,000 increments. The dollar limit is reduced in the case of retirement before the social security retirement age and increases in the case of retirement after the social security retirement age.

A special rule applies to governmental, tax-exempt organization, and qualified merchant marine defined benefit plans. In the case of such plans, the defined benefit dollar limit is reduced in the case of retirement before age 62 and increased in the case of retirement after age 65. In addition, there is a floor on early retirement benefits. Pursuant to this floor, the minimum benefit payable at age 55 is $75,000.

In the case of a defined contribution plan, the limit on annual is additions if the lesser of (1) 25 percent of compensation[54] or (2) $30,000 (for 1999). In applying the limits on contributions and benefits, plans of the same employer are aggregated.

House Bill

The 100 percent of compensation defined benefit plan limit does not apply to multiemployer plans.

Effective date.—The House bill is effective for years beginning after December 31, 2000.

Senate Amendment

Treatment of multiemployer plans

The 100 percent of compensation defined benefit plan limit does not apply to multiemployer plans. In addition, except in applying the defined benefit plan dollar limitation, multiemployer plans are not aggregated with other plans maintained by an employer contributing to the multiemployer plan in applying the limits on contributions and benefits.

The Senate amendment also applies the special rules for defined benefit plans of governmental employers, tax-exempt organizations, and qualified merchant marines to multiemployer plans.

Increase in early retirement floor for governmental, multiemployer, and other plans

The floor for reductions of the dollar limit prior to age 62 for defined benefit plans of governmental employers and tax-exempt organizations, qualified merchant marine plans and multiemployer plans is increased from $75,000 to 80 percent of the defined benefit dollar limit.

Effective date

The Senate amendment is effective for years beginning after December 31, 1999.

Conference Agreement

The conference agreement follows the House bill.

14. Rules for substantial owner benefits in terminated plans (sec. 363 of the Senate amendment and sec. 4022 of ERISA)

Present Law

Under present law, the Pension Benefit Guaranty Corporation (''PBGC'') provides participants and beneficiaries in a defined benefit pension plan with certain minimal guarantees as to the receipt of benefits under the plan in case of plan termination. The employer sponsoring the defined benefit pension plan is required to pay premiums to the PBGC to provide insurance for the guaranteed benefits. In general, the PBGC will guarantee all basic benefits which are payable in periodic installments for the life (or lives) of the participant and his or her beneficiaries and are non-forfeitable at the time of plan termination. The amount of the guaranteed benefit is subject to certain limitations. One limitation is that the plan (or an

[53] Rev. Proc. 98–22, 1998–12 I.R.B. 11, as modified by Rev. Proc. 99–13, 1999–5, I.R.B. 52.

[54] Another provision of the Senate amendment increases this limit to 100 percent of compensation.

amendment to the plan which increases benefits) must be in effect for 60 months before termination for the PBGC to guarantee the full amount of basic benefits for a plan participant, other than a substantial owner. In the case of a substantial owner, the guaranteed basic benefit is phased in over 30 years beginning with participation in the plan. A substantial owner is one who owns, directly or indirectly, more than 10 percent of the voting stock of a corporation or all the stock of a corporation. Special rules restricting the amount of benefit guaranteed and the allocation of assets also apply to substantial owners.

House Bill

No provision.

Senate Amendment

The Senate amendment provides that the 60 month phase-in of guaranteed benefits applies to a substantial owner with less than 50 percent ownership interest. For a substantial owner with a 50 percent or more ownership interest (''majority owner''), the phase-in depends on the number of years the plan has been in effect. The majority owner's guaranteed benefit is limited so that it may not be more than the amount phased in over 60 months for other participants. The rules regarding allocation of assets apply to substantial owners, other than majority owners, in the same manner as other participants.

Effective date.—The Senate amendment is effective for plan terminations with respect to which notices of intent to terminate are provided, or for which proceedings for termination are instituted by the PBGC after December 31, 2000.

Conference Agreement

The conference agreement follows the Senate amendment.

15. Extension to international organizations of moratorium on application of certain nondiscrimination rules applicable to State and local government plans (sec. 368 of the Senate amendment, sec. 1505 of the Taxpayer Relief Act of 1997, and secs. 401(a) and 401(k) of the Code)

Present Law

A qualified retirement plan maintained by a State or local government is exempt from the rules concerning nondiscrimination (sec. 401(a)(4)) and minimum participation (sec. 401(a)(26)). A governmental plan maintained by an international organization that is exempt from taxation by reason of the International Organizations Immunities Act is not exempt from the nondiscrimination and minimum participation rules.

House Bill

No provision.

Senate Amendment

A governmental plan maintained by a tax-exempt international organization is exempt from the nondiscrimination and minimum participation rules.

Effective date.—The Senate amendment is effective for plan years beginning after December 31, 2000.

Conference Agreement

The conference agreement follows the Senate amendment.

16. Annual report dissemination (sec. 369 of the Senate amendment and sec. 104 of ERISA)

Present Law

Title I of ERISA generally requires the plan administrator of each employee pension benefit plan and each employee welfare benefit plan to file an annual report concerning the plan with the Secretary of Labor within 7 months after the end of the plan year. Within 9 months after the end of the plan year, the plan administrator generally must provide to each participant, and to each beneficiary receiving benefits under the plan, a summary of the annual report filed with the Secretary of Labor for the plan year.

House Bill

No provision.

Senate Amendment

Within 9 months after the end of each plan year, the plan administrator is required to make available for examination a summary of the annual report filed with the Secretary of Labor for the plan year. In addition, the plan administrator is required to furnish the summary to a participant, or to a beneficiary receiving benefits under the plan, upon request.

Effective date.—The Senate amendment is effective for reports for years beginning after December 31, 1998.

Conference Agreement

The conference agreement does not include the Senate amendment.

17. Clarification of exclusion for employer-provided transit passes (sec. 370 of the Senate amendment and sec. 132 of the Code)

Present Law

Qualified transportation fringe benefits provided by an employer are excluded from an employee's gross income and wages. Qualified transportation fringe benefits include parking, transit passes, and vanpool benefits. Up to $175 per month (for 1999) of employer-provided parking is excludable from income and up to $65 (for 1999) per month of employer-provided transit and vanpool benefits are excludable from income.

Qualified transportation benefits generally include a cash reimbursement by an employer to an employee. However, in the case of transit passes, a cash reimbursement is considered a qualified transportation fringe benefit only if a voucher or similar item which may be exchanged only for a transit pass is not readily available for direct distribution by the employer to the employee.

No amount is includible in the gross income of an employee merely because the employee is offered a choice between cash and any qualified transportation benefit (or a choice among such benefits).

House Bill

No provision.

Senate Amendment

The Senate amendment repeals the rule providing that cash reimbursements for transit benefits are excludable from income only if a voucher or similar item which may be exchanged only for a transit pass is not readily available for direct distribution by the employer.

Effective date.—The Senate amendment is effective for taxable years beginning after December 31, 1999.

Conference Agreement

The conference agreement follows the Senate amendment.

XIII. MISCELLANEOUS PROVISIONS

A. Expand Employer Reporting on Annual Wage and Tax Statements (sec. 1303 of the House bill and sec. 6051 of the Code)

Present Law

An employer must provide certain information annually to each employee in the form of a wage and tax statement (''Form W–2''). The information required to be included on such form includes the individual's name, address, social security number and a statement of total wages, tips, and other compensation for the year. The form must also include the amount of federal income tax withheld as well as the employee's share of social security and medicare taxes withheld for the year by the employer. There is no requirement that the form include a statement of the employer's share of social security and medicare taxes paid by the employer with respect to that individual.

House Bill

The House bill requires the Form W–2 to include a statement of social security and medicare taxes paid by the employer on behalf of each employee.

Effective date.—The House bill provision is effective with respect to Form W–2's with respect to remuneration paid after December 31, 1999.

Senate Amendment

No provision.

Conference Agreement

The conference agreement does not include the House bill provision. However, the conferees intend that the Internal Revenue Service provide the employer's share of social security and medicare taxes to each employee, no less frequently than annually.

B. Survivor Benefits of Public Safety Officers Killed in The Line of Duty (sec. 1304 of the House bill and sec. 101 of the Code)

Present Law

The Taxpayer Relief Act of 1997 included a provision providing that an amount paid as a survivor annuity on account of the death of a public safety officer who is killed in the line of duty is excludable from income to the extent the survivor annuity is attributable to the officer's service as a law enforcement officer. The survivor annuity must be provided under a governmental plan to the surviving spouse (or former spouse) of the public safety officer or to a child of the officer. Public safety officers include law enforcement officers, firefighters, rescue squad or ambulance crew. The provision does not apply with respect to the death of a public safety officer if it is determined by the appropriate supervising authority that (1) the death was caused by the intentional misconduct of the officer or by the officer's intention to bring about the death, (2) the officer was voluntarily intoxicated at the time of death, (3) the officer was performing his or her duties in a grossly negligent manner at the time of death, or (4) the actions of the individual to whom payment is to be made were a substantial contributing factor to the death of the officer.

The provision applies to amounts received in taxable years beginning after December 31, 1996, with respect to individuals dying after that date.

House Bill

The provision extends the present-law treatment of survivor annuities with respect to public safety officers killed in the line of duty to payments received in taxable years beginning after December 31, 1999, with respect to individuals dying on or before December 31, 1996.

Effective date.—The provision is effective on the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

C. Income from Publicly Traded Partnerships Treated as Qualifying Income of Regulated Investment Companies (secs. 1311 and 1312 of the House bill and secs. 851(b) and 469(k) of the Code)

Present Law

A regulated investment company (''RIC'') generally is treated as a conduit for Federal income tax purposes. In computing its taxable income, a RIC deducts dividends paid to its shareholders to achieve conduit treatment (sec. 852(b)). In order to qualify for conduit treatment, a RIC must be a domestic corporation that, at all times during the taxable year, is registered under the Investment Company Act of 1940 as a management company or as a unit investment trust, or has elected to be treated as a business development company under that Act (sec. 851(a)). In addition, the corporation must elect RIC status, and must satisfy certain other requirements (sec. 851(b)).

One of the requirements is that at least 90 percent of its gross income is derived from dividends, interest, payments with respect to securities loans, and gains from the sale or other disposition of stock or securities or foreign currencies, or other income (including but not limited to gains from options, futures, or forward contracts) derived with respect to its business of investing in such stock, securities, or currencies. Income derived from a partnership is treated as meeting this requirement only to the extent such income is attributable to items of income of the partnership that would meet the requirement if realized by the RIC in the same manner as realized by the partnership (the ''lookthrough'' rule for partnership income). Under present law, no distinction is made under this rule between a publicly traded partnership and any other partnership.

Present law provides that a publicly traded partnership means a partnership, interests in which are traded on an established securities market, or are readily tradable on a secondary market (or the substantial equivalent thereof). In general, a publicly traded partnership is treated as a corporation (sec. 7704(a)), but an exception to corporate treatment is provided if 90 percent or more of its gross income is interest, dividends, real property rents, or certain other types of qualifying income (sec. 7704(c) and (d)).

A special rule for publicly traded partnerships applies under the passive loss rules. The passive loss rules limit deductions and credits from passive trade or business activities (sec. 469). Deductions attributable to passive activities, to the extent they exceed income from passive activities, generally may not be deducted against other income. Deductions and credits that are suspended under these rules are carried forward and treated as deductions and credits from passive activities in the next year. The suspended losses from a passive activity are allowed in full when a taxpayer disposes of his entire interest in the passive activity to an unrelated person. The special rule for publicly traded partnerships provides that the passive loss rules are applied separately with respect to items attributable to each publicly traded partnership (sec. 469(k)). Thus, income or loss from the publicly traded partnership is treated as separate from income or loss from other passive activities.

House Bill

The House bill modifies the 90 percent test with respect to income of a RIC to include income derived from an interest in a publicly traded partnership. The provision also modifies the lookthrough rule for partnership income of a RIC so that it applies only to income from a partnership other than a publicly traded partnership.

The provision provides that the special rule for publicly traded partnerships under the passive loss rules (requiring separate treatment) applies to a RIC holding an interest in a publicly traded partnership, with respect to items attributable to the interest in the publicly traded partnership.

Effective date.—The provision is effective for taxable years beginning after December 31, 2000.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

D. Equalize the Tax Treatment of Oversized "Clean Fuel" Vehicles and Electric Vehicles (sec. 1313 of the House bill and sec. 30 and 179A of the Code)

Present Law

Taxpayers may claim a credit of 10 percent of the cost of an electric vehicle up to a maximum credit of $4,000 (sec. 30). Taxpayers may claim an immediate deduction (expensing) for up to $50,000 of the cost of a qualified clean-fuel vehicle which is a truck or van with a gross vehicle weight greater than 13 tons or a bus with a seating capacity of at least 20 adults (sec. 179A). For the purposes of the deduction permitted under section 179A, electric trucks, vans, or buses are not qualified clean fuel vehicles.

House bill

The House bill provides that an electric truck or van with a gross vehicle weight rating greater than 13 tons or an electric bus which has seating capacity of at least 20 adults is a qualified clean fuel vehicle for which the taxpayer may expense up to $50,000 of cost and that such vehicles are not eligible for the electric vehicle credit.

Effective date.—The provision is effective for vehicles placed in service after December 31, 1999.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

Effective date.—The provision is effective for vehicles placed in service after December 31, 1999.

E. Nuclear Decommissioning Costs (sec. 1314 of the House bill and sec. 468A of the Code)

Present Law

Special rules dealing with nuclear decommissioning reserve funds were adopted by Congress in the Deficit Reduction Act of 1984 (''1984 Act'') when tax issues regarding the time value of money were addressed generally. Under general tax accounting rules, a deduction for accrual basis taxpayers generally is deferred until there is economic performance for the item for which the deduction is claimed. However, the 1984 Act contains an exception to those rules under which a taxpayer responsible for nuclear power plant decommissioning may elect to deduct contributions made to a qualified nuclear decommissioning fund for future payment costs. Taxpayers who do not elect this provision are subject to the general rules in the 1984 Act.

A qualified decommissioning fund is a segregated fund established by the taxpayer that is used exclusively for the payment of decommissioning costs, taxes on fund income, payment of management costs of the fund, and making investments. The fund is prohibited from dealing with the taxpayer that established the fund. The income of the fund is taxed at a reduced rate of 20 percent[55] for taxable years beginning after December 31, 1995.

Contributions to the fund are deductible in the year made to the extent that these amounts were collected as part of the cost of service to ratepayers. Withdrawal of funds by the taxpayer to pay for decommissioning expenses are included in income at that time, but the taxpayer also is entitled to a deduction at that time for decommissioning expenses as economic performance for those costs occurs.

A taxpayer's contributions to the fund may not exceed the amount of nuclear decommissioning costs included in the taxpayer's cost of service for ratemaking purposes for the taxable year. Additionally, in order to prevent accumulations of funds over the remaining life of a nuclear power plant in excess of those required to pay future decommissioning costs and to ensure that contributions to the funds are not deducted more rapidly than level funding, taxpayers must obtain a ruling from the IRS to establish the maximum contribution that may be made to the fund.

If the decommissioning fund fails to comply with the qualification requirements or when the decommissioning is substantially completed, the fund's qualification may be terminated, in which case the amounts in the fund must be included in income of the taxpayer.

A qualified decommissioning fund may be transferred in connection with the sale, exchange or other transfer of the nuclear power plant to which it relates. If the transferee is a regulated public utility and meets certain other requirements, the transfer will be treated as a nontaxable transaction. No gain or loss will be recognized on the transfer of the qualified decommissioning fund and the transferee will take the transferor's basis in the fund.[56] The transferee is required to obtain a new ruling amount from the IRS, or accept a discretionary determination by the IRS.[157] However, if the transferee does not qualify to continue the qualified decommissioning fund, the balance in the fund will be treated as distributed (and thus taxable) at the time of the transfer.

State and Federal regulators may require utilities to set aside funds for nuclear decommissioning purposes in excess of the amount allowed as a deductible contribution to a qualified decommissioning fund. In addition, the taxpayer may have set aside funds prior to the effective date of the qualified decommissioning fund rules. In some cases, a deduction may have been taken for such amounts at the time they were set aside.[58]

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[55] As originally enacted in 1984, the fund paid tax on its earnings at the top corporate rate. Also, as originally enacted, the funds in the trust could be invested only in certain low risk investments. Subsequent amendments to the provision have reduced the rate of tax on the fund to 20 percent, and removed the restrictions on the types of permitted investments that the fund can make.

[56] Treas. Regs. sec. 1.468A–6.

[57] Treas. Regs. sec. 1.468A–6(f).

[58] Prior to July 17, 1984 (the date of enactment of the Deficit Reduction Act of 1984), accrual basis taxpayers could deduct items without regard to the time the items were economically performed. Some taxpayers may have taken the position that amounts for nuclear decommissioning were deductible prior to July 17, 1984.

These nonqualified funds are not eligible for the special rules that apply to qualified decommissioning funds. Since 1984, no deduction has been allowed with respect to the contribution or segregation of nonqualified funds, and the income on nonqualified funds is taxed to the taxpayer at the taxpayer's marginal rate.

House Bill

The cost of service requirement for deductible contributions to nuclear decommissioning funds is repealed. Taxpayers, including unregulated taxpayers, are allowed a deduction for amounts contributed to a qualified nuclear decommissioning fund. As under current law, however, the maximum contribution and deduction for a taxable year can not exceed the IRS ruling amount for that year.

The provision also clarifies the Federal income tax treatment of the transfer of qualified nuclear decommissioning funds. No gain or loss is recognized to the transferor or the transferee as a result of the transfer of a qualified fund in connection with the transfer of the power plant with respect to which the fund was established.

The provision provides an election to transfer the balance of certain nonqualified funds to qualified fund. Any portion of the amount transferred that has not previously been deducted is allowed as a deduction over the remainder of the useful life of the nuclear power plant (as determined for the purpose of the ruling amount) beginning with the first taxable year that begins after 2001. If a qualified fund that has received a transfer from a nonqualified fund is transferred to another person, that person will be entitled to the deduction at the same time and in the same manner as the transferor. Thus, if the transferor was not subject to tax at the time and thus would have been unable to utilize the deduction, the transferee will similarly not be able to utilize the deduction. A taxpayer is not considered to have a basis in any qualified nuclear decommissioning fund.

Nonqualified funds eligible to be transferred to a qualified fund are funds that have been irrevocably set aside pursuant to the requirements of a state of Federal agency exclusively for the purpose of funding the decommissioning of the taxpayer's nuclear power plant. Funds that constitute a ''prepaid decommissioning fund'' or ''external sinking trust fund'' that would qualify for the purpose of providing financial assurance that funds will be available for the decommisioning process under 10 CFR 50.75 are expected to meet the definition of nonqualified funds for this purpose.

A new ruling amount must be obtained following the transfer of nonqualified funds to a qualified fund.

Effective date.—The provision is effective for taxable years beginning after December 31, 1999.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

F. Permit Consolidation of Life and Nonlife Insurance Companies (sec. 1315 of the House bill, sec. 1113 of the Senate amendment, and secs. 1504(b)(2) and 1504(c) of the Code)

Present Law

Under present law, an affiliated group of corporations means one or more chains of includible corporations connected through stock ownership with a common parent corporation (sec. 1504(a)(1)). The stock ownership requirement consists of an 80–percent voting and value test. In general, an affiliated group of corporations may file a consolidated tax return for Federal income tax purposes.

Life insurance companies (subject to tax under section 801) generally are not treated as includible corporations, and therefore may not be included in a consolidated return of an affiliated group including nonlife-insurance companies, unless the common parent of the group elects to treat the life insurance companies as includible corporations (sec. 1504(c)(2)).

Under the election to treat life insurance companies as includible corporations of an affiliated group, two special 5–year limitation rules apply. The first 5–year rule provides that a life insurance company may not be treated as an includible corporation until it has been a member of the group for the 5 taxable years immediately preceding the taxable year for which the consolidated return is filed (sec. 1504(c)(2)). The second 5–year rule provides that any net operating loss of a nonlife-insurance member of the group may not offset the taxable income of a life insurance member for any of the first 5 years the life and nonlife-insurance corporations have been members of the same affiliated group (sec. 1503(c)(2)). This rule applies to nonlife losses for the current taxable year or as a carryover or carryback.

A separate 35–percent limitation also applies under the election to treat life insurance companies as includible corporations of an affiliated group (sec. 1503(c)(1)). This rule provides that if the non-life-insurance members of the group have a net operating loss, then the amount of the loss that is not absorbed by carrybacks against the nonlife-insurance members' income may offset the life insurance members' income only to the extent of the lesser of: (1) 35 percent of the amount of the loss; or (2) 35 percent of the life insurance members' taxable income. The unused portion of the loss is available as a carryover and is added to subsequent-year losses, subject to the same 35–percent limitation.

House Bill

The House bill repeals the two 5–year limitation rules under the election to treat life insurance companies as includible corporations of an affiliated group. The provision also repeals the rule that a life insurance corporation is not an includible corporation unless the common parent makes an election to treat life insurance companies as includible corporations. Thus, under the provision, a life insurance company is treated as an includible corporation starting with the first taxable year for which it becomes a member of the affiliated group and otherwise meets the definition of an includible corporation. In addition, any net operating loss of a nonlife- insurance member of the group can offset the taxable income of a life insurance member starting with the first taxable year for which it becomes a member of the affiliated group and otherwise meets the definition of an includible corporation. The provision retains the 35–percent limitation of present law with respect to any life insurance company that is an includible corporation of an affiliated group.

Effective date.—The provision is effective for taxable years beginning after December 31, 2004. To the extent that a consolidated net operating loss is created or increased by the provision, the loss may not be carried back to a taxable year beginning before January 1, 2005. In addition, no affiliated group terminates solely by reason of the provision. The provision waives the 5–year waiting period for reconsolidation under section 1504(a)(3), in the case of any corporation that was previously an includible corporation, but was subsequently deemed not to be an includible corporation as a result of becoming a subsidiary of a corporation that was not an includible corporation by reason of the 5–year rule of section 1504(c)(2) (providing that a life insurance company may not be treated as an includible corporation until it has been a member of the group for the 5 taxable years immediately preceding the taxable year for which the consolidated return is filed).

Senate Amendment

The Senate amendment repeals the 5–year limitation rule relating to consolidation under the election to treat life insurance companies as includible corporations of an affiliated group. The provision also repeals the rule that a life insurance corporation is not an includible corporation unless the common parent makes an election to treat life insurance companies as includible corporations. Thus, under the provision, a life insurance company is treated as an includible corporation starting with the first taxable year for which it becomes a member of the affiliated group and otherwise meets the definition of an includible corporation. However, as under present law, any net operating loss of a nonlife-insurance member of the group may not offset the taxable income of a life insurance member for any of the first five years the life and nonlife-insurance corporations have been members of the same affiliated group. The provision retains the 35–percent limitation of present law with respect to any life insurance company that is an includible corporation of an affiliated group.

Effective date.—The provision is effective for taxable years beginning after December 31, 2000. To the extent that a consolidated net operating loss is created or increased by the provision, the loss may not be carried back to a taxable year beginning before January 1, 2001. In addition, no affiliated group terminates solely by reason of the provision. The provision waives the 5–year waiting period for reconsolidation under section 1504(a)(3), in the case of any corporation that was previously an includible corporation, but was subsequently deemed not to be an includible corporation as a result of becoming a subsidiary of a corporation that was not an includible corporation by reason of the 5–year rule of section 1504(c)(2) (providing that a life insurance company may not be treated as an includible corporation until it has been a member of the group for the 5 taxable years immediately preceding the taxable year for which the consolidated return is filed).

Conference Agreement

The conference agreement follows the Senate amendment. The conference agreement also follows the House bill with respect to repeal of the second 5–year rule (which provides that any net operating loss of a nonlife-insurance member of the group may not offset the taxable income of a life insurance member for any of the first 5 years the life and nonlife-insurance corporations have been members of the same affiliated group (sec. 1503(c)(2)), with a modification as to the effective date of repeal of the second 5–year rule. Under the conference agreement, repeal of the second 5–year rule is effective for taxable years beginning after December 31, 2005.

Effective date.—The repeal of the first 5–year rule and the repeal of the election to

treat a life insurance company as an includible corporation are effective for taxable years beginning after December 31, 2000. The repeal of the second 5–year rule (sec. 1503(c)(2)) is effective for taxable years beginning after December 31, 2005. To the extent that a consolidated net operating loss is created or increased by the provision, the loss may not be carried back to a taxable year beginning before January 1, 2006. In addition, no affiliated group terminates solely by reason of the provision. The provision waives the 5–year waiting period for reconsolidation under section 1504(a)(3), in the case of any corporation that was previously an includible corporation, but was subsequently deemed not to be an includible corporation as a result of becoming a subsidiary of a corporation that was not an includible corporation by reason of the 5–year rule of section 1504(c)(2) (providing that a life insurance company may not be treated as an includible corporation until it has been a member of the group for the 5 taxable years immediately preceding the taxable year for which the consolidated return is filed).

G. Consolidate Code Provisions Governing the Hazardous Substance Superfund and the Leaking Underground Storage Tank Trust Fund (sec. 1321 of the House bill and secs. 9507 and 9508 of the Code)

Present Law

Present law includes two separate Trust Funds to finance similar ground and water cleanup programs related to hazardous substances. These funds are the Hazardous Substance Superfund (the ''Superfund'') and the Leaking Underground Storage Tank Trust Fund (the ''LUST Trust Fund''). Amounts in both Trust Funds are available as provided in cross-referenced authorization and appropriations Acts.

House Bill

The Code provisions governing the Superfund and the LUST Trust Fund are consolidated into a single Environmental Remediation Trust Fund (the ''Environmental Trust Fund''). Amounts in the consolidated Trust Fund (i.e., all amounts in both of the present-law Trust Funds) are available for expenditure, as provided in appropriations Acts, for the combined purposes of the two present-law Trust Funds, as of July 12, 1999.

Provisions similar to those currently included in the Highway Trust Fund, the Aquatic Resources Trust Fund, and the Vaccine Injury Compensation Trust Fund clarifying that expenditures from the Environmental Trust Fund may occur only as provided in the Code are incorporated into the new Trust Fund statute, notwithstanding provisions of any other Act (including subsequently enacted non-revenue Act legislation).

Effective date.—The provision is effective on October 1, 1999.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill, with a modification providing that the LUST and Superfund provisions of the new Environmental Remediation Trust Fund will be divided into separate accounts upon future enactment of Superfund authorizing legislation. Upon enactment of such authorizing legislation, the LUST Account will be reimbursed from the Superfund Account for any amounts attributable to the LUST excise tax (and interest thereon) used to finance Superfund programs.

H. Repeal Certain Excise Taxes on Rail Diesel Fuel and Inland Waterway Barge Fuels (sec. 1322 of the House bill, sec. 1101 of the Senate amendment, and secs. 4041 and 4042 of the Code)

Present Law

Under present law, diesel fuel used in trains is subject to a 4.4–cents-per gallon excise tax. Revenues from 4.3 cents per gallon of this excise tax are retained in the General Fund of the Treasury. The remaining 0.1 cent per gallon is deposited in the Leaking Underground Storage Tank (''LUST'') Trust Fund.

Similarly, fuels used in barges operating on the designated inland waterways system is subject to a 4.3–cents-per-gallon General Fund excise tax. This tax is in addition to the 20.1- cents-per-gallon tax rates that are imposed on fuels used in these barges to fund the Inland Waterways Trust Fund and the Leaking Underground Storage Tank Trust Fund.

In both cases, the 4.3–cents-per-gallon excise tax rates are permanent. The LUST tax is scheduled to expire after March 31, 2005.

House Bill

The 0.1–cent-per-gallon LUST tax on diesel fuel used in trains is repealed. In addition, the 4.3–cents-per-gallon General Fund excise tax rates on diesel fuel used in trains and fuels used in barges operating on the designated inland waterways system is repealed.

Effective date.—The repeal of the 0.1–cent-per-gallon LUST tax on diesel fuel used in trains is effective on October 1, 1999. The repeal of the 4.3–cents-per-gallon excise taxes on train diesel and inland waterway barge fuels is effective after September 30, 2003.

Repeal of these taxes is contingent upon enactment as part of the bill of a separate provision that consolidates the Code provisions governing the Hazardous Substance Superfund and the Leaking Underground Storage Tank Trust Fund into an Environmental Remediation Trust Fund.

Senate Amendment

The Senate amendment is the same as the House bill.

Effective date.—The provision of the Senate amendment is effective on October 1, 2000.

Conference Agreement

The conference agreement follows the House bill.

I. Repeal Excise Tax on Fishing Tackle Boxes (sec. 1323 of the House bill and sec. 4162 of the Code)

Present Law

Under present law, a 10–percent manufacturer's excise tax is imposed on specified sport fishing equipment. Examples of taxable equipment include fishing rods and poles, fishing reels, artificial bait, fishing lures, line and hooks, and fishing tackle boxes. Revenues from the excise tax on sport fishing equipment are deposited in the Sport Fishing Account of the Aquatic Resources Trust Fund. Monies in the fund are spent, subject to an existing permanent appropriation, to support Federal-State sport fish enhancement and safety programs.

In addition to the revenues from the sport fishing equipment excise tax, the Sport Fishing Account also receives revenues from excise taxes imposed on motorboat gasoline and special fuels. These motorboat fuels are subject to an excise tax totaling 18.4 cents per gallon. Of this amount, 11.5 cents per gallon is dedicated to the Sport Fishing Account. This amount is scheduled to increase to 13 cents per gallon (October 1, 2001–September 30, 2003) and to 13.5 cents per gallon (beginning October 1, 2003). The balance of these motorboat fuels taxes (other than 0.1 cent per gallon which is dedicated to the Leaking Underground Storage Tank Trust Fund) is retained in the General Fund.

House Bill

The excise tax on fishing tackle boxes is repealed.

Effective date.—The provision is effective beginning 30 days after the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill, with a modification increasing by 0.2 cent per gallon the amount of the motorboat gasoline and special motor fuels taxes that are dedicated to the Sport Fishing Account of the Aquatic Resources Trust Fund. Thus, the amount transferred to that Account will be 11.7 cents per gallon (through September 30, 2001), 13.2 cents per gallon (October 1, 2001–September 30, 2003), and 13.7 cents per gallon thereafter.

