

HOUSE OF REPRESENTATIVES—Thursday, May 27, 1993

The House met at 11 a.m.
The Chaplain, Rev. James David Ford, D.D., offered the following prayer:

With gratitude and with obligation, we express thanks for this day and for the opportunity to accept the responsibilities that are given us. In spite of contention and conflict, we earnestly pray that we will be worthy of the high calling we have received to do the works of justice, to be faithful in service to others, and to earnestly and honestly seek to be the people You would have us be. May Your blessing, O gracious God, that is with us in all the moments of life, be with us this day and all our days. 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 noes 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. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electric device, and there were—yeas 244, nays 160, answered "present" 1, not voting 27, as follows:

[Roll No. 194]

YEAS—244

Abercrombie	Bishop	Coleman
Ackerman	Blackwell	Collins (IL)
Andrews (ME)	Bonior	Collins (MI)
Andrews (NJ)	Borski	Combust
Andrews (TX)	Boucher	Condit
Applegate	Brewster	Conyers
Archer	Brooks	Cooper
Bacchus (FL)	Browder	Coppersmith
Baesler	Brown (FL)	Costello
Barcia	Brown (OH)	Coyne
Barlow	Bryant	Cramer
Barrett (WI)	Byrne	Danner
Bateman	Cantwell	Darden
Becerra	Cardin	de la Garza
Beilenson	Carr	Deal
Berman	Castle	DeFazio
Bevill	Chapman	DeLauro
Bilbray	Clement	Derrick

Deutsch	Klink
Dicks	Kreidler
Dingell	LaFalce
Dixon	Lancaster
Dooley	Lantos
Durbin	LaRocco
Edwards (CA)	Laughlin
Edwards (TX)	Lehman
English (AZ)	Levin
English (OK)	Lewis (GA)
Eshoo	Lipinski
Evans	Lloyd
Fazio	Long
Fields (LA)	Lowey
Flner	Maloney
Fish	Mann
Flake	Manton
Foglietta	Margolies-
Ford (MI)	Mezvinsky
Ford (TN)	Markey
Frank (MA)	Matsui
Frost	Mazzoli
Furse	McCloskey
Gejdenson	McCollum
Gephardt	McCurdy
Geren	McDermott
Gibbons	McHale
Gillmor	McKinney
Gilman	McNulty
Glickman	Meehan
Gonzalez	Meek
Gordon	Menendez
Green	Mfume
Gutierrez	Miller (CA)
Hall (TX)	Miller (FL)
Hamburg	Mineta
Hamilton	Minge
Harman	Mink
Hastings	Moakley
Hayes	Mollohan
Hefner	Montgomery
Hilliard	Moorhead
Hinchee	Moran
Hoagland	Murtha
Hochbrueckner	Myers
Holden	Nadler
Houghton	Natcher
Hoyer	Neal (MA)
Hughes	Oberstar
Hutto	Oberstar
Inglis	Oberstar
Jefferson	Oberstar
Johnson (GA)	Ortiz
Johnson (SD)	Orton
Johnson, E. B.	Owens
Johnston	Pallone
Kanjorski	Parker
Kaptur	Pastor
Kasich	Payne (NJ)
Kennedy	Payne (VA)
Kennelly	Pelosi
Kildee	Penny
Kiecicka	Peterson (FL)
Klein	Peterson (MN)
	Pickett

NAYS—160

Pickle	Greenwood
Pomeroy	Gunderson
Poshard	Hancock
Price (NC)	Hansen
Rahall	Hastert
Reed	Hefley
Reynolds	Herger
Richardson	Hobson
Roemer	Hoekstra
Rostenkowski	Hoke
Roth	Horn
Rowland	Huffington
Royal-Allard	Hunter
Rush	Hutchinson
Sangmeister	Hyde
Sarpalius	Inhofe
Sawyer	Istook
Schenk	Jacobs
Schumer	Johnson (CT)
Scott	Johnson, Sam
Serrano	Kim
Sharp	King
Sisisky	Kingston
Skaggs	Klug
Skelton	Knollenberg
Slattery	Kolbe
Slaughter	Kyl
Smith (IA)	Lazio
Spratt	Levy
Stark	Lewis (CA)
Stenholm	Lewis (FL)
Stokes	Lightfoot
Strickland	Linder
Studds	Machtley
Stupak	Manzullo
Swett	
Tanner	
Tauzin	
Tejeda	
Thornton	
Thurman	
Torricelli	
Towns	
Trafficant	
Tucker	
Unsold	
Valentine	
Velazquez	
Vento	
Visclosky	
Volkmer	
Washington	
Waters	
Watt	
Waxman	
Wilson	
Wise	
Woolsey	
Wyden	
Wynn	
Yates	

McCandless	Schaefer
McCrery	Schiff
McDade	Schroeder
McHugh	Sensenbrenner
McInnis	Shaw
McKeon	Shays
McMillan	Shuster
Meyers	Skeen
Mica	Smith (MI)
Michel	Smith (NJ)
Molinari	Smith (OR)
Morella	Smith (TX)
Murphy	Snowe
Nussle	Solomon
Oxley	Spence
Packard	Stearns
Paxon	Stump
Petri	Sundquist
Pombo	Talent
Porter	Taylor (MS)
Portman	Taylor (NC)
Pryce (OH)	Thomas (CA)
Quillen	Thomas (WY)
Quinn	Torkildsen
Ramstad	Upton
Ravenel	Vucanovich
Regula	Walker
Ridge	Walsh
Roberts	Weldon
Rogers	Wolf
Rohrabacher	Young (AK)
Ros-Lehtinen	Young (FL)
Roukema	Zeliff
Royce	Zimmer
Santorum	
Saxton	

ANSWERED "PRESENT"—1

Ewing

NOT VOTING—27

Brown (CA)	Henry	Rose
Buyer	Inslie	Sabo
Clayton	Kopetski	Sanders
Clyburn	Lambert	Shepherd
Crane	Leach	Synar
Dellums	Livingston	Thompson
Engel	Martinez	Wheat
Fingerhut	Neal (NC)	Whitten
Hall (OH)	Rangel	Williams

□ 1124

Mr. TEJEDA changed his vote from "nay" to "yea."

So the Journal was approved.

The result of the vote was announced as above recorded.

PLEDGE OF ALLEGIANCE

The SPEAKER pro tempore (Mr. MCNULTY). Will the gentleman from Texas [Mr. BONILLA] kindly come forward and lead the House in the Pledge of Allegiance to our flag.

Mr. BONILLA 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. Hallen, one of its clerks, announced that the Senate had passed without

□ This symbol represents the time of day during the House proceedings, e.g., □ 1407 is 2:07 p.m.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.

amendment a bill of the House of the following title:

H.R. 1723. An act to authorize the establishment of a program under which employees of the Central Intelligence Agency may be offered separation pay to separate from service voluntarily to avoid or minimize the need for involuntary separations due to downsizing, reorganization, transfer of function, or other similar action, and for other purposes.

TOUGH CHOICES

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

Mr. FAZIO. Mr. Speaker, leadership is about making tough choices. The eyes of the Nation are on the House of Representatives today to see if the change that people demanded last fall is actually going to take place. When the President came to office just 4 months ago the deficit had been out of control for 12 long years. In less than a month the President presented this Congress and the American people with a \$500 billion deficit reduction plan, the largest of its kind in the history of our country.

The President's plan has over 200 specific spending cuts, including \$100 billion reduction in entitlements. The Congress has added an additional \$63 billion in spending cuts. Three out of four new tax dollars come from the richest 6 percent of our Nation's people.

It is time for us to give this new President a chance to get our country out of the ditch and back on the road to a recovery that promises new jobs and economic growth.

Give our new President the opportunity to lead this country back from the deficits of the last decade. He deserves our help.

HOLLYWOOD MAKEUP JOB CANNOT HIDE TAX INCREASE

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

Mr. HASTERT. Mr. Speaker, apparently President Clinton's handlers have finally located their makeup person.

Once again, President Clinton has tried to change the face of the largest tax increase in American history with something called voluntary spending caps. In other words, instead of this Congress acting, we are going to simply ask the bureaucrats to please not spend as much of our money. Good luck.

Mr. Speaker, for President Clinton to tell the American people he is getting our financial house in order when his budget plan would add more than \$2 trillion to the national debt should be enough to make him blush, even

through the best Hollywood makeup job.

A MOMENT OF TRUTH

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

Mr. TORRICELLI. Mr. Speaker, for a decade we have talked about the Federal deficit, we have debated the Federal deficit, we have done everything but deal with the Federal deficit. Today is a moment of truth for this institution, for this Congress, for this country, because courage is not measured in words. It is a question of deeds.

Either all those speeches and all those press releases about the deficit meant something, or they did not. Today we are going to find out. We are about to discover whether the profligate 1980's were simply an aberration, a time of loss of fiscal discipline, or a permanent change in the ability of this country and this Congress to govern ourselves.

□ 1130

The only means of restoring confidence in this Congress, giving discipline again to our fiscal affairs, and giving meaning to all those speeches about dealing with the deficit, and confidence in this institution is to deal with the President's plan and to vote for it, and once again bring discipline to our fiscal affairs.

FEAR OF DAWN

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

Mr. EVERETT. Mr. Speaker, most Americans thought the days of smoke-filled rooms and closed-door, backroom deals were a part of our political history. We were to be living in a time of political openness and inclusion—an end to gridlock. This was to be the new covenant by which all our politicians would live.

Unfortunately, that is not the case. The Democrats still remain in darkness, striking bargains and making deals behind the closed doors of the Ways and Means Committee.

Fearing the certain storm of protest from hard-working taxpayers, Democrats turned out the lights on the ugly process of raising taxes when they shut out Republicans by voting against every Republican proposal with a party line vote.

Mr. Speaker, it is time to help Bill Clinton keep his campaign promises by substituting his tax increases on the working poor with more spending cuts. To do this, we needed an open rule on reconciliation. To do this, we needed some sunshine allowed in on the process.

The losers of Bill Clinton's broken covenant, Mr. Speaker, will be hard-working taxpayers. And, I think those taxpayers will remember who voted for higher taxes and who voted against the largest tax increase in this Nation's history.

BILL CLINTON MADE THE TOUGH CHOICES

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

Mr. VISCLOSKEY. Mr. Speaker, when Ronald Reagan was sworn into office, the national debt was \$908 billion. When George Bush left office the national debt had exploded to \$4 trillion.

Bill Clinton was elected to change this Republican policy of let the kids pay.

President Clinton has met the challenge and has presented the House with a historic opportunity to attack the deficit through reduced spending.

That is why those who produce milk will be paid \$320 million less during the next 5 years.

That is why tobacco growers will be assessed more in the future.

That is why military retirees will have their COLA's delayed by 4 months.

That is why hospitals and physicians will have their payments under Medicare frozen for the next 2 years.

And that is why the Treasury Postal Subcommittee on Appropriations yesterday voted to eliminate all funding for two agencies of Government.

The decisions about these spending cuts weren't easy. These spending cuts aren't popular. But these spending cuts need to be made.

Bill Clinton has made the tough spending choices. Today we must join him.

LARGEST TAX INCREASE IN AMERICAN HISTORY

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

Mr. KIM. Mr. Speaker, I will be voting today against the budget bill, because it is the largest tax increase in American history.

Every sector of society is hit and hit hard.

This new tax will cost about \$226 per month for millions of retirees on fixed incomes. This is a tremendous burden.

Rather than enjoy their retirement, these senior citizens are being forced into the poorhouse. Under this bill, 85 percent of Social Security benefits will be taxed to raise \$32 billion to pay for waste and gross fiscal mismanagement by this Government.

This is outrageous. Our senior citizens did not create this financial mess.

They have been working hard all their lives contributing revenue.

I urge my colleagues to vote against this dangerous tax bill.

TODAY IS THE DAY THE RUBBER MEETS THE ROAD

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

Mr. WISE. Mr. Speaker, today is the day where the rubber meets the road. It decides whether or not this country has an economic plan or continues economic drift. It is about deficit reduction, real deficit reduction and real economic growth, a bill that, after you strip all of the hoopla out of it, has \$250 billion in cuts, more dollars in cuts than tax increases.

It is a bill, yes, about tax increases and two-thirds of those falling on those making over \$200,000. And yes, there is a Btu tax, and if you are making somewhere around \$30,000 to \$40,000, it will amount, after 3 years, to about 50 cents a day, about the price of a cup of coffee. And yes, there are taxes that affect our industries, but, for instance, in aluminum and coal and natural gas and the barge fees, we were able to get those significantly adjusted.

Real spending cuts, Mr. Speaker, a fair tax burden basically on the upper incomes, a deficit reduction account that guarantees tax increases go for deficit reduction, not for new spending.

It is time, Mr. Speaker, to get this economy moving and to pass this bill.

NEED FOR STRONGER TRUCK-LOAD RESTRAINT REGULATIONS

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

Mr. QUINN. Mr. Speaker, I rise today not to talk about taxes or spending, although these are very important issues.

Instead, I rise to speak about issues that are even more important, the issues of life and death.

There is a dangerous problem on our Nation's highways, a problem that risks peoples' lives, a problem that cost four people their lives in Buffalo, NY, last year.

On October 5, 1992, during the morning rush hour, a flatbed trailer truck, traveling on the New York State Thruway, struck the median divider, snapping the chains which secured its load of four giant coils of steel.

The steel coils—weighing 20 tons each—flew off the trailer, crushing three cars, killing four people.

Since that tragedy last October, 7 months ago, heavy metal coils have fallen off trucks on three other occasions in western New York, and statistics indicate similar problems are occurring across the country.

Luckily, no one else has been hurt or killed.

But will we be so lucky next time?

Before another person is killed, we need to improve the way truckers are required to secure their loads; we need to protect motorists on our highways.

I will go to the Federal Highway Administration to ask for stronger load restraint regulations.

Mr. SHUSTER, the ranking member on the Public Works and Transportation Committee, has offered to help.

And, Mr. Speaker, I ask for the help of all my colleagues, so that we can avoid another deadly tragedy on our highways.

IT'S SHOWTIME

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

Mr. MILLER of California. Mr. Speaker, as they said in the movie, "Chorus Line," it's showtime. It is showtime for the Congress of the United States, for the President of the United States, and for the people of the United States.

Today we will determine whether or not we fully understand what the American people said to us in November, and that is that they no longer wanted a President who talked about balanced budgets and then sent phony budgets to the Hill. No longer did they want a Congress that cooked the numbers and moved spending from one fiscal year to another, one gimmick after another, and the deficit got larger and larger.

People in this country said what they wanted was a change. And President Clinton has presented us with an economic plan to provide for that change.

That change since the election has brought about the lowest interest rates in the last 20 years in this country. Those low interest rates for the first time have allowed people to buy a home, to refinance an existing home, to better be able to afford their children's education, to buy an automobile and put an autoworker back to work. That is real change, not symbolic change, not the rhetoric that we have had over the last 12 years as the Republicans have continued to talk about lower deficits but only sent us larger and larger deficits.

Today the numbers are real. The deficit reduction is real and the benefit to the American people is real.

It's showtime.

□ 1140

HANG TOGETHER?

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

Ms. PRYCE of Ohio. Mr. Speaker, President Clinton is urging his Democratic colleagues to unite in voting for the largest tax increase in history.

He uses the old Ben Franklin adage: We must hang together, or we will all hang separately.

Actually, Mr. Speaker, if your Democrat colleagues hang together to pass the largest tax increase in history, they will certainly hang separately in the next election.

Face it, my friends. The American people do not want to pay any more taxes. They feel they pay enough taxes, and they are right. We need to cut spending first.

The votes we take today will not be soon forgotten by the American voters. Both votes on the rule and on final passage will lead to more taxes, higher inflation, and slower economic growth.

Mr. Speaker, there is no reason to hang with the President. He is dead wrong. Cut spending first.

LISTEN TO THE PEOPLE, NOT THE LOBBYISTS

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

Mrs. MEEK. Mr. Speaker, on Tuesday, the results of the latest consumer confidence poll were released, and I was not surprised. The American people see the gridlock in Washington and know that the economy is in trouble.

The economic mess was created over the last 12 years and it will not be corrected without causing some pain. There are games being played with the lives of the people we were sent to represent. It is the vain hope of some to destroy President Clinton so that they can regain the White House.

They are willing to destroy the economic lives of millions of Americans in their lust for power.

Americans thought that the decade of greed had been ended last November, but they were wrong. The purveyors of greed have counterattacked and are willing to bring down the American economy to preserve their ill gotten gains.

We will never know how many tens of millions of dollars are being spent to defeat the President's program. We have heard that advertisements have been prepared to flow from Washington to certain congressional districts. The names of the front groups will sound like ice cream and apple pie, but the money comes from the purveyors of greed. Their identities will be hidden and their financial interests will never reach the light of day.

Is it any wonder that the American consumer has lost confidence?

I will stand up for the American consumer. I will oppose the purveyors of greed and their army of mercenaries.

I will vote for the President's program. I will vote for the American people and against the purveyors of greed.

TRAVEL AND TAXES

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

Mr. LINDER. Mr. Speaker, well, it looks like Travelgate has become the big story on the Nation's headlines. President Clinton has decided to have his chief of staff investigate what really happened.

I wish the White House would spend more time investigating what their tax package will do to American families. They should examine how the Btu tax will hit poor and middle class families the hardest.

They should reconsider how their Social Security tax will hurt senior citizens. They should ask themselves why they haven't listened to American public opinion, and cut spending first.

When the President gets his travel office back together, he should consider a trip to middle America. There, the people will tell him to cut spending first.

I urge my colleagues to vote against the reconciliation rule and the final bill. We do not need more taxes or more spending.

JUST SAY NO TO SPECIAL INTERESTS

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

Mr. KREIDLER. Mr. Speaker, as we prepare to vote on the deficit reduction package, a rightwing group is targeting some of us with a campaign of distortions.

The group is called Citizens for a Sound Economy, and it is running ads in my district opposing the Btu tax.

People in my State know this group well, because 2 years ago it bankrolled a term limit initiative that was so extreme the voters rejected it.

Most of its money comes from the Koch brothers, two of the world's richest men, who have a big interest in—guess what—big oil.

The chairman of Citizens for a Sound Economy is Jim Miller, who doubled the national debt when he was Ronald Reagan's budget director.

Taking advice on deficit reduction from Jim Miller and the Koch brothers is like taking tax advice from Leona Helmsley.

I do not like the Btu tax, and neither do a lot of my constituents. We would not need that tax if Jim Miller and his friends had done their jobs when they were in charge.

But now we can either do nothing, and let the deficit get worse, or we can start fixing it.

I came to Congress to fix the mess.

And I do not need billionaire special interests telling me how to do that.

YES, IT IS SHOWTIME

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

Mr. DOOLITTLE. Mr. Speaker, yes it's showtime: massive tax increases on senior citizens and on the middle class; an energy tax that cost 600,000 jobs; new Federal social welfare spending programs; \$1 trillion in additional cumulative debt; gimmicks, glitz, and let the good times roll.

Yes, it's showtime.

LET US PASS THE PLAN

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

Mr. TUCKER. Mr. Speaker, yes, it is showtime, and guess who gave us the original showtime. Well, let us see, what Hollywood actor ascended to the Presidency?

I think it was the Republican Party that was the original creator of showtime in the 1980's. That is right, Mr. Speaker, they showed us how the rich could get richer and the poor could get poorer. But guess what, now the real showtime has got to come to bear, and that is the time we find that the rich are going to have to ante up, because in this plan, Mr. Speaker, 66 percent of all the taxes are on those people making \$200,000 a year or more, 75 percent of all new revenues are going to go on those persons making \$100,000 a year or more.

It is showtime, all right, and it is time to fish or cut bait, because the Republicans want you to believe that this plan is only about the greatest tax increase in this country.

But guess what, this plan is also the greatest deficit reduction plan that we have ever seen in history. They do not want you to know about that.

But guess what, that is what it is, and that is what I am going to vote on today, Mr. Speaker, and we are going to pass the plan.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. MCNULTY). The Chair would remind our guests in the gallery that we are delighted to have you with us, but you are to refrain from responding either positively or negatively to statements made by Members on the floor.

CUT SPENDING FIRST

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

Mr. DUNCAN. Mr. Speaker, today we will vote on the largest tax increase in

American history. The Congressional Budget Office, which is controlled by the Democrats, estimates these tax increases at \$322 billion. This comes to over \$1,200 per person.

Anyone who thinks only the wealthy will pay is living in a dream world. Taxes always come back to the middle and lower middle income people.

The President said during his campaign that he was going to raise taxes only on those making over \$200,000 a year. The truth is these taxes are going to hit everybody regardless of income, because prices will go up on everything.

A newscaster for channel 5 here this morning said the so-called midnight compromise from last night is really just a face-saving measure for conservative Democrats. He said it is really meaningless. He said no one knows what the proposed spending targets really mean. It is a charade, a hoax. The President's package has no spending cuts, and, in fact, increases spending during the first 2 years.

The cuts in years 4 and 5 will never see the light of day until and unless more conservatives are elected to the Congress.

People in my district, Democrats, Republicans, and Independents, are saying cut spending first.

A HISTORIC CHANGE

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

Mr. SLATTERY. Mr. Speaker, nearly 50 cents of every dollar that the American taxpayers send to Washington is spent on entitlement programs, and anyone who knows anything about the arithmetic of our budget understands that we are not going to solve our deficit problem until we get these entitlement programs under control.

This part of our deficit has been on autopilot for 20 years, and last night, about 1 o'clock in the morning, we were able to come to a very difficult compromise on an effort to cap entitlement spending for the first time in our Nation's history.

I believe this to be a historic change in our budget process. Our colleagues, the gentleman from Minnesota [Mr. PENNY], and the gentleman from Texas [Mr. STENHOLM], and the gentleman from South Carolina [Mr. SPRATT], deserve a lot of credit for negotiating the toughest entitlement cap that we can possibly get through this Congress.

I think this particular provision in the package is definitely worthy of everyone's support, and I urge my colleagues to support the reconciliation package today.

Please, look at the entitlement cap and understand what a historic change this is. We are taking entitlements off of autopilot, and it is worthy of our support.

BUDGET RECONCILIATION A HARD SELL

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

Mr. POMBO. Mr. Speaker, as a farmer, I know that the budget reconciliation is going to be hard to sell, especially to our Nation's farmers.

The plain, simple truth is that the budget reconciliation cuts nearly \$3 billion from farm programs while, at the same time, increases and expands the Food Stamp Program by over \$7 billion. Those are the facts that the supporters of this budget need to explain.

For me, it is easy. I voted against the budget. I wanted to see that needed cuts were made, but made fairly, rather than by heaping the burden even higher on farmers.

For my Democrat colleagues, however, I can only wish you luck. I want to see you go and visit a farmer in your district, put your foot up on the bumper of his truck, and tell him why the money being cut from crop insurance is better spent by expanding the Food Stamp Program. Or explain to him the equity of the Btu or estate taxes. I would like to be there when you try. But let me give you a word of warning: Do not do it near a running combine.

□ 1150

SUPPORTING THE RECONCILIATION ACT

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

Mr. BISHOP. Mr. Speaker, the Budget Reconciliation Act is about hard choices. It's hard to ignore our sagging economy and the Federal deficit. It's also hard to leave our children with little or no means to accessible, affordable health care, and hundreds of thousands of Americans without jobs. And it's hard to support an energy tax that would raise production costs on our farmers, and we've cut the burden in half by exempting on-farm use of gasoline and diesel from the energy tax. But it's time to face the hard facts. We must put American back to work.

We cannot continue to wait, and hope, that change will come. This plan is the largest deficit-reduction package in the history of the Republic. It reduces our Federal deficit by \$496 billion over the next 5 years. It helps fund jobs programs and job training for our citizens, and assumes full funding for Head Start, a very important educational program for our children. And it does cut spending.

There is no easy way out, Mr. Speaker. It's time to make the tough decisions. Let's jumpstart our economy and let's make the right choice by voting for the Budget Reconciliation Act.

THE CLINTON TAX PLAN

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

Mr. GOODLATTE. Mr. Speaker, today is the day we answer a fundamental question: Are American families and businesses undertaxed? Or, does the Federal Government just spend too much? I think we all know the answer to this question.

Day after day, I talk to folks across my Sixth District of Virginia and they tell me how the tax burden is eating into their already tight family budgets. A vote for President Clinton's \$360 billion tax boondoggle is a slap in the face to every one of these families. They work hard to earn a living, to buy the groceries, pay for new school clothes for the kids, and cover the insurance payments and mortgage. They deserve better.

I ask each Member of the House to ask himself or herself a question: Will our Nation be better off in 4 years if we pass these huge new tax increases?

I heard the President calling this a deficit-reduction tax increase. That's like a spring snowstorm. You can see it coming down, but it just does not stick. This money that President Clinton is trying to dig out of the pockets of America's families and businesses will be wasted on expensive new Government pork-barrel programs which do nothing more than provide jobs for Washington, DC, bureaucrats. The President likes to create a Government program to solve every problem but as former President Reagan put it so well, "Government does not solve problems. It subsidizes them."

PASS THE RECONCILIATION BILL

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

Mr. RICHARDSON. Mr. Speaker, this is the biggest vote of the decade. Are we going to vote simply as Democrats or Republicans, or as Americans wanting to give the President a chance to govern?

This economic plan has pain for everyone. There are hundreds of reasons to vote against it. But fundamentally it is not about spending cuts or deficit reduction; it is about whether we as a nation can govern and eliminate the gridlock of the last 12 years.

Mr. Speaker, this is it. Today we will vote on and pass the President's reconciliation bill—a bill that cuts the deficit, restores faith and fairness in Government, and sets a positive course for this country.

Let me restate some of the facts:

This plan is the most aggressive deficit-cutting plan we have ever seen. It cuts the deficit by \$500 billion over 5 years.

This plan is fair—the heaviest burden is shouldered by those who can and should pay—the wealthiest of Americans. In fact, the vast majority of the tax increase will be paid by those making over \$200,000 per year.

This plan reminds us of the reason America voted for Bill Clinton. It calls for shared sacrifice and is based on honesty—not the smoke and mirrors of the last 12 years. Most of all, it demonstrates the courage needed to make the tough cuts.

Mr. Speaker, this is our moment of truth, our time to stand and deliver for the American people. Today America will see—gridlock is dead.

THE BILL CLINTON TAX BILL: GIVING CREDIT WHERE CREDIT IS DUE

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

Mr. BONILLA. Mr. Speaker, Americans naturally take pride in what they make. When Henry Ford started his car company he named it after himself. When a man named Amos perfected his cookie recipe, he named his treat after himself, "Famous Amos."

Hard-working people all over this great country take pride in their work and want their names on it. Craftsmen and artists autograph their creations. Lawmakers put their names on bills. If you take pride in your work you should take credit.

And if the President takes pride in his work he should put his name on his creation. If his tax proposal passes it should be passed on as the Bill Clinton tax. So, when struggling families open their utility bill they can see clearly the Bill Clinton energy tax added to the statement.

Or when that elderly couple receives a smaller Social Security check, they will know that it was the Bill Clinton Social Security tax that will force them to do with less.

If the President truly believes in his proposals he should proudly name the taxes after himself. Even Dr. Frankenstein had his monster.

IT'S ABOUT JOBS, CONGRESS, NOT ABOUT TAXES

(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, another 5-year plan for America, new record taxes on American workers and American companies. Meanwhile, American subsidiaries overseas once again escape the Tax Code. Now figure this out: If you stay in America, you are taxed; if you move overseas, you get tax breaks.

I am opposed to this madness.

In addition, we are going to open up the borders with Mexico—wow. I predict jobs and investment going to Mexico like Olympic sprinters. In return, we will get a used Ford pickup, 2 tons of heroin, and 3 baseball players, to be named later.

I am voting "no," dammit; it is about jobs, Congress, not about taxes.

The American people are taxed-off.

THE LARGEST TAX INCREASE IN HISTORY, AND NO AMENDMENTS ARE ALLOWED

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

Mr. MCCOLLUM. Mr. Speaker, early this morning the Democrat leadership exhibited the arrogance of power which makes congressional term limits such a compelling cause. They decided to make a deal in order to pass the largest tax increase in history, and the deal was over a rule that will come out here today that will not allow us to offer amendments or even their Members to offer amendments that would alter the face of the energy tax or remove it, et cetera. Only one substitute is allowed; ours granted by only one. I think that kind of arrogance is going to get to them. The fact of the matter is that we are dealing with not only the largest tax increase in history but we are dealing with the fact that this bill out here today will not have any reductions in spending for the first 2 years. And when we get down the pike, assuming that it works—and I do not believe the math will work—assuming it does, at the end of 5 years we will have added \$1 trillion to the debt, from \$4.5 trillion to \$5.5 trillion, and still have \$200 billion in deficits; nowhere near a balanced budget.

I submit, my colleagues, what the American people will understand more after the pain than they do even now—and I think they understand now—the way to solve the problem of the deficits and get to a balanced budget is to cut the spending, not increase the taxes.

THE BUDGET RESOLUTION

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

Mr. CLYBURN. Mr. Speaker, today, Mr. Speaker, we will vote on the President's 1994 budget.

The action we take today will have a resounding effect on the lives of the American people regardless of the outcome.

The passage of this budget will begin a road toward economic stability, healthier and better nourished children, and more meaningful job opportunities, to name just a few of its benefits.

For the last week or so the word entitlement has been brandished about as though it were some Fascist buzz word to warn those in support of the programs that our lives would be held in bondage if those services were not capped.

Well, for me, the world entitlement means to enable, qualify, and allow.

The provisions in this budget will enable Americans to gain more control of their lives.

It will qualify them for resources needed to become more productive citizens.

It will instill in our people dignity and pride in a government that works for them and not against them.

And that, Mr. Speaker, is something to which we all are entitled, and President Clinton's budget will start that process.

REBELLION IS A GOOD THING

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

Mr. BAKER of California. Mr. Speaker, President Clinton admires Thomas Jefferson. Well, Jefferson said "a little rebellion now and then is a good thing." And today, it's an especially good thing for the American taxpayers.

Because right now, President Clinton has a rebellion on his hands. Not just Republicans, but members of his own Democrat Party, are saying the liberal Clinton program of tax and spend is unpopular among the people and a recipe for economic disaster in this country. The energy tax will cost our recovering economy 500,000 jobs; the tax on Social Security benefits will bring pain to America's seniors; the income tax bill will steal capital needed to create jobs and expand business.

A rebellion against the Clinton program of tax increases and new spending is a good thing, Mr. Speaker. It is a good thing for the country and good for the American taxpayer.

Cut spending first.

□ 1200

IN SUPPORT OF PRESIDENT'S DEFICIT REDUCTION PACKAGE

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

Ms. MCKINNEY. Mr. Speaker, I rise in support of this deficit reduction package. This package addresses the twin deficits that plague the people of Georgia's 11th Congressional District.

This package reduces the budget deficit that threatens the future of our children. Children are especially spared cuts in entitlement spending. Spending is shifted to essential programs for children and families, groups that lost

ground during the last 12 years. Full funding of Head Start, full funding of the Mickey Leland Hunger Prevention Act, full funding of WIC, full funding of childhood immunizations.

The earned income tax credit assures that this country's children of working parents will not be raised in poverty. Georgia families received a total of \$425 million from the earned income tax credit last year. We expect to receive an additional \$282 million from the expanded earned income tax credit.

The budget is not just a political document. It is also a moral statement of our national priorities.

Our President's budget says that government should no longer serve the needs of a few of us at the expense of the rest of us.

Mr. Speaker, President Clinton's budget is good and it is good for Georgia. It is good for this country.

NO TRUST AND CONFIDENCE IN PRESIDENT

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

Mr. ROTH. Mr. Speaker, around the country people are asking why is the Clinton administration such a disaster after only 130 days. His negatives are higher than his positives.

Well, as a previous speaker said, everyone looks at Thomas Jefferson in the Clinton administration. Thomas Jefferson said that a President can only be successful if the people have trust and confidence in him.

Well, here is what President Clinton said about Social Security, which is being taxed in this bill today, 9½ million Social Security recipients are being taxed to the tune of \$29 billion.

Here is what Clinton said in September of last year:

We are not going to fool with Social Security. It is sound and I am going to keep it that way. You can take it to the bank.

That was his quote.

Today we are voting on a \$29 billion tax on senior citizens.

You see, there is no trust and confidence. Another broken campaign promise.

You cannot go around and tell people whatever they want to hear and then when you are in office do whatever you feel like and break every promise. That is why this country is in trouble and that is why the Clinton administration is in trouble. There is no trust and confidence in this administration, and rightly so.

GIVE THE PRESIDENT A CHANCE

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

Mr. GLICKMAN. Mr. Speaker, in 1981 as a third term Member of Congress, I

listened to Ronald Reagan ask the American people and this Congress to give him a chance, to give his program, which I might add was very complicated and very controversial, a chance. I voted for his tax reduction bill. I was one of about 50 Democratic Members of Congress who voted for Reagan's tax bill, not because it was perfect; but because it offered a chance and he, the new President asked for it.

Now our new President has asked us for the same chance, a chance to reduce the deficit dramatically and to do it with fairness, equity, growth, and jobs.

Yes, it is controversial. Yes, it may have some problems with it, as did the Reagan program, but he has asked for our help. He has asked us to give him a chance.

Americans do not like excessive partisanship. I am sorry that no Republican in the House, like nearly 50 Democrats in 1981, but not one Republican chooses to give our President the same chance that I and the nearly one-fifth of the Democrats of the House did for President Reagan in 1981.

Mr. Speaker, I believe Americans are fair and I believe that today they will applaud our efforts to give Bill Clinton a chance to make America a better place.

THE PRESIDENT'S TAX DEAL

(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, when the American people got up this morning, they turned on the news to hear that the President had finally made a "deal" with the Congress on his middle-class tax increase.

The American people need to know that this deal was struck at 4 a.m. this morning behind closed doors, and the only deal made was how big the tax increase is going to be on working Americans.

This is not a good deal for American taxpayers. It is a raw deal.

It is still \$322 billion of tax increases over 5 years with no real deficit reduction.

It contains 20 times tax increases as spending cuts in the first year, and six times tax increases over spending cuts over the next 5 years.

Where is the fiscal responsibility that Mr. Clinton claimed to have during his campaign?

Mr. Speaker, I hope the people across this Nation watching right now will call their Representatives in Washington and tell them to vote no on this middle-of-the-night thievery.

EXCELLENCE IN EDUCATION IN KENTUCKY

(Mr. MAZZOLI asked and was given permission to address the House for 1

minute and to revise and extend his remarks.)

Mr. MAZZOLI. Mr. Speaker, there are many good-faith differences among and between us on how best to restore America's economic health and these will be debated today, but there is no difference among us or between us on revering and honoring States and localities and schools which distinguish themselves in education programs and which achieve excellence in those programs.

In a few moments I will be joining Louisville Mayor Jerry Abramson and county judge executive of Jefferson County, David Armstrong, at ceremonies in which the city of Louisville and the county of Jefferson will be jointly honored as a community of excellence in education.

On tomorrow the Federal Department of Education will announce that six Kentucky schools, including two from my district, St. Xavier High School, my alma mater, and Assumption Academy, will be designated as blue ribbon schools, schools of high achievement in education.

Mr. Speaker, in Kentucky, in Louisville, in Jefferson County, education is important. Education is put on a high pedestal, and education in our communities is marked by excellence.

TARPON SPRINGS WAR MEMORIAL

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

Mr. BILIRAKIS. Mr. Speaker, several years ago, two Vietnam veterans, Robert Renneke and Dr. Fred Roever, in my district proposed building a memorial to honor those killed, or yet missing in action, who hailed from the local area. Like so many other memorial projects, this one was ridiculed by some who contended it was a waste of time and money. However, I am pleased to say that the monument's supporters persevered and in 1992, the city of Tarpon Springs, FL, held a dedication ceremony for this important memorial. Although the memorial started with the purpose of recognizing our great Vietnam veterans, it soon expanded to include those from the area who served and gave their lives in all wars.

And so I take to the floor today to salute Messrs. Renneke and Roever and the community as a whole who made the Tarpon Springs war memorial possible. In this way we might always remember how blessed we are in the modern world to live in a free society, nor forget that this blessing is due to the sacrifices of our friends, relatives, neighbors, and countrymen who served us all when duty called.

STOCK MARKET SUPPORTS DEFICIT REDUCTION

(Mr. KOPETSKI asked and was given permission to address the House for 1

minute and to revise and extend his remarks.)

Mr. KOPETSKI. Mr. Speaker, the number one problem facing the United States today is the Federal deficit, \$4 trillion, \$3 trillion of which has grown in the last 12 years under the Republican rule in the White House.

This is a tough political vote today, no doubt about it, but I do not understand why you folks do not admit there is \$250 billion of spending cuts.

Yes, there are tax increases there, and we asked the wealthiest in this country to pay a little bit more. We asked the top corporations in this country to pay a little bit more.

Republicans like to say this is bad for business. On the eve of this vote, the stock market had its greatest record level in the history of this country. You want good evidence of how good this is for business? Ask the stock market. Do not ask the self-proclaimed business experts on the Republican side of the aisle. Ask those who are involved with the economy at the stock market. Record highs at the stock market on the eve of this vote.

Right now the market is up. The market is up and that is because they understand this is a true deficit reduction package which means lower interest rates for this country, which will put money into the pockets of every business person, money into the pockets of every consumer in this Nation, record highs at the stock market. That is the best evidence that this is good for business in America.

□ 1210

WHAT WAS BILL THINKING?

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

Mr. INHOFE. Mr. Speaker, in the last 2 weeks, we have all asked ourselves the question, "What was Bill thinking?" when we read about Travelgate and Hair Force One. Well, I think we need to ask that question again.

On May 20, the White House announced that the President has named his former Tennessee campaign chairman, Jim Hall, to replace Christopher Hart on the National Transportation Safety Board. Mr. Hall is a lawyer and a real estate developer and has worked on the staffs of former Senators Albert Gore, Sr. and Edmund Muskie as well as Clinton's Tennessee campaign manager.

What makes this all the more troubling, is that Mr. Hall will be replacing an extremely well-qualified board member, Chris Hart.

Mr. Hart is an instrument-rated pilot with certificates in commercial, single- and multi-engine aircraft. He has a master's degree in aerospace engineering and has conducted research on helicopters.

A magna cum laude graduate of Princeton University with a juris doctor degree from Harvard Law School, Chris Hart is exactly the kind of person we need on the safety board.

But I have got to ask "what was Bill thinking" when he decided to replace an aerospace engineer with a real estate developer on the National Transportation Safety Board? Why, Mr. President, would you remove the most qualified person from the safety board? Oh, by the way, Chris Hart, the most qualified member of the NTSB who President Clinton has replaced is an African-American.

SETTING THE RECORD STRAIGHT ON THE RECONCILIATION BILL

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

Mr. LEVIN. Mr. Speaker, the debate today has just begun, and already the air is filled with misstatements.

The largest tax increase in history? That is simply wrong. In 1993 dollars, the TEFRA bill of 1982 was \$58 billion larger than this. That is the fact. The 1982 bill was supported actively by Senator DOLE and signed by President Reagan. That is right, it was \$58 billion larger than this one.

Second, they say this is six times taxes versus cuts. That is simply not true. This bill cuts spending first, and we guarantee it.

Mr. Speaker, those Members who come after me whose policies created most of the national debt of \$4.5 trillion have no standing to lecture America about deficit reduction.

A RETURN TO OLD-FASHIONED BACK ROOM POLITICS

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

Mr. BUNNING. Mr. Speaker, I'm mad enough to fight and anyone who believes in democracy ought to be just as angry.

What is going on today isn't the democratic process at all. This is a rollback to old fashioned, back room politics.

Nobody really knows what happened last night at 2 a.m. But it sure looks like deals were cut.

In the dark of night, in a back room outside the Rules Committee, away from the cameras and the public, the power brokers of the Democratic Party got together and cut just enough deals to buy just enough votes to save Bill Clinton's tax plan.

Look at the rule. It magically enacts seven amendments that will never have to be debated in the light of day. But it denies the Republicans the opportunity to offer or debate, in public, any amendments except for one substitute.

That is not Democracy.

That is the arrogance of the Democrat majority.

GERMANY TURNS TO CAPITALISM WHILE THE UNITED STATES LEANS TOWARD BIGGER GOVERNMENT

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

Mr. WALSH. Mr. Speaker, two great nations are at the crossroads of their economic future. We all know how flat our economic growth is in the United States. The Clinton administration has chosen the path of increasing individual and business taxes, increasing energy taxes, increased Government spending.

Germany, on the other hand, faced with higher inflation, higher wage rates, higher unemployment, and the assimilation of the former Socialist East Germany has chosen instead to slash government spending, cut business taxes, and reduce regulations. I think the Germans have got it right. They have decided to turn their economy loose and allow the genius of capitalism to work. We on the other hand are headed toward bigger government, bigger deficits, and bigger problems down the road.

THE CLINTON ADMINISTRATION'S FRIGHTENING NUMBERS

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

Mr. SMITH of Texas. Mr. Speaker, the Clinton administration has been racking up some pretty frightening numbers lately. According to Tuesday's USA Today/CNN Gallup Poll only 23 percent of Americans are saying that the Clinton administration's economic plan should be passed as is, while 68 percent—over two-thirds of Americans—say that the plan should either be greatly modified or rejected.

As bad as President Clinton's numbers are, they ain't nothing compared to the tax and spending numbers he is inflicting on the American people. Numbers like \$43 billion in new taxes next year, \$322 billion in new taxes over the next 5 years, 600,000 in lost jobs from an energy tax that will cost every family \$475, and an increase in Social Security benefits that will be taxed.

No wonder that with tax numbers like those, President Clinton sets another new low with every poll taken. I urge my Democrat colleagues to pay attention to the American people and reject more taxing and spending or they may see another frightening number: 1994.

THE SAGA OF A SUMMER JOB

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

Mr. KINGSTON. Mr. Speaker, we spent a lot of time in the past couple of days talking about jobs, particularly summer jobs. Here is an interesting story about a summer job and our help-the-little-man Government. It is a story about 14-year-old Tommy McCoy from Savannah, GA.

Tommy was the batboy for the Savannah Cardinals. He was competent, he did a great job, and he was a hustler. He was popular with the members of the team, and everyone liked him. He did such a good job that the newspaper wrote an article specifically about Tommy.

Well, what happened? Among the thousands of readers was a Department of Labor employee who did the bureaucratic thing and turned Tommy in for violating section 570.35 of the child labor laws which says that 14-year-olds cannot work past 9 p.m. even if their parents say it is OK, even if their grades are good, even if they are out of school for the summer.

So Tommy McCoy got fired by this compassionate Government of ours.

Mr. Speaker, I have written to Labor Secretary Reich and asked him to reexamine this rigid, unreasonable rule, and I ask the Members of the House to join me in this effort and ask the Department of Labor to make a waiver for kids who are doing the right thing, who are showing initiative, and who have a summer job which was not provided by the Government.

Mr. Speaker, I think if we do that, we will be doing something for summer jobs.

SURVEYS SHOW PUBLIC OPPOSITION TO THE BTU TAX

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

Mr. HUTCHINSON. Mr. Speaker, the proposed Btu tax is both hidden and regressive.

This stealth tax is deliberately hidden, and it will be passed on to hard-working Americans through higher prices on everything from lettuce to Levis, and since middle America spends a greater percentage of their income on food, clothes, and haircuts than the wealthy, then a greater percentage of their income will go to this stealth energy tax.

Mr. Speaker, the energy tax was designed in this hidden manner because they do not want people to see it, but I guarantee they will feel it. A recent Wall Street Journal poll indicated that more than 60 percent of the public opposes the proposed energy tax. It is riddled with exemptions, and before all

the deals are cut, it is going to resemble a lace doily.

Mr. Speaker, I urge my colleagues to defend their constituents from this huge tax increase.

THE MIDDLE CLASS ENERGY TAX WILL HURT AMERICA

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

Mr. TORKILDSEN. Mr. Speaker, I rise today in opposition to the proposed Btu tax which President Clinton wants to impose on the American people.

During the campaign, candidate Clinton promised not to make the middle class pay for his programs. Well, this Btu tax will make the middle class pay and pay and pay. The energy tax will cost \$70 billion, mostly from the middle class.

And the middle class will pay more than just the tax on gasoline and other energy. Everyone will pay more, even the poor, when the price of a loaf of bread and a gallon of milk goes up.

I applaud the bipartisan effort in the Senate to remove the middle-class energy tax. The Senate knows that we need to cut spending first and the American people want us to cut spending first. Hopefully the House of Representatives will get the message, too.

Mr. President, \$400 a year in new energy taxes may only be a couple of haircuts for you, but to a family in America it means a whole lot more.

□ 1220

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. McNULTY). Members are reminded that they should address their remarks to the Chair.

HOPE FOR A REPUBLICAN CONTROLLED HOUSE

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

Mr. GRAMS. Mr. Speaker, it's been so long since the Republicans have controlled this House that many people may have given up hope that it would ever happen.

Well, Mr. Speaker, there is hope again. And we can thank President Clinton, and the Democratic leadership.

After all, just think how angry the American people are going to be when House Democrats vote today to stick them with the largest tax increase in American history.

Think of how angry they will be when they discover that Congress found it easier to rob taxpayers pocket-books than cut Government spending.

And think how they are going to react when they get stuck with a \$500 per year energy tax.

Now, I know my Democratic colleagues don't think that is a lot of money. After all, \$500 only buy two Clinton haircuts.

But for average Americans, today's Btu tax alone will be devastating. And it will be especially devastating to the 600,000 Americans that are going to lose their jobs because of it.

Mr. Speaker, I remind my Democratic colleagues that the voters won't forget. Ask George Bush who agreed to a tax hike in 1990.

If you think you are going to have a tough time explaining this vote to your fellow Democrats in the Senate, just think how tough a time you are going to have with your own constituents in November 1994.

VACATING OF SPECIAL ORDER AND REINSTATEMENT OF SPECIAL ORDER

Mr. DORNAN. Mr. Speaker, I ask unanimous consent to vacate my 60-minute special order tonight and, in lieu thereof, be permitted to address the House for 5 minutes so I can address El Presidente's problem with our military culture and why he is in the face of our military to speak at West Point over the weekend. Some Members have used the term, they are not pronouncing it correctly, it is called showtime. And this is showtime.

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

There was no objection.

BROKEN CAMPAIGN PROMISES

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

Mr. DORNAN. Mr. Speaker, I would like to discuss the rhetorical question asked, with all America listening by the gentleman from Kansas, DAN GLICKMAN, my good friend.

The gentleman asks why there are no Republicans supporting the Clinton tax hike when 50 Democrats, including the gentleman from Kansas, supported Ronald Reagan in his first year?

It is simply this: President Ronald Reagan was keeping every one of his campaign promises, and Presidente Clinton is breaking every one of his campaign promises. Anybody have any trouble with that analysis? It is very simple. Indeed, doesn't anybody else find it amusing that we will soon be debating a reconciliation bill that cannot be reconciled with any of Clinton's campaign promises?

Here is the hottest document on the Hill. It is called the Clinton tax bill, updated resource materials for Republican Members. I urge all Americans to get a copy so they can get the facts.

They certainly won't get them from the other side of the aisle.

Contrary to the remarks of a previous speaker, this is not showtime today. This is the same old thing: More taxes, more spending, more regulations, more deficit, more debt, both personal and Federal, interest rates going up, inflation going up.

I will trail off on what is going down: Investment going down, productivity going down, hard work going down, savings going down.

THOUGHTS ON THE RECONCILIATION BILL

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

Mr. SCHIFF. Mr. Speaker, we have heard a great deal of good-sounding rhetoric, particularly from the other side of the aisle, that the purpose of today's bill is indeed to address the deficit. But normally, over the last number of weeks, we have heard the administration's plan, their plan has been to address the deficit "and."

And words have always been added after "address the deficit," and they have always been good-sounding words like "get the economy moving again" or "increase the number of jobs."

But the word "and" is their euphemism for new spending ideas. After all, the very first proposal from the administration to reach Congress was for the more deficit spending.

Now they tell us that we can have confidence that this bill will indeed raise revenue to go to the deficit. What do they provide?

They provide such things like a trust fund to address the deficit, a trust fund.

Do my colleagues know we already have a trust fund for the excessive revenues received from Social Security? And where is that money today? Is that money down the street in a bank? Of course, it is not. That money has been spent by the Congress, and Congress has returned, in its place, an IOU, a giant Treasury bill.

That is exactly what can happen with the revenue raised through increased taxes in a deficit trust fund.

Congress puts it in the books, borrows it, spends it, and it is not there any more.

I suggest we should not have confidence that there will be any differences here.

TERM LIMITS

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

Mr. HUFFINGTON. Mr. Speaker, this bill is a sham. According to the Congressional Monitor, this \$343 billion

measure would bring in \$275 billion in new revenues, that is, taxes, and mandate \$68 billion in spending cuts, \$4 of taxes, \$1 of cuts. There is not \$1 of real deficit reduction. None at all. There are no net spending cuts in the first 2 years. All potential savings are in the third year and beyond. What is the solution to this travesty? Term limits—pure and simple. Until we get rid of the professional politicians, we will never be able to stop the spenders.

On this very day, the Democratic Congress will pass the largest tax increase in history, the front page headline in Roll Call stated "Foley to Sue to Try and Kill Term Limits". Mr. Speaker, the American people are voting for term limits—2 to 1. Mr. Speaker, it's time to listen to what the American people want, citizen politicians not professional politicians.

THINK ABOUT YOUR VOTE

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

Ms. DUNN. Mr. Speaker, no politician has ever lost an election by voting against a tax increase. But plenty have lost by voting to raise taxes.

I hope my friends on the other side of the aisle keep that in mind as we vote on the reconciliation rule. A vote for the reconciliation rule is a vote for the largest tax increase in history.

The President and his allies in the House complained endlessly about how bad the last 12 years have been. Well, Mr. Speaker, during the Reagan-Bush era, our country enjoyed an economic boom unprecedented in our history. We whipped inflation and we tamed interest rates. The era came to an end because the Democratic Congress forced President Bush to raise taxes. The recession from that tax increase lingers still today.

And now, the Democrats, led by President Clinton, want to raise even more taxes. This is like pulling the plug on a patient who is slowly making a recovery.

Mr. Speaker, I urge my Democratic colleagues to think clearly about their vote on the reconciliation rule and on final passage. It just may be the most important vote of your career.

A FLAWED VISION OF CHANGE

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

Mr. HOKE. Mr. Speaker, this budget reconciliation that we are being asked to support today and to vote on reflects the deeply flawed vision of change for America that President Clinton has. He clearly has misunderstood and completely misinterpreted what the people want.

I had the opportunity last weekend to listen to the people of northeastern Ohio and find out what they want.

What they want is not bigger Government. They want less Government. They do not want higher taxes. They want lower taxes. They do not want less freedom. They want more freedom. That is what they are asking for.

Mr. Speaker, they want change, absolutely, but they want the kind of change that the President was elected for. They want the kind of change that the President promised.

In my town meetings last week, they said, "Cut spending first; don't raise taxes."

What is the bottom line here. The bottom line is that the President gets everything that he asked for. He will increase the national debt by over \$1 trillion in the next 4 years.

Just for everyone's information, that is the same amount of money that the debt increased during Ronald Reagan's first term, the same amount that the debt increased during Ronald Reagan's second term, the same amount that the debt increased during George Bush's 4 years in office.

Nothing has changed.

IN SUPPORT OF PRESIDENT CLINTON'S BUDGET RECONCILIATION AMENDMENT

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

Mr. RUSH. Mr. Speaker, I rise this morning to urge my colleagues in the House to have courage. The courage to lead.

When you get right down to it, the fundamental issue we are confronted with today is: Will the Democrats have the courage, and the guts, to govern this country? Are we fit to lead?

I say emphatically that we can govern effectively. And our vote today in support of the President's plan will demonstrate that.

When I cast my vote for this bill today I will be adding my voice in support of the President's economic agenda. That agenda puts a sizeable dent in the Republican-generated deficit. The working poor are helped, the middle class are given a break, and it begins to right the wrong-headed policies of failed Republican Presidents which have left thousands of hard-working men, women, and young people suffering for too long.

Let us give the President we helped to put in office the chance to lead this country.

□ 1230

ENERGY TAX DESTRUCTIVE TO WESTERN PENNSYLVANIA

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

Mr. SANTORUM. Mr. Speaker, I heard the gentleman from Ohio [Mr. TRAFICANT] come up and talk. His district is very much like mine. It is a blue collar, working class, heavy manufacturing district where we are very concerned about the manufacturing sector of our economy.

The President said he was going to take a laser beam to the economy. He certainly did. He took a laser beam and the photon torpedoes and he just blasted the Mon Valley in my district, and a lot of blue collar workers in western Pennsylvania who rely on manufacturing and production jobs to be able to earn a living and put food on the table. That is what this energy tax is going to do. That is what the inland waterway user tax is going to do to the Mon Valley and the Mon River communities that I represent.

This is wrong, Mr. President. Mr. President, you came to the Mon Valley during your election, you came to McKeesport. You stood in John F. Kennedy Square, and the throngs said they wanted some change. They did not want you to destroy their town. They did not want you to ruin their neighborhoods.

When you come back next time, Mr. President, to John F. Kennedy Square, there will not be anybody there.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. MCNULTY). Members are reminded to address their remarks to the Chair.

TODAY THE CLINTON PICKPOCKETING BEGINS

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

Mr. SMITH of New Jersey. Mr. Speaker, the Democratic leadership has done it again. The rule we will consider today precludes the consideration of several significant amendments, including a vital amendment to protect Social Security recipients.

Last night, I joined the gentleman from Wisconsin [Mr. ROTH] and the gentleman from Illinois [Mr. HASTERT] in asking the Committee on Rules to permit consideration of an amendment to strike the provision in the bill which imposes a new onerous tax on our older Americans. The Roth amendment is fair, and it would have given each and every one of us a chance to protect older Americans. Now more than 9 million seniors are going to get whacked.

Mr. Speaker, Mr. Clinton made many promises during the campaign. Sadly, he has broken many of those promises, and the trust deficit, as David Broder has coined it, is so bad that we do not know from one day to the next whether or not Mr. Clinton is going to keep this

promise or keep that promise, he has broken so many.

Instead of a tax cut for the middle class, the middle class is going to get a tax increase. Make no mistake about it, Mr. Speaker, the tax hike Mr. Clinton wants to impose on all Americans, especially the middle class, will hurt hard-working families and will cripple jobs.

Mr. Bush had said during the campaign, "Watch out, he is coming for your wallet." Today the Clinton pickpocketing begins.

THE BTU TAX WOULD HIT ALASKA HARDEST

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

Mr. YOUNG of Alaska. Mr. Speaker, virtually all Alaskans agree that the Federal deficit and national debt are major problems which must be addressed immediately.

It is our job, and the President's job, to focus on how we can best solve the problem.

President Clinton has chosen to address the issue with a tax and spend program.

I disagree with this approach because it will not accomplish what he has promised.

Today, we are considering a plan to establish a Btu tax, a new tax which is not only unfair, but also unwise.

My main concern is that this new tax would be extremely unfair to Alaskans as we will be taxed more per capita than any other State in the Nation.

This is not an equitable tax, it is the equivalent of a sin tax on Alaskans because we live in the coldest climate and we have a major reliance on air and sea transportation because of our location and great size.

I have reviewed studies which estimate the national average cost of the Btu tax to be \$471 for a family of four.

This is a large tax for any family. But it gets worse. The studies also estimate the average cost of the Btu tax for an Alaskan family will be over \$1,500, almost 400 percent higher than the national average.

Because of this gross inequity and my firm opposition to continued efforts by the President to raise taxes, I will not support this proposal.

This is not good government, just more government fueled by increased taxes.

We should be cutting Government spending, not creating a Btu tax.

Mr. Speaker, I urge my colleagues to join me in opposing this ill-conceived proposal.

THE CLINTON TAX AND SPEND PACKAGE

(Mr. ZELIFF asked and was given permission to address the House for 1

minute and to revise and extend his remarks.)

Mr. ZELIFF. Mr. Speaker, money does not grow on trees. Jobs do not grow on trees, either. The House decided in its wisdom last night to take away money from our valuable SBA Program, and it approved \$14 million for a tree planting program. When needed programs like the Small Business Administration section 7a loan program has been without funding for several weeks, this House ends up wanting to plant trees. That money could have leveraged almost \$300 million in additional lending to job-creating small businesses throughout the 7a loan program, and yet we end up wanting to plant trees.

Mr. Speaker, where are our priorities? The President told us reducing the deficit was a top priority, but he offers the American people a plan and imposes the largest tax increase in the history of our country, and then increases our debt from \$4.1 trillion to over \$6 trillion in the next 5 years.

The President says he wants to create jobs, but he offers the American people a plan that guts their defense budget and puts millions of Americans out of work. The President's Btu tax proposal will impose \$71 billion in new taxes on the American people over the next 5 years, and eliminates 400,000 to 600,000 jobs in the process.