Effective date.—The conference agreement follows the House bill with regard to repeal of the fishing tackle excise tax; the modification relating to transfer of the motorboat fuels taxes is effective for taxes received beginning 30 days after the date of enactment.

J. Modify Excise Tax on Arrow Components and Accessories (sec. 1324 of the House bill, sec. 1109 of the Senate amendment, and sec. 4161 of the Code)

Present Law

An 12.4 percent excise tax is imposed on the sale by a manufacturer or importer of any shaft, point, nock, or vane designed for use as part of an arrow which (1) is over 18 inches long, or (2) is designed for use with a taxable bow (if shorter than 18 inches). An 11–percent tax is imposed on certain bows and on certain accessories for taxable bows and arrows.

House Bill

The House bill makes two modifications to the excise tax on arrows and arrow accessories. First, the bill extends the 12.4–percent tax on arrow components to inserts and outserts designed for use with taxable arrows. Inserts and outserts are defined as articles used to attach a point to an arrow shaft. Second, the bill reclassifies ''broadheads,'' or arrow points designed for hunting fish or large animals, as arrow accessories subject to the 11–percent tax rather than arrow points subject to the 12.4–percent tax (as under present law).

Effective date.—The provisions apply to sales by manufacturers beginning on the first day of the first calendar quarter that begins more than 30 days after the bill's enactment.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

K. Entrepreneurial Equity Capital Formation ("SSBICS") (secs. 1341–1347 of the House bill and secs. 851, 1044 and 1202 of the Code)

Present Law

Under present law, a taxpayer may elect to roll over without payment of tax any capital gain realized upon the sale of publicly-traded securities where the taxpayer uses the proceeds from the sale to purchase common

stock in a specialized small business investment company (''SSBIC'') within 60 days of the sale of the securities. The maximum amount of gain that an individual may roll over under this provision for a taxable year is limited to the lesser of (1) $50,000 or (2) $500,000 reduced by any gain previously excluded under this provision. For corporations, these limits are $250,000 and $1 million.

In addition, under present law, an individual may exclude 50 percent of the gain[164] from the sale of qualifying small business stock held more than five years. An SSBIC is automatically deemed to satisfy the active business requirement which a corporation must satisfy to qualify its stock for the exclusion.

Regulated investment companies (''RICs'') are entitled to deduct dividends paid to shareholders. To qualify for the deduction, 90 percent of the company's income must be derived from dividends, interest and other specified passive income, the company must distribute 90 percent of its investment income, and at least 50 percent of the value of its assets must be invested in certain diversified investments.

For purposes of these provisions, an SSBIC means any partnership or corporation that is licensed by the Small Business Administration under section 301(d) of the Small Business Investment Act of 1958 (as in effect on May 13, 1993). SSBICs make long-term loans to, or equity investments in, small businesses owned by persons who are socially or economically disadvantaged.

House Bill

Under the House the tax-free rollover provision is expanded by (1) extending the 60–day period to 180 days, (2) making preferred stock (as well as common stock) in an SSBIC an eligible investment, and (3) increasing the lifetime caps to $750,000 in the case of an individual and to $2 million in the case of a corporation, and repealing the annual caps.

The House also provides that an SSBIC that is organized as a corporation may convert to a partnership without imposition of a tax to either the corporation or its shareholders, by transferring its assets to a partnership in which it holds at least an 80–percent interest and then liquidating. The corporation is required to distribute all its earnings and profits before liquidating. The transaction must take place within 180 days of enactment of the bill. The partnership will be liable for a tax on any ''built-in'' gain in the assets transferred by the corporation at the time of the conversion.

The 50–percent exclusion for gain on the sale of qualifying small business stock is increased to 60 percent where the taxpayer, or a pass-through entity in which the taxpayer holds an interest, sells qualifying stock of an SSBIC.

For purposes of determining status as a RIC eligible for the dividends received deduction, the proposal would treat income derived by a SSBIC from its limited partner interest in a partnership whose business operations the SSBIC does not actively manage as income qualifying for the 90–percent test; would deem the SSBIC to satisfy the 90–percent distribution requirement if it distributes all its income that it is permitted to distribute under the Small Business Investment Act of 1958; and would deem the RIC diversification of assets requirement to be met to the extent the SSBIC's investments are permitted under that Act.

Effective date.—The rollover and small business stock provisions of the proposal are effective for sales after date of enactment. The RIC provisions are effective for taxable years beginning after date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement does not include the House bill provision.

L. Tax Treatment of Alaska Native Settlement Trusts (sec. 1352 of the House bill, sec. 1102 of the Senate amendment, and new sec. 646 of the Code)

Present Law

An Alaska Native Settlement Corporation (''ANC'') may establish a Settlement Trust (''Trust'') under section 39 of the Alaska Native Claims Settlement Act (''ANCSA'')[60] and transfer money or other property to such Trust for the benefit of beneficiaries who constitute all or a class of the shareholders of the ANC, to promote the health, education and welfare of the beneficiaries and preserve the heritage and culture of Alaska Natives.

With certain exceptions, once an ANC has made a conveyance to a Trust, the assets conveyed shall not be subject to attachment, distraint, or sale or execution of judgement, except with respect to the lawful debts and obligations of the Trust.

The Internal Revenue Service has indicated that contributions to a Trust constitute distributions to the beneficiary-shareholders at the time of the contribution and are treated as dividends to the extent of earnings and profits as provided under section 301 of the Code. The Trust and its beneficiaries are taxed according to the rules of Subchapter J of the Code.

House Bill

An Alaska Native Corporation may establish a Trust under section 39 of ANCSA and if the Trust makes an election for its first taxable year ending after December 31, 1999, no amount will be includible in the gross income of a beneficiary of such Trust by reason of a contribution to the Trust . The earnings and profits of the ANC are not reduced at the time of a conveyance to the Trust, but only after all earnings of the Trust have been distributed, and subsequent distributions to beneficiaries are made from the original principal conveyed.

Qualification of the Trust for tax-free conveyances terminates if interests in the Trust or in the ANC may transferred or exchanged to a person in a manner that would not be permitted under ANCSA if the trust interests were Settlement Common Stock (generally, to anyone other than an Alaska Native).

The final distributions of principal, which reduce earnings and profits of the ANC, are treated as ordinary income to the beneficiaries and may be reported on Form 1099 rather than form K–1. If annualized distributions exceed the sum of the standard deduction plus the personal exemption, withholding is required. All other Trust earnings and distributions are treated under present law.

Effective date.—The provision is effective for contributions after, and taxable years of Trusts ending after, December 31,1999.

Senate Amendment

The Senate amendment follows the House bill, with additions and modifications. Under the Senate amendment, unless the Trust fails to meet the other requirements of the provision, the Trust will be permitted to accumulate up to 45 percent of its income each year without tax to the Trust or the beneficiaries on that income. To qualify for this treatment, an electing Trust must distribute at least 55 percent of its adjusted taxable income for the year. If the Trust fails to meet this distribution requirement, tax at trust rates is imposed on the amount of the failure.

Every distribution by the Trust to beneficiaries is taxable as ordinary income to the beneficiaries. Reporting to beneficiaries for the future could be made on form 1099 rather than on form K–1. Distributions to beneficiaries would be subject to withholding to the extent such distributions, on an annualized basis, exceed the sum of the standard deduction and the personal exemption.

Certain additional restrictions apply. If the beneficial interests in the Trust may be sold or exchanged to a person in a manner that would not be permitted under ANCSA if the interests were Settlement Common Stock (generally, to a person other than an Alaska Native), then the value of all assets of the Trust that have not been distributed at the end of the taxable year of the Trust is subject to a tax at the highest individual tax rate; thereafter all amounts retained that were subject to that tax are treated as corpus under subchapter J. Also, if the shares of the ANC may be sold or exchanged to a person in such a manner, the Trust may continue in existence without an excise tax only if no new contributions are made to the Trust and the beneficial interests in the Trust cannot be sold or exchanged in such a manner.

Apart from these rules, the Trust and its beneficiaries would be taxed according to the provisions of subchapter J of the Code.

Effective date.— The effective date is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill.

M. Increase Joint Committee on Taxation Refund Review Threshold to $2 Million (sec. 1353 of the House bill, sec. 1110 of the Senate amendment, and sec. 6405 of the Code)

Present Law

No refund or credit in excess of $1,000,000 of any income tax, estate or gift tax, or certain other specified taxes, may be made until 30 days after the date a report on the refund is provided to the Joint Committee on Taxation (sec. 6405). A report is also required in the case of certain tentative refunds. Additionally, the staff of the Joint Committee on Taxation conducts post-audit reviews of large deficiency cases and other select issues.

House Bill

The provision increases the threshold above which refunds must be submitted to the Joint Committee on Taxation for review from $1,000,000 to $2,000,000. The staff of the Joint Committee on Taxation would continue to exercise its existing statutory authority to conduct a program of expanded post-audit reviews of large deficiency cases and other select issues, and the IRS is expected to cooperate fully in this expanded program.

Effective date.—The provision is effective on the date of enactment, except that the higher threshold does not apply to a refund or credit with respect to which a report was made before the date of enactment.

Senate Amendment

Same as House bill.

[59] The portion of the capital gain included in income is subject to a maximum regular tax rate of 28 percent, and 42 percent of the excluded gain is a minimum tax preference.

[60] 43 U.S.C. 1601 et. seq.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

N. Clarification of Depreciation Study (sec. 1354 of the House bill)

Present Law

The Secretary of the Treasury (or his delegate) is directed to conduct a comprehensive study of the recovery periods and depreciation methods under section 168 of the Code, and to provide recommendations for determining such periods and methods in a more rational manner. The Secretary of the Treasury (or his delegate) is directed to submit the results of the study and recommendations to the House Ways and Means and Senate Finance Committees by March 31, 2000.

House Bill

The Secretary of the Treasury (or his delegate) is directed to include a study of such periods and methods applicable to section 1250 property used in connection with a franchise (within the meaning of section 1253) and owned by the franchisee in the study of recovery periods and depreciation methods under section 168 of the Code that is due to be submitted to the House Ways and Means and Senate Finance Committees by March 31, 2000.

Effective date.—The provision is effective on the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement does not include the provision of the House bill. Nonetheless, the conferees expect that the study will include an examination of the depreciation issues raised in the House bill and the Senate amendment, including leasehold improvements and section 1250 property used in connection with a franchise.

O. Tax Court Provisions

1. Tax Court filing fee (sec. 1361 of the House bill and sec. 7451 of the Code)

Present Law

Section 7451 authorizes the Tax Court to impose a fee of up to $60 for the filing of any petition ''for the redetermination of a deficiency or for a declaratory judgment under part IV of this subchapter or under section 7428 or for judicial review under section 6226 or section 6228(a).'' The statute does not specifically authorize the Tax Court to impose a filing fee for the filing of a petition for review of the IRS's failure to abate interest under section 6404 or for administrative costs under section 7430. The practice of the Tax Court is to impose a $60 filing fee in all cases commenced by petition.[61]

House Bill

Under the House bill, section 7451 is amended to provide that the Tax Court is authorized to charge a filing fee of up to $60 in all cases commenced by the filing of a petition.

Effective date.—The provision is effective on the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

2. Use of practitioner fee (sec. 1362 of the House bill and sec. 7475 of the code)

Present Law

Section 7475 authorizes the Tax Court to impose on practitioners a fee of up to $30 per year and permits these fees to be used to employ independent counsel to pursue disciplinary matters.

House Bill

The House bill provides that Tax Court fees imposed on practitioners also are available to provide services to pro se taxpayers.

Effective date.—The provision is effective on the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

3. Tax Court authority to apply equitable recoupment (sec. 1363 of the House bill and sec. 6214 of the code)

Present Law

Equitable recoupment is a common-law equitable principle which permits the defensive use of an otherwise time-barred claim to reduce or defeat an opponent's claim if both claims arise from the same transaction. U.S. District Courts and the U.S. Court of Federal Claims, the two Federal tax refund forums, may apply equitable recoupment in deciding tax refund cases.[62] In *Estate of Mueller* v. *Commissioner*,[63] the Tax Court held that it may apply equitable recoupment in deciding cases over which it has jurisdiction. However, the Court of Appeals for the Sixth Circuit recently held that the Tax Court may not apply the doctrine of equitable recoupment.[64]

House Bill

Under the House bill, section 6214(b) is amended to provide that the Tax Court may apply the principle of equitable recoupment to the same extent that it may be applied in Federal civil tax cases by the U.S. District Courts of U.S. Court of Federal Claims.[65]

Effective date.—The provision is effective for any action or proceeding in the Tax Court with respect to which a decision has not become final as of the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

P. Allow Certain Wholesale Distributors and Control State Entities to Elect To Be Treated as Distilled Spirits Plants Operators (sec. 1371–1377 of the House bill and secs. 5002, 5005, 5011, 5113, 5171, 5178, 5212, 5214, 5232, 5551, 5601, 5602, and 5684 of the Code)

Present Law

Distilled spirits produced or imported (or brought) into the United States are subject to a $13.50 per proof gallon excise tax. A proof gallon is a U.S. gallon consisting of 50 percent alcohol. The tax is imposed on removal of the distilled spirits from the distillery where produced in the case of domestically produced spirits. In the case of distilled spirits imported in bulk and transferred to a U.S. distillery, the tax is imposed upon removal from the distillery. In the case of bottled distilled spirits imported into the United States, the tax is imposed on removal of the spirits from customs custody or the first customs bonded warehouse in the United States (or in a foreign trade zone) to which the spirits are transferred.

House Bill

The House bill allows certain wholesale dealers and certain control State entities[66] (collectively, ''bonded dealers'') to elect to become distilled spirits taxpayers. Code regulations relating to operation of distilled spirits plants, other than requirements directly related to production and bottling of distilled spirits, are extended to qualified bonded dealers. As under present law, excise tax will be determined in all cases upon removal from the distilled spirits plant or upon importation; however, in the case of distilled spirits transferred to a bonded dealer, payment of the tax will be delayed until the distilled spirits are removed from the bonded dealer's premises. All removals (including removals to other bonded dealers) of non-tax-paid distilled spirits by bonded dealers are subject to tax.

Operators of distilled spirits plants and importers will be required to certify to bonded dealers the amount of tax due with respect to all distilled spirits transferred without payment of tax. Bonded dealers are liable for the full amount of tax reflected in the certification supplied by the operator of distilled spirits plant from which the spirits are transferred without payment of tax. Distilled spirits plant operators remain liable for any understatement of tax on the certifications.

Only wholesale distributors or control State entities having gross receipts from the sale of distilled spirits within the United States in the 12-month period preceding the date on which the election is made equal to or exceeding $10 million may qualify as bonded dealers. Additionally, except in the case of control State entities, bonded dealers qualify only if they sell distilled spirits exclusively to other wholesale distributors (including other bonded dealers) or to independent retail dealers. Retail dealers, other than control State entities, are not permitted to be bonded dealers. For purposes of this rule, a wholesale distributor is treated as a retail dealer if the dealer directly, or indirectly through common ownership by or of a third party, more than 10 percent of a retail dealer.

As a condition of being granted and retaining bonded dealers status, electing wholesale distributors and control State entities are subject to a new Federal excise surtax equal to 1.5 percent of their liability for distilled spirits tax. The surtax is imposed in the same manner as the present-law distilled spirits tax; payment of the tax must be made in the same manner as the underlying distilled spirits excise tax. The surtax will expire after December 31, 2010.

Studies.—The House bill directs the Treasury Department to study and report to the House Committee on Ways and Means and the Senate Committee on Finance whether administrative efficiencies could result from cooperative tax collection agreements between the Federal Government and States. This report is due no later than the date which is one year after the bill's enactment.

[61] See Rule 20(a) of the Tax Court Rules of Practice and Procedure.

[62] See *Stone* v. *White*, 301 U.S. 532 (1937); *Bull* v. *United States*, 295 U.S. 247 (1935).

[63] 101 T.C. 551 (1993).

[64] See *Estate of Mueller* v. *Commission*, 153 F.3d 302 (6th Cir. 1998), cert. denied, 67 U.S.L.W. 3525 (U.S. Feb. 22, 1999) (No. 98–794). In an earlier case, the Supreme Court specifically reserved ruling on whether the Tax Court may apply equitable recoupment in a case over which it otherwise has jurisdiction. *United States* v. *Dalm*, 494 U.S. 596, 611 n.8 (1990).

[65] No implication is intended with respect to whether the Tax court has the authority to continue to apply other equitable principles in deciding matters over which it has jurisdiction.

[66] A control state entity is a State or political subdivision of a State in which only the state or political subdivision is allowed by law to perform distilled spirits operations.

The House bill further directs the Treasury Department to study and report to these two Committees, the effect allowing bonded dealers to receive non-tax-paid distilled spirits on taxpayer compliance with the provisions of Code section 5010 (the ''wine and flavors credits''). This report is due no later than June 1, 2002.

Effective date.—The provision is effective beginning on the first day of the first calendar quarter that begins at least 120 days after the bill's enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement does not include the House bill provision.

Q. Simplify the Active Trade or Business Requirement for Tax-Free Spin-offs (sec. 1107 of the Senate amendment and sec. 355 of the Code)

Present Law

A corporation generally is required to recognize gain on the distribution of property (including stock of a subsidiary) to its shareholders as if such property had been sold for its fair market value. An exception to this rule is where the distribution of the stock of a controlled corporation satisfies the requirements of section 355. Among the requirements that must be satisfied in order to qualify for tax-free treatment under section 355 is that, immediately after the distribution, both the distributing corporation and the controlled corporation must be engaged in the active conduct of a trade or business (sec. 355(b)(1)).[67] For this purpose, a corporation is engaged in the active conduct of a trade or business only if (1) the corporation is directly engaged in the active conduct of a trade or business, or (2) if the corporation is not directly engaged in an active trade or business, then substantially all of its assets consist of stock and securities of a corporation it controls that is engaged in the active conduct of a trade or business (sec. 355(b)(2)(A)).

In determining whether a corporation satisfies the active trade or business requirement, the Internal Revenue Service's position for advance ruling purposes is that the value of the gross assets of the trade or business being relied on must constitute at least five percent of the total fair market value of the gross assets of the corporation directly conducting the trade or business.[68] However, if the corporation is not directly engaged in an active trade or business, then the ''substantially all'' test requires that at least 90 percent of the value of the corporation's gross assets consist of stock and securities of a controlled corporation that is engaged in the active conduct of a trade or business.[69]

House Bill

No provision.

Senate Amendment

The Senate amendment eliminates the ''substantially all'' test, and instead, applies the active trade or business requirement on an affiliated group basis. In applying the active trade or business test to an affiliated group, each separate affiliated group (immediately after the distribution) must satisfy the requirement. For the distributing corporation, the separate affiliated group consists of the distributing corporation as the common parent and all corporations connected with the distributing corporation through stock ownership described in section 1504(a)(1)(B) (regardless of whether the corporations are includible corporations under section 1504(b)). The separate affiliated group for a controlled corporation is determined in a similar manner (with the controlled corporation as the common parent).

Effective date.—The provision is effective for distributions after the date of enactment. Transition relief is provided for any distribution that is (1) made pursuant to an agreement which is binding on the date of enactment and at all times thereafter; (2) described in a ruling request submitted to the Internal Revenue Service on or before such date; or (3) described on or before such date in a public announcement or in a filing with the Securities and Exchange Commission. A corporation can make an irrevocable election to have the transition relief not apply (so that the provision would apply to all distributions after the date of enactment).

Conference Agreement

The conference agreement follows the Senate amendment.

R. Modify the Definition of Rural Airport Eligible for Reduced Air Passenger Ticket Tax Rate (sec. 1111 of the Senate amendment and sec. 4261 of the Code)

Present Law

Air passenger transportation is subject to an excise tax equal to 8 percent of the amount paid plus $2 per flight segment. After September 30, 1999, the ad valorem portion of this tax will decrease to 7.5 percent and the flight segment portion will increase to $2.25. Additional increases in the flight segment tax are scheduled until that rate equals $3 per flight segment (with indexing of the $3 amount one year after it is reached).

Flight segments to or from qualified rural airports are eligible for a reduced air passenger tax of 7.5 percent, with no segment tax being imposed on those segments. A qualified rural airport is defined as an airport that enplaned fewer than 100,000 passengers in the second preceding calendar year and either (1) is not located within 75 miles of a larger airport that is not qualified for the reduced tax rate or (2) was receiving essential air service subsidy payments as of August 5, 1997.

House Bill

No provision.

Senate Amendment

The definition of qualified rural airport is expanded to include otherwise qualified airports that are located within 75 miles of an unqualified, larger airports if the smaller airports are not connected by road to the larger airports (e.g., an airport on an island not connected by bridge to the mainland).

Effective date.—The provision is effective for amounts paid after December 31, 1999, for air transportation beginning after that date.

Conference Agreement

The conference agreement follows the Senate amendment.

S. Dividends Paid by Cooperatives (sec. 1112 of the Senate amendment and sec. 1388(a) of the Code)

Present Law

Cooperatives, including tax-exempt farmers' cooperatives, are treated like a conduit for Federal income tax purposes since a cooperative may deduct patronage dividends paid from its taxable income. In general, patronage dividends are amounts paid to patrons (1) on the basis of the quantity or value of business done with or for its patrons, (2) under a valid enforceable written obligation to the patron to pay such amount, which obligation existed before the cooperative received such amounts, and (3) which is determined by reference to the net earnings of the cooperative from business done with or for its patrons.

Treasury Regulations provide that net earnings are shall be reduced by dividends paid on capital stock or other proprietary capital interests. The effect of this rule is to reduce the amount of earnings that the cooperative can treat as patronage earnings which reduces the amount that cooperative can deduct as patronage dividends.

House Bill

No provision.

Senate Amendment

Under the amendment, patronage-sourced income is not reduced to the extent that the organizational documents (articles of incorporation, bylaws, or contract with patrons) provide that dividends on capital stock (or other proprietary capital interests) are ''in addition'' to amounts otherwise payable as patronage dividends.

Effective date.—The Senate amendment is effective for distributions made in taxable years beginning after the date of enactment.

Conference Agreement

The conference agreement follows the Senate amendment.

T. Modify Personal Holding Company "Lending or Finance Business" Exception (sec. 1114 of the bill and sec. 542 of the Code)

Personal holding companies (PHC's) are subject to a 39.6% tax on undistributed PHC income. This tax can be avoided by distributing the income to shareholders, who then pay shareholder level tax. PHC's are closely held companies with at least 60% ''personal holding company income'' (PHCI). This is generally passive income, including interest, dividends, and rents. Certain rent is excluded from the definition, if rent is at least 50 percent of the adjusted ordinary gross income of the company and other undistributed PHCI does not exceed 10 percent of the adjusted ordinary gross income.

In the case of a group of corporations filing a consolidated return, with certain exceptions, the application of the PHC tax to the group and any member thereof is generally determined on the basis of consolidated income and consolidated PHCI. If any member of the group is excluded from the definition of a PHC under certain provisions (including one for certain lending or finance businesses), then each other member of the group is tested separately for PHC status.

A special rule of present law excludes a lending or finance business from the definition of a PHC if certain requirements are met. At least 60% of its income must come from the active conduct of a lending or finance business, and no more than 20% of its adjusted gross income may be from certain other PHCI. A lending or finance business does not include a business of making loans longer than 144 months (12 years). Also, the deductions attributable to this active lending or finance business (but not including interest expense) must be at least 5 percent of income over $500,000 (plus 15 percent of income under that amount).

House Bill

No provision.

[67] If immediately before the distribution, the distributing corporation had no assets other than stock or securities in the controlled corporations, then each of the controlled corporations must be engaged immediately after the distribution in the active conduct of a trade or busnesss.

[68] Rev. Proc. 99–3, sec. 4.01(33), 1999–1 I.R.B. 111.

[69] Rev. Proc. 86–41, sec. 4.03(4), 1986–2 C.B. 716; Rev. Proc. 77–37, sec. 3.04, 1977–2 C.B. 568.

Senate Amendment

The Senate amendment modifies the personal holding company exclusion for lending or finance companies to provide that, in determining whether a member of an affiliated group (as defined in section 1504(a)(1)) filing a consolidated return is a lending or finance company, only corporations engaged in a lending or finance business are taken into account, and all such companies are aggregated for purposes of this determination. The effect of this rule is to treat a corporation as a lending or finance company if all companies engaged in a lending or finance business in the affiliated group, in the aggregate, satisfy the requirements of the exclusion.

The provision also repeals the business expense requirement and the limitation on the maturity of loans made by a lending or finance business.

The provision also broadens the definition of a lending or finance business to include providing financial or investment advisory services, as well as engaging in leasing, including entering into leases and/or purchasing. servicing, and/or disposing of leases and leased assets.

Rents that are not derived from the active and regular conduct of a lending or finance business would continue to be treated under the present law personal holding company income rules.

Effective date.—The provision is effective for taxable years beginning after December 31, 1999.

Conference Agreement

The conference agreement follows the Senate amendment.

U. Tax Credit for Modifications to Inter-City Buses Required Under the Americans with Disabilities Act of 1990 (sec. 1115 of the Senate amendment and sec. 44 of the Code)

Present Law

Present law provides a tax credit (''the disabled access credit'') for eligible access expenditures paid or incurred by an eligible small business so that such business may comply with the Americans with Disabilities Act of 1990, (the''ADA''). The amount of the credit for any taxable year is equal to 50 percent of the eligible access expenditures for the taxable year that exceed $250 but do not exceed $10,250. Therefore the maximum annual credit is $5,000. An eligible small business is defined for any taxable year as a person that had gross receipts for the preceding taxable year that did not exceed $1 million or had no more than 30 full-time employees during the preceding taxable year.

Eligible access expenditures are defined as amounts paid or incurred by an eligible small business for the purpose of enabling such eligible small business to comply with applicable requirements of the ADA, as in effect on the date of enactment of the credit. Eligible access expenditures generally include amounts paid or incurred (1) for the purpose of removing architectural, communication, physical, or transportation barriers which prevent a business from being accessible to, or usable by, individuals with disabilities; (2) to provide qualified interpreters or other effective methods of making aurally delivered materials available to individuals with hearing impairments; (3) to provide qualified readers, taped texts, hearing impairments; (3) to provide qualified readers, taped texts and other effective methods of making visually delivered materials available to individuals with visual impairments; (4) to acquire or modify equipment or devices for individuals with disabilities; or (5) to provide other similar services, modifications, materials, or equipment. The expenditures must be reasonable and necessary to accomplish these purposes.

The disabled access credit is a general business credit and is subject to the present-law limitations on the amount of the general business credit that may be used for any taxable year. However, the portion of the unused business credit for any taxable year that is attributable to the disabled access credit may not to be carried back to any taxable year ending before the date of enactment of the credit.

House Bill

No provision.

Senate Amendment

The Senate amendment extends the disabled access credit to a business without regard to the eligible small business limitation generally applicable under the credit for the cost of making certain inter-city buses comply with the ADA under the Department of Transportation's (''DOT's'') final rule making on September 28, 1998, (49 CFR Part 37). Specifically, the definition of eligible access expenditure under the credit is expanded to include the incremental capital cost paid or incurred by the taxpayer so that certain inter-city buses satisfy the DOT's rule making under the ADA. For purposes of this provision, the allowable credit is 50 percent of the eligible access expenditures, per bus, for the taxable year that exceed $250 but do not exceed $30,250. Therefore the maximum credit is $15,000, per bus. The otherwise allowable eligible access expenditures are reduced by any Federal or State grant monies received by the taxpayer to subsidize such expenditures relating to such intercity buses. For these purposes, inter-city buses are buses eligible for the reduced diesel fuel tax rate of 7.4 cents per gallon.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 1999 and before January 1, 2012.

Conference Agreement

The conference agreement does not include the Senate amendment provision.

V. Provisions Relating to Deduction for Business Meals

1. Increase deduction for business meals (sec. 804 of the House bill and sec. 274(n) of the Code)

Present Law

Ordinary and necessary business expenses, as well as expenses incurred for the production of income, are generally deductible, subject to a number of restrictions and limitations. Generally, the amount allowable as a deduction for business meal and entertainment expenses is limited to 50 percent of the otherwise deductible amount. Exceptions to this 50 percent rule are provided for food and beverages provided to crew members of certain vessels and offshore oil or gas platforms or drilling rigs, as well as to individuals subject to the hours of service limitations of the Department of Transportation.

House Bill

The provision phases in an increase from 50 percent to 80 percent in the deductible percentage of business meal (food and beverage) expenses.175 The increase in the deductible percentage is phased in according to the following schedule:

Taxable years beginning in—	Deductible percentage
2005	55
2006	60
2007	65
2008	70
2009	75
2010 and thereafter	80

Effective date.—The provision is effective for taxable years beginning after 1999.

Senate Amendment

No provision.

Conference Agreement

The conference agreement increases the deductible percentage for business meal (food and beverage) expenses as follows:

Taxable years beginning in—	Deductible percentage
2006	55
2007 and thereafter	60

Effective date.—The provision is effective for taxable years beginning after 1999.

2. Increased deduction for business meals while operating under Department of Transportation hours of service limitations (sec. 1116 of the Senate amendment and sec. 274 of the Code)

Present Law

Ordinary and necessary business expenses, as well as expenses incurred for the production of income, are generally deductible, subject to a number of restrictions and limitations. Generally, the amount allowable as a deduction for food and beverage is limited to 50 percent of the otherwise deductible amount. Exceptions to the 50 percent rule are provided for food and beverages provided to crew members of certain vessels and offshore oil or gas platforms or drilling rigs.

The 1997 Act increased to 80 percent the deductible percentage of the cost of food and beverages consumed while away from home by an individual during, or incident to, a period of duty subject to the hours of service limitations of the Department of Transportation.

Individuals subject to the hours of service limitations of the Department of Transportation include:

(1) certain air transportation employees such as pilots, crew, dispatchers, mechanics, and control tower operators pursuant to Federal Aviation Administration regulations,

(2) interstate truck operators and interstate bus drivers pursuant to Department of Transportation regulations,

(3) certain railroad employees such as engineers, conductors, train crews, dispatchers and control operations personnel pursuant to Federal Railroad Administration regulations, and

(4) certain merchant mariners pursuant to Coast Guard regulations.

The increase in the deductible percentage is phased in according to the following schedule.

Taxable years beginning in—	Deductible percentage
1998, 1999	55
2000, 2001	60
2002, 2003	65
2004, 2005	70
2006, 2007	75
2008 and thereafter	80

House Bill

No provision.

Senate Amendment

The bill accelerates to taxable years beginning after 2006 the full 80 percent deduction for business meals while operating under Department of Transportation hours of service limitations.

Effective date.—The provision is effective for taxable years beginning after 2006.

Conference Agreement

The conference agreement follows the Senate amendment.

W. Authorize Limited Private Activity Tax-Exempt Financing for Highway Construction (sec. 1117 of the Senate amendment)

Present Law

Present law exempts interest on State or local government bonds from the regular income tax if the proceeds of the bonds are used to finance governmental activities of those units and the bonds are repaid with governmental revenues. Interest on bonds issued by States or local governments acting as conduits to provide financing for private persons is taxable unless a specific exception is provided in the Code. No such exception is provided for bonds issued to provide conduit financing for privately constructed and/or privately operated highways (e.g. toll roads).

House Bill

No provision.

Senate Amendment

The Senate amendment authorizes issuance of up to $15 billion of private activity tax-exempt bonds to finance the construction of up the 15 private highway pilot projects. Bonds for these projects generally will be subject to all Code provisions governing issuance of tax-exempt private activity bonds except (1) the annual State private activity bond volume limits and (2) no proceeds of these bonds may be used to finance land.

Effective date.—The provision applies to bonds issued after December 31, 1999.

Conference Agreement

The conference agreement follows the Senate amendment with a modification deleting the statutorily required report to Congress on the pilot program. The conferees intend that the Secretary of the Treasury and the Secretary of Transportation will prepare and submit to the Congress a report evaluating the overall effects of the program, including a description of each project receiving tax-exempt financing, the extent to which new technologies or construction techniques are used in the projects, information regarding any cost savings to the projects from the use of the new technologies or construction techniques, and the use and efficiency of the Federal subsidy provided by the tax-exempt financing.

X. Provisions Relating to Tax Incentives for the District of Columbia

1. Extend Tax Credit for First-time D.C. Homebuyers (sec. 1118 of the Senate amendment and sec. 1400C of the Code)

Present Law

First-time homebuyers of a principal residence in the District of Columbia are eligible for a nonrefundable tax credit of up to $5,000 of the amount of the purchase price. The $5,000 maximum credit applies both to individuals and married couples. Married individuals filing separately can claim a maximum credit of $2,500 each. The credit phases out for individual taxpayers with adjusted gross income between $70,000 and $90,000 ($110,000-$130,000 for joint filers). For purposes of eligibility, ''first-time homebuyer'' means any individual if such individual did not have a present ownership interest in a principal residence in the District of Columbia in the one year period ending on the date of the purchase of the residence to which the credit applies. The credit is scheduled to expire for residences purchased after December 31, 2000.

House Bill

No provision.

Senate Amendment

The Senate amendment extends the D.C. first-time homebuyer tax credit for 1 year, through December 31, 2001. In addition, the Senate amendment increases the phase-out range for married individuals filing a joint return so that it is twice that of unmarried individuals (i.e., the credit phases out for joint filers with adjusted gross income between $140,000 and $180,000).

Effective date.—The provision is effective for taxable years beginning after December 31, 1999.

Conference Agreement

The conference agreement includes the provision in the Senate amendment increasing the phase-out range for married individuals filing a joint return so that it is twice that of unmarried individuals (i.e., the credit phases out for joint filers with adjusted gross income between $140,000 and $180,000). The increase in the phase-out range is effective with respect to property purchased on or after the date of enactment.

The conference agreement does not include the Senate amendment provision extending the homebuyer credit.

2. Expand the Zero-percent Capital Gains Rate for DC Zone Assets (sec. 1119 of the Senate amendment and sec. 1400B of the Code)

Present Law

Present law provides a zero-percent capital gains rate for capital gains from the sale of certain qualified DC Zone assets held for more than five years . In general, a ''DC Zone asset'' means stock or partnership interests held in, or tangible assets held by, a DC Zone business. A DC Zone business generally refers to certain enterprise zone businesses within the DC Zone.[71] For purposes of the zero-percent capital gains rate, the D.C. Zone is defined to include all census tracts within the District of Columbia where the poverty rate is not less than 10 percent as determined on the basis of the 1990 Census (sec. 1400B(d)).

House Bill

No provision.

Senate Amendment

The Senate amendment eliminates the 10–percent poverty rate limitation for purposes of the zero-percent capital gains rate. Thus, the zero-percent capital gains rate applies to capital gains from the sale of assets held more than five years attributable to certain qualifying businesses located in the District of Columbia.

Effective date.—The provision is effective for DC Zone business stock and partnership interests originally issued after, and DC Zone business property assets originally acquired by the taxpayer after, December 31, 1999.

Conference Agreement

The conference agreement does not include the Senate amendment.

[71] For purposes of the zero-percent capital gains rate, a DC Zone business is defined by reference to the definition of an enterprise zone business in section 1397B, except that (1) the requirement that 35 percent of the employees of the business must be residents of the DC Zone does not apply, and (2) the DC Zone business must derive at least 80 percent (as opposed to 50 percent) of its total gross income from the active conduct of a qualified business within the DC Zone (sec. 1400B(c)).

Y. Establish a Seven-year Recovery Period for Natural Gas Gathering Lines (sec. 1120 of the Senate amendment and sec. 168 of the Code)

Present Law

The applicable recovery period for assets placed in service under the Modified Accelerated Cost Recovery System is based on the ''class life of the property.'' The class lives of assets placed in service after 1986 are set forth in Revenue Procedure 87–56.[72] Revenue Procedure 87–56 includes two asset classes that could describe natural gas gathering lines owned by nonproducers of natural gas. Asset class 13.2, describing assets used in the exploration for and production of petroleum and natural gas deposits, provides a class life of 14 years and a depreciation recovery period of seven years. Asset class 46.0, describing pipeline transportation, provides a class life of 22 years and a recovery period of 15 years. The uncertainty regarding the appropriate recovery period has resulted in litigation between taxpayers and the IRS. Recently, the 10th Circuit Court of Appeals held that natural gas gathering lines owned by nonproducers fall within the scope of Asset class 13.2 (i.e., 7–year recovery period).[73]

House Bill

No provision.

Senate Amendment

The Senate amendment establishes a statutory 7–year recovery period for all natural gas gathering lines. A natural gas gathering line is defined to include pipe, equipment, and appurtenances that is (1) determined to be a gathering line by the Federal Energy Regulatory Commission, or (2) used to deliver natural gas from the wellhead or a common point to the point at which such gas first reaches (a) a gas processing plant, (b) an interconnection with an interstate transmission line, (c) an interconnection with an intrastate transmission line, or (d) a direct interconnection with a local distribution company, a gas storage facility, or an industrial consumer.

Effective date.—The provision is effective for property placed in service on or after the date of enactment. No inference is intended as to the proper treatment of such property placed in service before the date of enactment.

Conference Agreement

The conference agreement does not include the Senate amendment.

Z. Reclassify Air Transportation on Certain Small Seaplanes As Non-Commercial Aviation for Excise Tax Purposes (sec. 1121 of the Senate amendment and sec. 4261 of the Code)

Present Law

Commercial air passenger transportation is subject to an excise tax equal to 8 percent of the amount paid plus $2 per flight segment. After September 30, 1999, the *ad valorem* portion of this tax will decrease to 7.5 percent and the flight segment portion will increase to $2.25. Additional increases in the flight segment tax are scheduled until that rate equals $3 per flight segment (with indexing of the $3 amount one year after it is reached). In addition, fuel used in commercial aviation is subject to a 4.3-cents-per-gallon excise tax on fuels used in the aircraft.

[72] 1987–2 C.B. 674.

[73] *Duke Energy v. Commissioner*, 172 F. 3d 1255 (10th Cir. 1999), *Rev'g* 109 T.C. 416 (1997). *See also True v. United States*, 97–2 U.S. Tax Cas. (CCH) par. 50.946 (D. Wyo. 1997).

In lieu of the ticket taxes imposed on commercial air passenger transportation, noncommercial transportation is subject to excise taxes on the fuels used in the aircraft. Non-commercial air transportation is defined as transportation which is not for hire. The fuels excise tax rates are 19.3 cents per gallon (aviation gasoline) and 21.8 cents per gallon (jet fuel).

Revenues from all of these excise taxes are deposited in the Airport and Airway Trust Fund to finance Federal Aviation Administration programs.

House Bill

No provision.

Senate Amendment

The Senate amendment re-classifies passenger transportation for hire on certain small seaplanes as non-commercial aviation. As such, the transportation will be subject to the full 19.3 cents-per-gallon and 21.8-cents-per-gallon Airport and Airway Trust Fund excise taxes rather than the passenger ticket tax. Transportation is eligible for this provision only it occurs on seaplanes (planes that both take off from and land on water) and that have a maximum certificated take-off weight of 6,000 pounds or less with respect to any flight segment.

Effective date.—The provision is effective for transportation beginning after December 31, 1999.

Conference Agreement

The conference agreement follows the Senate amendment.

XIV. ADDITIONAL MISCELLANEOUS PROVISIONS

A. Exemption from Federal Income Tax for Amounts Received by Holocaust Victims and Their Heirs (sec. 1122 of the Senate Amendment)

Present Law

Under the Code, gross income means ''income from whatever source derived'' except for certain items specifically exempt or excluded by statute (sec. 61). There is no explicit statutory exception from gross income provided for amounts received by Holocaust victims or their heirs.

House Bill

No provision.

Senate Amendment

The Senate amendment provides an exclusion from gross income for any amount received by an individual or any heir of the individual: (1) from the Swiss Humanitarian Fund established by the government of Switzerland or from any similar fund established in any foreign country; (2) as a result of the settlement of the action entitled, ''In re Holocaust Victims'' Asset Litigation'', (E.D. NY), C.A. No. 96–4849, or as a result of any similar action; and (3) the value of land (including structures thereon) recovered by an individual (or any heir of the individual) from a government of a foreign country as a result of a settlement of a claim arising out of the confiscation of such land in connection with the Holocaust.

Effective date.—The provision is effective with regard to any amounts received before, on, or after the date of enactment.

Conference Agreement

The conference agreement follows the Senate amendment provision but only on a prospective basis.

Effective date.—The provision is effective with regard to any amounts received on or after the date of enactment. No inference is intended as to the proper treatment of payments made before the date of enactment.

B. Medical Innovation Tax Credit (section 1137 of the Senate amendment and new section 41A of the Code)

Present Law

Section 41 provides for a research tax credit equal to 20 percent of the amount by which a taxpayer's qualified research expenditures for a taxable year exceeds its base amount for that year. In the case of contract research expenditures, generally only 65 percent of such expenditures are included in the calculation of a taxpayer's total qualified research expenditures. The research tax credit expired and generally does not apply to amounts paid or incurred after June 30, 1998.

House bill

No provision.

Senate Amendment

The Senate amendment permits a taxpayer to claim a 40–percent credit for qualified medical research expenditures made with respect to certain human clinical testing of any drug, biologic, or medical device. The credit would apply to qualified medical research expenditures in excess of a base period amount. Qualified medical research expenditures are only those amounts paid to certain academic institutions.

Effective date.—The provision is effective for taxable years beginning after December 31, 1998.

Conference Agreement

The conference agreement follows the Senate amendment.

C. Capital Gain Holding Period for Horses (sec. 812 of the Senate amendment and sec. 1231 of the Code)

Present Law

Under present law, cattle and horses held by the taxpayer for draft, breeding, dairy, or sporting purposes and held 24 months or more are eligible for capital gain treatment. Other livestock held for these purposes are eligible for capital gain treatment if held for 12 months or more.

House Bill

No provision.

Senate Amendment

The Senate amendment reduces the 24–month capital gain holding period for horses to 12 months.

Effective date.—The provision is effective for dispositions after December 31, 2000.

Conference Agreement

The conference agreement does not include the provision in the Senate amendment.

D. Disclosure of Tax Return Information for Combined Employment Tax Reporting (sec. 1131 of the Senate amendment and sec. 6103(d) of the Code)

Present Law

Traditionally, Federal tax forms are filed with the Federal government and State tax forms are filed with individual States. This necessitates duplication of items common to both returns. Some States have recently been working with the IRS to implement combined State and Federal reporting of certain types of items on one form as a way of reducing the burdens on taxpayers.

The State of Montana and the IRS have cooperatively developed a system to combine State and Federal employment tax reporting on one form. The one form contains exclusively Federal data, exclusively State data, and information common to both: the taxpayer's name, address, TIN, and signature.

The Code permits implementation of a demonstration project to assess the feasibility and desirability of expanding combined reporting in the future. There are several limitations on the demonstration project. First, it is limited to the State of Montana and the IRS. Second, it is limited to employment tax reporting. Third, it is limited to disclosure of the name, address, TIN, and signature of the taxpayer, which is information common to both the Montana and Federal portions of the combined form. Fourth, it is limited to a period of five years. The provision will expire on August 5, 2002.

The Internal Revenue Code prohibits disclosure of tax returns and return information, except to the extent specifically authorized by the Internal Revenue Code (sec. 6103). Unauthorized disclosure is a felony punishable by a fine not exceeding $5,000 or imprisonment of not more than five years, or both (sec. 7213). An action for civil damages also may be brought for unauthorized disclosure (sec. 7431). No tax information may be furnished by the Internal Revenue Service (''IRS'') to another agency unless the other agency establishes procedures satisfactory to the IRS for safeguarding the tax information it receives (sec. 6103(p)).

House Bill

No provision.

Senate Amendment

The Senate amendment permits the Secretary to disclose taxpayer identity information and signatures to any State for purposes of carrying out a combined Federal and State employment tax reporting program.

Effective date.—The provision is effective on the date of enactment.

Conference Agreement

The conference agreement does not include the Senate amendment provision.

E. Tax Rates for Trusts with Disabled Beneficiary (sec. 211 of the Senate amendment and section 1 of the Code)

Present Law

Taxation of trusts

Trusts are treated as conduits where income distributed to beneficiaries is taxed to the beneficiaries and not the trust. Income which the trust accumulates and does not distribute to beneficiaries in the year earned is taxed to the trust.

Income tax rate structure

To determine regular income tax liability, a taxpayer generally must apply the tax rate schedules (or the tax tables) to his or her taxable income. The rate schedules are broken into several ranges of income, known as income brackets, and the marginal tax rate increases as a taxpayer's income increases. The income bracket amounts are indexed for inflation. Separate rate schedules apply based on an individual's filing status, including estates and trusts. For 1999, the individual regular income tax rate schedules are shown below.

Table 1.—Federal Individual Income Tax Rates for 1999

If taxable income is:	Then income tax equals:
Single individuals	
$0–25,750	15 percent of taxable income
$25,750–$62,450	$3,862.50, plus 28% of the amount over $25,750
$62,450–$130,250	$14,138.50 plus 31% of the amount over $62,450
$130,250–$283,150	$35,156.50 plus 36% of the amount over $130,250
Over $283,150	$90,200.50 plus 39.6% of the amount over $283,150
Estates and trusts	
$0–$1,750	15 percent of taxable income

$1,750–$4,050	$262.50 plus 28% of the excess over $1,750
$4,050–$6,200	$906.50 plus 31% of the amount over $4,050
$6,200–$8,450	$1,573 plus 36% of the amount over $6,200
Over $8,450	$2,383 plus 39.6% of the amount over $8,450
Over $283,150	$87,548 plus 39.6% of the amount over $283,150

House Bill

No provision.

Senate Amendment

The Senate amendment provides that the tax rates applicable to a single individual will also apply to a trust whose exclusive purpose is to provide reasonable amounts for the support and maintenance of its sole beneficiary who is totally and permanently disabled (within the meaning of sec. 22(e)(3)) for the trust's entire taxable year.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2006.

Conference Agreement

The conference agreement does not include the Senate amendment provision.

F. Taxation of Flights on Noncommercial Aircraft (sec. 370 of the Senate amendment and sec. 132 of the Code)

Present Law

In general under present law, the value of personal use of an employer-provided aircraft is includible in the gross income and wages of the employee. Under one exception to this rule, if 50 percent or more of the regular seating capacity of an aircraft is occupied by individuals whose flights are primarily for the employer's business, the value of a flight on that aircraft by any employee who is not flying primarily for the employer's business is deemed to be zero.[74] Thus, no amount is includible in the income of the employee by reason of such a flight.

Present law also provides an exclusion from gross income and wages for no-additional-cost-services. In general, a no-additional-cost-service is any service provided by an employer to an employee if such service if offered for sale to customers in the ordinary course of the line of business of the employer in which the employee is performing services, and the employer incurs no substantial additional cost (including forgone revenue) in providing such service to the employee (determined without regard to any amount paid for the employee for such service). Under this rule, services provided to the spouse or dependent child of the employee are treated as if provided to the employee. In addition, the term ''employee'' includes former employees who separated from service from the employer by reason of retirement or disability and surviving spouses of employees. The exclusion does not apply with respect to a no-additional-cost service provided to a highly compensated employee unless the service is available on a nondiscriminatory basis.

Except as described above, these exclusions are generally not available with respect to individuals who are not employees, e.g., independent contractors.

House Bill

No provision.

Senate Amendment

Under the provision, the value of certain transportation provided to an employee on a noncommercially operated aircraft is treated as a no-additional-cost-service. The provision applies to transportation provided to an employee by an employer on a noncommercially operated aircraft if (1) the transportation is provided on a flight made in the ordinary course of the trade or business of the employer owning or leasing such aircraft for use in such trade or business, (2) the flight would have been made even if the employee were not being transported, and (3) and no substantial additional cost is incurred in providing the transportation.

As under the present-law rule relating to no-additional-cost-services, services provided to the spouse or dependent child of the employee are treated as if provided to the employee. In addition, the term ''employee'' includes former employees who separated from service from the employer by reason of retirement or disability and surviving spouses of employees. Also, the exclusion does not apply with respect to a no-additional-cost service provided to a highly compensated employee unless the service is available on a nondiscriminatory basis.

In addition, under the provision, use of noncommercial aircraft by any individual is treated as use by an employee if no regularly scheduled commercial flight is available on the day of the flight from the air facility at the individual's location to the area surrounding the air facility where the noncommercial flight ends.

Effective date.—The provision is effective for taxable years beginning after December 31, 1999.

Conference Agreement

The conference agreement does not include the Senate amendment provision.

G. Exclusion for Certain Severance Payments (sec. 1135 of the Senate amendment and new sec. 139 of the Code)

Present Law

Under present law, severance payments are includible in gross income.

House Bill

No provision.

Senate Amendment

Under the provision, up to $2,000 of qualified severance payments received with respect to a separation from employment are excludable from the gross income of the recipient. Qualified severance payments are payments received by an individual on account of separation from employment in connection with a reduction in the employer's work force. The exclusion is not available if the individual becomes employed within 6 months of the separation from employment at a compensation level that is at least 95 percent of the compensation the individual received before the separation. The exclusion does not apply if the total severance payments received by the individual in connection with the separation from employment exceed $75,000.

Effective date.—The provision is effective for taxable years beginning after December 31, 2000, and before January 1, 2002.

Conference Agreement

The conference agreement does not include the Senate amendment provision.

H. FUTA Treatment of Maple Syrup Workers (sec. 1132 of the Senate amendment and sec. of the Code)

Present Law

In general

For purposes of the FUTA tax, a person is considered an employer, if the person pays wages of $1,500 or more in any calendar quarter in the calendar year or the immediately prior calendar year and employs at least one individual for one day (or portion thereof) on at least 20 days during the calender year or immediately prior calender year. For these purposes, each day must occur in a different calendar week. Generally, qualifying as an employer results in the obligation to pay FUTA taxes.

Agricultural labor

In the case of agricultural labor, a person is considered an employer, if the person pays wages of $20,000 or more of agricultural labor in any calendar quarter in the calendar year or the immediately prior calendar year and employs at least ten individuals for one day (or portion thereof) on at least 20 days during the calender year or immediately prior calender year. For these purposes, each day must occur in a different calendar week. Generally, qualifying as an employer results in the obligation to pay FUTA taxes.

The production or harvesting of maple syrup generally constitutes agricultural labor only if such services are performed on a farm.

House Bill

No provision.

Senate Amendment

The Senate amendment provides that, for purposes of FUTA tax, agricultural labor includes any labor connected to the harvesting or production of maple sap into maple syrup or sugar, regardless of the location of the labor.

Effective date.—The Senate amendment provision is effective on the date of enactment.

Conference Agreement

The conference agreement does not include the Senate amendment provision.

I. Modify Rules Governing Tax-Exempt Bonds for Section 501(c)(3) Organizations as Applied to Organizations Engaged in Timber Conservation Activities (sec. 1133 of the Senate amendment and sec. 145 of the Code)

Present Law

Interest on State or local government bonds is tax-exempt when the proceeds of the bonds are used to finance activities carried out by or paid for by those governmental units. Interest on bonds issued by State or local governments acting as conduit borrowers for private businesses is taxable unless a specific exception is included in the Code. One such exemption allows tax-exempt bonds to be issued to finance activities of non-profit organizations described in Code section 501(c)(3) (''qualified 501(c)(3) bonds'').

Qualified 501(c)(3) bonds may be issued only to finance exempt, as opposed to unrelated business, activities of these organizations. However, if the bonds are issued to finance property which is intended to be, or is in fact, sold to a private business while the bonds are outstanding, bond interest may be taxable. An example of such an issue would be qualified 501(c)(3) bonds issued to finance purchase of land and standing timber, when the timber was to be sold.

As is true of other private activities receiving tax-exempt financing, beneficiaries of qualified 501(c)(3) bonds are restricted in the arrangements they may have with private businesses relating to control and use of bond-financed property.

House Bill

No provision.

Senate Amendment

The Senate amendment modifies the rules governing issuance of qualified 501(c)(3) bonds to permit issuance of long-term bonds

[74] Treas. reg. sec. 1.61–21(g)(12).

for the acquisition of timber land by organizations a principal purpose of which is conservation of that land as timber land. Under these rules, the bonds will not have to be repaid (to avoid loss of tax-exemption on interest) when the timber is harvested and sold. In addition, the Senate amendment provision allows these section 501(c)(3) organizations to enter into certain otherwise prohibited timber management arrangements with private businesses without losing tax-exemption on bonds used to finance the property and timber.

Effective date.—The provision is effective for bonds issued after the date of enactment.

Conference Agreement

The conference agreement does not include the Senate amendment provision.

XV. EXTENSION OF EXPIRING TAX PROVISIONS

A. Extension of Research and Experimentation Tax Credit and Increase in the Rates for the Alternative Incremental Research Credit (sec. 1401 of the House bill, sec. 1201 of the Senate amendment, and sec. 41 of the Code)

Present Law

Section 41 provides for a research tax credit equal to 20 percent of the amount by which a taxpayer's qualified research expenditures for a taxable year exceeded its base amount for that year. The research tax credit expired and generally does not apply to amounts paid or incurred after June 30, 1998.

Except for certain university basic research payments made by corporations, the research tax credit applies only to the extent that the taxpayer's qualified research expenditures for the current taxable year exceed its base amount. The base amount for the current year generally is computed by multiplying the taxpayer's ''fixed-base percentage'' by the average amount of the taxpayer's gross receipts for the four preceding years. If a taxpayer both incurred qualified research expenditures and had gross receipts during each of at least three years from 1984 through 1988, then its ''fixed-base percentage'' is the ratio that its total qualified research expenditures for the 1984–1988 period bears to its total gross receipts for that period (subject to a maximum ratio of .16). All other taxpayers (so-called ''start-up firms'') are assigned a fixed-base percentage of 3 percent.

Taxpayers are allowed to elect an alternative incremental research credit regime. If a taxpayer elects to be subject to this alternative regime, the taxpayer is assigned a three-tiered fixed-base percentage (that is lower than the fixed-base percentage otherwise applicable under present law) and the credit rate likewise is reduced. Under the alternative credit regime, a credit rate of 1.65 percent applies to the extent that a taxpayer's current-year research expenses exceed a base amount computed by using a fixed-base percentage of 1 percent (i.e., the base amount equals 1 percent of the taxpayer's average gross receipts for the four preceding years) but do not exceed a base amount computed by using a fixed-base percentage of 1.5 percent. A credit rate of 2.2 percent applies to the extent that a taxpayer's current-year research expenses exceed a base amount computed by using a fixed-base percentage of 1.5 percent but do not exceed a base amount computed by using a fixed-base percentage of 2 percent. A credit rate of 2.75 percent applies to the extent that a taxpayer's current-year research expenses exceed a base amount computed by using a fixed-base percentage of 2 percent. An election to be subject to this alternative incremental credit regime may be made for any taxable year beginning after June 30, 1996, and such an election applies to that taxable year and all subsequent years (in the event that the credit subsequently is extended by Congress) unless revoked with the consent of the Secretary of the Treasury.

House Bill

The House bill extends the research tax credit for five years—i.e., generally, for the period July 1, 1999, through June 30, 2004.

In addition, the House bill increases the credit rate applicable under the alternative incremental research credit one percentage point per step, that is from 1.65 percent to 2.65 percent when a taxpayer's current-year research expenses exceed a base amount of 1 percent but do not exceed a base amount of 1.5 percent; from 2.2 percent to 3.2 percent when a taxpayer's current-year research expenses exceed a base amount of 1.5 percent but do not exceed a base amount of 2 percent; and from 2.75 percent to 3.75 percent when a taxpayer's current-year research expenses exceed a base amount of 2 percent.

Effective date.—The extension of the research credit is effective for qualified research expenditures paid or incurred during the period July 1, 1999, through June 30, 2004. The increase in the credit rate under the alternative incremental research credit is effective for taxable years beginning after June 30, 1999.

Senate Amendment

The Senate amendment extends the research tax credit permanently.

In addition, the Senate amendment increases the credit rate applicable under the alternative incremental research credit one percentage point per step, that is, identical to the House bill.

Effective date.—The extension of the research credit is effective for qualified research expenditures paid or incurred after June 30, 1999. The increase in the credit rate under the alternative incremental research credit is effective for taxable years beginning after June 30, 1999.

Conference Agreement

The conference agreement follows the House bill by extending the research credit through June 30, 2004.

In addition, the conference agreement follows the House bill and the Senate amendment by increasing the credit rate applicable under the alternative incremental research credit by one percentage point per step.

Effective date.—The extension of the research credit is effective for qualified research expenditures paid or incurred during the period July 1, 1999, through June 30, 2004. The increase in the credit rate under the alternative incremental research credit is effective for taxable years beginning after June 30, 1999.

B. Extend Exceptions under Subpart F for Active Financing Income (sec. 1402 of the House bill, sec. 1202 of the Senate amendment, and secs. 953 and 954 of the Code)

Present Law

Under the subpart F rules, 10-percent U.S. shareholders of a controlled foreign corporation (''CFC'') are subject to U.S. tax currently on certain income earned by the CFC, whether or not such income is distributed to the shareholders. The income subject to current inclusion under the subpart F rules includes, among other things, foreign personal holding company income and insurance income. In addition, 10-percent U.S. shareholders of a CFC are subject to current inclusion with respect to their shares of the CFC's foreign base company services income (i.e., income derived from services performed for a related person outside the country in which the CFC is organized).

Foreign personal holding company income generally consists of the following: (1) dividends, interest, royalties, rents, and annuities; (2) net gains from the sale or exchange of (a) property that gives rise to the preceding types of income, (b) property that does not give rise to income, and (c) interests in trusts, partnerships, and REMICs; (3) net gains from commodities transactions; (4) net gains from foreign currency transactions; (5) income that is equivalent to interest; (6) income from notional principal contracts; and (7) payments in lieu of dividends.

Insurance income subject to current inclusion under the subpart F rules includes any income of a CFC attributable to the issuing or reinsuring of any insurance or annuity contract in connection with risks located in a country other than the CFC's country of organization. Subpart F insurance income also includes income attributable to an insurance contract in connection with risks located within the CFC's country of organization, as the result of an arrangement under which another corporation receives a substantially equal amount of consideration for insurance of other-country risks. Investment income of a CFC that is allocable to any insurance or annuity contract related to risks located outside the CFC's country of organization is taxable as subpart F insurance income (Prop. Treas. Reg. sec. 1.953–1(a)).

Temporary exceptions from foreign personal holding company income, foreign base company services income, and insurance income apply for subpart F purposes for certain income that is derived in the active conduct of a banking, financing, or similar business, or in the conduct of an insurance business (so-called ''active financing income''). These exceptions are applicable only for taxable years beginning in 1999.[75]

With respect to income derived in the active conduct of a banking, financing, or similar business, a CFC is required to be predominantly engaged in such business and to conduct substantial activity with respect to such business in order to qualify for the exceptions. In addition, certain nexus requirements apply, which provide that income derived by a CFC or a qualified business unit (''QBU'') of a CFC from transactions with customers is eligible for the exceptions if, among other things, substantially all of the activities in connection with such transactions are conducted directly by the CFC or QBU in its home country, and such income is treated as earned by the CFC or QBU in its home country for purposes of such country's tax laws. Moreover, the exceptions apply to income derived from certain cross border transactions, provided that certain requirements are met. Additional exceptions from foreign personal holding company income apply for certain income derived by a securities dealer within the meaning of section 475 and for gain from the sale of active financing assets.

In the case of insurance, in addition to a temporary exception from foreign personal holding company income for certain income

[75] Temporary exceptions from the subpart F provisions for certain active financing income applied only for taxable years beginning in 1998. Those exceptions were extended and modified as part of the present-law provisions.

of a qualifying insurance company with respect to risks located within the CFC's country of creation or organization, certain temporary exceptions from insurance income and from foreign personal holding company income apply for certain income of a qualifying branch of a qualifying insurance company with respect to risks located within the home country of the branch, provided certain requirements are met under each of the exceptions. Further, additional temporary exceptions from insurance income and from foreign personal holding company income apply for certain income of certain CFCs or branches with respect to risks located in a country other than the United States, provided that the requirements for these exceptions are met.

House Bill

The House bill extends for five years the present-law temporary exceptions from subpart F foreign personal holding company income, foreign base company services income, and insurance income for certain income that is derived in the active conduct of a banking, financing, or similar business, or in the conduct of an insurance business.