In New Hampshire alone, the National Tax Foundation in my district says that we will lose 1,047 jobs and in the Second District 1,060 jobs, a total of 2,107 jobs.

This is bad business. We ought to cut spending first, and have less taxes and smaller government. That is the way we do it in New Hampshire. That is the way we ought to do it in the United States.

THE BTU TAX TARGET: RURAL AMERICA

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

Mr. CLINGER. Mr. Speaker, I rise today in strong and adamant opposition to the proposed Btu energy tax.

Since President Clinton unveiled his program in February, countless letters have flooded my office from rural constituents opposed to the energy tax. Working poor constituents and elderly folks on fixed incomes have written me, scared that the Btu tax will eat up their disposable income. I've spent hours meeting with farmers, small businessmen, and residents from rural Pennsylvania who have related how this energy tax would adversely affect them.

After reading articles and white papers, hearing testimony from experts, and listening to my constituents, there's no doubt in my mind that this

ill-conceived tax is a threat to the well-being of individual taxpayers, employers, and the economy as a whole. While yielding little significant environmental benefit, this broad-based energy tax will act as a drag on our sluggish economy, forcing more people out of work and actually reducing tax revenues—the opposite of what the tax is intended to do.

In my congressional district, the tax will weaken the rural area's tenuous economic base. Spanning 17 counties, my district is the approximate geographic size of Connecticut with a very low population density. Farming, which is very energy intensive, remains an integral part of the local economy. Small businesses—whose profit margins are slim—provide most of the area's job growth as is the case nationwide. But the bread and butter high wage, high skill jobs are in manufacturing which is already overburdened by excessive State and Federal taxes. The antigrowth Btu tax will kill jobs in all of these industries, leaving our rural economy even more unstable.

On top of this, because of the tax's regressiveness and my district's demographic and geographic characteristics, my constituents will be hit unusually hard by Btu tax. As one Pennsylvanian told me, "The Btu tax has the Fifth Congressional District in its cross-hairs" and President Clinton is ready to pull the trigger.

The Clinton administration has insisted that the Btu tax is regionally fair, but nothing could be further from the truth. Just because a more onerous inequitable tax could have been devised does not mean this one is fair. No one can deny that this tax will fall heaviest on rural America. Rural residents must travel greater distances to work, school, the grocery store, and the doctor's office. They are entirely dependent on automobiles since they do not have the luxury of opting for mass transit like their urban counterparts. In day-to-day activities, rural residents are forced to consume more energy, and the energy tax will penalize them on the basis of where they live.

Mr. Speaker, President Clinton's Btu tax will be devastating to rural economies across America, and I urge my colleagues to join me in opposing this destructive tax.

AMERICA REJECTS TAX-AND-SPEND AGENDA

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

Mr. MILLER of Florida. Mr. Speaker, in the 1992 election cycle, the American people thought they were voting for change. Candidate Clinton promised real spending cuts, real deficit reduction, and a middle-class tax cut. Candidate Clinton promised to grow the economy and create new jobs.

Unfortunately, something crucial was lost in the transition from campaigning to governing. Instead of honest change, President Clinton is offering the American people more of the same—tax, borrow, and spend.

Instead of honest spending cuts, the President is proposing \$172 billion in higher spending. Instead of halving the deficit over 4 years, the President's plan will create \$1 trillion in new debt. Instead of a middle-class tax cut, the President is proposing the largest tax increase in history, totaling \$273 billion. Instead of growing the economy, the President's plan will grow the Federal Government and destroy American jobs.

Despite the President's appealing rhetoric of downsizing Government and cutting waste, there is very little in terms of real spending restraint in the Clinton program.

The American people have looked beyond the President's appealing rhetoric of change to find more of the same—higher taxes, higher spending, and higher deficits. This frustration is reflected in a new CNN/USA Today poll. The President's job approval rating has hit a new low, with 44 percent approving his job performance and 46 percent disapproving.

The message is clear. The people want the Congress to reject the President's tax-and-spend agenda, and to cut spending first. And they are watching.

□ 1240

VOTE "NO" ON BUDGET RECONCILIATION

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

Mr. CUNNINGHAM. Mr. Speaker, no nation in history has ever taxed itself into economic recovery. In 1990, only 33 Republicans voted for President Bush's tax increase, and most of them are sorry for that today.

With an 82-vote advantage in the House, something is wrong when the other side of the aisle cannot pass it. On the plane, several of my colleagues from the other side of the aisle said their constituents in townhall meetings, Democratic constituents, said, "Don't raise our taxes or you're not coming back."

Two minutes ago in the aisle another Democratic Member friend of mine said, "DUKE, I've got a call from AL GORE four different times trying to pressure me to vote for this thing."

If you have to whip it that hard in the House, something is wrong.

In 1986 there was a flat tax, Gramm-Rudman which did not solve the problem. In 1990 caps were supposed to have started. Since 1940, spending has increased \$1.59.

The American people do not believe if you increase taxes and cut later that

it is going to work. The President says that there is no tax on the middle class. Well, Mr. Speaker, you have the Btu tax, the gas tax, sales tax, and people do not believe it.

I would ask my colleagues on the other side not to support the budget.

PASS THE LARGEST BUDGET DEFICIT REDUCTION IN HISTORY

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

Mr. DERRICK. Mr. Speaker, in 1980 the annual Federal deficit of this country was around \$74 billion. By 1986 it had risen to over \$200 billion, and by the end of the 12 years of the Reagan-Bush administrations it was over \$300 billion.

In 1980 the entire national indebtedness of this country that was accumulated over a 200-year period was approximately \$1 trillion. At the end of the Reagan-Bush era it was \$4 trillion, \$3 trillion more than when it started out.

This Congress during that period, only with one exception, voted less of a deficit than was sent over by the administration.

Ladies and gentlemen, the deficit figures during the 1980's are the proof of the pudding as to why we find ourselves in this tight financial position today. We now have a President who has advocated and pushed forward the largest budget deficit reduction in the history of the country. We must support it.

AMERICAN PEOPLE ARE LOSERS WITH PASSAGE OF TAX INCREASES

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

Mr. MACHTLEY. Mr. Speaker, here is what bothers me about this tax-and-pain which we are going to address today: If the President's tax bill wins, the ultimate loser will be the American people.

One of the worst aspects of this proposal is the new energy, Btu tax that will especially hit those on lower incomes and those people on fixed incomes.

The bottom line is that this energy, Btu tax fails the basic test of good government, the test of fairness. That was the President's test.

We will all pay more taxes to help reduce our deficit, but those who can least afford to pay more money are going to be asked to pay more under this test.

The Bureau of Labor Statistics reports that the middle class spent 7 percent of their income on energy in 1991. At the same time, the poorest one-fifth

of Americans spent 22 percent of their income on energy expenses. To make this imbalance even greater is neither fair nor right.

Moreover, the energy tax has an adverse impact on areas of this country that is unfair. In my State it will cost each family an additional \$300.

Let us ax this tax and make this country fair.

BUDGET RECONCILIATION

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

Ms. DELAURO. Mr. Speaker, today we will cast the most important vote of this Congress. This vote will not simply define this Congress. It will define this country. On this vote hangs our future, and on this vote we will stake our reputation. It will be the measure of our courage and the greatest test of our will.

For 12 years our Nation's leaders have run from our problems. The day has finally come when we show the American people that we will not continue to turn our backs on the challenges before us—that we will stand and fight. And if we do not show them that we can govern, that we will make the tough choices to fix what is wrong, then the American people—will turn their backs on us.

Without public confidence in the integrity of Government we cannot govern. If the people lose faith in democracy—and they are dangerously close—then all we stand for is lost. That is the choice we make here today.

The choices we are being asked to make are painful. No one wants to raise taxes, and I have fought hard against them, but this package asks the wealthy to pay their fair share, and provides half a trillion dollars in deficit reduction, half a trillion dollars to ease the mortgage on our children's future.

Mr. Speaker, I urge my colleagues to strengthen this body, to show that we can govern, to look to the future. I urge them to vote for this bill.

SETTLEMENT OF PENDING TRADE CASES ON FLAT-ROLLED STEEL PRODUCTS

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

Mr. REGULA. Mr. Speaker, today the majority party is prepared to pass the President's Btu tax. This tax will cost Ohio 24,000 jobs and \$1.3 billion in economic activity. The tax will be devastating to the quality of opportunity for Ohio citizens. Also I want to discuss another subject that threatens steel and steel-related jobs in Ohio and throughout the United States.

Ten foreign governments have filed proposals to the U.S. Department of Commerce requesting a settlement of 34 pending trade cases on flat-rolled steel products. The cases are part of a total of 84 actions now pending before Commerce and the ITC involving over \$2.2 billion in product value. It is the largest legal action ever taken under U.S. trade law.

If successful in obtaining the proposed suspension agreements, our trading partners and their companies, will be able to trade an admission of guilt for a suspension agreement that exempts them from punitive duties that would otherwise be leveled on the unfairly traded products. The agreements would essentially create steel quotas which we found were largely unsuccessful in the 1980s for stopping subsidies and dumping.

Quotas do not work and neither will the suspension agreements. The problem with world steel trade is structural overcapacity. This problem can only be resolved through the use of our trade laws to address the immediate symptoms, which are dumping and subsidies. A permanent resolution will be found in the successful conclusion of the multilateral steel accord and GATT Uruguay round.

I encourage the administration to let the process go forward and refuse outside settlements. To do otherwise will further diminish the effectiveness of these laws and compromise ongoing negotiations for an international agreement on steel trade set to resume next month in Geneva.

CUTTING SPENDING

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

Mr. MCDERMOTT. Mr. Speaker, on February 17 the President came into this Hall and told the American people we have to do three things: stimulate the economy; increase revenues; and cut government spending.

On March 19, this body approved the stimulus package.

Today, after 12 years of deep and painful reductions which cut the muscle out of many Federal programs, we are considering legislation to cut spending even further.

In many of the programs we'll cut today, there is precious little left to cut. Presidents Reagan and Bush already cut them to the bone.

But we'll cut them because we know we have to bite the bullet and reduce the deficit.

Now, some of us progressive Democrats have probably made a mistake, here. We haven't made enough noise about the real cuts being made today.

We've allowed those on the other side to clamor on and on about revenue increases as if there weren't any signifi-

cant cuts in this bill. But there are lots of them.

In our desire to be responsible, we are making cuts in this legislation which the American people are really going to feel, especially when the appropriations bills move out of here over the next 3 months.

The \$50 billion we're cutting out of Medicare in this bill today is going to have an impact on senior citizens, and on small and large businesses.

The Federal Government will save \$50 billion, but we are shifting—make no mistake about it, that's what we're doing—we are simply shifting that cost onto the private sector. They are going to pay for that.

Every Member of this body will see these kinds of cuts, not just across the Nation, but back home in their own district. In my area we'll see cuts in the Bonneville Power Administration, cuts in electric power that are going to be devastating to our economy.

These are real and painful cuts, and they are being made despite 12 years of cuts that in many instances have already gone too deep.

Those on the other side completely ignore this fact.

They ignore or minimize the cuts made by this bill. Instead, they pretend this is a bill that only raises revenues.

Not only are they wrong, Mr. Speaker, but I will predict that within a month, those on the other side who argue today that the cuts in this bill don't go far enough will be back here complaining that they go too deep.

They'll be back up here in about a month to say they didn't favor these cuts. They didn't think these cuts were going to be made in that area.

IMPACT OF THE ENERGY TAX

(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, I just received an estimate from the Tax Foundation on the effects of President Clinton's tax plan on California. According to Dr. Arthur Hall, the senior economist at the Tax Foundation, he says that if the President's new energy tax is enacted it will cost the Nation 463,000 jobs. For California alone, the job loss will be 54,000 jobs.

Mr. Speaker, the President is promoting this plan as a job creation, economic stimulus plan. But according to the Tax Foundation, it will be a job-destroying plan.

Mr. Speaker, we cannot afford this kind of help. This new tax attacks the very engine on economic growth in our economy. It attacks small business and it attacks the consumer.

□ 1250

Past experience shows that it will just go to fuel new Government spend-

ing. That is the one thing that Congress always increases, spending. New social spending goes up every year, year after year.

I ask my colleagues to vote "no" on this bill.

NOW IS THE TIME TO MAKE HARD CHOICES

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

Ms. HARMAN. Mr. Speaker, I conditioned my support of this rule and the reconciliation package on the addition of effective enforcement mechanisms to assure all revenues go directly and only to deficit reduction.

This bill includes the deficit reduction trust fund and a hard freeze on all discretionary spending for 5 years. This bill will achieve the largest deficit reduction in history.

Getting the deficit monster under control is critical to retain and build high-skilled, high-wage jobs. We must free up the vital capital that is being siphoned away by deficit spending so that the market can invest in new industries and new growth. That is our children's future.

When I got elected to Congress, I vowed to listen to my constituents and then to lead. I have spent months listening in public forums, in front of markets and shipping malls, in my office, and to the intelligent ideas in my mail box.

Now is the time to lead, to make the hard choices I was elected to make.

I rise in support of this rule and this package which provide the real and substantial deficit reduction my constituents and our country are demanding.

LET US GET ON WITH JOBS FOR YOUNG AMERICANS

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

Ms. PELOSI. Mr. Speaker, this past weekend I had the opportunity to attend my own daughter's graduation from law school. I have another getting her master's degree. This is a mother bragging up here this year.

But our colleagues will be attending graduations in the weeks ahead, either personally or in their official capacities, and when they do, they will see a new phenomenon that I do not think I saw present in graduations in years gone by, and that is there is almost a lever of despair among these graduates because of the lack of prospects for jobs when they get out of school.

We all know that graduations are called commencements. We were told when we were in school commencement that it was the beginning. It may have

seemed like the end to our education, formal education, but it was the commencement of the new life, the new beginning as we went out into the world.

For these graduates, graduating in May and June 1993, the new beginning is a dismal one, and for their families it is as well, because we have been having what is called the jobless recovery in our country.

How much is it going to take? When will the Republicans get the message that we need to reduce the deficit, reduce the cost of capital, so that small businesses can create jobs and give hope to these new graduates? I urge my colleagues to support the President's package today so that we can get on with the jobs for young Americans. It is about reducing the deficit. It is about governing our country.

CLINTON'S BUDGET IS A LOSE-LOSE PROPOSITION

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

Mr. BACHUS of Alabama. Mr. Speaker, I have a new silver dollar in my hand, and this new silver dollar has two sides to it.

At the start of a Southeastern Conference football game, this coin is tossed in the air, and the referee says, "Heads, you win; tails, you lose." Like this two-sided coin, the Clinton budget bill has two sides. One side is a tax increase—the largest tax increase in the world, and most Americans know that.

But the other side of this coin—of the Clinton budget plan is something else, and it's not spending cuts; it's spending increases: \$165 billion in new domestic spending, adding \$1.2 trillion to the deficit, growing Government by 20 percent over the next 4 years, all charged to our children and grandchildren.

Mr. Speaker, with most coins it is: Heads, you win; tails, you lose; but with the Clinton budget bill it is: Tax increases, the American people lose; spending increases, the American people lose.

There is something new about this coin, but there is absolutely nothing new about the Clinton proposal. It is tax and spend: Heads, you lose; tails, you lose.

SUPPORT THE PRESIDENT'S ECONOMIC PLAN

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

Mr. JOHNSON of South Dakota. Mr. Speaker, there are components of the Clinton plan which are not acceptable to me, but based on the rhetoric this morning, I think we need to put some things in perspective.

There is one alternative before us put together by the minority in the House

of Representatives. For all the crocodile tears about protecting the middle class, oddly enough, over 75 percent of the tax benefits of that plan goes to the very wealthy and to corporations while, at the same time, reducing the deficit \$140 billion less than what President Clinton's plan does, and while at the same time not itemizing where those cuts would be. It is one of those feel-good kinds of proposals that we have had the political demagogues talking about too often in the past.

At least you could say this for President Clinton: He is specific about his plan. It reduces the deficit more than any other plan in American history, and he is dealing with the American public as adults.

The other proposal we hear about is the Ross Perot proposal. It has some positive qualities, but \$62 billion more in taxes than what President Clinton is talking about.

If you do not like a 7.5-cent gas tax, try a 50-cent gas tax while at the same time reducing the deficit less than President Clinton's plan does.

We have always had a lot of people sitting in the bleachers complaining about the people on the floor who are actually playing the game. It is time to get down and play the game ourselves with bipartisan support instead of this kind of wrangling.

MANY AMERICANS RICH UNDER PRESIDENT'S DEFINITION

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

Mr. HERGER. Mr. Speaker, in just 6 months the President has managed to make the whole country rich. No, he has not changed the Nation's living standards one iota, but he has changed the definition of "rich." In last year's campaign, only the rich were going to pay candidate Clinton's new taxes; the rich were defined as making \$200,000. President-elect Clinton still said only the rich would pay his taxes, but the rich only had to make \$100,000.

Now in office, President Bill Clinton says people making as little as \$25,000 are rich enough to pay his Social Security tax. But \$25,000 still excluded too many people from being rich enough to pay President Clinton's taxes, so he decided that everyone who has the money to buy a gallon of gas, a 40-watt light bulb, a lump of coal, or a kilowatt of electricity is rich enough to pay his energy tax. Regrettably, this whole charade just goes to prove that when President Clinton soaks the rich everyone takes a bath.

□ 1300

REPUBLICANS OFFER THE SAME OLD PROMISES

(Mr. OBEY asked and was given permission to address the House for 1

minute and to revise and extend his remarks.)

Mr. OBEY. Mr. Speaker, what we are hearing from this side of the aisle today is what I call the SOS message, or same old stuff; or the SOP message, same old promises. This is the same crowd who told us in 1981 that if we just adopted President Reagan's budget, that somehow we would get to zero deficits in 4 years. Instead, we wound up with \$200 billion deficits as far as the eye can see. This is the same crowd that followed economic policies which doubled the income of the rich from \$300,000 a year on average to \$600,000, while everybody else in the country was losing ground. After 12 long years of failed promises, missed targets, protecting the rich, is it not finally time that we depart from that message of the past and give this President a chance to bring this economy back to its senses and to produce the kind of economic growth we need to give people a chance to make a decent living in this country again?

The President deserves this chance; stand aside and give it to him.

BUDGET RECONCILIATION BILL

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

Mr. RAMSTAD. Mr. Speaker, I rise in strong support of the Kasich Republican plan. The two choices today are clear.

The Republican plan cuts spending first—the Democrat plan taxes people first.

The Democrat plan imposes the largest tax increase in American history—\$355 billion over 5 years. Tax increases represent 81 percent of the Democrat package, which will raise the national debt \$1.5 trillion over the next 5 years—according to their own figures.

The Democrat plan will increase the deficit, destroy jobs, and stifle the economy just as it is struggling to recover.

The energy tax alone will cost 8,500 jobs in my home State of Minnesota, and almost 1,000 jobs in my Third District; 610,000 jobs will be lost nationally because of the energy tax, according to the National Association of Manufacturers [NAM]. And the energy tax will cut gross domestic product [GDP] by at least \$30 billion each year, according to the independent economic consulting firm DRI/McGraw-Hill.

In addition, Northwest Airlines and its 24,000 Minnesota jobs will be put in serious jeopardy by the new energy tax.

The energy tax is a big hit on the middle class. The average family of four will see its energy bill go up by \$425 a year, according to the non-partisan Tax Foundation.

Middle-income families will be hit the hardest—just because the President and Congress refuse to cut spending.

Mr. Speaker, we need to cut spending first, and that's exactly what the Kasich Republican plan does. It reduces the budget deficit by \$352 billion in spending cuts over the next 5 years—without increasing taxes.

Congress must say "no" to the largest tax increase in American history and say "no" to the energy tax which will kill American jobs.

Congress must cut spending first. Say "yes" to the Kasich substitute.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. McNULTY). The Chair announces that by mutual agreement with the leadership on both sides of the aisle, the Chair will limit to 13 the additional 15 minutes on each side.

LOWER INTEREST RATES MEAN LOWERED DEFICITS

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

Mr. SKAGGS. Mr. Speaker, I have only been here 6 years before this one. I feel like I am living a Lewis Carroll novel. If it had not been for the sham, the fraud budgets submitted to this body in the preceding 12 years, we would not be in the fix we are in right now.

Let us look at the hard economics of just one little piece of this proposition: There is \$14 trillion in debt held publicly and privately in this country. If you assume only four-tenths of 1 percent in interest rate drop because of finally getting serious about the deficit, we will more than cover all of the tax increases by savings in interest over the next 5 years.

But that four-tenths is one-half, one-half of what we have already realized in interest rate reductions because this country is counting, finally, on something serious being done on the deficit.

That is our responsibility today.

LET US DEFEAT THE RULE ON RECONCILIATION

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

Mr. SOLOMON. Mr. Speaker and my Democratic colleagues, during a marathon Rules meeting last evening, 17 hours and ending at 4 a.m., this morning, if I look a little tired, scores and scores of Democrats and Republicans pleaded, pleaded for the right to come to this floor and offer amendments that would knock out the Btu tax, would knock out the Social Security tax. And, my colleagues, you were gagged, all of you, by your Speaker and your Rules Committee. You cannot offer any.

Members, you can spit out that gag, you can come to this floor, and you can do what this organization says, the National Committee to Preserve Social Security, it urges you to come to the floor and defeat the previous question, and you can then vote for that amendment you paraded upstairs and asked for.

The U.S. Chamber of Commerce urges you to defeat the previous question so that you can come to this floor and vote for your amendment wipe out that onerous Btu tax.

The Wall Street Journal goes on to say,

The point is that Members shouldn't be able to claim that they oppose parts of the tax bill but were helpless to amend it. A vote for the closed rule is a vote for the largest tax increase in American history.

Be men and women, come down to this floor and stand up for your 585,000 constituents and vote "no" on the rule.

Let us do what the American people want us to do.

WE HAVE MADE THE TOUGH CHOICES

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

Mrs. KENNELLY. Mr. Speaker, this woman has come down to the floor and, like the gentleman before me, she is part of the process. The President made a plan, he made the tough choices, he presented the plan to us.

That plan went to the Committee on the Budget, where the tough choices were made.

Then the budget resolution, some thought that was a tough vote, but they had to make it, and they made it.

Now we are here in the budget reconciliation; many choices having been made, the process has reached the point where we can take a vote so that we can go forward in this country.

It is deficit reduction, it is investment in the country. The Btu, none of us likes to raise taxes; but the Btu, across the board, is as fair a tax as many we looked at; the carbon tax, the hydro tax, the oil import tax; much fairer.

Does any of us like taxes? No. But we are here today to break gridlock, to go forward, to show that we in the Congress can govern with the President.

TIME FOR A REAL CHANGE, CUT SPENDING, DON'T RAISE TAXES

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

Mr. STEARNS. Mr. Speaker, President Clinton is trying to sell the American people the largest tax increase in our Nation's history by telling them someone else will pay the bill.

He has used the phony family economic income standard which counts employer health care coverage and pension contributions and the infamous imputed rent on the family home as income, to magically turn middle-class Americans into wealthy Americans.

Then, he claims that these newly wealthy Americans will bear the brunt of his tax increase—75 percent according to the distinguished majority leader this week.

The Democrats changed the formula used presently to compute wealth so they can issue the fallacious statement on the House floor in this debate. In fact, middle-income people will be considered rich and are going to be taxed.

The vote today creates new entitlements, does not eliminate a single Federal program, and places an extremely regressive Btu tax on every American.

History has shown that for \$1 in new taxes, Congress spends \$1.59, \$2.37 in 1990. We will never tax our way out of the deficit. We have to cut spending first or we will never break out of the cycle of debt.

WE CAN LOWER THE DEFICIT BY VOTING FOR THE PRESIDENT'S PLAN

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

Mr. PASTOR. Mr. Speaker, when I voted against the balanced budget amendment, there were Republicans in my congressional district who criticized me, that I was not for reducing the deficit.

When I voted against the line-item veto, there were Republicans in my district who criticized me, that I was not doing enough to lower the deficit.

When I voted against the expanded rescission, again I was criticized because I was not doing enough to lower the deficit.

Well Mr. Speaker, today I am very proud to tell you I kept my promise, and I am going to lower the deficit by voting for this plan. For the first time, for the first time in 12 years, we are going to do something about the deficit. Today you will hear some of my colleagues on this side argue against, because they are still in the same plan of 12 years ago: line-item veto, balanced budget amendment—all rhetoric.

If they really want to do something about this deficit, they should join us and support this plan.

□ 1310

AMERICAN PEOPLE WANT SPENDING CUT FIRST

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

Mr. PORTER. Mr. Speaker, the American people have sent a loud, clear message: Cut spending first, but if you are going to make us pay more taxes, at the very least, guarantee to us that every penny we pay goes to reduce the deficit, not for increased spending.

But, Mr. Speaker, you just do not get it. Your budget reconciliation package does just the opposite. It raises \$2 of new taxes for every \$1 in spending cuts, meaning that most of the new tax revenue will, in fact, go for new spending, not deficit reduction.

I offered a taxpayer protection amendment that would require that each year the deficit come down by an amount not less than the new taxes collected or the taxes are repealed, automatically and immediately.

No deficit reduction, no new taxes. But, your Rules Committee refused to allow the House to vote on this sensible amendment.

Mr. Speaker, you have sent a message back to the American people and I hope they are hearing it loud and clear: You are going to be saddled with huge permanent tax increases and 4 years from now the deficit will be larger than ever.

FIRST TIME IN 12 YEARS CONGRESS WILL REDUCE DEFICIT

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

Mr. WYNN. Mr. Speaker, for 12 years we have heard talk about deficit reduction and now for the first time we actually have an opportunity to do it. And what happens? My colleagues on the other side of the aisle want to find every reason possible why we ought not do it. They want to confuse the issue and talk about there are too many taxes and not enough spending cuts.

But the fact remains, Mr. Speaker, that this is the first time in 12 years that this Congress will reduce the deficit, and that is what is important. We will reduce the drag on our economy and we will begin to move forward on cutting both spending and the size of Government.

Another element that is significant in this package is tax fairness. Tax fairness, no matter how much they rant and rave about taxes on the other side of the aisle, the fact remains that most of the taxes in this package will be paid by the wealthy. Seventy percent of the taxes will be paid by the 6 percent who are the wealthiest in this country.

And do you know what? That is a change. That is called tax fairness.

We accomplish something very significant with this package. We reduce the deficit. We lower long-term interest rates, and that is what puts people back to work, because housing is stim-

ulated, the economy is stimulated. We have already seen the bond market respond favorably to this package, the anticipation that this will pass.

We have had 12 years of stagnation and 12 years of rhetoric. I think it is great we are about to have a first year of movement, a first year of innovation and a first year of deficit reduction.

RONALD REAGAN KEPT HIS CAMPAIGN PROMISES

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

Mr. DREIER. Mr. Speaker, I have been fascinated by some of the 1 minutes that have been delivered by our colleagues on the other side of the aisle.

The gentleman from Kansas [Mr. GLICKMAN] and the gentleman from Wisconsin [Mr. OBEY] talked about the fact that Democrats supported Ronald Reagan's economic growth package in 1981. Fifty of them came over and did that.

The gentleman from Kansas [Mr. GLICKMAN] said "what we should be doing is that Republicans should be giving President Clinton that same level of support.

"We have got to remember something, Mr. Speaker. Ronald Reagan was keeping his campaign promise. I never saw in that volume, Putting People First," a plan to increase the Btu tax. I never saw him putting people first a plan to increase the Social Security tax on retired Americans.

We want to support a plan that President Clinton will bring forward if it would in any way look like the campaign pledges he made to the American people last fall.

TODAY IS THE DAY TO PUT OUR VOTES WHERE OUR RHETORIC HAS BEEN

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

Mr. SWIFT. Mr. Speaker, one of the phrases that has become a clique in this country, when you talk about the deficit, is we have to bite the bullet. We have got to make the tough choices.

What we are being asked today is not popular. It would not be a tough choice if it were popular by definition.

We have to provide investment in this country which has been neglected for over a decade. We have to deal with the deficit, and that requires spending cuts which are only popular in the aggregate. The individual spending cuts are unpopular, and it involves taxes which is unpopular.

But it is very interesting to see the number of people who have used that

rhetoric about biting the bullet and making the tough choices who are now finding all kinds of reasons to say today is not the day, this is not the vehicle.

This is a proposal that is more specific, more complete, more effective than anything that has been offered in the last 12 years.

Today is the day, this is the bullet, and it is time to put our votes where our rhetoric has been.

DO WE OWN GOVERNMENT OR DOES IT OWN US?

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

Mr. GOSS. Mr. Speaker, I wonder what Americans expect to own for \$17,000? You might think you could put a downpayment on a home, buy a car, invest for your retirement, or finance part of a college education. Certainly for most Americans \$17,000 is a great deal of money. But today, every American man, woman, and child already owes that \$17,000 to pay their share of our national debt. By the time we have lived with the Clinton tax plan for 5 years, that share of debt will have increased to more than \$20,000 for each person.

And what do we get for all that money? Even after all the sacrifice, we will still own an annual national budget deficit of several hundred billion dollars. And we will still own several hundred billion dollars of annual Government waste and pork that Democrats will not let us chop out.

The question is, do the American people own Government or does their Government own them? Sadly, the answer seems to be that American taxpayers have been bought, but not paid for.

OPPOSE BLIND-SIDE ECONOMICS

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

Mr. ROHRBACHER. Mr. Speaker, I rise in strong opposition to the Clinton tax increase, the largest tax increase in American history, which will hit the middle class, bring our economy to a standstill and in the end increase the deficit.

My friends on the other side of the aisle have characterized this plan as an attack on the deficit. Pure Clintonese.

I remember in this body in 1990 when they claimed that the 1990 tax increase would bring down the deficit. Instead, we got higher taxes and a higher deficit and that is exactly what this tax increase will do as well.

This proposal will not reduce the deficit because it does not eliminate one Federal domestic program. Get that.

The American people are being expected to suffer \$300 billion in higher taxes, but they could not find even one little domestic program to eliminate, saying that they could not find one little program.

This plan will sock it to the middle class. If you take the Robin Hood rhetoric aside, the average American is going to pay considerably higher taxes after being promised a middle-class tax cut.

Well, Mr. Speaker, this is not supply-side economics. This is blind-side economics. The American people are going to wake up on April 15 next year and feel like they were hit by a truck from Arkansas.

AN OPPORTUNITY TO SAVE TAXPAYER MONEY

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

Mr. BOEHLERT. Mr. Speaker, it is very obvious there is deep division within this House and differences of opinion today as we undertake this very important responsibility.

The one thing that unites us is our desire to find those items in the budget that we can declare unnecessary so that we can cut Federal spending.

I think there is strong agreement on that proposition on both sides of the aisle.

Well, I am here to help you with that very difficult process today, because within hours the General Accounting Office has just released testimony indicating that the price tag for the superconducting super collider, the single most expensive piece of scientific equipment ever contemplated for purchase in the history of man, has gone up another \$4 billion.

Keep in mind a project that started out with a projected cost of \$4.4 billion is now certified by the General Accounting Office to cost at least \$11 billion.

Also keep in mind that we, this House, by an overwhelming vote approved a project if there was foreign participation of at least 20 percent of the total cost.

To date, Mr. Speaker, we do not have foreign participation, not the first yen from the Japanese. We are supposed to have \$1.7 billion. We have got \$15 million.

Here is an opportunity to save money, to get serious about priorities. Help us defeat the superconducting super collider.

DO THE REPUBLICANS REALLY SUPPORT BUDGET CUTS?

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

Mr. KLECZKA. Mr. Speaker, regarding the super collider superconductor, I support the gentleman's comments. I will be joining him in voting to cut out this funding, but I also challenge those who are listening today to check the rollcall for the Republicans. It seems that they come to the floor, they are for cutting all the programs, but when it comes to star wars, when it comes to the collider, well that is not spending. That is not deficit reduction, and they choose not to support those cuts.

It seems that ever since the Republicans lost the White House, they have magically found something in this country called the middle class. That same middle class that for 12 years they shunned, they raised taxes on and they have nothing to do with.

□ 1320

But now, after the George Bush defeat, they have all of a sudden found something in their district called the middle class. Well, here is a sampling of some of the tax cuts in the bill we are going to be taking up later this afternoon: A surcharge is imposed on increases over \$250,000 a year. Is that middle class? Business club dues and lobby deductions eliminated. How many business class people are affected by that?

Mr. Speaker, it is a balanced package, and I ask the House to support it.

THE DR. KEVORKIAN PLAN FOR OUR ECONOMY

(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, I listened with interest as one of my colleagues praised the Clinton tax increase plan because it is going to produce \$200 billion deficits as far as the eye can see. That is, in fact, what it does, and the so-called deficit reduction is the result mostly of tax increases quantified, according to our official estimators, at about one-third trillion dollars. The trouble is that one-third trillion dollars in projected revenues will not be there because that is not the way tax rate increases and new taxes work. Higher taxes on individuals will mean less work, less savings, and less investment. Higher taxes on working senior citizens with incomes as low as \$25,000 will mean less senior citizens working and being productive. Higher taxes on energy, we are told with authority, will cost over one-half million jobs in America.

Mr. Speaker, it is no wonder they call it biting the bullet. This is really the Dr. Kevorkian plan for our economy. It will kill jobs, kill businesses, and yes, kill even the higher tax revenues that these suicidal tax increasers hope to gain.

SOME DEMOCRATS SELL OUT FOR PEANUTS

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

Mr. BOEHNER. Mr. Speaker and my colleagues, we all know that President Clinton and his allies here on Capitol Hill are doing everything they can, twisting arms, bending arms, to try to find enough votes to pass this bill today. They are making promises left and right to pick up the necessary votes they do not yet have.

And what promise was made late last night to pick up the votes of six or seven Democrat colleagues from the South? My colleagues will not believe it, Mr. Speaker. It was peanuts. Apparently last night the President offered to limit the amount of peanuts coming into this country to drive up the price of domestically produced peanuts. Not only are the Democrats today going to stick the American people with the largest increase in the history of this world, but they are going to stick it to every kid and their parents in this country who buys candy bars and peanut butter and jelly sandwiches.

Mr. Speaker, it is incredible, absolutely incredible, that six or seven of my colleagues have sold out for peanuts.

INTRODUCTION OF THE MICROENTERPRISE OPPORTUNITY EXPANSION ACT

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

Mrs. COLLINS of Illinois. Mr. Speaker, today, I am introducing the Microenterprise Opportunity Expansion Act with a great sense of satisfaction and accomplishment over the prospects for microenterprises across the country.

In 1988, when I first began preparing microenterprise legislation, very few people in Government with whom I spoke were at all familiar with the concept of microenterprise development. In 1990, when I introduced the first bill in Congress to promote microenterprise in the United States, there were still only a few Members of Congress or congressional staff that were familiar with microenterprise programs and their benefits.

Now, in 1993, the landscape has been overhauled. Today, we have a President who vocally and frequently touts the virtues of promoting microenterprises. Additionally, a number of other Members of Congress have initiated other efforts on this subject including, most notably, H.R. 455, the Microenterprise and Asset Development Act, introduced by Representative TONY HALL, of which I am pleased to be a lead cosponsor. Finally, the public, the Congress, and the administration have come to recognize

the value of helping people help themselves and the importance of Government policies which tangibly assist these individuals.

Microenterprises are the very smallest businesses, having five or fewer employees, at least one of whom owns it. Often, microenterprises have no employees beyond the owner-operator(s), which is the reason that self-employment is often an issue. It is frequently seen as a road out of reliance on public assistance, although startup help is regularly needed.

Two examples from the Chicago-based Women's Self-Employment Project [WSEP] demonstrate the value of microenterprise programs and the need for this legislation.

Ms. Lynn Hardy was on welfare when she joined one of WSEP's programs in 1990. She used her first \$1,500 loan to begin a graphic arts business known as Lynn's Designs. At first, Ms. Hardy limited her services to business cards and signs. Within 18 months, however, she expanded her services to calendars, posters, airbrushed T-shirts, and day care murals. Ms. Hardy borrowed from the loan fund a second time, using \$3,500 to purchase supplies. Through her own strength, the support of other new entrepreneurs at the program, and WSEP capital, Ms. Hardy now supports herself and her three children. "Believe me," she wrote, " * * * it will be a success story for all low-income women—letting them know with trust in God, having a vision, and WSEP you can make it."

In contrast with Lynn Hardy's success, Ms. Bernice Jackson met Government-imposed obstacles that she simply could not hurdle. In 1987, she joined a different one of WSEP's programs and participated in the self-employment training. She then started her own cleaning business which she operated for 1 year. Ms. Jackson was forced to shut down her business because it generated too much money to allow her to keep her AFDC benefits, yet not enough money to replace the necessary health and child care benefits that she was receiving from AFDC. Fortunately, for Ms. Jackson, having benefited from the training she received at WSEP, she was able to find a full-time job and work her way off of welfare. Yet, according to Ms. Jackson, "If I had been allowed to continue receiving some of my public aid benefits, that would have given me a better chance to stay in business, and by now I think I would have reached my goal."

There are people like Lynn Hardy and Bernice Jackson all over the country, trying to start a microenterprise, trying to become self-sufficient, trying to get ahead. Often, however, they cannot find those first few dollars to start their company or the basic business training they need to maintain it. Many who do find the money and training are then running into govern-

mental brick walls which block their progress.

Dedication and skill are in abundance. Unfortunately it takes more than that to succeed in the face of obstacles and shortages of assistance.

The most common type of help that is needed is a loan. Microenterprise programs which lend startup capital are now scattered across the country. They are most often nonprofit or local-government-run establishments and commonly disburse loans in amounts up to \$10,000. Most of these microlenders also offer or require varying degrees of business training, continuing technical assistance and other means of support to ensure the success of the venture.

As a result, microenterprises have a very high rate of growth and the loan repayment rate overall is around 95 percent. In the case of the WSEP, their two programs have loan repayment rates of 95 and 100 percent. Even when the venture does not succeed over the long run, the training that the entrepreneurs receive helps them find employment and advance their careers otherwise, as happened with Bernice Jackson.

The Microenterprise Opportunity Expansion Act, which I am introducing today, aims both to eliminate Federal obstacles which stand in the way of success in this area and to increase the flow of capital to microlenders and microenterprises. The bill seeks to accomplish these goals through a variety of mechanisms.

First, it would distinguish between business and personal assets for purposes of AFDC so that business assets, including loans, would not be counted toward the eligibility requirement asset limitations of AFDC.

Second, it would exclude, for purposes of AFDC, income derived from a microenterprise for 2 years, so that aid continues during a transition period, unlike as in the case of Ms. Bernice Jackson.

Third, persons who are otherwise eligible to receive unemployment compensation payments would be able to continue to receive them even though they are starting up a microenterprise, and such payments could be combined in one lump sum payment at the start of the benefit period.

Fourth, to encourage banks to provide capital for these purposes, the bill would enable banks to receive credit under the Community Reinvestment Act for certain loans and grants that they make to microlenders and microenterprises.

Fifth, the legislation would enable thrift savings associations to receive credit toward their qualified thrift lending investment requirements under the Home Owners' Loan Act for loans made for these activities.

Sixth, it would clarify that CDBG funds could be used for administrative

and operating costs of microlenders who offer training and technical assistance to their borrowers.

Seventh, the bill would create a Micro-Enterprise Technical and Operations Office [ME-TOO] in the Federal Reserve and the FDIC to function as a clearinghouse of information relating to microenterprises to encourage banks to provide funds for these purposes.

Finally, the bill calls for a study to be conducted to analyze the loan needs to enterprises that are larger than microenterprises yet smaller than small businesses.

Mr. Speaker, these measures, taken together, would open many avenues for individuals to begin their own businesses and, in many cases, elevate themselves from public assistance. It would also facilitate the efforts of groups, organizations, and lenders who are already working hard to lend a hand to these Americans.

In short, microenterprise is a good investment. It helps local communities, the economy as a whole, and, most importantly, Americans who have both needs and answers but insufficient resources. I encourage my colleagues to support this bill.

THE ROBIN HOOD DEMOCRAT PARTY

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

Mr. FRANKS of Connecticut. Mr. Speaker, as we consider the budget reconciliation vote today, I cannot help but reflect back to a comment made by one of my high school constituents. He called the Democrat Party the Robin Hood Party because they would like to take from the rich to give to the poor.

Now the redistribution of wealth question is a serious issue, and it should not be belittled. However maybe the Robin Hood Democrat Party comparison has some merit to it, except our President and the Democrats would believe that anyone earning over \$34,000 a year is rich.

Yes, Mr. Speaker, the Democrats would want to take from these individuals and give more money to Government programs and social welfare like spending programs.

Tax and spend? Robin Hood Party? Democrat Party? Maybe this youngster was not too far off. But someone please tell that \$34,000 a year blue-collar worker that he is rich.

LET'S GET THE JOB DONE

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

Mr. HOAGLAND. Mr. Speaker and my colleagues, as you know, the time has come to be responsible, and the

time has come to do what we have to do. The time has come to be non-partisan, and the time has come to do what is best for the country.

Mr. Speaker, the bill that we are going to vote on today has \$500 billion in deficit reduction. Over \$245 billion of that is in cuts.

I would like more cuts. Most of us would like more cuts. And I think we can achieve more cuts later this year.

But what is before us right now is \$500 billion in deficit reduction, and all of us acknowledge that is the most important economic item on our agenda, to bring the deficit down.

As my colleagues know, we have been ducking these decisions for 12 years, and the deficit, the debt, has gone from \$900 billion to over \$4 trillion, and we simply have got to do something about it.

I like very few parts of the plan. I deplore tax increases. They are awful. But we all know that we cannot effectively deal with the deficit without both revenue increases and cuts.

Colleagues, we have no choice. I mean we have got to turn the corner on the deficit and on the debt issue.

This is our opportunity to do it. Let us do it and get the job done.

THE DIFFERENCE IS CLEAR

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

Mr. HOEKSTRA. Mr. Speaker, today I applaud my Democrat colleagues on the floor of the House. Congratulations on breaking gridlock, and, most importantly, I say, "Thank you for clarifying the differences between the Democratic and Republican approaches to government."

Mr. Speaker, after the vote today the American people will know what the Democratic Party stands for: for more taxes, for more spending and, perhaps most importantly, the philosophical belief that problems can be solved in Washington rather than by empowering people at the local level. In 1994 the crucial decisions will be made because at that point in time voters will be able to hold the people of this House accountable for the decisions that I have heard described as the most important decision of this House.

□ 1330

The differences are clear. There will be no differences between hollow campaign promises, but the decisions will be made on the decisions we make here.

PUT SPENDING CUTS FIRST

(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, yesterday, I appeared before the

House Rules Committee, along with many of our Republican colleagues, to argue for the right to offer amendments to today's tax bill. With one exception, my colleagues and I were denied.

In examining the rule passed out of the Rules Committee, I must say that I am offended.

It allows for only 2 hours of debate on the most important bill of this decade. Too short a time for such an important and far-reaching measure.

Worse, the rule contains seven so-called self-executing provisions that are political payoffs to special interests to gain support for the bill.

Finally, a deal that was reached early this morning to curb entitlements is a sham.

As reported, although the details have not yet truly surfaced, all the entitlement cap does is call for Congress and the President to either raise taxes or cut spending when the caps are breached. This is nothing and fails to address the central problem.

Mr. Speaker, the American people want spending cuts first, before they are asked to give more of their hard-earned money to the Government to spend.

PIED PIPER LEADING MEMBERS DOWN WRONG ROAD

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

Mr. BURTON of Indiana. Mr. Speaker, Abraham Lincoln said you could fool all the people some of the time and some of the people all of the time, but you cannot fool all the people all the time. I would just say to my Democrat colleagues, if you look in the paper this morning you found that President Clinton's approval rating is now at 42 percent and his disapproval rating is at 48 percent, 48 percent. Do you know what? That is the largest in history, the largest in history.

Mr. Speaker, do you know why? It is because the American people have caught on to this President, who has broken every single promise he has made in his first 100 days in office.

And what is he doing? Like the Pied Piper, he is leading you down the path to political ruin. Now, make no mistake about it: if you vote for the largest tax increase in U.S. history, and you do not make the spending cuts that you should, many of you dear friends, whom I love so much, will not be back in 2 years. So think about that. Please do not follow this misled Pied Piper down the wrong road. It is going to ruin you. Do not do it. It is a big mistake.

ENOUGH IS ENOUGH

(Mr. BLUTE asked and was given permission to address the House for 1

minute and to revise and extend his remarks.)

Mr. BLUTE. Mr. Speaker, today the House will cast one of the most important votes of the year. We will vote on President Clinton's \$340 billion tax and spend plan. I want my colleagues and constituents to know that I plan to vote "no" on that plan.

On the campaign trail the President said that he would put forth a plan that would cut spending \$2 for every \$1 raised in taxes. Shortly after being sworn in, that became a 1 to 1 ratio. But the plan that will come before us later today will raise \$4 of taxes for every \$1 in spending cuts.

Since I came to Congress, the people back home have been sending me a message which I have received loud and clear: Cut spending first. But that message apparently has not gotten through to the White House or to many Members of Congress.

Mr. Speaker, what these taxes will do is cause the American people to rebel against Washington. I live in the State of the Boston Tea Party, an earlier tax revolt. But this plan will cause an American Tea Party, from sea to shining sea, sending a message to Washington, enough is enough.

TIME TO TAKE ACTION

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

Mrs. LOWEY. Mr. Speaker, I have heard a lot of talk this morning, and I think that is exactly what the American people are sick and tired of. They are tired of doublespeak, they are tired of rhetoric, and they are tired of people saying just sweep it under the rug. They are tired of people saying it is morning in America, everything is going to be fine tomorrow.

Mr. Speaker, when you go to a doctor's office they give you the medicine, and then they give you the lollipop. What we have going on around here is just handing out lollipops.

This is a President who wants to lead. We are a Congress that has to govern. It is time for the talk to be over.

This is the biggest deficit reduction package in history, \$500 billion in deficit reduction, over \$200 billion in specific cuts. Yes, we hear about Ross Perot's plan, this one's plan, that one's plan. But if you actually look at the plans if those plans were ever brought to the floor, no one else would vote on them.

Mr. Speaker, I do not like everything about this plan, but at some point the debate is over. That is our democratic way. We have to take action, we have to lead, and we have to vote. I hope my good friends on both sides of the aisle will join us and give this President a chance to lead.

**PRESIDENT'S BUDGET PENALIZES
MIDDLE-INCOME AMERICA**

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

Mr. ARCHER. Mr. Speaker, with President Clinton's clear dislike for the oil industry, it is understandable that he would present a plan that punishes Texas, that costs Texas 37,000 jobs through his energy tax. But why does he have to punish the rest of the Nation?

The Tax Foundation has just issued a list of job losses for every single State in the United States of America that will result from this misguided tax. No other country in the world taxes its raw energy, because the industries in those countries must consume that energy to produce those products, and that must be passed on in higher prices.

Why does he penalize middle-income Americans \$471 per year per family in the products that they buy that include energy? Why does he insist on this tax that will cost jobs, reduce the tax base of this country, and prevent us from gaining the extra revenue that we need to balance the budget?

AMERICA IS FOR ALL PEOPLE

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

Mr. REYNOLDS. Mr. Speaker, I rise today to let the American people know that for the first time in a long time in this body there is going to be some courage shown today and that we are not going to fall prey to the scare tactics from the other side of the aisle, telling people about what they are going to lose if they vote a certain way.

When I was running for office this past November, the Republican Party put out a saying that I was going to lose to my Republican opponent, that he had a real chance of beating me, because I was wrong on the issues. I got over 80 percent of the vote.

The fact of the matter is that for 12 years this body has done nothing but lapse behind. It is time for us to move forward and have some courage and include all Americans in our plan, not just the rich people, not just the people that have it made already. We have to expand this country and help people in this country, the middle class, the people who are less fortunate, to have a stake in this society. We have to believe that America is for everybody, not just for a few.

**WASHINGTON POST EDITORIALS
SUPPORT PRESIDENT**

(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 last two editorials of the Washington Post say it all: Bill Clinton is right. The deficits that were allowed to accumulate over the past 12 years are one fiscal and the other social. Today the House Democrats have an opportunity to begin to reduce them both. Not quite to restore the Nation's fiscal health, but at least to put it on the path to restoration, and by providing the means to provide the ability to govern as well. Either they vote to do this, or they vote to let the country continue to drift irresponsibly and to think as before. That is their choice, the only choice.

The House Republicans are going to sit on their hands. They always do at budget time. They used to vote no even on their own President's budget. Look, Ma, no fingerprints, that is their ideal fiscal policy.

This President, elected with only 43 percent of the vote, has courageously done what his predecessors notoriously did not: he has proposed a restoration of fiscal discipline.

It may not be a perfect program, but what is? It is a solid one, and balanced. It would do what it says it would. His opponents have made no such proposal, not one that can pass, yes or no, with the country's well-being at stake. That is the question before the House. Yes is the vote they should stand and deliver.

□ 1340

**IN SUPPORT OF THE
RECONCILIATION PACKAGE**

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

Mr. JACOBS. Mr. Speaker, it is the style of the day to give one another the devil for his or her honest opinions. I do not think we need to do that. There is so much, as they say, good in the worst of us and bad in the best of us that it hardly becomes any of us to say very much about the rest of us.

Whatever happens today should be done with civility. There are honest differences of opinion. This is why I intend to support this reconciliation package.

First of all, 70 percent of the tax increases, as has been said, are on the people who enjoyed the largest tax cuts during the 1980's.

Second, I have two little boys, and I am not going to push this burden off on to them.

**ELECTION OF MEMBERS TO CERTAIN
STANDING COMMITTEES OF
THE HOUSE**

Mr. MICHEL. Mr. Speaker, I offer a privileged resolution (H. Res. 187) and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 187

Resolved, That the following named Members be, and they are hereby, elected to the following standing committees of the House of Representatives:

Committee on Agriculture: Mr. Smith of Michigan; and Mr. Everett of Alabama; and the

Committee on Merchant Marine and Fisheries: Mrs. Bentley of Maryland; and Mr. Taylor of North Carolina; and Mr. Torkildsen of Massachusetts; and the

Committee on Veterans' Affairs: Mr. Stearns of Florida; and Mr. King of New York.

The resolution was agreed to.

A motion to reconsider was laid on the table.

**OMNIBUS BUDGET
RECONCILIATION ACT OF 1993**

Mr. DERRICK. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 186 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 186

Resolved, That at any time after the adoption of this resolution the Speaker may, pursuant to clause 1(b) of rule XXIII, declare the House resolved into the Committee of the Whole House on the state of the Union for consideration of the bill (H.R. 2264) to provide for reconciliation pursuant to section 7 of the concurrent resolution on the budget for fiscal year 1994. The first reading of the bill shall be dispensed with. All points of order against consideration of the bill are waived. General debate shall be confined to the bill and the amendments made in order by this resolution and shall not exceed two hours equally divided and controlled by the chairman and ranking minority member of the Committee on the Budget. After general debate the bill shall be considered for amendment under the five-minute rule and shall be considered as read. The modifications to the bill printed in part 1 of the report of the Committee on Rules accompanying this resolution shall be considered as adopted in the House and in the Committee of the Whole. All points of order against the bill, as modified, are waived. No amendment to the bill, as modified, shall be in order except the amendment in the nature of a substitute printed in part 2 of the report. The amendment in the nature of a substitute may be offered only by Representative Kasich of Ohio or his designee, shall be considered as read, shall be debatable for one hour equally divided and controlled by the proponent and an opponent, and shall not be subject to amendment. All points of order against the amendment in the nature of a substitute are waived. At the conclusion of consideration of the bill for amendment the Committee shall rise and report the bill, as modified, to the House with such amendment as may have been adopted. The previous question shall be considered as ordered on the bill and amendment thereto to final passage without intervening motion except one motion to recommit, which may not include instructions.

POINT OF ORDER

Mr. SOLOMON. Mr. Speaker, I rise to a point of order.

The SPEAKER pro tempore (Mr. McNULTY). The gentleman will state his point of order.

Mr. SOLOMON. Mr. Speaker, respectfully, I make a point of order against House Resolution 186 on the grounds that it is in violation of House rule XI, clause 4(d).

Mr. Speaker, House rule XI, clause 4(d) provides that, and I quote,

Whenever the Committee on Rules reports a resolution repealing or amending any of the rules of the House of Representatives or part thereof it shall include in its report or in an accompanying document, number one, the text of any part of the rules of the House of Representatives which is proposed to be repealed and, number two, a comparative print of any part of the resolution making such an amendment, and any part of the rules of the House of Representatives to be amended, showing by an appropriate typographical device the omissions and insertions proposed to be made.

Mr. Speaker, House Resolution 186 provides that upon its adoption "Modifications to H.R. 2264, printed in part 1 of the report of the Committee on Rules accompanying this resolution, shall be considered as adopted in the House and in the Committee of the Whole."

One of those modifications, Mr. Speaker, contained in the Committee on Rules report, adds a totally new title XV to the bill entitled "Budget Process."

Subtitle B of that title in the report is entitled "Amendment to the Congressional Budget and Impoundment Control Act of 1974; Conforming Amendments."

Section 15211 of that subtitle is entitled "Conforming Amendments to the rules of the House of Representatives." The section includes six separate, permanent, not temporary but permanent, amendments to the House Rules which amend: rule X, clause 4(g); rule XI, clause 2(L)(3)(B); rule XI, clause 2(L)(6); rule XI, clause 7; rule XXIII, clause 8; and rule XLIX, clause 2.

And yet, despite the fact that this resolution, upon its adoption, amends House rules in those six different parts, nowhere in the report of the Committee on Rules for this resolution is there any kind of comparative print showing the changes being made from the existing rules as is required in House rule XI, clause 4(d), which I cited earlier today.

Mr. Speaker, it will not do to argue that this change is being made in an order of business resolution. House rule XI does not differentiate between special rules and other resolutions reported from the Committee on Rules. It only refers to "a resolution repealing or amending any rule of the House" whenever it is reported by the Committee on Rules.

Mr. Speaker, the resolution clearly makes such changes, and the report must, therefore, include a comparative print showing those changes. Other-

wise, I can assure my colleagues, Mr. Speaker, as I look at all of these changes, which I have here now, 90 percent of the Members of this House have never seen this document that I have in my hand here. I know almost 100 percent on our side, and I am sure only those who might have been active last night between the hours of 2 a.m. and 4 a.m. have any idea what is in here.

So it just is not right. If we had these comparatives showing the differences of what is being changed or repealed or added, at least we could make some kind of a fair judgment.

I, therefore, urge that my point of order be sustained.

The SPEAKER pro tempore. Does the gentleman from South Carolina [Mr. DERRICK] wish to be heard on the point of order?

Mr. DERRICK. Mr. Speaker, I wish to be heard on the point of order.

The gentleman from New York [Mr. SOLOMON] makes the point of order that the rule violates clause 4(D) of rule XI. This clause requires the Rules Committee to include a comparative print displaying changes to the rules of the House when the committee reports a resolution repealing or amending any rule.

House Resolution 186 modifies the text of the reconciliation bill. The bill as modified amends House rules. But the resolution under consideration does not, in itself, repeal or amend any rule of the House.

Mr. Speaker, I urge you to overrule the point of order.

Mr. SOLOMON. Mr. Speaker, if I might, I would like to be heard additionally on the point of order.

The SPEAKER pro tempore. The Chair recognizes the gentleman from New York [Mr. SOLOMON].

Mr. SOLOMON. Mr. Speaker, with all due respect to my colleague on the Committee on Rules, the gentleman from South Carolina, I guess what he has just said, that these are not really changes, in other words, this bill is going, once everybody votes for it, we vote for these huge tax increases and really nebulous spending cuts, this thing is going to go over to the Senate and nothing is really going to happen to it. It will come back here in a conference report, and it never becomes law. That is really what I was afraid of. That is why I wanted to raise the point of order, because I was sure that really this whole document is absolutely going nowhere and will never really reach the President's desk.

Mr. WALKER. Mr. Speaker, I wish to be heard on the point of order.

The SPEAKER pro tempore. The Chair recognizes the gentleman from Pennsylvania [Mr. WALKER].

Mr. WALKER. Mr. Speaker, it seems to me what I hear the gentleman from South Carolina saying is that the resolution does not so state these rules changes and so, therefore, they will not

really take place. And the House should not have to fear them.

Understand, what he is suggesting is that the self-enacting amendments that the resolution makes in order are not directly spelled out in the resolution and so, therefore, should not have to be considered in all of this, because two of the self-enacting amendments are what the gentleman refers to in the changes in text.

□ 1350

We now have this rather strange situation on the floor where the Committee on Rules can come down, violate the fundamental rules of the House with self-enacting provisions, and claim that somehow these are not a part of their rule. They can go up and make deals in the dead of night behind closed doors, come out into the Committee on Rules, effect those deals, make them into self-enacting amendments where nobody has seen the text of them, and then come to the floor later on and claim that somehow these do not have any real effect. That simply is not the way in which the House should proceed.

Mr. Speaker, I would suggest that the gentleman from New York [Mr. SOLOMON] is absolutely correct. They are coming to the floor with an intention to change the rules of the House of Representatives. When we adopt this rule, we will adopt self-enacting provisions which, if finally adopted, will change the rules of the House and we will have no comparison between the two.