Effective date.—The provision is effective for taxable years of a foreign corporation beginning after December 31, 1999, and before January 1, 2005, and for taxable years of U.S. shareholders with or within which such taxable years of such foreign corporation end.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

C. Extend Suspension of Net Income Limitation on Percentage Depletion from Marginal Oil and Gas Wells (sec. 1403 of the House bill, sec. 1203 of the Senate amendment, and sec. 613A of the Code)

Present Law

The Code permits taxpayers to recover their investments in oil and gas wells through depletion deductions. In the case of certain properties, the deductions may be determined using the percentage depletion method. Among the limitations that apply in calculating percentage depletion deductions is a restriction that, for oil and gas properties, the amount deducted may not exceed 100 percent of the net income from that property in any year (sec. 613(a)).

Special percentage depletion rules apply to oil and gas production from ''marginal'' properties (sec. 613A(c)(6)). Marginal production is defined as domestic crude oil and natural gas production from stripper well property or from property substantially all of the production from which during the calendar year is heavy oil. Stripper well property is property from which the average daily production is 15 barrel equivalents or less, determined by dividing the average daily production of domestic crude oil and domestic natural gas from producing wells on the property for the calendar year by the number of wells. Heavy oil is domestic crude oil with a weighted average gravity of 20 degrees API or less (corrected to 60 degrees Fahrenheit). Under one such special rule, the 100-percent-of-net-income limitation does not apply to domestic oil and gas production from marginal properties during taxable years beginning after December 31, 1997, and before January 1, 2000.

House Bill

The House bill extends the present-law suspension of the 100-percent-of-net-income limitation with respect to oil and gas production from marginal wells to include taxable years beginning after December 31, 1999, and before January 1, 2005.

Effective date.—The provision is effective for taxable years beginning after December 31, 1999.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

D. Extend of the Work Opportunity Tax Credit (sec. 1404 of the House bill, sec. 1204 of the Senate amendment, and sec. 51 of the Code)

Present Law

In general

The work opportunity tax credit (''WOTC''), which expired on June 30, 1999, was available on an elective basis for employers hiring individuals from one or more of eight targeted groups. The credit equals 40 percent (25 percent for employment of 400 hours or less) of qualified wages. Generally, qualified wages are wages attributable to service rendered by a member of a targeted group during the one-year period beginning with the day the individual began work for the employer.

The maximum credit per employee is $2,400 (40% of the first $6,000 of qualified first-year wages). With respect to qualified summer youth employees, the maximum credit is $1,200 (40 percent of the first $3,000 of qualified first-year wages).

The employer's deduction for wages is reduced by the amount of the credit.

Targeted groups eligible for the credit

The eight targeted groups are: (1) families eligible to receive benefits under the Temporary Assistance for Needy Families (TANF) Program; (2) high-risk youth; (3) qualified ex-felons; (4) vocational rehabilitation referrals; (5) qualified summer youth employees; (6) qualified veterans; (7) families receiving food stamps; and (8) persons receiving certain Supplemental Security Income (SSI) benefits.

Minimum employment period

No credit is allowed for wages paid to employees who work less than 120 hours in the first year of employment.

Expiration date

The credit is effective for wages paid or incurred to a qualified individual who began work for an employer before July 1, 1999.

House Bill

The House bill extends the work opportunity tax credit for 30 months (through December 31, 2001). The House bill also directs the Secretary of the Treasury to expedite procedures to allow taxpayers to satisfy their WOTC filing requirements (e.g., Form 8850) by electronic means.

Effective date.—The House bill provision is effective for wages paid or incurred to qualified individuals who begin work for the employer on or after July 1, 1999, and before January 1, 2002.

Senate Amendment

The Senate amendment extends the work opportunity tax credit for five years (through June 30, 2004).

Effective date.—The Senate amendment provision is effective for wages paid or incurred to qualified individuals who begin work for the employer on or after July 1, 1999, and before July 1, 2004.

Conference Agreement

The conference agreement provides for a 30-month extension of the work opportunity tax credit. The conferees also direct the Secretary of the Treasury to expedite the use of electronic filing of requests for certification under the credit. They believe that participation in the program by businesses should not be discouraged by the requirement that such forms (i.e., the Form 8850) be submitted in paper form.

Effective date.—The provision is effective for wages paid or incurred to qualified individuals who begin work for the employer on or after July 1, 1999, and before January 1, 2002.

E. Extend of the Welfare-To-Work Tax Credit (sec. 1404 of the House bill, sec. 1204 of the Senate amendment, and sec. 51A of the Code)

Present Law

The Code provides to employers a tax credit on the first $20,000 of eligible wages paid to qualified long-term family assistance (AFDC or its successor program) recipients during the first two years of employment. The credit is 35 percent of the first $10,000 of eligible wages in the first year of employment and 50 percent of the first $10,000 of eligible wages in the second year of employment. The maximum credit is $8,500 per qualified employee.

Qualified long-term family assistance recipients are: (1) members of a family that has received family assistance for at least 18 consecutive months ending on the hiring date; (2) members of a family that has received family assistance for a total of at least 18 months (whether or not consecutive) after the date of enactment of this credit if they are hired within 2 years after the date that the 18–month total is reached; and (3) members of a family who are no longer eligible for family assistance because of either Federal or State time limits, if they are hired within 2 years after the Federal or State time limits made the family ineligible for family assistance.

Eligible wages include cash wages paid to an employee plus amounts paid by the employer for the following: (1) educational assistance excludable under a section 127 program (or that would be excludable but for the expiration of sec. 127); (2) health plan coverage for the employee, but not more than the applicable premium defined under section 4980B(f)(4); and (3) dependent care assistance excludable under section 129.

The welfare to work credit is effective for wages paid or incurred to a qualified individual who begins work for an employer on or after January 1, 1998, and before July 1, 1999.

House Bill

The House bill extends the welfare-to-work tax credit for 30 months.

Effective date.—The House bill provision extends the welfare-to-work credit effective for wages paid or incurred to a qualified individual who begins work for an employer on or after July 1, 1999, and before January 1, 2002.

Senate Amendment

The Senate amendment extends the welfare-to-work tax credit five years.

Effective date.—The Senate amendment provision extends the welfare-to-work credit effective for wages paid or incurred to a qualified individual who begins work for an employer on or after July 1, 1999, and before July 1, 2004.

Conference Agreement

The conference agreement provides for a 30–month extension of the welfare-to-work tax credit.

Effective date.—The provision is effective for wages paid or incurred to a qualified individual who begins work for an employer on or after July 1, 1999, and before January 1, 2002.

F. Extend and Modify Tax Credit for Electricity Produced by Wind and Closed-Loop Biomass Facilities (sec. 1205 of the Senate amendment and sec. 45 of the Code)

Present Law

An income tax credit is allowed for the production of electricity from either qualified wind energy or qualified ''closed-loop'' biomass facilities (sec. 45). The credit applies to electricity produced by a qualified wind energy facility placed in service after December 31, 1993, and before July 1, 1999, and to electricity produced by a qualified closed-loop biomass facility placed in service after December 31, 1992, and before July 1, 1999. The credit is allowable for production during the 10-year period after a facility is originally placed in service.

Closed-loop biomass is the use of plant matter, where the plants are grown for the sole purpose of being used to generate electricity. It does not include the use of waste materials (including, but not limited to, scrap wood, manure, and municipal or agricultural waste). The credit also is not available to taxpayers who use standing timber to produce electricity. In order to claim the credit, a taxpayer must own the facility and sell the electricity produced by the facility to an unrelated party.

House Bill

No provision.

Senate Amendment

The present-law tax credit for electricity produced by wind and closed-loop biomass is extended for five years, for facilities placed in service after June 30, 1999, and before July 1, 2004. The provision also modifies the tax credit to include electricity produced from poultry litter, for facilities placed in service after December 31, 1999, and before July 1, 2004. The credit for electricity produced from poultry litter is available to the lessor/operator of a qualified facility that is owned by a governmental entity. The credit further is expanded to include electricity produced from landfill gas by the owner of the gas collection facility, for electricity produced from facilities placed in service after December 31, 1999, and before June 30, 2004.

Finally, the credit is expanded to include electricity produced from certain other biomass (in addition to closed-loop biomass and poultry waste). This additional biomass is defined as solid, nonhazardous, cellulose waste material which is segregated from other waste materials and which is derived from forest resources, but not including old-growth timber. The term also includes urban sources such as waste pallets, crates, manufacturing and construction wood waste, and tree trimmings, or agricultural sources (including grain, orchard tree crops, vineyard legumes, sugar, and other crop by-products or residues. The term does not include unsegregated municipal solid waste or paper that commonly is recycled. In the case of this additional biomass, the credit applies to electricity produced after December 31, 1999 from facilities that are placed in service before January 1, 2003 (including facilities placed in service before the date of enactment of this provision). The credit is allowed for production attributable to biomass produced at facilities that are co-fired with coal.

Effective date.—The extension of the tax credit for electricity produced from wind and closed-loop biomass is effective for facilities placed in service after June 30, 1999. The modification to include electricity produced from poultry waste and landfill gas is effective for facilities placed in service after December 31, 1999. The modification to include other types of biomass is effective for facilities placed in service before January 1, 2003, but no credits may be claimed for production before January 1, 2000.

Conference Agreement

The conference agreement follows the Senate amendment, with a modification limiting the extension to facilities producing electricity from wind, closed-loop biomass, and poultry waste (i.e., the conference agreement does not include landfill gas, closed-loop biomass, or other biomass as qualified sources of electricity). The provision applies to facilities placed in service after June 30, 1999 and before July 1, 2003 (wind and closed-loop biomass) and after December 31, 1999 and before July 1, 2003 (poultry waste).

G. Extend Exemption From Diesel Dyeing Requirement for Certain Areas in Alaska (sec. 1206 of the Senate amendment and sec. 4082 of the Code)

Present Law

An excise tax totaling 24.4 cents per gallon is imposed on diesel fuel. The diesel fuel tax is imposed on removal of the fuel from a pipeline or barge terminal facility (i.e., at the ''terminal rack''). Present law provides that tax is imposed on all diesel fuel removed from terminal facilities unless the fuel is destined for a nontaxable use and is indelibly dyed pursuant to Treasury Department regulations.

In general, the diesel fuel tax does not apply to non-transportation uses of the fuel. Off-highway business uses are included within this non-transportation use exemption. This exemption includes use on a farm for farming purposes and as fuel powering off-highway equipment (e.g., oil drilling equipment). Use as heating oil also is exempt. (Most fuel commonly referred to as heating oil is diesel fuel.) The tax also does not apply to fuel used by State and local governments, to exported fuels, and to fuels used in commercial shipping. Fuel used by intercity buses and trains is partially exempt from the diesel fuel tax.

A similar dyeing regime exists for diesel fuel under the Clean Air Act. That Act prohibits the use on highways of diesel fuel with a sulphur content exceeding prescribed levels. This ''high sulphur'' diesel fuel is required to be dyed by the EPA.

The State of Alaska generally is exempt from the Clean Air Act dyeing regime for a period established by the U.S. Environmental Protection Agency (urban areas) or permanently (remote areas). Diesel fuel used in Alaska is exempt from the excise tax dyeing requirements for periods when the EPA requirements do not apply.

House Bill

No provision.

Senate Amendment

The Senate amendment makes the excise tax exemption for Alaska urban areas permanent (i.e., independent of the EPA rules).

Effective date.—The provision is effective on the date of enactment.

Conference Agreement

The conference agreement does not include the Senate amendment provision.

H. Expensing of Environmental Remediation Expenditures and Expansion of Qualifying Sites (sec. 1207 of the Senate amendment and sec. 198 of the Code)

Present Law

Taxpayers can elect to treat certain environmental remediation expenditures that would otherwise be chargeable to capital account as deductible in the year paid or incurred (sec. 198). The deduction applies for both regular and alternative minimum tax purposes. The expenditure must be incurred in connection with the abatement or control of hazardous substances at a qualified contaminated site.

A ''qualified contaminated site'' generally is any property that (1) is held for use in a trade or business, for the production of income, or as inventory; (2) is certified by the appropriate State environmental agency to be located within a targeted area; and (3) contains (or potentially contains) a hazardous substance (so-called ''brownfields''). Targeted areas are defined as: (1) empowerment zones and enterprise communities as designated under present law; (2) sites announced before February, 1997, as being subject to one of the 76 Environmental Protection Agency (''EPA'') Brownfields Pilots; (3) any population census tract with a poverty rate of 20 percent or more; and (4) certain industrial and commercial areas that are adjacent to tracts described in (3) above. However, sites that are identified on the national priorities list under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 cannot qualify as targeted areas.

Eligible expenditures are those paid or incurred before January 1, 2001.

House Bill

No provision.

Senate Amendment

The Senate amendment extends the expiration date for eligible expenditures to include those paid or incurred before July 1, 2004.

In addition, the bill eliminates the targeted area requirement, thereby expanding eligible sites to include any site containing (or potentially containing) a hazardous substance that is certified by the appropriate State environmental agency, but not those sites that are identified on the national priorities list under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980.

Effective date.—The provision to extend the expiration date is effective upon the date of enactment. The provision to expand the class of eligible sites is effective for expenditures paid or incurred after December 31, 1999.

Conference Agreement

The conference agreement follows the Senate amendment by expanding eligible sites to include any site containing (or potentially containing) a hazardous substance that is certified by the appropriate State environmental agency, but not those sites that are identified on the national priorities list under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980.

The conference agreement does not include an extension of the present-law expiration date for section 198.

Effective date.—The provision to expand the class of eligible sites is effective for expenditures paid or incurred after December 31, 1999.

XVI. REVENUE OFFSET PROVISIONS

A. Expand Reporting of Cancellation of Indebtedness Income (sec. 1501 of the House bill, sec. 1302 of the Senate amendment, and sec. 6050P of the Code)

Present Law

Under section 61(a)(12), a taxpayer's gross income includes income from the discharge of indebtedness. Section 6050P requires ''applicable entities'' to file information returns with the Internal Revenue Service (IRS) regarding any discharge of indebtedness of $600 or more.

The information return must set forth the name, address, and taxpayer identification number of the person whose debt was discharged, the amount of debt discharged, the date on which the debt was discharged, and any other information that the IRS requires to be provided. The information return must be filed in the manner and at the time specified by the IRS. The same information also must be provided to the person whose debt is discharged by January 31 of the year following the discharge.

''Applicable entities'' include: (1) the Federal Deposit Insurance Corporation (FDIC), the Resolution Trust Corporation (RTC), the National Credit Union Administration, and any successor or subunit of any of them; (2) any financial institution (as described in sec. 581 (relating to banks) or sec. 591(a) (relating to savings institutions)); (3) any credit union; (4) any corporation that is a direct or indirect subsidiary of an entity described in (2) or (3) which, by virtue of being affiliated with such entity, is subject to supervision and examination by a Federal or State agency regulating such entities; and (5) an executive, judicial, or legislative agency (as defined in 31 U.S.C. sec. 3701(a)(4)).

Failures to file correct information returns with the IRS or to furnish statements to taxpayers with respect to these discharges of indebtedness are subject to the same general penalty that is imposed with respect to failures to provide other types of information returns. Accordingly, the penalty for failure to furnish statements to taxpayers is generally $50 per failure, subject to a maximum of $100,000 for any calendar year. These penalties are not applicable if the failure is due to reasonable cause and not to willful neglect.

House Bill

The bill requires information reporting on indebtedness discharged by any organization a significant trade or business of which is the lending of money (such as finance companies and credit card companies whether or not affiliated with financial institutions).

Effective date.—The provision is effective with respect to discharges of indebtedness after December 31, 1999.

Senate Amendment

Same as House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

B. Extension of IRS User Fees (sec. 1502 of the House bill, sec. 1304 of the Senate amendment, and new sec. 7527 of the Code)

Present Law

The IRS provides written responses to questions of individuals, corporations, and organizations relating to their tax status or the effects of particular transactions for tax purposes. The IRS generally charges a fee for requests for a letter ruling, determination letter, opinion letter, or other similar ruling or determination. Public Law 104–117[76] extended the statutory authorization for these user fees[77] through September 30, 2003.

House Bill

The bill extends the statutory authorization for these user fees through September 30, 2009. The bill also moves the statutory authorization for these fees into the Internal Revenue Code.

Effective date.—The provision, including moving the statutory authorization for these fees into the Code and repealing the off-Code statutory authorization for these fees, is effective for requests made after the date of enactment.

Senate Amendment

Same as House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

C. Impose Limitation on Prefunding of Certain Employee Benefits (sec. 1503 of the House bill, sec. 1312 of the Senate amendment, and secs. 419A and 4976 of the Code)

Present Law

Under present law, contributions to a welfare benefit fund generally are deductible when paid, but only to the extent permitted under the rules of sections 419 and 419A. The amount of an employer's deduction in any year for contributions to a welfare benefit fund cannot exceed the fund's qualified cost for the year minus the fund's after-tax income for the year. With certain exceptions, the term qualified cost means the sum of (1) the amount that would be deductible for benefits provided during the year if the employer paid them directly and was on the cash method of accounting, and (2) within limits, the amount of any addition to a qualified asset account for the year. A qualified asset account includes any account consisting of assets set aside for the payment of disability benefits, medical benefits, supplemental unemployment compensation or severance pay benefits, or life insurance benefits. The account limit for a qualified asset account for a taxable year is generally the amount reasonably and actuarially necessary to fund claims incurred but unpaid (as of the close of the taxable year) for benefits with respect to which the account is maintained and the administrative costs incurred with respect to those claims. Specific additional reserves are allowed for future provision of post-retirement medical and life insurance benefits.

The deduction limits of sections 419 and 419A for contributions to welfare benefit funds do not apply in the case of certain 10-or-more employer plans. A plan is a 10-or-more employer plan if (1) more than one employer contributes to it, and (2) no employer is normally required to contribute more than 10 percent of the total contributions contributed under the plan by all employers. The exception is not available if the plan maintains experience-rating arrangements with respect to individual employers.

If any portion of a welfare benefit fund reverts to the benefit of an employer, an excise tax equal to 100 percent of the reversion is imposed on the employer.

House Bill

The present-law exception to the deduction limit for 10-or-more employer plans is limited to plans that provide only medical benefits, disability benefits, and qualifying group-term life insurance benefits to plan beneficiaries. The legislative history provides that qualifying group-term life insurance benefits do not include any arrangements that permit a plan beneficiary to directly or indirectly access all or part of the account value of any life insurance contract, whether through a policy loan, a partial or complete surrender of the policy, or otherwise. Also, the legislative history provides that it is intended that qualifying group-term life insurance benefits do not include any arrangement whereby a plan beneficiary may receive a policy without a stated account value that has the potential to give rise to an account value whether through the exchange of such policy for another policy that would have an account value or otherwise. The 10-or-more employer plan exception is no longer available with respect to plans that provide supplemental unemployment compensation, severance pay, or life insurance (other than qualifying group-term life insurance) benefits. Thus, the generally applicable deduction limits (sections 419 and 419A) apply to plans providing these benefits.

In addition, if any portion of a welfare benefit fund attributable to contributions that are deductible pursuant to the 10-or-more employer exception (and earnings thereon) is used for a purpose other than for providing medical benefits, disability benefits, or qualifying group-term life insurance benefits to plan beneficiaries, such portion is treated as reverting to the benefit of the employers maintaining the fund and is subject to the imposition of the 100-percent excise tax. Thus, for example, cash payments to employees upon termination of the fund, and loans or other distributions to the employee or employer, would be treated as giving rise to a reversion that is subject to the excise tax.

The legislative history indicates that no inference is intended with respect to the validity of any 10-or-more employer arrangement under the provisions of present law.

Effective date.—The House bill is effective with respect to contributions paid or accrued on or after June 9, 1999, in taxable years ending after such date.

Senate Amendment

The Senate amendment is the same as the House bill, except the Senate amendment states that group-term life insurance benefits that qualify for the 10-or-more employer exception are group-term life insurance benefits that do not provide directly or indirectly for any cash surrender value or other money that can be paid, assigned, borrowed, or pledged for collateral for a loan. In addition, the legislative history indicates that it is intended that group-term life insurance benefits do not fail to be qualifying group-term life insurance benefits solely as a result of the inclusion of de minimis ancillary benefits, as described in Treasury regulations.

Effective date.—The effective date of the Senate amendment is the same as the effective date of the House bill.

Conference Agreement

The conference agreement follows the Senate amendment. It is intended that group-term life insurance benefits do not fail to be qualifying group-term life insurance benefits solely as a result of the inclusion of de minimis ancillary benefits, as described in Treasury regulations under the provision.

[76] An Act to provide that members of the Armed Froces performing services for the peacekeeping efforts in Bosnia and Herzegovina, Croatia, and Macedonia shall be entitled to tax benefits in the same manner as if such services were performed in a combat zone, and for other purposes (March 20, 1996).

[77] These user fees were originally enacted in section 10511 of the Revenue Act of 1987 (Public Law 100–203, December 22, 1987).

D. Increase Elective Withholding Rate for Nonperiodic Distributions from Deferred Compensation Plans (sec. 1504 of the bill and sec. 3405 of the Code)

Present Law

Present law provides that income tax withholding is required on designated distributions from employer compensation plans (whether or not such plans are tax qualified), individual retirement arrangements (''IRAs''), and commercial annuities unless the payee elects not to have withholding apply. A designated distribution does not include any payment (1) that is wages, (2) the portion of which it is reasonable to believe is not includible in gross income,[78] (3) that is subject to withholding of tax on nonresident aliens and foreign corporations (or would be subject to such withholding but for a tax treaty), or (4) that is a dividend paid on certain employer securities (as defined in sec. 404(k)(2)).

Tax is generally withheld on the taxable portion of any periodic payment as if the payment is wages to the payee. A periodic payment is a designated distribution that is an annuity or similar periodic payment.

In the case of a nonperiodic distribution, tax generally is withheld at a flat 10-percent rate unless the payee makes an election not to have withholding apply. A nonperiodic distribution is any distribution that is not a periodic distribution. Under current administrative rules, an individual receiving a nonperiodic distribution can designate an amount to be withheld in addition to the 10-percent otherwise required to be withheld.

Under present law, in the case of a nonperiodic distribution that is an eligible rollover distribution, tax is withheld at a 20-percent rate unless the payee elects to have the distribution rolled directly over to an eligible retirement plan (i.e., an IRA, a qualified plan (sec. 401(a)) that is a defined contribution plan permitting direct deposits of rollover contributions, or a qualified annuity plan (sec. 403(a)). In general, an eligible rollover distribution includes any distribution to an employee of all or any portion of the balance to the credit of the employee in a qualified plan or qualified annuity plan. An eligible rollover distribution does not include any distribution that is part of a series of substantially equal periodic payments made (1) for the life (or life expectancy) of the employee or for the joint lives (or joint life expectancies) of the employee and the employee's designated beneficiary, or (2) over a specified period of 10 years or more. An eligible rollover distribution also does not include any distribution required under the minimum distribution rules of section 401(a)(9), hardship distributions from section 401(k) plans, or the portion of a distribution that is not includible in income. The payee of an eligible rollover distribution can only elect not to have withholding apply by making the direct rollover election.

House Bill

Under the bill, the withholding rate for nonperiodic distributions would be increased from 10 percent to 15 percent. As under present law, unless the distribution is an eligible rollover distribution, the payee could elect not to have withholding apply. The bill does not modify the 20-percent withholding rate that applies to any distribution that is an eligible rollover distribution.

Effective date.—The provision is effective for distributions made after December 31, 1999.

Senate Amendment

The provision is the same as the House bill.

Effective date.—Distributions made after December 31, 2000.

Conference Agreement

The conference agreement follows the Senate amendment.

E. Modify Treatment of Closely-Held REITs (sec. 1505 of the House bill, sec. 1320 of the Senate amendment, and sec. 856 of the Code)

Present Law

In general, a real estate investment trust (''REIT'') is an entity that receives most of its income from passive real estate related investments and that receives pass-through treatment for income that is distributed to shareholders. If an electing entity meets the qualifications for REIT status, the portion of its income that is distributed to the investors each year generally is taxed to the investors without being subjected to tax at the REIT level.

A REIT must satisfy a number of tests on a year-by-year basis that relate to the entity's: (1) organizational structure; (2) source of income; (3) nature of assets; and (4) distribution of income.

Under the organizational structure test, except for the first taxable year for which an entity elects to be a REIT, the beneficial ownership of the entity must be held by 100 or more persons. Generally, no more than 50 percent of the value of the REIT's stock can be owned by five or fewer individuals during the last half of the taxable year. Certain attribution rules apply in making this determination. No similar rule applies to corporate ownership of a REIT. Certain transactions have been structured to attempt to achieve special tax benefits for an entity that controls a REIT.

House Bill

The House bill provision imposes as an additional requirement for REIT qualification that, except for the first taxable year for which an entity elects to be a REIT, no one person can own stock of a REIT possessing 50 percent or more of the combined voting power of all classes of voting stock or 50 percent or more of the total value of shares of all classes of stock of the REIT. For purposes of determining a person's stock ownership, rules similar to attribution rules for REIT independent contractor qualification under present law apply (secs. 856(d)(5) and 856(h)(3)). The provision does not apply to ownership by a REIT of 50 percent or more of the stock (vote or value) of another REIT.

An exception applies for a limited period to certain ''incubator REITs''. An incubator REIT is a corporation that elects to be treated as an incubator REIT and that meets all the following other requirements. (1) it has only voting common stock outstanding, (2) not more than 50 percent of the corporation's real estate assets consist of mortgages, (3) from not later than the beginning of the last half of the second taxable year, at least 10 percent of the corporation's capital is provided by lenders or equity investors who are unrelated to the corporation's largest shareholder, (4) the directors of the corporation must adopt a resolution setting forth an intent to engage in a going public transaction, and (5) no predecessor entity (including any entity from which the electing incubator REIT acquired assets in a transaction in which gain or loss was not recognized in whole or in part) had elected incubator REIT status.

The new ownership requirement does not apply to an electing incubator REIT until the end of the REIT's third taxable year; and can be extended for an additional two taxable years if the REIT so elects. However, a REIT cannot elect the additional two year extension unless the REIT agrees that if it does not engage in a going public transaction by the end of the extended eligibility period, it shall pay Federal income taxes for the two years of the extended period as if it had not made an incubator REIT election and had ceased to qualify as a REIT for those two taxable years. In such case, the corporation shall file appropriate amended returns within 3 months of the close of the extended eligibility period. Interest would be payable, but no substantial underpayment penalties would apply except in cases where there is a finding that incubator REIT status was elected for a principal purpose other than as part of a reasonable plan to engage in a going public transaction. Notification of shareholders and any other person whose tax position would reasonably be expected to be affected is also required.

If an electing incubator REIT does not elect to extend its initial 2-year extended eligibility period and has not engaged in a going public transaction by the end of such period, it must satisfy the new control requirements as of the beginning of its fourth taxable year (i.e., immediately after the close of the last taxable year of the two-year initial extension period) or it will be required to notify its shareholders and other persons that may be affected by its tax status, and pay Federal income tax as a corporation that has ceased to qualify as a REIT at that time.

If the Secretary of the Treasury determines that an incubator REIT election was filed for a principal purpose other than as part of a reasonable plan to undertake a going public transaction, an excise tax of $20,000 is imposed on each of the corporation's directors for each taxable year for which the election was in effect.

A going public transaction is defined as either (1) a public offering of shares of stock of the incubator REIT, (2) a transaction, or series of transactions, that result in the incubator REIT stock being regularly traded on an established securities market (as defined in section 897) and being held by shareholders unrelated to persons who held such stock before it began to be so regularly traded, or (3) any transaction resulting in ownership of the REIT by 200 or more persons (excluding the largest single shareholder) who in the aggregate own least 50 percent of the stock of the REIT. Attribution rules apply in determining ownership of stock.

Effective date.—The provision is effective for taxable years ending after July 12, 1999. Any entity that elects (or has elected) REIT status for a taxable year including July 12, 1999, and which is both a controlled entity and has significant business assets or activities on such date, will not be subject to the proposal. Under this rule, a controlled entity with significant business assets or activities on July 14, 1999, can be grandfathered even if it makes its first REIT election after that date with its return for the taxable year including that date.

For purposes of the transition rules, the significant business assets or activities in place on July 12, 1999, must be real estate assets and activities of a type that would be qualified real estate assets and would

[78] All IRA distributions are treated as if includible in income for purposes of this rule. A technical correction contained in the bill modifies this rule in the case of Roth IRAs.

produce qualified real estate related income for a REIT.

Senate Amendment

The Senate amendment is the same as the House bill except that the Senate amendment contains an additional qualification for incubator REIT status, namely, that the corporation must annually increase the value of real estate assets by at least 10 percent,

For purposes of determining whether a corporation has met the requirement that it annually increase the value of its real estate assets by 10 percent, the following rules shall apply. First, values shall be based on cost and properly capitalizable expenditures with no adjustment for depreciation. Second, the test shall be applied by comparing the value of assets at the end of the first taxable year with those at the end of the second taxable year and by similar successive taxable year comparisons during the eligibility period. Third, if a corporation fails the 10 percent comparison test for one taxable year, it may remedy the failure by increasing the value of real estate assets by 25 percent in the following taxable year, provided it meets all the other eligibility period requirements in that following taxable year.

Effective date.—The effective date of the Senate amendment is the same as the House bill except that the Senate amendment substitutes the date July 14, 1999 for the date July 12, 1999.

Conference Agreement

The conference agreement follows the Senate amendment with a modification in the attribution rules so that once stock is deemed owned by a qualified entity (a REIT or a partnership of which a REIT is at least a 50 percent partner) it will not be reattributed under section 318(a)(3)(C).

Effective date.—The effective date is the same as that of the Senate amendment.

F. Limit Conversion of Character of Income from Constructive Ownership Transactions (sec. 1506 of the House bill, sec. 1314 of the Senate amendment, and new sec. 1260 of the Code)

Present Law

The maximum individual income tax rate on ordinary income and short-term capital gain is 39.6 percent, while the maximum individual income tax rate on long-term capital gain generally is 20 percent. Long-term capital gain means gain from the sale or exchange of a capital asset held more than one year. For this purpose, gain from the termination of a right with respect to property that would be a capital asset in the hands of the taxpayer is treated as capital gain.[79]

A pass-thru entity (such as a partnership) generally is not subject to Federal income tax. Rather, each owner includes its share of a pass-thru entity's income, gain, loss, deduction or credit in its taxable income. Generally, the character of the item is determined at the entity level and flows through to the owners. Thus, for example, the treatment of an item of income by a partnership as ordinary income, short-term capital gain, or long-term capital gain retains its character when reported by each of the partners.

Investors may enter into forward contracts, notional principal contracts, and other similar arrangements with respect to property that provides the investor with the same or similar economic benefits as owning the property directly but with potentially different tax consequences (as to the character and timing of any gain).

House Bill

The House bill limits the amount of long-term capital gain a taxpayer could recognize from certain derivative contracts (''constructive ownership transaction'') with respect to certain financial assets. The amount of long-term capital gain is limited to the amount of such gain the taxpayer would have had if the taxpayer held the asset directly during the term of the derivative contract. Any gain in excess of this amount is treated as ordinary income. An interest charge is imposed on the amount of gain that is treated as ordinary income. The House bill does not alter the tax treatment of the long-term capital gain that is not treated as ordinary income.

A taxpayer is treated as having entered into a constructive ownership transaction if the taxpayer (1) holds a long position under a notional principal contract with respect to the financial asset, (2) enters into a forward contract to acquire the financial asset, (3) is the holder of a call option, and the grantor of a put option, with respect to a financial asset, and the options have substantially equal strike prices and substantially contemporaneous maturity dates, or (4) to the extent provided in regulations, enters into one or more transactions, or acquires one or more other positions, that have substantially the same effect as any of the transactions described. The House bill anticipates that Treasury regulations, when issued, will provide specific standards for determining when other types of financial transactions, like those specified in the provision, have the effect of replicating the economic benefits of direct ownership of a financial asset (and will be treated as a constructive ownership transaction).

A ''financial asset'' is defined as (1) any equity interest in a pass-thru entity, and (2) to the extent provided in regulations, any debt instrument and any stock in a corporation that is not a pass-thru entity. A ''pass-thru entity'' refers to (1) a regulated investment company, (2) a real estate investment trust, (3) an S corporation, (4) a partnership, (5) a trust, (6) a common trust fund, (7) a passive foreign investment company, (8) a foreign personal holding company, and (9) a foreign investment company.

The amount of recharacterized gain is calculated as the excess of the amount of long-term gain the taxpayer would have had absent this provision over the ''net underlying long-term capital gain'' attributable to the financial asset. The net underlying long-term capital gain is the amount of net capital gain the taxpayer would have realized if it had acquired the financial asset for its fair market value on the date the constructive ownership transaction was opened and sold the financial asset on the date the transaction was closed (only taking into account gains and losses that would have resulted from the constructive ownership of the financial asset).[80] The long-term capital gains rate on the net underlying long-term capital gain is determined by reference to the individual capital gains rates in section 1(h).

An interest charge is imposed on the underpayment of tax for each year that the constructive ownership transaction was open. The interest charge is the amount of interest that would be imposed under section 6601 had the recharacterized gain been included in the taxpayer's gross income during the term of the constructive ownership transaction. The recharacterized gain is treated as having accrued such that the gain in each successive year is equal to the gain in the prior year increased by a constant growth rate[81] during the term of the constructive ownership transaction.

A taxpayer is treated as holding a long position under a notional principal contract with respect to a financial asset if the person (1) has the right to be paid (or receive credit for) all or substantially all of the investment yield (including appreciation) on the financial asset for a specified period, and (2) is obligated to reimburse (or provide credit) for all or substantially all of any decline in the value of the financial asset. A forward contract is a contract to acquire in the future (or provide or receive credit for the future value of) any financial asset.

If the constructive ownership transaction is closed by reason of taking delivery of the underlying financial asset, the taxpayer is treated as having sold the contracts, options, or other positions that are part of the transaction for its fair market value on the closing date. However, the amount of gain that is recognized as a result of having taken delivery is limited to the amount of gain that is treated as ordinary income by reason of this provision (with appropriate basis adjustments for such gain).

The provision does not apply to any constructive ownership transaction if all of the positions that are part of the transaction are marked to market under the Code or regulations. The provision also does not apply to transactions entered into by tax-exempt organizations and foreign taxpayers.

The Treasury Department is authorized to prescribe regulations as necessary to carry out the purposes of the provision, including to (1) permit taxpayers to mark to market constructive ownership transactions in lieu of the provision, and (2) exclude certain forward contracts that do not convey substantially all of the economic return with respect to a financial asset.

Effective date.—The provision applies to transactions entered into on or after July 12, 1999.

Senate Amendment

The Senate amendment is the same as the House bill with some modifications. The Senate amendment modifies the definition of a ''pass-thru entity'' to include (1) a real estate mortgage investment conduit and (2) a passive foreign investment company that is also a controlled foreign corporation. The Committee report clarifies (1) the types of financial transactions that, under Treasury regulations, are expected to have substantially the same effect as those specified in the provision, and (2) the determination of the amount of any net underlying long-term capital gain. The Committee report further provides that no inference is intended as to the proper treatment of a constructive ownership transaction entered into prior to the effective date of the provision.

Effective date.—The provision applies to transactions entered into on or after July 12, 1999. It is intended that a contract, option or any other arrangement that is entered into or exercised on or after July 12, 1999 which extends or otherwise modifies the terms of a transaction entered into prior to such date is treated as a transaction entered into on or after July 12, 1999.

Conference Agreement

The conference agreement follows the Senate amendment.

[79] Section 1234A, as amended by the Taxpayer Relief Act of 1997.

[80] A taxpayer must establish the amount of the net underlying long-term capital gain with clear and convincing evidence; otherwise, the amount is deemed to be zero.

[81] The accrual rate is the applicable Federal rate on the day the transaction closed.

G. Treatment of Excess Pension Assets Used for Retiree Health Benefits (sec. 1507 of the House bill, sec. 1305 of the Senate amendment, sec. 420 of the Code, and secs. 101, 403, and 408 of ERISA)

Present Law

Defined benefit pension plan assets generally may not revert to an employer prior to the termination of the plan and the satisfaction of all plan liabilities. A reversion prior to plan termination may constitute a prohibited transaction and may result in disqualification of the plan. Certain limitations and procedural requirements apply to a reversion upon plan termination. Any assets that revert to the employer upon plan termination are includible in the gross income of the employer and subject to an excise tax. The excise tax rate, which may be as high as 50 percent of the reversion, varies depending upon whether or not the employer maintains a replacement plan or makes certain benefit increases. Upon plan termination, the accrued benefits of all plan participants are required to be 100–percent vested.

A pension plan may provide medical benefits to retired employees through a section 401(h) account that is a part of such plan. A qualified transfer of excess assets of a defined benefit pension plan (other than a multiemployer plan) into a section 401(h) account that is a part of such plan does not result in plan disqualification and is not treated as a reversion to the employer or a prohibited transaction. Therefore, the transferred assets are not includible in the gross income of the employer and are not subject to the excise tax on reversions.

Qualified transfers are subject to amount and frequency limitations, use requirements, deduction limitations, vesting requirements and minimum benefit requirements. Excess assets transferred in a qualified transfer may not exceed the amount reasonably estimated to be the amount that the employer will pay out of such account during the taxable year of the transfer for qualified current retiree health liabilities. No more than one qualified transfer with respect to any plan may occur in any taxable year.

The transferred assets (and any income thereon) must be used to pay qualified current retiree health liabilities (either directly or through reimbursement) for the taxable year of the transfer. Transferred amounts generally must benefit all pension plan participants, other than key employees, who are entitled upon retirement to receive retiree medical benefits through the section 401(h) account. Retiree health benefits of key employees may not be paid (directly or indirectly) out of transferred assets. Amounts not used to pay qualified current retiree health liabilities for the taxable year of the transfer are to be returned at the end of the taxable year to the general assets of the plan. These amounts are not includible in the gross income of the employer, but are treated as an employer reversion and are subject to a 20–percent excise tax.

No deduction is allowed for (1) a qualified transfer of excess pension assets into a section 401(h) account, (2) the payment of qualified current retiree health liabilities out of transferred assets (and any income thereon) or (3) a return of amounts not used to pay qualified current retiree health liabilities to the general assets of the pension plan.

In order for the transfer to be qualified, accrued retirement benefits under the pension plan generally must be 100–percent vested as if the plan terminated immediately before the transfer.

The minimum benefit requirement requires each group health plan under which applicable heath benefits are provided to provide substantially the same level of applicable health benefits for the taxable year of the transfer and the following 4 taxable years. The level of benefits that must be maintained is based on benefits provided in the year immediately preceding the taxable year of the transfer. Applicable health benefits are health benefits or coverage that are provided to (1) retirees who, immediately before the transfer, are entitled to receive such benefits upon retirement and who are entitled to pension benefits under the plan and (2) the spouses and dependents of such retirees.

The provision permitting a qualified transfer of excess pension assets to pay qualified current retiree health liabilities expires for taxable years beginning after December 31, 2000.[87]

House Bill

The present-law provision permitting qualified transfers of excess defined benefit pension plan assets to provide retiree health benefits under a section 401(h) account is extended through September 30, 2009. In addition, the present-law minimum benefit requirement is replaced by the minimum cost requirement that applied to qualified transfers before December 9, 1994, to section 401(h) accounts. Therefore, each group health plan or arrangement under which applicable health benefits are provided is required to provide a minimum dollar level of retiree health expenditures for the taxable year of the transfer and the following 4 taxable years. The minimum dollar level is the higher of the applicable employer costs for each of the 2 taxable years immediately preceding the taxable year of the transfer. The applicable employer cost for a taxable year is determined by dividing the employer's qualified current retiree health liabilities by the number of individuals to whom coverage for applicable health benefits was provided during the taxable year.

Effective date.—The House bill is effective with respect to qualified transfers of excess defined benefit pension plan assets to section 401(h) accounts after December 31, 2000, and before October 1, 2009. The modification of the minimum benefit requirement is effective with respect to transfers after the date of enactment.

Senate Amendment

The Senate amendment is the same as the House bill.[88]

Effective date.—Same as the House bill, except that the modification of the minimum benefit requirement is effective with respect to transfers after the date of enactment. In addition, the Senate amendment contains a transition rule regarding the minimum cost requirement. Under this rule, an employer must satisfy the minimum benefit requirement with respect to a qualified transfer that occurs after the date of enactment during the portion of the cost maintenance period of such transfer that overlaps the benefit maintenance period of a qualified transfer that occurs on or before the date of enactment. For example, suppose an employer (with a calendar year taxable year) made a qualified transfer in 1998. The minimum benefit requirement must be satisfied for calendar years 1998, 1999, 2000, 2001, and 2002. Suppose the employer also makes a qualified transfer in 2000. Then, the employer is required to satisfy the minimum benefit requirement in 2000, 2001, and 2002, and is required to satisfy the minimum cost requirement in 2003 and 2004.

Conference Agreement

The conference agreement follows the Senate amendment.

H. Modify Installment Method and Prohibit its Use by Accrual Method Taxpayers (sec. 1508 of the House bill, sec. 1313 of the Senate amendment, and secs. 453 and 453A of the Code)

Present Law

An accrual method taxpayer is generally required to recognize income when all the events have occurred that fix the right to the receipt of the income and the amount of the income can be determined with reasonable accuracy. The installment method of accounting provides an exception to this general principle of income recognition by allowing a taxpayer to defer the recognition of income from the disposition of certain property until payment is received. Sales to customers in the ordinary course of business are not eligible for the installment method, except for sales of property that is used or produced in the trade or business of farming and sales of timeshares and residential lots if an election to pay interest under section 453(1)(2)(B)) is made.

A pledge rule provides that if an installment obligation is pledged as security for any indebtedness, the net proceeds[89] of such indebtedness are treated as a payment on the obligation, triggering the recognition of income. Actual payments received on the installment obligation subsequent to the receipt of the loan proceeds are not taken into account until such subsequent payments exceed the loan proceeds that were treated as payments. The pledge rule does not apply to sales of property used or produced in the trade or business of farming, to sales of timeshares and residential lots where the taxpayer elects to pay interest under section 453(1)(2)(B), or to dispositions where the sales price does not exceed $150,000.

An additional rule requires the payment of interest on the deferred tax that is attributable to most large installment sales.

House Bill

Prohibition on the use of the installment method for accrual method dispositions

The provision generally prohibits the use of the installment method of accounting for dispositions of property that would otherwise be reported for Federal income tax purposes using an accrual method of accounting. The provision does not change present law regarding the availability of the installment method for dispositions of property used or produced in the trade or business of farming. The provision also does not change present law regarding the availability of the installment method for dispositions of timeshares or residential lots if the taxpayer elects to pay interest under section 453(1).

[82] Title I of the Employee Retirement Income Security Act of 1974, as amended (''ERISA''), provides that plan participants, the Secretaries of Treasury and the Department of Labor, the plan administrator, and each employee organization representing plan participants must be notified 60 days before a qualified transfer of excess assets to a retiree health benefits account occurs (ERISA sec. 103(e)). ERISA also provides that a qualified transfer is not a prohibited transaction under ERISA (ERISA sec. 408(b)(13)) or a prohibited reversion of assets to the employer (ERISA sec. 403(c)(1)). For purposes of these provisions, a qualified transfer is generally defined as a transfer pursuant to section 420 of the Internal Revenue Code, as in effect on January 1, 1995.

[83] The Senate amendment modifies the corresponding provisions of ERISA.

[84] The net proceeds equal the gross loan proceeds less the direct expenses of obtaining the loan.

The provision does not change the ability of a cash method taxpayer to use the installment method. For example, a cash method individual owns all of the stock of a closely held accrual method corporation. This individual sells his stock for cash, a ten year note, and a percentage of the gross revenues of the company for next ten years. The provision would not change the ability of this individual to use the installment method in reporting the gain on the sale of the stock.

Modifications to the pledge rule

The provision modifies the pledge rule to provide that entering into any arrangement that gives the taxpayer the right to satisfy an obligation with an installment note will be treated in the same manner as the direct pledge of the installment note. For example, a taxpayer disposes of property for an installment note. The disposition is properly reported using the installment method. The taxpayer only recognizes gain as it receives the deferred payment. However, were the taxpayer to pledge the installment note as security for a loan, it would be required to treat the proceeds of such loan as a payment on the installment note, and recognize the appropriate amount of gain. Under the provision, the taxpayer would also be required to treat the proceeds of a loan as payment on the installment note to the extent the taxpayer had the right to ''put'' or repay the loan by transferring the installment note to the taxpayer's creditor. Other arrangements that have a similar effect would be treated in the same manner.

The modification of the pledge rule applies only to installment sales where the pledge rule of present law applies. Accordingly, the provision does not apply to installment method sales made by a dealer in timeshares and residential lots where the taxpayer elects to pay interest under section 453(l)(2)(B), to sales of property used or produced in the trade or business of farming, or to dispositions where the sales price does not exceed $150,000, since such sales are not subject to the pledge rule under present law.

Effective Date.—The provision of the House bill is effective for sales or other dispositions entered into on or after the date of enactment.

Senate Amendment

Same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

I. Limitation on the Use of Non-accrual Experience Method of Accounting (sec. 1509 of the House bill, sec. 1311 of the Senate amendment, and sec. 448 of the Code)

Present Law

An accrual method taxpayer generally must recognize income when all the events have occurred that fix the right to receive the income and the amount of the income can be determined with reasonable accuracy. An accrual method taxpayer may deduct the amount of any receivable that was previously included in income that becomes worthless during the year.

Accrual method taxpayers are not required to include in income amounts to be received for the performance of services which, on the basis of experience, will not be collected (the ''non-accrual experience method''). The availability of this method is conditioned on the taxpayer not charging interest or a penalty for failure to timely pay the amount charged.

A cash method taxpayer is not required to include an amount in income until it is received. A taxpayer generally may not use the cash method if purchase, production, or sale of merchandise is an income producing factor. Such taxpayers generally are required to keep inventories and use an accrual method of accounting. In addition, corporations (and partnerships with corporate partners) generally may not use the cash method of accounting if their average annual gross receipts exceed $5 million. An exception to this $5 million rule is provided for qualified personal service corporations. A qualified personal service corporation is a corporation (1) substantially all of whose activities involve the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts or consulting and (2) substantially all of the stock of which is owned by current or former employees performing such services, their estates or heirs. Qualified personal service corporations are allowed to use the cash method without regard to whether their average annual gross receipts exceed $5 million.

House Bill

The House bill provides that the non-accrual experience method will be available only for amounts to be received for the performance of qualified personal services. Amounts to be received for the performance of all other services will be subject to the general rule regarding inclusion in income. Qualified personal services are personal services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts or consulting. As under present law, the availability of the method is conditioned on the taxpayer not charging interest or a penalty for failure to timely pay the amount.

Effective date.—The provision of the House bill is effective for taxable years ending after the date of enactment. Any change in the taxpayer's method of accounting necessitated as a result of the proposal will be treated as a voluntary change initiated by the taxpayer with the consent of the Secretary of the Treasury. Any required section 481(a) adjustment is to be taken into account over a period not to exceed four years under principles consistent with those in Rev. Proc. 98–60.[85]

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

J. Exclusion of Like-Kind Exchange Property from Nonrecognition Treatment on the Sale or Exchange of a Principal Residence (sec. 1510 of the House bill and sec. 121 of the Code)

Present Law

Under present law, a taxpayer may exclude up to $250,000 ($500,000 if married filing a joint return) of gain realized on the sale or exchange of a principal residence. To be eligible for the exclusion, the taxpayer must have owned and used the residence as a principal residence for at least two of the five years prior to the sale or exchange. A taxpayer who fails to meet these requirements by reason of a change of place of employment, health, or, to the extent provided under regulations, unforeseen circumstances is able to exclude an amount equal to the fraction of the $250,000 ($500,000 if married filing a joint return) that is equal to the fraction of the two years that the ownership and use requirements are met. There are no special rules relating to the sale or exchange of a principal residence that was acquired in a like-kind exchange within the prior five years.

House Bill

The House bill denies the principal residence exclusion (sec. 121) for gain on the sale or exchange of a principal residence if such principal residence was acquired in a like-kind exchange in which any gain was not recognized within the prior five years.

Effective date.—The House bill provision is effective for sales or exchanges of principal residences after the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement does not include the House bill provision.

K. Denial of Charitable Contribution Deduction for Transfers Associated with Split-Dollar Insurance Arrangements (sec. 1003 of the House bill, sec. 1315 of the Senate amendment, and new sec. 501(c)(28) of the Code)

Present Law

Under present law, in computing taxable income, a taxpayer who itemizes deductions generally is allowed to deduct charitable contributions paid during the taxable year. The amount of the deduction allowable for a taxable year with respect to any charitable contribution depends on the type of property contributed, the type of organization to which the property is contributed, and the income of the taxpayer (secs. 170(b) and 170(e)). A charitable contribution is defined to mean a contribution or gift to or for the use of a charitable organization or certain other entities (sec. 170(c)). The term ''contribution or gift'' is not defined by statute, but generally is interpreted to mean a voluntary transfer of money or other property without receipt of adequate consideration and with donative intent. If a taxpayer receives or expects to receive a quid pro quo in exchange for a transfer to charity, the taxpayer may be able to deduct the excess of the amount transferred over the fair market value of any benefit received in return, provided the excess payment is made with the intention of making a gift.[86]

In general, no charitable contribution deduction is allowed for a transfer to charity of less than the taxpayer's entire interest (i.e., a partial interest) in any property (sec. 170(f)(3)). In addition, no deduction is allowed for any contribution of $250 or more unless the taxpayer obtains a contemporaneous written acknowledgment from the donee organization that includes a description and good faith estimate of the value of any goods or services provided by the donee organization to the taxpayer in consideration, whole or part, for the taxpayer's contribution (sec. 170(f)(8)).

House Bill

Deduction denial

The House bill provision[87] restates present law to provide that no charitable contribution deduction is allowed for purposes of Federal tax, for a transfer to or for the use of an organization described in section 170(c) of the Internal Revenue Code, if in connection with the transfer (1) the organization directly or indirectly pays, or has previously

[85] 1998–51 I.R.B. 16.

[86] *United States* v. *American Bar Endowment*, 477 U.S. 105 (1986). Treas. Reg. sec. 1.170A–1(h).

[87] The provision is similar to H.R. 630, introduced by Mr. Archer and Mr. Rangel (106th Cong., 1st Sess.).

paid, any premium on any ''personal benefit contract'' with respect to the transferor, or (2) 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. It is intended that an organization be considered as indirectly paying premiums if, for example, another person pays premiums on its behalf.

A personal benefit contract with respect to the transferor is any life insurance, annuity, or endowment contract, if any direct or indirect beneficiary under the contract is the transferor, any member of the transferor's family, or any other person (other than a section 170(c) organization) designated by the transferor. For example, such a beneficiary would include a trust having a direct or indirect beneficiary who is the transferor or any member of the transferor's family, and would include an entity that is controlled by the transferor or any member of the transferor's family. It is intended that a beneficiary under the contract include any beneficiary under any side agreement relating to the contract. If a transferor contributes a life insurance contract to a section 170(c) organization and designates one or more section 170(c) organizations as the sole beneficiaries under the contract, generally, it is not intended that the deduction denial rule under the provision apply. If, however, there is an outstanding loan under the contract upon the transfer of the contract, then the transferor is considered as a beneficiary. The fact that a contract also has other direct or indirect beneficiaries (persons who are not the transferor or a family member, or designated by the transferor) does not prevent it from being a personal benefit contract. The provision is not intended to affect situations in which an organization pays premiums under a legitimate fringe benefit plan for employees.

It is intended that a person be considered as an indirect beneficiary under a contract if, for example, the person receives or will receive any economic benefit as a result of amounts paid under or with respect to the contract. For this purpose, as described below, an indirect beneficiary is not intended to include a person that benefits exclusively under a bona fide charitable gift annuity (within the meaning of sec. 501(m)).

In the case of a charitable gift annuity, if the charitable organization purchases an annuity contract issued by an insurance company to fund its obligation to pay the charitable gift annuity, a person receiving payments under the charitable gift annuity is not treated as an indirect beneficiary, provided certain requirements are met. The requirements are that (1) the charitable organization possess all of the incidents of ownership (within the meaning of Treas. Reg. sec. 20.2042–1(c)) under the annuity contract purchased by the charitable organization; (2) the charitable organization be entitled to all the payments under the contract; and (3) the timing and amount of payments under the contract be substantially the same as the timing and amount of payments to each person under the organization's obligation under the charitable gift annuity (as in effect at the time of the transfer to the charitable organization).

Under the provision, an individual's family consists of the individual's grandparents, the grandparents of the individual's spouse, the lineal descendants of such grandparents, and any spouse of such a lineal descendant.

In the case of a charitable gift annuity obligation that is issued under the laws of a State that requires, in order for the charitable gift annuity to be exempt from insurance regulation by that 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 that State, then the foregoing requirements (1) and (2) are treated as if they are met, provided that certain additional requirements are met. The additional requirements are that the State law requirement was in effect on February 8, 1999, each beneficiary under the charitable gift annuity is a bona fide resident of the State at the time the charitable gift annuity was issued, the only persons entitled to payments under the annuity contract issued by the insurance company are persons entitled to payments under the charitable gift annuity when it was issued, and (as required by clause (iii) of subparagraph (D) of the provision) the timing and amount of payments under the annuity contract to each person are substantially the same as the timing and amount of payments to the person under the charitable organization's obligation under the charitable gift annuity (as in effect at the time of the transfer to the charitable organization).

In the case of a charitable remainder annuity trust or charitable remainder unitrust (as defined in section 664(d)) that holds a life insurance, endowment or annuity contract issued by an insurance company, a person is not treated as an indirect beneficiary under the contract held by the trust, solely by reason of being a recipient of an annuity or unitrust amount paid by the trust, provided that the trust possesses all of the incidents of ownership under the contract and is entitled to all the payments under such contract. No inference is intended as to the applicability of other provisions of the Code with respect to the acquisition by the trust of a life insurance, endowment or annuity contract, or the appropriateness of such an investment by a charitable remainder trust.

Nothing in the provision is intended to suggest that a life insurance, endowment, or annuity contract would be a personal benefit contract, solely because an individual who is a recipient of an annuity or unitrust amount paid by a charitable remainder annuity trust or charitable remainder unitrust uses such a payment to purchase a life insurance, endowment or annuity contract, and a beneficiary under the contract is the recipient, a member of his or her family, or another person he or she designates.

Excise tax

The provision imposes on any organization described in section 170(c) of the Code an excise tax, equal to the amount of the premiums paid by the organization on any life insurance, annuity, or endowment contract, if the premiums are paid in connection with a transfer for which a deduction is not allowable under the deduction denial rule of the provision (without regard to when the transfer to the charitable organization was made). The excise tax does not apply if all of the direct and indirect beneficiaries under the contract (including any related side agreement) are organizations described in section 170(c). Under the provision, payments are treated as made by the organization, if they are made by any other person pursuant to an understanding or expectation of payment. The excise tax is to be applied taking into account rules ordinarily applicable to excise taxes in chapter 41 or 42 of the Code (e.g., statute of limitation rules).

Reporting

The provision requires that the charitable organization annually report the amount of premiums that is paid during the year and that is subject to the excise tax imposed under the provision, and the name and taxpayer identification number of each beneficiary under the life insurance, annuity or endowment contract to which the premiums relate, as well as other information required by the Secretary of the Treasury. For this purpose, it is intended that a beneficiary include any beneficiary under any side agreement to which the section 170(c) organization is a party (or of which it is otherwise aware). Penalties applicable to returns required under Code section 6033 apply to returns under this reporting requirement. Returns required under this provision are to be furnished at such time and in such manner as the Secretary shall by forms or regulations require.

Regulations

The provision provides for the promulgation of regulations necessary or appropriate to carry out the purposes of the provisions, including regulations to prevent the avoidance of the purposes of the provision. For example, it is intended that regulations prevent avoidance of the purposes of the provision by inappropriate or improper reliance on the limited exceptions provided for certain beneficiaries under *bona fide* charitable gift annuities and for certain noncharitable recipients of an annuity or unitrust amount paid by a charitable remainder trust.

Effective date

The deduction denial provision applies to transfers after February 8, 1999 (as provided in H.R. 630). The excise tax provision applies to premiums paid after the date of enactment. The reporting provision applies to premiums paid after February 8, 1999 (determined as if the excise tax imposed under the provision applied to premiums paid after that date).

No inference is intended that a charitable contribution deduction is allowed under present law with respect to a charitable split-dollar insurance arrangement. The provision does not change the rules with respect to fraud or criminal or civil penalties under present law; thus, actions constituting fraud or that are subject to penalties under present law would still constitute fraud or be subject to the penalties after enactment of the provision.

Senate Amendment

Same as House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

L. Modify Foreign Tax Credit Carryover Rules (sec. 1301 of the Senate amendment and sec. 904 of the Code)

Present Law

U.S. persons may credit foreign taxes against U.S. tax on foreign-source income. The amount of foreign tax credits that can be claimed in a year is subject to a limitation that prevents taxpayers from using foreign tax credits to offset U.S. tax on U.S.-source income. Separate foreign tax credit limitations are applied to specific categories of income.

The amount of creditable taxes paid or accrued (or deemed paid) in any taxable year which exceeds the foreign tax credit limitation is permitted to be carried back two years and forward five years. The amount carried over may be used as a credit in a carryover year to the extent the taxpayer otherwise has excess foreign tax credit limitation for such year. The separate foreign tax credit limitations apply for purposes of the carryover rules.

House Bill

No provision.

Senate Amendment

The Senate amendment reduces the carryback period for excess foreign tax credits from two years to one year. The Senate amendment also extends the excess foreign tax credit carryforward period from five years to seven years.

Effective date.—The provision applies to foreign tax credits arising in taxable years beginning after December 31, 1999.

Conference Agreement

The conference agreement does not include the provision in the Senate amendment.

M. Modify Estimated Tax Rules for Closely Held Reit Dividends (sec. 1316 of the Senate amendment and sec. 6655 of the Code)

Present Law

If a person has a direct interest or a partnership interest in income-producing assets (such as securities generally, or mortgages) that produce income throughout the year, that person's estimated tax payments must reflect the quarterly amounts expected from the asset.

However, a dividend distribution of earnings from a REIT is considered for estimated tax purposes when the dividend is paid. Some corporations have established closely held REITS that hold property (e.g. mortgages) that if held directly by the controlling entity would produce income throughout the year. The REIT may make a single distribution for the year, timed such that it need not be taken into account under the estimated tax rules as early as would be the case if the assets were directly held by the controlling entity. The controlling entity thus defers the payment of estimated taxes.

House Bill

No provision.

Senate Amendment

In the case of a REIT that is closely held, any person owning at least 10 percent of the vote or value of the REIT is required to accelerate the recognition of year-end dividends attributable to the closely held REIT, for purposes of such person's estimated tax payments. A closely held REIT is defined as one in which at least 50 percent of the vote or value is owed by five or fewer persons. Attribution rules apply to determine ownership.

No inference is intended regarding the treatment of any transaction prior to the effective date.

Effective date.—The provision is effective for estimated tax payments due on or after September 15, 1999.

Conference Agreement

The conference agreement follows the Senate amendment.

N. Prohibited Allocations of Stock in an S Corporation ESOP (sec. 1317 of the Senate amendment and secs. 409 and 4979A of the Code)

Present Law

The Small Business Job Protection Act of 1996 allowed qualified retirement plan trusts described in section 401(a) to own stock in an S corporation. That Act treated the plan's share of the S corporation's income (and gain on the disposition of the stock) as includible in full in the trust's unrelated business taxable income (''UBTI'').

The Tax Relief Act of 1997 repealed the provision treating items of income or loss of an S corporation as UBTI in the case of an employee stock ownership plan (''ESOP''). Thus, the income of an S corporation allocable to an ESOP is not subject to current taxation.

Present law provides a deferral of income on the sales of certain employer securities to an ESOP (sec. 1042). A 50-percent excise tax is imposed on certain prohibited allocations of securities acquired by an ESOP in a transaction to which section 1042 applies. In addition, such allocations are currently includible in the gross income of the individual receiving the prohibited allocation.

House Bill

No provision.