This would be an appalling precedent to set in the House, that what we are doing is trampling on the rules of the House without the proper procedures. It would certainly go along with how this budget resolution has been brought forward. The Chair, in all fairness, should sustain the point of order and should not simply take the majority party's opinion on this that is trying to ram through something extralegally.

Mr. DERRICK. Mr. Speaker, may I be heard additionally?

The SPEAKER pro tempore (Mr. McNULTY). The gentleman from South Carolina [Mr. DERRICK] is recognized further.

Mr. DERRICK. Mr. Speaker, the gentleman, unfortunately, completely misunderstood what I said. What I said was that the changes do not effect until the reconciliation is passed.

The SPEAKER pro tempore (Mr. McNULTY). The Chair is prepared to rule.

Clause 4(d) of rule XI requires the Committee on Rules to provide a comparative print of proposals to change the rules whenever it reports "a resolution repealing or amending any of the Rules of the House."

The jurisdiction of the Committee on Rules is not confined to the rules, how-

ever. It extends also to the order of business of the House. Thus, the committee is authorized to report a resolution providing a special order of business.

House Resolution 186 provides a special order of business. Its adoption would modify the text of H.R. 2264 to include certain changes in the rules, and would provide for the consideration of the bill, as modified, by the House. But House Resolution 186 does not, itself, repeal or amend any rule of the House. Only the bill—H.R. 2264—would, if enacted into law, amend House rules. Consequently, the requirement of clause 4(d) of rule XI is not applicable.

Consistent with the precedent of February 24, 1993, the point of order is overruled.

Mr. SOLOMON. Mr. Speaker, I will not appeal the ruling of the Chair, out of comity, and we want to continue here, but I want to make it perfectly clear that we on this side do not accept the findings of the Speaker, and we would like that to show that for the RECORD. However, we will not appeal the Chair's ruling.

The SPEAKER pro tempore. The gentleman from South Carolina [Mr. DERRICK] is recognized for 1 hour.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield the customary 30 minutes to the gentleman from New York [Mr. SOLOMON], 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, House Resolution 186 makes in order consideration of H.R. 2264, the omnibus budget reconciliation bill. The rule provides for 2 hours of general debate equally divided and controlled by the chairman and ranking minority member of the Committee on the Budget. All points of order against consideration of the bill are waived. The modifications in part 1 of the report to accompany the rule will be considered as adopted in the House and in the Committee of the Whole. The rule waives all points of order against the bill, as modified.

The modifications consist of several technical amendments settling jurisdictional disputes or correcting the text and two new titles related to budget enforcement. The first title extends the caps and amends the Congressional Budget Act. The second title puts in place a tough, new procedure to ensure that we contain the explosive growth of entitlements.

No amendment is in order except the Kasich substitute printed in part 2 of the report, debatable for 1 hour and not subject to amendment. All points of order are waived against the substitute. Finally, the rule provides one motion to recommit which may not contain instructions.

Mr. Speaker, last November the American people sent us a signal that

they wanted change. The people wanted change from the borrow-and-spend policies of the 1980's. The people are tired of government policies that lead to high interest rates, high unemployment, and a stagnant economy.

President Clinton offered our people hope for the future in the form of a plan to begin the process of restoring the American dream for us and our children. Last March, this Congress approved, in record time, a budget resolution embodying the blueprint of the President's economic plan.

That resolution called for deficit reduction of \$500 billion over 5 years through a combination of spending cuts and tax increases, and instructed 13 House committees to write legislation cutting spending and raising taxes to achieve those savings.

Mr. Speaker, H.R. 2264 is the fruit of that effort and the centerpiece of the President's economic plan, which is the largest deficit reduction plan ever considered in our history. This one piece of legislation will cut spending, increase revenues, and reduce the deficit by \$343 billion over the next 5 years. The remainder of the nearly \$500 billion in savings proposed by the President will come through cuts in discretionary programs and reduced borrowing costs.

Mr. Speaker, the people want us to hold the line on spending, and this plan holds the line on spending. For starters, the bill contains tough spending caps limiting discretionary spending to the 1993 level in each of the next 5 years. That's a hard freeze on domestic discretionary spending, at current levels, for the next 5 years. Never have we frozen so much spending for so long a period of time.

The people want us to cut entitlements. This bill cuts entitlements by \$97 billion over 5 years. These cuts include:

- \$56 billion in Medicare and Medicaid cuts, on providers only;
- \$10.8 billion in the Federal employee retirement program;
- \$5 billion in reforms to education programs;
- \$3 billion in agriculture programs; and
- \$2.6 billion in various veterans programs, to name a few.

This legislation also requires businesses and individuals to contribute additional revenues to deficit reduction in an amount totaling \$246 billion over 5 years.

For individuals, over 75 percent of the taxes in this bill will fall on households with incomes over \$100,000—the top 6 percent of all families. Fully 63 percent of the individual taxes will come from households with incomes over \$200,000.

The bill imposes a new 36 percent rate on taxable incomes above \$115,000 for singles and \$140,000 for couples. Families whose taxable incomes fall below those figures have absolutely

nothing to fear from increased income taxes in this bill. For people with taxable incomes over \$250,000, the bill imposes a 10-percent income surtax. These individual tax rates will help restore progressivity and fairness to the Tax Code.

The bill also requires the wealthiest Social Security beneficiaries, who now pay taxes on up to one-half of their benefits, to pay taxes on up to 85 percent of their benefits. This change will more closely conform the tax treatment of Social Security benefits to that of other contributory pensions. I would emphasize that even with the change, only those beneficiaries who already pay taxes on their benefits will be affected—fewer than one quarter of all beneficiaries. Moreover, even with the change, a retired couple making \$60,000, including \$13,000 in benefits, will pay less than two-thirds of the taxes paid by a working couple with that same amount of income.

Mr. Speaker, the only tax in this bill which will affect the overwhelming majority of American families is the energy tax. But this tax, which raises nearly \$71.5 billion and is phased in over 3 years, is quite modest.

In 1994, a family earning \$40,000 per year will pay energy taxes totaling about \$1 per month. In 1995, that will rise to \$7 per month, and in 1996 to \$17 per month, according to both the Treasury Department and the Congressional Budget Office. Lower income households are shielded from increases by an expansion of the earned-income tax credit and increased energy assistance.

In addition to raising revenues, the energy tax will promote desirable public-policy goals. Among these are energy conservation, reducing our dependence on foreign oil, cleaning our air and water, and encouraging development of cleaner alternatives to oil. Reducing oil imports will help our worldwide balance of payments. Even with the tax, America will still have the cheapest energy of any of the world's top seven industrialized nations.

Mr. Speaker, this legislation also requires the business community to contribute to deficit reduction. The bill raises the corporate tax rate by 1 percentage point, to 35 percent, for corporations with taxable income over \$10 million. The legislation closes loopholes by capping the executive pay deduction at \$1 million and denying the deduction for lobbying expenses. In addition, the bill includes provisions intended to increase taxes paid by foreign firms on income from their U.S. operations.

At the same time, this legislation contains numerous tax breaks for businesses designed to spur investment and create jobs. Among them are many provisions for small businesses, including an increased expensing allowance, tar-

geted capital-gains incentives new start-ups, passive-loss reform, repeal of luxury taxes, and permanent extension of the targeted-jobs tax credit.

Mr. Speaker, this legislation has garnered the support of many of America's largest corporations, whose taxes would be increased, including General Motors, General Electric, General Mills, Procter & Gamble, IBM, Owens-Corning Fiberglas, Phillip Morris, Quaker Oats, Sara Lee, Disney, Westinghouse, Colgate-Palmolive, and Kellogg.

The bill has won the support of such diverse labor unions, trade associations, and citizen-watchdog organizations as the American Federation of Teachers, the Consumer Federation of America, the Child Welfare League, Families USA, the National Association of Homebuilders, the National Association of Realtors, the National Council of Senior Citizens, the United Auto Workers, the National Audubon Society, and the League of Conservation Voters.

Evidently these corporations and other organizations share the President's commitment to putting our economy and our country back on track, and are willing to help make that effort a reality.

Mr. Speaker, the reconciliation bill before this House is the centerpiece of the most ambitious, serious, and credible deficit-reduction proposal ever offered by a President. The question before this House today is quite simple. Will we have the courage to change direction, to move away from the borrow-and-spend policies of the last decade, in which we quadrupled our national debt, failed to invest in our country, and left our people's incomes stagnated, their futures imperiled, and their trust eroded? Or will we succumb to the special interests seeking to preserve the status quo, which is obviously not serving us well?

At last we have a President willing to lead this Nation out of the deficit wilderness. He has proposed tough medicine, to be sure. It is bitter medicine. But the choice is ours. Either we pass this landmark deficit-reduction bill today, and keep this process moving forward, or we abandon any chance for meaningful progress against the deficit for the foreseeable future. It is that simple.

Mr. Speaker, House Resolution 186 is a good rule, which will let us consider the President's plan and the principal Republican alternative to it, to be offered by the gentleman from Ohio. It is a fair rule and I urge my colleagues to support the rule and the bill.

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

□ 1400

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

Mr. Speaker, I want to make it very clear right up front what we intend to

do on this rule. Right now this is virtually a gag rule permitting just one Republican substitute but no separate votes on three critical areas.

I am, therefore, urging Members to defeat the previous question so that I can offer an amendment to the rule that makes in order just three additional amendments, subject to 1 hour of debate each.

First, the Michel-Snowe amendment to strike the Btu, middle-class energy tax and replace it with real spending cuts;

Second, an Archer amendment to strike the tax increase on seniors' Social Security benefits; and

Third, a Stenholm substitute amendment for title XVI to provide entitlement caps with a real hammer enforcement mechanism.

That is all my amendment would do, as much as we would like to make in order all of the amendments presented to the Rules Committee. I think it is far better that we keep this previous question vote as simple as possible so that there is no mistake what your vote means.

To quote from this morning's Wall Street Journal editorial:

The point is that Members shouldn't be able to claim they opposed parts of the tax bill but were helpless to amend it. A vote for the closed rule is a vote for the largest tax increase in American history.

Mr. Speaker, if you told the average constituent in my district that this week we are voting on a reconciliation bill, you would probably draw a blank look. That is inside-the-beltway budgetary jargon.

But if you tell that same constituent that we are considering the President's tax bill—the largest tax increase in history—there would be a look of instant recognition, shock, and outrage.

When the President first unveiled his tax program, I thought the President might just get away with the so-called Btu tax, because it was beyond the comprehension of most of the Btu might as well have stood for beyond taxpayer understanding.

But the public didn't take long to catch on to the Btu tax. In my district the people know it is going to hit them in the pocketbook at every turn—from the gas station, to the supermarket, to State and local taxes, to the home.

Today Btu is well understood to stand for, bleed taxpayers unconscious. It is a middle-class tax increase, plain and simple.

The same goes for the President's senior citizen tax increase. Try as the President may to depict this as a tax on upper income individuals, the seniors in my district who make \$25,000 a year as individuals or \$32,000 a year as couples hardly consider themselves wealthy. It's another tax on middle-class taxpayers—only in this case on those who are retired on fixed incomes.

Mr. Speaker, the purpose of a reconciliation bill is supposedly to bring

our actual spending decisions into line with what we can afford-to reconcile our appetites with our incomes.

The problem is, as everyone knows, that the Government has a voracious appetite that can never be satisfied. And so, instead of curbing our appetite to match our income, we are being asked to increase that income to feed that Government appetite for more and more spending and more and more Government programs.

Unfortunately, the Government is not a self-supporting creature that has any income-producing, earning capacity. It must therefore depend on the incomes of others to satisfy its insatiable appetites.

And the others it must depend on most heavily are the great mass of middle-income workers who are barely getting by now on what they earn.

Yet they are being told by the President that they must sacrifice more for the good of their Government.

It is hard to believe that this is the same President who a few short months ago promised middle class taxpayers a tax cut, not a tax increase. You may recall this little campaign book put out by Governor Clinton and Senator GORE, entitled "Putting People First: How We Can All Change America."

On page 15 of that book there is a paragraph entitled "Middle Class Tax Fairness," in which coauthors Clinton and GORE promised, and I quote:

We will lower the tax burden on middle-class Americans by asking the very wealthy to pay their fair share.

And it goes on:

Middle-class taxpayers will have a choice between a children's tax credit or a significant reduction in their income tax rate.

Mr. Speaker, in the interests of truth in political advertising and labeling, I think the President and Vice President should publish a revised edition of their campaign book that reconciles their campaign promises with the reality of their record. This book should be entitled "Putting Taxes First: How We Will Shortchange America."

That is just what is happening in this so-called reconciliation bill. Instead of getting a tax break, middle-class Americans are getting shortchanged.

Well, Mr. Speaker, that is not the kind of change my constituents voted for. They did not send us here to raise their taxes. They sent us here to cut Government spending.

And that is why it is so important for us to change this unfair gag rule and make in order amendments that will do just that—take out the taxes on the middle-class and replace them with deeper spending cuts.

They want us to be able to offer amendments to strike the middle-class energy tax and the middle-class seniors tax, and replace them with spending cuts.

And yet the Democrat majority leadership, through its wholly owned sub-

sidiary, the Rules Committee, has said no to the American people and to these amendments.

Once again they have shut the people out of their own House for the sake of cramming the President's tax increases down the throats of middle-class taxpayers.

Mr. Speaker, the time has come for this House to do the right thing and say no to this antidemocratic and anti-middle-class rule.

I urge my colleagues to vote down the previous question so that we can offer a substitute rule that will allow for separate votes to strike the middle-class energy tax and the senior citizens tax and substitute spending cuts for them.

Vote down the previous question and for a rule that will allow us to offer responsible alternatives. That will take the tax burden off the backs of the middle-class, and put the deficit reduction burden back on the Congress by mandating spending cuts. That is what the American people want us to do.

This is one of the most critical and important votes you will cast in this session. Make no mistake about it, the people will not be fooled by any attempt to paint this as a procedural vote.

This is your vote on whether to tax or not to tax; to cut spending or not to cut spending. Vote "no" on the previous question and for our substitute rule. And, failing that, vote "no" on the rule.

SUMMARY OF SOLOMON AMENDMENT TO THE RECONCILIATION RULE (H. RES. 186)

The rule is identical to the rule reported by the Committee on Rules, but, in addition to the Kasich substitute already made in order by the rule, the following three additional amendments are made in order:

1. The Michel Amendment striking the Btu energy tax and providing off-setting spending cuts;

2. The Archer Amendment striking the tax increase on Social Security benefits and providing off-setting spending cuts; and

3. The Stenholm Amendment capping entitlements with a "real hammer" enforcement mechanism.

Like the Kasich substitute already made in order, each additional amendment is subject to one-hour of debate, is not subject to further amendment, and all points of order against the amendment are waived.

H. RES. 186

An amendment offered by Mr. SOLOMON of New York:

On page 2, strike all after the period at line 13 through the period at line 22 and insert in lieu thereof the following: "No amendment to the bill, as modified, shall be in order except: (1) an amendment relating to the Btu energy tax by Representative Michel of Illinois printed in the Congressional Record of May 26, 1993; (2) an amendment relating to the tax increase on Social Security tax benefits by Representative Archer of Texas printed in the Congressional Record of May 26, 1993; (3) a substitute amendment to Title XVI relating to entitlement caps by Representative Stenholm of Texas; and (4) an amendment in the nature of a substitute

printed in part 2 of the Rules Committee report by Representative Kasich of Ohio. Said amendments may only be offered in the order specified and by the Member designated, or a designee, shall not be subject to amendment but shall be debatable for not to exceed one hour each, to be equally divided and controlled by the proponent or a Member opposed thereto, and all points of order against said amendments are hereby waived."

ROLL CALL VOTES IN THE RULES COMMITTEE ON AMENDMENTS TO THE RULE FOR THE RECONCILIATION BILL, THURSDAY, MAY 27, 1993

The following motions were offered to the rule:

Motion number and subject:

1. Open-rule-plus substitute rule: Three hours of general debate, providing special consideration of designated amendments relating to Btu energy tax, Social Security tax, budget process reforms, waiving all points of order, and requiring pre-printing. Other amendments in Record. Other amendments subject to amendment under five-minute rule with no waivers. Kasich substitute in order at end of process amendable only by amendments previously adopted to bill, if applicable (but not subject to further debate).

Rejected: 3-8. Yeas: Solomon, Dreier and Goss. Nays: Moakley, Derrick, Beilenson, Frost, Bonior, Wheat, Gordon and Slaughter.

2. Michel or Snowe amendment striking Btu tax with offsets.

Rejected: 3-8. Yeas: Solomon, Dreier and Goss. Nays: Moakley, Derrick, Beilenson, Frost, Bonior, Wheat, Gordon and Slaughter.

3. Archer amendment striking to Social Security tax with offsets.

Rejected: 3-8. Yeas: Solomon, Dreier and Goss. Nays: Moakley, Derrick, Beilenson, Frost, Bonior, Wheat, Gordon and Slaughter.

4. Goss amendment deleting Btu and Social Security taxes with offsetting spending cuts.

Rejected: 3-8. Yeas: Solomon, Dreier and Goss. Nays: Moakley, Derrick, Beilenson, Frost, Bonior, Wheat, Gordon and Slaughter.

5. En bloc motion for following amendments:

Thomas of California amendments (a) to self-execute out provision delaying indexation of tax rates; (b) to strike the provision and off-set by denying tax-exempt status to non-profits.

Kasich amendment making several budget process reforms.

Clinger amendment to clarify "emergency" designations under BEA.

McCandless amendment to replace deficit reduction account with Public Debt Reduction Trust Fund under Taxpayer Debt Buy-down Act (H.R. 429, Rep. Walker).

Rejected: 3-8. Yeas: Solomon, Dreier and Goss. Nays: Moakley, Derrick, Beilenson, Frost, Bonior, Wheat, Gordon and Slaughter.

6. Porter amendment to repeal taxes if deficit reduction does not occur under new deficit reduction account.

Rejected: 3-8. Yeas: Solomon, Dreier and Goss. Nays: Moakley, Derrick, Beilenson, Frost, Bonior, Wheat, Gordon and Slaughter.

7. En bloc motion for following amendments:

McMillan amendment relating to entitlement caps.

Kyl amendment to ratchet down federal spending to 19% of GDP by fiscal 1996.

Gekas amendment to reduce deficit to 0 by year 2000 setting deficit targets for each year.

Smith of Texas amendment to set aside 5% of salaries and expense accounts each year

over 5-years, which would be rescinded if Congress takes no action to restore or alter.

Rejected: 3-8. Yeas: Solomon, Dreier and Goss. Nays: Moakley, Derrick, Beilenson, Frost, Bonior, Wheat, Gordon and Slaughter.

8. McCrery amendment to change effective dates of individual and corporate tax increases from Dec. 31, 1992 to Dec. 31, 1993, with offsets.

Rejected: 3-8. Yeas: Solomon, Dreier and Goss. Nays: Moakley, Derrick, Beilenson, Frost, Bonior, Wheat, Gordon and Slaughter.

9. Knollenberg amendment to hold income tax rate at 31% if engaged in small business activity.

Rejected: 3-8. Yeas: Solomon, Dreier and Goss. Nays: Moakley, Derrick, Beilenson, Frost, Bonior, Wheat, Gordon and Slaughter.

10. Houghton amendment to require payment of Social Security tax on domestic help if paid more than \$800 a year.

Rejected: 3-8. Yeas: Solomon, Dreier and Goss. Nays: Moakley, Derrick, Beilenson, Frost, Bonior, Wheat, Gordon and Slaughter.

11. En bloc motion for following amendments:

Camp amendment to substitute immunization provisions which would focus on children in public welfare programs.

Johnson of CT amendments: (a) providing R&D tax credit for aerospace; (b) elective to withhold Federal taxes for unemployment compensation; permit states to opt for "select" Medicare programs; (e) exempt states and cities from Btu tax.

Torkildsen amendment to lower tax rate for individuals in S corporations from 39.6% to corporate rate of 35%.

Rejected: 3-8. Yeas: Solomon, Dreier and Goss. Nays: Moakley, Derrick, Beilenson, Frost, Bonior, Wheat, Gordon and Slaughter.

12. Gingrich amendments: (a) to increase amount of creditable wages under Targeted Jobs Tax Credit from maximum of \$3,000 to \$3,500 and expand the age of affected youth in program from 16-17 year olds to 14-21 year olds; (b) to eliminate so-called "marriage penalty" in the income tax; and (c) to eliminate marriage penalty in social security benefits.

Rejected: 3-8. Yeas: Solomon, Dreier and Goss. Nays: Moakley, Derrick, Beilenson, Frost, Bonior, Wheat, Gordon and Slaughter.

13. En bloc motion for following amendments:

Smith of Michigan amendments to index depreciable equipment for inflation, repeal onerous sections of minimum tax and reduce earlier depreciation deductions.

Collins of Georgia amendment to mandate loss of benefits if children of recipients drop out of school.

Both amendment to eliminate Social Security tax with no offsets.

Allard amendment to cap the irrigation surtax.

Cox amendments on budget process reforms: (1) Fixed sum appropriations for entitlements; (2) require joint budget resolutions; and (3) prohibit "baseline" budgeting.

Rejected: 3-8. Yeas: Solomon, Dreier and Goss. Nays: Moakley, Derrick, Beilenson, Frost, Bonior, Wheat, Gordon and Slaughter.

14. Baesler amendment to eliminate Btu tax and offset with spending cuts.

Rejected: 3-8. Yeas: Solomon, Dreier and Goss. Nays: Moakley, Derrick, Beilenson, Frost, Bonior, Wheat, Gordon and Slaughter.

15. Stenholm amendments to establish entitlement caps and enforcement mechanisms for acting on over-runs.

Rejected: 3-8. Yeas: Solomon, Dreier and Goss. Nays: Moakley, Derrick, Beilenson, Frost, Bonior, Wheat, Gordon and Slaughter.

16. Strike prohibition in rule on motion to recommit with instructions.

Rejected: 3-8. Yeas: Solomon, Dreier and Goss. Nays: Moakley, Derrick, Beilenson, Frost, Bonior, Wheat, Gordon and Slaughter.

17. Adoption of rule: Modified closed rule, allowing two-hours of general debate, waiving points of order, self-executing seven amendments into bill by adoption of rule, making in order one substitute by Kasich

subject to one-hour of debate; motion to recommit may not contain instructions.

Adopted: 8-3. Yeas: Moakley, Derrick, Beilenson, Frost, Bonior, Wheat, Gordon and Slaughter. Nays: Solomon, Dreier and Goss.

OPEN VERSUS RESTRICTIVE RULES—95TH-103D CONGRESSES

Congress (years)	Total rules granted ¹	Open rules ²	Numbers percent	Restrictive rules ³	Numbers percent
95th (1977-78)	211	179	85	32	15
96th (1979-80)	214	161	75	53	25
97th (1981-82)	120	90	75	30	25
98th (1983-84)	155	105	68	50	32
99th (1985-86)	115	65	57	50	43
100th (1987-88)	123	66	54	57	46
101st (1989-90)	104	47	45	57	55
102d (1991-92)	109	37	34	72	66
103d (1993-94)	16	4	25	12	75

¹Total rules counted are all order of business resolutions reported from the Rules Committee which provide for the initial consideration of legislation, except rules on appropriations bills which only waive points of order. original jurisdiction measures reported as privileged are also not counted.

²Open rules are those which permit any Member to offer any germane amendment to a measure so long as it is otherwise in compliance with the rules of the House. The parenthetical percentages are open rules as a percent of total rules granted.

³Restrictive rules are those which limit the number of amendments which can be offered, and include so-called modified open and modified closed rules, as well as completely closed rules, and rules providing for consideration in the House as opposed to the Committee of the Whole. The parenthetical percentages are restrictive rules as a percent of total rules granted.

Sources: Rules Committee Calendars & Surveys of Activities, 95th-102d Congresses; "Notices of Action Taken," Committee on Rules, 103rd Congress, through May 27, 1993.

OPEN VERSUS RESTRICTIVE RULES—103D CONGRESS

Rule number and date reported	Rule type	Bill number and subject	Amendments submitted	Amendments allowed	Disposition of rule and date
H. Res. 58—Feb. 2, 1993	MC	H.R. 1: Family and medical leave	30 (D-5; R-25)	3 (D-0; R-3)	PQ: 246-176 A: 259-164 (2/3/93)
H. Res. 59—Feb. 3, 1993	MC	H.R. 2: National Voter Registration Act	19 (D-1; R-18)	1 (D-0; R-1)	PQ: 248-171 A: 249-170 (2/4/93)
H. Res. 103—Feb. 23, 1993	C	H.R. 920: Unemployment compensation	7 (D-2; R-5)	0 (D-0; R-0)	PQ: 243-172 A: 237-178 (2/24/93)
H. Res. 106—Mar. 2, 1993	MC	H.R. 20: Hatch Act amendments	9 (D-1; R-8)	3 (D-0; R-3)	PQ: 248-166 A: 249-163 (3/3/93)
H. Res. 119—Mar. 9, 1993	MC	H.R. 4: NIH Revitalization Act of 1993	13 (D-4; R-9)	8 (D-3; R-5)	PQ: 247-170 A: 248-170 (3/10/93)
H. Res. 132—Mar. 9, 1993	MC	H.R. 1335: Emergency supplemental approps.	37 (D-8; R-29)	1 (not submitted) (D-1; R-0)	A: 240-185 (3/18/93)
H. Res. 133—Mar. 17, 1993	MC	H. Con. Res. 64: Budget resolution	14 (D-2; R-12)	4 (1-D not submitted) (D-2; R-2)	PQ: 250-172 A: 251-172 (3/18/93)
H. Res. 138—Mar. 23, 1993	MC	H.R. 670: Family planning amendments	20 (D-8; R-12)	9 (D-4; R-5)	PQ: 252-164 A: 247-169 (3/24/93)
H. Res. 147—Mar. 31, 1993	C	H.R. 1430: Increase public debt limit	6 (D-1; R-5)	0 (D-0; R-0)	PQ: 244-168 A: 242-170 (4/1/93)
H. Res. 149—Apr. 1, 1993	MC	H.R. 1578: Expedited Rescission Act of 1993	8 (D-1; R-7)	3 (D-1; R-2)	A: 212-208 (4/28/93)
H. Res. 164—May 4, 1993	O	H.R. 820: Natl. Competitiveness Act	N/A	N/A	A: Voice Vote (5/5/93)
H. Res. 171—May 18, 1993	O	H.R. 873: Gallatin Range Act of 1993	N/A	N/A	A: Voice Vote (5/20/93)
H. Res. 172—May 18, 1993	O	H.R. 1159: Passenger Vessel Safety Act	N/A	N/A	A: Voice Vote (5/24/93)
H. Res. 173—May 18, 1993	MC	S.J. Res. 45: U.S. forces in Somalia	6 (D-1; R-5)	6 (D-1; R-5)	A: Voice Vote (5/20/93)
H. Res. 183—May 25, 1993	O	H.R. 2244: 2d Supplemental Approps.	N/A	N/A	A: 251-174 (5/26/93)
H. Res. 186—May 27, 1993	MC	H.R. 2264: Omnibus budget reconciliation	51 (D-19; R-32)	8 (D-7; R-1)	

Code: C-Closed; MC-Modified closed; MO-Modified open; O-Open; D-Democrat; R-Republican; PQ: Previous question; A-Adopted; F-Failed.

□ 1410

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

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

I would suggest that people back home want to do away with the deficit, and that is what we are trying to do.

Mr. Speaker, for purposes of debate only, I yield 2 minutes to the gentleman from Texas [Mr. FROST].

Mr. FROST. Mr. Speaker, as a Democrat from an oil producing State, I rise in support of this rule and in support of the budget reconciliation bill.

For those of us from States like Texas, the easy vote would be to vote "no." Energy taxes are never popular in our part of the country, and the Btu tax has drawn a significant amount of criticism from oil and gas producing areas.

However, opposition to the President's program simply because it contains a controversial energy tax would be the wrong thing for this country.

The rule before us provides a fair framework to consider legitimate deficit reduction legislation.

And it is time that we considered legitimate deficit reduction legislation.

For 12 years, Ronald Reagan and George Bush paid lip service to the deficit, but that is all. In the form of tax breaks for the wealthy, they served up spoons of sugar and told the American

public it was strong medicine. Meanwhile, our budget deficit has grown out of control and our economy has become dangerously ill.

We now have a President with the guts to prescribe more than a placebo.

President Clinton has proposed a deficit reduction plan that lays out specific spending cuts and specific revenue sources. He has the courage to tell the American public that all is not well—that we can't expect our economy to get better taking the easy road or by doing nothing at all.

Yes the choices are tough. And, of course, today's vote will be hard. But, those of us in this body must join the President in telling the American public the truth.

The Btu tax proposed by the President spreads the burden of deficit reduction broadly, and in a fair and equitable fashion. It is part of an economic program that will result in substantially stronger economic growth due to declines in long-term interest rates, investments in education, and incentives for business investments. In the long run these positive economic factors will more than offset the burden of a Btu tax and will give working people in my State, and across this Nation, renewed hope and real opportunity.

Alternatives, such as an increase in the tax on gasoline or a reduction in Social Security benefits would hit my

State much harder than a Btu tax. Those alternatives would once again place the biggest burden of deficit reduction on the backs of the poor, the elderly and middle-income working Americans.

And, of course doing nothing is not an alternative, it is forfeiting our responsibility to the American public. We can't wink and make the deficit go away. We can't talk it down or smile it into submission. We have to tell the American public the truth and make tough choices.

We now have a President with the guts to lead the way. Those of us in Congress need to join him or get out of the way.

□ 1420

Mr. SOLOMON. Mr. Speaker, I yield such time as he may consume to the gentleman from Nebraska [Mr. BARRETT].

Mr. BARRETT of Nebraska. I thank the gentleman for yielding time to me.

Mr. Speaker, I rise in opposition to the rule and to the budget reconciliation.

Mr. Speaker, sometimes it is hard to tell just where to start; today it is nearly impossible.

Do I use by time to talk about irresponsible parliamentary procedure, or the failed budget process that brings us here to debate spending and taxing plans under which \$300 billion deficits are acceptable and considered progress?

Do I use my time to talk about the disastrous Btu tax, or the fact that, taken as a whole, we are considering the largest tax increase in history? Or, I could start on whether the legislation before us is fair. It is not.

Again and again over the years, this urban-dominated body has not dealt fairly with rural America. Today, you are again asking the most productive sector of the economy—agriculture—to ante up more than its fair share.

We are debating perhaps the most important piece of legislation of this Congress, and we have only a total of 4 hours, after which we have only two choices: Take the majority's huge, comprehensive bill or take the minority's.

No chance to fine tune. No chance to individually amend any of the major provisions. No chance to balance and make more equitable the sacrifices that are inevitable with any real deficit reduction effort.

No. It is just up or down. Take it or leave. And then make sure you get on your plane this evening for Memorial Day recess. No wonder the country has such little faith in its Congress.

I could spend a couple of hours alone on my objections to farm spending cuts and the energy tax. I don't have time to also explain my opposition to the direct loan program, to the deficit reduction trust fund, to the Social Security provision, and so forth. And that's before we even get to the fine print, to such thing buried deep in the bill as irrigation surcharges.

Mr. Speaker, because time is so limited, I will sum up at this point by simply saying that I will be voting "no" today—"no" across the board. I will then more fully explain to my rural constituents why this is the vote that best represents their interests.

On taxes and agriculture, the majority's bill will impose a \$72 billion energy tax and cut \$3 billion from agriculture, more than enough to sap the energy out of farming. With the energy tax, farmers will ante up nearly \$1 billion per year in out-of-pocket costs, despite the fact that agriculture got a partial exemption from the full effects of the energy tax. But ask any farmer what it is like to be partially exempted and you will hear that it is like being partially pregnant.

The fact is, nearly 10 percent of the energy tax will be shouldered by farmers and ranchers, who constitute less than 2 percent of the population.

Farmers, who will have to pay the full energy tax on fertilizers, electricity, and pesticides, and who will have to pay the full energy tax for transporting their products to market, will now have to compete on a playing field with foreign producers made even more unlevel by the Btu tax. The energy tax will destroy the \$16 billion-plus agriculture trade surplus.

Moreover, because the bill increases the Inland Waterways Fuel Tax by 250 percent, transportation costs on the Mississippi Basin will increase, further exacerbating our competitiveness, and driving down domestic prices at the county elevator.

For Nebraska, which is the No. 1 agriculture exporting State per capita in the Nation, the Btu taxes and the 250-percent increase in the inland waterway fuel tax are nothing short of disaster.

On cuts in farm spending, I have serious concerns about the adverse economic impact on our agriculture producers of taking more than \$3 billion out of their programs over the next 5 years. Both the majority's bill and the minority's ask agriculture to sacrifice more than its share.

I cannot find the equity or fairness in these spending cuts to an industry that has already taken, on average, a 9 percent cut each year since 1985. These cuts will come directly out of farm income and will further weaken the economic condition of many farmers.

And, Mr. Speaker, your bill asks us to swallow this at the same time we're expected to agree to more than a \$7 billion increase in food stamp spending, a program that has more than doubled in cost in the last 10 years. Maybe your logic is that once you put the farmers out of business, they will swell the welfare roles.

My major objection to the majority's reconciliation package for agriculture is the 5 percent increase in the unpaid flex, or triple base acres, for a cut in farm spending of nearly \$2 billion. This reduction comes on the heels of the 1990 budget reconciliation provision that just 2 years ago stripped the farmers of 15 percent of their cropland benefits.

And the bill increases flex acres without any corresponding reduction in conservation compliance requirements on those acres. This is simply not fair or sound policy.

According to the Food and Agricultural Research Policy Institute at the University of Missouri, a 5-percent increase in flex acres will reduce payments almost dollar for dollar from net farm income. For example, the study projects corn farmers' returns will decline around \$3 per acre; wheat farmers' returns will fall by \$1-\$1.50 per acre; and cotton and rice returns will drop by \$3-\$5 per acre under this package.

How can we continue to ask for more and give less? This concept does not work in the business world, and it is not going to work through another Government program. This philosophy of reducing farm program spending and increasing mandates, is putting agricultural policy on a collision course with disaster.

I also have concerns about the proposal in the majority's bill to save \$500 million by reorganizing the local USDA offices into single Farm Service Agencies. What happened to the top-to-bottom approach of reorganization? What happened to streamlining Washington and regional offices before cutting farmers' direct services.

Concerning the direct loan proposal as outlined in the majority's bill, I register my strong opposition. I find it somewhat ironic that included in a deficit reduction bill is a new direct loan program whose savings are, at best, dubious.

I had hoped that the gentleman from Tennessee [Mr. GORDON] could have offered an amendment to replace the direct loan provisions with those from H.R. 2219. H.R. 2219 would achieve the necessary budget savings by making changes in the current student loan system, rather than making a wholesale change to a direct loan system.

Direct loans, we are told, will miraculously save roughly \$4.3 billion, yet we do not know for sure if direct loans will actually save that

money. This is an entirely new program—untested.

H.R. 2219, on the other hand, would make real cuts in spending and provides real revenue to the Government from the current student loan system. This alternative would not force the Government to borrow \$20 billion a year for the next 20 years, which is the case under the direct loan proposal.

H.R. 2219 would allow the \$500 million-plus direct loan demonstration project, which Congress agreed to just last year, to continue. And, if this demonstration program proves that real savings to the Federal Government can be achieved and still provide loans to students, then I will be more than happy to join the proponents of direct loans in shelving the current program.

But alas, we will not have an opportunity to vote on H.R. 2219's provisions because Mr. GORDON decided not to try his amendment to the budget reconciliation bill, knowing of course that the script was already written for a closed rule. I only hope that Members from the other body will have the vision to replace the direct loan program with sensible and money saving changes in the current guaranteed student loan system.

Concerning the fine print, buried deep in the majority's bill is something rather innocuously known as the irrigation surcharge. Now, the word "surcharge" makes me believe that someone is aware that those who use water from Bureau of Reclamation facilities are already paying for this water—and I hope they know that these users are also paying for original construction costs and for the maintenance of these facilities.

And I hope they realize that a 50- or 75-cent charge for an acre-foot of water translates into dollars per acre of land. But my concerns about this surcharge go beyond the expenses this package would impose upon our Nation's agricultural producers. I am also concerned that this is so open ended—it comes with floors but no ceilings—and also that as we try today to put the budget in order we are creating another new spending program, one with no clearly specified goal.

In this instance we are not asking the Nation's irrigators to pitch in to help solve our budget problems. We are not asking for 50 or 75 cents to help retire the debt. We are not even asking them to help the gentleman from Wyoming finally fix the Buffalo Bill Dam.

So if it is not for these things, then I must ask just what it is for—why are we demanding that they choke up \$67 million over the next 5 years? Not deficit reduction? Not improvements to reclamation projects that so many Americans enjoy for so many reasons? And what are these new unspecified spending programs? Is it really mitigation for unspecified environmental damages? I invite my colleagues to vacation Nebraska this summer and show me the damage.

Mr. Speaker, this is not reconciliation, this is punitive.

You know, try as we might, these big bulky pieces of paper we call budgets often do not do as they are told.

And I wonder what happens when this particular program fails to do as it is told—what if it fails to bring in the \$10 or \$15 million it is expected to raise each year? What happens

in the wet years—farmers will take it from the sky when they can get it—will the Bureau double the charge to make up for water not used? And the dry years? Farmers already pay for water that might not be there in the summer—will the farmer be penalized for not using enough water?

And for every irrigator for whom this is the last straw, does that pass the cost along to whoever's left?

Mr. Speaker, the so-called irrigation surcharge adds more uncertainty to an uncertain business. Agriculture is not unique in being an uncertain business, but it has gotten to the point where the Nation's agricultural producers are not asking for us to give them a break—they are only asking that we stop piling up.

It is late in the month but early in the year—at least that is what a lot of us were thinking as we sat here until 11:30 last night. Let us take the time to think about the consequences of this package now, not in 2 years when we cannot find anyone who will admit to voting for it.

Mr. SOLOMON. Mr. Speaker, I yield such time as he may consume to the gentleman from Ohio [Mr. REGULA].

Mr. REGULA. Mr. Speaker, I rise in strong opposition to the bill. This will cost Ohio 24,000 jobs, \$1.3 billion in economic activity, and will depress our ability to compete in the world marketplace.

Mr. Speaker, I rise in opposition to this bill and want specifically to address my comments to the proposed energy tax. Most Americans probably have not focused on this issue, but they should.

This is a tax that will hit and hurt everyone in this country. It will increase the cost of energy in your home, it will increase the cost to produce and buy consumer goods and services, and will reduce our competitiveness in a global economy—that is, this tax will cost American jobs.

This tax is inequitable for a number of reasons, not the least of which is the geographic imbalance. It could prove devastating to the industrial Midwest, a region of the country which has yet to feel the full brunt of the recently enacted Clean Air Act amendments. Ohio is already poised to take a hit from the substantial expense of complying with the Clean Air Act. Compliance costs will actually peak in the 1997–2000 period, precisely the time the Btu tax burden reaches its peak.

Ohio, for example, ranks third in terms of total energy consumption and electricity consumption. Accordingly any energy tax will have a substantial impact on Ohio consumers both residential and industrial.

A broad-based energy tax is counterproductive to the President's goals, which I share, of improving economic growth and employment opportunities. In fact I believe it will result in slowed growth and cost American jobs by making our goods and services less competitive in the global market place.

Ohio and the Midwest in general, have been leaders in the Nation's economic resurgence. Manufacturing and exporting have been at the heart of the economic turnaround. The energy tax poses a substantial threat to some of the most successful and competitive elements of the Ohio economy and for many other regions

dependent on heavy industry, manufacturing and exports.

Just a cursory review of the estimated impacts in Ohio alone are cause for concern. The Btu tax would take \$1.3 billion from Ohio consumers and businesses, representing a 6.3 percent increase in the State's total energy costs. Three out of every ten manufacturing jobs in Ohio are in energy-intensive industries, 25 percent more than the national average. One out of every six Ohio manufacturing jobs is tied to exports, 10 percent more than the national average. The Btu tax would hit imported oil—but not energy-intensive imported products like cars, trucks, steel, and so forth, which would take jobs away from Ohio.

As a major industrial, energy-intensive State, Ohio would pay nearly 6 percent—three times its share—of the estimated \$22 billion raised yearly by the energy tax.

The proposed Btu tax is estimated to cost 24,200 jobs in Ohio alone and 400,000–600,000 nationally adding about a one-half percent to the unemployment rate. Revenue estimates for this tax have not factored in added costs such as the attendant unemployment costs. An analysis by the Ohio Inter-Agency Task Force on the energy tax concluded that Ohio could lose six times as many jobs under an energy tax as it would under equivalent levels of reduced Government spending.

Energy costs are a key component in the cost of manufacturing and, one advantage U.S. industries currently enjoy over virtually all of their foreign competition, is lower energy prices. Despite increases in U.S. commercial-industrial electricity rates during the last 2 years, U.S. rates remain among the least expensive compared to rates in industrialized countries worldwide according to a survey by National Utility Service. If we are to strengthen the economy it will come in large measure through improving our competitive position in the global market place.

In recognition of this, other nations are now starting to reduce energy taxes. Sweden, for example, has lowered its energy tax on manufacturing companies by 85 percent.

Other nations also enjoy other competitive advantages. For example, we burden U.S. industries with costs related to such matters as OSHA, workers' compensation, EPA regulations, product liability and so on, that many of our foreign competitors do not have to contend with. Raising the cost of energy in the United States will deprive U.S. industry of one of its few advantages and place our global competitiveness in further jeopardy.

In general, the energy tax harms the economy nationwide by reducing the overall level of business activity—especially new investments that are critical for growth. Taxing the sectors of the economy that need to grow will only stifle economic growth.

The Btu tax will place most U.S. industries at a substantial competitive disadvantage in world markets. Access to reasonably priced energy resources is one of the United States' competitive edges in the global market. Increasing energy costs would disadvantage companies that export their products to foreign markets. The export will become American jobs as industrial production moves overseas to avoid higher overall costs in the U.S. imposed through the energy tax.

The Ohio Governor's Task Force concluded that reduced Government spending is more balanced and does far less damage to the economy, while providing the same deficit reduction benefits. If Ohio is any barometer the American people want us to take a harder look at the spending side of the equation before we act to impose the largest new tax burden in the Nation's history.

Additional spending cuts, fewer regulations, and business incentives should all be explored before imposing this potentially devastating new tax. We should consider incentives for growth in productivity, industrial investment, and exports—the true sources of job growth in a world economy. We should also explore incentives for energy efficiency and environmental improvements that directly support the environmental goals of the administration's proposals without incurring their inherent economic risks.

Mr. SOLOMON. Mr. Speaker, I yield such time as he may consume to the gentleman from Illinois [Mr. MICHEL], our very distinguished Republican leader.

Mr. MICHEL. I thank the distinguished gentleman, the ranking member of the Committee on Rules, for yielding this time to me.

Mr. Speaker, I rise today in opposition to this rule.

A vote against this rule is a vote for giving every Member of the House a chance to do what we would like to do, vote up or down on the energy tax and possibly several other significant amendments that have broad-based support on both sides of the aisle.

I know Members of the other side have been under intense pressure to become Clinton clones. I know there have been little consciousness-raising sessions to stampede you toward the biggest tax rise in history, like lemmings headed over a cliff.

You have been told this is a procedural vote, some of you more junior Members; that it is only a parliamentary question. But make no mistake about it, this is not a procedural vote, it is a substantive vote that denies us the opportunity to open up the rule, to get at the Clinton energy tax.

And as I indicated, there would be those who would have other amendments to offer.

I went to the Committee on Rules and testified, along with Ms. SNOWE, on behalf of the amendment that we jointly sponsored to eliminate the energy tax.

Think for a moment about what the Clinton energy tax really means. It is not only a whopping \$72 billion tax out of the pockets of all Americans over the next 5 years; it also represents a broken promise, as was so well stated by the gentleman from New York [Mr. SOLOMON].

Candidate Clinton promised middle-income Americans a tax cut, and President Clinton, now, wants to thrust on middle-income Americans an enormous tax increase in the form of the energy

tax. And make no mistake about it, it cuts right across the board to each and all. So much so, recognized by the administration, that they have in there an item for an increase in earned income tax credit of something like \$28 billion, an increase of the Food Stamp Program of over \$7 billion now bringing that program to a total of \$32 billion, to make up for the losses of lower income Americans who would suffer from the energy tax.

At exactly the same time in American history when the American people are sickened to death of political cynicism can we in all conscience vote for a rule which in effect ratifies a broken promise? Make no mistake about it, I will tell you there is not one job created by this energy tax; it is a job loser.

And I might say to the gentleman who just preceded me in the well, if the Tax Foundation's figures are correct, he loses roughly 1,008 jobs by the enactment of the energy tax in his district. In my district the job loss would be 1,146. If those on the other side of the aisle vote for this rule, you may please your leadership today and the White House may be grateful to you tomorrow, but what about your constituents who are going to have to live with the effects of your vote in the weeks and months after today and tomorrow?

Day after day, tomorrow after tomorrow, in every purchase they make, every trip they take, in every school, in every church, in every workplace, in every home, in ways that they may not even be aware of, the Clinton energy tax will be a silent, greedy destroyer of their family budget. And they will remember who set loose this dreadful virus into the economic bloodstream of our Nation.

Let us face it, the Clinton White House is out of touch, it is out of sync, it is out of ideas, it is out of excuses, and out of control. The American people are out of patience. And if you vote for this rule, you will put them permanently out of pocket and out of work.

I urge you to vote against the previous question and against the rule. Vote against government by broken promises; vote against the most insidious, invidious, pestiferous, omnivorous, depressive, regressive, voracious, and audacious tax in American history.

I urge you to vote "no" on the rule.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 2 minutes to the gentleman from Oklahoma [Mr. SYNAR].

Mr. SYNAR. Mr. Speaker, there is a cancer growing in our Nation's fiscal body and that cancer is the bulging Federal deficit. The choice the House faces today is between whether we embark on a bold yet painful course of treatment for the cancer or whether we further delay while the cancer grows and festers and continues to eat away at the economic vitality of our Nation.

The choice will determine whether our Nation returns to fiscal health and the lives of our citizens become more fruitful and productive or whether we continue to slowly deteriorate as a Nation that lacks the discipline, leadership, and self-sacrifice to correct its profligate ways.

The President was elected to treat this cancer and he has courageously done so by proposing a balanced, disciplined treatment plan that is expected to reduce the deficit by more than \$500 billion over the next 5 years. It is the largest deficit reduction plan ever proposed and it relies on both spending cuts and tax increases for deficit savings.

The President's plan is not perfect. If it is enacted the budget deficit 5 years from now will still be high. But without the President's plan, the deficit will be more than 40-percent higher than it is today. The President's plan does include large tax increases and there has never been any such thing as a good tax.

The Btu tax, which constitutes the core of the President's revenue raising proposals, will be especially tough for Oklahoma with its heavy reliance on energy production and energy intensive industries. But the Btu tax is preferable to any other proposed tax—it is the best of a bad lot. A carbon tax, a gasoline tax, an ad valorem tax, and an oil import fee all have significant problems that make them worse for industry and our national energy policy. There is simply no other attractive alternative that raises the revenues needed for meaningful deficit reduction.

In addition, the impact of the Btu tax on the families in my district will be relatively modest. The Congressional Budget Office estimates that a family earning \$40,000 annually will pay a dollar a month for the Btu tax in 1994, \$7 a month in 1995 and \$10 dollars a month when the tax is fully phased in by 1996. The impact of the Btu tax on families earning less than \$25,000 a year will be more than offset by the proposed expansion of the earned income tax credit. In fact, the accounting firm of Arthur Anderson has found that taxes will actually decrease for a family of three earning less than \$25,000.

The taxes in the President's plan are only acceptable, and only worth the pain they will cause for my constituents and our Nation, if they are matched by spending cuts that will double the impact of this plan on the deficit cancer. The President's plan does this. The plan before us today provides for \$246 billion in spending cuts. These cuts are largely achieved by freezing discretionary spending at current levels from now until 1998. The plan also contains significant spending cuts in the major entitlement programs such as Medicare, Medicaid, and agriculture, plus reductions in costs for

Federal personnel. The \$246 billion in spending cuts represents real, substantial spending reductions that will take direct aim at curing our stifling deficit malady.

This bill also provides for budget enforcement mechanisms to ensure that revenue increases and spending cuts are devoted to deficit reduction. The entitlement review process, the trust fund, and the pay-as-you-go rule will help strengthen those in Congress who may otherwise lack the discipline to cut the deficit during the coming years.

We in the House, especially Democrats, were also elected to attack the deficit cancer. This plan gives us that chance. Today we have the opportunity to fulfill the promises we made last November. This plan isn't perfect. But it's honest, balanced, real deficit reduction that deserves enactment.

There are always a thousand reasons to say no. The Continental Congress could have postponed consideration of the Declaration of Independence to explore alternatives. Lincoln could have returned the historic envelope for further staff work and not delivered a speech at Gettysburg. Churchill could have delayed the sailing of the rescue fleet to the British Army trapped at Dunkirk until he was quite sure he had the optimal mixture of boats. Wellington at Waterloo could have delayed attacking Napoleon until all the options had been thoroughly reviewed.

In each case the consequences of inaction in a vain attempt to clutch at something even better would have been disaster. This is also such an occasion. We are about to tell the world whether we can grasp our economic destiny or we let the hopes for our future slip between our fingers.

As Shakespeare said, "there is a tide in the affairs of men which taken at the flood leads on to fortune; omitted, all the voyage of their life is bound in shallows and in miseries * * *"

This is such a crossroads. I urge a vote for this bold initiative, and let us begin to cure the cancer.

Mr. SOLOMON. Mr. Speaker, I yield 2 minutes to the very distinguished chairman of the Republican conference, the gentleman from Texas [Mr. ARMEY].

Mr. ARMEY. I thank the gentleman from New York for yielding this time to me.

Mr. Speaker, in order to put this bill in perspective, we must see its real impact on the real lives of the real people in our real home districts.

For example, despite all the allegations of job creation for this process that the President has introduced, the Tax Foundation has concluded that the energy tax alone will kill 734 jobs in the district of the gentleman from Oklahoma [Mr. SYNAR], who just spoke. In my district in Texas, if this is passed, it will kill 1,463 jobs.

□ 1430

We cannot afford to lose those jobs. This package was put together by the Democrats without inclusion or participation by the Republicans.

We will have many, many Members of Congress who will go home and say to their districts, "I would like to have had a separate vote on the energy tax or the Social Security tax increase or any number of other things, but the rules would not allow it."

Let us be clear about this today. If you vote "yes" on the moving of the previous question and "yes" on this rule, you vote for a rule that does not allow a separate vote on the energy tax.

The American people cannot run away from that tax if it is imposed on them, and the Members of Congress cannot run away from the vote that makes that tax an essential part of the only vote you get.

This fact is recognized by such public interest groups as the Americans for Tax Reform, the National Federation of Independent Business, National Taxpayers Union, Citizens Against Government Waste, National Association of Wholesale Groceries, the National Association of Manufacturers, and they will grade this vote as a vote to keep the tax package intact and not allow a separate vote on egregious, harmful, job-destroying taxes. You better understand that.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 1 minute to the gentleman from Kansas [Mr. SLATTERY].

Mr. SLATTERY. Mr. Speaker, in the 1 minute that I have, I want to focus on the effect the Btu tax will have on agriculture.

Based on the information I have from Kansas State University, the Btu tax, when fully implemented, would cost the average family farm in eastern Kansas about \$520 a year. That is just part of the story.

The other side of the story has not been focused on, and that is the increase in the ability of farmers to expense depreciable assets. If they only take advantage of \$5,000 of the additional expensing available, it will more than offset the negative effect of the Btu tax.

Specifically, it will save them \$132 on their income taxes if you assume the lowest tax rate of 15 percent.

It will also save them \$750 on the self-employment tax that they are not going to pay on the \$5,000 of additional depreciable items that they will be able to expense; \$132 plus \$750 equals \$882.

This bill also contains the extension of the 25-percent deduction for health care. That is worth \$112 to them.

Add it up, \$994, and if you want to go on, if they are making \$20,000 a year, if they have two children at home, they will save \$1,025 on the earned income tax credit.

So, Mr. Speaker, I urge my friends who are concerned about how this tax bill will affect agriculture to take the whole package into consideration. The Btu tax is not good for agriculture, but other provisions in this bill are good for agriculture.

Mr. SOLOMON. Mr. Speaker, I yield 2 minutes to the very fine gentleman from Sanibel, FL, Mr. GOSS, a member of the Committee on Rules.

Mr. GOSS. Mr. Speaker, according to the Tax Foundation, the energy tax will kill 911 jobs in the district of the Member who just spoke. In my district we will lose 907 jobs that we cannot afford to lose.

The American people are all too familiar with the dangerous mischief that happens when deals are made late at night, behind closed doors in this House. Tragedy has struck again. The President promises the biggest deficit reduction in history. The reality is that this will be the biggest letdown in history. The certainty is that taxes are going up—that is one thing you can believe. And those taxes will bite hard on the elderly and middle class, not just the rich, 10 million seniors—many on fixed incomes—and every family will feel this bite.

More dismaying, this tax is retroactive—the Democrats have secretly been running the meter since December 1992 and now they are sending us the bill. Do not forget that the \$100 billion health plan is on the way and the White House tells us it is to be paid for with still more other new taxes.

Why do I not believe all the promises made by the President and the Democrat leadership about the supposed good news in this bill? For starters, I am skeptical because, with one exception, the Democrat leaders would not allow a vote on any amendments to replace taxes with spending cuts. They would not allow proposals to cut waste despite well-thought-out ideas from both sides of the aisle. Not a promising way to debate what the Democrats are labeling the most important vote to date in this Congress. I am skeptical because when the spin doctors' spin spins down, what is left is the stark harsh reality that there is no plan to balance the budget.

I am skeptical because, after 5 years of sacrifice, the national debt under this plan will be 25 percent higher—another trillion dollars we just do not have. I am skeptical because this plan breaks the faith with every American who has ever paid into Social Security by redirecting those funds to non-Social Security programs. And I am skeptical because all the taxes come first under this plan, and all the spending cuts are promised for later, much later.

The vote on this rule is a vote on whether to raise taxes on all Americans or whether to cut spending first. It is not a partisan question.

The Rules Committee heard hours of testimony from Democrats about the

dangers of President Clinton's taxes; 27 amendments went down in flames in the Rules Committee about 4 o'clock this morning because the Democrat leaders know the new taxes can not withstand open scrutiny. Yes, I and many Americans are skeptical about the promises, outraged about the gagging process in the Rules Committee, and deeply anxious about the results.

Mr. Speaker, we have got to defeat this rule. We have got to go back and do better. Americans deserve better. Vote "no" on the rule.

Americans are making themselves heard. One Washington State couple said it best:

When a few elected Representatives, sitting as a committee, can completely control what action will be allowed on the floor of the full House of Representatives . . . certainly the vast majority of the citizens of this country have absolutely no representation in the proceedings of the Federal Government. This is unbelievable and must be stopped. It approaches dictatorship.

Mr. Speaker, these are your constituents. Vote "no" on this rule because Americans want to cut waste, not raise taxes.

PARLIAMENTARY INQUIRY

Mr. SOLOMON. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER pro tempore (Mr. McNULTY). The gentleman will state it.

Mr. SOLOMON. Mr. Speaker, I note a number of Members have been seeking to ask Members to yield and, of course, everyone knows that we are hard pressed for time. We have very little time. Even our speakers have 1 minute each.

Would it be in order to ask unanimous consent to extend this 1-hour debate for an additional half hour? If so, we on this side will be more than happy to yield to any speaker who would request it of us.

The SPEAKER pro tempore (Mr. McNULTY). The gentleman from South Carolina has not yielded to anyone for that purpose.

Mr. SOLOMON. Then, Mr. Speaker, I would just say to the gentleman from South Carolina, if he wishes to propound that unanimous-consent request, we would be glad to yield to the gentleman from Kansas [Mr. SLATTERY], a respected Member, or anyone else, if we could expect reciprocal treatment from the other side.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 3 minutes to the gentleman from Georgia [Mr. LEWIS].

Mr. LEWIS of Georgia. Mr. Speaker, I want to thank my good friend for yielding this time to me.

Mr. Speaker, I rise today in support of the rule. We have the opportunity to put our economic house in order. Today, we have an opportunity to add greater fairness to our tax system. With this new administration and thi-

Congress, we have an opportunity to begin anew.

If we fail to pass this legislation, we will send the message to the American people that we cannot govern. The American people will surely lose faith in us all.

We must give this President a chance. We must give his economic plan an opportunity to work. During the past 12 years, we have had to live with economic policies that have steered us in the wrong direction.

The Ways and Means Committee, under the leadership of a great chairman, has put together a real proposal—not gimmicks. It is a very real bill and it is the essence of President Clinton's plan.