Senate Amendment

Under the provision, if there is a prohibited allocation of stock to a disqualified person under an ESOP sponsored by an S corporation (a ''Sub S ESOP'') for a nonallocation year: (1) an excise tax is imposed on the employer equal to 50 percent of the amount involved in the prohibited allocation; and (2) the stock allocated in the prohibited allocation is treated as distributed to the disqualified individual.

A nonallocation year means any plan year of a Sub S ESOP if, at any time during the plan year, disqualified individuals own at least 50 percent of the number of outstanding shares of the S corporation.

An individual is a disqualified person if the individual is either (1) a member of a ''deemed 20-percent shareholder group'' or (2) a ''deemed 10-percent shareholder''. An individual is a member of a ''deemed 20-percent shareholder group'' if the number of deemed-owned shares of the individual and his or her family members is at least 20 percent of the number of outstanding shares of the corporation. An individual is a deemed 10-percent shareholder if the individual is not a member of a deemed 20-percent shareholder group and the number of the individual's deemed-owned shares is at least 10 percent of the number of outstanding shares of stock of the corporation.

''Deemed-owned shares'' mean: (1) stock allocated to the account of the individual under the ESOP, and (2) the individual's share of unallocated stock held by the ESOP. An individual's share of unallocated stock held by an ESOP is determined in the same manner as the most recent allocation of stock under the terms of the plan.

For purposes of determining whether disqualified individuals own 50 percent or more of the outstanding stock of the corporation, deemed-owned shares and shares owned directly by an individual are taken into account. The family attribution rules of section 318 would apply, modified to include certain other family members, as described below.

Under the provision, family members of an individual include (1) the spouse of the individual, (2) an ancestor or lineal descendant of the individual or his or her spouse, (3) a sibling of the individual (or the individual's spouse) and any lineal descendant of the brother or sister, and (4) the spouse of any person described in (2) or (3).

The Secretary is directed to prescribe rules under which holders of options, restricted stock and similar interests are or are not treated as owning stock attributable to such interests as appropriate to carry out the purposes of the provision. For example, it is intended that such interests would be taken into account if so doing would result in disqualified individuals owning at least 50 percent of the stock of the corporation and that such interests would not be taken into account if so doing would result in disqualified individuals owning less than 50 percent of the stock of the corporation.

Effective date.—The provision is generally effective with respect to years beginning after December 31, 2000. In the case of an ESOP established after July 14, 1999, or an ESOP established on or before such date if the employer maintaining the plan was not an S corporation on such date, the provision is effective with respect to plan years ending after July 14, 1999.

Conference Agreement

The conference agreement does not include the Senate amendment.

The conferees remain concerned that ESOPs of S corporations may continue to be used to avoid or inappropriately defer taxes. Thus, the conferees view the provision as a first step in addressing possible tax avoidance issues relating to the use of S corporation ESOPs and believe that further study of these issues, and further legislation, may be appropriate.

O. Modify Anti-abuse Rules Related to Assumption of Liabilities (sec. 1318 of the Senate amendment and sec. 357 of the Code)

Present Law

Generally, no gain or loss is recognized if property is exchanged for stock of a controlled corporation. The transferor may recognize gain to the extent other property (''boot'') is received by the transferor. The assumption of liabilities by the transferee generally is not treated as boot received by the transferor. The assumption of a liability is treated as boot to the transferor, however, ''[i]f, taking into consideration the nature of the liability and the circumstances in the light of which the arrangement for the assumption or acquisition was made, it appears that the principal purpose of the taxpayer . . . was a purpose to avoid Federal income tax on the exchange, or . . . if not such purpose, was not a bona fide business purpose.'' Sec. 357(b). Thus, this exception requires that the principal purpose of having the transferee assume the liability was the avoidance of tax on the exchange.

The transferor's basis in the stock of the transferee received in the exchange is the basis of the property contributed, reduced by the amount of any liability assumed, but generally increased in the amount of any gain recognized by the transferor on the exchange. If the transferee assumes liabilities in excess of the basis of assets transferred, the transferor recognizes gain in the amount of the excess. However, this gain recognition rule does not apply if the assumption of a liability is treated as boot under the tax avoidance rule. Stock basis is reduced, however, for such an assumption.[88] For other liabilities (where the assumption is not treated as boot under the tax avoidance rule), no gain recognition or basis reduction is required for the assumption of a liability that would give rise to a deduction.

Similar rules apply in connection with certain tax-free reorganizations.

A different set of rules applies with respect to partnerships. However, generally a partner's basis in its partnership interest is the

[88] Pursuant to section 357(c)92)(A), liabilities that are treated as assumed in a tax avoidance transaction under section 357(b)(1) are not within the scope of section 357(c)(3) or section 358(d)(2) under present law. Thus, the transferee's assumption of a liability that is treated as a tax avoidance transaction under section 357(b)(1) is treated as the transferor's receipt of money for purposes of 358 and related provisions, regardless of whether the liability would give rise to a deduction.

basis of property contributed. Liabilities affect that basis by causing a decrease in basis of the partnership interest to the extent the partnership has assumed the partner's liabilities, and an increase in basis to the extent the partner has assumed liabilities of the partnership. Similarly, there is an increase (or decrease) in basis for an increase (or decrease) in the partner's share of partnership liabilities.

House Bill

No provision.

Senate Amendment

The Senate amendment deletes the limitation that the assumption of liabilities anti-abuse rule only applies to tax avoidance on the exchange itself, and changes ''the principal purpose'' standard to ''a principal purpose.'' The provision also affects the basis rule that requires a decrease in the transferor's basis in the transferee's stock when a liability, the payment of which would give rise to a deduction, is treated as boot under the tax avoidance rule. The committee report refers to a specific type of transaction involving certain contingent liabilities as one example of a transaction that is of concern under present law.

Effective date.—The provision is effective for assumptions of liabilities on or after July 15, 1999.

Conference Agreement

The conference agreement follows the Senate amendment.

It is also expected that the Treasury Department will promptly examine the use of partnerships and apply similar rules (for example, with respect to adjustments to the basis of a partnership interest with respect to certain contingent liabilities) where there is a principal purpose of avoiding Federal income tax through the use of a transaction that includes the assumption of liabilities by a partnership. The conferees note that pursuant to section 7805(b)(3), if necessary to prevent abuse, the Secretary could determine that any regulations applying such rules should be effective on the same date as this provision, i.e., July 15, 1999.

No inference is intended regarding the proper treatment of any transaction under present law.

Effective date.—The effective date is the same as that of the Senate amendment.

P. Require Consistent Treatment and Provide Basis Allocation Rules for Transfers of Intangibles in Certain Nonrecognition Transactions (sec. 1319 of the Senate amendment and secs. 351 and 721 of the Code)

Present Law

Generally, no gain or loss is recognized if one or more persons transfer property to a corporation solely in exchange for stock in the corporation and, immediately after the exchange such person or persons are in control of the corporation. Similarly, no gain or loss is recognized in the case of a contribution of property in exchange for a partnership interest. Neither the Internal Revenue Code nor the regulations provide the meaning of the requirement that a person ''transfer property'' in exchange for stock (or a partnership interest). The Internal Revenue Service interprets the requirement consistent with the ''sale or other disposition of property'' language in the context of a taxable disposition of property. See, e.g., Rev. Rul. 69–156, 1969–1 C.B. 101. Thus, a transfer of less than ''all substantial rights'' to use property will not qualify as a tax-free exchange and stock received will be treated as payments for the use of property rather than for the property itself. These amounts are characterized as ordinary income. However, the Claims Court has rejected the Service's position and held that the transfer of a non-exclusive license to use a patent (or any transfer of ''something of value'') could be a ''transfer'' of ''property'' for purposes of the nonrecognition provision. See *E.I. DuPont de Nemours & Co.* v. *U.S.*, 471 F.2d 1211 (Ct. Cl. 1973).

House Bill

No provision.

Senate Amendment

The provision treats a transfer of an interest in intangible property constituting less than all of the substantial rights of the transferor in the property as a transfer of property for purposes of the nonrecognition provisions regarding transfers of property to controlled corporations and partnerships. In the case of a transfer of less than all of the substantial rights, the transferor is required to allocate the basis of the intangible between the retained rights and the transferred rights based upon their respective fair market values.

No inference is intended as to the treatment of these or similar transactions prior to the effective date.

Effective date.—The provision is effective for transfers on or after the date of enactment.

Conference Agreement

The conference agreement follows the Senate amendment.

Q. Distributions by a Partnership to a Corporate Partner of Stock in Another Corporation (sec. 1321 of the Senate amendment and sec. 732 of the Code)

Present Law

Present law generally provides that no gain or loss is recognized on the receipt by a corporation of property distributed in complete liquidation of another corporation in which it holds 80 percent of the stock (by vote and value) (sec. 332). The basis of property received by a corporate distributee in the distribution in complete liquidation of the 80–percent-owned subsidiary is a carryover basis, i.e., the same as the basis in the hands of the subsidiary (provided no gain or loss is recognized by the liquidating corporation with respect to the distributed property) (sec. 334(b)).

Present law provides two different rules for determining a partner's basis in distributed property, depending on whether or not the distribution is in liquidation of the partner's interest in the partnership. Generally, a substituted basis rule applies to property distributed to a partner in liquidation. Thus, the basis of property distributed in liquidation of a partner's interest is equal to the partner's adjusted basis in its partnership interest (reduced by any money distributed in the same transaction) (sec. 732(b)).

By contrast, generally, a carryover basis rule applies to property distributed to a partner other than in liquidation of its partnership interest, subject to a cap (sec. 732(a)). Thus, in a non-liquidating distribution, the distributee partner's basis in the property is equal to the partnership's adjusted basis in the property immediately before the distribution, but not to exceed the partner's adjusted basis in its partnership interest (reduced by any money distributed in the same transaction). In a non-liquidating distribution, the partner's basis in its partnership interest is reduced by the amount of the basis to the distributee partner of the property distributed and is reduced by the amount of any money distributed (sec. 733).

If corporate stock is distributed by a partnership to a corporate partner with a low basis in its partnership interest, the basis of the stock is reduced in the hands of the partner so that the stock basis equals the distributee partner's adjusted basis in its partnership interest. No comparable reduction is made in the basis of the corporation's assets, however. The effect of reducing the stock basis can be negated by a subsequent liquidation of the corporation under section 332.[89]

House Bill

No provision.

Senate Amendment

In general

The provision provides for a basis reduction to assets of a corporation, if stock in that corporation is distributed by a partnership to a corporate partner. The reduction applies if, after the distribution, the corporate partner controls the distributed corporation.

Amount of the basis reduction

Under the provision, the amount of the reduction in basis of property of the distributed corporation generally equals the amount of the excess of (1) the partnership's adjusted basis in the stock of the distributed corporation immediately before the distribution, over (2) the corporate partner's basis in that stock immediately after the distribution.

The provision limits the amount of the basis reduction in two respects. First, the amount of the basis reduction may not exceed the amount by which (1) the sum of the aggregate adjusted bases of the property and the amount of money of the distributed corporation exceeds (2) the corporate partner's adjusted basis in the stock of the distributed corporation. Thus, for example, if the distributed corporation has cash of $300 and other property with a basis of $600 and the corporate partner's basis in the stock of the distributed corporation is $400, then the amount of the basis reduction could not exceed $500 (i.e., ($300+$600) − $400 = $500).

Second, the amount of the basis reduction may not exceed the adjusted basis of the property of the distributed corporation. Thus, the basis of property (other than money) of the distributed corporation may not be reduced below zero under the provision, even though the total amount of the basis reduction would otherwise be greater.

The provision provides that the corporate partner recognizes long-term capital gain to the extent the amount of the basis reduction does exceed the basis of the property (other than money) of the distributed corporation. In addition, the corporate partner's adjusted basis in the stock of the distribution is increased in the same amount. For example, if the amount of the basis reduction were $400, and the distributed corporation has money of $200 and other property with an adjusted basis of $300, then the corporate partner would recognize a $100 capital gain under the provision. The corporate partner's basis in the stock of the distributed corporation would also be increased by $100 in this example, under the provision.

The basis reduction is to be allocated among assets of the controlled corporation in accordance with the rules provided under section 732(c).

[89] In a similar situation involving the purchase of stock of a subsidiary corporation as replacement property following an involuntary conversion, the Code generally requires the basis of the assets held by the subsidiary to be reduced to the extent that the basis of the stock in the replacement corporation itself is reduced (sec. 1033).

Partnership distributions resulting in control

The basis reduction generally applies with respect to a partnership distribution of stock if the corporate partner controls the distributed corporation immediately after the distribution or at any time thereafter. For this purpose, the term control means ownership of stock meeting the requirements of section 1504(a)(2) (generally, an 80–percent vote and value requirement).

The provision applies to reduce the basis of any property held by the distributed corporation immediately after the distribution, or, if the corporate partner does not control the distributed corporation at that time, then at the time the corporate partner first has such control. The provision does not apply to any distribution if the corporate partner does not have control of the distributed corporation immediately after the distribution and establishes that the distribution was not part of a plan or arrangement to acquire control.

Under the provision, a corporation is treated as receiving a distribution of stock from a partnership, if the corporation acquires stock other than in a distribution from a partnership and the basis of the stock is determined in whole or in part by reference to the partnership rules limiting the basis of the stock to a partner's basis in his partnership interest (secs. 732(a)(2) or 732(b)).

In the case of tiered corporations, a special rule provides that if the property held by a distributed corporation is stock in a corporation that the distributed corporation controls, then the provision is applied to reduce the basis of the property of that controlled corporation. The provision is also reapplied to any property of any controlled corporation that is stock in a corporation that it controls. Thus, for example, if stock of a controlled corporation is distributed to a corporate partner, and the controlled corporation has a subsidiary, the amount of the basis reduction allocable to stock of the subsidiary is applied again to reduce the basis of the assets of the subsidiary, under the special rule.

Effective date

The provision is effective for distributions made after July 14, 1999.

Conference Agreement

The conference agreement follows the Senate amendment, with clarifications and with a modification to the effective date.

The conference agreement clarifies the rule relating to stock acquired other than in a distribution from a partnership when the basis of the stock is determined in whole or in part by reference to the partnership rules limiting the basis of the stock to a partner's basis in his partnership interest (secs. 732(a)(2) or 732(b)). As clarified, the rule provides that, for purposes of the provision, if a corporation acquires (other than in a distribution from a partnership) stock the basis of which is determined (by reason of being distributed from a partnership) in whole or in part by reference to section 732(a)(2) or (b), then the corporation is treated as receiving a distribution of stock from a partnership. For example, if a partnership distributes property other than stock (such as real estate) to a corporate partner, and that corporate partner contributes the real estate to another corporation in a section 351 transaction, then the stock received in the section 351 transaction is not treated as distributed by a partnership, and the basis reduction under this provision does not apply. As another example, if a partnership distributes stock to two corporate partners, neither of which have control of the distributed corporation, and the two corporate partners merge and the survivor obtains control of the distributed corporation, the stock of the distributed corporation that is acquired as a result of the merger is treated as received in a partnership distribution; the basis reduction rule of the provision applies.

The conference agreement also provides additional clarification with respect to the regulations under the provision (which include regulations to avoid double counting and to prevent the abuse of the purposes of the provision). The conferees intend that regulations prevent the avoidance of the purposes of the provision through the use of tiered partnerships.

Effective date.—The provision is effective for distributions made after July 14, 1999, except that in the case of a corporation that is a partner in a partnership on July 14, 1999, the provision is effective for distributions by that partnership to the corporation after the date of enactment.

XVII. TAX TECHNICAL CORRECTIONS (secs. 1601—1605 of the House bill and secs. 504(c) and 1401—1405 of the Senate amendment)

House Bill

The House bill contains technical, clerical and conforming amendments to the Tax and Trade Relief Extension Act of 1998 and other recently enacted legislation. The provisions generally are effective as if enacted in the original legislation to which each provision relates.[90]

Senate Amendment

Same as House bill.

Conference Agreement

The conference agreement does not include the House bill or the Senate amendment provisions.

XIX. SENSE OF THE SENATE AND OTHER PROVISIONS

A. Sense of the Congress Regarding Empowerment Zones (sec. 1128 of the Senate amendment)

Present Law

Pursuant to the Omnibus Budget Reconciliation Act of 1993 (''OBRA 1993'') and the Taxpayer Relief Act of 1997 (''1997 Act''), the Secretaries of the Department of Housing and Urban Development and the Department of Agriculture have designated a number of areas as empowerment zones and enterprise communities. In general, businesses located in empowerment zones and enterprise communities qualify for certain tax incentives (though the empowerment zones designated in the 1997 Act are not necessarily entitled to all of the tax incentives as those designated in OBRA 1993).

The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act for Fiscal Year 1999 appropriated funds for 20 new rural enterprise communities that meet the designation and eligibility requirements set out the Code (but are not designated as enterprise communities for Federal tax purposes).

House Bill

No provision.

Senate Amendment

The Senate amendment provides a Sense of the Congress resolution that if Congress and the President agree to a substantial tax relief measure, it should ensure that such tax relief measure includes full funding for the empowerment zones and enterprise communities authorized in 1997 and 1998, as well as those areas currently designated as rural economic area partnerships by the Department of Agriculture. In addition, all such designated areas should equally share at least the same aggregate level of funding, tax incentives, and other Federal support that Congress provided to urban and rural empowerment zones and enterprise communities authorized by OBRA 1993.

Conference Agreement

The conference agreement does not include the Senate amendment.

B. Sense of the Senate Regarding Savings Incentives (sec. 1127 of the Senate amendment)

Present Law

The Code states that, except as otherwise provided, ''gross income means all income from whatever source derived'' (sec. 61). Because there is no exclusion for interest and dividends, interest and dividends received by individuals are includible in gross income and subject to tax.

House Bill

No provision.

Senate Amendment

The Senate amendment states that, before December 31,1999, Congress should pass legislation that creates savings incentives by providing a partial Federal income tax exclusion for income derived from interest and dividends of no less than $400 for married taxpayers and $200 for single taxpayers.

Effective date.—The provision is effective upon enactment.

Conference Agreement

The conference agreement does not include the Senate amendment.

C. Sense of the Congress Regarding Small Business Incentives (sec. 1129 of the Senate amendment)

Present Law

Present law provides that, in lieu of depreciation, a taxpayer with a sufficiently small amount of annual investment may elect to deduct up to $19,000 (for taxable years beginning in 1999) of the cost of qualifying property placed in service for the taxable year (sec. 179). In general, qualifying property is defined as depreciable tangible personal property that is purchased for use in the active conduct of a trade or business. The $19,000 amount is reduced (but not below zero) by the amount by which the cost of qualifying property placed in service during the taxable year exceeds $200,000. In addition, the amount eligible to be expensed for a taxable year may not exceed the taxable income for a taxable year that is derived from the active conduct of a trade or business (determined without regard to this provision). Any amount that is not allowed as a deduction because of the taxable income limitation may be carried forward to succeeding taxable years (subject to similar limitations).

The $19,000 amount is increased to $25,000 for taxable years beginning in 2003 and thereafter. The increase is phased in as follows: for taxable years beginning in 2000, the amount is $20,000; for taxable years beginning in 2001 or 2002, the amount is $24,000; and for taxable years beginning in 2003 and thereafter, the amount is $25,000.

House Bill

No provision.

Senate Amendment

The Senate amendment states that it is the sense of the Congress that many small businesses would benefit from the expansion

[90] For a description of the House provisions, see H. Rept. 106–238 (H.R. 2488), July 16, 1999.

of present-law expensing provisions to cover investments in depreciable real property, and that Congress should consider such expansion in any reform legislation that follows the depreciation study that the Treasury Department is currently undertaking.

Effective date.—The provision is effective upon enactment.

Conference Agreement

The conference agreement does not include the Senate amendment.

D. Direct Expenditure Block Grant (sec. 1126 of the Senate amendment and sec. 418 of the Social Security Act)

Present Law

Section 418 of the Social Security Act provides grants to the States for the purpose of providing child care assistance. At least 70 percent of the amounts received by the States must be used to provide child care assistance to families who are receiving assistance under a State program of Temporary Assistance for Needy Families (Title IV, part A of the Social Security Act), to families who are attempting through work activities to transition off of such assistance program, or to families who are at risk of becoming dependent on such assistance program.

House Bill

No provision.

Senate Amendment

The Senate amendment increases appropriations for grants under Section 418 of the Social Security Act from $2,717 million to $3,918 million for fiscal year 2002, and provides appropriations of $3,979 million for fiscal year 2003, $4,010 million for fiscal year 2004, $3,860 million for fiscal year 2005, $3,954 million for fiscal year 2006, $4,004 million for fiscal year 2007, $4,073 million for fiscal year 2008, and $4,075 million for fiscal year 2009.

Effective date.—The provision is effective upon enactment.

Conference Agreement

The conference agreement does not include the Senate amendment.

XVIII. CONTINGENCY FOR RATE REDUCTIONS AND COMMITMENT TO DEBT REDUCTION (secs. 101 and 1701 of the House bill)

Present Law

No provision.

House Bill

The House-passed version contained a 10-percent across-the-board rate reduction. The trigger attached to these provisions would delay the scheduled reductions in these rates depending on the level of gross interest costs. Gross interest expenses accrue from debt held publically as well as debt held by all government trust funds.

In order for a rate reduction to occur on January 1, the government's gross interest expense during the 12 month period ending on July 31 of the previous year must not increase. This measurement is referred to in the bill as the debt reduction calendar year. If the gross interest expense increased, the tax rate reduction was delayed one year but previous rate reductions were not rescinded.

The across the board rate reduction scheduled to take place in 2001 was not subject to the trigger.

The House bill contained a provision reflecting the sense of the Congress that the national debt held by the public shall be reduced from $3.619 trillion to a level below $1.61 trillion by fiscal year 2009.

Senate Amendment

No provision.

Conference Agreement

The conference report contains the same trigger mechanism as in the House passed bill. The trigger mechanism is based on gross debt interest expenses which must not increase from the previous year through July 31 of the year before the scheduled increase.

The conference report, however, contains a different structure for reducing tax rates and expanding certain tax brackets. In three instances, the trigger may delay one or more of these provisions. The following items are subject to the trigger mechanism:

—In 2003, the 14.5 percent marginal tax rate will be reduced to 14.0 percent.

—In 2005, the top four marginal tax rates will each be reduced by 1 percentage point.

—In 2006, the width of the 14 percent tax bracket will be increased by $5,000.

The first rate reduction from 15 percent to 14.5 percent is permanent and not subject to the trigger.

In addition, the conferees express the sense of the Congress that: (1) the national debt of the United States held by the public is $3.619 trillion as of fiscal year 1999; (2) the Federal budget is projected to produce a surplus each year in the next 10 fiscal years; (3) refunding taxes and reducing the national debt held by the public will assure continued economic growth and financial freedom for future generations; and (4) The provision reflects the sense of the Congress that: (1) the national debt of the United States held by the public is $3.619 trillion as of fiscal year 1999; (2) the Federal budget is projected to produce a surplus each year in the next 10 fiscal years; (3) refunding taxes and reducing the national debt held by the public will assure continued economic growth and financial freedom for future generations; and (4) the national debt held by the public shall be reduced from $3.619 trillion to a level below $1.61 trillion by fiscal year 2009.

XIX. EXCLUSION FROM PAYGO SCORECARD (sec. 1801 of the House bill)

Present Law

Under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, tax reduction legislation is subject to a ''pay-as-you-go'' (PAYGO) requirement. The PAYGO system tracks legislation that may increase budget deficits using a ''scorecard'' (estimated by the Office of Management and Budget). Any revenue loss would have to be offset by other revenue increases, reductions in direct spending or a combination of the two.

House Bill

The House bill provides that, upon enactment of the Act, the Director of the Office of Management and Budget shall not make any estimate of the changes in direct spending outlays and receipts under section 252(d) of the Balanced Budget and Emergency Deficit Control Act of 1985 resulting from the enactment of the Act.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment due to the Senate's procedural requirements under the Byrd rule. The conferees note that the reduction in revenues from the conference agreement is fully accommodated under the Congressional budget resolution from the on-budget non-social security surplus, leaving greater amounts set aside for Social Security, Medicare and debt relief greater than under the President's budget. The conferees further believe that the application of current PAYGO rules to the conference report is anachronistic in an era of sustained projected surpluses. Therefore, the conferees intend that, upon enactment of the Act, the Director of OMB should be directed to not make any estimate of the changes in direct spending, outlays, and receipts under section 252(d) of the Balanced Budget and Emergency Deficit Control Act of 1985 resulting from the enactment of the Act.

XX. COMPLIANCE WITH CONGRESSIONAL BUDGET ACT (sec. 1501 of the Senate amendment)

Present Law

Reconciliation is a procedure under the Congressional Budget Act of 1974 (''the Budget Act'') by which Congress implements spending and tax policies contained in a budget resolution. The Budget Act contains numerous rules enforcing the scope of items permitted to be considered under budget reconciliation process. One such rule, the so-called ''Byrd rule,'' was incorporated into the Budget Act in 1990. The Byrd rule, named after its principal sponsor, Senator Robert C. Byrd, is contained in section 313 of the Budget Act. The Byrd rule is generally interpreted to permit members to make a motion to strike extraneous provisions (those which are unrelated to the deficit reduction goals of the reconciliation process) from either a budget reconciliation bill or a conference report on such bill.

Under the Byrd rule, a provision is considered to be extraneous if it falls under one or more of the following six definitions:

(1) It does not produce a change in outlays or revenues;

(2) It produces an outlay increase or revenue decrease when the instructed committee is not in compliance with its instructions;

(3) It is outside of the jurisdiction of the committee that submitted the title or provision for inclusion in the reconciliation measure;

(4) It produces a change in outlays or revenues which is merely incidental to the non-budgetary components of the provision;

(5) It would increase the deficit for a fiscal year beyond those covered by the reconciliation measure; and

(6) it recommends changes in Social Security.

House Bill

No provision.

Senate Amendment

To ensure compliance with the Budget Act, the provision provides that all provisions of, and amendments made by, this Senate amendment, which are in effect on September 30, 2009, shall cease to apply as of such date, and shall begin to apply again as of October 1, 2009.

Conference Agreement

The conference agreement follows the Senate amendment, but provides that certain provisions of the bill sunset on December 31, 2008.

XXI. TAX COMPLEXITY ANALYSIS

The following tax complexity analysis is provided pursuant to section 4022(b) of the Internal Revenue Service Reform and Restructuring Act of 1998, which requires the staff of the Joint Committee on Taxation (in consultation with the Internal Revenue Service (''IRS'') and the Treasury Department) to provide a complexity analysis of tax legislation reported by the House Committee on Ways and Means, the Senate Committee on Finance, or a Conference Report containing tax provisions. The complexity

analysis is required to report on the complexity and administrative issues raised by provisions that directly or indirectly amend the Internal Revenue Code and that have widespread applicability to individuals or small businesses. For each such provision identified by the staff of the Joint Committee on Taxation, a summary description of the provision is provided, along with an estimate of the number and the type of affected taxpayers, and a discussion regarding the relevant complexity and administrative issues.

Following the analysis of the staff of the Joint Committee on Taxation are the comments of the IRS regarding each of the provisions included in the complexity analysis, including a discussion of the likely effect on IRS forms and any expected impact on the IRS.

1. Reduce the income tax rates (sec. 101 of the conference agreement)

Summary description of provision

The provision reduces the individual regular income tax rates as follows: (1) from 15 percent to 14 percent; (2) from 28 percent to 27 percent; (3) from 31 percent to 30 percent; (4) from 36 percent to 35 percent; and (5) from 39.6 percent to 38.6 percent. The reduction of the 15–percent rate to a 14–percent rate is phased-in over three years; (1) 14.5 percent in 2001 and 2002; and (2) 14 percent in 2003 and thereafter. The reductions in the other rates are effective for taxable years beginning after 2004. The provision also widens the lowest regular income tax bracket for singles and head of households by $3,000 for taxable years beginning after 2005. For years after 2006, the $3,000 amount is indexed for inflation.

Number of affected taxpayers

It is estimated that the reduction of the regular income tax rates will affect approximately 112 million individual income tax returns.

Discussion

It is not anticipated that individuals will need to keep additional records due to this provision. The information necessary to implement the provision will be readily available to taxpayers (in the form of new tax tables and tax rate schedules). The rate reduction should not result in an increase in disputes with the IRS, nor will regulatory guidance be necessary to implement this provision.

Because the provision includes corresponding reductions in the individual alternative minimum tax rates, the provision should not result in taxpayers having to calculate their tax liability under the alternative minimum tax (AMT).

2. Marriage penalty relief (sec. 111 of the conference agreement)

Summary description of provision

The provision increases the basic standard deduction for a married couple filing a joint return to twice the basic standard deduction for an unmarried individual. This increase is phased-in over five years (2001–2005) and is fully effective in 2005. The provision also increases the size of the lowest regular income tax rate bracket to twice the size of the rate bracket for an unmarried individual. This increase in the rate bracket is phased-in over four years (2005–2008) and is fully effective in 2008.

Number of affected taxpayers

It is estimated that this provision will affect approximately 36 million individual income tax returns.

Discussion

The provision is not expected to result in an increase in disputes with the IRS, nor should regulatory guidance be necessary to implement this provision. In addition, the provision should not increase individuals' tax preparation costs. Some taxpayers who currently itemize deductions may respond to the provision by claiming the increased standard deduction in lieu of itemizing. Such taxpayers will no longer have to file Schedule A or need to engage in the record keeping inherent in itemizing below-the-line deductions. This reduction in complexity and record keeping may also result in a decline in the number of individuals using a tax preparation service (or a decline in the cost of using such a service). It may also reduce the number of disputes between taxpayers and the IRS regarding substantiation of itemized deductions.

3. Individual capital gains rates (secs. 201 and 202 of the conference agreement)

Summary description of provision

The provision reduces the present-law individual capital gain rates of 10, 20, and 25 percent to 8, 18, and 23 percent respectively, effective for transactions on or after January 1, 1999. The provision also provides for the indexation of capital gains beginning in 2000 (with mark-to-market treatment with respect to assets held on January 1, 2000).

Number of affected taxpayers

It is estimated that the provision will affect approximately 20 million individual income tax returns.