This plan is not a cure-all, but it will be a significant step down the long and difficult road of economic reform. This plan truly puts us on the right track of deficit reduction.

Mr. Speaker, I am sick and tired of the naysayers and Nervous Nellies who are saying there are not enough cuts. This proposal is fair. No one has told us that it would be easy. We must pass the plan now because there is no better opportunity and no better plan.

We must keep in mind that our economic problems did not happen overnight. The economic problems will not be solved with one vote nor will they be solved with a wave of a magic wand. We must make it clear that when we cast our vote, there will be no free lunch. The time has come for those who can most afford it to pay their fair share.

We are all in this together. We must act now because time is not on our side. The clock is ticking and the people are watching.

What we do today is not just good for this generation of Americans. It will be good for unborn generations. It redefines our priorities because we will shift emphasis to investment in basic human needs and deficit reduction.

If we do not pass this plan, we will not be able to do much to create jobs or provide comprehensive health care for all of our people.

We must build together a new economic order. By ratifying the budget reconciliation plan, we will build a more solid foundation for the economy.

In supporting this plan, we will put gridlock behind us. We will help make ours a better and more humane Nation. And we will create a greater sense of community.

It was 25-years ago when Senator Robert F. Kennedy said, "Some men see things as they are and say why. I dream of things that never were and say why not."

So today, Mr. Speaker, I urge my colleagues to dream dreams—to have a vision for a different America—for a better America—for a new America.

□ 1440

Mr. SOLOMON. Mr. Speaker, I yield such time as he may consume to the gentleman from Michigan [Mr. CAMP].

Mr. CAMP. Mr. Speaker, yesterday myself, Mr. KLUG, and Mr. GREENWOOD went before the Rules Committee to offer an amendment that gives the President's child immunization plan a needed shot in the arm and saves taxpayers a billion dollars.

Guess what? President Clinton's immunization proposal in the majority's reconciliation bill creates a new entitlement program. I have only been here one term, but I thought the idea of a reconciliation bill was to control spending, not explode spending. It is inappropriate and irresponsible.

But that is not the half of it. The problem is the President and the majority's immunization plan does nothing to see that kids get vaccines. Sure, it will buy vaccines and put them on the shelves, but what about seeing to it that parents get their children the shots they need to protect them from life threatening diseases—132 kids died from measles alone over a 3-year period.

But the reason these kids don't get their immunizations is not because there aren't enough vaccines; 5,000 public health clinics across America offer free immunizations to any, and let me emphasize this, any kid that walks through their front door.

The problem is parental responsibility. My proposed amendment is a comprehensive plan that promotes parental responsibility by motivating parents with discretionary State government incentives, improvements in the delivery system, and making sure kids who need shots get them.

But the Democrat majority would not let us offer this amendment on the floor today. Even though the studies show it works; the Department of Health and Human Services likes it; and, President Clinton said in endorsing this approach, "I thought that was a good idea."

Mr. Speaker, without this amendment taxpayers will be having more of their hard earned money spent on an entitlement program that will not work.

But even sadder yet is that kids across America will suffer because this House has not taken a stand to protect them.

Mr. SOLOMON. Mr. Speaker, I yield 2 minutes to the distinguished ranking member of the Committee on Government Operations, the gentleman from the Commonwealth of Pennsylvania [Mr. CLINGER].

Mr. CLINGER. Mr. Speaker, at the outset let me just note that according to the Tax Foundation, the energy tax will kill 2,218 jobs in the district of the Member who just spoke. In my district will lose 934 jobs that we cannot afford to lose.

Mr. Speaker, I have a great recommendation for the Joint Committee on the Reorganization of Congress—abolish committees. Of course, Mr. Speaker, I am being facetious, but this rule and the tax increase bill pending before the House today shows why my recommendation is not that ridiculous.

The rule pending before the House self-executes the recommendations of

seven House committees. In the case of the budget process reforms, none—I repeat—none of the recommendations were ever debated in the committee of jurisdiction, the Government Operations Committee. The committee held only a brief hearing, and let me mention that OMB Director Panetta canceled his appearance at this hearing just hours before it began. The bill was withdrawn by the chairman before it could be marked up by Members elected by the American people. Instead, unelected Democratic committee staff simply sent legislative language directly to the Rules Committee.

Despite the nearly one dozen amendments prepared by minority members, no opportunity was given to members from either side of the aisle to amend these budget reform recommendations. Ironically, in the letter transmitting the budget process recommendations to the Rules Committee, the chairman urged that no other budget process amendments be made in order because they would not have proceeded through proper committee consideration. Had that principle been applied to this bill, perhaps we would be considering a meaningful entitlement cap, discretionary spending constraints which would result in a smaller deficit, and a deficit reduction trust fund with real teeth.

I have always argued that when the appropriate committee of jurisdiction is not given the opportunity to amend legislation heading to the full House, it is critical that the Rules Committee provide as open an opportunity as possible to amend the bill once it reaches the floor. Unfortunately, in the world's most democratic body, neither the majority nor the minority will have the opportunity to fully debate and amend this far-reaching legislation either in a committee or on the House floor.

Had we had the opportunity in committee, we would have offered meaningful amendments which would, first, have eliminated baseline budgeting, second, strengthened the definition of the term "emergency" to ensure that supplemental spending bills cannot be considered every time the President or Congress needs to pay off some special interest group, third replace the phony trust fund which Alice Rivlin described as a "display device" with a meaningful fund which would have actually reduced the deficit, and fourth, imposed strong spending caps which would have limited spending to a percentage of the gross domestic product. Our list goes on and on.

Mr. Speaker, reject this rule and send the bill back to the committee of jurisdiction where it belongs.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 1 minute to the gentleman from Pennsylvania [Mr. FOGLIETTA].

Mr. FOGLIETTA. Mr. Speaker, I rise today in support of this rule and the President's reconciliation package.

I would say to my colleagues that today is the day for us to stand up and be counted.

In last year's election, we all had to apply for our jobs. Those of us who returned, came with a clear mandate. Make the tough choices. Cast tough votes. Make change. Do something. I remind my colleagues about one of our former colleagues, Jim Florio. Jim, after being elected Governor of New Jersey, had to make some tough decisions to turn his State around. Maybe he was not always as diplomatic as he should have been. But he was a leader. He made change in New Jersey.

This month Jim Florio received the Profile in Courage Award from the John F. Kennedy Library. Bill Clinton is also taking those same courageous positions.

The question today is: How many profiles in courage sit in the well of this House? How many of us will stand up and be counted? Show courage. Vote for the budget reconciliation package.

Mr. SOLOMON. Mr. Speaker, I regret that I only have 2 minutes to yield to the gentleman from California [Mr. THOMAS], one of the very distinguished Members of this body.

Mr. THOMAS of California. Mr. Speaker, I do thank the gentleman from New York [Mr. SOLOMON] for yielding this time to me, and the gentleman who just spoke, the gentleman from Pennsylvania [Mr. FOGLETTA] loses 1,000 jobs in his district with the decision that he has made.

I want to speak to my conservative Democratic colleagues who have been told and promised a number of things, told to just go ahead and vote for the bill. The old "trust me". I want to know if they know a term we thought had been put to rest has been resurrected in this bill. It is called bracket creep.

Mr. Speaker, the red line my colleagues see in front of them is what happens to the 36-percent bracket. It starts January 1, 1993, but all of 1994, and all of 1995 the dollar amount is subject to inflation. I say to my colleagues, "That is stealing from the American people just as if you used a mask and a gun."

Now why, Mr. Speaker, do my colleagues not know that this is in the bill? It is very simple. The President's green book on page 34 said, "As under current law, the bracket will be indexed."

The Joint Committee on Taxation analysis of March 8 said, if my colleagues will notice, "The individual income tax brackets are indexed for inflation."

The Committee on Ways and Means' markup sheet said, "They are indexed," and I asked the chairman, "Since we had had this happen to us in the past, was there anything not written down that's going to happen in this bill?" The chairman told me no.

I have to tell my colleagues, "When they promise you something won't happen, and it does somebody would call that lying. Others would call it business as usual. I said that it's like stealing from the American people as though you used a mask and a gun. Others would say, "No, bracket creep was present when Carter was President, it made money."

Bracket creep has returned with President Clinton. Around here a mask is called a Democrat, and a gun is called majority rule. Some would say it's still stealing.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 1 minute to the distinguished gentleman from West Virginia [Mr. WISE].

Mr. WISE. Mr. Speaker, the gentleman who preceded me, the gentleman from California [Mr. THOMAS], has just delivered an eloquent statement in behalf of all those who make \$140,000 and more, and I say to my colleague, before you quote the thousand-some jobs that an obscure tax foundation predicts West Virginia will lose, let me just say what the policies of the last 12 years from this side of the aisle, my opposition, has produced: The no hands, no guts, no policy and no jobs of the last 12 years. The real figure is 40,000 lost manufacturing jobs in West Virginia, 30,000 lost coal mining jobs, thousands in the natural gas industry. Don't talk to me about predictions. Tell me what you have done.

The fact is that for middle-income working Americans in West Virginia today the income tax rate increases do not apply to middle Americans. Indeed they apply to those married couples over \$140,000 a year. The average American household will pay less than \$20 per month when this is fully implemented over a several-year period, about the price of a cup of coffee. I think they are will to pay that for a sound fiscal economy with the deficit reduction and with all the other measures in here.

Mr. SOLOMON. Mr. Speaker, I yield such time as he may consume to the gentleman from Kansas [Mr. ROBERTS].

Mr. ROBERTS. Mr. Speaker, I rise in opposition to the rule.

Mr. Speaker, the Treasury Department has sent to a select group of Members this letter from Michael Levy, Assistant Secretary that says the Clinton budget package will be good for farmers, ranchers, and agriculture.

Now, as the ranking Republican on the Agriculture Committee, I did not receive a letter but I sure got the message. And the message was from a group of farmers who brought the 12-page summary from Treasury to me, said, "Can you believe this," and asked to have the record set straight.

Mr. Speaker, this letter is a hoax. It is full of distortions and deception. It ignores the weight of the permanent tax increases of farmers and softens the impact of the Blt and inland waterways fuels taxes by focusing on the phase in period for the taxes.

The farm-type examples—one in Kansas—one in Wisconsin and one in the upper Midwest—ignore irrigated acres and cotton and rice farms. Worse, with the selected examples, this document underestimated the impact of the Blt tax by 300 to 400 percent and ignored the price reduction impact for commodities that use the inland waterways.

Even the benefits are not benefits. The administration tries to claim the retention of the 25 percent deductibility for farmer paid health insurance premiums. That is counting what is already on the books and everyone familiar with health care knows that deductibility should be 100 percent.

They count as a benefit the expanded earned income tax credit, totally ignoring off-farm income and the lack of minor children on many farms.

But, my favorite is the attempt of Treasury to claim credit for the decline in interest rates since November as a benefit of the Clinton plan for farmers. Not one single piece of budget legislation has gone to this President for signature and the administration's own budget projections do not assume that this plan will result in reduced interest rates.

How on Earth the biggest tax hike in history, more spending and a trillion dollars of increased debt over 5 years will result in falling interest rates, I don't know.

This summary claims farm income will increase from \$150 to \$800 under the Clinton plan. Let us set the record straight. An analysis derived from the Food and Agriculture Policy Research Institute and from a dairy farm analysis prepared National Milk Producers Federation shows the example farms in Kansas, Wisconsin, and the upper Midwest will have farm income cut \$750 to \$2,000.

This document is not accurate. Up is not down, east is not west, and farmers will not be able to reconcile the Clinton administration's reconciliation.

DEPARTMENT OF THE TREASURY,
Washington, May 26, 1993.

Hon. JACK KINGSTON,
U.S. House of Representatives,
Washington, DC.

DEAR MR. KINGSTON: Enclosed is a Department of the Treasury analysis documenting that the Administration's program will improve the economic status of farm families.

Several studies have been widely circulated recently which explore the impact of Administration proposals on families in particular. They have examined the proposals in isolation rather than comprehensively and they do not necessarily reflect the provisions modified during the Ways and Means Committee markup.

The Treasury analysis adopts the same starting point as the study of a farm family in the upper mid-west, but the shortcomings are remedied in the Treasury analysis. It evaluates the full range of Administration proposals in their current form and the results reveal that the combined economic gain from investment expensing, lower interest rates, the Earned Income Tax Credit and health care changes considerably exceed the taxes. The typical farm family in the analysis will enjoy a \$144 net gain from the Administration's proposals.

If you have any questions, please call me or George Tyler on my staff at 622-1930.

Sincerely,
MICHAEL LEVY,
Assistant Secretary (Legislative Affairs).

ECONOMIC IMPACT OF THE ADMINISTRATION'S
PLAN ON AGRICULTURE

[Example of a Kansas Farmer]

This example illustrates the economic impact of the President's economic plan on a north-eastern Kansas farm family. The example is that of a family with income of \$18,700. They have \$155,000 of debt, and net worth of \$275,000 (close to the regional average). The farm consists of 650 acres, producing five crops: 115 acres of wheat, 150 acres of corn, 95 acres of sorghum, 200 acres of soybeans, and 90 acres of alfalfa hay.

Over the 1994-1997 period, the family income will increase on average by \$1,745 as a result of lower interest rates, the benefits of the expanded earned income tax credit (EITC), more generous investment incentives, and extension of the health insurance deduction for self-employed workers. The family will lose \$953 on average from reductions in farm program benefits and the proposed Btu energy tax. The cost of the increase in the inland waterways fuel tax on the Kansas farm is estimated to be small, but difficult to quantify with precision. As described in the following pages, the proposed programs phase in over time. The benefits of the EITC shown take into account that not all farm families will qualify for the EITC, and that the benefits depend upon the number of children in the family. It is anticipated that benefits at least as generous as the proposed extension of the deduction for self-employed health insurance payments will be provided over the period. For the facts assumed in the example, the net result will be an average increase in the farm family's income of \$792 (a gain of 4.2 percent) under the Administration's economic plan, as shown below.

Economic impact

Average 1994-97 benefits:	
Equipment expensing (present value)	\$132
Reduced interest rates	1,318
Self-employed health insurance deduction	112
Expanded EITC	183
Total benefits	1,745
Average 1994-97 costs:	
Btu energy tax	235
Cuts in farm programs	718
Total costs	953

COSTS AND BENEFITS OF THE ADMINISTRATION'S
PLAN ON FARMING

The Administration's economic plan seeks to accomplish the combined national goals of reducing the federal budget deficit, increasing investment, and restoring long term economic growth. Increased growth helps people and businesses by increasing our standard of living.

The plan requires a shared contribution from all Americans to achieve its goals, but on balance, all Americans, including farmers, will benefit. They will receive new incentives to invest in more productive equipment. Lower interest rates, resulting from deficit reduction, will lighten existing debt burdens and will spur rural economic growth. The nation will see a reform proposal designed to control the rising cost of health care. The Administration's plan will also assist low-income earners by expanding the earned income tax credit. This will ensure that all families with two children earning at least the minimum wage will not live in poverty.

Increased expensing

As modified by the House Ways and Means Committee, the plan will encourage Ameri-

cans to invest in new equipment, commencing in 1993. Specifically, it increases the level of capital investments allowed to be expensed from \$10,000 to \$25,000. These investments would, in general, otherwise have to be depreciated over 7 years. Farmers as described in the example are anticipated to invest, over the 1994-1997 period, an average of \$15,000 each year in new and used equipment and machinery, special structures, motor vehicles, and farm and land improvements. The present value (at an 8 percent discount rate) of the increased reduction in tax liability (at a 15 percent tax rate), attributable to the expensing of the additional \$5,000 of allowed investment, is \$132.

Reduced interest rates

Financial markets view the Administration's program very favorably, calling it the first true deficit reduction program in twelve years. As a result, market interest rates have declined significantly since the November election. These lower rates should stimulate new investment, and should, over time, allow existing debtors to refinance their high interest rate debt at more favorable levels. Based on Farm Credit System data, which indicate an 85 basis point decline in interest rates from December 1992 to May 1993, this decline is assumed in the example.

Extending small-issue agricultural bonds

Some farmers receive low-cost interest loans from state, county, or local governments. These governments are able to raise lower-cost funds through small-issue agricultural bonds, since the bondholders' interest is exempted from federal tax. The government requires that at least 95 percent of gross proceeds must be used to purchase agricultural land or equipment, and the size of an issuance cannot exceed \$1 million. The Administration's plan proposes to extend the rights of state and local governments to issue these agricultural bonds.

Extension of the health insurance deduction

Farmers need comprehensive affordable health insurance, yet many can no longer afford it. The Administration is addressing this issue in two ways. First, the plan extends the 25 percent deduction for health insurance costs of self-employed workers and their families through at least December 31, 1993. Second, the Administration initiated a task force to examine ways to reform the health care industry. The health care task force seeks to control exploding costs and to expand coverage to ensure all Americans receive some form of coverage.

The example shows the tax savings generated from extending the 25 percent deduction for self-employed health insurance, based on an assumed premium of \$3,000 (which is anticipated to be about the average 1994-1997 cost of such family policy) and a 15 percent tax rate.

Expansion of the earned income tax credit (EITC)

The Administration is committed to "making work pay." The President's plan would expand the earned income tax credit to allow a credit of up to 39.7 percent of income for families with two or more children. Depending on a farmer's income level, a family with two children can receive up to \$1,373 in additional annual assistance in 1995 and later years (the maximum additional benefit is \$687 in 1994). The increased benefit is reduced for families earning more than \$11,000 (as is the case in the example), and is fully phased-out for two-children families earning more than \$28,000. Increased benefits of up to \$224 are available to a family with one child,

and up to \$306 to taxpayers with no children. The example assumes that 20 percent of farm families will qualify for the extra benefits that are available to a family with two or more children earning \$18,700.

Phased-in Btu energy tax

To reduce the budget deficit, encourage greater energy conservation, and stimulate development of less environmentally damaging processes, the Administration proposes to impose an excise tax on fossil fuels, as well as hydro- and nuclear-generated electricity. Petroleum-based fuels would generally be taxed at a higher rate. The Ways and Means Committee, however, exempted motor fuels used on farms from the higher rate. The rates will be phased in at one-third the full rate beginning July 1, 1994, and at two-thirds the full rates beginning July 1, 1995. The full rates will be effective in July 1, 1996.

In the example, the average increased production cost for the farm specified is \$176, assuming that 80 percent of the increased cost is borne by the farmer. Farmers are likely to adjust both their crop mix and farming practices, as they have done in the past in response to higher oil prices, and this, together with market price changes, will shift a portion of the cost from the farmer. Adding an additional \$59 for the family's average household energy consumption accounts for the \$235 cost noted.

Inland waterways fuel tax increase

Farmers will experience a small increase in freight costs for their crops due to the proposed increase in inland waterways fuel taxes (as modified by the Ways and Means Committee) of 5 cents per gallon in 1994, 20 cents per gallon in 1995, 35 cents per gallon in 1996, and 50 cents per gallon in 1997 and later years. These waterways are currently the most heavily subsidized mode of transportation in the United States and the only Army Corps of Engineers program that is still dependent on federal operating funds. The Administration plans to move this system of intercoastal waterways towards self-sufficiency by increasing the tax on diesel fuel for barges. The increased cost is expected to depend upon the amount of grain and oilseeds shipped by barge, and competing rail freight costs are assumed to also increase somewhat. These increased transportation costs are expected to lead to some reduction in the prices that would otherwise be received by the farmer, but increased deficiency payments are assumed to help offset the lower prices. Because the direct effect of the increased waterways tax on the Kansas farm is found to be quite small, it is difficult to quantify with any accuracy the indirect effect of increased rail fares. For this reason, neither the direct nor indirect effect of the increased waterways tax are included in the example.

Farm program cuts

The Administration's economic plan calls for a reduction in some farm programs over the next four years. The overall reductions have been modified by the House Agriculture Committee. The example includes the effects of the estimated reduction in deficiency payments for wheat, corn, and sorghum for the farm specified, taking into account the timing of the deficiency payments for the specific crops over the 1994-1997 period.

ECONOMIC IMPACT OF THE ADMINISTRATION'S
PLAN ON AGRICULTURE

[Example of a Washington Farmer]

This example illustrates the economic impact of the President's economic plan on a

Wisconsin farm family. The example is that of a family with income of \$21,000. They have \$65,000 of debt, and a net worth of \$300,000 (close to the regional average). The farm consists of 250 acres, on which they raise 55 head of dairy cows; 110 acres of corn, 80 acres of hay, 20 acres of oats, and 40 acres of pasture.

Over the 1994-1997 period, the family income will increase on average by \$936 as a result of lower interest rates, the benefits of the expanded earned income tax credit (EITC), more generous investment incentives, and extension of the health insurance deduction for self-employed workers. The family will lose \$503 on average from reductions in farm program benefits and the proposed Btu energy tax. The cost of the increase in the inland waterways fuel tax on the Wisconsin farm is estimated to be small, but difficult to quantify with precision. As described in the following pages, the proposed programs phase in over time. The benefits of the EITC should take into account that not all farm families will qualify for the EITC, and that the benefits depend upon the number of children in the family. It is anticipated that benefits at least as generous as the proposed extension of the deduction for self-employed health insurance payments will be provided over the period. For the facts assumed in the example, the net result will be an average increase in the farm family's income of \$443 (a gain of 2.1 percent) under the Administration's economic plan, as shown below.

Economic impact

Average 1994-97 benefits:	
Equipment expensing (present value)	\$132
Reduced interest rates	553
Self-employed health insurance deduction	112
Expanded EITC	139
Total benefits	936
Average 1994-97 costs:	
Btu energy tax	286
Cuts in farm programs	217
Total costs	503

COSTS AND BENEFITS OF THE ADMINISTRATION'S PLAN ON FARMING

The Administration's economic plan seeks to accomplish the combined national goals of reducing the federal budget deficit, increasing investment, and restoring long term economic growth. Increased growth helps people and businesses by increasing our standard of living.

The plan requires a shared contribution from all Americans to achieve its goal, but on balance, all Americans, including farmers, will benefit. They will receive new incentives to invest in more productive equipment. Lower interest rates, resulting from deficit reduction, will lighten existing debt burdens and will spur rural economic growth. The nation will see a reform proposal designed to control the rising cost of health care. The Administration's plan will also assist low-income earners by expanding the earned income tax credit. This will ensure that all families with two children earning at least the minimum wage will not live in poverty.

Increased expensing

As modified by the House Ways and Means Committee, the plan will encourage Americans to invest in new equipment, commencing in 1993. Specifically, it increases the level of capital investments allowed to be ex-

pendent from \$10,000 to \$25,000. These investments would, in general, otherwise have to be depreciated over 7 years. Farmers as described in the example are anticipated to invest, over the 1994-1997 period, an average of \$15,000 each year in new and used equipment and machinery, special structures, motor vehicles, and farm and land improvements. The present value (at an 8 percent discount rate) of the increased reduction in tax liability (at a 15 percent tax), attributable to the expensing of the additional \$5,000 of allowed investment, is \$132.

Reduced interest rates

Financial markets view the Administration's program very favorably, calling it the first true deficit reduction program in twelve years. As a result, market interest rates have declined significantly since the November election. These lower rates should stimulate new investment, and should, over time, allow existing debtors to refinance their high interest rate debt at more favorable levels. Based on Farm Credit System data, which indicates an 85 basis point decline in interest rates from December 1992 to May 1993, this decline is assumed in the example.

Extending small-issue agricultural bonds

Some farmers receive low-cost interest loans from state, county, or local governments. These governments are able to raise lower-cost funds through small-issue agricultural bonds, since the bondholders' interest is exempted from federal tax. The government requires that at least 95 percent of gross proceeds must be used to purchase agricultural land or equipment, and the size of the issuance cannot exceed \$1 million. The Administration's plan proposes to extend the rights of state and local governments to issue these agricultural bonds.

Extension of the health insurance deduction

Farmers need comprehensive affordable health insurance, yet many can no longer afford it. The Administration is addressing this issue in two ways. First, the plan extends the 25 percent deduction for health insurance costs of self-employed workers and their families through at least December 31, 1993. Second, the Administration initiated a task force to examine ways to reform the health care industry. The health care task force seeks to control exploding costs and to expand coverage to ensure all Americans receive some form of coverage.

The example shows the tax savings generated from extending the 25 percent deduction for self-employed health insurance, based on an assumed premium of \$3,000 (which is anticipated to be about the average 1994-1997 cost of such family policy) and a 15 percent tax rate.

Expansion of the earned income tax credit (EITC)

The Administration is committed to "making work pay." The President's plan would expand the earned income tax credit to allow a credit of up to 39.7 percent of income for families with two or more children. Depending on a farmer's income level, a family with two children can receive up to \$1,373 in additional annual assistance in 1995 and later years (the maximum additional benefit is \$687 in 1994). The increased benefit is reduced for families earning more than \$11,000 (as is the case in the example), and is fully phased-out for two-children families earning more than \$28,000. Increased benefits of up to \$224 are available to a family with one child, and up to \$306 to taxpayers with no children. The example assumes that 20 percent of farm

families will qualify for the extra benefits that are available to a family with two or more children earning \$21,000.

Phased-in Btu energy tax

To reduce the budget deficit, encourage greater energy conservation, and stimulate development of less environmentally damaging processes, the Administration proposes to impose an excise tax on fossil fuels, as well as hydro- and nuclear-generated electricity. Petroleum-based fuels would generally be taxed at a higher rate. The Ways and Means Committee, however, exempted motor fuels used on farms from the higher rate. The rates will be phased in at one-third the full rate beginning July 1, 1994, and at two-thirds the full rates beginning July 1, 1995. The full rates will be effective in July 1, 1996.

In the example, the average increased production cost for the farm specified is \$277, assuming that 80 percent of the increased cost is borne by the farmer. Farmers are likely to adjust both their crop mix and farming practices, as they have done in the past in response to higher oil prices, and this, together with market price changes, will shift a portion of the cost from the farmer. Adding an additional \$59 for the family's average household energy consumption accounts for the \$286 cost noted.

Inland waterways fuel tax increase

Farmers will experience a small increase in freight costs for their crops due to the proposed increase in inland waterways fuel taxes (as modified by the Ways and Means Committee) of 5 cents per gallon in 1994, 20 cents per gallon in 1995, 35 cents per gallon in 1996, and 50 cents per gallon in 1997 and later years. These waterways are currently the most heavily subsidized mode of transportation in the United States and the only Army Corps of Engineers program that is still dependent on federal operating funds. The Administration plans to move this system of intercoastal waterways toward self-sufficiency by increasing the tax on diesel fuel for barges. The increased cost is expected to depend upon the amount of grain and oilseeds shipped by barge, and competing rail freight costs are assumed to also increase somewhat. These increased transportation costs are expected to lead to some reduction in the prices that would otherwise be received by the farmer, but increased deficiency payments are assumed to help offset the lower prices. Because the direct effect of the increased waterways tax on the Wisconsin farm is found to be quite small, it is difficult to quantify with any accuracy the indirect effect of increased rail fares. For this reason, neither the direct nor indirect effect of the increased waterways tax are included in the example.

Farm program cuts

The Administration's economic plan calls for a reduction in some farm programs over the next four years. The overall reductions have been modified by the House Agriculture Committee. The example includes the effects of the estimated reduction in deficiency payments for corn and milk production for the farm specified, taking into account the timing of the deficiency payments for the specific commodities over the 1994-1997 period.

ECONOMIC IMPACT OF THE ADMINISTRATION'S PLAN ON AGRICULTURE

[Example of an Upper Mid-Western Farmer]

This example illustrates the economic impact of the President's economic plan on an upper mid-western farm family. The example

is that of a farm family with income of \$17,600. They have \$107,000 of debt and a net worth of \$500,000 (close to the regional average). The farm consists of 1,250 acres, producing four crops: 610 acres of wheat, 180 acres of barley, 50 acres of oats, and 160 acres of sunflowers, with 250 acres fallow.

This farm family will benefit under the President's economic plan, as currently modified by the Congress. Over the 1994-1997 period, the family income will increase on average by \$1,345 as a result of lower interest rates, the benefits of the expanded earned income tax credit (EITC), extension of the health insurance deduction of self-employed workers, and more generous investment incentives. The family will lose \$1,201 on average from reductions in farm program benefits, the proposed Btu energy tax, and the increase in the inland waterways fuel tax. As described in the following pages, the proposed programs phase in over time, [and it will also take some time for the benefits of the decline in interest rates to be fully realized by the family]. The benefits of the EITC shown take into account that not all farm families will qualify for the EITC, and that the benefits depend upon the number of children in the family. It is anticipated that benefits at least as generous as the proposed extension of the deduction for self-employed health insurance payments will be provided over the period. For the facts assumed in the example, the net result will be an average increase in the farm family's income of \$144 (a gain of 0.8 percent) under the Administration's economic plan, as shown below.

Economic impact

Average 1994-97 benefits:	
Equipment expensing (present value)	\$132
Reduced interest rates	909
Self-employed health insurance deduction	112
Expanded EITC	192
Total benefits	1,345
Average 1994-97 costs:	
Btu energy tax	203
Increased inland waterways fuel tax	128
Cuts in farm programs	870
Total costs	1,201

COSTS AND BENEFITS OF THE ADMINISTRATION'S PLAN ON FARMING

The Administration's economic plan seeks to accomplish the combined national goals of reducing the federal budget deficit, increasing investment, and restoring long term economic growth. Increased growth helps people and businesses by increasing our standard of living.

The plan requires a shared contribution from all Americans to achieve its goals, but on balance, all Americans, including farmers, will benefit. They will receive new incentives to invest in more productive equipment. Lower interest rates, resulting from deficit reduction, will lighten existing debt burdens and will spur rural economic growth. The nation will see a reform proposal designed to control the rising cost of health care. The Administration's plan will also assist low-income earners by expanding the earned income tax credit. This will ensure that all families with two children earning at least the minimum wage will not live in poverty.

Increased expensing

As modified by the House Ways and Means Committee, the plan will encourage Ameri-

cans to invest in new equipment, commencing in 1993. Specifically, it increases the level of capital investments allowed to be expensed from \$10,000 to \$25,000. These investments would, in general, otherwise have to be depreciated over 7 years. Farmers as described in the example are anticipated to invest, over the 1994-1997 period, an average of \$15,000 each year in new and used equipment and machinery, special structures, motor vehicles, and farm and land improvements. The present value (at an 8 percent discount rate) of the increased reduction in tax liability (at a 15 percent tax rate), attributable to the expensing of the additional \$5,000 of allowed investment, is \$132.

Reduced interest rates

Financial markets view the Administration's program very favorably, calling it the first true deficit reduction program in twelve years. As a result, market interest rates have declined significantly since the November election. These lower rates should stimulate new investment, and should, over time, allow existing debtors to refinance their high interest rate debt at more favorable levels. Based on Farm Credit System data, which indicate an 85 basis point decline in interest rates from December 1992 to May 1993, this decline is assumed in the example.

Extending small-issue agricultural bonds

Some farmers receive low-cost interest loans from state, county, or local governments. These governments are able to raise lower-cost funds through small-issue agricultural bonds, since the bondholders' interest is exempted from federal tax. The government requires that at least 95 percent of gross proceeds must be used to purchase agricultural land or equipment, and the size of an issuance cannot exceed \$1 million. The Administration's plan proposes to extend the rights of state and local governments to issue these agricultural bonds.

Extension of the health insurance deduction

Farmers need comprehensive affordable health insurance, yet many can no longer afford it. The Administration is addressing this issue in two ways. First, the plan extends the 25 percent deduction for health insurance costs of self-employed workers and their families through at least December 31, 1993. Second, the Administration initiated a task force to examine ways to reform the health care industry. The health care task force seeks to control exploding costs and to expand coverage to ensure all Americans receive some form of coverage.

The example shows the tax savings generated from extending the 25 percent deduction for self-employed health insurance, based on an assumed premium of \$3,000 (which is anticipated to be about the average 1994-1997 cost of such family policy) and a 15 percent tax rate.

Expansion of the earned income tax credit (EITC)

The Administration is committed to "making work pay." The President's plan would expand the earned income tax credit to allow a credit of up to 39.7 percent of income for families with two or more children. Depending on a farmer's income level, a family with two children can receive up to \$1,373 in additional annual assistance in 1995 and later years (the maximum additional benefit is \$687 in 1994). The increased benefit is reduced for families earning more than \$11,000 (as is the case in the example), and is fully phased-out for two-child families earning more than \$28,000. Increased benefits of up to \$224 are available to a family with one child,

and up to \$306 to taxpayers with no children. The example assumes that 20 percent of farm families will qualify for the extra benefits that are available to a family with two or more children earning \$17,600.

Phased-in Btu energy tax

To reduce the budget deficit, encourage greater energy conservation, and stimulate development of less environmentally damaging processes, the Administration proposes to impose an excise tax on fossil fuels, as well as hydro- and nuclear-generated electricity. Petroleum-based fuels would generally be taxed at a higher rate. The Ways and Means Committee, however, exempted diesel fuel and gasoline used on farms from the higher rate. The rates will be phased in at one-third the full rate beginning July 1, 1994, and at two-thirds the full rates beginning July 1, 1995. The full rates will be effective on July 1, 1996.

In the example, the average increased production cost for the farm specified is \$144, assuming that 80 percent of the increased cost is borne by the farmer. Farmers are likely to adjust both their crop mix and farming practices, as they have done in the past in response to higher oil prices, and this, together with market price changes, will shift a portion of the cost from the farmer. Adding an additional \$59 for the family's average household energy consumption accounts for the \$203 cost noted.

Inland waterways fuel tax increase

Farmers will experience a small increase in freight costs for their crops due to the proposed increase in inland waterways fuel taxes (as modified by the Ways and Means Committee) of 5 cents per gallon in 1994, 20 cents per gallon in 1995, 35 cents per gallon in 1996, and 50 cents per gallon in 1997 and later years. These waterways are currently the most heavily subsidized mode of transportation in the United States and the only Army Corp of Engineers program that is still dependent on federal operating funds. The Administration plans to move this system of intercoastal waterways towards self-sufficiency by increasing the tax on diesel fuel for barges. The increased cost is expected to depend upon the amount of grain and oilseeds shipped by barge, and competing rail freight costs are assumed to also increase somewhat. These increased transportation costs are expected to lead to some reduction in the prices that would otherwise be received by the farmer, but increased deficiency payments are assumed to help offset the lower prices. In the example, the average 1994-1997 cost, after taking these effects into account, is estimated to be \$128.

Farm program cuts

The Administration's economic plan calls for a reduction in some farm programs over the next four years. The overall reductions have been modified by the House Agriculture Committee. The example includes the effects of the estimated reduction in deficiency payments for wheat and barley for the farm specified, assuming that 45 percent of the full cutback will be felt in 1994, and 90 percent in 1995.

A RESPONSE TO THE TREASURY CLAIMS ON THE FARM IMPACTS OF THE CLINTON RECONCILIATION PACKAGE

On May 26, the Treasury Department sent Members of Congress an "analysis" of the farm impacts of the Clinton Reconciliation package. This "analysis" is so full of deceptions and distortions that it merits a response to correct the record. The Treasury document outlines three "typical" farms: a

grain farm in northeast Kansas, a dairy farm in Wisconsin, and a grain farm in the upper Midwest. They then break down the effects of the Reconciliation package by several categories as additional costs and expected benefits.

BTU ENERGY TAX

The Administration continually seeks to underestimate the negative impact of its BTU tax on farming. Farmers will not be able to pass through the costs of these added production costs. And, to understand the true effect of this new tax it must be calculated on the basis of its permanent effect, not the short-term cost during the brief phase-in, as Treasury attempts to calculate it.

Farm type	Treasury estimate	Real cost to farmers
NE Kansas grain	\$235	\$850
Wisconsin dairy	286	\$650
Upper Midwest grain	203	\$600

¹ derived from farm impact analysis prepared by Food and Agriculture Policy Research Institute (FAPRI) plus a conservative \$100 for added personal living expenses.
² from dairy farm analysis prepared by the National Milk Producers Federation (NMPF) plus a conservative \$100 in added personal living expenses.
³ derived from farm impact analysis prepared by FAPRI plus a conservative \$100 for added personal living expenses.

In addition to distorting the analyses of the described farms, the Administration conveniently omits irrigated farms and cotton and rice farms where BTU added costs will be double or even triple the examples used. The BTU tax, even after the adjustments made in the Ways and Means Committee consideration, will be a devastating blow to farmers already suffering from low prices and a weak economy.

INLAND WATERWAYS FUEL TAX

Even after reducing the Clinton-proposed increase by half, the inland waterways tax will be increased by 250 percent, one of the largest percentage increases ever proposed. Since 40 percent of all grain moves on the inland waterways, the impact of this tax increase will reduce prices received by farmers all over the country. Once again, the Treasury analysts attempt to minimize the effect by showing the costs during the phasing period, rather than looking at the true costs of the permanent increase.

Using the analysis prepared by the Food and Agriculture Policy Research Institute and applying it to crops affected by movement on the waterways, the true cost of this tax increase would be \$385 annually for the Kansas grain farmer and \$638 annually for the Upper Midwest grain farmer. [Since the dairy farmer would use his production on-farm, it is assumed there is no effect on him.] Overall, it is expected that the national return to farmers will drop from one to two cents on each bushel of the billions of bushels produced annually.

SELF-EMPLOYED HEALTH INSURANCE DEDUCTION

The Administration also attempts to list benefits to be derived from the Clinton plan. In one of the most bizarre items listed, the Administration takes credit for "allowing" farmers to keep the inadequate 25 percent tax deduction for health insurance premiums. They completely ignore their refusal to provide some equity for farmers by allowing them the 100 percent deductibility farmers requested. It is ludicrous to count as a "benefit" something that farmers already have.

EXPANDED EITC

In another interesting move, the Administration has chosen to analyze farms at an income level that would be eligible for the pro-

posed increase in the Earned Income Tax Credit. This assumes no off-farm income which almost all farms of this size would have. They only make passing reference to the fact that the EITC is based largely on families with minor children. This ignores the fact that the average farmer is now over 50 years old and does not have children in residence to give the family eligibility. At best, only a handful of farmers would have access to this "benefit", unless the Administration intends to drive farmers' income so low that all of them will be eligible even without minor children.

REDUCED INTEREST RATES

Most deceptive of all is the claim of reduced interest rates. The Administration's own budget assumptions of only three months ago clearly indicated no assumed interest rate reduction from the President's package. Now, desperate for perceived "benefits", they have decided to claim credit for the slight decline in interest rates that has occurred since November before any of the Clinton plans are in place. Rather than assuming interest rate reductions, they should assume increases in interest rates. It is difficult to imagine how tens of billions in new spending and \$250 billion in new taxes can have a positive economic effect, especially when the Clinton Administration's own analysis assumes nearly \$1 trillion in new federal debt at the end of this five-year plan. In any case, this self-serving assumption cannot be counted as a "benefit" for farmers of this plan.

ADDING IT ALL UP

When the deceptions and distortions are discarded and the real facts are analyzed, how do farmers fare under the Clinton plan?

Farm type	Treasury estimate	Real effect on farmers
NE Kansas grain	+\$792	-\$1821
Wisconsin dairy	+433	-735
Upper Midwest grain	+144	+ -1976

* BTU tax costs + inland waterway tax costs + cuts in farm programs - equipment expensing = real effect on farmers.

Even though these examples are economically disastrous, it must be remembered that even more devastating farm losses will be found in the types of farms that the Administration studiously avoided analyzing (for example, irrigated acreage, cotton and rice farms). Because of the discriminatory Clinton tax proposals and the cuts required in farm programs, there is no doubt that farmers are among the primary victims of the President's tax and spend strategy. Despite the Treasury Department's feeble attempt to cover up the facts, farmers can never be reconciled to the Clinton Reconciliation package.

Mr. SOLOMON. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Maine [Ms. SNOWE], a classmate of mine who came here in 1978 and who is a real effective member on the Committee on Foreign Affairs.

Ms. SNOWE. Mr. Speaker, I oppose this restrictive rule. The bill before us is 1,500 pages long, and as unbelievable as it may seem, the rule does not allow us to debate and amend its most important components.

The minority leader, Mr. MICHEL, from Illinois, and I attempted to offer an amendment which would replace the President's Btu tax with spending cuts. The spending cuts we proposed were all

fully justifiable and would not have a large impact on the delivery of services to those who truly need them. Because it contained spending cuts, and eliminated President Clinton's proposed spending increases, our amendment did not increase the deficit.

The decision to report out a closed rule is not about the merits of my amendment. Rather, it is about fairness and democracy. Throughout this session, the majority party has relied on closed rules to avoid tough votes. This practice is wrong and it should stop.

It is not the majority's prerogative to stifle debate or to isolate the legislative process from public view. Nor is it the majority's prerogative to evade tough votes by manipulating the rules under which this body operates. The decision to allow amendments should be limited to a single question: is my amendment sufficiently substantive and important that it deserves to be debated before the American people in the full House? On that there can be no question.

Long ago Chief Justice John Marshall stated that the power to tax is the power to destroy. The energy tax is a major component of the President's economic package. It accounts for almost \$72 billion, or over 25 percent, of the \$275 billion in new taxes raised by this legislation. Yet this legislation was debated in closed session in the Committee on Ways and Means. The public was totally excluded from this process. Since my amendment was not made in order, the public will be denied any chance to see how its representatives stand on this important component of the bill.

I have heard much talk to the effect that the minority's sole purpose is to stalemate the President and deny him the mandate his supporters claim from the election. This rationale has been used to justify excluding us, and our constituents, from participation in the formation of policy. This rationale misses the point.

We have serious and legitimate policy differences with the approach of this bill. It is disturbing that, at a time when every other area of the world is moving toward the free market, using our country's history as an example, this document moves us toward more dependence on government. But our policy differences do not void our right to challenge the ground on which the majority supports the components of this bill. We should be allowed to try and improve it. And the American people have the right to hear the rationale for the new taxes that the Democrats are demanding of them.

In this case, we have asked for two amendments, one to repeal the energy tax and the other to repeal the Social Security tax. Each amendment addresses a major component of the President's legislation and fully com-

plies with the rules of the House. I cannot believe that the majority would tell the American people that these issues are not worth 2 hours of debate, 1 on each amendment.

There is no question that my amendment is a legitimate one. It offers sufficient offsets to pay for the revenues lost by striking out the President's energy tax. Roughly half of these savings are achieved by eliminating increases in spending contained elsewhere in the bill. My amendment does not increase the deficit. It merely substitutes spending cuts for some of the tax increases recommended by the President. Nor is the issue raised by my amendment a minor one. Unless the full House is to cede all of its power to committees comprising only a portion of its membership, it must be willing to debate amendments to the major components of the legislation reported out by these committees.

The energy tax will affect every single household and business in this country. Overnight, it will make some sectors of the economy instant winners while other sectors face severe structural transitions. There are serious questions about whether the tax is worth the cost of these impacts and whether a better means of reducing the deficit is available. I find it disturbing that this body could make such an important decision without publicly debating and voting on the issue in either the committee or the full House.

I understand many members of the Democratic majority will differ with me over the relative merits of tax increases and spending cuts. It does not bother me that those who disagree with me will vote against my amendment. But it does bother me that my amendment was not even made in order because the House leadership does not want to embarrass its members. I seriously question the wisdom of any law whose supporters are embarrassed to have a specific vote on its merits.

I hope that in the future, the leadership will give serious consideration to increasing the openness of this institution. Our Government is built on the tenet that the best policy is arrived at through the clash of different views in open debate. Our founders believed that any attempt to close debate or constrain competition between philosophies would produce worse, not better, public laws. The House Rules Committee, with its ability to carefully structure debate on the floor, should have acted in accordance with this tenet.

□ 1450

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 1 minute to the gentleman from North Carolina [Mrs. CLAYTON], the president of the freshman class.

Mrs. CLAYTON. Mr. Speaker, I rise to support the rule. I rise to support the rule because the plan before us, the

reconciliation plan, is the President's package which speaks first to the accountability of the budget. It indeed does address the Federal deficit. It indeed does address investment in people.

This package, whether we like it or not, does reduce \$250 billion in spending across the board. There are those who would say it is only about raising taxes. It is \$250 billion that will affect programs in my area, affect programs that affect the people that I know need them very much. It means all the people will suffer, but it means all the people will share in this.

Mr. Speaker, it therefore not only is raising taxes, but it will affect farming, yes; it will affect Medicaid and Medicare, yes; it will affect the poor, yes. But it also means that it will give opportunity to address the fiscal condition of our country.

Mr. Speaker, it also will provide for investment. Those words mean taxes. They mean revenues must be raised. Those revenues will be addressed to deficit spending. Those revenue increases are fair. Those revenue increases indeed do affect the wealthy first.

Mr. Speaker, I support this plan. I urge that we support the rule which allows this plan to move forward.

Before my opponents on the other side tell me how many jobs this will affect, let me tell you that people have been employed for many months and years due to the failed procedures already at hand.

Mr. SOLOMON. Mr. Speaker, I yield such time as he may consume to the gentleman from Wisconsin [Mr. SENSENBRENNER].

Mr. SENSENBRENNER. Mr. Speaker, I rise in opposition to the rule and against the inflationary Btu tax which will increase debt service costs and reduce deficit reduction.

Mr. Speaker, the President spent a great deal of his campaign discussing the way in which he felt others' pain. He must be a glutton for punishment because the pain his \$300 billion tax hike will create is as real as his promises of deficit reduction are false.

The President's plan to raise the taxable portion of Social Security will increase by 3 years the payback time for seniors in the 31 percent tax bracket. The average retiree will die before recovering their investment under the President's proposal. The President seeks to break our contract with elderly Americans by diverting revenue out of Social Security into the general revenue fund.

The energy tax is regressive and inflationary, it hits poor and middle class Americans the hardest. The President's Btu tax focuses like a laser beam on employee-intensive industries and is expected to eliminate up to 600,000 jobs by 1998. A typical family of four will pay \$500 a year under the proposal. The impact of the energy tax will be felt most by the very middle-class families candidate Clinton promised a significant reduction in their income tax rate.

The new Democrat is recycled old Democrat and that's why the administration's approval

ratings are plummeting. The President's budget proposal flies in the face of the American people's demand that spending be cut before taxes are increased. The discomfort Democrats are experiencing is understandable. The White House is embattled as it attempts to explain away the promises that brought it to power and its congressional supporters are walking the plank on the President's behalf. In the words of the President, to those inclined to support the largest tax increase in history, "I feel your pain."

Mr. SOLOMON. Mr. Speaker, I yield 2 minutes to the very distinguished gentleman from Illinois [Mr. HASTERT], who has led the fight to take the onerous tax off of Social Security benefits.

Mr. HASTERT. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I want to let the distinguished gentlewoman from North Carolina [Mrs. CLAYTON] know, since she asked, that her district will have an additional 799 jobs lost because of the Btu tax. We call the Btu tax the big time unemployment tax. My district will lose 1,039 jobs because of the Btu tax, the big time unemployment tax. It is onerous, it is wrong, but it is moving through this Congress.

There is another tax in this package, a tax on Social Security, a tax that should be called the granny tax, because it will tax every widowed grandmother in this country that earns \$25,000 a year.

In fact, if that widowed grandmother has to earn wages to make ends meet and she earns over \$10,500, she will have a marginal tax rate of 103.5 percent. Mr. Speaker, that is shameful.

If you also happen to be in my district and you happen to be a farmer or commodity producer, the barge tax in this bill will also add another 20-cents per bushel to the cost of producing crops and marketing those crops.

Mr. Speaker, it is very simple: if you want to make a difference, if you want to take away these taxes, if you want to have amendments made in order, then vote against this rule. Then you can vote against the taxes that are in this bill.

Mr. Speaker, it is time for the people of this House to stand up and be heard.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 1 minute to the distinguished gentleman from Massachusetts [Mr. FRANK], an official member of the truth squad.

Mr. FRANK of Massachusetts. Mr. Speaker, it does not pay very well.

Mr. Speaker, we have heard a lot about the gag rule. Well, I was reading a book the other day about how things are done, and it talked about how to become a sword swallower. You have to learn how to master your gag reflex and suppress it.

But my colleagues on the other side have gone it one better: they have a gag reflex they can turn on and off. Sometimes they can swallow easily, sometimes they cannot.

I have been here since 1981. We had the Gramm-Latta bill which cut Social Security and other benefits. They said no amendments. They all voted for no amendments. We had the NAFTA fast track. They were for no amendments. We had the 1983 Social Security bill which raised taxes on working people and cut Social Security benefits, and they overwhelmingly voted for no amendments. We had the 1982 Reagan tax increase, which was a very big one, and they voted for no amendments.

They have consistently voted against any amendments on a tax bill, until Bill Clinton became President. And one of his great accomplishments is he has converted the Republican Party to democracy. They were never for it before, but now they are for it.

Mr. SOLOMON. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Louisiana [Mr. MCCREERY], a member of the Committee on Ways and Means and of the Committee on the Budget.

Mr. MCCREERY. Mr. Speaker, according to the Tax Foundation, the energy tax will kill 1,710 jobs in the district of the gentleman from Massachusetts [Mr. FRANK]. In my district it will cost 11,500 jobs, that we cannot afford to lose.

Mr. Speaker, there is a nasty little secret lurking in this bill. Listen.

My colleague from Iowa, Mr. GRANDY, and I appeared yesterday before the Rules Committee to ask that we be allowed to offer one simple, but crucial, amendment. Simple because it would merely make the tax increases in the plan prospective, not retroactive. Crucial because, without our amendment, no one who votes for this program today can honestly claim to have complied with the demand of people all across this Nation to cut spending first. In fact, without our amendment, which, under the terms of this closed rule, cannot be offered, anyone who votes for the President's program today will be voting for exactly the opposite—they will be voting for tax increases first, and a promise of spending cuts later.

Now, I'm sure there are some Americans listening to this debate—maybe even some Members of Congress—who are thinking right now, "What does this guy McCrery mean—retroactive tax increases?" Well, it's a well kept secret, but it's very simple. If this bill we're voting on today becomes law, the increase in personal income taxes, corporate taxes, and inheritance taxes will take effect as of January 1, 1993. That's right, this bill will increase taxes on income that's already earned. It will mean that individuals, and small businesses taxed as individuals, have not been withholding enough to pay their tax bill for this year. It means that many taxpayers will be surprised next April when they discover that they owe the Government more money. Now

folks, I don't care how you cut it—raising taxes on income already earned is just not fair.

As far as my research has been able to determine, there has only been one other time that taxes have been raised retroactively—during the Vietnam war. And, according to published congressional reports, the reason for such a radical action was to slow down the economy. I submit, Mr. Speaker, that these retroactive tax increases are not only unfair, will not only preclude the possibility of cutting spending first, but will have the effect of slowing job creation and economic growth.

I urge the American people to call their Representatives and, if this stinker passes today, call their Senators to tell them that retroactive tax increases are both unfair and unwise. Put simply—cut spending first.

□ 1500

The SPEAKER pro tempore (Mr. McNULTY). The Chair would advise the Members that the gentleman from New York [Mr. SOLOMON] has 1 minute remaining, and the gentleman from South Carolina [Mr. DERRICK] has 3 minutes remaining.

The gentleman from South Carolina [Mr. DERRICK] has the right to close.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 1 minute to the distinguished gentleman from New York [Mr. SCHUMER].

Mr. SCHUMER. Mr. Speaker, today I address my remarks to our side of the aisle. I wish I could to the other side, but it was clear that the other side made up their minds they were not voting with us no matter what was in the package.

I say to my colleagues, we must vote for this package for 3 reasons:

First, for our President. If we do not vote for it, we cut him off at the knees early in his term. We cannot do that, none of us.

Second, for our party. We must show the country that we can govern and govern we can. We must show the country that we are a different Democratic Party that cares about deficit reduction and cares about our future.

Third, for our country, most importantly of all. For 12 years the politicians have misled the people and fed them Pablum and not told them the truth. Today we must look the American people in the eye and say, "For our future, not only 20 years from now but a year from now, that we will vote for this package to set America right, to stop eating our young and to get our country back on track."

We must vote for this package. We have no choice. I urge everybody to vote "yes" on our side of the aisle.

Mr. DERRICK. Mr. Speaker, I reserve the right to close.

Mr. SOLOMON. Mr. Speaker, we have 21 additional speakers but only 1 minute left. Mr. Speaker, I yield the

balance of my time to the distinguished member of the Committee on Rules, the gentleman from California [Mr. DREIER].

The SPEAKER pro tempore. The gentleman from California [Mr. DREIER] is recognized for 1 minute.

Mr. DREIER. Mr. Speaker, I thank the gentleman from Glens Falls for yielding time to me.

Mr. Speaker, my dear friend from New York will kill 609 jobs in his district, if he votes for this, according to the Tax Foundation. I will lose 1,319 in my Los Angeles County District. We cannot afford to lose those jobs, neither of us can.

There are many Members who have tried to argue that this is a fait accompli, the deal is done. We have got these alternatives. Baloney. That is not true, Mr. Speaker.

We have a chance right now to repeal the Btu tax, to repeal the Social Security tax and to put into place the true entitlement caps that were proposed in the original Stenholm program.

How do we do that? By voting "no" on the previous question. If my colleagues really want to do those things which their constituents want them to do, join with us, vote "no." Let us bring back a rule that will give us an opportunity to address those issues.

Mr. DERRICK. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, I might point out that in the State of California, this package creates 28,382 new jobs, and in New York, it creates right at 20,000 new jobs.

Let me tell those of my colleagues who have not been here a long time, there is nothing new about this debate. The Republicans voted against their own President's budget in the Senate in 1982. In 1983, they did not bring it up. They voted against it in 1984. They did not bring it up in 1985. They voted against it in 1986. They voted against it in 1987.

They did not bring it up in 1988. They did not bring it up in 1989. They voted against it in 1991, most of them did. So there is nothing new about that.

They do not vote for any budget. They do not even vote for their own budgets. They do not vote for their own President's budgets.

What they are really telling is they do not want to accept the responsibility for governing in the United States of America. That is what this exercise is all about.

We are the majority party, and we have that responsibility. We have a President who has come to us and said, "We are ready to deal with the fiscal problems of this country. We are willing to reduce the budget deficit, we are willing to create jobs. We are willing to move ahead and get the economic affairs of this country back on track." And, thank goodness, we have a Democratic party that is willing to govern,

willing to vote for budgets, and we have a President who is willing to lead.

I suggest to my colleagues that this is a very fair rule, and I suggest to my colleagues that we must vote yes on the previous question and pass the rule.

Mr. Speaker, I include for the RECORD an estimate of the increases in 1994 in personal income and jobs from the President's program, by State.

These figures suggest this package will create 194,608 new jobs in the United States next year.

ESTIMATES OF INCREASES IN STATE PERSONAL INCOME AND JOBS OF THE PRESIDENT'S PROGRAM IN 1994, BY STATE

(In millions of dollars)

State	Personal income	Jobs (numbers)
United States	\$9,925	194,608
Alabama	92	1,804
Alaska	28	347
Arizona	103	2,020
Arkansas	43	551
California	1,447	28,382
Colorado	137	2,690
Connecticut	237	4,652
Delaware	32	632
District of Columbia	38	737
Florida	516	10,121
Georgia	209	4,094
Hawaii	55	1,094
Idaho	22	441
Illinois	544	10,658
Indiana	170	3,335
Iowa	88	1,693
Kansas	89	1,748
Kentucky	85	1,675
Louisiana	85	1,690
Maine	39	766
Maryland	262	5,145
Massachusetts	347	6,798
Michigan	349	6,851
Minnesota	175	3,437
Mississippi	32	619
Missouri	175	3,427
Montana	10	359
Nebraska	52	1,025
Nevada	55	1,075
New Hampshire	57	1,124
New Jersey	546	10,711
New Mexico	28	558
New York	999	19,581
North Carolina	194	3,803
North Dakota	15	285
Ohio	262	7,101
Oklahoma	72	1,407
Oregon	94	1,846
Pennsylvania	483	9,466
Rhode Island	40	788
South Carolina	79	1,554
South Dakota	18	347
Tennessee	134	2,628
Texas	530	10,399
Utah	32	635
Vermont	19	380
Virginia	277	5,426
Washington	207	4,055
West Virginia	30	302
Wisconsin	168	3,294
Wyoming	14	265

Mr. Speaker, I move the previous question on the resolution.

The SPEAKER pro tempore. The question is on ordering the previous question.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. SOLOMON. 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 252, nays 178, not voting 2, as follows:

(Roll No. 195)

YEAS—252

- Abercrombie
- Ackerman
- Andrews (ME)
- Andrews (NJ)
- Andrews (TX)
- Applegate
- Bacchus (FL)
- Baesler
- Barcia
- Barlow
- Barrett (WI)
- Becerra
- Beilenson
- Berman
- Bevill
- Bilbray
- Bishop
- Blackwell
- Bonior
- Borski
- Boucher
- Brewster
- Brooks
- Browder
- Brown (FL)
- Brown (OH)
- Bryant
- Byrnie
- Cantwell
- Cardin
- Carr
- Chapman
- Clay
- Clayton
- Clement
- Clyburn
- Coleman
- Coleman
- Collins (IL)
- Collins (MI)
- Condit
- Conyers
- Cooper
- Coppersmith
- Costello
- Coyne
- Cramer
- Danner
- Darden
- de la Garza
- Deal
- DeFazio
- DeLauro
- Dellums
- Derrick
- Deutsch
- Dicks
- Dingell
- Dixon
- Dooley
- Durbin
- Edwards (CA)
- Edwards (TX)
- Engel
- English (AZ)
- English (OK)
- Eshoo
- Evans
- Fazio
- Fields (LA)
- Filner
- Fingerhut
- Flake
- Foglietta
- Ford (MI)
- Ford (TN)
- Frank (MA)
- Frost
- Furse
- Gejdenson
- Gephardt
- Geren
- Gibbons
- Glickman
- Gonzalez
- Gordon
- Green
- Gutierrez
- Hall (OH)
- Hall (TX)
- Hamburg
- Harman
- Hastings
- Hayes
- Hefner
- Hilliard
- Hinchev
- Hoagland
- Hochbrueckner
- Holden
- Hoyer
- Hughes
- Hutto
- Inlee
- Jefferson
- Johnson (GA)
- Johnson (SD)
- Johnson, E. B.
- Johnston
- Kanjorski
- Kaptur
- Kennedy
- Kennelly
- Kildee
- Kleczka
- Klein
- Klink
- Kopetski
- Kreidler
- LaFalce
- Lambert
- Lancaster
- Lantos
- LaRocco
- Laughlin
- Lehman
- Levin
- Lewis (GA)
- Lipinski
- Lloyd
- Long
- Lowe
- Maloney
- Mann
- Manton
- Margolies-Mezvinsky
- Markey
- Martinez
- Matsui
- Mazzoli
- McCloskey
- McCurdy
- McDermott
- McHale
- McKinney
- McNulty
- Meehan
- Meek
- Menendez
- Mfume
- Miller (CA)
- Mineta
- Minge
- Mink
- Moakley
- Mollohan
- Montgomery
- Moran
- Murphy
- Murtha
- Nadler
- Natcher
- Neal (MA)
- Neal (NC)
- Oberstar
- Obey
- Oliver
- Ortiz
- Orton
- Owens
- Pallone
- Parker
- Pastor
- Payne (NJ)
- Payne (VA)
- Pelosi
- Penny
- Peterson (FL)
- Peterson (MN)
- Pickett
- Boehliert
- Boehner
- Bonilla
- Poshary
- Price (NC)
- Rahall
- Rangel
- Reed
- Reynolds
- Richardson
- Roemer
- Rose
- Rostenkowski
- Rowland
- Roybal-Allard
- Rush
- Sabo
- Sanders
- Sangmeister
- Sawyer
- Schenk
- Schroeder
- Schumer
- Scott
- Serrano
- Dreier
- Duncan
- Shepherd
- Sisisky
- Skaggs
- Skelton
- Slatery
- Slaughter
- Smith (IA)
- Spratt
- Stark
- Stenholm
- Stokes
- Strickland
- Studds
- Stupak
- Swett
- Swift
- Synar
- Tanner
- Tauzin
- Taylor (MS)
- Tejeda
- Thompson
- Thornton
- Thurman
- Torres
- Torricelli
- Towns
- Traficant
- Tucker
- Unsoeld
- Valentine
- Velazquez
- Vento
- Viscosky
- Volkmer
- Washington
- Waters
- Watt
- Waxman
- Wheat
- Whitten
- Williams
- Wilson
- Wise
- Woolsey
- Wyden
- Wynn
- Yates

NAYS—178

- Allard
- Archer
- Army
- Bachus (AL)
- Baker (CA)
- Baker (LA)
- Balenger
- Barrett (NE)
- Bartlett
- Barton
- Bastert
- Bateman
- Bentley
- Bereuter
- Billirakis
- Bliley
- Blute
- Boehliert
- Boehner
- Bonilla
- Bunting
- Burton
- Buyer
- Callahan
- Calvert
- Camp
- Canady
- Roemer
- Clinger
- Coble
- Collins (GA)
- Combest
- Cox
- Crane
- Crapo
- Cunningham
- DeLay
- Diaz-Balart
- Dickey
- Doolittle
- Dornan
- Dreier
- Duncan
- Dunn
- Emerson
- Everett
- Ewing
- Fawell
- Fields (TX)
- Fish
- Fowler
- Franks (CT)
- Franks (NJ)
- Gallely
- Gallo
- Gekas
- Gilchrist
- Gillmor
- Gilman
- Gingrich
- Goodiatte
- Goodling
- Goss
- Grams
- Grandy
- Greenwood
- Gunderson
- Hamilton
- Hancock
- Hansen
- Hastert
- Hefley
- Herger
- Hobson
- Hoekstra
- Hoke
- Horn
- Houghton
- Huffington
- Hunter
- Hutchinson
- Hyde
- Inglis
- Inhofe
- Istook
- Jacobs
- Johnson (CT)
- Johnson, Sam
- Kasich
- Kim
- King
- Kingston
- Klug
- Knollenberg
- Kolbe
- Kyl
- Lazio
- Leach
- Levy
- Lewis (CA)
- Lewis (FL)
- Lightfoot
- Linder
- Livingston
- Machtley
- Manzullo
- McCandless
- McCollum
- McCrery
- McDade
- McHugh
- McInnis
- McKeon
- McMillan
- Meyers
- Mica
- Michel
- Miller (FL)
- Molinari
- Moorhead
- Morella
- Myers
- Nussle
- Oxley
- Packard
- Paxon
- Petri
- Pombo
- Porter
- Portman
- Pryce (OH)
- Quillen
- Quinn
- Ramstad
- Ravenel
- Regula
- Ridge
- Roberts
- Rogers
- Rohrabacher
- Ros-Lehtinen
- Roth
- Roukema
- Royce
- Santorum
- Sarpalius
- Saxton
- Schaefer
- Schiff
- Sensenbrenner
- Shaw
- Shays
- Shuster
- Skeen
- Smith (MI)
- Smith (NJ)
- Smith (OR)
- Smith (TX)
- Snowe
- Solomon
- Spence
- Stearns
- Stump
- Sundquist
- Talent
- Taylor (NC)
- Thomas (CA)
- Thomas (WY)
- Torkildsen
- Upton
- Vucanovich
- Walker
- Walsh
- Weldon
- Wolf
- Young (AK)
- Young (FL)
- Zeliff
- Zimmer

NOT VOTING—2

- Brown (CA)
- Henry

□ 1526

Mr. SMITH of Michigan and Mr. HOKE changed their vote from "yea" to "nay."

So the previous question was ordered.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. McNULTY). The question is on the resolution.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

RECORDED VOTE

Mr. DERRICK. Mr. Speaker, I demanded a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 236, noes 194, not voting 2 as follows:

[Roll No. 196]

AYES—236

Abercrombie	Gonzalez	Pastor
Ackerman	Gordon	Payne (NJ)
Andrews (ME)	Green	Payne (VA)
Andrews (NJ)	Gutierrez	Pelosi
Andrews (TX)	Hall (OH)	Penny
Applegate	Hamburg	Peterson (FL)
Bacchus (FL)	Harman	Pickett
Baessler	Hastings	Pickle
Barlow	Hefner	Pomeroy
Barrett (WI)	Hilliard	Poshard
Becerra	Hinchee	Price (NC)
Beilenson	Hoagland	Rahall
Berman	Hochbrueckner	Rangel
Bevill	Hoyer	Reed
Bilbray	Hutto	Reynolds
Bishop	Inslee	Richardson
Blackwell	Jefferson	Roemer
Bonior	Johnson (GA)	Rose
Borski	Johnson (SD)	Rostenkowski
Boucher	Johnson, E. B.	Rowland
Brewster	Johnston	Roybal-Allard
Brooks	Kanjorski	Rush
Browder	Kaptur	Sabo
Brown (CA)	Kennedy	Sanders
Brown (FL)	Kennelly	Sangmeister
Brown (OH)	Kildee	Sawyer
Bryant	Klecza	Schenk
Byrne	Klein	Schroeder
Cardin	Klink	Schumer
Carr	Kopetski	Scott
Chapman	Kreidler	Serrano
Clay	LaFalce	Sharp
Clayton	Lancaster	Shepherd
Clement	Lantos	Sisisky
Clyburn	LaRocco	Skaggs
Coleman	Laughlin	Skelton
Collins (IL)	Levin	Slattery
Collins (MI)	Lewis (GA)	Slaughter
Condit	Lipinski	Smith (IA)
Conyers	Long	Spratt
Coppersmith	Lowey	Stark
Costello	Maloney	Stenholm
Coyne	Mann	Stokes
Cramer	Manton	Strickland
Danner	Margolies-	Studds
Darden	Mezvinsky	Stupak
de la Garza	Markey	Swett
DeFazio	Martinez	Swift
DeLauro	Matsul	Synar
Dellums	Mazzoli	Tanner
Derrick	McCloskey	Taylor (MS)
Deutsch	McDermott	Tejeda
Dicks	McKinney	Thompson
Dingell	McNulty	Thornton
Dixon	Meehan	Thurman
Dooley	Meek	Torres
Durbin	Menendez	Torricelli
Edwards (CA)	Mfume	Towns
Edwards (TX)	Miller (CA)	Trafficant
Engel	Mineta	Tucker
English (AZ)	Minge	Unsoeld
Eshoo	Mink	Valentine
Evans	Moakley	Velazquez
Fazio	Mollohan	Vento
Fields (LA)	Montgomery	Viscosky
Filner	Moran	Volkmer
Fingerhut	Murphy	Washington
Flake	Murtha	Waters
Foglietta	Nadler	Watt
Ford (MI)	Natcher	Waxman
Ford (TN)	Neal (MA)	Wheat
Frank (MA)	Neal (NC)	Whitten
Frost	Oberstar	Williams
Furse	Obey	Wilson
Gejdenson	Oliver	Wise
Gephardt	Ortiz	Woolsey
Gerens	Orton	Wyden
Gibbons	Owens	Wynn
Glickman	Pallone	Yates

NOES—194

Allard	Bateman	Buyer
Archer	Bentley	Callahan
Armey	Bereuter	Calvert
Bacchus (AL)	Bilirakis	Camp
Baker (CA)	Billey	Canady
Baker (LA)	Blute	Cantwell
Ballenger	Boehert	Castle
Barcia	Boehner	Clinger
Barrett (NE)	Bonilla	Coble
Bartlett	Bunning	Collins (GA)
Barton	Burton	Combest

Cooper	Hutchinson	Pombo
Cox	Hyde	Porter
Crane	Inglis	Portman
Crapo	Inhofe	Pryce (OH)
Cunningham	Istook	Quillen
Deal	Jacobs	Quinn
DeLay	Johnson (CT)	Ramstad
Diaz-Balart	Johnson, Sam	Ravenel
Dickey	Kasich	Regula
Doolittle	Kim	Ridge
Dornan	King	Roberts
Dreier	Kingston	Rogers
Duncan	Klug	Rohrabacher
Dunn	Knollenberg	Ros-Lehtinen
Emerson	Kolbe	Roth
English (OK)	Kyl	Roukema
Everett	Lambert	Royce
Ewing	Lazio	Santorum
Fawell	Leach	Sarpalius
Fields (TX)	Lehman	Saxton
Fish	Levy	Schaefer
Fowler	Lewis (CA)	Schiff
Franks (CT)	Lewis (FL)	Sensenbrenner
Franks (NJ)	Lightfoot	Shaw
Gallely	Linder	Shays
Gallo	Livingston	Shuster
Gekas	Lloyd	Skeen
Gilchrest	Machtley	Smith (MI)
Gillmor	Manzullo	Smith (NJ)
Gilman	McCandless	Smith (OR)
Gingrich	McCollum	Smith (TX)
Goodlatte	McCreery	Snowe
Goodling	McCurdy	Solomon
Goss	McDade	Spence
Grams	McHale	Stearns
Grandy	McHugh	Stump
Greenwood	McInnis	Sundquist
Gunderson	McKeon	Talent
Hall (TX)	McMillan	Tauzin
Hamilton	Meyers	Taylor (NC)
Hancock	Mica	Thomas (CA)
Hansen	Michel	Thomas (WY)
Hastert	Miller (FL)	Torkildsen
Hefley	Molinaro	Upton
Hergler	Moorhead	Vucanovich
Hobson	Morella	Walker
Hoekstra	Myers	Walsh
Hoke	Nussle	Weldon
Holden	Oxley	Wolf
Horn	Packard	Young (AK)
Houghton	Parker	Young (FL)
Huffington	Paxon	Zeliff
Hughes	Peterson (MN)	Zimmer
Hunter	Petri	

NOT VOTING—2

Hayes Henry

□ 1542

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.

The SPEAKER pro tempore (Mr. McNULTY). Pursuant to House Resolution 186 and rule XXIII, 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. 2264.

□ 1543

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. 2264) to provide for reconciliation pursuant to section 7 of the concurrent resolution on the budget for fiscal year 1994 with Mr. MURTHA 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 Minnesota [Mr. SABO] will be recog-

nized for 1 hour, and the gentleman from Ohio [Mr. KASICH] will be recognized for 1 hour.

The Chair recognizes the gentleman from Minnesota [Mr. SABO].

Mr. SABO. Mr. Chairman, November 1992, a new President was elected, a new House was elected. We were elected for a very fundamental purpose, to get our economy back on track, and we are here today to continue that process.

That process began when we passed the budget resolution, which set spending targets for discretionary spending at levels below those of 1993 for the next 5 years.

We continue that process today with the reconciliation bill which concludes a process of passing in the House the President's economic program, a program of \$500 billion of deficit reduction, of reordering priorities in this country and making sure we lay the foundation for getting our economy moving again.

Let me be clear: The package we have today is a \$500 billion deficit reduction package over the next 5 years. Over one-half of the cuts come from cuts in spending, half from revenues; 70 percent of the revenues coming from people—those revenues coming primarily from the most affluent in our society; 66 percent from those people making incomes over \$200,000 a year, over 70 percent from those making over \$100,000 a year.

At the same time as we have significant deficit reduction, this program also deals with the people who are working-poor in this country to make sure that a family working full-time has income above the poverty level.

As we deal with this package and as we come to this conclusion today, there are some who say do this a little differently, do something here a little differently, and, "I might vote 'yes'."

Well, my friends in the House, that is what we call gridlock, endless debate, endless quibbling.

We are faced today with a fundamental alternative that will change the basic course of this country, and this is by far the best package that this Congress can consider.

Let me say to my friends on the Republican side, I do not expect your votes; you are in the minority. Even when you had your own President, you rarely voted for a President's budget.

So, my friends on the Democratic side, it is our responsibility to produce the 218 votes. We need to do it because it is a vote fundamentally for the future of our country. It is a vote for the largest deficit reduction package this Congress has ever seen. It is a vote to end gridlock. It is a vote to do the things the people sent us to do here, to reduce the deficit, cut spending, reorder our priorities for the investment in the future and in human resources for our people.

It is time to get our economy back on track. My fellow Democrats, we have that responsibility today. It is that simple; we simply need to vote "yes."

□ 1550

Mr. KASICH. Mr. Chairman, I yield myself 4 minutes.

Mr. Chairman, this is a very, very sad saga today, starting all the way back when President Clinton came to Capitol Hill and made his State of the Union speech and said, "If you don't like my program, please give me your specifics."

We just listened to the distinguished chairman of the Budget Committee, who the Tax Foundation argues there will be 732 jobs killed in his district. In my district it will be 1,239 jobs that will be lost as a result of the tax and spend program of the administration.

President Clinton came here and he said, "If you don't like my taxes, if you don't like my tax and spend policy, give me your specific recommendations to reduce spending."

And of course, we developed them. We went to the Budget Committee and we said to the Budget Committee, "We want to cut spending first and reduce the job-killing taxes, the job-killing bureaucrats who will create regulation, that will further slow down this economy."

We went to the Budget Committee and we offered a substitute that was more specific than your substitute. We said that we wanted to cut spending first. We offered a full substitute. You rejected it on party line votes.

Then we came through 10 hours' worth of amendments, where we tried to substitute specific spending cuts in exchange for the job-killing tax increases that you have in your bill, and you defeated us hour after hour on a party-line vote. We were the subject of gridlock, and the American people are going to be subject to unemployment because of this tax and spend policy that the President and the majority is inflicting on us today.

Then we go to reconciliation and we are told, "Develop \$345 billion in cuts if you want to offset our tax increases."

By the way, their tax and spending cuts, \$4 in taxes to every dollar in spending cuts.

Then we go into reconciliation, into the markup yesterday morning and the Rules Committee. We go in with \$352 billion in deficit reduction with no tax increases, and you folks have to meet at 2 o'clock in the morning behind closed doors to figure out how to change the rules after we beat you then also.

You see, every time you set a standard, we meet it. Every time you say tax and spend, we have to tax and spend, and we give you specific spending cuts that shrinks the size of government and reforms the bureaucracy

in the United States, every time we give you the specifics to meet the goal you set, you change the rules.

And do you want to know why? Because you cannot resist anything but tax and spend.

You put the record on. We are getting tired of it. It is just tax and spend, tax and spend, tax and spend. We want to take the record off. We want to give you these specific cuts, and all you want to do is gridlock the Republicans.

And why do we want to shrink the Government? Why do we want to cut the spending? Why do we want to eliminate the taxes? Because your economic program is a job killer. Your tax increases on the energy in this country will affect people from the automobile to the schoolhouse to the grocery shelves.

Your energy tax is going to put people out of work.

Your Social Security tax is abominable when you promised people a tax cut. You turn around after the election, not even 6 months after the election and you raise their taxes.

Well, do you know what the Republicans want to do? We want to cut spending first. We want to downsize the Government, because we believe the answer lies in the individual in this country with more incentives and less government and less job-killing regulation and none of these taxes that feed the Federal monster.

We should do everything we can today. I hope the people across this country will flood your offices and say, "Go with the Republicans. Cut spending first, Stay out of my wallet. No more bureaucracy. No more regulation. Please don't kill my job. Cut spending first. Support the Republicans. Defeat the President's tax and spend plan."

Mr. SABO. Mr. Chairman, I yield 6 minutes to the gentleman from Texas [Mr. STENHOLM].

As I yield to the gentleman, I want to pay special recognition to him for his leadership in adding a provision which deals with budget review and also recognize two other Members, gentleman from Minnesota [Mr. PENNY] who worked very closely with the gentleman from Texas [Mr. STENHOLM], and the gentleman from South Carolina [Mr. SPRATT], who was absolutely essential in arriving at this agreement.

Mr. STENHOLM. Mr. Chairman, I rise in support of this reconciliation bill. I do so confidently but I did not come to this point lightly. My confidence is based on the addition of historic entitlement spending discipline, combined with an unprecedented freeze in discretionary spending. My hesitation was largely founded on grave concerns about the Btu tax included in the bill. I want to make perfectly clear from the outset that my vote for moving this process forward is predicated on the belief that improvements in the Btu tax will be forthcoming as the bill

proceeds to the Senate. I will reserve my ultimate commitment to this legislation until those improvements appear in the final conference report.

Days after President Clinton was sworn in as President on these Capitol steps, he offered a State of the Union Address in which he outlined an ambitious plan for our country which I wholeheartedly endorsed. One of the promises our President made at that time was a commitment to reducing our enormous Federal deficit. The budget which President Clinton proposed followed up that promise of deficit reduction with a concrete proposal.

The Budget resolution subsequently passed by the Congress established the game plan, calling for \$496 billion in deficit reduction over the next 5 years and bringing the deficit below \$200 billion by fiscal year 1998. The budget resolution provided for a hard freeze in discretionary spending, meaning that actual discretionary spending in 1998 would be no more than it was in 1993. Be assured that freezing discretionary spending will have a major impact on business-as-usual around here by forcing us to make tough choices and set priorities. One need only compare a hard freeze to the discretionary spending which occurred during the first 5 years of the Reagan Presidency to understand just how different business will be.

Total discretionary spending:

1982-\$326.2 billion.

1983-\$353.4 billion.

1984-\$379.6 billion.

1985-\$416.2 billion.

1986-\$439.0 billion.

I have stated repeatedly throughout the budget process that any deficit reduction package must be accompanied by enforcement mechanisms to guarantee the promises of our president's and our own budget. This bill meets that test.

In addition to the discretionary caps which enforce the freeze on discretionary spending, this bill will establish entitlement spending targets at the levels provided in the reconciliation bill. If in the future entitlement spending is projected to exceed the cap by more than one-half of 1 percent, Congress and the President will be required to respond to the projected excess. First, the President will be required to submit a package to deal with the excess by proposing spending cuts, tax increases or increasing the targets. The President's direct spending message will be introduced as a concurrent resolution by the chairman of the House Budget Committee. The Budget Committee will be required to include a separate title within the House budget resolution that provides reconciliation directives to the appropriate committees, recommending changes in laws within their jurisdictions to reduce outlays or increase revenues by amounts equal to or greater

than the President's recommendations. If the Budget Committee recommends an increase in the entitlement targets, there must be a separate vote on the raising of the targets. A budget resolution conference report will not be in order unless it deals with the overage in one of the ways I just outlined. A budget resolution that does not deal with the overage will not be in order. If Congress does not pass a budget resolution conference report that deals with the overage, it will not be in order to consider any general appropriation bills, unless a resolution devoted solely to the subject of waiving this requirement is first passed.

These procedures will take entitlement spending off of autopilot and force the President and Congress to take concrete actions dealing with increases in entitlement spending. The underlying premise of this enforcement mechanism is accountability on the part of Congress and the President. Having enacted a package which guarantees deficit reduction, we must stand behind our promise. If entitlement spending exceeds the targets, we must vote to take action in response. If we vote to raise the targets, or vote to avoid action by waiving these procedures, all of us here will be held accountable for those votes. If there are legitimate reasons why we choose not to cut spending or raise taxes to respond to the breach, we should be honest about that, admit we are not holding to our deficit reduction, and have the opportunity to explain why. If we are honest with the public, they will decide, based on good information, whether or not they agree with our decisions.

It is important to realize that even with these caps, there still will be an increase of \$260 billion in entitlement programs over the next 5 years. I must say that I would prefer to do far better than that in deficit reduction. Nonetheless, the impact of taking entitlement spending off of its autopilot path for the first time ever is an accomplishment not to be minimized.

Mr. Chairman, I include the following charts:

Fiscal years	Reagan admin.	Reconciliation bill
Base year	308.1-1981	547.9-1993
Year 1	326.2-1982	538.8-1994
Year 2	353.5-1983	541.3-1995
Year 3	379.6-1984	547-1996
Year 4	416.2-1985	547-1997
Year 5	439-1986	548-1998

□ 1600

And we found that that created some real problems for us, so we looked for compromise. Our entire effort in this has been to try and find 218 votes to reduce the deficit.

One can make the commonly heard argument that these entitlement caps would be detrimental to the poor and underprivileged only if one believes that the President and Congress' bud-

get is detrimental to the poor and underprivileged, because these caps enforce our budget. I do not believe that our budget is harmful to the poor and so I reject that argument.

I also reject the argument that this is not real. Eventually, sooner or later, and I know we have bipartisan support on this concept, we unfortunately will not have bipartisan support for the vote today, but I know the concept that we set in place today on the entitlement cap side will lay the groundwork for doing that which we must eventually do if we get the deficit down.

I encourage my colleagues to vote for this bill. It is not perfect. We will hear all of the things that are wrong with it. But remember these charts about what is right with it. A discretionary freeze and caps on entitlements that force us to take entitlements off of autopilot are a significant step forward for deficit reduction.

To those who criticize all of it, Mr. Chairman, I ask them to take a sincere look at the good sides of this and to recognize that there are good, and there are bad, recognize that getting the deficit down, to this Member, far outweighs the negatives associated with the problems of the bill.

I encourage the support of this bill today.

Mr. KASICH. Mr. Chairman, I yield myself 30 seconds.

Mr. Chairman, it is very easy to get a flat line on discretionary spending when you cut defense by \$219 billion and throw 2 million people out of work. That is essentially what happened here under this proposal.

I say to my colleagues, "You're not only going to throw them out of work by raising the energy tax," and for the people that are watching this debate today and are worried about whether they are going to have base closings, I tell them one thing: "You ain't seen nothing yet. Wait until this kicks in."

Mr. Chairman, I yield 3 minutes to the gentleman from North Carolina [Mr. MCMILLAN].

Mr. MCMILLAN. Mr. Chairman, according to the Tax Foundation, the energy tax will kill 1,445 jobs in the district of the gentleman from Texas [Mr. STENHOLM] who just spoke, and my district, it is estimated, will lose 1,181 jobs, and I do not think either one of us looks forward to that prospect.

But further, we have an opportunity today to make a choice that can meet the expectations of the American people to balance the budget, stimulate the economy, and hold the line on taxes. Unfortunately, Mr. Chairman, we will not do that because President Clinton's tax-and-spend plan does not cut it, and the right alternative is not on the table. The Committee on Rules ruled that out.

So, Mr. Chairman, we are left with Clinton's proposals, the largest tax and

spending increase in history, and the son of Kasich with two times the spending reduction of the Democrat plan and no new taxes. Neither go far enough in reducing spending. If nothing is done today, we will add another \$1½ trillion to the debt over 5 years with the annual baseline deficit going from \$286 billion in 1994 to \$359 billion in 1998.

The President's proposal, Mr. Chairman, will add \$273 billion in new taxes, reduce spending by only \$152 billion for total deficit reduction to \$425 billion, and son of Kasich reduces the deficit with no new taxes over 5 years by \$352 billion. The fact is that neither plan will reduce the annual deficit below \$225 billion a year, and in fact what we are all only reducing is not the actual amount of spending, but reducing projected increases in spending that we have previously enacted or allowed to happen by doing nothing.

All of this, my colleagues, is before health care reform, which could be expensive. The President is talking about maybe as much as \$30 to \$150 billion a year. But both plans fail to adequately address health care costs that are out of control. Medicare and Medicaid are increasing at 12.4 percent per year. There is no deficit reduction plan that would be effective that does not hold the increases in entitlement programs to the cost of living plus the population increase.

Mr. Chairman, I made a proposal which was disallowed before the Committee on Rules to do just that. It is labeled H.R. 2172, and, if Congress and the President could stick within the targets set forth therein, that is, limiting entitlement growth to the increase in inflation plus population growth, or otherwise it would have to find the revenues to pay for the excess, the baseline would be frozen. It would also do away with baseline budgeting, our Achilles heel. My plan would bring the deficit down to \$150 billion in 1998 and balance it by 2002 without a tax increase.

The gentleman from Texas [Mr. STENHOLM] and the Democrat plan talk about caps, but they do not set the caps any lower than the unacceptable rate that is already in the baseline budget, and that is a 12½-percent increase per year. That is simply not good enough. We cannot accept Medicare and Medicaid increasing at a rate of 12½ percent a year, and, if the Congress will roll up its sleeve, we can address the things that are driving up those costs, which is exactly what the authorizing process should be.

My colleagues, let us recycle this hazardous waste of legislation and come back to the kind of change the American people are prepared to sacrifice for that truly maximizes spending cuts and promises a balanced budget.

Mr. SABO. Mr. Chairman, I yield 5 minutes to the distinguished chairman

of the Committee on Energy and Commerce, the gentleman from Michigan [Mr. DINGELL].

Mr. DINGELL. Mr. Chairman, I thank the distinguished gentleman from Minnesota [Mr. SABO] for yielding this time to me.

Mr. Chairman, I rise first for purposes of a colloquy with my very able friend, chairman of the Committee on Post Office and Civil Service, the distinguished gentleman from Missouri [Mr. CLAY], and I would like to clarify one matter if I could have the attention of my distinguished friend.

Mr. Chairman, various congressional investigations of contracting by Federal agencies, particularly the Environmental Protection Agency and the Department of Energy, have revealed waste and abuse by contractor employees. Many agencies have lost the core staff capability needed to supervise various contractor functions, contractors are performing inherently governmental functions, and contractors are often performing tasks that could be more efficiently performed in-house.

I say to the gentleman from Missouri [Mr. CLAY] in view of these serious problems, I wanted to clarify that the reconciliation provisions reported by the Post Office Committee, section 10004(e), do not require equal percentage cuts in the work force of each executive agency. In other words, I think we should assure the House that these provisions would allow adjustments in the in-house work force of particular agencies to ensure adequate contract auditing and contract administration and to address the overreliance on contractor employees which has caused so many problems in terms of waste, fraud and abuse in these areas.

Mr. CLAY. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from Missouri.

Mr. CLAY. Mr. Chairman, I thank the gentleman from Michigan [Mr. DINGELL] for yielding to me, and I say to him that he is correct in his interpretation. The provisions reported by our committee specify limits on the average total number of civilian employees in the executive branch but do not establish agency-by-agency limits.

Mr. DINGELL. Mr. Chairman, I thank my distinguished friend, the gentleman from Missouri [Mr. CLAY]. I am sure my good friend, the gentleman from Minnesota, agrees with those interpretations.

Mr. SABO. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from Minnesota.

Mr. SABO. Mr. Chairman, I agree with the interpretation, and I must also note that in contrast to some of the allegations from across the aisle this is another indication of real cuts that are in this budget reconciliation bill.

Mr. DINGELL. Mr. Chairman, I thank the gentleman from Minnesota [Mr. SABO].

Mr. Chairman, this is a good bill. It is going to hurt. It is going to cost people who are the beneficiaries of important programs like Medicaid and Medicare. It is going to hurt in a significant way the people who have the least. It is going to call upon those who have the most to begin to move toward picking up their fair share of the burden.

The legislation has many worthwhile provisions. President Clinton is prepared to lead. He is prepared to resolve the biggest single problem that this country has economically, and that is the budget which is out of control. This will begin to reduce Federal expenditures and get us in line where we can now look forward toward a period of economic development and growth uninhibited by the kind of excessive debt that we have seen triggered over the last 12 years of wildly inflated Federal budgets.

The President's program is a good one. The provisions by our committee do a number of things which are important. First, they cut Medicare and Medicaid by \$50 billion. Second, they include the Emergency Telecommunications Technology Act which will make available 200 megahertz of spectrum which will see to it that is auctioned off among would-be spectrum users in a way that conforms with a broad public interest.

□ 1610

I would like to talk a little bit about the Btu tax. One of the great blessings of this country is cheap energy. One of the great curses is cheap energy. It is one of the things which contributes constantly to the unpreparedness of this country to meet the problems of another oil shutoff. Europeans who have maintained their oil prices high are able to address oil shutoffs without expecting wild and crazy swings in their economies occasioned by wild price increases triggered by the events which occur, unfortunately, all too often in the Middle East.

Gasoline today is cheaper than bottled water. Energy efficiency, energy economy in these areas, becomes virtually impossible.

While I do not like tax increases, while I do not like increases in the cost of energy, it must be recognized that this is a package in which about one-half is cuts in programs and about one-half is taxes, which will be raised almost entirely on those most able to pay.

This is the proposal which is going to require real courage by the Members. It has real deficit reduction. Real deficit reductions hurt. Real deficit reductions demand courage, and they demand the ability and the willingness to accept risk.

I heard many of my colleagues during the last campaign on both sides of the

aisle speak about how it is needed to end gridlock, how it is needed for this country to set about making the country go. We will have a chance to see how much those Members meant what they said and whether they will have the courage to address perhaps the greatest single problem this country has known in its history, and that is a budget lobby out of control, by supporting President Clinton as he sets about trying to restore balance to the American economy and to the American budgeting process.

Mr. KASICH. Mr. Chairman, I yield 2½ minutes to the gentleman from Ohio [Mr. HOKE].

Mr. HOKE. Mr. Chairman, 218 to 16. Two hundred eighteen to sixteen. Those are the number of calls that we have received in our district office and in my Washington congressional office today. Two hundred eighteen calls from citizens, taxpayers, voters of the 10th District, against 16, encouraging me to vote for this plan. Two hundred eighteen to sixteen.

What does this plan do? It reflects the President's deeply flawed vision of change for America. It reflects a complete misunderstanding and misinterpretation of the mandate for change which was laid upon the President by the American people in November.

What is it that the people really want? They want smaller Government, not bigger Government. They want lower taxes, not higher taxes. They want less regulation, not more regulation. They want more freedom, not less freedom.

Two hundred eighteen to sixteen. And, Mr. Chairman, this is in a district in northeastern Ohio that is 2 to 1 Democrat to Republican in registration, that has had for 16 years representation by a Member of the other party.

Two hundred eighteen to sixteen. Mr. Chairman, what will the effect be on average Americans? Four hundred seventy-one dollars for the average family in additional taxes due to the Btu tax. Four hundred eighty-three dollars in additional taxes to the average senior for Social Security taxes. Nine hundred fifty dollars for the average senior citizen in America in additional taxes as a combined result of the Btu tax and the Social Security tax.

Mr. Chairman, 218 to 16 against my voting for passage of this plan.

The CHAIRMAN. The gentleman from Minnesota [Mr. SABO] has 44½ minutes remaining, and the gentleman from Ohio [Mr. KASICH] has 49½ minutes remaining.

Mr. SABO. Mr. Chairman, I yield 2 minutes to the very distinguished gentleman from Illinois [Mr. HYDE].

Mr. HYDE. Mr. Chairman, I just want to say a couple of things: The first is that I am amazed at the reliance on the ignorance of the public that many in the majority party exercise when they talk about the Reagan deficits

and the Bush deficits, as though Congress did not authorize and appropriate every single penny of those deficits.

There is plenty of blame for Congress, dominated by the Democratic Party, to assume.

But look, we have in front of us the very onerous tax called an energy tax. It hits everybody: the poor, the middle class, the wealthy, the farmer, the worker. Everybody is going to be hit by this odious, onerous tax. It is going to help crush the economy.

In addition, you have a tax on Social Security, on older people who have been prudent enough to save a few dollars. And if a single person on Social Security has \$25,000 in income, up go his taxes through the roof. For a couple, slightly more. Up go their taxes.

Both of those should not be in this program, but they are there, and there is no opportunity to get them out, because the majority party has used its powers to gag us so we cannot debate nor offer amendments on those topics. So voting for the substitute offered by the gentleman from Ohio [Mr. KASICH] is the only way to get rid of those disastrous, onerous taxes.

Certainly the Kasich substitute is not perfect. There are many things in it that many of us would want to change. But yet it is the only response to a terrible package that the Clinton people are bringing forward that means economic disaster.

So the only way to get rid of the energy tax, which is a killer, and the only way to get rid of that unfair Social Security tax, is to support the gentleman from Ohio [Mr. KASICH].

Mr. SABO. Mr. Chairman, I yield myself such time as I may consume to respond to the gentleman from Illinois [Mr. HYDE].

Mr. Chairman, the gentleman from Illinois should read "The Public Confessions of David Stockman: The Triumphs of Politics." Stockman's quote:

Kemp-Roth was always a Trojan horse to bring down the top rate. It is kind of hard to sell trickle-down, so the supply-side formula was the only way to get a tax policy that was really trickle-down. Supply-side is a trickle-down theory.

He also explained how they developed their numbers in Gramm-Latta, down to 31 billion, by hook or crook. "Mostly the latter," was Mr. Stockman's response.

Mr. Chairman, I yield such time as he may consume to the gentleman from Missouri [Mr. VOLKMER].

Mr. VOLKMER. Mr. Chairman, on behalf of my five grandchildren, I rise in support of H.R. 2264.

Mr. SABO. Mr. Chairman, I yield 3 minutes to the gentleman from Missouri [Mr. CLAY].

Mr. EDWARDS of California. Mr. Chairman, will the gentleman yield?

Mr. CLAY. I yield to the gentleman from California.

Mr. EDWARDS of California. Mr. Chairman, I thank the distinguished

chairman of the Committee on Post Office and Civil Service for yielding.

Mr. Chairman, I rise in support of this bill.

Mr. Chairman, the gentleman from Missouri [Mr. CLAY] and I were here in 1981 when President Reagan had been recently elected on the promise that he would make change in the country. When he came in July before the Congress, before the House of Representatives with his tax plan, which was the heart of his changed plan for America, he got 133 Democratic votes.

If the gentleman from Missouri [Mr. CLAY] remembers, this was joined with 190 Republican votes and the bill was passed.

Mr. Chairman, I speak to my colleagues on this side of the aisle: every single Republican except one voted with their President, giving him a chance to put his plans into effect. I hope we all remember that today when we vote for this very good bill.

I will just take a moment, but there is a point I want to make that I would encourage my colleagues to consider.

In 1981, when Ronald Reagan became our President, the heart of his economic plan was his tax package. President Reagan was elected on a promise to make major changes in the tax system, and in the summer of that year the Congress had before it the President's tax plan.

Although many Democrats had reservations about the President's plan, 133 Democrats joined with 190 Republicans in voting on July 29 to approve the package.

Those Democrats felt that the newly elected President should have a chance to put his programs in place.

To my friends on the other side of the aisle, I say now we have another President who has been elected on a platform of change—a plan to reduce the deficit and revitalize our economy. The bill before us today is a key component of President Clinton's economic plan. Let's give the President a chance to make the changes the voters elected him to make.

To my friends on this side of the Chamber, let me note that in 1981 only one Republican did not support President Reagan on the 1981 tax package.

President Clinton is our President. We must support him. This is a good package. It is the largest deficit reduction package in U.S. history. Let's help our President fulfill the promises he made to the American people. I urge the adoption of the bill before us today.

Mr. CLAY. Mr. Chairman, reclaiming my time, under the provisions of the budget resolution, the Committee on Post Office and Civil Service was instructed to cut direct spending by \$10 billion over fiscal year 1994 through 1998, and to reduce discretionary spending by \$28.7 billion over the same 5 fiscal years.

□ 1620

While the committee fully complied with those instructions, the committee's budget reductions were not achieved without a good deal of effort and anguish.

Given the committee's limited jurisdiction over entitlement programs, the budget resolution put the committee in a very difficult and unenviable position. I doubt any committee was asked to come up with so much from so few.

The 4½ million Federal employees and retirees were asked to absorb over \$39 billion in pay, benefits, and program cuts. That figure represents 16 percent of all the spending cuts contained in this reconciliation bill.

Nevertheless, the committee did not duck its responsibility. Rather, the committee worked very hard to ensure that the required spending reductions were made in the fairest and most responsible manner. When the budget process began back in February, I was determined to have the committee explore every possible alternative source of savings available to us.

I am generally satisfied that we have met our goal, Mr. Chairman. Locality pay was preserved. Benefit cuts for younger retirees were rejected. The committee refused to reduce survivor benefits for dependent children and surviving spouses, as was proposed.

Mr. Chairman, I know of no other group in this country that is being asked to suffer a greater reduction in their standard of living. But as they have in the past, the Federal workers will rise to the occasion, because it is in the best interest of the Nation.

Mr. Chairman, we must reduce the deficit and yet continue to provide essential government services. This bill does that, and I recommend a "yes" vote.

Mr. Chairman, under the provisions of the budget resolution, the Post Office and Civil Service Committee was instructed to cut direct spending by \$10.6 billion over fiscal years 1994 through 1998 and to reduce discretionary spending by \$28.7 billion over the same 5 fiscal years. While the committee's recommendations to the Budget Committee fully complied with those instructions, the committee's budget reductions were not achieved without a great deal of effort and anguish.

Given this committee's limited jurisdiction over entitlement programs, the budget resolution put the committee in a very difficult and unenviable position. Only two other committees of the House were required to produce more savings. I doubt any committee was asked to come up with so much from so few.

President Clinton and the Congress are asking the 4½ million Federal employees and retirees to absorb over \$39 billion in pay, benefits, and program cuts. That figure represents 16 percent of all the spending cuts contained in the reconciliation bill. A disproportionate share of the sacrifices Americans are being asked to make will be borne by Federal employees and retirees. Nevertheless, the committee did not duck its responsibility under the budget resolution. Rather, the committee worked very hard to ensure that the required spending reductions were made in the fairest and most responsible manner.

On May 13, 1993, the committee completed action on reconciliation recommendations that

preserved the locality pay system for Federal workers, avoided reducing survivor annuities and averted a multibillion dollar shift in health benefit costs to Federal workers and retirees.

The changes in Federal pay will produce the largest spending reductions. The reconciliation bill will freeze Federal pay in 1994 by eliminating the January 1 2.2-percent pay adjustment. The bill also reduced the pay adjustments for calendar years 1995 through 1997 by 1 percent and changes the effective date of annual pay adjustments from January 1 to July 1 in calendar years 1995 through 2003. Because the pay adjustments for Member of Congress, Federal judges, and employees in positions under the executive schedule are linked to the pay system for Federal employees, the effect of these changes in pay adjustments is the same for these Federal officials as it is for Federal employees.

The committee's recommendations preserve the system for locality pay established by the Federal Employees Pay Comparability Act of 1990. The President had proposed a 1-year delay, followed by a substantial revision of the methodology for determining pay adjustments. Instead, the committee will implement locality based pay adjustments in 1994, just as the act had provided, although the effective date of the adjustments will be delayed 6 months to July 1. The reconciliation bill also establishes overall limits on locality-based payments to be made in 1994 through 1998. In order to meet these caps, the administration will have the authority to reduce locality payments otherwise authorized.

The reconciliation bill would delay by 3 months the cost-of-living adjustments under the Federal employee retirement systems in fiscal year 1994, 1995, and 1996. Under existing law, COLA's are effective December 1 of each year. Under this proposal, COLA's would not take effect until March 1 in the 3 fiscal years. The COLA delay would apply to all annuities payable under the civil service retirement system, the Federal employees' retirement system, and the Foreign Service and CIA retirement systems.

The reconciliation bill would repeal the lump-sum retirement benefit for all employees retiring on or after December 31, 1993, except for employees who have a life-threatening affliction or other critical medical condition. The lump-sum option has been suspended for 5 years under the Omnibus Budget Reconciliation Act of 1990 for all employees except this same group and involuntary retirees. This change in lump-sum benefits applies to the Federal employee, Foreign Service, and CIA Retirement Systems.

The reconciliation bill will extend for 5 years the formula for determining the Government's contribution under the Federal Employees Health Benefits Program. The formula, which was established in 1989 when Aetna withdrew from the program, will expire this year. Unless Congress extends it, the Government's share of health premiums would be reduced by \$688 million in 1994; enrollee costs would increase by an average of 23 percent per month, an amount in addition to the expected 8-9-percent increase in enrollees' premiums resulting from the overall increase in health care costs.

Other program cuts include a reduction in the total number of civilian employees in the

executive branch by 1998 by 149,300, which is 10,000 more than the President proposed and assumed in the budget resolution. The reconciliation bill provides that to the maximum extent practicable, these reductions are to be achieved through attrition or other voluntary measures. In addition, the bill suspends cash awards to Federal workers and executives for fiscal years 1994 through 1998 and eliminates the current exemption from the limits on the accumulation of unused annual leave for members of the Senior Executive Service. The bill also would apply, beginning in 1995, the Medicare part B limits on physicians' services to health benefits program annuitants who are 65 or older and do not participate in Medicare part B.

In the postal area, while the committee prefers that the Congress fully fund revenue forgone appropriations to support nonprofit mailers, the budget realities preclude such action. Therefore, the recommendation will reform rate making for nonprofit mail. Except for appropriations to cover free-for-the-blind and overseas voting rights mailings, this reform will eliminate the need for revenue forgone appropriations. The reform represents a delicate compromise between nonprofit and commercial mailers. It raises rates for nonprofit mailers over 6 years, eventually 23 percent for fund raising letters and 12 percent for publications. The reform also eliminates commercial uses for nonprofit mail so that nonprofit mailers cannot use reduced rates to compete with profitmaking businesses. The bill authorizes \$29 million per year for 42 years in appropriations to reimburse the Postal Service for phasing-in nonprofit rate increase and for revenue forgone losses in 1991, 1992, and 1993.

The recommendation also includes payments totaling \$1.041 billion by the Postal Service to the civil service retirement and disability fund and the employees health benefits fund for past retiree COLA's and health benefits. The payments will be made in three equal annual installments beginning in fiscal year 1995. The committee believed that Postal Service payments required by the Omnibus Budget Reconciliation Act of 1990 ended any further Postal Service liability for past retiree COLA's and health benefit. These additional payments in the bill correct calculation errors and, the committee believes, represent the final chapter on this issue.

When the budget process began back in February, I was determined to have the committee explore every possible alternative source of savings within our jurisdiction in an effort to achieve the fairest and most responsible spending reductions. I am generally satisfied that we have met our goal. Locality pay was preserved. Benefit cuts for younger retirees were rejected. The committee refused to reduce survivor benefit for dependent children and surviving spouses, as the administration had proposed.

Federal workers and retirees are affected a great deal by this budget reconciliation bill. I know of no other group in this country that is being asked to suffer a greater reduction in their standard of living. As they have in the past, Federal workers will rise to the occasion to do their part for the greater good.

In conclusion, I commend the President and the Congress for confronting the No. 1 public

policy problem facing the Government, namely, the Federal budget deficit. It has sapped our strength. It has made us as a nation timid in our commitment to solving the social problems facing our youth, the sick, and the poor. Our problems are too great for the faint hearted.

This is the first time in 12 years that we have confronted the deficit issue head on. If we succeed here, we will be in a better position to do great things, as a country and as a congress.

To their great credit, President Clinton and the Congress boldly propose to reduce Government spending by over \$246 billion over 5 years. This bill will reduce the Federal deficit by a total of \$496 billion over the same 5 years. Approving this reconciliation bill is the first step toward creating the economic prosperity that will create jobs and improve the standard of living of all American workers. The Democratic Party is the party of prosperity and equality. Without a strong economy, we will never have either fully. President Clinton and this Congress were elected to restore economic prosperity to our Nation. To vote for this bill is to do what the American people sent you here to do.

Mr. KASICH. Mr. Chairman, I yield 3 minutes to the distinguished gentleman from Ohio [Mr. TRAFICANT].

Mr. TRAFICANT. Mr. Chairman, change is not enough. What good is change without progress?

I am a Democrat. I challenge any Democrat to match my record point-blank. But I am not a lemming. When the interest of the Democrat Party conflicts with the interests of my constituents, it is an easy vote for me. I will always vote for the interests of my constituents.

I have lost jobs over the years, and I am not going to vote to lose another damn job, whether it is a Republican plan or a Democratic plan.

Bottom line: This is the biggest tax increase in our history. And what bothers me is it has been drafted by the same Members, a small few select Members that have given us the Tax Code that rewards imports, kills our exports, kills our jobs and allows an IRS to feast on our own constituents, afraid of our shadow.

Why do we not cut some foreign aid, folks? What about all the billions going to defend Japan and Germany? What is it with a Congress that will shut down the bases in Philadelphia, all over America, but will not shut down the bases overseas that say, "Yankee go home."

No one worked harder to elect Bill Clinton than me, and I support him. His heart is in the right place. But I am not for this damn plan. And I say, as a Democrat, shove this big tax increase up your compromise.

We have had a number of compromises. We have had a number of compromises, and we are compromised out. I did not come here to associate with Monty Hall.

Let me say one last thing. We do have race wars in America. We have

age wars in America, gender wars in America. Now what do we have? A class war. Just jump on the rich, folks.

Let me tell my colleagues what, my district is one of the poorest and those so-called rich people I want to hire my people. I do not want them to have to leave our country.

We have put them up to here with the IRS, Social Security, unemployment comp, banking regulations, security regulations. Why the hell invest in America, Congress? They have not left because they are not patriots. Congress has not done their jobs. We have chased American jobs the hell out of here, and I will have no part of it.

I am going to vote today for my people. This will cost me 1,000 jobs, and I will be damned if I am going to lose another job, whether it has a Republican name or a Democrat name.

Mr. Chairman, I thank the gentleman for yielding time to me.

The CHAIRMAN. The Chair would admonish the gentleman from Ohio not to use profane language in his speeches.

Mr. SABO. Mr. Chairman, I yield such time as he may consume to the gentleman from California [Mr. MILLER].

Mr. MILLER of California. Mr. Chairman, I rise in support of the legislation. Mr. Chairman, as they said in the movie, "All That Jazz," "It's show time."

For 12 years, we had Presidents who pontificated about balancing the budget. But year after year, they asked Congress to enact budgets with bigger and bigger deficits.

For 12 years, red ink flooded our national finances because no President had the courage to come before the American people and the Congress and say what we need to do to get our fiscal house back in order.

Last November, the American people voted for change.

Not for easy change; not for symbolic change. But for real change, beginning with the budget and with deficit control.

Bill Clinton has responded to that mandate with the equitable, effective, and enforceable deficit reduction package that is before us today.

It's show time, for Congress, for the press, and for the American people.

Let us make a real stab at being honest with the Nation. There is no alternative to the Clinton deficit reduction plan.

The Republicans, who quadrupled the debt to \$4 trillion in just 12 years, have no alternative; they have rhetoric. And if rhetoric could reduce the deficit, we would have had a balanced budget years ago.

The Senate has no alternative: The naysayers are offering a plan that protects energy companies by impoverishing millions of elderly citizens. And everyone knows that plan cannot pass.

And Ross Perot? Can we get serious here? Mr. Perot's regressive plan calls upon the middle class, whose taxes rose to pay for the Reagan-Bush tax and spend frenzy of the 1980's, to carry the greatest tax burden now. That is exactly the reverse of the Clinton plan. I guess it isn't all that simple.

I know this budget plan is difficult for many Members, and that they worry about voter retribution. Let me assure you: Whatever voter anger you confront as a result of voting for this bill will pale in comparison to the voter outrage, press condemnation, and financial collapse that would surely, and justifiably, result from the failure of this bill.

COMMITTEE ON NATURAL RESOURCES

The Committee on Natural Resources, which I am honored to chair, has contributed to this deficit reduction effort by introducing greater equity, accountability, and managerial improvements to the Departments of the Interior and Energy.

Fees. Rather than raise admission and useage fees for national parks and forests across the board, the Committee on Natural Resources equalized our fee structure by imposing fees on commercial users of public facilities, by bringing certain fees up to fair market value, and by only then raising certain fees to individuals that had previously been excluded from the fee system.

Mining holding fee. We have continued the \$100 annual fee for claim location and maintenance of mining claims, which makes permanent a policy imposed previously through the appropriations process.

Nuclear Regulatory Commission fees. We extend current law to require the NRC to collect fees sufficient to pay for the cost of administering its programs.

Mineral receipts sharing. In the past, the Federal Government has paid for the entire cost of administering the onshore mineral production program on Federal lands, and shared half of all receipts with the States. This bill would share the costs of administration on a 50-50 basis with the States.

Irrigation surcharge. Water provided by Federal water projects in the west has been traditionally and notoriously subsidized, resulting in overplanting of many crops and serious environmental problems attributable to drainage and diversions. Last year, with the enactment of Public Law 102-575, the Congress imposed a substantial fee on California irrigators to pay for the costs of fish and wildlife restoration programs. This bill imposes a modest surcharge sufficient to yield at least \$10 million annually for 3 years, and \$15 million thereafter, to finance a restoration fund in other States.

Grants for insular areas. Lastly, we impose several qualifications on the provision of additional grant assistance to the Commonwealth of the Northern Mariana Islands. Current law provides that the United States provide nearly \$28 million to the CNMI annually. This bill provides that for fiscal year 1994, only \$3 million will go to the CNMI for the purpose of completing a memorial to those who served in the Pacific during World War II, with the remaining \$19 million available for distribution to other territories based on applications for capital improvement grant approved by the Secretary of the Interior. Further funding for CNMI, which has been wracked by serious scandals involving immigration policy, tax policy, enforcement of labor standards, and abuse of immigrant workers, would await passage of a future joint resolution. In the meantime, several different agencies, including the GAO, the inspector general of the Department of the Interior, and

the Department of Justice, are directed to investigate and report upon the record of the CNMI government in improving these violations of law and other serious problems.

Mr. Chairman, our Committee also directs the Secretaries of the Interior and Energy to undertake thorough studies of the fees that are charged for services, to modify those fees to assure that all costs are fully covered by the fees, and to impose fees where none exist to reduce costs to the Government.

Lastly, our bill instructs that the President's annual budget submission include, in the future, an estimate of the unfunded liabilities of the Federal Government. Most Americans, including many in this Chamber, are unaware of the tens of billions of dollars in liabilities that our Government may well face as a result of obligations to clean up toxic waste sites, abandoned mines and oil wells, contaminated fish and wildlife habitats and many other costs that are, or could become, the responsibilities of taxpayers because those who caused the damage are unable, unwilling, or unavailable to do it themselves.

Mr. Chairman, that concludes the deficit reduction package approved by the Committee on Natural Resources.

I want to stress that many members of this committee cast tough votes for this package, and I want to acknowledge their courage and their dedication to deficit reduction, even at risk to their own political careers. They have demonstrated an unwavering commitment to fiscal responsibility, and I deeply appreciate their support of this important bill.

Mr. SABO. Mr. Chairman, I yield 2 minutes to the gentlewoman from the District of Columbia [Ms. NORTON].

Ms. NORTON. Mr. Chairman, I have an unusual array of participants to thank today—Chairman CLAY, Chairman HOYER, Chairman SABO, Director Panetta, the organizations representing Federal employees, and as well, the CBO, OMB, OPM, and GAO for hard work that has led to a remarkable result. With their help, my Post Office and Civil Service Subcommittee on Compensation and Employee Benefits has met the President's requirement that we bring in \$39 billion in documented savings, including two-thirds of his total discretionary cuts, all without extracting an intolerable burden from Federal employees.

To marry our mandate with concern for employees, we found alternatives to those originally proposed. The most important was keeping the long sought promise of locality pay to begin closing the average 30-percent gap between Federal and private sector employees doing comparable work. Proceeding toward this reform is especially necessary next year when Federal employees will have their pay frozen and will get sharply reduced annual increases for the next 3 years. At least beginning the 9-year process of closing the unconscionable gap avoids mass demoralization of the Federal work force and irretrievable losses in hiring and maintaining skilled employees.

From two dozen suggestions, we have found solid alternatives to avoid \$700

million in new health care costs for Federal workers, a reduction in survivor benefits, a limit on the child survivor annuity, and a COLA cap and a COLA reduction on retirees below age 62.

Mr. Speaker, even with alternatives that replace more painful ones, Federal employees will absorb far greater sacrifices than other Americans. Thanks to a collegial problem-solving effort involving the subcommittee with other Members, employee organizations, Government agencies, and tireless staff work the pain will be far easier to bear.

Mr. KASICH. Mr. Chairman, how much time remains on each side?

The CHAIRMAN. The gentleman from Ohio [Mr. KASICH] has 44½ minutes remaining, and the gentleman from Minnesota [Mr. SABO] has 39 minutes remaining.

Mr. KASICH. Mr. Chairman, I yield 2 minutes to the gentleman from California [Mr. HERGER]; a member of the committee.

Mr. HERGER. Mr. Chairman, according to the Tax Foundation, the energy tax alone will destroy 1,121 jobs in my district alone, jobs that we cannot afford to lose. Mr. Chairman, to tax or not to tax—that is the question we are deciding today. Do we cut spending first, by adopting the Republican alternative, which cuts the deficit by \$352 billion over the next 5 years?

Or do we impose the largest tax increase in American history on middle-class Americans and senior citizens and force the average American family to turn over another \$500 to the Government in taxes each year?

Moreover, if we do impose this \$355 billion tax increase, will that money do anything to reduce the deficit, or will it simply be squandered on new spending programs?

Under the Democrat's proposal, our national debt will not only not be reduced, but will actually be increased by 50 percent from \$4.1 to \$6.2 trillion over the next 5 years. Why? Because the Democrat plan does not control spending.

Once the floodgates are open and the new tax money comes pouring in, do we really believe a cardboard deficit reduction trust fund is going to keep Congress from squandering the money? President Clinton's Deputy Director of OMB doesn't think so. Alice Rivlin said the trust fund won't change anything.

Mr. Chairman, if the Democrat plan was a credible means of reducing our deficit, there would be no doubt about its passage. There would be no need for the barrage of deal-cutting going on last night, whose total cost to the taxpayers is still unknown.

The Kasich amendment is the only plan that does what our constituents want us to do—it does not raise taxes on the middle-class or senior citizens. It cuts spending first.

□ 1630

Mr. KASICH. Mr. Chairman, I yield 3 minutes to the gentleman from Oklahoma [Mr. INHOFE].

Mr. INHOFE. Mr. Chairman, I thank the gentleman for yielding time to me.

Mr. Chairman, there are many reasons to oppose the reconciliation measure. I am sure you are very excited about going home for the Memorial Day recess and facing the senior citizens who have just found out that you have voted for a 35-percent increase in the Social Security tax, which hits middle-income Americans hard. The Btu tax that masqueraded behind that nebulous title for several weeks is now out in the open and middle-income Americans now know there is a major tax increase on them. You have heard many speakers talk about these taxes, but there are many more hidden within this package that you may think you can cram down the throats of America with little or no notice.

Let me point out one tax that has not been talked about, but will affect 250,000 of your most enthusiastic single-issue citizens—the aircraft pilots of America.