Discussion

The capital gains rate reductions are not expected to cause taxpayers to keep additional records. The repeal of the reduced rates for five-year property after 2000 will simplify the forms and recordkeeping for years after 2000. In addition, since the provision applies with respect to capital gains realized for all of 1999, it obviates the need for multiple rate schedules for 1999.

Indexing of assets for inflation beginning in 2000 is expected to cause taxpayers to keep additional records because, in the case of the disposition of capital assets held more than one year, it will be necessary to establish the calendar quarter in which the asset was purchased. The taxpayer will have the additional complexity of computing the basis adjustments on the sale of the assets by multiplying the basis by the inflation adjustment. This will be particular complex where assets are purchased periodically, such as in the case of common stock acquired pursuant to dividend reinvestment plans.

The indexing of assets will result in additional computations by the taxpayer, and guidance will be necessary to implement the provision. For example, guidance will be necessary with respect to assets that are held on January 1, 2000 that are marked-to-market, as well as the application of the indexing provision with respect to pass-through entities.

The indexing of assets may result in an increase in disputes with the IRS. The provision can be expected to increase the tax preparation cost of individuals using a tax preparation service, depending on the type of assets that are indexed and the extent to which a taxpayer maintains adequate records.

4. Increase in IRA contribution limit (sec. 211 of the conference agreement)

Summary description of provision

The provision increases the $2,000 IRA contribution limit to $3,000 for 2001–03, to $4,000 in 2004–05, to $5,000 in 2006–08.

Number of affected taxpayers

It is estimated that the provision will affect 15 million individual tax returns.

Discussion

It is not anticipated that individuals will need to keep additional records due to the provision. It is not anticipated that the provision will result in increased disputes with the IRS. It is not anticipated that the provision will increase tax return preparation costs. Regulatory guidance will not be needed to implement the provision. Because the maximum contribution limit will change, some taxpayers may be confused as to how much they can contribute to an IRA. It is expected that IRS Forms and publications will contain the limit applicable for each year.

5. Accelerate 100–percent self-employed health insurance deduction (sec. 801 of the conference agreement)

Summary description of provision

The provision accelerates the increase in the deduction for health insurance expenses of self-employed individuals so that the deduction is 100 percent in years beginning after December 31, 1999.

Number of affected taxpayers

It is estimated that the provision will affect three million small businesses.

Discussion

It is not anticipated that individuals or small businesses will need to keep additional records due to the provision. It is not anticipated that the provision will result in an increase in disputes with the IRS, or increase tax return preparation costs. It is not anticipated that regulatory guidance will be needed to implement the provision. Accelerating the 100–percent deduction may simplify the preparation of tax returns for self-employed individuals, because they will no longer need to keep track of the percent of health insurance expenses that are deductible, and will need to perform one less calculation.

6. Repeal of the temporary federal unemployment "FUTA" surtax (sec. 803 of the conference agreement)

Summary description of provision

Under present law, in addition to the regular FUTA tax of 0.6 percent of taxable wages, a temporary surtax of 0.2 percent of taxable wages applies through 2007. The provision repeals the temporary FUTA surtax (of 0.2 percent of taxable wages) after December 31, 2004.

Number of affected taxpayers

It is estimated that the repeal of the FUTA surtax will affect over six million small businesses.

Discussion

It is not anticipated that small businesses will need to keep additional records due to this provision, nor is it anticipated that this provision will result in an increase in disputes with the IRS. Additional regulatory guidance should not be necessary to implement this provision. The provision should not increase the tax preparation cost of small businesses using a tax preparation service.

7. Increase deduction for business meals (sec. 804 of the conference agreement)

Summary description of provision

The provision phases in an increase in the deductible percentage of business meal (food and beverage) expenses. The increase in the deductible percentage is phased in as follows: 55 percent in 2006; and 60 percent in 2007 and thereafter.

Number of affected taxpayers

It is estimated that almost all small businesses will be affected by the provision.

Discussion

Because the provision increases the percentage deduction only with respect to meals

and not entertainment, small businesses may have to keep additional records to distinguish between the two types of expenditures. The provision may lead to additional disputes between small businesses and the IRS regarding the nature of an expenditure, particularly in business situations where the meal and entertainment is provided as a package for a single price. No new regulatory changes would be needed to implement the provision (although a conforming change to regulations to reflect the increasing percentage would be appropriate). The provision may increase complexity because the percentage of the deduction is phased in.

8. Sunset the provisions of the act (sec. 1602 of the conference agreement)

Summary description of provision

The provision sunsets the provisions and amendments made by this Act on the close of September 30, 2009. Certain enumerated provisions of the bill sunset on December 31, 2008.

Number of affected taxpayers

It is estimated that the provision would affect almost all individuals and small businesses.

Discussion

The provision will result in additional complexity and record keeping requirements for individuals and small businesses. Additional forms will be necessary to the extent the sunset causes a provision that had been eliminated to once again become effective. Similarly, additional regulatory guidance may be necessary to provide rules regarding transition issues that may arise as a result of this provision. The provision also can be expected to result in an increase in the tax preparation cost of individuals and small businesses using a tax preparation service.

DEPARTMENT OF THE TREASURY,
INTERNAL REVENUE SERVICE,
Washington, DC, August 4, 1999.

Ms. LINDY L. PAULL,
Chief of Staff, Joint Committee on Taxation, Washington, DC.

DEAR MS. PAULL: Attached are the Internal Revenue Service's comments on the eight provisions of the conference agreement to H.R. 2488 that you identified for complexity analysis in your letter of August 4, 1999. We have reiterated your description of those provisions in the attachment to this letter. Our comments are based on the information provided in the attachment to your letter, as well as language from the House and Senate versions of the bill.

Due to the short turnaround time, and the fact that we did not have the exact language of the conference report, our comments are provisional and subject to change upon a more complete and in-depth analysis of the provisions.

Sincerely,

CHARLES O. ROSSOTTI,
Commissioner.

Attachment.

COMPLEXITY ANALYSIS OF PROVISIONS FROM CONFERENCE AGREEMENT ON H.R. 2488

RATE REDUCTION

Provision: A reduction in the individual regular income tax rates as follows: (1) from 15 percent to 14 percent; (2) from 28 percent to 27 percent; (3) from 31 percent to 30 percent; (4) from 36 percent to 35 percent; and (5) from 39.6 percent to 38.6 percent. The reduction of the 15-percent rate to a 14-percent rate is phased-in over three years: (1) 14.5 percent in 2001 and 2002; and (2) 14 percent in 2003 and thereafter. The reductions in the other rates are effective for taxable years beginning after 2004. The provision also widens the lowest regular income tax bracket for singles and heads of household by $3,000 for taxable years beginning after 2005. For years after 2006, the $3,000 amount is indexed for inflation.

IRS Comments: The tax rate changes and the increase in the width of the 14 percent bracket mandated by the provision would be incorporated in the tax tables and tax rate schedules during IRS' annual update of these items. Changes would be required to the tax tables and tax rate schedules shown in the instructions for Forms 1040, 1040A, 1040EZ, 1040NR, 1040NR–EZ, and 1041, and on Forms 1040–ES, W–4V, and 8814 for 2001, 2003, 2005, and later years. Other forms (e.g., Form 8752) would also be affected. No new forms would be required. Programming changes would be required to reflect the new rates and wider 14 percent rate bracket.

MARRIAGE PENALTY RELIEF

Provision: An increase in the basic standard deduction for a married couple filing a joint return to twice the basic standard deduction for an unmarried individual. This increase is phased-in over five years (2001–2005) and is fully effective in 2005. The provision also increases the size of the lowest regular income tax rate bracket to twice the size of the rate bracket for an unmarried individual. This increase in the rate bracket is phased-in over four years (2005–2008) and is fully effective in 2008.

IRS Comments: The increase in the basic standard deduction for married taxpayers filing jointly would be incorporated in the instructions for Forms 1040, 1040A, 1040EZ, 1040NR, and 1040NR–EZ, and on Forms 1040, 1040A, 1040EZ, and 1040–ES for each year during the phase-in period (2001–2005). The increase in the width of the 14 percent bracket would be incorporated in the tax tables and tax rate schedules in the instructions for Forms 1040, 1040A, 1040EZ, 1040NR, and 1040NR–EZ for each year during the phase-in period (2005–2008). No new forms would be required. Programming changes would be required to reflect the increased standard deduction and wider 14 percent rate bracket for married taxpayers filing jointly.

REDUCED CAPITAL GAINS RATE AND INDEXING

Provision: A reduction of the individual capital gain rates of 10, 20, and 25 percent to 8, 18, and 23 percent, respectively, effective for transactions on or after january 1, 1999. The provision also provides for the indexation of capital gains beginning in 2000 (with mark-to-market treatment with respect to assets held on january 1, 2000).

IRS Comments: The provision would require revision of the following 1999 forms to reflect the reduced capital gains tax rates. Schedule D (Form 1040). Schedule D (Form 1041), Form 6251, and Schedule I of Form 1041. no additional lines or worksheets would be necessary, provided that section 1(h)(13)(C) of the Code, relating to special rules for passthrough entities, is repealed. No new forms would be required. Programming changes would be required to reflect the new rates. Programming changes would be required to reflect the reduced capital gain rates.

The indexing provision would result in an increase in taxpayer burden. The IRS would need to develop a 6-column worksheet and a table of indexing factors beginning with the 2000 (or 2001) instructions for Schedules D of Forms 1040, 1041, 1065, 1065–B, and 1120–S, to help taxpayers figure the increase in the basis of each asset they sell. Indexing would be especially burdensome for taxpayers who have dividend reinvestment plans or who periodically add small amounts to their mutual funds. Each dividend reinvestment and/or periodic addition would be viewed as a separate asset purchase that would have to be indexed based on when the reinvestment or addition was made. Most capital improvements would be similarly treated as separate asset acquisitions. Assuming corporations are ineligible for indexing, the provision would also require two separate basis calculations for assets held by partnerships that have corporate partners. No new forms or programming changes would be required.

Indexing would lead to increased taxpayer error. Errors detected on the face of the return during processing would be sent to Error Resolution for correction, which would result in additional taxpayer contacts as well as delays in issuing refunds. Such errors would increase the IRS' processing costs. Most indexing errors would only be detectable through an examination of the return.

Taxpayers would have to maintain proof (i.e., a copy of their return) of their mark-to-market election well into the future in order to establish their asset basis. Failure to maintain this proof could lead to disputes with the IRS when the asset is eventually sold or disposed of.

Complications from indexing would likely cause an increase in the number of taxpayers who use a paid preparer and discourage the use by taxpayers of the electronic On-Line Filing program. The indexing and the mark-to-market provisions would result in increased taxpayer inquiries over the toll-free telephone lines, which might be beyond the capacity of the IRS to handle.

INCREASED IRA CONTRIBUTION LIMITS

Provision: An increase in the $2,000 IRA contribution limit to $3,000 for 2001–03, to $4,000 in 2004–05, and to $5,000 in 2006–08.

IRS Comments: This provision would require a change to the dollar limit specified in the Form 1040, Form 1040A, Form 8606, and Form 5329 instructions for 2001, 2004, and 2006. The change would also be reflected in the Form 1040–ES for all applicable years. No new forms or additional lines would be required. Programming changes would be needed to reflect the increased contribution limits.

IRS would need to provide guidance to financial institutions that sponsor IRAs on how to take into account the higher contribution limits (currently all sponsors utilize IRS approved documents). In addition, the following model IRA and Roth IRA documents that are issued by the Assistant Commissioner (EPEO) would need to be modified to take into account the increased contribution limits:

Form 5305, Individual Retirement Trust Account

Form 5305–A, Individual Retirement Custodial Account

Form 5305–R, Roth Individual Retirement Account

Form 5305–RA, Roth individual Retirement Custodial Account

Form 5305–RB, Roth Individual Retirement Annuity Endorsement

Increase Health Insurance Deduction for Self-Employed to 100 Percent.

Provision: An acceleration of the increase in the deduction of health insurance expenses of self-employed individuals so that the deduction is 100 percent in years beginning after December 31, 1999.

IRS Comments: This provision would enable IRS to eliminate one line from the self-employed health insurance deduction worksheet contained in the 2000 instructions for Forms 1040 and 1040NR. This worksheet is currently four lines. The Form 1040–ES for 2000 would

also reflect the provision. No new forms would be required.

REPEAL FUTA SURTAX AFTER DECEMBER 31, 2004

Provision: A repeal of the temporary FUTA surtax (0.2 percent of wages) after December 31, 2004.

IRS Comments: The provision would require a change to the FUTA tax rate on forms 940, 940–EZ, 940–PR and Schedule H of form 1040 for 2005. The rate would be reduced from 6.2 percent to 6.0 percent. No new forms would be required. Programming changes would be necessary to reflect the reduced FUTA rate.

RESTORATION OF 80 PERCENT DEDUCTION FOR MEAL EXPENSES

Provision: An increase from 50 percent to 80 percent in the deductible percentage of business meal (food and beverage) expenses. The increase in the deductible percentage is phased-in according to the following schedule: 55 percent in 2005; 60 percent in 2006; 65 percent in 2007; 70 percent in 2008; 75 percent in 2009; and 80 percent in 2010 and thereafter.

IRS Comments: This provision would require the addition of a new 5-line column on Form 2106 and a new line on form 2106-EZ to account for the different limits on meal expenses and entertainment expenses. Currently, the same 50 percent limit generally applies both types of expenses. Minor changes to the instructions for Schedules, C, C–EZ, E, and F of Form 1040; form 1065; and the Form 1120 series would also be required. No new forms would be required.

SUNSET

Provision: A sunset of all the provisions in the Act, as of the close of September 30, 2009.

IRS Comments: Sunsetting all of the Act provisions at the same time would result in massive changes to tax forms and instructions (and related programming) for the sunset year. For taxpayers, the changes would be both burdensome and confusing. The ''mid-year'' sunset (i.e., September 30 as opposed to December 31) would greatly complicate matters and exacerbate the burden and confusion for taxpayers.

ESTIMATED BUDGET EFFECTS OF THE CONFERENCE AGREEMENT FOR H.R. 2488

Fiscal Years 2000 - 2009

[Millions of Dollars]

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
I. Broad-Based and Family Tax Relief Provisions													
A. Reduction in Individual Income Taxes - 15% rate reduced to 14.5% in 2001 and 2002, 14% in 2003 and thereafter; all other rates including AMT reduced by 1 percentage point in 2005; increase 14% bracket width for non-joint returns by $3,000 in 2006; sunset after 2008	tyba 12/31/00	---	-7,927	-11,585	-20,207	-25,176	-37,718	-50,819	-54,740	-57,297	-17,105	-64,895	-282,574
B. Family Tax Relief													
1. Elimination of marriage penalty in standard deduction - standard deduction for joint return set at two times single standard deduction, phased in over 5 years; increase width of 14% bracket to 2 times the single bracket, phased in over 4 years beginning in 2005, sunset after 2008	tyba 12/31/00	---	-748	-1,841	-2,827	-3,921	-8,163	-17,724	-22,076	-27,563	-28,018	-9,337	-112,881
2. Marriage Penalty Relief Relating to the Earned Income Credit - increase the income starting and ending point for the earned income credit for married couples filing joint returns by $2,000 indexed after 2006 (phaseout rate stays the same)	tyba 12/31/05	---	---	---	---	---	---	-263	-1,315	-1,302	-1,283	---	-4,163
3. Tax exclusion for certain foster care payments	tyba 12/31/99	-6	-14	-21	-29	-37	-44	-52	-61	-70	-80	-106	-414
4. Expansion of adoption credit - for special needs adoption only, eliminate expense requirement and allow a $10,000 tax credit for special needs adoptions beginning in 2001	tyba 12/31/00	---	-8	-28	-30	-33	-36	-39	-41	-42	-43	-99	-300
5. Increase the dependent care tax credit - increase percentage to 35% for AGI under $30,000; increase percentage to 40% in 2006; index maximum expense limits for inflation; percentage phases down in 1% increments, but not below 20%, for each $1,000 of AGI over $30,000; expand allowable expenses to $200 per month for all children under age 1 beginning in 2006	tyba 12/31/01	---	---	-71	-291	-313	-328	-541	-1,135	-1,093	-1,134	-675	-4,907

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Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
C. Repeal of Alternative Minimum Tax on Individuals - make permanent the present-law provision to allow nonrefundable personal credits against the individual AMT, effective for 1999 and thereafter; repeal 90% limit on foreign tax credits effective for taxable years beginning after 12/31/01; phaseout the individual AMT by paying the following percent of AMT liability: 80% in 2005, 70% in 2006, 60% in 2007, repeal in 2008; unused AMT credit carryovers as of repeal may be used to offset 90% of regular tax (repeal eliminates AMT marriage penalty); sunset after 2008	tyba 12/31/98	-980	-1,028	-1,529	-2,190	-3,465	-5,369	-9,081	-15,098	-30,835	-33,275	-9,192	-102,850
Total of Broad-Based and Family Tax Relief Provisions		**-986**	**-9,725**	**-15,075**	**-25,574**	**-32,945**	**-51,658**	**-78,519**	**-94,466**	**-118,202**	**-80,938**	**-84,304**	**-508,089**
II. Savings and Investment Tax Relief Provisions													
A. Capital Gains Tax Relief													
1. Reduce long-term capital gains rates from 20% and 10% to 18% and 8%; reduce the rate at which section 1250 deductions are recaptured from 25% to 23%; indexing for assets purchased after, and for inflation occurring after 12/31/99; on 1/1/00, mark-to-market assets purchased before 2000 to qualify for indexing; sunset the rate reductions and indexing on 12/31/08	da 12/31/98	-1,233	15,505	-4,318	-5,874	-6,517	-7,129	-7,759	-8,091	-7,578	517	-2,437	-32,477
2. Reduce tax on capital gains of designated settlement funds to individual capital gains rates under the bill	tyba 12/31/99	-12	-59	-67	-75	-85	-96	-110	-123	-137	-153	-298	-917
3. Suspend 5-year holding period requirement relating to gain on sale of principal residence for members of the uniformed services and the foreign service serving outside the area in which the residence is located	sa DOE	-5	-12	-13	-13	-14	-14	-15	-15	-16	-16	-57	-133
4. Suspend 5-year holding period requirement (for a maximum of 5 years) relating to gain on sale of principal residence by employee who is sent out of the United States by an employer	sa DOE	-18	-26	-28	-29	-30	-31	-32	-33	-34	-35	-131	-296
5. Clarify the tax treatment of income and losses from derivatives	DOE	[1]	1	1	1	1	1	1	1	1	1	4	9
6. Modify treatment of worthless securities of certain financial institutions	sbwi tyba 12/31/99	-8	-12	-12	-11	-11	-10	-10	-10	-10	-10	-58	-108
B. Individual Retirement Arrangements													
1. Set the annual contribution limits for all IRAs to $3,000 for 2001 through 2003, $4,000 for 2004 and 2005, $5,000 for 2006 through 2008, and $2,000 for 2009 and thereafter	tyba 12/31/00	---	-618	-1,324	-1,532	-2,391	-3,335	-4,096	-4,885	-5,347	-3,900	-5,865	-27,429
2. Increase the AGI phaseout ranges for contributions to Roth IRAs to $100,000 - $110,000 single, $200,000 - $210,000 joint	tyba 12/31/02	---	---	---	-8	-53	-139	-244	-359	-502	-655	-61	-1,960

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Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
3. Increase the income limit for conversions of an IRA to a Roth IRA to $200,000 for joint filers	tyba 12/31/02	---	---	---	461	1,172	458	-611	-981	-601	-198	1,634	-299
4. Employers permitted to establish a separate IRA fund in their tax-qualified plan to accept IRA contributions from employees	tyba 12/31/99	*Negligible Revenue Effect*											
5. Increase in maximum contribution limits for IRAs for individuals age 50 and above by 10% annually beginning in 2001, not to exceed 50%; sunset 12/31/08	yba 12/31/00	---	-74	-228	-408	-518	-539	-564	-537	-493	-334	-1,227	-3,694
Total of Savings and Investment Tax Relief Provisions		**-1,276**	**14,705**	**-5,989**	**-7,488**	**-8,446**	**-10,834**	**-13,440**	**-15,033**	**-14,717**	**-4,783**	**-8,496**	**-67,304**
III. Alternative Minimum Tax Reform Provision													
1. Corporate AMT - repeal 90% limit on foreign tax credit and net operating losses effective for taxable years beginning after 12/31/01; allow any AMT credit carryover to reduce minimum tax by 50% but not below regular tax for taxable years beginning after 12/31/04	generally tyba 12/31/04	---	---	-403	-774	-620	-1,193	-1,443	-1,299	-1,169	-1,052	-1,797	-7,952
Total of Alternative Minimum Tax Reform Provision		**---**	**---**	**-403**	**-774**	**-620**	**-1,193**	**-1,443**	**-1,299**	**-1,169**	**-1,052**	**-1,797**	**-7,952**
IV. Education Savings Incentive Provisions													
1. Education savings accounts (formerly "Education IRAs") - increase the annual contribution limit to $2,000; expand the definition of qualified education expenses to include elementary and secondary education expenses (and after-school programs); allow ESAs to be used for special needs beneficiaries; allow corporations and other entities to contribute to ESAs; allow contributions until April 15 of following year; and allow taxpayer to exclude ESA distribution from gross income and claim HOPE or Lifetime Learning credit as long as they are not used for same expenses	tyba 12/31/00	---	-46	-152	-230	-311	-394	-475	-566	-651	-726	-739	-3,552
2. Prepaid Savings Plans - State-sponsored plans: exclusions for distributions for education expenses, beginning in 2000; private plans: tax deferral on income beginning in 2000; exclusion for distributions for education expenses beginning in 2004; allow tax-free education withdrawals from prepaid savings plans as long as they are not used for the same expenses for which HOPE or Lifetime Learning credits are claimed, beginning in 2000; miscellaneous other changes (clarify definition; one rollover per year)	tyba 12/31/99	-6	-21	-35	-54	-78	-110	-144	-178	-210	-244	-195	-1,081

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Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
3. Exclude from tax awards under the following programs: National Health Corps Scholarship program, beginning in 1994; F. Edward Hebert Armed Forces Health Professions Scholarship program, beginning in 1994; National Institutes of Health Undergraduate Scholarship Program, beginning in 1994; and similar State-sponsored scholarship programs, beginning in 2000;	tyba 12/31/93 & tyba 12/31/99	-3	-3	-3	-3	-3	-4	-4	-4	-4	-5	-16	-36
4. Extension of employer provided educational assistance - extend the exclusion for undergraduate courses through 2003 [2]	1/1/00	-134	-318	-394	-421	-151	---	---	---	---	---	-1,419	-1,419
5. Provide new 4-year expenditure schedule for bonds for public school construction under the arbitrage rebate rules	bia 12/31/99	-13	-120	-236	-274	-292	-307	-310	-305	-300	-293	-935	-2,450
6. Increase the school construction small issuer arbitrage rebate exception from $10 million to $15 million	bia 12/31/99	[3]	-2	-4	-5	-13	-14	-14	-15	-16	-17	-25	-102
7. Increase student loan deduction income limits for single taxpayers by $5,000 and adjust the income limits for married couples filing joint returns to twice that of a single taxpayer; phase-out range of $15,000 for both; repeal 60-month rule	tyea 12/31/99	-46	-193	-223	-253	-288	-295	-305	-315	-325	-337	-1,004	-2,582
8. 2% floor on miscellaneous itemized deductions not to apply to qualified professional development expenses; with $1,000 cap	tyba 12/31/00	---	-5	-10	-10	-10	-5	---	---	---	---	-35	-40
Total of Education Savings Incentive Provisions		**-202**	**-708**	**-1,057**	**-1,250**	**-1,146**	**-1,129**	**-1,252**	**-1,383**	**-1,506**	**-1,622**	**-4,368**	**-11,262**
V. Health Care Provisions													
1. Provide an above-the-line deduction for health insurance expenses - 25% in 2002 through 2004, 35% in 2005, 65% in 2006, and 100% thereafter	tyba 12/31/01	---	---	-444	-1,379	-1,477	-1,803	-3,137	-5,878	-8,299	-8,848	-3,300	-31,264
2. Provide an above-the-line deduction for long-term care insurance expenses - 25% in 2002 through 2004, 35% in 2005, 65% in 2006, and 100% thereafter	tyba 12/31/01	---	---	-48	-328	-364	-417	-677	-1,315	-2,027	-2,146	-741	-7,323
3. Allow long-term care insurance to be offered as part of cafeteria plans; limited to amount of deductible premiums [4]	tyba 12/31/01	---	---	-104	-151	-171	-190	-202	-204	-215	-247	-426	-1,484
4. Provide an additional dependency deduction to caretakers of elderly family members	tyba 12/31/99	-180	-276	-275	-283	-304	-324	-350	-394	-418	-428	-1,317	-3,231
5. Increase the time period for measuring eligible expenses qualifying for the orphan drug tax credit	eia 12/31/99	-5	-8	-9	-10	-10	-11	-12	-13	-14	-15	-42	-107
6. Add certain vaccines against Streptococcus Pneumoniae to the list of taxable vaccines in the Federal vaccine insurance program; study of Federal vaccine insurance program; reduce excise tax on all taxable vaccines to $0.50 per dose beginning in 2005	[5] & tyba 12/31/04	4	7	9	10	10	-26	-38	-38	-39	-39	39	-141

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
7. Itemized deduction for certain nonprescription drug expenses of Medicare enrollees, and above-the-line deduction for prescription drug insurance coverage of Medicare beneficiaries if certain Medicare and low-income assistance provisions in effect	tyba 12/31/02	---	---	---	-6	-38	-42	-47	-53	-60	-68	-43	-314
Total of Health Care Provisions		**-181**	**-277**	**-871**	**-2,147**	**-2,354**	**-2,813**	**-4,463**	**-7,895**	**-11,072**	**-11,791**	**-5,830**	**-43,864**
VI. Estate and Gift Tax Relief Provisions													
1. Phase in repeal of estate, gift, and generation-skipping transfer taxes: beginning in 2001, convert the unified credit into a true exemption, repeal the 5% "bubble" (which phases out the lower rates); repeal rates in excess of 53%; in 2002, repeal rates in excess of 50%; in 2003 through 2006, reduce all rates by 1 percentage point a year; in 2007, reduce all rates by 1.5 percentage points; in 2008, reduce all rates by 2 percentage points; proportionately reduce State tax credit rates; beginning in 2009, repeal all of these taxes; carryover basis applies to transfers by gift or by death after 12/31/08 for estates with total assets of fair market value of $2 million or less and spouse transfers of $3 million or less	dda & gma 12/31/00	---	---	-4,166	-5,612	-6,379	-7,403	-8,431	-9,540	-10,902	-12,889	-16,157	-65,322
2. Provide deemed allocation of GST exemption	ta DOE	[3]	-1	-3	-4	-4	-4	-4	-4	-4	-4	-12	-32
3. Provide retroactive allocation of GST for unnatural orders of death	generally DOE	-3	-4	-5	-6	-6	-6	-6	-6	-6	-6	-24	-54
4. Allow severances of trusts holding property having an inclusion ratio of greater than zero	---	*Included in Estate and Gift Item 3.*											
5. Modify certain valuation rates	---	*Included in Estate and Gift Item 3.*											
6. Provide relief from late elections	---	*Included in Estate and Gift Item 3.*											
7. Provide rule of substantial compliance	---	*Included in Estate and Gift Item 3.*											
8. Expand estate tax rule for conservation easements - increase the 25-mile limit to 50 miles; increase 10-mile limit to 25 miles, and clarify that the date for determining easement compliance	dda 12/31/99 & dda 12/31/97	---	-10	-13	-19	-20	-20	-21	-22	-24	-26	-62	-175
Total of Estate and Gift Tax Relief Provisions		**-3**	**-15**	**-4,187**	**-5,641**	**-6,409**	**-7,433**	**-8,462**	**-9,572**	**-10,936**	**-12,925**	**-16,255**	**-65,583**
VII. Distressed Communities and Industries Provisions													
A. American Community Renewal Act of 1999													
1. Designate 20 renewal communities; provide various incentives (zero capital gains tax on certain 5-year investments; special deduction for real estate revitalization expenditures; special expensing for certain business property; work opportunity tax credit; remediation expenses; family development accounts) beginning 1/1/01 and ending 12/31/07 [6]	DOE	---	-129	-252	-288	-293	-305	-333	-424	-107	-18	-963	-2,151

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Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
B. Farming Incentive													
1. Provide that Federal farm production payments are taxable in the year of receipt (ignore election to take the payments in an earlier year unless exercised)	DOE	*Negligible Revenue Effect*											
C. Oil and Gas Incentives													
1. Allow 5-year carryback of oil and gas net operating losses	lii tyba 12/31/98	-46	-28	-24	-21	-20	-20	-21	-21	-22	-23	-139	-246
2. Allow delay rental payments to be deducted currently	tyba 12/31/99	-3	-4	-4	-4	-4	-4	-4	-3	-4	-5	-19	-39
3. Allow geological and geophysical costs to be deducted currently	tyba 12/31/99	-16	-25	-26	-27	-27	-28	-29	-29	-30	-31	-121	-267
4. Suspend the 65% of taxable income limit on percentage depletion for 6 years	tyba 12/31/98 & tybb 1/1/05	-10	-12	-15	-17	-20	-10	---	---	---	---	-74	-84
5. Modify the refining threshold in section 613(d)(4) from "on any given day" to average production	tyba 12/31/99	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	-9	-19
D. Timber Incentives													
1. Increase maximum reforestation expenses qualifying for amortization and credit from $10,000 to $25,000; remove cap on amortization of reforestation costs in 2000 through 2003	epoii tyba 12/31/99	-5	-15	-22	-29	-34	-36	-38	-37	-33	-29	-104	-277
2. Section 631(b) treatment of sales of timber	sa DOE	*Negligible Revenue Effect*											
Total of Distressed Communities and Industries Provisions		**-81**	**-215**	**-345**	**-388**	**-400**	**-405**	**-427**	**-516**	**-198**	**-108**	**-1,429**	**-3,083**
VIII. Small Business Tax Relief Provisions													
1. Accelerate 100% self-employed health insurance deduction; extend eligibility for self-employed health insurance deduction to those who choose not to participate in employer-subsidized health plans	tyba 12/31/99	-245	-1,007	-1,040	-657	---	---	---	---	---	---	-2,949	-2,949
2. Increase section 179 expensing to $30,000	tyba 12/31/99	-790	-880	-189	-95	2	-31	-90	-142	-157	-160	-1,954	-2,533
3. Accelerate repeal of the FUTA surtax	lpo/a 1/1/05	---	---	---	---	---	-1,029	-421	-21	1,058	413	---	---
4. Business meals deduction provisions:													
a. Increase business meals deduction (excluding entertainment expenses) by 5 percentage points per year beginning in 2006 until it reaches 60%	tyba 12/31/05	---	---	---	---	---	---	-307	-940	-1,286	-1,334	---	-3,867
b. Accelerate the 80% meals deduction for persons subject to the hours of service requirements by 1 year	DOE	---	---	---	---	---	---	---	-13	-13	---	---	-26
5. Coordinate farmer income averaging and the AMT and provide the same income averaging relief to commercial fishermen	tyba 12/31/99	[3]	-1	-1	-1	-2	-3	-3	-4	-5	-6	-8	-27
6. Create new Farm, Fish, and Ranch Risk Management ("FFARRM") Accounts	tyba 12/31/00	---	-7	-150	-208	-177	-145	-112	-49	-23	-23	-542	-895
7. Exclude investment securities income from passive income test	tyba 12/31/99	-2	-2	-2	-2	-2	-2	-2	-3	-3	-3	-10	-23
8. Treatment of qualifying director shares	tyba 12/31/99	-1	-3	-5	-7	-9	-11	-13	-15	-17	-18	-26	-100
Total of Small Business Tax Relief Provisions		**-1,038**	**-1,900**	**-1,387**	**-970**	**-188**	**-1,221**	**-948**	**-1,187**	**-446**	**-1,131**	**-5,489**	**-10,420**