Contrary to what some would have you believe, GA pilots are not fat cats. They are single-issue people who eat, sleep, and breathe aviation. In many cases, flying is the one thing these people enjoy and for many of them an additional \$40 is a lot of money. You have probably been led to believe that GA pilots currently pay only nominal fees. In fact, the average GA pilot with a basic four-place aircraft pays at minimum \$2,320 in federally mandated fees. This does not include fuel taxes or State imposed fees. So do not fool yourselves, what you are voting on today is not, as proponents would have you believe, a reasonable user's fee on a segment that pays little to nothing, but is in fact an additional burden on an industry that is already heavily taxed.

Aviation is not just a dying industry but is one that is almost dead. In 1979 we manufactured about 19,000 aircraft in America. In 1992, U.S. manufactured aircraft was 608. In less than 20 years, a world-class industry has been decimated. Although the lion's share of the blame for the decline of aviation probably belongs to the American trial lawyers for blocking meaningful product liability reform, today we are being asked to finish the job by taxing the industry out of existence.

Proponents of the tax increase argue that GA does not pay its fair share. First, it is important to recognize that GA pilots only use a small percentage of a system that has been designed and maintained primarily for airlines. Our airspace system is the most sophisticated in the world but because it was designed for commercial traffic, it offers services far in excess of what most GA pilots need or want.

Second, GA does pay its fair share in the form of Federal taxes on non-commercial aviation fuel—currently at 15 cents per gallon on avgas and 17.5 cents on jet fuel. This of course does not include the increased burden of the Btu tax which could amount to an additional \$500 million over 5 years.

Third, GA's contribution to aerospace technology is irrefutable. Time and time again, GA—not the commercial sector—has developed and tested the technology that is used in state-of-the-art aeronautics. Breakthroughs like lamiter-flow wings, honeycomb construction, weeping wings, NACA scoops, and advances in avionics, are some of the many contributions GA has made to the aerospace industry.

What happens to aeronautical innovation if we push GA out of business? Well, recent history has shown that it stops. Since the decline of GA manufacturing in this country, innovative technological developments have moved overseas and cutting edge American technology is limited. In an industry where we once led the world in development, we are falling behind and will shortly not be a significant player.

Before imposing this new tax, we should ask how much it will cost to collect. Unfortunately, it is rather difficult to say at this point. However best estimates from the FAA appear to suggest the following: \$28 to register the aircraft, \$16 for renewal, \$12 for a pilot certificate, and \$12 for renewal. The proposal calls for a \$12 triennial pilot certificate; thus, the \$12 pilot certificate fee will not generate any revenue.

According to estimates, 80 percent of GA aircraft are less than 3,500 pounds and therefore are eligible to pay the lower \$40 registration fee. That means that it will cost \$5,774,944 to collect \$8,249,920 in revenue in that category. Hardly effective. One has to wonder if we would be better off saving the \$5,774,944 in collection costs.

Finally, before you vote on this tax, consider the entire package. By that I mean, the amount that an individual with a small airplane will pay is not just \$40. It is going to be \$40 plus the triennial pilot certificate fee of \$12; plus additional fuel costs due to the Btu at 100 gallons per month that would be \$100 per year; plus increased medical examination cost because medical examiners are going to pass on their \$500 license fee to their patients; plus a \$200 title and recording fee when you trade your aircraft. Instead of \$40, we are conservatively talking an additional tax burden of \$500 per year.

I was flying my plane back to Washington 2 weeks ago and I stopped at my normal halfway point, Owensboro, KY, partly because their gas is a few cents cheaper. I can remember stopping at that airport in the years past. The airport bustling with activity and enthusiasm, airplanes taxiing back and

forth—a major industry in action. As I taxied up to the gas pump, 2 weeks ago, I was the only aircraft on the field with a prop turning. You could have fired an AK-47 360 degrees and have not hit a soul. The aviation industry is near death today. These discriminating fees and taxes imposed upon the 250,000 remaining aviation enthusiasts will not go unnoticed. I am sure the President thinks that this number is too small to be concerned with.

Democratic Senator, PATRICK MOYNIHAN, chairman of the Senate Finance Committee, characterized the Clinton increases that you are being asked to vote on today as "the largest tax increase of the history of public finance in America or anywhere else in the world." The 250,000 pilots of America will not forget this.

Mr. SABO. Mr. Chairman, I yield such time as he may consume to the gentleman from Michigan [Mr. FORD], the distinguished chairman of the Committee on Education and Labor.

Mr. FORD of Michigan. Mr. Chairman, I rise in support of the Omnibus Reconciliation Act and in opposition to the Kasich substitute.

Mr. Chairman, as its part of the bill before us, the title reported by the Committee on Education and Labor would provide nearly \$6 billion in savings over the next 5 years, according to the Congressional Budget Office.

The committee's reconciliation recommendations include three distinct items proposed by the President: replacing the guaranteed student loan program with a new direct loan program, requiring States whose student loan default rates are excessive to pay part of the cost, and amending the Employee Retirement Income Security Act of 1974 to permit the identification and allocation of third-party liability with respect to Medicare and Medicaid coverage under health plans.

I want to focus on the direct loan proposal for several reasons: It provides the biggest portion of savings, it is a terribly important reform for young people and their families struggling to pay college tuition bills, and it has been the target of a full-court lobbying effort replete with misinformation and misrepresentation.

Direct lending is based on the current pilot program. Simply put, direct lending would phase out subsidies to private lenders and split the savings between taxpayers and students, who would receive reduced interest rates and fees.

Students pay, on average, 6.5 percent of their loan in origination fees and insurance premiums—an amount which is deducted from the loan. Under direct loans, the origination fee would drop to 3.65 percent by 1998. In addition, the loan interest rate would be about 0.6 percent below the guaranteed program. Direct loans also would allow students a range of flexible repayment options, including income-contingent repayment. And students would benefit from a simpler process of obtaining and repaying loans.

Like the guaranteed loan system, the Direct Loan Program would be an entitlement. The mandatory spending would include all aspects

of the program: the loan capital and administrative and servicing costs. There would be no gap in access to loans. Even so, the new program would save the Government \$4.3 billion through 1998 and \$2 billion per year after that compared to guaranteed loans.

The proposal would sweep away the system of 7,800 lenders, 46 guaranty agencies, and numerous servicers and secondary markets. In this complex setup, students go to a bank or other qualified lender, the loans are insured by a guaranty agency, reinsured by the Education Department and frequently resold in secondary markets. Under direct loans, students would obtain loans from their school. Most would receive all their financial aid through a single application at their school's financial aid office.

Qualified institutions could originate loans, receiving an administrative fee for each, but no institution would be required to do so. For those schools that decline to originate loans, alternate institutions or contractors, competitively selected, would handle loan paperwork. Either way, students would deal only with their school.

The committee recommendation is the result of careful study over several years by CBO, GAO, CRS, OMB, the Department of Education, and other public and private organizations. During the committee's deliberations on the reauthorization of the Higher Education Act last year, direct loans were discussed by 24 witnesses in 13 different hearings in Washington and around the Nation. The reauthorization, as reported by the committee, contained a phased-in direct loan program.

Nevertheless, Mr. Chairman, the special interests who benefit from the status quo continue to push a number of arguments against this proposal.

First, they charge that schools are not prepared to originate student loans. The fact is, three out of four students never see the inside of a bank to get their loans, they go to the school. As I stated, no school would be required to originate loans.

Similarly, opponents cite their own surveys indicating that institutions oppose direct lending. The surveyors, however, provide misleading descriptions of the direct loan proposal. They told college administrators they would be required to service the loans. Obviously, they did not reveal details of the direct loan proposal.

Next, opponents contend that the Department of Education is incapable of administering the program. It is a point familiar to those of us who watched the Reagan administration attempt to destroy agencies to support their argument that Government was the problem. One of Ronald Reagan's campaign pledges was to abolish the Department of Education. The Bush administration continued to starve the Department of adequate resources to execute its responsibilities and to use it as a dumping ground for political patronage.

Despite this dubious record, the Department successfully administered a direct loan program, the Perkins loans, with a portfolio of nearly \$19 billion.

More importantly, we have a new President, a new Secretary, and a revitalized Department committed to the success of this program and the other education initiatives this country so sorely needs.

Furthermore, the Department will not have the full load of direct lending dumped on it in October, when the legislation would take effect. The legislation would phase in the program, beginning with 4 percent in the first year, roughly the size of the current pilot program. The proportion would increase over the next 4 years, and the Department would report regularly to Congress on its progress. We will be watching that progress.

That leads me to the next argument—that the advent of direct loans will mean the sudden end of guaranteed loans. This is not true either. According to CBO, even after the direct loan program is fully phased in, and outstanding guaranteed loan portfolio in excess of \$90 billion will yield profits to lenders well past the year 2010.

Having made these arguments over the last several weeks, special interests—the lenders, led by Sallie Mae—contend that only they can maintain the viability of the student loan system.

To their credit, the student loan industry recently has been peddling alternatives to protect the status quo.

I want to address the only alternative scored as meeting the required CBO estimate, a bill introduced by our colleague, BART GORDON. I understand my friend decided not to present his bill as a substitute to the committee recommendation. Nevertheless, I think it is appropriate to examine his bill, H.R. 2219, for my colleagues who believe it represents a fair and credible alternative.

H.R. 2219 would meet the reconciliation target by swiftly slashing Federal subsidies to banks, guaranty agencies, and secondary markets. Unfortunately, the proposal has distinct disadvantages.

First, by cutting bank subsidies, H.R. 2219 likely would spur a massive withdrawal of lenders from the program and the collapse of many guarantors and secondary markets. This would immediately put at risk the availability of loans to the 6 million students who borrow annually.

Second, H.R. 2219 leaves in place the guaranteed loan system, universally criticized for its unnecessary use of middlemen and vulnerability to fraud. The Department's inspector general and the GAO investigated lenders who systematically over billed the Federal Government, students who defaulted because they did not know who held their loans, and guarantors who failed to ensure due diligence in collections by lenders. These abuses have resulted in the loss to the treasury of billions of dollars.

Third, H.R. 2219 provides no relief for student borrowers, only for the Government. Students would get no reduction in interest rates or fees, nor would they have the flexible repayment option of the committee's recommendation. For the last 12 years, the budget has been hard on students. They have been forced to bear the origination fee. They have had their loan checks delayed for 30 days as a savings gimmick. Their burden deserves relief.

Fourth, H.R. 2219 would provide \$1 billion in annual savings beyond 1997, only half the savings of direct loans. It would do so by making cuts that have not been examined by the authorizing committee, education and labor.

I believe my colleague, Mr. GORDON, has tried to offer a good-faith alternative. I wish I could say the same about the industry that pushes it and others. Instead, we have witnessed a number of alleged grassroots campaigns that have turned out to be fronts for the banks and guaranty agencies who stand to lose the gravy train long provided by the current system.

This week, a number of our colleagues—led by Senator PAUL SIMON, Representatives TOM PETRI and ROB ANDREWS of our committee, and Education Deputy Secretary Madeleine Kunin—cast light on a number of these fronts.

One is an organization called Ohio Students for Loan Reform, which is actually run by the Student Loan Funding Corp., a secondary market for student loans. This front group ran ads in student newspapers, advertised a 1-800 telephone number that students could call to receive anti-direct-lending materials, and ran a drive to get students to send postcards to their Senators opposing direct loans.

We also learned of activities by the National Council of Higher Education Loan Programs, an organization of student-loan businesses. The council organized a panel of students purporting to represent the U.S. Student Association to appear at the council's expense at a council conference this week in San Francisco and enforce its anti-direct-loan position.

The fact is, the U.S. Student Association, which represents 3.5 million students at 350 member schools and State student associations, overwhelmingly endorsed direct loans at its convention in August 1991 and supported the direct loan pilot program that the Committee on Education and Labor included in the 1992 Higher Education Act reauthorization. The council obviously attempted to misrepresent the student association's position to further its political ends. It reluctantly announced at its conference that the panel it had recruited had no connection with the student association.

In Washington, Sallie Mae and the banks with a stake in the status quo have spared no expense to lobby Members of Congress to defeat the direct loan proposal. They have hired many of the most powerful lobbying firms in town.

It is unfortunate that the interest of banks have become so intertwined with the supposed interest of students, because this issue is not about banks, guaranty agencies, and secondary markets. It is about students and families and the best deal we can give them to help them pay for their educations.

As Deputy Secretary Kunin said in her statement on May 26 to the Senate Labor and Human Resources Committee:

One might well ask when we have such an opportunity to make government work better, who could argue with a plan to provide better benefits to students while significantly reducing federal costs and creating more efficiency? The answer is obvious: those who are enjoying substantial benefits from the present system—the banks, guaranty agencies, Sallie Mae, state secondary markets, and others.

Everyone in this town is talking about the need to cut spending and reduce the deficit. Under this proposal, we will do that, and we will reduce the cost of getting an education for millions of young Americans. Increasing op-

portunity and making college affordable is the purpose of the student loan program. It is one of the reasons why I was attracted to the Committee on Education and Labor. At least as far as student loans are concerned, we are not here necessarily to help the banking industry continue a profitable line of business.

Mr. Chairman, I hope my colleagues will join the committee in supporting this important legislation.

Mr. SABO. Mr. Chairman, I yield such time as he may consume to the distinguished gentleman from Kentucky [Mr. MAZZOLI].

Mr. MAZZOLI. Mr. Chairman, I rise in support of final passage of the reconciliation bill, and against the offering of the gentleman from Ohio [Mr. KASICH].

Mr. SABO. Mr. Chairman, I yield such time as she may consume to the gentlewoman from Washington [Mrs. UNSOELD].

Mrs. UNSOELD. Mr. Chairman, on behalf of the country, I rise in strong support of the reconciliation bill coming from the President and the House, and against the Kasich amendment.

Mr. Chairman, after 12 years of Republican spend and borrow, after 12 years of Republicans driving us to the brink of bankruptcy, this Nation is engaged in a struggle to restore economic health and fiscal sanity to our country.

I rise in support of President Clinton's deficit reduction package. Listening to the guardians of gridlock, you could not guess that we will be voting on the largest deficit reduction package in the history of this Nation—\$500 billion over 5 years.

On the heels of a decade where we doubled defense spending, tripled the Federal deficit and saw our national debt balloon toward \$4 trillion, this President is engaging in real deficit reduction. Over 5 years there would be approximately \$117 billion less in domestic spending, \$110 billion less in defense spending, \$90 billion in cuts to entitlement programs, and \$3 billion in cuts to foreign aid programs. For every new dollar in new investments, there will be \$3 in cuts.

This President is also restoring tax fairness; 75 percent of the tax increases will be on families with income over \$100,000. Every tax dollar in the bill will go toward deficit reduction. The relatively small additional energy tax to be paid by middle and lower income families will be offset by lower interest rates and an expansion of the earned income tax credit.

The President is asking more from those who can afford it the most. Under the legislation the richest 1 percent of American families will give back many of the tax breaks they got during the 1980's.

Besides leading us through the tough decisions to shrink the deficit, the President is tackling our economic problems. He is asking for help to restore hope for the 7 million people in this country who would rather earn a paycheck than a welfare check. He wants to invest in people again. I look at our State and see double-digit unemployment rates in many areas; I look at Skamania County and see almost 33 percent of the people out of work.

This bill includes \$75 billion in tax incentives for investment, jobs, and encouragement of

work effort, aimed at small business and at communities and individuals currently suffering from low incomes. That will mean more real jobs in the private sector.

By seriously addressing our Nation's deficit problems, cutting spending, and reprioritizing current spending patterns which aren't effectively addressing the needs of the American people, President Clinton is trying to build a strong foundation for our Nation's future. His plan is bold, serious, comprehensive, and revolutionary in its deficit reduction goals.

You will hear increasingly shrill cries that the President's deficit reduction package is only tax-and-spend. There is little credibility in those cries coming from the same forces who brought this country to the brink of bankruptcy and want to protect the wealthiest Americans. They are trying every trick in the political book to prevent the President from enacting his platform. They are fighting for the status quo of borrow-and-spend.

Make no mistake about it. This is a deadly serious battle. Our Nation's very future depends on it.

Mr. SABO. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from North Carolina [Mr. VALENTINE].

Mr. VALENTINE. Mr. Chairman, I thank the gentleman for yielding time to me.

For the last several days, many of our offices have been inundated with calls from constituents concerned about this bill. The concerns voiced varied widely, but the clear message I have received is that the people expect responsibility from this Congress and our President.

Taking responsibility for our Federal spending habits is not going to come easily, or cheaply. This reconciliation bill contains many provisions that I, frankly, do not like and would not support if considered separately. It offers more than enough pain to go around—pain for the citizens we represent and political pain for us.

But, the medicine we are taking, bitter as it may be, is the only cure available today for the deficit disease that afflicts us and that will ravage our economy if not treated. For years, we have chosen Band-Aids and aspirin to mask the symptoms. But it is time to seek the cure. We cannot afford to wait for some magic bullet that might be developed tomorrow or next year.

The reconciliation bill that we consider today represents a victory for moderate Democrats who have asked for, begged for, spending restraint and deficit reduction for more than a decade. For the first time in political memory, we are restraining all Federal spending. We are taking some of our spending off of autopilot—before we crash headlong into the mountain of debt.

It also represents a victory for middle-class Americans who have too long borne the weight of uncontrolled spending, spiraling deficits, and ever-mounting debt.

Finally, it represents a victory for the President. Despite his initial opposition to entitlement caps, he has proved that he is willing to listen. Unlike the last two administrations, this one is willing to confront our most dangerous economic problem honestly and directly.

Mr. Chairman, many of us could once again choose the short term political benefit of voting against this bill. It is tempting—very tempting. But, I believe there comes a time when we must act—a time to cut spending and to take real steps to reduce the deficit. As tough as it is, it is time to do the right thing.

I urge my colleagues to support this reconciliation bill.

Mr. KASICH. Mr. Chairman, I yield 3 minutes to the distinguished gentleman from Texas [Mr. DELAY].

Mr. DELAY. Mr. Chairman, according to the Tax Foundation, the energy tax will kill over 3,000 jobs in the districts of the four Members that just spoke. In my district we will lose about 1,876 jobs. I think that is a very conservative figure, since I represent a lot of petrochemical plants.

Mr. Chairman, what we are witnessing here today, and it is amazing, as I watch it, reminds me of cartoons on Saturday morning: A lot of fantasy, and just the plot changes to fit the audience.

The Democrats start out by blaming all these problems and the deficits on the last 12 years on the last two Republican Presidents. But the same people, the same leadership, controlled this House over the last 12 years. The last election was supposed to bring change. Well, we got it. We started out this year with the Democrats wanting a big stimulus package, which was actually new spending, new deficit spending. The American people rejected it. They wanted spending cuts first.

Then we went from there to yesterday. The Democrats passed two new supplemental spending bills, with new spending adding to the deficit. Then the Democrats bring to the floor today a tax package that will cost jobs. I defy anybody to show me a tax increase of this magnitude that does not cost jobs and stall the economy.

Right now the economy is stalled just talking about all this. The President of the United States has not passed anything yet except those bills that were vetoed by previous Presidents, and just talking about this kind of economic theory, this economic package, the economy has stalled, and promise all the spending cuts later.

What we have brought the Members for their consideration is \$430 billion in new spending cuts and no taxes and no gimmicks. I respect the gentleman from Texas, who is trying to hold spending down on entitlements, but I say to the gentleman from Texas, if he had come over to this aisle he would

not have had to compromise with gimmicks. He would have had real spending restraint.

Americans have asked us to change and not have fantasies with new plots. If the Members really want to be honest, why would they not wait for spending cuts first? Why did they not wait to go through the entire appropriations process, where we could get at spending cuts? Instead, they started off by raising spending, they followed that by raising taxes, and we are promised spending cuts in the distant future. The spending cuts will never happen. They never have.

The American family is already paying over 53 percent of their income on the cost of government from the local, State, and Federal levels. They cannot afford any more taxes.

What you are doing is putting American families out of jobs, then raising their taxes. This tax package is a cartoon of horror.

□ 1640

Mr. SABO. Mr. Chairman, I yield 1 minute to the gentleman from North Carolina [Mr. HEFNER].

Mr. HEFNER. Mr. Chairman, my good friend from Texas sort of rewrites history. If he will look back, up until 1986 the Republicans controlled the other body, and through the support of the Democrats in the House here had a working majority with the Ronald Reagan administration. So I would say since 1986 that the \$3 trillion, in excess of \$3 trillion that we are now having in this country has been far, far more responsible for the loss of jobs in North Carolina and in Texas than anything that is going to be in this bill.

And the gentleman makes the point, and we had a little confrontation about this before, we have appropriated money, but we cannot spend one dime unless the President of the United States signs the appropriations bills, and I do not care what arguments you make, the facts are the facts. Facts do not lie, but liars figure.

Mr. SABO. Mr. Chairman, I yield 2 minutes to the gentleman from California [Mr. FAZIO].

Mr. FAZIO. Mr. Chairman, I would love to address the ladies and gentlemen of the whole House of Representatives, but I have a feeling that it is pretty evident by now that the Republicans here today are in an opposition mode. I have a feeling there is a certain amount of denial going on, not only about the results of the election, but about 12 years of public policy in this country.

But I think it is obvious to all that the Democratic Party is taking responsibility for all of that today. We have been elected. Our President was elected. We have majorities in the Congress and we are about to do the things that have been put off for so long because of the blame game, and the gridlock, and

the inability to have a consistent view on how we fix this economy.

It is painful. Nobody enjoys it. Nobody really wants to put up with the details of deficit reduction. Everybody is for it, in general, of course. Ross Perot can develop his positive swell in the polls by being an advocate for deficit reduction. But when he gets to the details of what he advocates, his popularity plummets.

Nobody wants to really go on the line and cut spending the way we have in domestic discretionary spending, the way we have in entitlements. And nobody ever wants to raise taxes. Nobody wants to pay them.

But this is a country that needs an economic agenda. It needs a future. It needs leadership, and it has a President who is not into playing a waiting game until his second 4 years, but who is willing to put it on the line in his first term.

Yet, what kind of response do we get? It is not the kind of bipartisan response that this party in some measure gave to President Reagan 12 years ago. No, we get unalterable opposition from the Republicans. We get the burden placed totally on the Democrats.

Frankly, I am proud of the fact that we are about to pick it up, and we are about to implement a plan, and we are about to take our future in our hands and see whether or not we can change the direction of this country.

This party takes responsibility. I think in the long term the American people will reward us for our leadership.

BILL IS PAST DUE

Judgment Day has arrived. The richest in our Nation had a great party during the last 12 years and now the bill is due. President Clinton is stuck with the tab and the Nation's credit line is overdrawn.

CHANGE PRIORITIES

A primal scream reverberated through the Nation last fall—change our priorities—but most of all, the American people want us to perform, end our individual quarrels and put our country above all. Today the Nation is tuning in to see if we heard them.

LARGEST DEFICIT REDUCTION EVER

The President presented the American people with a \$500 billion deficit reduction plan—the largest deficit reduction plan in the history of our country.

THE 200 SPENDING CUTS

The President's plan has over 200 specific spending cuts including \$100 billion in entitlement cuts.

CONGRESS ADDS \$63 BILLION IN CUTS

The Democratic Congress added an additional \$63 billion in spending cuts.

THREE OF FOUR NEW TAX DOLLARS ON THE RICHEST

This plan balances the tax burden on Americans—the rich will pay their fair share. No income tax increases on those who make under \$115,000. Families who make less than \$30,000 will not have any new taxes—period.

Three of four new tax dollars come from the top 6 percent in our country—the richest in our Nation.

LEND THE PRESIDENT A SHOULDER

It is time for us to lend our President a shoulder to get our country out of the ditch and back on the economic road of a recovery that promises new jobs and economic growth.

FOR CALIFORNIA \$10 BILLION

By passing the President's economic plan we will lower the deficit and the drain on private savings, stimulate private investment and long-term productivity. In my home State of California, the lower interest rates, resulting from deficit reduction, are estimated to stimulate an additional \$10 billion increase in California's gross State output.

FISCAL DISCIPLINE

With this plan we will begin to restore fiscal discipline.

GIVE OUR PRESIDENT SUPPORT

Give our new President the opportunity to lead this country back from the deficits of the last decade. He deserves our help.

Mr. KASICH. Mr. Chairman, I yield 2 minutes to the gentleman from California [Mr. COX], a member of the Committee on the Budget.

Mr. COX. Mr. Chairman, I thank the gentleman for yielding me the time.

Mr. Chairman, I just note for the RECORD that according to the Tax Foundation, the energy tax will cost my colleague from California [Mr. FAZIO] over 500 jobs in his own district.

It is time that we pierce the populist fog and look at the truth about taxation and economic growth.

This bill raises taxes. Of that we can be certain. It is in fact the largest tax increase in American history.

It does not cut spending. Of that we can be certain. In fact, let me quote the outlay figures. From \$1.4 trillion in 1993, this budget will increase spending to \$1.5 trillion in 1994, \$1.6 trillion in 1997, \$1.753 trillion in 1998, for a total of outlays over and above the Republican substitute, which really does cut spending, of one-quarter trillion dollars of brand new deficit spending. That is what this Clinton plan is all about.

You cannot fix the deficit by raising taxes and increasing deficit spending.

Now, let us revisit this canard about the 1980's. We are told that we had this awful 12 years. Well, we had economic growth throughout most of the decade of the 1980's. The recession started after the 1990 tax increase on the backs of some of the seeds that were sown in that awful 1986 tax increase.

But look what happened during the 1980's. Between 1980 and 1990, revenue to the Federal Government increased from \$517 billion to over \$1 trillion.

The problem was not that we did not generate revenues through moderate tax policies that created economic growth. The problem was that for every new dollar in revenue that Washington collected, this Congress spent an additional \$1.59.

It is deficit spending that is the problem, pure and simple.

Let us consider what happened during the longest peacetime economic ex-

pansion in American history. Over 21 million new jobs were created, poverty and unemployment of African-Americans, which increased under Jimmy Carter, fell under Ronald Reagan.

Mr. Chairman, the lesson is that you cannot reduce the deficit by tax increases, only by bona fide spending reductions.

The further lesson is that government maximizes its revenue not by a tax system designed to punish success, but by a tax system that provides incentives to reward success.

Mr. KASICH. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from New Jersey [Mr. FRANKS], a member of the Committee on the Budget.

Mr. FRANKS of New Jersey. Mr. Chairman, President Clinton claims that his budget is a bold, new initiative that will finally let us tackle the Federal deficit and the growing national debt. Well, I come from New Jersey, and I want to tell you that President Clinton's program is not really new. His prescription of higher taxes and new spending has already been tried in my home State and I want to share the results of that experiment with all of you today.

In 1990, our Governor imposed the largest tax increase in the history of our State. And let me tell you, the New Jersey economy is still reeling from the shock. Today, my State's unemployment rate is over 9 percent—the worst among all of America's industrialized States.

Mr. Chairman, this reconciliation bill we are considering today—all 1,500 pages of it—would take this country down the same road that New Jersey has been on for the past 3 years. For the citizens of my State, the Clinton tax program would mean an additional annual tax burden of almost \$3 billion. Over \$1 billion of that amount would be from the Btu tax that would hit New Jersey citizens especially hard. Mr. Chairman, my constituents cannot afford another \$3 billion in taxes.

Those new taxes would be a knock-out punch to a State economy that is not yet on its feet.

Moreover, the program the President is calling for will not work. It will not create more jobs and it will not reduce our deficit. According to the President's own numbers, in 5 years we will have racked up another trillion dollars in the national debt because, for all the talk of spending cuts, this bill fails to eliminate even one Federal program.

And the case against these new taxes goes beyond the fact they will not work. They are also fundamentally unfair. The energy tax will erode the economic strength of anyone making more than \$30,000; the proposed increase on Social Security taxes will hit all those seniors making more than \$25,000.

So much for the easy campaign talk of taxing just the millionaires to pay

for deficit reduction and new Government spending.

Mr. Chairman, faced with the unfairness and economic dangers of these proposed new taxes, let us cut spending first.

Mr. SABO. Mr. Chairman, I yield the balance of my time under general debate to the distinguished gentleman from Illinois [Mr. ROSTENKOWSKI], chairman of the Committee on Ways and Means, and I ask unanimous consent that he be permitted to yield blocks of time.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. KASICH. Mr. Chairman, I yield such time as she may consume to the gentlewoman from New Jersey [Mrs. ROUKEMA].

Mrs. ROUKEMA. Mr. Chairman, I want to associate myself with the remarks of my colleague the gentleman from New Jersey [Mr. FRANKS].

Mr. Chairman, I rise in opposition to H.R. 2264, the omnibus reconciliation of 1993. And I do so with great frustration because I recognize the need to take strong action to reduce the budget deficit now. Unfortunately, this bill, as the cornerstone of President Clinton's flawed economic and budget plan, takes us down the wrong path.

THE DANGEROUS DEFICIT

Clearly, the budget deficit and our declining position in the global economy require firm action and determined leadership. The accumulating national debt poses a real and growing danger to our economic well-being. The billions of dollars we spend on interest on that national debt is money that is not available to create one job, repair one bridge, pay one medical bill, provide one student loan, or train one young American. Indeed, interest payments are slowly strangling economic growth.

THE SPENDING SPIRAL

In structuring a credible deficit reduction and economic growth package, we must first attack the spending spiral. We must significantly cut Government spending before we ask Americans to shoulder a higher tax burden.

This is exactly where President Clinton's plan fails. Despite the earnest pledges of OMB Director Panetta earlier this year that any deficit reduction plan would contain \$2 in spending cuts for every \$1 in new taxes, the opposite is true. The legislation we are being asked to approve today contains over \$3 in increased taxes and fees for every \$1 in spending cuts. In fact, of the \$343 billion in reconciled reductions, only \$70 billion is not from higher taxes.

If that is not bad enough, I take strong exception to the ongoing expansion of the Federal bureaucracy. In fact, not one program, not one, is eliminated here. Not even the now-famous wool and mohair subsidy or the honey support program. And this legislation contains \$38 billion in new or expanded entitlement spending. I am astounded that anyone would even consider such new levels of spending on new programs before reaching tangible deficit reduction targets.

This is just more of the same—continuing a dangerous tradition of profligate spending without regard to the long-term consequences.

DIRECT LOANS

A prime example—the ill-conceived, ill-advised more in this legislation to get the U.S. Government into the direct student loan business.

There can be no doubt that the Guaranteed Student Loan Program has had its problems over the years. As a member of the Education and Labor Committee, I have led the charge for years in fighting for new taxpayer protections—measures that will sharply curtail the \$3 billion a year loan default crisis.

I would go further with our reforms. But to take our current GSL system, and replace it with a direct loan program, run by the Federal Government with all its bureaucracies and inefficiencies, unsought and unwelcome by many of the institutions it will serve, seems to be the height of recklessness. We are opening up a budgetary Pandora's box here. CBO claims we will save over \$4 billion following this route. I submit that when all the administrative costs are stacked up, when we add the cost to the taxpayers of capitalizing this system, and when we throw in the inevitable inefficiencies of creating another Federal bureaucracy, the taxpayers will pay for our haste.

MEDICARE AND MEDICAID

I am also deeply troubled by the deep cuts we are proposing in Medicare and Medicaid. Once more, we are trying to tell our aging Americans that all we have to do is ratchet down on waste, fraud, and abuse, and cut the fees of those rich doctors and expensive hospitals, and we will be able to cut costs and maintain quality health care. Experience shows us this is just not so.

Already, the Medicare Program is losing its ability to attract and maintain the participation of quality providers. Foremost, it is our senior citizens who shoulder the burden of these broad cuts. The last time we enacted cuts as deep as these in Medicare, beneficiaries saw their services and benefits decreased while their financial contributions increased.

In 1990, seniors' premiums jumped almost 20 percent, and deductibles were increased by a full one-third. New limitations and restrictions on services and shorter hospital stays have made seniors pay more and get less. That is, of course, when they were able to find a doctor willing to see a Medicare patient, let alone accept the fee that the government pays. The plain fact is that fewer and fewer doctors can afford to accept assignment, and more and more of our seniors are feeling the bite of ever-increasing copayments, premiums, and deductibles.

Are we supposed to think that these deep slashes in reimbursement will help this problem?

What we are doing here is in fact fanning the flames of the health care fire for everyone who is not serviced by Medicare, and cost-shifting \$48 billion onto the backs of hard-working, insured, Americans.

It seems that once again, the sheer size of Medicare has made it an easy target for Draconian cuts driven by budget considerations instead of health care policy.

CHILD IMMUNIZATION

The committee has also failed to take responsible action on childhood immunization.

Without any hearings or any legislative input, the committee has included more than \$2 billion for childhood immunization activities. We all share the President's goal of immunizing our Nation's children—it is a disgraceful indictment of our Nation that our child immunization standards rank with Third World countries. But in simply throwing money at the problem, the committee has failed to address the root causes of this failure. Either through ignorance or apathy, too many parents—especially in rural areas and our inner cities—are failing to have their children immunized.

As long as it is the children who suffer from this failure, I continue to push the committee and the administration to hold parents to responsible, enforceable standards. I have proposed that we tie welfare benefits to child immunization: as a condition of receiving her AFDC check, a parent must certify that her child is up to date on immunizations. This model works. Historically, when we have told parents that their children absolutely will not start school without proper immunization, lo and behold, the parents get their children the shots. Our success rate is upwards of 90 to 95 percent.

It is so painfully clear that we have here the opportunity to take something that works and make it work better, that I cannot understand the logic of the committee in rejecting any such attempt. This action does not start to end welfare as we know it—indeed, I propose that it sets us back further. The immunization of our children is truly preventive medicine, and a cost-saver. Medical evidence shows that every \$1 invested in child immunization saves \$10 in future health care costs. If we are looking to get our fiscal house in order and make prudent health policy, this is the way to do it.

Mr. Chairman, we have heard a great deal of discussion these past few days regarding entitlement caps. Yes, we need to control the explosive growth of entitlements. But no pledge, no promise, no good faith effort will get the job done. We need credible, tough enforcement mechanisms.

Mr. Chairman, we must cut spending, halt the introduction of new programs and develop a Save and Invest in America Program of tax incentives—targeted capital gains tax cut, investment tax credit, expansion of IRA's, et cetera—that will encourage U.S. business to invest in new plants and equipment to become more competitive in the ongoing global economic wars.

This is the blueprint that starts us down the road toward genuine deficit reduction and economic growth. We owe it to the American people to take these important steps to regain our national economic footing.

Mr. KASICH. Mr. Chairman, I yield such time as he may consume to the gentleman from Missouri [Mr. EMERSON].

Mr. EMERSON. Mr. Chairman, I rise in opposition to this giant act of subterfuge being perpetrated on the tax-paying American public.

Mr. Chairman, I rise in opposition to this giant act of subterfuge that is being perpetrated on the tax-paying American public. This bill is a job-killer—the Btu tax, the barge fuel tax and the Social Security tax are regressive, ill-conceived and oppressive.

No other nation in the industrialized world taxes its basic energy sources. The 250-percent increase in the barge fuel tax is confiscatory. The Social Security tax—levied on people with very fixed incomes—is cruel and mean.

President Clinton campaigned on promises of reduced taxes on the middle class. He promised \$2 of real spending cuts for every \$1 of new taxes. This measure gives us at least \$3 in new taxes for every \$1 of spending cuts. No wonder the public is disillusioned. People campaign and get elected on one set of rhetoric and then govern by a different set of principles.

This is the largest tax increase in American history. Since the end of World War II Congress has managed to spend \$1.59 for every \$1 of new revenue. We must cut spending to control the deficit. The history of the last 45 years proves that is the only way to cut the deficit.

□ 1650

Mr. KASICH. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from Oregon [Mr. SMITH].

Mr. SMITH of Oregon. Mr. Chairman I rise today to speak on behalf of rural Oregon in opposition to higher taxes and more Government spending.

First, I want to express my general opposition to this plan, then explain why this plan will thrust the Pacific Northwest into an economic tailspin.

Congress has tried this scheme before. This is no different than the 1990 budget agreement. Tax first to raise revenues, and we'll balance the budget later. Gramm-Rudman I, II, and III were the same too—champion the deficit reduction plan when it passes, and find a way to wiggle out of it later.

The message I am receiving from Oregonians is that they don't trust us with their tax dollars. They do not want new taxes, they want us to cut spending first.

Much of our discussion this week has centered around very large numbers. Hundreds of billions in new taxes, trillions in debt and, sadly, considerably less in spending cuts.

However, I would like to frame this decision in a more local context. I would like to present my colleagues with an analysis of this package and its impact on a typical wheat farm in Oregon.

The Oregon Wheat Growers League is fortunate to have as a recent past president, Dr. Clinton Reeder. Dr. Reeder has a Ph.D. in economics, and he may be unique in his line of work because he actually gives simple answers to straight questions.

I have relied heavily on his work for my own examination of this package and I would like to share some of my conclusions with you.

Raising flex acres from 15 to 20 percent costs this typical farm \$6,041 next year.

The Btu taxes on fuel, lubricants, and barge or rail transportation, even

taking the so-called farm exemption into account, will cost this same farm \$3,243 per year.

The costs of pesticides, fertilizers, and other chemicals will go up by \$1,641 as a result of the new Btu tax.

The 250-percent increase in the inland waterway user fee costs this farmer \$599. I might mention here that this is a cut from the originally proposed 500-percent increase, which some of my colleagues are proud of for some reason.

The Port of Portland, the largest port in Oregon, has told me that between the inland waterways user fee increase and the energy tax, the cost of water transportation on the Columbia River will increase 25 percent. How will industry manage this 25-percent increase? They will cut other costs, which inevitably means lost jobs.

Additional irrigation costs as a result of a 50 cent per acre surcharge on Bureau of Reclamation water and the Btu tax will cut this farm's income by \$2,250.

Through a combination of all of these surcharges, program cuts, user fees, and energy taxes on fuel, chemicals, and fertilizers, the Clinton proposal will add \$13,744 in additional costs to a typical 2,500-acre wheat farm in Oregon.

This same farm currently earns \$50,849 before taxes. A \$13,744 cost increase means this farm family will incur a 27-percent reduction in taxable income as a result of the Clinton plan.

That does not mean you skip your vacation this year. That means you let your hired man go. It means your child will not go to college. It means bankruptcy.

I have a chart which outlines these dollar costs, and I encourage my colleagues to review it, and consider its human costs, before voting.

Mr. Chairman, no matter how you look at it, a 27-percent hit on pretax income is outrageous. That is not sacrifice, that is robbery, and I will not be a party to it.

Finally, I want to discuss the aluminum industry. It is one thing to tax companies who can absorb the additional costs or pass them along to consumers. It is quite another to tax an industry, like the aluminum companies in Oregon and Washington, that already operate on thin margins dictated by world market prices. It chips away at their competitiveness.

For example, Northwest Aluminum of The Dalles, OR, in my district, will probably be forced to export 500 jobs to Canada. The energy tax, even with the so-called exemption granted by the Ways and Means Committee, will cost Northwest Aluminum \$2 million annually, which must come straight out of operating expenses.

With the aluminum industry, we are talking about 40,000 jobs in the Northwest that depend either directly or in-

directly on our nine aluminum plants. Speaker FOLEY knows what I am talking about: The largest employer in his district is the aluminum industry.

Mr. Chairman, this plan is backward. New taxes have never bolstered a dragging economy. Instead of taxing first and cutting spending later, we should cut spending first. That's what the American people want us to do.

The Agriculture Committee reported out reconciliation instructions the week before last. Ironically, the Democratic majority reduced spending for farm programs by \$3 billion and added to the deficit at the same time.

How? While they cut farm programs by \$3 billion, they voted to expand the \$25 billion Food Stamp Program by an additional \$7.3 billion.

Why? To help offset the adverse impacts of the largest tax increase in history. That is worse than ridiculous, it is tragically irresponsible.

The primary victims of this plan will be our Nation's farmers. The secondary victims will be Members of Congress who vote for the plan.

I urge my colleagues to reject the President's tax and spend plan.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 2 minutes to the gentleman from Oklahoma [Mr. BREWSTER].

Mr. BREWSTER. Mr. Chairman, it is an opportunity today, an opportunity for this House.

I want to talk just a moment not about Democrats, not about Republicans, because both have been responsible for the last 12 years, getting us in the shape we are in, but this deficit and this debt are the most serious thing that this Nation faces.

The deficit feeds the debt which means more interest that our country has to pay.

In 1980 this Nation's entire debt was \$800 billion. Today it is \$4.2 trillion. We cannot continue that.

Now, gentlemen, you keep talking about the tax-exempt foundation that says so many jobs will be lost. You can find economists to develop whatever numbers you want.

I am from an energy State. I have a background in energy policy and understand energy policy.

This will mean positive things for Oklahoma. It will mean additional jobs in the natural gas industry. There are very positive things for this Nation in this bill.

In America today we have the lowest total energy cost of any country in the world, and we will have after this tax is passed as well.

The deficit reduction trust means every penny raised through taxes, every spending cut goes into the trust and has to be used for deficit reduction. None of it can be spent for new programs.

The entitlement caps are very important, but most of all, if you vote no today, do not say you are for deficit reduction.

You have an opportunity to start today. This bill is not everything I want, not everything you want, but if you vote no and go out here and tell your constituents you are for deficit reduction, you are not being truthful to them.

I would encourage my colleagues to step forward, do the right thing, vote yes, and start this country on a turnaround to addressing the deficit and the debt that we have.

Mr. KASICH. Mr. Chairman, I ask unanimous consent to yield the balance of my time to the gentleman from Texas [Mr. ARCHER], and, further, I request that he be permitted to yield blocks of time as he sees fit.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection. Mr. ARCHER. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I have listened carefully to the debate, and I believe that there is sincerity on both sides.

This country faces a massive deficit. We need to move ahead to reduce it, and we need to do so now. But there is a vast difference between our two approaches.

I have heard from the other side that it only takes courage to vote for tax increases, as if it takes no courage to vote for spending reductions. That is far from the case.

I have heard from the other side that only the Clinton Democrat proposal shrinks the deficit, and that is not the case. But the Clinton Democrat proposal is so remindful of what occurred under Gramm-Rudman and particularly what occurred under the 1990 budget agreement.

The 1990 budget agreement, in fact, is so very similar to the Clinton Democrat budget agreement that I am surprised by it, because in the negotiations in 1990—and I was there every minute of the meetings at Andrews AFB and the other places they were held—the Democrats insisted on taxes on the rich. Those taxes were put in up front, and they are still with us today. The spending cuts were to occur, yes, you know it, Mr. Chairman, in the third, fourth, and particularly the fifth years. As in Gramm-Rudman, the spending cuts were very small in the first 2 years, but we were going to get big spending cuts in the third, fourth, and particularly the fifth year.

In 1990 the Congress refused to let the Gramm-Rudman spending cuts take effect, replacing Gramm-Rudman with the 1990 budget agreement, and now that we are at the threshold where we should get the big spending cuts from the 1990 budget agreement, this President will not let them go into effect. So we start over again with the Democrat budget from the President which cuts no net spending in the first 2 years. In fact, there is a slight increase in net spending in the first 2 years.

But, yes, again there will be taxes on the rich up front, and that is supposed to get the deficit down. But the deficit did not come down as a result of the 1990 budget agreement, and now in addition, we have major new taxes on middle-income and job-creating activities that are part of this new Clinton Democrat budget proposal.

What can the American people expect? In the Kasich budget, there is \$86 billion of spending reductions in the first 2 years. In the Clinton Democrat budget proposal, there is over \$90 billion of new tax increases in the first 2 years, and as I said earlier, no spending reductions on a net basis.

Oh, yes, there are some so-called spending reductions, but they are offset by the President's proposals for new increased spending programs in the first 2 years.

Why should we try 1990 all over again when it did not work? Why do we not really try change, something new, with the Kasich alternative which gets the deficit reduction totally from spending cuts?

Second, will the approach be good for the country or not? You heard our colleague, the gentleman from Ohio [Mr. TRAFICANT], who really hit the nerve center of this debate. Will this change improve the conditions of the country economically?

A program like the energy tax clearly costs jobs. It will make American industry noncompetitive in the world marketplace, because no other country in the world taxes its Btu's or its raw energy. Every product produced overseas from energy is going to be sold in the world marketplace at a price cheaper than our products.

I predict there will be no new refineries built in the United States in the future, no new petrochemical industries, no aluminum industry plants, glass plants, other types of manufacturing that uses a lot of energy. That result must surely cost jobs across this country—high paying manufacturing jobs.

□ 1700

I have not heard from the Democrat side, Look at all of the job creation in our program, because it is not there. It is the other way around. Americans should understand that as you reduce jobs, you reduce the tax base, the productive private sector that generates revenue for the Federal Government.

It is clearly the wrong path. Let us try something new that the American people have cried out for: cut spending and cut it in the first 2 years and cut it again more in the third, fourth, and fifth years.

That is what Kasich alternative would do.

I urge my colleagues to have the courage to vote for spending cuts instead of massive tax increases that will destroy jobs, that always destroy jobs which are essential to improving our

standard of living, our productivity and our competitiveness in the world marketplace.

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

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 2 minutes to the gentleman from Virginia [Mr. PAYNE].

Mr. PAYNE of Virginia. Mr. Chairman, I rise in strong support of H.R. 2264, the Omnibus Reconciliation Act of 1993.

This vote will be a very difficult vote for many of us, in part, because the public's attention has been shifted away from exactly what it is we are doing here today.

The fact is, by voting "yes" for this bill we are saying to our constituents that a majority in the House is willing to reduce the Federal budget deficit by nearly one-half trillion dollars over the next 5 years.

By voting "yes" we are saying to our constituents that Congress and the President are finally going to take responsibility for controlling the growth of entitlement spending.

And by voting "yes" for this bill, we are saying to our constituents that we are serious about keeping interest rates low and helping to create jobs—good jobs—all across America.

None of us really looks to voting for a bill that will both raise taxes and reduce spending on programs which are popular with millions of Americans. But this is the only way we will accomplish the goal of significantly reducing the deficit and its crippling effects on our economy.

By reducing the Federal budget deficit by nearly one-half trillion dollars over the next 5 years, we will increase the capital available to businesses—large and small—to expand and grow and hire new workers.

By reducing the Federal budget deficit by nearly one-half trillion dollars over the next 5 years, we will reduce the long-term cost of borrowing money for every business in America.

Mr. Chairman, we can not fail here today. For the price of failure for our economy, for our Government, and for our constituents is too high.

I urge my colleagues to vote "yes."

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentleman from California. [Mr. MATSUI].

Mr. MATSUI. I thank the chairman for yielding.

The gentleman on the other side of the aisle have talked about the fact that there is going to be massive tax increases to the American public. That just is not so.

We are trying to increase taxes and reduce the budget deficit because we want long-term growth in the economy.

The fact is there has been a lot of misinformation given: 78 percent of the senior citizens in America do not pay taxes now, and under this proposal 78

percent of the seniors will not be paying taxes after the bill passes and becomes law.

In addition to that, two-thirds of all the tax increases in this proposal over the next 5 years will be paid by families making \$200,000 or more a year. Now, I wonder who we are trying to protect here. Are we trying to protect the wealthy? In fact, those people who make \$20,000 per year actually have a tax decrease in this particular budget.

So this proposal protects middle-income people and reduces the budget deficit in the future.

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentleman from Illinois [Mr. CRANE], a member of the committee.

Mr. CRANE. I thank the gentleman for yielding to me.

Mr. Chairman, according to the Tax Foundation, the energy tax will kill over 1,000 jobs in each of the previous two speakers districts. And in my own district it is calculated to kill over a thousand jobs, too. I thought I would pass that on as just a little frame of reference.

Mr. Chairman, Harry Hopkins was probably the most brilliant political adviser in the history of mankind. Back in the thirties he taught our colleagues on the Democratic side the formula for success: Tax, tax, tax; spend, spend, spend; elect, elect, elect.

And it is brilliant, and they are still engaged in it with a vengeance.

At the rate we have gone in past history, they can anticipate another 60-odd years of virtually uninterrupted control of the Congress, and now they have the White House, too. They come at us this time with the largest tax increase in the history of this Nation, the largest tax increase in the history of civilization, as a formula for trying to get economic growth and create jobs? There is not an economist on the face of this Earth either liberal or conservative who has ever attempted to suggest that tax increases create wealth in the economy, create growth in the economy, create new job formation and create new jobs. The fact of the matter is it is counterproductive and as destructive as it could be.

Second, however, the components of this bill, especially with that Btu tax in there, imposes the most regressive form of taxation imaginable.

In committee, I proposed, since there was an independent foundation study showing Btu tax input on health care is a cost of over \$4 billion a year, an amendment to spare the health care industry. Yet in committee, it was shot down on a straight party-line vote.

For goodness sakes, why don't we exempt health care, why don't we exempt food? Whenever we pass sales taxes, we traditionally exempt food and medical prescriptions at the checkout counter. You do not want to hammer those people who are hanging on by their finger-

nails when it comes to the necessities of life. Yet that is what we are doing in that tax. I submit to my colleagues this is a mistake, let us go back to the drawing boards.

Mr. Chairman, given my time constraints, I would like to submit my full and complete statement on the Clinton package following these remarks.

Mr. Chairman, I rise to express my opposition in the strongest terms to the legislation before us today.

The Omnibus Budget Reconciliation Act of 1993, otherwise known as the Clinton tax bill, will be an economic disaster for the economy and the taxpayers. This is a tax increase which is not only the largest in the history of this country, but is the largest in the history of civilization. Let me emphasize—nothing in the history of taxes rivals the bill we have before us today. Yes, Bill Clinton is certainly out to make his mark on history.

Mr. Clinton's tax bill does violence to anyone who is trying to work for a living, save money for retirement, or start and maintain a small business. In addition, this bill will hurt American companies in their efforts to compete with foreign companies around the world, a fact which means one thing—lost American jobs.

But these are general observations, let me recite some specifics, for as Ross Perot is apparently fond of saying, "The Devil is in the details."

CLINTON ENERGY TAX

Perhaps the most damaging provision of the entire bill is Mr. Clinton's \$72 billion energy tax.

This tax is regressive—that is, it hurts the poor and middle income family because they will pay a disproportionate share of this tax. Unlike sales taxes, Clinton's energy tax does not exclude basic necessities like food, medicine and clothing—it hits literally every product and service you can imagine.

This tax is hidden—unlike a sales tax, the American consumer will not see a line item on their bill identifying what portion of their expenditure is a result of the Clinton energy tax.

This tax is anti-competitive—it raises the cost of American products and hurts our ability to compete abroad.

This tax will significantly increase the cost of health care in this country. One estimate suggests that it could cost our health care providers over \$4 billion per year. I offered an amendment in the Ways and Means Committee to provide a tax credit to health care providers to reimburse them for increased costs attributable to the energy tax. In short, this was an effort to keep health care costs from rising anymore than they already have. My amendment was defeated on a straight party line vote. All 14 Republicans supported my amendment and all 24 Democrats opposed it.

Did candidate Clinton not say he wanted to hold down the cost of health care? Did candidate Clinton not say he was going to give low- and middle-income families a tax break? Did not candidate Clinton say he wanted to increase our competitiveness and create jobs? What was Mr. Clinton thinking when he proposed this massive energy tax? Apparently all his statements last year were simply meaningless campaign rhetoric.

TAX ON SOCIAL SECURITY RECIPIENTS

Taxes on Social Security—this bill dramatically increases the taxes on Social Security recipients. In other words if you have saved for your retirement you are penalized for your thrift. Retirees will be doubly hit by this tax increase and the Clinton energy tax. How does Mr. Clinton propose that seniors cope with increasing taxes on fixed incomes?

TAXES ON SMALL BUSINESSES

Small businesses will be hurt by this package. Not only will the Clinton energy tax drive up the cost of providing goods and services, but this legislation directly hits the small business community and their employees in other ways. For example, Mr. Clinton proposes to cut the deduction for business meals nearly in half. Does Mr. Clinton understand the effect this will have on restaurants and their employees? What will Mr. Clinton tell the waitress or waiter who loses his job because of this provision? Moreover, does Mr. Clinton appreciate the fact that small businesses who do not have the huge advertising budgets of large companies, use the business lunch as a vital tool to bring in new customers and clients? Does Mr. Clinton care about those of you out there who want to pass your businesses on to your sons and daughters when you die? Apparently not, because Mr. Clinton has proposed raising Federal estate tax rates as well. No, even in death you cannot escape Mr. Clinton's taxes.

IMPACT ON THE ECONOMY AS A WHOLE

Finally, and most importantly, how is our economy supposed to grow and create jobs when roughly \$300 billion is taken out of the private sector to be consumed by the Federal Government? How does taking \$300 billion from the American people prompt consumers to spend more money on goods and services—consumption that stimulates economic expansion? How does Mr. Clinton think small businesses are supposed to get their hands on capital to expand, when the pool from which to draw that capital has just been diminished by billions of dollars?

MORE TO COME

Amazingly Mr. Clinton is not done. The \$322 billion in new taxes in this bill does not include the billions of dollars in new taxes that the Clintons propose to raise to finance their health care proposals. Does Mr. Clinton think that the pockets of the American taxpayers are bottomless? Does he not understand that the American people are not undertaxed? Does he not understand that the problem is spending?

Perhaps Mr. Clinton is not familiar with the facts. Let me recite the facts for him. In 1980, revenues to the Federal Treasury were \$500 billion. By 1992, revenues had more than doubled to \$1.1 trillion. Yet our deficits continued to grow, which means spending grew at an even more alarming rate. No, Mr. Clinton, the Federal Government does not need more taxpayer dollars, and candidate Clinton was right when he said that what Americans need is tax relief. Unfortunately Mr. Clinton's ability to keep promises is apparently rather limited.

LESSONS FROM HISTORY

I should not have to remind my colleagues, but as a former history professor, let me, once again, recite some very recent history—the

1990 budget deal. Mr. Clinton's budget proposal sounds a lot like the budget deal of 1990—except on a much grander scale. In 1990 the Democrats promised President Bush that if he supported tax increases, Congress would cut spending. Well, we got the tax increases, but we never saw the promised spending cuts. In fact, for every \$1 increase in taxes due to the 1990 budget deal, we actually got a \$2.37 increase in spending in return. Indeed, historically for every \$1 increase in taxes, Congress has increased spending by \$1.59.

Are we doomed to repeat the mistakes of the past? How many times do we have to fall for Mr. Clinton's line—the line that says "I'll give you tax increases today for spending cuts tomorrow?"

CONCLUSION

Mr. Chairman, my constituents have been telling me to cut spending first. To that end I supported the budget proposal offered by Republicans which proposed real spending cuts in order to reduce the deficit. Mr. Clinton has proposed to increase taxes first, and his spending proposals promised for later are anemic at best. I will not be a party to this effort to repeat the mistakes of our past. In my view, the leadership of the other party wants to follow Mr. Clinton like lemmings over a cliff. If they were doing so at the expense of only themselves that would be one thing—unfortunately, if they follow Mr. Clinton's lead it will be at the expense of the American taxpayer and the economic prosperity of this country.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentleman from Wisconsin [Mr. OBEY].

Mr. OBEY. Mr. Chairman, I want to take this time to respond to the wacko study on job loss that has just been quoted on this side of the aisle. What that study by the Tax Foundation does is stitch together two separate economic studies, one by DRI, which runs six scenarios. They use the worst possible scenario, make no adjustment whatever for lower interest rates, and somehow come up with the conclusion that there is a job loss in everybody's district.

DRI very specifically said they have not authorized the use of their study in that manner; they have run no studies of the Btu tax by congressional district. It is a phony use of it, as far as I am concerned.

Then they stitched together a second study done by—guess who—the American Electric Power Company. Now, if you think that is an independent analysis to determine job growth, I have got a bridge I will sell you.

The stock market, in contrast, is voting on this package, second day in a row, new record highs. They are betting this program will succeed; we should, too.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 2 minutes to the gentleman from Louisiana [Mr. JEFFERSON].

Mr. JEFFERSON. Mr. Chairman, I am privileged to serve as a member of the Committee on Ways and Means and a Member of this House of Representa-

tives at this time which is so critical to the fiscal and economic future of our country. We, my colleagues, are all privileged. For the time rarely comes in public service that a singular enactment—act—can literally change the course of our country for years to come.

The arguments against reconciliation are broadly mischaracterized. In my State of Louisiana, an energy State, the effect of the administration's program is not a net loss due to new taxes, but actually a net gain of \$528 million dollars in economic growth when the benefits of the overall plan are figured in.

It is important that we recognize the solemnity of our decision here today and that we posit the right question.

While the discussion has focused principally on the drawbacks of the choices placed before us today, the larger question is not what will happen if we do act, it is what will happen to our country should we fail to act at this crucial hour.

If we fail to act today to cut \$496 billion over the next 4 years, we will add \$4,000 in public debt to each of 106 million households in our country over that period.

If we fail to act, we will see interest rates grow, costing a middle-class family in our country far more to buy a car or a home than the modest tax increases involved in this Budget Reconciliation Act.

If we fail to act, we will miss the fresh opportunity offered by this bill to small businesses, to real estate investors, and to the larger corporate community to create jobs and grow our economy.

It is hard to think of this messy, complicated deficit reduction package as having historic and heroic dimensions, but it does. And it's hard to think of some of our Members who are making tough and politically risky votes for it as heroes or heroines, but they are.

By how we see our work today, will we define our future. Let us see the proposition and the duty that now lies before us. Let us rise to the call for action as this House and our institutions of government have managed to do over the life of our great country. It is our time. This is our moment. Let us not fail to seize it. I urge my colleagues to vote "yes."

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Mr. ROSTENKOWSKI. Mr. Chairman, I yield 2 minutes to the gentleman from Michigan [Mr. LEVIN].

Mr. LEVIN. Mr. Chairman, it has been said here by the ranking minority Member that there is a vast difference here. There is. It is not between those who support taxes and those who do not. It is a difference between real stuff and rhetoric.

There has been much talk on this floor about jobs. A key to jobs is deficit

reduction, and I stand up and proudly say that as someone coming from the industrial heartland.

The plan before us is the best, indeed the only hope for deficit reduction. There will have to be a deficit reduction II relating to health care. When you look at the figures in the seventies, Medicare and Medicaid, the growth in them were less than 20 percent of the total growth in entitlements that went up in the eighties to 45 percent. It is estimated that in the mid and late 1990's, unless there is a change, it would represent two-thirds of the growth in entitlements. We took a step toward controlling that with the provision in here relating to entitlements. We are going to have to go further in deficit reduction II reforming the health system of this country.

We have a chance now to pass deficit reduction I. Let us do it and do it proudly.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 2 minutes to the gentleman from Texas [Mr. ANDREWS].

Mr. ANDREWS of Texas. Mr. Chairman, today we take a hard step toward reducing the bloated Federal budget deficit, a \$500 billion reduction, half of that coming from hard spending cuts.

On the discretionary side, a freeze for 5 years at 1993 levels. No increased spending.

On the entitlement side, for the first time a hard discipline, forcing the President and the Congress to act to keep spending within the budget that was just enacted by the House.

Second, the Btu tax has been modified. Changes have been made in that tax and further changes will be made to ensure that our energy industry can compete in an international marketplace.

Let me mention one aspect of this reconciliation bill that is important, important to the real estate industry, in my part of the country, in the southwest, and in New England, areas that have been hard hit by a recession and a lagging economy. The real estate industry was singled out in the late eighties and hit very, very hard in the Tax Code and in the marketplace.

What we have done in reconciliation is to allow real estate professionals to offset their losses from their gains, like any other professional business.

In addition, we are allowing real estate professionals with debt service to pay that out over time as opposed to being forced into foreclosure and forced to walk away from properties, an act that is happening over and over again in my part of the country.

This is an important step. Yes, you can run, but you cannot hide from this budget deficit. Today is an important day to make a first step. It is not fun. It is going to be harder before we are there. To get to a balanced budget, we have got to cut spending and we have got to raise reasonable revenue.

Mr. ARCHER. Mr. Chairman, I yield 3 minutes to the gentleman from California [Mr. THOMAS], a member of the committee.

Mr. THOMAS of California. Mr. Chairman, I would just tell my friends on the other side of the aisle who preceded me that, according to the study by the Tax Foundation, about 4,500 jobs would be lost; but let us agree that the study was somewhat flawed. Let us cut it in half, that 2,000 people are going to lose those jobs. I still believe those should be retained.

Let me tell you, what you do not know can hurt you. I told you earlier today that despite all of my searching through all the language written down on the administration's position, on the joint tax position, and on the committee's position, that those rate increases were going to be indexed. They all said it.

In response to a question, the chairman said, "What is written down is what will be done."

I showed you, and this bill shows you that in fact bracket creep is back with us, that what was said cannot be believed.

Now, let me tell you, for those of you who have not read every page, let me tell you what is in this bill, and especially for those of you on this side of the aisle who are my friends who were called by the chairman of the Health Subcommittee crackers for health care, and who might have an interest in a managed competition concept that we are going to be dealing with in a few short months, and who do not believe that this is Armageddon and everything has to be done today or not at all, I invite you to look at title XIII, chapter 3, in sections 13-521 to 13-530. If you believe managed competition is an idea that will meet some of our health care needs, if you believe that professionals organized together in various associational groups will help us solve our problem, as I believe the First Lady's task force does, then you should not vote for this bill.

A simple example. Under the 1993 open enrollment plan for all members in the Federal Government, were this bill to be law, of the 14 plans available to you, 9 would no longer be available.

The one plan available to all members—a Governmentwide plan—Blue Cross and Blue Shield, would not be available.

The plans open to all, six of them not available.

The BACE plan, which I think most of you are in, the Beneficial Association of Capitol Employees, would not be available.

You could, in terms of those plans open to specific groups, belong to the Panama Canal area plan. You could belong to the Secret Service plan.

You are going to have very few plans available; 9 of the 14 plans currently offered are not going to be available if the health care section becomes law.

Believe me, what you do not know in this bill can hurt you.

Then of course, what you thought you knew can hurt you also, because they simply are not honest.

Mr. Chairman, I have a very personal reason for opposing this tax bill: It puts thousands of jobs in my district at risk. In fact, anyone voting for this bill is voting to put people out of work and curtail oil production in Kern County, CA. When the administration is saying our goal should be increasing employment and competitiveness, the bill clearly goes in the wrong direction.

The administration would like people to believe that the bill has addressed the most important Kern County production problems by taking the Btu tax off natural gas used for enhanced oil recovery and by allowing producers to burn their own crude oil tax free. Let me assure you, the administration's so-called Kern County fix does not fix anything at all. In the very real, competitive world of oil production, the Btu tax will put many producers out of business.

To put the situation in perspective, Kern County produces over 600,000 of the nearly 850,000 barrels of oil California produces every day. The bulk of Kern County's production is heavy oil, defined as 20 degrees API gravity or less. The average yield of residual fuel oil on Kern County heavy oil is 65 percent, meaning that refiners' and producers' survival depends on sales of a low-value product. Refiners cannot avoid producing residual fuel oil. They can invest in new equipment that might alter the amount of residual refining yields, but such equipment is expensive and many California refiners are already having to make difficult investment choices just to meet Federal and State environmental laws.

Residual fuel oil, oddly enough, has a high Btu content; the bill before us reflects that by assigning residual fuel oil the highest Btu factor 6.486 of any refined petroleum product. The Btu tax on residual fuel oil, \$3.95 per barrel, is 25 percent to 28 percent of current price of resid. Bluntly, the Btu tax in this bill threatens all those people who work in and depend on this industry.

In spite of changes in the President's Btu tax made by the Ways and Means Committee, Kern County oil producers and refiners will still have a problem selling residual fuel oil. Under the bill before us today, utilities will collect tax on electricity based on the fuels each utility uses. Taxes will be determined on a utility-by-utility basis. Rates will be set monthly. Because residual fuel would carry a high tax rate, \$3.95 per barrel, utilities would be discouraged from buying it even though the utilities get to pass the tax through to consumers.

The consequences of this tax will be drastic for California oil producers, refiners, and their employees. This tax will clearly cut California oil production by 81,000 to 127,000 barrels a day in the first 5 years. In total, anywhere from 150,000 to 300,000 barrels a day would be shut in in the decade following the tax's full implementation.

Those production losses mean lost jobs in California. One estimate shows a loss of 6,154 to 11,529 jobs 5 years after the tax takes effect, and 9,244 to 16,955 in 10 years. Between 40 percent and 50 percent of the im-

port will fall in Kern County. Other estimates show the job loss could be anywhere from 16,000 to 22,000 jobs.

These are good jobs. The average salary in the industry is \$45,000. If this bill passes, California will ultimately lose anywhere from \$200 million to \$400 million in wages every year. That is a tough burden to bear in a State like California where unemployment is over 9 percent and especially in Kern County where unemployment is almost 2½ times the national rate.

I cannot support a bill with such serious implications for people in my district.

Mr. Chairman, I have a procedural reason for opposing the bill, one that should concern every Member of the House. This bill contains a provision that is not before us as a result of appropriate procedure. Every Member of the House should be outraged at its appearance in the bill because the process through which it was included threatens every Member's ability to protect his or her constituents by relying on the procedures of the House.

The section I am concerned about says that indexing the President's two new tax rates to protect taxpayers from inflation-induced bracket-creep will not begin until 1995—2 years after those rates go into effect on January 1, 1993. The delay, which takes another \$636 million from Americans, is hardly insignificant. Its use is also totally inappropriate for anyone who believes in truly representative Government.

I can assure you that this indexing delay was never discussed when Ways and Means reported the tax bill May 13. It was not revealed in the documents presented to Members. Staff did not mention it in their explanation of those documents. When I specifically asked the chairman of the Committee on Ways and Means if the documents lacked anything that would appear in the actual bill language, I was assured they did not. The only possible way this provision should be in the bill is to accept a disingenuous explanation that the indexing delay, which was never revealed prior to the committee's vote to report the bill, was a technical change staff was given permission to make after the bill was adopted to ensure Members' intent was realized.

No one can realistically claim that \$636 million is a small sum or that a significant change in the effective dates on a key tax provision is somehow technical. Yesterday, I asked the Rules Committee to address this impropriety by striking the provision from the bill. As a result of the Rules Committee's failure to do so, none of us can guarantee our constituents that their rights have been protected through the procedures upon which every Member of this House relies. Every Member should put aside the politics involved in this bill and consider just what accepting the indexing provision will mean: It would be sanctioning procedures that allow Members to be incorrectly informed about key components of a bill which they are asked to address in the name of the people in their districts. The procedure used here is unacceptable to me and it should be to my colleagues as well.

Even Members who are willing to pass the biggest tax bill in history, who are willing to distort U.S. energy production and cause

chaos throughout industry, should be concerned about this matter. What some would term a minor provision is in fact a threat to the processes our constituents expect us to employ in their interests. The bill is worth rejecting on that basis.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentleman from Maryland [Mr. CARDIN].

Mr. CARDIN. Mr. Chairman, the time to act is now. The bill before us is a good bill. It is a bill that will be real in deficit reduction. It is balanced, half in real spending cuts, half in revenues, all calling for deficit reduction, and it is fair.

Despite the emphasis that my colleagues are putting on the Btu tax, what impact that will have, the Btu tax will raise revenue for deficit reduction. It will help us in energy conservation.

When the tax is fully implemented in 1998, including the Btu tax, for an individual whose income is \$50,000 or less on average, will pay an extra \$23 a month.

For those at \$200,000 or more, \$1935 a month more.

It is a fair, balanced package.

My constituents want action. I urge my colleagues to support the bill.

Mr. Chairman, I rise in support of the reconciliation bill. It represents the most honest, serious plan for deficit reduction that we have ever considered in the House of Representatives.

For the past dozen years, Republican administrations and Democratic Congresses talked about the deficit, but nobody did anything about it.

This bill marks the end of the talking, and the start of doing something. It's about time.

Over the past dozen years, the Federal budget deficit has risen steadily from under \$100 billion, to \$200 billion by the middle of the decade, to over \$300 billion by the end of the decade.

The deficit in fiscal year 1994 will be \$300 billion if we do nothing, if we just go on talking about the deficit. This reconciliation bill chops \$500 billion off the deficit total over the next 5 years. Along with the limits on appropriations, it will reduce the deficit in the fiscal year that starts in October by \$42 billion.

In the fifth year of this bill, it will reduce the deficit by more than \$160 billion. If you want to cut the deficit, if you want to put an end to the growth of Government borrowing, if you like low interest rates, if you want to make more capital available for private investment, you should act now and support this program. The amount of deficit reduction in this bill will, in the opinion of two Nobel Prize-winning economists, make room for a 40 percent increase in spending on capital equipment, financed by private saving that otherwise would get consumed by Government borrowing.

This plan cuts spending. It cuts \$87 billion in net direct spending. It includes enforcement provisions that will cut another \$102 billion through appropriations process. It will achieve savings of \$55 billion in interest costs.

The spending cuts are real, and tough, and they will hurt. The plan cuts \$59 billion just in

Medicare and Medicaid. It doesn't make promises, it makes cuts.

The bill includes another \$28 billion in entitlement cuts, in agriculture, education, housing, natural resources, veterans, and Federal employee and retiree benefits. This is strong medicine, to get the job done.

In addition to the program spending cuts, the package will reduce Federal borrowing costs by \$55 billion over the 5-year period. For too long, interest payments on the national debt have been the fastest rising area of Federal spending. These payments don't buy a single scholarship, feed a single child, repair a single highway, or meet any other Federal policy priority. Under this plan, we start to turn things around, and slow the growth of interest payments.

Actually, the bill reduces interest payments in two ways. First, by reducing the deficit, it will lower our outstanding indebtedness, on which we pay interest. Second, and more important for the economy, the bill sends the clear signal to the bond markets that we are serious about deficit reduction, which encourages the market to keep interest rates low.

In addition, the bill includes the enforcement provisions that will freeze discretionary spending at current levels for the next 5 years. This provision will save \$102 billion over the next 5 years.

The other half of the deficit reduction comes from taxes. The tax increases included in the bill are imposed overwhelmingly on the wealthiest 2 percent of Americans and corporations with incomes greater than \$10 million.

Over 95 percent of American families will have no increase in their income taxes. After the Btu tax is fully phased in, in 1998, the monthly tax increase from the President's entire package, including the Btu tax, on a family with income under \$50,000 will be less than \$23 a month. Those with incomes above \$200,000 will pay an additional \$1,935 a month.

Mr. Chairman, this program is real. The spending cuts and new revenues go for deficit reduction. The program is balanced. New revenues are matched by spending cuts. The program is fair. It puts the tax increases on those who can most afford to pay. And the program will work. It puts our country on the road to fiscal stability and economic growth. I support it, and I urge its passage.

Mr. SPENCE. Mr. Chairman, in this debate on whether to pass the largest tax increase in our Nation's history, I'm appalled by some of the arguments my colleagues on the other side are utilizing. Several of my Democrat colleagues have said that we need to pass this bill in order to cut the deficit that Presidents Bush and Reagan produced.

Excuse me? Presidents Bush and Reagan increased the deficit with their budgets? Mr. Speaker, unless there have been some constitutional changes of which no one has been apprised, it is the responsibility of Congress to enact and pass the annual budget. Regardless of whether a budget comes before us from a Democrat or Republican White House, Congress deliberates and amends that proposal, and the product that is sent to the White House is the handiwork of the House and Senate.

Mr. Chairman, we have an enormous national debt. I don't think you'll hear anyone questioning that fact. But it appears to me that placing the blame on the shoulders of past Presidents is not only dubious rhetoric, it is arrogance. Do my colleagues on the other side actually believe that the American people are so gullible as to believe that Congress has no say in how Federal funds are spent? Does the majority leadership actually believe that their strained attempt at shifting blame will assuage the public's genuine concern over our fiscal problems? To even suggest such is an insult to the intelligence of the American people.

Mr. Chairman, a few months ago, we heard about a new era dawning in Washington, a new approach to government, a call to national service. According to what I have heard in these hours of debate, I would have to agree there's a new approach all right. It's called the contribution and denial approach; Congress will require the American taxpayer to contribute more, and then Congress will deny it ever asked for it.

Mr. FIELDS. Mr. Chairman, I rise today to voice my opposition to the proposed Btu tax, and my support of the Kasich amendment as a Representative from Texas and as a member of the House Committees on Energy and Commerce, and Merchant Marine and Fisheries, I have spent considerable time on energy related issues.

First of all, as a revenue raiser, this proposed tax fails to pass a critical test: the test of fiscal responsibility. Since the tax was first proposed, various interest groups have chipped away at the package until the revenues that the tax would raise are considerably lower than expected. Originally, the tax was expected to raise \$25 billion annually by 1997. But, according to the Institute for Research on the Economics of Taxation, \$20 billion of those revenues will be needed to offset proposed credits, assistance to those on low incomes, and reduced revenues from other sources due to depressed economic activity. We are being asked to vote for an energy tax that will cost this country more than 400,000 jobs, and that will raise just \$5 billion? If we pass this misguided tax, never in our Nation's history will so many have sacrificed so much for so little.

Another argument for the energy tax, that we have heard from the administration, is that the tax is environmentally friendly—that Americans will become more energy efficient and move toward greater use of clean fuels. I believe that this is another argument that fails to pass an important test: the reality test. While shutting down 26 refineries may improve the environment in this country, what will it do to the global environment as refineries are built in countries with less stringent environmental regulations? What will increased tanker traffic do to our coastal communities? How many more oil spills will we have? How will the country get its supply of reformulated gas and other mandated clean fuels? What impact will increased imports have on our trade deficit? What about national security? About the only positive environmental impact this tax package will produce is that in destroying 400,000 American jobs, there will be fewer commuters driving their cars to work each day!

Between the Clean Air Act and this proposed tax, this country will lose almost 20 per-

cent of its refinery capacity by the end of the decade. In addition to the refinery problem, the tax is punitive to clean fuels, providing little incentives for industries to switch to more environmentally sound fuels like natural gas.

Third, the administration has argued that the reason it proposed a Btu energy tax is that it is fair to every region of the country. If this tax is so fair, why will Texans be paying 75 times more in energy taxes than people who live in Vermont by the year 1996? The national average for energy use per capita in 1989, was 330 million Btu's, in Texas it was 495 million Btu's. Texas residents and industries are major consumers of energy as well as major producers. It is ludicrous to assume that they will pay equal taxes as other parts of the country. A study by Texas A&M University predicts that the State will lose \$3.089 billion per year by 1998, in gross State product [GSP]. The energy tax will reduce personal income by \$3.26 billion in Texas, with the average family of four paying an additional \$708 a year in energy taxes. This increase is more than twice what the administration is predicting for the rest of the country.

But Texas is not alone. Other States that are highly energy-intensive and whose residents travel long distances will also feel a much greater impact from the proposed tax than currently predicted by the administration. So, this proposed tax fails to pass another test: the fairness test.

The proposed Btu tax which, at best, will raise \$71.5 billion through fiscal year 1998, but, at worst, will cost more than 400,000 Americans their jobs—will also, lower our gross domestic product [GDP], make it difficult for senior citizens and others living on fixed incomes to afford the energy they need, and will continue the decline of our domestic energy industry. There are other less costly ways to decrease the deficit, improve the environment, and become more energy efficient.

Many Members have put forward proposals to achieve deficit reduction without this onerous energy tax and other proposed taxes. I wrote to President Clinton on March 8 of this year, with a list of spending cuts and freezes that would result in a savings of \$384 billion over a 5-year period. This could be accomplished without imposing even 1 cent in new or increased taxes.

Congress has passed two major laws in the last 3 years that will improve our energy efficiency and our environment. The Clean Air Act Amendments of 1990, and the National Energy Policy Act of 1992 provide additional programs and incentives to use environmentally friendly fuels, cut back on many air pollutants, switch to cleaner fuels, and so forth. Why don't we give these laws a chance to work before inflicting even greater financial pain on the consumer and the energy industry for very few, if any, benefits?

Mr. Chairman, generally when someone or something fails to pass the test, it is time to go back to the drawing board, to relearn, or reinvent. I believe that this is what we need to do with this reconciliation bill, especially the proposed Btu tax. That is why I urge my colleagues to support the Kasich amendment to reduce the deficit in a fiscally responsible, fair, and real way.

Ms. LAMBERT. Mr. Chairman, voting against this deficit-reducing package would

raise an impassable stop sign on our road toward economic recovery. Our \$4 trillion deficit did not sprout up overnight and we cannot cut it down in 1 day either. But this package offers us the first real attempt at deficit reduction that this Nation has seen in 12 years. The entitlement caps and deficit reduction trust fund that this legislation provides are key to getting our Nation back on track.

President Clinton's plan is a real step toward reducing the deficit and it's a step which the American public has repeatedly cried out for in the last year. Within 5 years, this plan will reduce the deficit from nearly 5 percent of our gross domestic product to 2.6 percent of the GDP. The deficit trust fund offers the American people a legally binding promise that spending cuts and tax increases will go toward reducing the deficit.

The people of the First District of Arkansas have called for spending cuts and we have answered by freezing discretionary spending at 1993 levels for 5 years. This will save \$102 billion.

The proposed tax increases and spending cuts are not easy to swallow. But they present a sincere effort at reigning in the feel-good spending of the last 12 years, under which our national debt grew. I am especially pleased with the addition of entitlement caps that will sound an alarm to be heard by Congress and the President if entitlement spending goes too high. These caps will force Congress to come together and vote before allowing spending to exceed the caps.

As a representative of the agriculture-intensive First District of Arkansas, I have shared our farmers' concern over the proposed Btu tax. I have stood at this very podium and spoken on radio and TV against the Btu tax because I believe it will place an unfair burden on farmers who cannot pass added costs on to consumers. But Senator BOREN's alternative to the Btu tax would cut Social Security. And no one from the First District of Arkansas has called asking me to cut Social Security spending.

I continue to oppose the Btu tax, but I feel confident from the commitments I received in phone calls this morning that the Btu tax will be reduced or eliminated in the Senate or in conference committee. Today's vote does not flash a green light for the Btu tax, and I urge the farmers in Arkansas to be patient with Congress as we work over the next few months to eliminate this tax.

In conclusion, having talked to Arkansans who have repeatedly asked for spending cuts and deficit reduction, I cannot in good conscience vote against this package which goes so far toward fulfilling their request. Therefore, I stand in support of this legislation under the blinking yellow light of caution. I will continue to work toward necessary changes in the Btu tax, but I firmly believe the remainder of this proposal puts us in the express lane toward economic recovery.

Mr. PENNY. Mr. Chairman, the public debate raging in this country about the role of Government, the responsiveness of public institutions, and the size of our Federal debt, are joined in the debate on the budget reconciliation measure before us today. The American people have been rightly critical of the inability of the Congress and the President

to responsibly resolve the budget deficit in recent years. While gridlock gripped Washington, the American people have struggled with the consequences of our inaction.

The 1992 election brought a new President dedicated to making Government work—dedicated also to reducing the budget deficit. While we can be critical of his handling of this measure, I believe the President has not been given sufficient credit for putting before the country the very real and painful choices that are necessary to reduce the budget deficit.

Some here do not like the President's priorities and have suggested alternatives, others among us continue to talk about deficit reduction as if solutions will appear out of thin air. Well, the choices are tough—very tough. I doubt if any Member of Congress truly likes this measure; there are no cheerleaders for higher taxes and program cuts for their own sake. But eliminating the deficit requires taxes and cuts. Those are the choices—and they are difficult for all of us.

I had hoped this bill would contain more cuts, less taxes, and more deficit reduction. But, as Benjamin Franklin once said, "He that lives upon hope will die fasting." At some point, consensus among the alternatives must be reached. And what we have before is not perfect, but it is the best we can do at this time, and it is certainly preferable to doing nothing.

Let me just speak briefly to the bill because there are a number of important provisions. The entitlement cap in this bill, which I helped to negotiate, is unprecedented. For the first time, a process is established for reviewing the growth of mandatory spending programs, which together represent almost one-half of all Federal outlays. For too long, one half of all spending has been on automatic pilot, unrestrained by the annual budget process. With the passage of this bill, that will change. Both the President and the Congress will now be forced to propose changes to entitlement programs to rein in their growth. That is a very important reform. It will lead, I believe, to real long-term deficit reduction. It will force the Congress in the future to face the deficit issue squarely and honestly.

The extension of the discretionary budget caps in this measure—the only real brake on the growth of Federal spending since 1990—is also an important reform.

This measure contains nearly \$500 billion in real deficit reduction over the next 5 years. With tough enforcement on entitlement and discretionary spending, real long-term deficit reduction will occur.

Someone once said: "It is natural for man to shut his eyes against a painful truth. * * * Today, we open our eyes and make a few tough decisions. I urge my colleagues to join me in supporting this measure."

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentleman from Indiana [Mr. BURTON].

Mr. BURTON of Indiana. Mr. Chairman. I thank the gentleman for yielding this time to me.

I just would like to say that my colleague, the gentleman from Maryland [Mr. CARDIN] who just spoke, if this bill passes it is going to cost his district 1,219 jobs, and I hope he thinks about that.

□ 1720

Now, many of my colleagues on the other side of the aisle said they were going to control entitlements. Let me tell America about an entitlement that they have not talked about. They put a new entitlement in here for emergency health care for immigrants costing \$300 million, a new entitlement, not an old one.

Now why are they doing that? Because they want to help some of those States that have illegal aliens coming in that are having children.

But let us look at what has been going on. In California they have a program called the MediCal Program, and I want to read to my colleagues from a brochure from California about what they are doing.

They say that the law has changed and the new law will help you if you are going to have a baby even if you are an illegal alien or if you are here under an amnesty program. Will it affect my amnesty? No. If I am here illegally, will it be reported? No. And finally they say: Remember the information you give to the worker is confidential. It will not be reported to immigration.

Last year in Los Angeles County alone, and get this, America, there were 37,000 illegal alien babies born, and each one can get AFDC totaling \$620 a month. That is \$25 million a month that is being paid out for AFDC for illegal alien children.

And what are they doing about it? They are adding a new entitlement for \$300 million to help pay the State's portion of that cost. Up until now the State paid half of it. But now they are going to pay all of it from the taxes from around the country.

They say this is a responsible budget. It is going to cost more in taxes, the largest tax increase in history. It is going to cost jobs. It is going to hurt the economy.

And what else are they going to do? They are inviting illegal aliens from Latin America and Mexico to come to this country to have babies that our constituents are going to pay for with AFDC payments, and they are going to be American citizens. I say, "We shouldn't be doing this. It's a mistake. It's a new entitlement, and they are putting it on your backs."

Mr. ROSTENKOWSKI. Mr. Chairman, I yield myself 4½ minutes.

Mr. Chairman, I rise in strong support of the President's economic plan for reducing the deficit and revitalizing the economy. The 103d Congress is about to be tested, and the entire country will be watching.

Taxpayers all across America are tired of the constant bickering in Congress and demand action to reduce the deficit. And our constituents want to know if we have the fortitude to take a tough vote to improve the economy.

We cannot shrink from this challenge, even through our Republican

colleagues will not, by choice, join us in making the difficult decisions necessary to govern our great Nation.

Mr. Chairman, when we passed the budget resolution conference report 2 months ago, the Committee on Ways and Means faced an ambitious task: approve nearly \$300 billion in deficit reduction. I am proud to stand here today and report that the committee was on time and on target. We approved the President's plan, with some modifications, to ensure that those taxpayers with the ability to pay fulfill their responsibilities and that program cuts are fair and protect the needy.

Some claim this bill includes the biggest net tax increase ever. The are wrong. The tax bill that Ronald Reagan signed in 1982, measured in 1993 dollars, was over \$50 billion bigger.

What we do face, however, is the biggest deficit in history—three times as large as it was in 1982. It is not a small problem, and it will not be cured by small talk and political posturing. It demands a vigorous yet fair response. This bill provides that response.

I want to be clear—this bill requires sacrifice. But the sacrifice is small compared to the price of continuing on our present course, risking our fiscal integrity and the standard of living for ourselves, our children, and our grandchildren.

THE REVENUE INCREASES IN THE LEGISLATION ARE FOCUSED ON UPPER-INCOME TAXPAYERS

About two-thirds of the revenues in the legislation will come from persons making over \$200,000. And even for these persons, the increases are modest. The bill creates a new 36-percent bracket for married couples with taxable income over \$140,000 and a 10-percent surtax on incomes over \$250,000. These new rates are still well below the top rates that had been in effect prior to tax reform in 1986.

Business, as well as individuals, are required to contribute to deficit reduction. The bill provides for a 1-percent increase in the corporate tax rate for taxable income over \$10 million—a prudent increase, large enough to be meaningful but not so large as to be disruptive to economic recovery, competitiveness and job development.

THE BROAD-BASED ENERGY TAX IS A POWERFUL ENGINE FOR DEFICIT REDUCTION

It raises over \$70 billion over the budget period. But it also serves other goals. It is fair to taxpayers in all regions of the country. It encourages use of clean fuels and renewable, and it encourages conservation.

But the impact on U.S. households is modest—an average of about 17 dollars a month, counting all direct and indirect costs, beginning in July, 1996, when the tax is fully phased in. To ensure that this burden does not fall on those least able to pay, low-income families will benefit from increases in the earned income tax credit, and other programs.

The Committee on Ways and Means, working closely with the administration, has attempted to ensure that no one is unduly burdened by the energy tax.

Under the bill as modified in committee, a partial exemption for heating oil cushions the effects of the tax on regions of the country that rely extensively on heating oil. Similarly, a partial exemption for on-farm diesel and gasoline use protects farmers who consume large amounts of energy in farm operations. Adjustments are also made for industries that use energy as feedstocks, such as the fertilizer and aluminum industries, to ensure that they are not unfairly taxed. A border adjustment for imports of energy-intensive products ensures that domestic manufacturers are not placed at a competitive disadvantage in our domestic markets.

THE BILL CREATES WORK INCENTIVES AND JOBS

Under this bill, through expansion and simplification of the earned income tax credit, no American family with a full-time worker need live below the poverty line.

Furthermore, the bill promotes opportunities for jobs and enhanced skills by permanently extending the targeted jobs tax credit and expanding it to include a new school-to-work program. The employer-provided educational assistance program would be extended permanently.

Also included is a \$5.3 billion investment in enterprise and empowerment zones designed to help rebuild America's distressed cities and rural areas.

In addition, the bill increases opportunities to find affordable housing by permanently extending the low-income housing tax credit and enhancing its availability in the 110 empowerment zones and enterprise communities that will be designated under this legislation.

THIS BILL CREATES JOBS FOR AMERICAN BUSINESS

To free up cash-flow for small businesses, the bill allows immediate expensing of \$25,000 in depreciable assets—well above the current \$10,000 limit.

In addition, the legislation provides small businesses with greater access to tax-exempt financing and provides incentives for people to invest in specialized small business companies, to make it easier for these companies to attract much-needed equity capital.

The bill also provides needed assistance to the real estate industry by providing relief from the passive loss rules for business men and women who materially participate in real estate businesses. It provides a boost to local real estate markets by providing tax relief for the restructuring of business debt secured by real property. To encourage the construction of additional housing for low-income families, the bill extends the low-income housing credit

and mortgage revenue bonds program permanently.

The bill extends the 25-percent deduction for health insurance premiums paid by self-employed business men and women.

THE BILL WILL HELP US COMPETE IN THE GLOBAL MARKET

It extends permanently the research and development credit and ends years of uncertainty by providing a permanent 50-percent research and development allocation rule for U.S. multinational companies. These changes will enhance incentives for domestic companies that conduct long-range research and development in this country.

The bill also encourages U.S.-controlled foreign corporations to repatriate amounts that are earned abroad and that are not re-invested in an active business. However, in response to concerns about harming U.S. competitiveness abroad, the Ways and Means Committee agreed not to include the administration's proposal to increase taxes on royalty income earned abroad by U.S. companies.

Foreign persons doing business in the United States are also required to pay their fair share of tax, through changes in transfer pricing rules and changes in the so-called earnings stripping rules.

It also extends the generalized system of preferences. Known as "GSP," these tariff suspensions for non-sensitive imports foster economic development and overseas markets for U.S. exports to developing countries. They also provide leverage to reduce barriers and enhance protection of intellectual property rights in those countries, and they lower input costs for U.S. manufacturing. A 3-year extension of the Trade Adjustment Assistance Program for workers is also included to insure continued retraining and income support for workers dislocated by foreign competition.

The bill extends, as well, the "fast-track" negotiating authority or the Uruguay round of multilateral trade negotiations. President Clinton has indicated that, assuming he is granted this authority, he will bring these negotiations to a close by the end of this year on terms favorable to the United States. A conclusion of the Uruguay round should provide a much-needed boost to world economic growth.

The bill also includes a 3-year extension of the authority to impose customs user fees to offset the costs of U.S. Customs Services, and 2-year authorizations of appropriations for the U.S. Customs Service, the Office of the U.S. Trade Representative, and the U.S. International Trade Commission.

THE BILL ALSO PROVIDES NEEDED BROAD-BASED TAX INCENTIVES THAT HAVE CONSENSUS SUPPORT IN THE HOUSE

The bill promotes capital investment by providing more generous depreciation schedules for companies subject to the alternative minimum tax.

The legislation repeals the luxury tax on boats, airplanes, jewelry, and furs, and indexes for inflation the \$30,000 threshold for cars.

The bill encourages gifts of appreciated property to universities, museums, and charities by reinstating the minimum tax benefits for gifts of tangible personal property and expanding it to cover other types of property.

This bill delivers on the President's commitment to meet basic needs while controlling spending.

It authorizes \$1.5 billion in spending on family preservation programs that can help families avoid foster care, and it creates a \$2.1 billion trust fund to finance childhood immunizations for Medicaid-eligible children and those without health insurance coverage for immunizations.

We take steps to control Medicare costs, by approving interim controls on reimbursements, pending the passage of health care reform. Together, the Medicare reductions total \$50.4 billion over 5 years.

The bill would extend several expiring programs that provide assistance to rural and inner-city hospitals. These include continuation of special payments for small, rural Medicare-dependent hospitals and regional referral centers through fiscal year 1994. Authorization for the Essential Access Community Hospital Program and the Rural Health Transition Grant Program would also be extended. In addition, the separate Medicare reimbursement for the reading of electrocardiograms would be restored.

The bill would also extend the current physician ownership and referral prohibition beyond public health programs and to additional services and payers. The exceptions in current law to the general ban on referrals would be continued with a series of modifications.

In addition, the bill contains a 2-year extension of the existing 0.2 percentage point Federal unemployment surtax. This surtax was first passed in 1976. It has been extended three times, in 1987, 1990, and 1991. The administration asked for this extension as part of the President's additional proposals to help the committee meet its deficit reduction target and to help refinance the extended benefits program. With this extension, the extended benefits program is projected to be nearly fully funded by the end of 1998.

Mr. Chairman, I would also like to make technical comments on two provisions of the bill:

First, in permanently extending the research credit, the Committee on Ways and Means affirmed congressional intent that neither the enacting of the credit in 1981 nor the targeting modifications to the credit in 1986 affected the definition of "research or experimental expenditures" for purposes of section 174. The reasons for passing

H.R. 1137 in 1984 were to provide certainty with respect to the tax treatment of R&D expenditures and to encourage taxpayers to carry on research and experimentation. Those reasons for enacting section 174 are even more important today given the increasing global market competition our industries now face.

Toward this end, the newly proposed Treasury regulations under section 174 contain modifications to clarify the broad scope of the section by pointing out that research and experimental expenditures are the costs related to activities intended to obtain data needed to eliminate uncertainty concerning the development or improvement of a product. I believe this action underscores and clarifies that it is Congress' intent that expenditures for the applied engineering required to develop a commercially feasible product and create U.S. jobs are deductible under code section 174.

Second, the bill provides an exemption for the feedstock portion of electricity used in electrolytic processes. Electrolytic processes are used to produce aluminum, chlor-alkali products, copper, magnesium, sodium, zinc, and other products. This exemption only covers the portion of electrical energy incorporated into the manufactured product. For example, in the case of aluminum smelting, it is my understanding that approximately half of the direct current electricity provided as an input to the electrolytic cell is incorporated in aluminum. I understand that approximately 70 percent of the direct current electricity is incorporated in the chlorine, caustic soda and hydrogen produced in the electrolytic process. It is also my understanding that the Secretary of the Treasury may determine a different percentage to be appropriate based upon review of the processes involved.

Mr. Chairman, this is the first reconciliation bill I have processed through my committee under a Democratic President. It wasn't easy—writing legislation to raise taxes and cut spending never is.

Mr. Chairman, I say to my colleagues that the President's revenue package calls for vigorous deficit reduction, but it is fairly apportioned among taxpayers in our society who have the ability to pay. There is no credible alternative.

We have but one choice—to lead. Our constituents, our country and the President rightfully expect us to place the good of the country first—I urge my colleagues to support the President and to vote for this bill.

If we cannot govern, if we do not have the strength to vote for positive, significant change, then we do not deserve to represent our great Nation.

Mr. Chairman, I firmly believe that this bill is necessary to begin to set straight our economic house. My belief has been reinforced

by the reaction of hundreds of business leaders and associations from across the land who support this package before us today.

Many of them will pay increased taxes under the bill. They do not support this bill as a result of altruism; rather they know that their economic well-being, and that of the Nation, depends on our efforts to reduce the Federal budget deficit.

Mr. Speaker, I would like to include in the RECORD a small sampling of the many letters of support I have received in favor of this bill.

MAY 25, 1993.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
Washington, DC.

DEAR MR. CHAIRMAN: The undersigned companies commend you and your Committee for recent actions which improve the tax provisions of the reconciliation bill. We expect better economic results and better employment prospects to follow from the reported bill. We support the tax bill as restricted and reported by the Committee.

AFLAC Incorporated, AlliedSignal Inc., Ameritech Corp., Anheuser-Busch Companies, Inc., Associated Financial Corp.

Avon Products, Inc., Beneficial Corporation, B. P. America, Colgate-Palmolive Company, Delta Air Lines, Inc.

Dow Corning Corporation, Electronic Data Systems, Emerson Electric Co., The GAP, Inc., GenCorp Inc.

General Electric Company, General Mills, Inc., General Motors Corporation, General Signal Corporation, Hallmark Cards, Inc.

Honeywell Inc., Hughes Aircraft Company, IBM, Jim Walter Corporation, Kellogg Company.

Levi Strauss & Co., 3M, Marriott Corporation, Mars Inc., Mercantile Stores Co., Inc.

Owens-Corning Fiberglass Corporation, Philip Morris Companies, Inc., PLY GEM Industries, Inc., Premark International, Inc., The Procter & Gamble Company.

Puget Power Corp., The Quaker Oats Company, Ryder System, Inc., Sara Lee Corporation, Service Merchandise Co., Inc.

Southern California Edison Co., Southern California Gas Co., Southland Corp., Southwest Airlines Co., Tektronix, Inc.

Tenneco Inc., Time Warner, Inc., Valero Energy Corporation, The Walt Disney Company, Westinghouse Electric Corporation.

WHAT CORPORATE EXECUTIVES ARE SAYING

"The Ways and Means Committee significantly improved the corporate provisions of the President's tax proposal, and we, therefore strongly support H.R. 2141, the bill reported by the Committee. Although business will pay several billion dollars more under H.R. 2141, the tax structure is far better than the original proposal for investment and job creation."—E.L. Artz, Chairman of the Board and Chief Executive Officer, The Procter & Gamble Company.

"By eliminating the investment tax credit and reducing the proposed corporate rate, the Ways and Means Committee substantially improved the corporate tax provisions in the reported bill. Their actions keep those provisions much closer to the bedrock principles of tax reform—the broadest possible base with the lowest possible rates—than did the original proposal and, therefore, we support H.R. 2141."—Bruce Atwater, Chairman of the Board and Chief Executive Officer, General Mills, Inc.

"The tax bill, as modified by the Ways and Means Committee, improves the prospects for better economic growth and inter-

national competition."—Warren L. Batts, Chairman of the Board and Chief Executive Officer, Premark International, Inc.

"I strongly support passage of the House budget reconciliation bill. The defeat of the package would mean chaos in the financial markets and would lead to an increase in interest rates. This, in turn, would slow economic growth and job creation."—Clark Matthews, President and Chief Executive Officer, Southland Corp.

"The tax elements which were recently reported by the House Ways and Means Committee and supported by President Clinton represent a reasonable balance between the need to increase revenues, stimulate investment, and ensure the fairness of the tax system.—Michael Walsh, Chairman and Chief Executive Officer, Tenneco Inc.

"To create jobs and growth, the U.S. tax system should have the lowest possible uniform rates and no special preferences. By eliminating the investment tax credit and mitigating the increase in corporate rates, the Ways and Means Committee tax bill moves us in that direction and is worthy of support. However, we also believe that meaningful deficit reduction cannot be achieved without real spending cuts."—John F. Welch, Jr., Chairman and Chief Executive Officer, General Electric Co.

MAY 25, 1993.

House of Representatives, Washington, DC.

DEAR CHAIRMAN ROSTENKOWSKI: The undersigned 90 groups and the millions of Americans they represent support the President's plan as reflected in the budget reconciliation.

We support President Clinton's objectives of creating new jobs, encouraging growth and investment and reducing the deficit. We believe this package is a requisite first step in achieving our mutual goals and objectives.

We urge you to support the budget reconciliation and to vote in favor of its passage.

Sincerely yours,

- AFSCME.
- AIDS Action Council.
- American Agricultural Movement.
- American Association of Museums.
- American Council on Education.
- American Education Association.
- American Federation of Government Employees.
- American Federation of Teachers.
- American Insurance Association.
- American Planning Association.
- American Resort Development Association.
- American Seniors Housing Association.
- Americans for Democratic Action.
- Association of Local Housing Finance Agencies.
- Bread for the World.
- Brotherhood of Maintenance of Way Employees.
- Center for Community Change.
- Child Welfare League of America.
- Coalition on Human Needs.
- Coalition to Preserve the Low Income Housing Tax Credit.
- College and University Personnel Association.
- Communications Workers of America.
- Consumer Federation of America.
- Council for a Livable World.
- Council for Rural Housing and Development.
- Council on Research and Technology (CORETECH).
- Defenders of Wildlife.

- Direct Selling Association.
- Environmental Action.
- Environmental and Energy Study Institute.
- Families USA.
- Friends of the Earth.
- Human Rights Campaign Fund.
- Institute for Responsible Housing Preservation.
- International Ladies' Garment Workers Union.
- International Union of Electronic, Electrical and Furniture Workers, IUE-AFL-CIO.
- Jim Walter Corporation.
- League of Conservation Voters.
- Manufactured Housing Institute.
- National Apartment Association.
- National Assisted Housing Management Association.
- National Association of Children's Hospitals and Related Institutions.
- National Association of College and University Business Officers.
- National Association of Community Health Centers.
- National Association of Home Builders.
- National Association of Homes & Services for Children.
- National Association of Independent Colleges and Universities.
- National Association of Life Underwriters.
- National Association of Real Estate Investment Trusts.
- National Association of REALTORS.
- National Association of Retail Druggists.
- National Association of Social Workers.
- National Association of Targeted Jobs Companies, NATCO.
- National Audubon Society.
- National Coalition for the Homeless.
- National Consumers League.
- National Council of La Raza.
- National Council of Senior Citizens.
- National Council of State Housing Agencies.
- National Council on Independent Living.
- National Education Association.
- National Employment Opportunities Network, NEON.
- National Housing and Rehabilitation Association.
- National Housing Conference.
- National Leased Housing Association.
- National Marine Manufacturers Association.
- National Multi Housing Council.
- National Neighborhood Coalition.
- National Realty Committee.
- National Urban League.
- National Wildlife Federation.
- National Women's Law Center.
- Natural Resources Defense Council.
- NETWORK: A National Catholic Social Justice Lobby.
- NHP, Inc.
- NRG Barriers/Saco Maine.
- Nuclear Information and Resource Service.
- Office of Management and Budget Watch.
- Parent Action.
- Peace Action.
- Physicians for Social Responsibility.
- Ryder Systems, Inc.
- Truck Renting and Leasing Association.
- United Auto Workers.
- United Methodist Church, General Board of Church and Society.
- United Transportation Union.
- Valero Energy.
- Women Strike for Peace.
- Woman's Action for New Direction.
- YWCA of the USA.

SALOMON, INC.,

New York, NY, May 25, 1993.

HON. DAN ROSTENKOWSKI,
Chairman on Ways and Means, Washington, DC.

Dear MR. CHAIRMAN: As one of the original corporate Chief Executives who endorsed the

President's economic program, I want to commend you and your committee for recent actions which improve the tax provisions of the Reconciliation Bill. With the reduction of the deficit accompanied by the decline in long-term interest rates, we anticipate better long-term economic results to follow from the passage of the reported legislation.

I support the efforts of the President to achieve deficit reduction and the efforts you and the other members of your committee made to perfect this important legislation. I am taking the liberty of enclosing a copy of the op-ed piece I wrote in support of the President's program.

Sincerely,

ROBERT E. DENHAM,
Chairman and CEO.

HUMAN CAPITAL INVESTMENT IN THE PRESIDENT'S ECONOMIC PACKAGE: DANCING WITH THE ONE WHO BRUNG YOU

(By Robert E. Denham, Chairman and Chief Executive Officer, Salomon Inc.)

The deficit-reducing impact of President Clinton's economic package, and the bond market's resulting display of confidence, have received abundant attention from financial commentators. In the long run, however, the most important economic impact of the package may be its shifting of funds toward production-enhancing human capital investments and away from military spending and other production-consuming activities.

Anyone who hires significant numbers of employees in skilled positions knows that many Americans are ill-prepared for the increasingly complex jobs that are being created. Meanwhile, layoffs occurring principally in less-skilled jobs or in jobs requiring obsolete skills are creating a growing pool of the hard-to-employ. In Salomon's businesses, which include securities and commodities trading, investment banking and oil refining, we have seen a steady migration toward jobs that demand increasingly complex skill sets. On our trading floors we need people with advanced math and economics degrees, not high school graduates who develop a "feel" for the markets. In administration and finance, we need advanced computing, accounting and mathematical analysis skills, not bookkeepers.

The same story, in different words, could be told by company after company across the United States, yet educational institutions and company training programs have responded slowly and ineffectively to the higher standards required by today's jobs. A recent study of illiteracy among young American adults found 38.5% unable to read at an 11th grade level and 20.2% unable to read at an eighth grade level. Schools have often been so swamped by the social needs of children growing up underfed, ill-housed and in the midst of drugs and violence that they have been unable to respond to their need for an increasingly complex education. Corporations have generally not taken on the responsibility for basic skills training, preferring to invest in more advanced and job-specific training for people who already have substantial basic skills. The realities of a cold war economy created a paradox that was becoming a trap: defense expenditures impaired our ability to afford human capital investments, while the failure to make these investments impaired our long-term security. Increasingly, we are living off the diminishing returns from past waves of human capital investments.

President Clinton's economic plan carries out a dramatic shift from expenditure to in-

vestment, particularly in the critical area of human capital. The human capital investment increases over four years include \$8 billion for Head Start, \$2.6 billion for the women, infants and children program, \$7.4 billion for a national service program that will fund college education, \$4.6 billion for work re-employment and training assistance, and \$1.2 billion for apprenticeship programs. At the same time he proposes dramatic decreases in defense spending and other decreases in non-productive expenditures such as agricultural subsidies. Besides accomplishing the deficit reduction for which the President's program has been justly praised, these changes also make a meaningful start on the investments in human beings that are essential for our long-term economic security.

President Clinton has recognized that with the end of the Cold War it is possible to replace government programs driven by fear with programs that are inspired by hope. Governor Clinton became President Clinton by enunciating a vision of an America that demonstrates belief in its future by willingness to invest in that future today. During the remaining years of his Presidency there will be many events to distract him from this vision. As a guide to making the necessary choices about priorities, he needs only to remember the old country adage: "Dance with the one who brings you."

SMALL BUSINESS
LEGISLATIVE COUNCIL,
Washington, DC, May 27, 1993.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: On the day of this critical vote, I wish to again affirm the significance of the increase in the direct expensing provision from \$10,000 to \$25,000 for small business. We want to commend you and the President for championing this important revision.

As you know, the investment tax credit in the original proposal did not live up to the expectations of the small business community. Because of the many limitations imposed upon it, its effective rate was far lower than the publicized nominal rate.

The direct expensing increase from \$10,000 to \$25,000 is a clean, simple alternative. Many small businesses wanted it. (The small business delegates to both the 1980 and 1986 White House Conferences on Small Business made it a high priority.) Many small businesses can use it. We know some 11 million businesses took a depreciation deduction based on the last available data. Most of those businesses will be candidates for taking advantage of the \$25,000 first year write-off.

We were pleased to work with you in 1981 when you first introduced the concept of direct expensing, and we are pleased to be allied with you and the President in making this dramatic improvement to the budget reconciliation bill. The President must be given credit for recognizing the need to strengthen the bill's value to small business.

I must note we are heartened by reports that the House may take further steps to rein in federal spending, particularly in entitlement programs. It surely is no secret that small business will take every dollar of spending cuts that can be wrung out of federal entitlement programs.

In the months ahead, we look for small businesses, as they lead the nation to economic recovery, to avail themselves of the full \$25,000 direct expensing deduction. It

would certainly be a good sign for the economy.

Sincerely,

JOHN S. SATAGAJ,
President.

AMERITECH,
Chicago, IL, May 5, 1993.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
Washington, DC.

DEAR DAN: It is my understanding that the Committee on Ways and Means will soon be addressing budget reconciliation legislation. On behalf of Ameritech, I want to applaud and encourage your efforts to achieve meaningful deficit reduction.

As a capital intensive company with a very large Federal income tax liability, Ameritech would have preferred to see capital incentive proposals, such as an Investment Tax Credit, that could achieve the goal of genuine capital formation and job creation for business. Unfortunately, the Investment Tax Credit as proposed would not help Ameritech and most large employers reach this goal. We are realistic enough to understand that a more meaningful capital incentive package is not doable at this time given the primary goal of deficit reduction.

We strongly encourage your efforts to minimize any increase in the federal corporate tax rate through the elimination of the proposed Investment Tax Credit. We look forward to working with you and other Members of Congress in passing a pro-growth reconciliation bill that will result in real deficit reduction without burdening the business community with a large increase in the corporate rate.

Sincerely,

WILLIAM L. WEISS,
Chairman and CEO.

MARS, INC.,
Chicago, IL, May 6, 1993.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
Washington, DC.

DEAR MR. CHAIRMAN: The Tax Reform Act of 1986 made a fundamental change in this country's income tax policy. President Clinton's tax package threatens to reverse that change, and that would be a serious error. I urge you to lessen the adverse effects on the overall tax increase package by holding the line on the corporate tax rate and setting aside the proposed investment credit proposals.

For decades, high tax rates were imposed on businesses while a series of special rules enabled many industries to avoid those rates by making certain investment decisions. In that environment, far too many business decisions were based on tax planning rather than on economic and financial common sense.

It is doubtful that the combination of high rates plus offsetting investment credits and other preferences were ever very beneficial to the economy overall. But the President's package clearly offers little "stimulus" for business investment. A temporary credit of seven percent on incremental investments will not make any difference to my company's investment decisions.

But a two percentage point increase in the corporate tax rate will make a difference—an adverse difference. That is a permanent rate increase which will affect the return on our past and future investments for years to come, while the investment credit will be of use only with respect to a modest amount of our investments during the next two years.

I understand that the cost of the credit proposals is about equal to the higher revenues from the rate increase. Given the limited value of the credit and the ill effects from the rate increase, the tradeoff does not seem rational. Why not delete both from the package?

Your leadership role on the 1986 legislation was critical to its enactment. I understand that you are committed to the proposition that a low rate broad-based income tax is the best way to limit the effects of taxes on business decisions. I urge you to help retain that policy by setting aside both the rate increase and the investment credit provisions in the President's package.

Sincerely,

W.B. HELLEGAS,
President.

AMERITECH,
Chicago, IL, May 24, 1993.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
Washington, DC.

DEAR DAN: We recently joined a group of companies in commending you and your Committee for recent actions which improve the tax provisions of the reconciliation bill. We expect better economic results and better employment prospects to follow from the reported bill. We support the tax bill as restructured and reported by the Committee on Ways and Means.

We believe that deficit reduction efforts are critical to a robust economy that will allow Ameritech and other companies to compete successfully at home and abroad. We continue to applaud your hard work to achieve real deficit reduction for the country.

Sincerely,

WILLIAM L. WEISS,
Chairman and CEO.

Mr. ARCHER. Mr. Chairman, I yield such time as she may consume to the gentlewoman from Florida [Mrs. FOWLER].

Mrs. FOWLER. Mr. Chairman, I rise in strong opposition to the bill.

The people of my district in Florida sent me here last fall to do three very important things: Cut spending, keep their taxes down, and promote an environment that will allow jobs to be created.

This bill will not do any of these.

The tax and spend package before us today will increase taxes on all Americans, it will delay any real spending cuts to some future date uncertain, and—worst of all—it will cost Americans their jobs.

According to the Tax Foundation, the Btu tax alone will send more than 1,000 of my constituents to the unemployment office. They will be joined there by nearly 20,000 other Floridians who will lose their jobs just so this Congress can increase the pool of money it can spend.

And let's be clear. When nearly half a million Americans lose their jobs due to this tax increase, it will not result in the kind of deficit reduction the other side claims. In the very first year of this plan, for every \$20 in tax increases, there will be just \$1 in spending cuts.

Mr. Chairman, the American people want us to cut spending first. Instead, they are now facing huge tax increases, many of which are retroactive to the first of this year. Mr. Clinton may very well be the first President who found a way to raise taxes on the American people even before his inauguration.

And who will pay those taxes? Everyone. Not just the rich. Under President Clinton's bill, a middle-income senior couple will see the taxes on their Social Security increase about \$370.

Even more disturbing is the fact that this money will not go to the Social Security trust fund.

It is unfair to raise revenues on the backs of middle-class senior citizens and it is irresponsible to put that money in the general fund.

Finally, Mr. Chairman, as we debate the largest tax increase in American history I am reminded of a line I read that said, "If you tax everything that moves, things tend to stop moving," and that includes this economy.

I urge my colleagues to vote "no."

Mr. ARCHER. Mr. Chairman, I yield such time as he may consume to the gentleman from California [Mr. DORNAN].

Mr. DORNAN. Mr. Chairman, I rise in support of the words of every Republican spoken today and to associate myself with the remarks of a fighting, commonsense Democrat, the gentleman from Ohio [Mr. TRAFICANT].

Mr. Chairman, with all the White House has been doing over the last couple of weeks, the American people are justified in asking, what in blazes is going on with the Clinton administration? And specifically, what is up with his budget? While the concern is real, the focus may be a little off. Indeed, many things are going up with the Clinton budget we are considering today, but the worst things about it are what things are going down. I want to bring my colleagues attention to both the ups and the downs of the so-called plan.

Needless to say, Mr. Chairman, spending is up. Despite OMB Director Leon Panetta's comments earlier this year that the administration's budget would contain \$2 in spending for every \$1 in new taxes, this reconciliation bill reverses this plan. It actually contains \$6 in taxes and fees for every \$1 in spending reductions—and it is a 20-to-1 ratio over the first 2 years. Call me a cynic, but that is more in line with what some of us expected.

Indeed, whether spending reductions will ever occur is open to question. But one thing is clear: The President and the majority Democrats in Congress are interested only in paying lip service to spending cuts. In its exhaustive search for domestic programs that don't work and are no longer needed, the administration came up with only 11 programs totaling less than \$3 billion out of the \$1.427 trillion in non-defense outlays in 1997. And of the \$343 billion this bill contains in reconciled reductions, less than \$70 billion is not arrived at by higher taxes. Overall, this budget adds nearly \$38 billion in new or expanded entitlement programs, which have, after all, been the problem with this budget all along. While the administration has been forced into negotiating with Congress over entitlement caps, little has been said about the entitlement programs the budget creates. Even though half a dozen human resources provisions were cut by \$1.2 billion over 5 years, incredibly, 20 other programs were expanded by \$1.9 billion, creating a spending increase of \$700 million. So what did the Ways and Means Committee do? Characteristically, it added new taxes, including ex-

tending the Federal unemployment tax [FUCA], which now enjoys permanent status as a temporary tax. Only in Washington.

The new immunization program is a good example of how the Democrats pass up opportunities to reform social services and simply resort to throwing dollars at problems. Despite evidence that Government-provided immunizations will have no impact on the immunization rate, the Democrats passed on a Republican plan to allow States to use rewards and punishments to encourage welfare recipients to immunize their children, thereby adding another \$2 billion to the cost of this bill.

There is not even a pretense that the regressive energy tax portion of this tax bill will not be used for more spending. The White House has stated that the energy tax will help reduce the deficit and put the Government on a pay-as-you-go basis for needed public programs. That's more spending, folks. And it is interesting to see how the Democrats have tried to hide the tax's regressivity, by robbing one class of taxpayers to pay off another. This budget spends at least one-half of the \$71.5 billion expected to be raised over 5 years on low-income families and individuals, including a \$28 billion increase in the earned income tax credit [EITC], \$7 billion in additional food stamp payments, and \$1 billion for Low-Income Home Energy Assistance Program [LIHEAP] payments. This forces middle-income families—hardly our Nation's richest taxpayers—to pay an excessive share of the administration's revenue goal. And as the energy tax increases yearly, it is impossible for the middle class to know the size of the bag it is left holding. It truly is a stealth tax.

Which brings me to the next item that is up with the Clinton budget—taxes. All of this increased spending will require passage of the most massive tax hike in history. It calls for \$332 billion in tax increases over the next 5 years, and adding the various hidden increases, the tax bite will grow even larger in later years. It creates a new individual income tax rate brackets at the 36 and 39.6 percent levels which reach even lower down the income scale than now. These new tax rates are supposed to raise \$31 billion of the \$39 billion in deficit reduction for 1994 under this plan. Gone, at least, from this reconciliation bill is all pretense of a millionaire surtax. The White House no longer pretends that it is anything more than another rate bracket, with millionaires defined now as those earning more than \$250,000. And of course, this tax is retroactive to the beginning of 1993.