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
IX. International Tax Relief Provisions													
1. Allocate interest expense on worldwide basis	tyba 12/31/01	---	---	-825	-2,641	-2,839	-3,052	-3,281	-3,527	-3,792	-4,076	-6,305	-24,033
2. Simplify and apply look-through treatment for dividends of 10/50 companies and for separate basket excess credit carryovers	tyba 12/31/01	---	---	-116	-451	-172	-63	-32	-22	-17	-12	-739	-885
3. Exception from subpart F treatment for certain pipeline transportation and electricity transmission income	tyba 12/31/01	---	---	-3	-10	-13	-15	-17	-20	-23	-25	-26	-126
4. Recharacterize overall domestic loss	tyba 12/31/05	---	---	---	---	---	---	-223	-471	-494	-529	---	-1,717
5. Repeal limitation on foreign sales corporation tax benefits for defense products	tyba 12/31/01	---	---	-45	-108	-121	-136	-153	-173	-194	-215	-274	-1,145
6. Treatment of regulated investment companies	mf tyba 12/31/04	---	---	---	---	---	-82	-153	-162	-171	-182	---	-750
7. Repeal special foreign tax credit rules for foreign oil and gas income	tyba 12/31/07	---	---	---	---	---	---	---	---	-418	-1,259	---	-1,677
8. Prohibit disclosure of advance pricing agreements (APAs) and related information; require the IRS to submit to Congress an annual report of such agreements; APA user fee	DOE	*Negligible Revenue Effect*											
9. Increase the section 911 exclusion by $3,000 per year starting in 2003 until it reaches $95,000; index for inflation in 2008, for inflation occurring after 2006	1/1/03	---	---	---	-24	-48	-80	-107	-131	-155	-184	-72	-729
10. Exempt from the 7.5% air passenger ticket tax frequent flier miles to persons with foreign addresses	raa 12/31/04	---	---	---	---	---	-34	-29	-29	-30	-32	---	-155
Total of International Tax Relief Provisions		**---**	**---**	**-989**	**-3,234**	**-3,193**	**-3,462**	**-3,995**	**-4,535**	**-5,294**	**-6,514**	**-7,416**	**-31,217**
X. Tax-Exempt Organization Provisions													
1. Provide a tax exemption for organizations created by a State to provide property and casualty insurance coverage for property for which such coverage is otherwise unavailable	tyba 12/31/99	-2	-4	-4	-4	-5	-5	-6	-7	-8	-8	-18	-53
2. Modify special provision for a permanent university fund	tyba 12/31/99	[3]	-1	-1	[3]	[3]	[1]	[3]	-1	[3]	[3]	-2	-3
3. Authorize the Secretary of the Treasury to grant waivers from section 4941 self-dealing prohibitions	DOE	*Negligible Revenue Effect*											
4. Extend declaratory judgement remedy to certain organizations seeking determinations of tax-exempt status	DOE	*Negligible Revenue Effect*											
5. Modify section 512(b)(13) to exempt income received by a tax-exempt organization from certain subsidiaries when fair market value pricing is used, excess of fair market value subject to UBIT and 20% penalty tax, and extension of transition relief for certain binding contracts	DOE & proaa 12/31/99	-7	-9	-11	-11	-11	-11	-12	-12	-12	-13	-49	-110
6. Tax exclusion for mileage reimbursements by public charities not in excess of standard business mileage rate	tyba 12/31/99	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	-1	-2

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Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
7. Charitable deduction for certain expenses in support of Native Alaskan subsistence whaling	tyba 12/31/99	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	-1	-3
8. Simplify lobbying expenditure limitations	tyba 12/31/99	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	-1
9. Tax-Free withdrawals from IRAs for charitable donations to charitable organizations after age 70.5	tyba 12/31/02	---	---	---	-172	-240	-229	-231	-233	-235	-238	-412	-1,578
Total of Tax-Exempt Organization Provisions		**-9**	**-14**	**-16**	**-187**	**-256**	**-245**	**-249**	**-253**	**-255**	**-259**	**-483**	**-1,750**
XI. Real Estate Tax Relief Provisions													
A. Improvements in the Low-Income Housing Credit													
1. Low-income housing tax credit - increase per capita credit by $0.10 per year through 2004; thereafter COLA; $2 million small State minimum beginning in 2000; COLA beginning in 2005; modify stacking rules and credit allocation rules; certain Native American housing assistance disregarded in determining whether building is Federally subsidized for purposes of the low-income housing credit	tyba 12/31/99	-5	-26	-75	-152	-258	-391	-545	-713	-893	-1,087	-515	-4,145
B. Real Estate Investment Trust (REIT) Provisions													
1. Impose 10% vote or value test	tyba 12/31/00	---	2	8	8	8	9	9	9	10	10	26	73
2. Treatment of income and services provided by taxable REIT subsidiaries	tyba 12/31/00	---	60	158	53	23	-9	-45	-84	-127	-173	294	-145
3. Personal property treatment for determining rents from real property for REITs	tyba 12/31/00	---	-1	-1	-1	-1	-1	-1	-1	-1	-1	-3	-7
4. Special foreclosure rule for health care REITs	tyba 12/31/00	*Negligible Revenue Effect*											
5. Conformity with RIC 90% distribution rules	tyba 12/31/00	---	1	1	1	1	1	1	1	1	1	3	5
6. Clarification of definition of independent operators for REITs	tyba 12/31/00	*Negligible Revenue Effect*											
7. Modification of earnings and profits rules	da 12/31/00	---	-6	-3	-3	-3	-4	-4	-4	-4	-4	-16	-35
C. Modify At-Risk Rules for Publicly Traded Securities	diia 12/31/99	[3]	-2	-4	-5	-6	-8	-10	-12	-14	-16	-19	-78
D. Treatment of Certain Contributions to Capital of Retailers - amend section 118 to clarify the tax treatment of certain construction allowances or contributions received by retail operators	ara 12/31/99	-1	-2	-6	-10	-14	-18	-22	-27	-31	-36	-32	-166
E. Accelerate 5-year phase in of private activity bond volume cap	bia 12/31/99	-4	-27	-73	-133	-193	-240	-265	-264	-248	-228	-430	-1,675
D. Deduction for Renovating Historic Homes - miscellaneous itemized deduction for 50% of cost for renovating owner-occupied historic homes up to maximum of $50,000; adjustment to basis	eia 12/31/99	-28	-110	-114	-116	-118	-120	-122	-124	-142	-148	-486	-1,142
Total of Real Estate Tax Relief Provisions		**-38**	**-111**	**-109**	**-358**	**-561**	**-781**	**-1,004**	**-1,219**	**-1,449**	**-1,682**	**-1,178**	**-7,315**
XII. Pension Reform Provisions													
A. Provisions for Expanding Coverage													
1. Increase contribution and benefit limits:													
a. Increase limitation on exclusion for elective deferrals to $11,000 in 2001, $12,000 in 2002, $13,000 in 2003, $14,000 in 2004, $15,000 in 2005; index in $500 increments thereafter [7] [8]	yba 12/31/00	---	-131	-315	-465	-561	-638	-694	-741	-788	-835	-1,472	-5,168

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Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
b. Increase limitation on SIMPLE elective contributions to $7,000 in 2001, $8,000 in 2002, $9,000 in 2003, $10,000 in 2004; index in $500 increments thereafter [7] [8]	yba 12/31/00	---	-5	-14	-22	-27	-29	-29	-30	-32	-33	-67	-220
c. Increase defined benefit dollar limit to $160,000	yba 12/31/00	---	-18	-31	-40	-45	-48	-50	-53	-55	-57	-134	-396
d. Lower early retirement age to 62; lower normal retirement age to 65	yba 12/31/00	---	-3	-4	-4	-4	-5	-5	-5	-5	-5	-16	-40
e. Increase annual addition limitation for defined contribution plans to $40,000 [7]	yba 12/31/00	---	-6	-11	-13	-14	-15	-16	-16	-17	-18	-44	-125
f. Increase qualified plan compensation limit to $200,000 [7]	yba 12/31/00	---	-40	-69	-78	-83	-89	-95	-101	-107	-113	-270	-776
g. Increase limits on deferrals under deferred compensation plans of State-local governments and tax-exempt organizations to $11,000 in 2001, $12,000 in 2002, $13,000 in 2003, $14,000 in 2004, $15,000 in 2005 [7]	yba 12/31/00	---	-51	-90	-104	-115	-123	-130	-138	-143	-146	-360	-1,039
2. Plan loans for subchapter S owners, partners, and sole proprietors	yba 12/31/00	---	-20	-30	-32	-35	-37	-39	-41	-44	-46	-117	-325
3. Modification of top-heavy rules	pyba 12/31/00	---	-4	-9	-11	-12	-14	-16	-17	-19	-21	-36	-123
4. Elective deferrals not taken into account for purposes of deduction limits	yba 12/31/00	---	-38	-71	-81	-85	-89	-93	-97	-101	-104	-275	-759
5. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations	yba 12/31/00	---	-16	-22	-22	-22	-22	-23	-24	-25	-26	-82	-202
6. Elimination of user fee for certain requests regarding employer pension plans; waiver applies only for request made during first 5 plan years [9]	rma 12/31/00	---	-9	-5	-5	-5	-5	-5	-6	-6	-6	-24	-52
7. Definition of compensation for purposes of deduction limits [7]	yba 12/31/00	---	-1	-2	-3	-3	-3	-3	-3	-3	-3	-9	-24
8. Option to treat elective deferrals as after-tax contributions	tyba 12/31/00	---	50	100	131	144	89	-2	-104	-218	-345	426	-155
8. Reduce PBGC premium for new plans of small employers [9]	pea 12/31/00	---	---	[10]	[10]	[10]	[10]	[10]	[10]	[10]	[10]	-1	-3
9. Phase-in of additional PBGC premium for new plans; include additional variable premium relief for small employers [9]	pea 12/31/00	---	---	[10]	[10]	[10]	[10]	[10]	[10]	[10]	[10]	-9	-26
Subtotal of Provisions for Expanding Coverage		---	-292	-576	-752	-870	-1,031	-1,203	-1,379	-1,566	-1,761	-2,490	-9,433
B. Provisions for Enhancing Fairness for Women													
1. Additional catch-up contributions for individual age 50 and above - increase in maximum contribution limits for pension plans by 10% annually beginning in 2001, not to exceed 50%; sunset 12/31/08	yba 12/31/00	---	-73	-151	-130	-95	-82	-81	-84	-86	-43	-449	-825
2. Equitable treatment for contributions of employees to defined contribution plans [7]	yba 12/31/00	---	-50	-75	-81	-87	-92	-97	-103	-107	-110	-294	-804
3. Faster vesting of certain employer matching contributions	pyba 12/31/00	*Negligible Revenue Effect*											

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Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
4. Simplify and update the minimum distribution rules by modifying post-death distribution rules, reducing (to 10%) the excise tax on failures to make minimum distributions, and directing the Treasury to simplify and finalize regulations relating to the minimum distribution rules	yba 12/31/00	---	-118	-212	-239	-268	-297	-330	-366	-402	-441	-837	-2,673
5. Clarification of tax treatment of division of section 457 plan benefits upon divorce	tdapma 12/31/00	*Negligible Revenue Effect*											
6. Modification of safe harbor relief for hardship withdrawals from 401(k) plans	yba 12/31/00	*Negligible Revenue Effect*											
Subtotal of Provisions for Enhancing Fairness for Women		---	-241	-438	-450	-450	-471	-508	-553	-595	-594	-1,580	-4,302
C. Provisions for Increasing Portability for Participants													
1. Rollovers allowed among governmental section 457 plans, section 403(b) plans, and qualified plans	dma 12/31/00	---	-7	-11	-12	-12	-12	-13	-13	-13	-14	-41	-106
2. Rollovers of IRAs to workplace retirement plans	dma 12/31/00	*Negligible Revenue Effect*											
3. Rollovers of after-tax retirement plan contributions	dma 12/31/00	*Negligible Revenue Effect*											
4. Waiver of 60-day rule	dma 12/31/00	*Negligible Revenue Effect*											
5. Treatment of forms of qualified plan distributions	yba 12/31/00	*Negligible Revenue Effect*											
6. Rationalization of restrictions on distributions	da 12/31/00	*Negligible Revenue Effect*											
7. Purchase of service credit in governmental defined benefit plans	ta 12/31/00	*Negligible Revenue Effect*											
8. Employers may disregard rollovers for cash-out amounts	da 12/31/00	*Negligible Revenue Effect*											
Subtotal of Provisions for Increasing Portability for Participants		---	-7	-11	-12	-12	-12	-13	-13	-13	-14	-41	-106
D. Provisions for Strengthening Pension Security and Enforcement													
1. Phase-in repeal of 150% of current liability funding limit; extend maximum deduction rule	yba 12/31/00	---	-7	-21	-33	-36	-36	-38	-38	-39	-41	-98	-290
2. Missing plan participants	[11]	*Negligible Revenue Effect*											
3. Excise tax relief for sound pension funding	yba 12/31/00	---	-2	-3	-3	-3	-3	-3	-3	-3	-3	-11	-26
4. Notice of significant reduction in plan benefit accruals	pateo/a DOE	*Negligible Revenue Effect*											
5. Investment of employee contributions in 401(k) plans	aiii TRA'97	*Negligible Revenue Effect*											
6. Repeal 100% of compensation limit for multiemployer plans	yba 12/31/00	---	-2	-4	-4	-4	-4	-4	-5	-5	-5	-13	-36
Subtotal of Provisions for Strengthening Pension Security and Enforcement		---	-11	-28	-40	-43	-43	-45	-46	-47	-49	-122	-352
E. Provisions for Reducing Regulatory Burdens													
1. Modification of timing of plan valuations	pyba 12/31/00	*Negligible Revenue Effect*											
2. ESOP dividends may be reinvested without loss of dividend deduction	tyba 12/31/00	---	-19	-44	-56	-61	-63	-66	-69	-71	-74	-180	-523
3. Repeal transition rule relating to certain highly compensated employees	pyba 12/31/99	-1	-2	-3	-3	-3	-3	-4	-4	-4	-4	-12	-31
4. Employees of tax-exempt entities [12]	DOE	*Negligible Revenue Effect*											
5. Treatment of employer-provided retirement advice	yba 12/31/00	*Negligible Revenue Effect*											
6. Pension plan reporting simplification [12]	1/1/01	*Negligible Revenue Effect*											

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
7. Improvement to Employee Plans Compliance Resolution System [12]	DOE	*Negligible Revenue Effect*											
8. Rules for substantial owner benefits in terminated plans [9]	noitta 12/31/00	*Negligible Revenue Effect*											
9. Clarification of exclusion for employer-provided transit passes	tyba 12/31/99	-4	-8	-10	-13	-14	-15	-15	-16	-16	-16	-49	-127
10. Repeal of multiple use test	yba 12/31/00	*Considered in Other Provisions*											
11. Flexibility in nondiscrimination and line of business rules [12]	DOE	*Negligible Revenue Effect*											
12. Extension to international organization of moratorium on application of certain nondiscrimination rules applicable to State and local government plans	yba 12/31/00	*Negligible Revenue Effect*											
Subtotal of Provisions for Reducing Regulatory Burdens		-5	-29	-57	-72	-78	-81	-85	-89	-91	-94	-241	-681
F. Provisions relating to plan amendments	DOE	*No Revenue Effect*											
Total of Pension Reform Provisions		**-5**	**-580**	**-1,110**	**-1,326**	**-1,453**	**-1,638**	**-1,854**	**-2,080**	**-2,312**	**-2,512**	**-4,474**	**-14,874**
XIII. Miscellaneous Provisions													
A. Provisions Primarily Affecting Individuals													
1. Treatment of payments to public safety officer survivors	[13]	-1	-2	-2	-2	-2	-2	-1	-1	-1	-1	-8	-15
2. Increase phaseout of the DC first-time homebuyer credit for joint filers to $140,000 - $180,000	po/a DOE	-1	-2	[3]	[3]	[3]	---	---	---	---	---	-3	-3
3. No Federal income tax on amounts and lands received by holocaust victims or their heirs	ara DOE	-3	-14	-17	-17	-12	[14]	[14]	[14]	[14]	[14]	-63	-64
B. Provisions Primarily Affecting Businesses													
1. Allow income from publicly traded partnerships to be qualifying income for regulated investment companies	mf tyba 12/31/00	---	-4	-9	-13	-17	-20	-23	-25	-28	-30	-43	-170
2. Equalize the tax treatment of oversized "clean fuel" vehicles and electric vehicles	1/1/00	[3]	[3]	[3]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[3]	[1]
3. Nuclear decommissioning costs: one-time transfer of non-qualified funds, with amortization over remaining useful life beginning in 2002; modify section 468A to eliminate cost of service requirement in determining nuclear decommissioning costs and clarify treatment of funds transfers	generally tyba 12/31/99	-24	-51	-89	-126	-128	-130	-131	-132	-132	-132	-418	-1,075
4. Repeal 5-year limitations relating to life insurance companies filing a consolidated tax return with an affiliated group of nonlife insurance companies effective 2001; and repeal 5-year rule related to applying losses of non-life companies against income of affiliated life insurance companies, effective 2006	tyba 12/31/00 & tyba 12/31/05	---	-42	-85	-86	-88	-90	-151	-213	-217	-219	-301	-1,189
5. Simplify the active trade or business requirement for tax-free spin-off	da DOE	-3	-5	-5	-5	-5	-5	-5	-5	-5	-5	-23	-48

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Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
6. Modify definition of personal holding company and treat all lending or finance businesses of a controlled corporate group as a single corporation	tyba 12/31/99	-4	-10	-17	-24	-27	-28	-28	-28	-29	-30	-82	-227
7. Brownfields environmental remediation expanded to include all sites except Superfund sites	eia 12/31/99	-19	-19	-5	[3]	[1]	1	2	2	3	5	-42	-29
C. Provisions Relating to Excise Taxes													
1. Repeal 0.1 cent per gallon LUST tax on railroads (10/1/99); consolidate Superfund and LUST trust funds; repeal 4.3-cents-per-gallon tax on railroad fuel and inland waterway fuel currently paid into the General Fund (10/1/03)	10/1/99 & 10/1/03	-2	-2	-2	-2	-117	-125	-128	-131	-134	-137	-125	-780
2. Repeal 10% excise tax on fishing tackle boxes; increase transfer of motor boat gasoline revenues to Aquatic Resources Trust Fund by $0.002	30da DOE	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3	-15	-30
3. Add inserts and outserts to arrow excise tax; reduce excise tax rate on "broadhead" arrow points	fcqb 30da DOE	*Negligible Revenue Effect*											
4. Treat small seaplanes as general aviation for purposes of the aviation excise taxes	tba 12/31/99	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-5	-11
5. Clarify the definition of rural airport to include communities that cannot be reached by road	tyba 12/31/99	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	-1	-3
D. Other Provisions													
1. Allow a limited number of private highway projects to qualify for tax-exempt-facility bond financing	bia 12/31/99	---	---	-2	-5	-9	-12	-15	-18	-22	-25	-15	-107
2. Exempt from tax distributions from Alaska Native Corporations to Alaska Native Settlement Trusts; distribution of principal to beneficiaries taxed as ordinary income; income earned by the trust treated as under present law	da 12/31/99	[3]	-1	-2	-2	-2	-2	-2	-1	-1	-1	-7	-13
4. Increase the Joint Committee on Taxation refund review threshold from $1 million to $2 million	DOE	*Negligible Revenue Effect*											
E. Tax Court Provisions [9]	DOE	*Negligible Revenue Effect*											
F. Tax credit for clinical testing research expenses attributable to certain qualified academic institutions including teaching hospitals	tyba 12/31/98	-2	-1	-1	-1	-1	-1	-1	-1	-1	-1	-6	-14
L. Allow Farmer Cooperatives to Pay Dividends on Capital Stock Without Reducing Patronage Dividends	tyba DOE	[3]	[3]	-1	-1	-1	-1	-2	-2	-3	-4	-3	-15
Total of Miscellaneous Provisions		**-63**	**-157**	**-241**	**-288**	**-413**	**-419**	**-489**	**-559**	**-574**	**-584**	**-1,160**	**-3,793**
XIV. Extensions Expiring Provisions													
1. Research tax credit, and increase AIC rates by 1 percentage point (through 6/30/04)	[15]	-1,657	-1,853	-2,226	-2,537	-2,238	-1,340	-707	-433	-127	---	-10,510	-13,115
2. Exemption from Subpart F for active financing income (through 12/31/04)	tyba 1999	-187	-827	-992	-1,190	-1,369	-1,156	---	---	---	---	-4,565	-5,721
3. Suspension of 100% net income limitation for marginal properties (through 12/31/04)	tyba 12/31/99	-23	-35	-36	-36	-37	-13	---	---	---	---	-167	-180
4. Work opportunity tax credit (through 12/31/01)	wpoifibwa 6/30/99	-229	-321	-293	-151	-58	-19	-3	---	---	---	-1,053	-1,074
5. Welfare-to-work tax credit (through 12/31/01)	wpoifibwa 6/30/99	-49	-77	-79	-47	-19	-7	-2	---	---	---	-271	-280

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Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
6. Extend and modify tax credit for electricity produced from wind and closed-loop biomass facilities - credit to include electricity produced from poultry waste (through 6/30/03)	[16]	-9	-25	-42	-57	-63	-65	-66	-68	-70	-70	-195	-534
Total of Extensions of Expiring Provisions		**-2,154**	**-3,138**	**-3,668**	**-4,018**	**-3,784**	**-2,600**	**-778**	**-501**	**-197**	**-70**	**-16,761**	**-20,904**
XV. Revenue Offset Provisions													
1. Information reporting on cancellation of indebtedness by non-bank financial institutions	coda 12/31/99	---	7	7	7	7	7	7	7	7	7	28	63
2. Extension of IRS user fees (through 9/30/09) [9]	9/30/03	---	---	---	---	50	53	56	59	61	64	50	343
3. Impose limitation on pre-funding of certain employee benefits	cpoaa 6/9/99	115	141	147	149	140	129	118	105	90	74	693	1,209
4. Increase to 15% (from 10%) optional withholding rate for nonperiodic payments from deferred compensation plans	dma 12/31/00	---	52	1	1	1	1	1	1	1	1	55	59
5. Modify estimated tax rules for closely-owned REIT dividends	epdo/a 9/15/99	40	1	1	1	1	1	1	1	1	1	45	52
6. Prevent the conversion of ordinary income or short-term capital gains into income eligible for long-term capital gain rates	teio/a 7/12/99	15	45	47	49	51	54	58	62	66	70	207	517
7. Allow employers to transfer excess defined benefit plan assets to a special account for health benefits of retirees (through 9/30/09)	tmi tyba 12/31/00	---	19	38	39	40	41	42	42	43	44	136	348
8. Repeal installment method for most accrual basis taxpayers; adjust pledge rules	iso/a DOE	477	677	406	257	72	8	21	35	48	62	1,889	2,063
9. Limit use of non-accrual experience method of accounting to amounts to be received for the performance of qualified professional services	tyea DOE	77	60	33	28	10	12	14	16	18	20	208	288
10. Deny deduction and impose excise tax with respect to charitable split-dollar life insurance arrangements	[17]	*Negligible Revenue Effect*											
11. Modify treatment of closely-held REITs, with incubator REIT exception; grandfather REIT transaction in progress	tyea 7/14/99	2	5	5	5	6	6	6	6	7	7	23	55
12. Modify anti-abuse rules related to assumption of liabilities; modify to provide that similar rules apply to partnerships	aolo/a 7/15/99	6	11	10	10	9	9	9	9	9	8	46	90
13. Require consistent treatment and provide basis allocation rules for transfers of intangibles in certain nonrecognition transactions	to/a DOE	25	26	28	29	30	32	34	35	37	39	138	315
14. Distributions by a partnership to a corporate partner of stock in another corporation	[18]	4	9	10	10	9	9	9	9	9	8	42	86
15. Prohibited allocation of stock in an ESOP of a subchapter S corporation	[19]	[20]	[20]	[20]	[20]	[20]	[20]	[20]	[20]	[20]	[20]	17	47
Total of Revenue Offset Provisions		**763**	**1,056**	**737**	**589**	**431**	**367**	**382**	**393**	**403**	**411**	**3,577**	**5,535**

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
XVI. Tax Technical Correction Provisions							*No Revenue Effect*						
NET TOTAL		-5,273	-1,079	-34,710	-53,054	-61,737	-85,464	-116,941	-140,105	-167,924	-125,560	-155,863	-791,875
ADDENDUM: TAX CUT TARGET		-14,000	-7,800	-53,500	-31,800	-49,200	-62,600	-109,300	-135,800	-150,700	-177,200	-156,300	-791,900

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding.

Legend for "Effective" column:

aiii TRA'97 = as if included in the Taxpayer Relief Act of 1997
aolo/a = assumption of liabilities on or after
ara = amounts received after
bia = bonds issued after
coda = cancellation of indebtedness after
cpoaa = contributions paid or accrued after
da = distributions after
dda = decedents dying after
diia = debt instruments issued after
dma = distributions made after
DOE = date of enactment
eia = expenses incurred after
epdo/a = estimated payments due on or after
epoii = expenses paid or incurred in
fcqb = first calendar quarter beginning at least
gma = gifts made after
iso/a = installment sales on or after
lii = losses incurred in
lpo/a = labor performed on or after
mf = mutual funds
noitta = notice of intent to terminate after
pateo/a = plan amendments taking effect on or after
pea = plans established after
po/a = purchases on or after
proaa = payments received or accrued after
pyba = plan years beginning after
raa = rights awarded after
rma = requests made after
sa = sales after
sbwi = stock becoming worthless in
ta = transfers after
tba = transportation beginning after
tdapma = transfers, distributions, and payments made after
teio/a = transactions entered into on or after
to/a = transactions on or after
tmi = transfers made in
tyba = taxable years beginning after
tybb = taxable years beginning before
tyea = taxable years ending after
wpoifibwa = wages paid or incurred for individuals beginning work after
yba = years beginning after
30da = 30 days after

[1] Gain of less than $500,000.
[2] Estimate considers interaction with HOPE and Lifetime Learning tax credits.
[3] Loss of less than $500,000.
[4] Estimate assumes concurrent enactment of the above-the-line deduction for long-term care insurance (item 2. under Health Care Tax Relief Provisions).
[5] Effective for vaccine sales the date after the date on which the Centers for Disease Control make final recommendation for routine administration of conjugate Streptococcus Pneumoniae vaccines to children.
[6] Estimate does not include outlay effects of renewal community provision.
[7] Provision includes interaction with other provisions in Provisions for Expanding Coverage.
[8] Provision includes interaction with the IRA provisions in II., Savings and Investment Tax Relief Provisions.
[9] Estimate provided by the Congressional Budget Office.

[Footnotes for the Table continued on the following page]

Footnotes for the Table continued:

[10] Loss of less than $5 million.
[11] Effective for distributions from terminating plans that occur after the PBGC has adopted final regulations implementing provision.
[12] Directs the Secretary of the Treasury to modify rules through regulations.
[13] Effective for payments received after 12/31/99 with respect to all officers.
[14] Loss of less than $1 million.
[15] Extension of credit effective for expenses incurred after 6/30/99; increase in AIC rates effective for taxable years beginning after 6/30/99.
[16] For wind and closed-loop biomass, provision applies to production from facilities placed in service after 6/30/99 and before 7/1/04; for poultry waste and landfill gas, provision applies to production from facilities placed in service after 12/31/99 and before 7/1/04; for other biomass, provision applies to production after 12/31/99 from facilities placed in service before 1/1/03.
[17] Effective for transfers made after 2/8/99 and for premiums paid after the date of enactment.
[18] Effective 7/14/99 (except with respect to partnerships in existence on 7/14/99, the provision in effective on the date of enactment).
[19] Effective with respect to ESOPs established on or after July 15,1999; in the case of an ESOP established by an S corporation before such date, the provision would apply to plan years beginning after 12/31/00.
[20] Gain of less than $10 million.

For consideration of the House bill, and the Senate amendment, and modifications committed to conference:

WM. ARCHER.
DICK ARMEY.
PHILIP M. CRANE.
WM. THOMAS.
Managers on the Part of the House.

As additional conferees for consideration of sections 313, 315–316, 318, 325, 335, 338, 341–42, 344–45, 351, 362–63, 365, 371, 381, 1261, 1305, and 1406 of the Senate amendment, and modifications committed to conference:

BILL GOODLING.
JOHN BOEHNER.
Managers on the Part of the House.

WM. V. ROTH, Jr.
TRENT LOTT.
Managers on the Part of the Senate.