Even families with incomes under \$20,000, contrary to the President's claims, will bear the burden every time they pay their heating bills, fill their gas tanks, or make a purchase of almost any kind. The Clinton energy tax alone will cost every American family \$471 a year.

Individuals with adjusted gross incomes over \$150,000 who pay estimated taxes must, under the Clinton budget, pay 110 percent of current year taxes as next year's estimated taxes to qualify for a safe harbor. So individuals with no increase in income or tax liability during that year are effectually giving the Government an interest-free loan. This is outrageous, but it is even worse for corporations. Even though this bill sets the maximum corporate tax rate at 35 percent, large corpora-

tions which pay estimated taxes must pay a full 100 percent estimation, rather than the 97 percent under current law. This reduces the margin of error in computing estimated taxes, and virtually assures the assessment of penalties. The administration hopes to gain \$2.7 billion from this unfair, illusory deficit reduction provision which will only speed up the payment of corporate taxes by a few months, and make a cheap profit from hard-to-follow rules which are broken.

There is a hidden rate bracket increase in this reconciliation bill on small businesses and family farms, the biggest job creators throughout the 1980's. The bill would phaseout the permanent personal exemption, limiting itemized deductions, and removing the cap on wages subject to the health insurance tax. There is also a new maximum marginal tax rate of nearly 44 percent. As my colleagues know, the maximum marginal tax rate—currently almost 32 percent—represents the true incentive for entrepreneurs to earn extra money. So once a person pays the highest stated tax rate of 39.6 percent, adds in a Medicare tax for self-employed individuals of 2.9 percent, and tacks on an itemized deduction limit at about 1.2 percent, tell me what is the incentive for him or her to engage in the type of economic activity our economy needs? This new marginal rate is a 37 percent increase in the current rate. Before 1986, the rate was 50 percent. Goodbye tax reform.

So what else is up with the Clinton budget? How about Government regulations and bureaucratic redtape. What would the Carter II administration be without this? We should not be surprised, as we have come to see one of the most radical environmentalists in Congress elevated to second-in-command. But in case there was any doubt, this budget reconciliation is a validation of Mr. Clinton's commitment to big government.

Contrary to its own wishes, it will not be possible for the Clinton administration to reach the environmental goals of the Rio Earth Summit by the use of the new energy tax alone—though for some in the administration it is the first step. Still, the \$71 billion energy tax is the largest regulatory intrusion by big government we have seen in a long time. In effect, administration of the energy tax has been unilaterally ceded to the U.S. Treasury Department, which will have complete and arbitrary control over its regulation.

The Treasury Department will have the power to not only change the tax rate on various energy products, but also to expand or contract the list of products subject to the tax in instances where such exemption is warranted. This is very wide authority. As well, even though the Internal Revenue Code would, under this bill, set forth the relevant Btu contents of specific fuels—ostensibly the measure of this energy tax—it also will permit the Treasury Secretary to override the statutory language by regulation. The Treasury Department could modify Btu contents enumerated by the statute if it determines they do not properly reflect the Btu content per unit, and it could also prescribe Btu content, and therefore the tax rate, for any energy product not prescribed. Thus, if the Treasury Secretary concludes that the tax statute rate is wrong, he or she could change it unilaterally, rather than by legislation.

But even outside of the energy tax, this reconciliation bill also extends wide regulatory latitude to the Treasury Department on other tax matters. For instance, the Secretary may reduce the types of investments that would normally qualify for capital gains treatment. The implications of this item under a Democrat regime hostile to capital gains are simply staggering.

The point, of course, is that the administration is overstepping its bounds. It is one thing for the executive branch to request regulatory discretion in an administrative matter. But the power the Clinton administration is asking for, Mr. Chairman, should only be entrusted to the people's representatives in Congress.

Increased interference by the Federal Government means more bureaucracy. The President's energy tax will require companies to establish new types of recordkeeping. It will also force the Federal Government to hire and train new agents, and both companies and Government will spend increased resources on enforcement and compliance.

The investment tax credit for small business contained in this bill requires nearly 19 pages of statutory language providing endless detail on gross receipts of the businesses to see if they are small and to list the kinds of property which qualify. All of this for a tax credit that will provide at most \$8,000 in benefit to the largest qualifying business and far less for the average small business.

Capital gains is singled out for an enormous complexity penalty, again, at the sole discretion of the Treasury Secretary. Effectively, 75 years of settled tax law on the treatment of capital asset sales will be thrown out the window.

And there are numerous bureaucratic time bombs in this reconciliation bill, including retroactive tax rates and schedules. None of this will make our economy more competitive, or reduce our deficit. Not to mention the national debt—which is also up. The Clinton administration's own figures show that his spending and taxing plan will raise the national debt by over \$1 trillion over 4 years. And the energy tax will simply allow the administration to spend more—regardless of any deficit reduction trust fund gimmick the President puts forward.

It stands to reason that if the President succeeds in his budget plans, inflation will also be up. A recent NFIB survey of more than 2,200 small firms reflected declining sales expectations, a flattened employment outlook, tighter credit conditions, and yes, inflation. The survey picked up hints that inflationary pressures could be on the rise among small firms hoping to take advantage of what little strength is in the economy to improve profit margins.

The energy tax in particular will raise the cost of practically all goods and services. The President's chairman of the Council of Economic Advisors recently testified that the energy tax alone could result in an overall inflation increase of 0.3 percent—a 10 percent increase in last year's rate. And recent data indicates that inflation is beginning to resurface. So shouldn't the administration be taking steps to prevent it rather than exacerbate it?

As inflation rises, another indicator of a return to the Carter presidency will go up too—unemployment. Rising energy costs will make

American workers less productive and encourage the transfer of energy-intensive manufacturing overseas. It will kill jobs. My home State of California will rank No. 1 in job loss due to the energy tax, with 54,400 thrown out of work, almost 1,200 of them in my district alone. One study estimates that 600,000 jobs will be lost because of the energy tax alone.

So as we contemplate the ups and downs of the Clinton budget, it is fair to ask, what's going down?

Productivity. Many economists are increasingly pessimistic on the U.S. economy in light of the Clinton tax and health plan prospects. Indeed, why should Americans be more productive when the cost of being productive will increase by 35 percent or more? Some have estimated that the President's energy tax alone will lower economic growth by \$35–50 billion each year. Many companies will face increased costs far in excess of the administration's 3–4 percent estimate for energy-intensive products. And even small increases will irreparably harm companies producing low-margin, price sensitive goods, particularly those that compete in foreign markets, and which will also not be able to pass along the costs. So as U.S.-manufactured products will bear the brunt of the energy tax, while foreign products will not, it is not surprising that the National Association of Manufacturers predicts that GDP will be \$38 billion lower than it would without the Clinton plan. Add to this the new taxation of international operations, and it is clear that American businesses will be at a competitive disadvantage.

Investment and personal savings will also be on the decline if this reconciliation passes. In the above-mentioned NFIB survey, only one-third of small businesses tallied said they plan to make capital outlays in the next 6 months, although nearly two-thirds of those same firms spent money on their businesses in the previous quarter.

As for individuals, the future under Mr. Clinton's budget is just as bleak. Tax rates on investment earnings will definitely increase by 35 percent or more, slashing incentives to contribute to pensions for retirement. Many retirees will be subject to a 52 percent marginal tax rate on interest, dividends, and pension income. If a senior citizen is unlucky enough to be caught in the earnings limitation trap, their marginal tax rate could be over 90 percent. And an increase in the estate tax rate punishes lifetime savings even further. It seems that the President would make the Government the greatest beneficiary of an individual's lifetime work.

And the savings of seniors will not be all that are hit. The one benefit every senior American can, at least for now, count on receiving upon retirement is Social Security. Every person must pay in, but everyone receives benefits. And now, most seniors will pay taxes on those benefits.

The Clinton budget plans to extract \$32 billion over 5 years from Social Security recipients in what is a near doubling of Social Security taxes. Under current law, single and disabled Social Security recipients with incomes over \$25,000 a year, and married beneficiaries with incomes over \$32,000 a year pay taxes on up to 50 percent of their benefits. This reconciliation bill will move that figure up to 85 percent.

What does this mean in real terms? The American Association of Retired Persons says that 6 million families will see a significant increase in their Social Security benefits being taxed, while another 1 million families will have their Social Security benefits taxed for the first time ever. The Congressional Budget Office estimates are more dire. They say that 23 percent of all Social Security recipients—10 million of them—will be affected in 1994 alone, while 30 percent, or 14 million will be hit by 1998. And the percentage goes higher every year after that. You will be astounded to see how big a problem this Social Security tax becomes.

And that is not all. Under this budget, the rules on requiring that benefit taxes be used to shore up the Social Security trust fund are abrogated. This should serve as a warning to those who think the administration is sincere about his deficit reduction trust fund. The plain truth is that this is revenue recovery. Indeed, the administration has been playing fast and loose with the facts on this tax all along. Mr. Clinton originally attempted to portray this tax as a spending reduction, arguing that it was because it was a cut in benefits. The administration now publicly acknowledges that it is a tax. Yet they still cannot bring themselves to include it among the budget's revenue proposals.

And what is the justification? The President says that Social Security benefits must be taxed more like regular pensions, meaning only 15 percent of the benefits escape taxation. But what he ignores is that many Social Security recipients are already taxed on their contributions when they are made and then again when the benefits are distributed. This is double taxation, pure and simple. So much for savings. In short, many retirees will see a bigger tax hike and a higher marginal tax rate than the so-called rich who make over \$140,000. So much for socking it to the rich and leaving the rest of America alone.

All of this means, of course, that revenues will actually decrease under this plan, despite whatever the White House intends. Revenues, Mr. Chairman, are what the President is trying to collect. But the Clinton package restores all of the old incentives to seek tax shelters, which Congress did away with in 1986. And it won't be the poor who take advantage of those. Upper-income individuals will defer income, buy tax-free bonds or low-dividend stocks, take more tax-free fringe benefits than before, increase their home mortgage interest deductions, or simply work less. It's a vicious cycle, this taxing the economy out of productivity.

Economist Martin Feldstein explained this cycle very well in a recent Wall Street Journal editorial which I will submit for the RECORD following my remarks. The Clinton plan makes that same mistake tax and spend Democrats always make—it assumes people will go about their business as usual, no matter how the Government chooses to involve itself with their checkbooks. The raise in the marginal tax rate raise will produce little or no additional revenue, but it will weaken the economy and waste scarce investment dollars. A couple making \$180,000 taxable could easily choose to cut their income by only 5 percent, and Treasury would actually collect less revenue

under the Clinton plan than today. If these people reduce their income by 10 percent, Feldstein concludes that virtually all of the President's projected revenues would disappear. No revenue equals no deficit reduction. Yet the spending, like the Energizer rabbit, just keeps going, and going, and going.

Mr. Chairman, as George Snyder of the National Association of Wholesaler-Distributors recently pointed out, there is no example in history of a country successfully taxing its way to job growth and prosperity. Prosperity comes from a productive workforce with a sustainable tax base to cover the necessary government functions. But a confiscatory tax policy will drive lower any incentive for increased productivity. Even the draconian bureaucratic control of the failed Soviet system couldn't confiscate enough of its own earnings to finance its monolithic spending needs. The President's package attacks the philosophical underpinnings of 1986 tax reform, returning us to days of loopholes, shelters, and preferences. The resulting Tax Code could stifle any economic recovery, and make debt reduction a pipedream.

Let's look at the direct lending portion of this bill. While I believe we need to reform the current student loan system in order to produce savings and reach the neediest students, I strongly oppose the Clinton administration's proposal to replace the guaranteed student loan system with federally administered direct lending. It is an untested program that will not only result in disaster for students needing college loans, but it will also end up costing the Government more money, not less.

The Clinton administration's estimates of cost savings under direct lending are misleading. Indeed, the \$4.3 billion in savings over 5 years claimed by OMB and CBO and included in the budget resolution will never materialize. Both the OMB and CBO analyses rely on budget gimmicks that ignore the significant costs of converting to a direct lending program. The Congressional Research Service has determined direct lending would actually cost an additional \$200 million in the first 2 years.

Moreover, since when is the Federal Government, in particular the Department of Education, qualified to handle the administration of such a complex program? A recent study by the Congressional Research Service shows there are a number of administrative and financial risks associated with direct lending and that such a program is likely to increase budget outlays and reduce national income. The result? An increase in the deficit. The General Accounting Office agreed, finding that "the inventory of known problems in the [Education] Department's administration of guaranteed student loans raises questions about its ability to adequately manage a direct lending program." Even the Department's own inspector general has judged the Department incapable of administering this program.

With all this in mind, it is beyond me that Congress and the President would get the current loan system as well as the direct lending pilot program in order to put on the fast track such a dubious program that will further burden a Government whose excessive borrowing has left us with a \$4 trillion debt.

At a time when we are supposed to be reducing the deficit, direct lending is a program

that this country can ill-afford. Furthermore, the Federal Government is simply incapable of administering such a complex program without hurting students ability to receive loans. If Congress is to improve the current program of student loans, it should focus on reducing defaults, reducing lender subsidies, improving guarantee agency financial stability, and increasing guaranteed student loan accountability for all program recipients. By carrying out reforms in this manner, we will be able to run this program more efficiently so that needy students receive the financial assistance they deserve.

Finally, Mr. Chairman, it should occur to the President that his one unrecoupable loss is the public trust. This is already down. Way down. For weeks, we have been insulted by the arrogance with which this President has attempted to operate in a policy vacuum, taking on such pressing issues as incorporating homosexuals into our armed services and cutting the White House travel office. His public trust hasn't been helped by these fiascos, and now his budget plan is lowering it further.

Mr. Clinton promised the middle class a tax cut. Instead, he handed them a massive tax increase in the form of an energy tax. And this political maneuvering to sneak his energy tax barely past Congress doesn't play in Peoria. The American public will still be saddled with a huge tax increase, all across the board. And now, to regain their support, Mr. Clinton vaguely talks about a middle-class tax cut at a late date. We're supposed to trust him. Yeah, right.

His latest gimmick, intended as the sugar for the medicine, is the creation of a deficit reduction trust fund. Give me a break. Mr. Chairman, are there any naive Americans left over the age of 40 who still believe the creation of a trust fund guarantees funds designated for a particular purpose will be used for such? Ask any senior citizen how they think the Social Security trust fund has been handled.

And the administration knows this. CBO Director Robert Reischauer recently testified that the purpose is "to assure the public that the tax increases and spending cuts . . . would actually reduce the deficit." Good public relations. He also admitted, quite frankly I think, that claiming deficit reduction has occurred is very different from actually achieving any certain deficit targets. It is clear that Mr. Clinton's new deficit reduction trust fund proposal is really nothing more than a cheap accounting gimmick more capable of boosting the Clinton trust deficit rather than our Nation's deficit trust.

So there you have the ups and downs of the Clinton budget. And the question now becomes, what's going on here? As we meet to debate a budget reconciliation bill, Mr. Chairman, I can't help but notice that nothing in this bill can be reconciled with the promises Bill Clinton made during the campaign. I've heard the Democrats talk a lot about the need for bold, new ideas. But all I hear them offer is bold, old ideas. The Clinton administration is going the way of the last failed Democratic Presidency. Bill Clinton simply doesn't understand. As I said before, there are no examples of a country taxing itself into prosperity yet taxes are quickly becoming the defining feature of the Clinton administration. I urge my

colleagues to vote against this truly disastrous budget reconciliation. Think of this as merely the first installment—just wait until health care reform.

And here, Mr. Chairman, follows the solid article by Prof. Martin Feldstein.

CLINTON'S PATH TO WIDER DEFICITS

(By Martin Feldstein)

As someone who has been urging deficit reduction for more than a decade, I was initially pleased by President Clinton's seeming emphasis on cutting the deficit and his call for tough medicine to achieve that goal. Unfortunately, careful analysis of his plan shows that it would not shrink the deficit's share of national income. The projected increases in spending on social programs would far outweigh the proposed changes that reduce spending or raise revenue, leaving the nation with a wider deficit four years from now.

Even under the optimistic calculations of the Clinton team, there is virtually no reduction of the relative deficit over the next four years. If every tax and spending change called for in the plan occurs and the economy returns to "full employment" in 1997, the Clinton calculations place the budget deficit at 2.7% of gross domestic product. Back in 1990, when the economy was last at full employment, the deficit (net of deposit insurance outlays) was 2.9% of GDP.

With a deficit of 2.7% of GDP, the government would be borrowing about half of the net savings generated by households, businesses, and state and local governments. The remaining savings would be too low to finance enough investment to keep up with the growth of the labor force. And the ratio of the national debt to GDP, now more than 50%, would still be rising.

FAR TOO OPTIMISTIC

Those gloomy figures are actually far too optimistic, because there is no possibility that the Clinton plan will produce the deficit reduction that it projects.

Consider first the tax increase that is the centerpiece of the deficit reduction plan. For 1994, the plan projects deficit reduction of \$39 billion, \$31 billion of which is supposed to come from raising the personal income tax rates on individuals with taxable incomes exceeding \$140,000 and from adding a 2.9% Medicare payroll tax to all incomes exceeding \$135,000.

The Clinton revenue estimates are based on the fallacious assumption that taxpayers will not change their behavior in response to a 37% jump in their marginal tax rates (from 31% today to the 42.5% that results from the new 36% rate plus the 10% surcharge and the 2.9% Medicare tax). In reality, taxpayers will find ways of converting taxable income into nontaxable income. Tax shelters and deferred compensation will become more prevalent, and some individuals, especially in two-earner households, will opt to work less.

If the higher marginal tax rate causes these taxpayers to reduce their taxable incomes by 10%, virtually all of the president's projected revenue gain would disappear. For a taxpayer with \$400,000 of taxable income, the rate hike would produce \$26,085 of additional revenue if there were no behavioral response. But if taxable income is reduced to \$360,000, the additional revenue would be only \$7,935.

The effects on Treasury revenue are even more startling for those with slightly lower incomes. At \$180,000 of taxable income, the marginal tax rate would rise by 25%. Even a very small 5% reduction in taxable income

(to \$171,000) for such individuals would mean a net reduction in total taxes paid: Although the Treasury would collect \$2,594 of additional taxes on the income up to \$171,000, it would lose \$2,790 by not taxing the remaining \$9,000 at the current 31% rate. The net effect would be a revenue loss of \$196 instead of the projected revenue gain of \$3,305. With a 10% reduction in taxable income (to \$162,000), the higher rates would actually cost the Treasury \$3,697 for a couple with \$180,000 of current taxable income.

According to the Clinton plan document, half of all taxpayers with incomes over \$140,000 have incomes under \$180,000. Thus even a 5% reduction in taxable incomes in response to the 25% marginal tax rate increase would reduce the taxes paid by the majority of those who faced higher rates. It's all pain for them with no revenue gain to the Treasury and therefore no deficit reduction.

The second implausible feature of the plan is the assumption that Congress will cut real defense outlays by a massive 25% over the next four years. Defense outlays in the current fiscal year will be \$294 billion, or 4.8% of GDP—down sharply from the 5.9% of GDP in 1989 before the fall of the Berlin Wall and the collapse of the Soviet Union. Maintaining the present real level would require \$328 billion of defense outlays in 1997 even if inflation averages the very modest 2.8% a year projected by the Congressional Budget Office.

The Clinton plan's projected \$249 billion in 1997 defense outlays is thus 25% below the amount needed to maintain today's real spending level and 33% below the amount needed to maintain our current 4.8% of GDP spending on defense. Mr. Clinton would reduce defense spending to 3.3% of GDP, lower than in any year since 1940 and less than a third of its share in 1959, when John F. Kennedy warned that we were spending too little on defense.

Although the Clinton defense outlays in 1997 are projected at \$79 billion less than the \$328 billion needed to maintain the current real level, the Clinton documents claim his "proposed policy changes" cut 1997 defense outlays by "only" \$37 billion. This budgetary sleight of hand is achieved by reducing the "baseline" from which the Clinton defense cuts are calculated.

Instead of taking as a standard the level of 1997 spending needed to maintain today's real defense outlays, the Clinton budget assumes that the \$22 billion of cuts agreed to in the Omnibus Budget Reconciliation Act and the additional \$20 billion cuts subsequently proposed by President Bush have already been made. Subtracting these two cuts from the \$328 billion gives President Clinton a 1997 "starting" point of \$286 billion. His additional projected cuts of \$37 billion result in projected defense outlays of \$249 billion.

But playing games with the baseline doesn't change the results. At a time of increasing military uncertainty and conflict around the world and a new proliferation of nuclear arms and ballistic missiles, there is good reason to doubt Congress' willingness to accept such drastic cuts.

The third piece of implausible budgeting is the projected domestic spending cuts. By President Clinton's reckoning, nondefense spending in 1997 would be cut by \$61 billion (before taking into account his plans for new spending of \$55 billion on "investments and incentives"—a label that is divorced of all meaning by extending it to every type of social program and income redistribution). Just how likely is the \$61 billion of projected spending cuts?

About half the "spending cuts" are really revenue increases. Raising the tax on Social Security benefits for retirees with more than \$32,000 of income would raise \$7 billion in 1997. A wide range of user fees would produce \$9 billion. Higher Medicare premiums would yield \$4 billion if Congress goes along. A variety of changes in hospital reimbursement rules for Medicare and Medicaid would shift \$6 billion of costs from the government to private insurers and therefore eventually to wage earners. Add the \$4 billion that the government hopes to save by betting that financial markets are wrong and shortening the maturity of the debt and you have a total of \$30 billion of 1997 "spending cuts" achieved without a single dollar's worth of benefit cuts or activity reduction.

The Clinton team's extensive search for programs that "don't work or are no longer needed" came up with less than \$3 billion out of the \$1.427 trillion in nondefense outlays in 1997—0.25%. Much of the remaining \$28 billion of projected "spending cuts" are the kinds of wishful-thinking numbers that traditionally help budgeteers project narrower deficits but don't actually produce any savings. In the language of the Clinton plan, there are 1997 savings of \$3.3 billion from "streamlining government," \$6 billion from unspecified "administrative efficiencies," and more than a billion dollars from better management of particular programs.

ADVICE IGNORED

It is unfortunate that President Clinton did not take the advice of his own budget officials, Leon Panetta and Alice Rivlin, when they called for a much broader framework for deficit reduction. The president's decision to avoid real cuts in nondefense spending and to adopt a counter-productive structure of higher tax rates leaves us with no credible reduction in the deficit. His plans to increase nondefense spending labeled "investments and incentives" by \$160 billion over the next four years and by \$55 billion in 1997 alone virtually ensures that the Clinton plan would produce a sizable increase in the share of national income absorbed by the budget deficit. What makes this particularly disturbing is that the president either does not understand this or is not leveling with the American people.

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentleman from Tennessee [Mr. SUNDQUIST].

Mr. SUNDQUIST. Mr. Chairman, I want to address my remarks to my colleagues on the Democratic side of aisle.

I know this is a tough vote for some of you, a choice between voting your conscience or standing by your President. I have been there.

In 1986, I voted against my President, Ronald Reagan, on tax reform. And in 1990, I voted against my President, George Bush, on the budget agreement. I didn't enjoy doing that, but I'll tell you, those are two of the smartest votes I have cast here.

George Bush promised the voters he would not raise taxes, went back on his word, and lost. Many of you got elected last fall promising to come to Washington and cut spending first.

Do not make the mistake of believing that your constituents will let you break your commitment to them without cost.

This package contains the biggest tax increase in U.S. history, and the

taxes are retroactive to the first of this year.

This package punishes the elderly who have saved and invested for retirement, and those who choose to keep working beyond age 65, by making 70 percent more of their Social Security benefits subject to tax. And, because the income thresholds for this tax are not indexed for inflation, the number of seniors subject to the tax could double in just a few years.

This package has Btu tax that will increase the cost of virtually everything produced in America, fueling inflation and destroying jobs.

Your constituents want you to cut spending first. This package raises taxes first and promises that someday, someday, we will make some cuts.

Your constituents want deficit reduction. But under this package, in 1997—despite \$332 billion in new taxes—the deficit will be only \$50 billion less than it is today.

My colleagues, this is not what you campaigned for back home. And you are kidding yourselves if you think your constituents do not know that.

Sometimes doing the right thing for the country means saying no to your President. It is not pleasant. It is not easy. But in this case, it is the right thing to do.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield such time as she may consume to the gentlewoman from Illinois [Mrs. COLLINS].

Mrs. COLLINS of Illinois. Mr. Chairman, today, I rise in support of H.R. 2264, the Omnibus Budget Reconciliation Act of 1993. Supporting this legislation is by no means easy for this Member. It includes many provisions which are not perfect and will require tremendous sacrifice on the part of my constituents, both rich, poor and middle class. But, in spite of all its challenges, this reconciliation package has been constructed fairly, with balance so that no one group is extraordinarily burdened.

Today, we must accomplish what the people of this country sent us here to do and that is to make difficult choices. Obviously, in a time of decreased resources, many of our decisions will result in some pain, but we must all pony up to the table for the good of the country and that is precisely what this bill accomplishes.

Much has been made of the unpopular taxes which are raised in this package, and certainly we are all called to some sacrifice, but the sacrifice requested occurs in a progressive way, with 75 percent of the burden falling on taxpayers making over \$100,000 a year.

The authors of this bill have made a special point of ensuring that low-income workers receive some relief by expanding the earned income tax credit. In my city of Chicago, approximately 150,000 working families will benefit from the expansion of this credit. In many ways this measure will be the strongest anti-poverty, pro-work measure that we have passed in a long, long time.

Left out of the statements by critics of this bill are all of the important tax measures which

will not only stimulate the economy but will ensure that the average workers, as well as the poorest of, us are not unduly hurt. These include the following programs which will be permanently extended under this legislation:

First, the Low-Income Housing Tax Credit Program which has already increased the number of units of affordable housing around the country. In Chicago it has been responsible for nearly 6,200 units of low-income housing.

Second, the Mortgage Revenue Bond Program, which has been especially successful at granting the dream of home ownership to many middle-income families. In the past decade, the State of Illinois has made over 2,700 loans to first-time buyers in my city of Chicago through this program.

Third, the Targeted Jobs Credit Program which has proven to be good for business and is certainly good for the poor unskilled youth of our communities has been tremendously effective at getting youth into private sector jobs. It has been lauded by most companies which have used it and by the communities where it has been put into practice.

Fourth, the Small Issue Industrial Development Bonds Program which has been an important source of jobs by providing low-interest loans for industrial expansion and extension.

Permanently extending these four prudent, successful programs is not only good for business, it is clearly good for America. They help create jobs and thereby stimulate the economy.

This omnibus reconciliation bill includes other initiatives which should bear mention, including the empowerment zones proposal which will be extremely important to communities like Garfield Park, Lawndale, and Austin on Chicago's west side as we try to encourage economic development.

Of course this bill is not without its problems. I myself am concerned about several of the cuts in funding proposed in the Medicare and Medicaid Programs. A particular one that I hope we can resolve is the formula provided for payment to hospitals which have a disproportionate share of indigent patients. The provision currently included in the bill could have a profoundly negative affect on the Cook County Hospital system which provides health care to myriad of Chicagoans. As this measure proceeds along the legislative path, I would like to enlist the help of my colleagues in working to alleviate other possible problems.

Mr. Chairman we can all find plenty of small reasons not to support this bill. Sure it probably causes all of us reason for pause, but as the people charged with making the tough decisions on what is best for not only our individual constituencies, but of the Nation, we must take a broad view. This package requires that we all pony up to the table. The American people are counting on us. I urge my colleagues to do the right thing and vote for H.R. 2264, the Omnibus Reconciliation Act.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield such time as she may consume to the gentlewoman from California [Ms. ESHOO].

Ms. ESHOO. Mr. Chairman, I rise in strong support of this deficit reduction reconciliation.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield such time as he may consume to the gentleman from Pennsylvania [Mr. COYNE].

Mr. COYNE. Mr. Chairman, I rise in strong support of the Budget Reconciliation Act and President Clinton's plan to reduce the deficit and promote economic growth and increased job opportunities.

This budget plan will reduce the Federal deficit by a record \$496 billion over 5 years. Equally important, this legislation sets a new investment-oriented direction for Federal spending. This shift from consumption to investment is vital for the creation of new good paying jobs and an expanding economy.

House passage of the Clinton administration's budget plan is essential to show Wall Street and the American people that Congress is serious about stemming the flow of the red ink. No one likes raising taxes, but the deficit cannot be reduced without a balanced program of both new taxes and spending cuts. This fact is recognized by over 100 major U.S. companies, including General Motors, General Electric, IBM, Delta Airlines, and Westinghouse Electric. This plan is also supported by numerous organizations representing U.S. workers, including the AFL-CIO.

The House Budget Reconciliation Act provides for more than 100 specific cuts in Federal spending. Unnecessary programs are being eliminated, such as redundant commissions, special purpose HUD grants, and the current and outdated student loan program. Over \$4.6 billion is saved solely by abolishing the old student loan program in favor of a direct student loan program.

President Clinton has stated plainly and honestly that tax increases must play a role in deficit reduction. He recognizes that \$496 billion in deficit reduction over 5 years cannot be achieved fairly by asking only some to sacrifice through Federal spending cuts while those who benefited most economically from the policies of the 1980's sit on the sidelines.

The key point to remember is that President Clinton has insisted that tax fairness be the first priority during consideration of new taxes. The administration's recommended tax proposals place the heaviest burden on those who can most afford it—individuals who benefited from upper income tax cuts in the past decade. The Congressional Budget Office reports that 75 percent of the taxes raised under the administration's plan fall on the top 6.5 percent well-off families—those making over \$100,000.

The Clinton administration has called for a Btu excise tax based on the heat content of energy sources. The Btu excise tax is a broad-based tax which has the added benefit of promoting energy conservation. Although a lot of attention has been focused on the Btu energy tax, its impact on middle-class and low-income families will be limited or nonexistent. The Btu energy tax will not be fully effective until 1996. In 1994, a family making \$40,000 will pay only \$1 a month more. In 1995, the same family would pay only \$7 more a month, and then only \$17 dollars a month when the tax is fully phased in.

Most middle-class families can expect any additional cost from the administration's tax proposals to be compensated for through

lower interest rates which are at a 20-year low. A family who refinances their 10 percent \$100,000 mortgage at 7.5 percent saves \$175 a month or \$2,100 a year. Lower interest rates also allow businesses to borrow money more easily for expanding their operations or hiring new employees.

Low-income families will be fully insulated from the Btu tax and other tax proposals through increased funding for programs like the earned income tax credit for poor working families and the Low-Income Home Energy Assistance Program. The expanded earned income tax credit will benefit working families with incomes below \$28,000. In my own State of Pennsylvania, total earned income tax credit benefits will be increased by \$240 million next year above the \$363 million in EITC benefits received in Pennsylvania during 1992.

While attention is rightly focused on the record deficit reduction achieved under the Clinton administration's plan, it is vital that the economic growth benefits of this legislation not be forgotten. The Budget Reconciliation Act before the House provides targeted investment incentives for private business and shifts Federal spending toward programs that will strengthen the ability of our country to compete internationally.

This budget resolution provides an economic strategy that will put the average American first once again. Increased investment is intended to put an end to the stagnation in the real incomes of the average American family. This resolution also seeks to reverse the trend of increased poverty rates and greater inequality of income and wealth which arose during the 1980's.

The House Ways and Means Committee has reported budget reconciliation provisions which will promote public and private investment in the Nation's productive resources. This plan provides for an increase in the business equipment expensing allowance, an extended research and development tax credit, the targeted jobs tax credit, mortgage revenue bonds, and industrial development bonds.

A number of the Clinton administration's tax proposals are intended to promote small business growth in particular. A key example is a targeted capital gains tax break for long-term investment in a small business. President Clinton understands that small businesses are a key engine for economic growth and historically have been responsible for most new job creation.

Finally, I am pleased that the House Budget Reconciliation Act would extend permanently the Industrial Development Bond Program. On February 4, 1993, I introduced legislation to extend permanently the Industrial Development Bond Program which provides low-cost loans to small manufacturers planning to create new jobs, expand their facilities or build new plants.

IDB's are a proven program for creating jobs. Pennsylvania, for example, has used Industrial Development Bonds to create 8,975 new jobs and helped retain 17,724 jobs that might have otherwise been lost between 1987 and 1992. Nationwide, IDB's have created an estimated 182,000 new manufacturing jobs and facilitated the retention of 169,000 jobs through the financing of roughly 3,800 projects.

Mr. Chairman, I urge my colleagues to vote for this Budget Reconciliation Act and to support President Clinton's efforts to cut the Federal deficit. The overall impact of this deficit reduction and investment plan will be to make the U.S. economy stronger and provide more opportunities for American families. It deserves the support of the House.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 2 minutes to the gentleman from New Jersey [Mr. TORRICELLI].

Mr. TORRICELLI. Mr. Chairman, every generation that has come to this Congress has made a contribution to the power and wealth of America. This generation has been different. We have presided for a decade over the slow but steady decline in the power and wealth of this country. Either these massive debts and this eroding power were an aberration of an unfortunate decade, or they are permanent change in our ability to govern ourselves.

To reverse it it is said that we need courage, that it is difficult. Courage is not coming to this Congress and voting for what you know is right. Courage has been generations in this country that have fought, people that have sent their children to war, people who have paid high prices.

All you are asked to do is respond to the truth that every one of you know, truth that there is one plan before this Congress that will reduce debts that are consuming us, specific plans to reduce spending that is overwhelming us.

What you are asked to do is to respond as you said you were going to do, to keep a basic commitment, and that is to deal with a debt that is consuming this country every single day.

Mr. Chairman, that is the basic choice. I ask every Member of this House to put aside what you said you were going to do after the election. You said we were going to have one President; that the election had concluded and you were going to give him a chance.

This is that chance. Democrat and Republican alike, do what you know is right: Give Bill Clinton the chance to govern and prove that the eighties are over.

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentleman from Florida [Mr. SHAW], a member of the committee.

Mr. SHAW. Mr. Chairman, I thank the gentleman for yielding.

Mr. Chairman, I would like to point out to the gentleman from New Jersey [Mr. TORRICELLI] that according to the Tax Foundation, the energy tax will kill 1,833 jobs in his district. I might say, Mr. Chairman, that it will cost us 1,069 jobs in my district, and those are 1,069 jobs that I cannot afford to lose.

The Clinton administration has promised us a budget that would cut \$2 in spending for every dollar in new taxes. But what this House is voting on today is a budget that would raise over \$3 in taxes for every dollar in spending cuts.

It is, practically every American has heard, the largest tax increase in American history, \$332 billion in tax increases. The Clinton administration promised us a budget that would cut the deficit in half in 4 years and put us on a continuing path toward a balanced budget. But what the House is voting on today is a budget that would still leave incredibly overtaxed Americans with a \$200 billion budget deficit in 1998, and a deficit, which according to estimates, will reverse the course and increase in years after that.

The Clinton administration promised us a budget that would not raise taxes on middle-class Americans. But what the House is voting on today is a budget that would slap Americans, rich and poor alike, with over \$70 billion in new energy taxes alone, that would raise taxes on Social Security benefits on a senior who makes only just over \$25,000 a year, and would slash legitimate business deductions for the small businessman struggling to make a living.

Mr. Chairman, I encountered a Member on the floor today from the other side of the aisle, a Democrat, who said he has only had one call today in favor of this tax and told him to vote in favor of this tax. I said to him, "That was your next opponent calling."

Mr. Chairman, please, let us defeat this tax, it is a bad bill, and let us work together to do some honest deficit cutting.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 30 seconds to the gentleman from North Carolina [Mr. HEFNER].

Mr. HEFNER. Mr. Chairman, I am just curious, my dear friend the gentleman from Tennessee [Mr. SUNDQUIST], who is running for Governor, made a statement on the floor a while ago and said that senior citizens' taxes would be doubled. I just think the gentleman would certainly want to correct that, because nowhere in this legislation would senior citizens' taxes be doubled.

Would the gentleman agree to that?

Mr. SUNDQUIST. Mr. Chairman, will the gentleman yield?

Mr. HEFNER. I yield to the gentleman from Tennessee.

Mr. SUNDQUIST. Mr. Chairman, on the margin, they are. It is absolutely correct.

Mr. HEFNER. It goes from 50 percent to 80 percent counted income. That is the only place in this package.

Mr. SUNDQUIST. I stand by my remarks.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentleman from Connecticut [Mrs. KENNELLY].

Mrs. KENNELLY. Mr. Chairman, I rise in support of the budget reconciliation and to talk about the Btu tax.

Raising taxes is never easy because every American, if asked, would say that he or she already pays his or her fair share. But as a nation, we have made a decision to cut the deficit and

that means a package that includes taxes.

The President has presented an economic package that reduces the deficit and makes critical investments in the Nation's future. The President's plan contains approximately \$500 billion in deficit reduction over 5 years including \$250 billion in taxes, and \$87 billion in entitlement cuts, and \$102 billion in cuts in discretionary spending. The taxes and the entitlement cuts are contained in this bill while the discretionary cuts are automatic in that they translate into lower spending caps for the Appropriations Committee.

There are many things in this bill but as so often happens, the debate on this bill seems to have centered on the Btu tax. Remember where we were as a nation only a few short months ago. The Nation was anxiously awaiting President Clinton's economic plan. The President, I believe correctly, laid out a plan to the American people that called for deficit reduction and critical investments in our Nation's future.

I think one of the things that has been lost in this debate about the Btu tax is that the President and the administration looked at the alternatives and came up with the Btu tax because it was the fairest possible energy tax.

They looked at a carbon tax and discarded it because it would devastate the coal producing regions of our Nation.

They looked at a gasoline tax and discarded it because it would unduly burden those Americans who live in rural areas and must drive long distances. And to my colleagues who insist on pushing a gasoline tax as an alternative, let me remind you that the Ways and Means Committee reported a 5 cent a gallon gasoline tax a few years ago to pay for the highway bill and we could not pass it on the floor.

The administration looked at a tax on imported oil and thankfully rejected it because it would have devastated New England and my home State of Connecticut.

So the President did examine the alternatives. However, even the President would admit that the Btu tax was not perfect, so he worked with us in the Ways and Means Committee to improve it.

To make the tax fairer to those Americans who have no choice but to heat their homes, the President agreed to exempt heating oil from the supplemental tax.

To make the tax fairer to farmers, the President agreed to exempt farmers from the supplemental tax on oil.

To make sure that critical industries were not put at a competitive disadvantage, the President agreed to an energy border adjustment. This means that industries like steel won't be undercut by imports. The Btu tax will be collected at the border on these critical products. This makes the tax more fair.

And to make sure that American products can compete here and abroad, the President agreed to expanded feedstock exemptions. This means that where energy is used as a raw material as opposed to an energy source, such as in the production of plastics and petrochemicals, it is exempt from the tax.

The Btu tax, as reported by the Ways and Means Committee, is the fairest possible way to raise \$71.5 billion for deficit reduction. So I would ask my colleagues who oppose the Btu tax, if not this, then what? We have already looked and rejected the other options. I would contend that it is better for all Americans to pay a small amount—\$1 per month in 1994; \$7 per month in 1995 and \$17 per month in 1996—than to select one of the other options which would require some regions of the country to pay much more than this so another region could escape a tax. That would not be fair and it does not make much sense either.

So I would say to my colleagues that while it may be difficult to support the Btu tax, it is both fair and necessary. Support deficit reduction and pass reconciliation.

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentleman from Kentucky [Mr. BUNNING], a member of the committee.

Mr. BUNNING. Mr. Chairman, I rise in opposition to this tax monstrosity.

This bill is a lot like President Clinton's hair cut—it is a lot more expensive than it looks.

This thing is a world record. It is the world's largest tax increase ever.

And yet, it does not reduce the deficit. Even the President's own figures admit that.

If everything in this bill works the way the President wants it to, we will still add over \$1 trillion to the deficit over the next 5 years. That is if everything works.

But we know, going in, that it is not going to happen. We know that \$322 billion in new taxes will slow the economy down. We know that people will lose their jobs because of this bill.

We know that the deficit will get worse—not better. Recessions always make the deficit worse. And this bill is a prescription for recession.

Calling this monstrosity a deficit reduction bill is like calling derby pie—a diet snack. It doesn't put the Federal Government on a diet at all. It just force feeds the Federal Government \$300 billion more of taxpayers money.

It is a bad bill. It should be defeated.

I keep hearing my colleagues saying, "Bill Clinton won the election. He deserves a chance to put his program into effect."

That's garbage. Bill Clinton was elected on promises—promises to cut the deficit in half in 4 years. Promises to cut taxes for the middle class. Promises to enact the line-item veto.

This bill today is not what Bill Clinton promised the American people.

Yes, indeed, Bill Clinton deserves a chance. He deserves a chance to live up to his own promises. And when he does that, then, I will give his program a chance and vote that way.

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Mr. ROSTENKOWSKI. Mr. Chairman, I yield such time as she may consume to the gentlewoman from Arkansas [Ms. LAMBERT].

Ms. LAMBERT. Mr. Chairman, I rise in support of this strong Democratic bill.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentleman from New York [Mr. RANGEL].

Mr. RANGEL. Mr. Chairman, the previous speakers have indicated that President Clinton won because of his promises. I think it is abundantly clear that he won because people wanted a change. And they did not expect that people, because they are Republican or Democrat, would decide that their party affiliation was more important than what affected the Nation and that we have one President at a time.

No matter what anyone thought about the Reagan and Bush budgets, he depended on bipartisan support. And by God, he has got it.

Any time we can find that we have an issue before this Congress and every Republican, to the man and woman, has decided that they would rather gridlock than to give the President a fair chance, then it means that this is a terrible day in our Nation's history and a terrible day in this Congress.

Can we believe that just because a Member is a Republican that they do not want to help the working poor, that just because they are Republican that they do not want to have people have jobs?

No, I think what it amounts to is that they cannot tax the rich and refuse to ignore the oil barons.

The CHAIRMAN. The gentleman from Illinois [Mr. ROSTENKOWSKI] has 11½ minutes remaining, and the gentleman from Texas [Mr. ARCHER] has 11 minutes remaining.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentlewoman from New York [Ms. SLAUGHTER].

Ms. SLAUGHTER. Mr. Chairman, the adoption of this Reconciliation Act is critical to the economic future of our Nation. The American people understand the need for Federal deficit reduction and they want an end to the politics of denial that drove our prosperous Nation deeper and deeper into debt.

Mr. Chairman, there is no perfect solution; there are no easy answers. No matter how long committees deliberate, no matter how many speeches we hear today, perfect agreement on each and every provision in a reconciliation bill of this magnitude will elude us.

The debate today is not about getting everything we want—to protect

the special interests of one group, one congressional district or one State. This debate is about courage and sacrifice.

We must have the courage to put the interests of America first. And we must accept the harsh reality that real deficit reduction will require real sacrifice.

But over the last few months, we have heard a distorted view of the sacrifices contained in this package. Let us set the record straight:

During the 1980's, when the wealthiest Americans saw their tax rates cut 20 percent, the middle class saw no tax relief at all. This deficit reduction plan restores fairness to the Tax Code.

Remember, 73 percent of all of the tax revenues will be paid by the top 5 percent of the highest income earners. Most Americans will experience no increase in their income tax rates. In fact, a family of three making \$25,000 would see their taxes fall by several hundred dollars.

Those senior citizens who currently pay no taxes on their Social Security will still pay no taxes on those benefits. But even those that do pay will still pay less than the working family in their bracket.

The Btu tax contained in this package will be phased in over three years and will cost the average American family only \$1 a month more in 1994, only \$7 the year after and then only \$17 a month when it is fully phased in.

And there has been little recognition that this reconciliation bill contains \$75 billion in tax cuts, tax credits, and tax exemptions. These tax changes will lift working families out of poverty through an expanded earned income tax credit, boost small business expansion, and stimulate the real estate industry all hard hit by years of slow economic growth.

This reconciliation bill contains serious deficit reduction that will lower our Federal debt by a half a trillion dollars over 5 years. It mandates that:

Discretionary spending will be frozen at 1993 levels for 5 years; Federal spending will be cut \$50 billion more than the President originally proposed; a trust fund will be established to insure that all revenues raised will go to reduce the deficit; and for the first time entitlement spending, the major cause of our budget shortfalls, will be capped.

The deficit cannot be eliminated by shielding the wealthy and the big oil companies from higher taxes and once again shifting the enormous burden of deficit reduction to the poor, the elderly and the middle class.

The American people need to know that there will be a substantial cost if we fail to pass this reconciliation bill. Failure to enact this deficit reduction bill, today, will increase the public debt by nearly \$4,000 per American family over 5 years. Our obligation to reduce the deficit for the sake of future

generations, for the sake of economic growth, will not disappear. In short, the rhetoric of just say no, just will not do.

It is time we face our obligation. We have seen what 12 years of ignoring the escalating Federal deficit has wrought. Last November, the American people voted for change. Let us make the choice for change. Let us give this President a chance to pursue his economic plan for this country, a plan of deficit reduction, investment, and fairness.

I urge my colleagues to vote in favor of the Budget Reconciliation Act.

Mr. ARCHER. Mr. Chairman, I yield such time as he may consume to the gentleman from Indiana [Mr. BUYER].

Mr. BUYER. Mr. Chairman, I thank the gentleman from Texas for yielding time to me.

Mr. Chairman, I represent a rural district in Indiana, all or part of 20 counties. I urge my colleagues to say "no" to the Omnibus Budget Reconciliation Act of 1993.

This proposal is merely a shift in spending priorities to redistribute the wealth while including a tax increase disguised as a reduction in Government spending. We cannot continue this reckless fiscal policy. In my view we must limit Government spending to control the deficit before we consider raising taxes. This budget proposal is the largest tax increase in history that includes energy taxes and new taxes on Social Security.

The Btu tax sets out to raise \$71 billion in additional revenue for new spending. There is no need for this erroneous new tax. In fact, I can identify four items that could be cut to produce the same amount of revenue. Phase out funding for the National Endowment for the Arts—\$5.2 billion; privatize the Tennessee Valley Authority—\$2.8 billion; freeze the annual growth and overhead of executive agencies of the Government beginning with fiscal year 1995—\$36.8 billion; eliminate the proposed budget's increase in the earned income tax credit \$28.3 billion, which is included only to counter the negative effects of the Btu tax; and eliminate the proposed budget increase in food stamps by \$7.3 billion. Total budget savings of \$80.4 billion. We do not need the energy tax as a source of revenue.

The energy tax is a regressive tax that would be devastating to our economy. It would hurt Indiana's economy by decreasing productivity, and decreasing the infusion of dollars in the local economy while increasing unemployment. The effects upon the business, manufacturing, and agriculture communities would be enormous and cause the economy in rural America, that is crawling on its knees, to fall flat on its face.

The energy tax would mean the loss of tens of thousands of jobs in rural Indiana and over a half million jobs in the country. This tax will reduce output, reduce employment, and reduce investment at a time when we need to adopt policies that encourage sustained and long-term economic growth.

Studies of my district alone show that the impact of the proposed energy tax on farmers with regard to corn, soybeans, and wheat using 1992 yields will cost over \$12 million.

Three counties in particular will be impacted over \$1 million each.

As you well know farmers do not set the price of their commodity and must take what the market gives them. Farmers have no way to pass these expenses to the consumer like other industries do. A local farmer from Rensselaer, IN, who farms 1,200 acres of corn, soybeans, and wheat, projects the costs to him annually would be over \$1,600 alone as well as another \$600 in additional living expenses.

The reason we have a deficit problem is not because the American people are taxed too little, but that Government spends too much. It is not possible to tax a nation into prosperity, we must cut spending first.

Mr. ARCHER. Mr. Chairman, I yield such time as he may consume to the gentleman from Minnesota [Mr. RAMSTAD].

Mr. RAMSTAD. Mr. Chairman, I rise in support of the KASICH substitute to cut spending first.

Mr. Chairman, I rise today in strong support of the Kasich Republican plan.

The Republican plan cuts spending first—the Democrat plan taxes people first.

The Democrat plan imposes the largest tax increase in American history—\$355 billion over 5 years. Tax increases represent 81 percent of the Democrat package, which will raise the national debt \$1.5 trillion over the next 5 years—according to their own figures.

The Democrat plan will increase the deficit, destroy jobs, and stifle the economy just as it is struggling to recover.

The energy tax alone will cost 8,500 jobs in my home State of Minnesota, and almost 1,000 jobs in my Third District. As many as 610,000 jobs will be lost nationally because of the energy tax, according to the National Association of Manufacturers [NAM]. And the energy tax will cut gross domestic product [GDP] by at least \$30 billion each year, according to the independent economic consulting firm DRI/McGraw-Hill.

In addition, Northwest Airlines and its 24,000 Minnesota jobs, will be put in serious jeopardy by the new energy tax.

The energy tax is a big hit on the middle class. The average family of four will see its energy bill go up by \$425 a year, according to the nonpartisan Tax Foundation.

Middle-income families will be hit the hardest—just because the President and Congress refuse to cut spending.

Mr. Chairman, we need to cut spending first, and that is exactly what the Kasich Republican plan does. It reduces the budget deficit by \$352 billion in spending cuts over the next 5 years—and without increasing taxes.

Congress must say no to the largest tax increase in American history and say no to the energy tax which will kill American jobs.

Congress must cut spending first. Say "yes" to the Kasich substitute.

Mr. ARCHER. Mr. Chairman, I yield such time as he may consume to the gentleman from Arizona [Mr. STUMP].

Mr. STUMP. Mr. Chairman, I rise in strong opposition to this bill.

Mr. Chairman, I rise in strong opposition to H.R. 2264, the Omnibus Budget Reconciliation Act of 1993. This so-called deficit reduction

measure foists the largest tax increase in U.S. history on the American people and fails to eliminate even one Federal program. It is part of an economic plan which will see the national debt increase by \$1 billion—from \$4 to \$5 billion—over the next 4 years. Why? because it ignores the real cause of the deficit: Too much spending.

I also rise in strong opposition to this measure for what it does to the veterans of this Nation. America's veterans have a deserved expectation that, in return for military service to their country, sufficient resources would be provided to ensure that the benefits they have earned can be delivered. Unfortunately, such resources are not being provided.

Federal spending on veterans' programs in inflation-adjusted dollars has not increased in more than a decade and its overall share of the Federal budget has been steadily decreasing. Spending in constant dollars for all Federal social programs has increased by 361 percent since 1965, while spending for veterans programs increased by only 36 percent. Since fiscal year 1988, discretionary spending on veterans' health care has been inadequate to maintain current services.

Over recent years of runaway Federal spending and budget crises, and despite chronic underfunding of veterans programs, veterans have expressed a willingness to participate in deficit reduction efforts. However, veterans have also stated the belief that they should not bear a disproportionate share of that burden.

Yet, it is veterans, including military retirees and active duty military personnel—the people most responsible for winning the cold war—who are bearing the brunt of the President's deficit reduction efforts. Veterans programs are being cut by \$2.6 billion over 5 years in this reconciliation bill—despite chronic underfunding. Military retirees' COLA's are being reduced and delayed. And, military pay is frozen in fiscal year 1994 and future raises are limited. It is not unreasonable for these people to ask "Where's the peace dividend?"

If it is true that to the victor goes the spoils, then the victors of the cold war must be food stamp recipients who will get an extra \$7 billion over 5 years, even though there has been no reform of the welfare system. It must also be the illegal immigrants who will receive health care paid for by the \$300 million in new spending put in the bill. In fact, the President's budget proposes \$180 billion in new spending over 5 years—virtually none of which benefits veterans. One thing is for sure, for veterans and the military, winning the cold war has been a hollow, costly victory.

This Nation has no greater obligation than to deliver on its commitments to its veterans. This reconciliation bill fails in meeting this obligation. I urge my colleagues to vote against this bill.

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentlewoman from Connecticut [Mrs. JOHNSON], a member of the committee.

Mrs. JOHNSON of Connecticut. Mr. Chairman, I have only one interest, jobs. The people in my district care only about jobs. They expect me not to vote as a Democrat or a Republican but on the basis of whether this bill will or will not create jobs.

This bill is a massive tax shift from the investing sector to the consuming sector. Through all the years I have sat on the Committee on Ways and Means, everyone has testified that we should encourage savings. We should encourage investing. And best of all, we should encourage long-term investing.

Yet this bill takes more money than we have ever taken at any one time from the very sector that creates jobs, that invests in America. Have we lost our senses?

In a period of prolonged economic weakness, why would we want to give to Government the very dollars that create jobs? Small business, the bone and marrow of job creating, is holding on by its fingertips in my State of Connecticut, and those very small businesses that are the job creators in America are going to pay more energy taxes, not once, not twice, but three times: once to the Federal Government, once to the State government, and once to offset the increase in the local property taxes, because those taxes are going to rise as we pay more to heat every school building throughout the cities and towns of our Nation.

And Medicare, every small business is going to pay higher Medicare taxes. Why? Because the majority would not even allow me to bring to the floor a bill that would have reduced Medicare expenditures responsibly. In the private sector, all but 5 percent belong to managed care plans. In Medicare, only 5 percent belong to managed care plans. And yet there was no support, not even the right to debate on the floor to bring that kind of cost-saving proposal to Medicare.

Instead, raise our taxes and particularly get those small businesses, because they are the job creators of America.

I am sorry that the two preceding speakers will lose 2,886 jobs as the result of the energy tax, and my district will lose 873.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentlewoman from California [Ms. PELOSI].

Ms. PELOSI. Mr. Chairman, I thank the chairman of the committee for yielding time to me.

He, and the gentleman from Minnesota [Mr. SABO] and the President deserve a great deal of credit for giving us this opportunity today to vote for legislation, this Budget Reconciliation Act for jobs and for change.

Contrary to the suggestions of our Republican colleagues, this will be a job creation bill: 185,000 jobs will be created in our country. Over 28,000 of those in my State of California, and I know the gentleman from Illinois [Mr. CRANE], who was concerned about jobs, will be pleased to know that there will be over 10,000 new jobs created in Illinois; the gentleman from Florida [Mr. SHAW], who is concerned about jobs, over 10,000 jobs created in Florida.

These jobs will be created mostly because of deficit reduction, which will reduce the cost of capital to business, thereby allowing business to expand and create jobs.

It will also reduce the deficit by a quarter of a trillion dollars.

In closing, Mr. Chairman, may I ask that at this graduation season, let us give our graduates this present of jobs and of a brighter future.

Mr. ARCHER. Mr. Chairman, will the gentlewoman yield?

Ms. PELOSI. I yield to the gentleman from Texas.

Mr. ARCHER. Mr. Chairman, what is the source of the gentlewoman's figures that she has just read from?

Ms. PELOSI. Mr. Chairman, I would be pleased to share the information with the gentleman.

Mr. ARCHER. Mr. Chairman, if the gentlewoman will continue to yield, will she share it with the House?

Ms. PELOSI. Mr. Chairman, the information is the information of the Treasury Department, and I will stand by the figures.

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentleman from Iowa [Mr. GRANDY], a member of the committee.

Mr. GRANDY. Mr. Chairman, according to the Tax Foundation, the energy tax will kill 2,364 jobs in the district of the Member who just spoke, and in my district, we will lose 880 jobs that we cannot afford.

But of course, this is rhetoric, and we will have none of this. Next we will be listening to the gentleman from Ohio [Mr. TRAFICANT].

What we should be doing is buttressing our diatribe with some detail or, as the gentleman from Michigan [Mr. LEVIN] said, also a member of the committee, "We should have the real stuff."

So here is some real stuff.

□ 1750

The top rate is going to go to 36 percent in this bill, except if you are not just a rich person, if you are a small business, a sole proprietorship, someone who cannot go out and buy a lawyer to get under the rate. Then you will find that you will pay considerably more, and particularly if you make money.

If you make \$250,000, in other words, a millionaire, you will pay another 10 percent, which will bring your rate to 39.6 percent. If you are self-employed, you double your Medicare taxes, which will go another 2.9 percent, and raise your rate to 42.5 percent.

Finally, the personal exemption phase-out and the Pease deduction formula left over from the last deficit reduction plan in 1990 effectively raise your rate to 44.5 percent. Remember, I am talking about people who cannot get under the rate, Mom and Pop, small businesses, sole proprietorships;

in other words, the people the President was trying to empower when he stood in this well in his State of the Union address in January.

Do not forget, by the way, these folks cannot pay the corporate rate. No corporate break for them. G.E. will pay 35 percent. These people will pay 36 plus. Do not forget also when we talk about small businesses, Mr. Chairman, we are talking about earnings, held-over inventory, inventory that is not sold because the economy has gone sour. And that inventory you purchase for the Christmas sale which does not materialize are taxes to you.

In other words, if you are a dress shop owner and you prepare for a Christmas rush and buy \$200,000 worth of clothing, and it is a lousy year because the tax bill has passed, and you have \$120,000 in inventory still sitting on your shelves, after the holidays let us say you pay yourself a \$20,000 salary, you only hit the 15 percent rate. Add to that the \$120,000 of leftover inventory, you are paying a 36 percent rate. Unfortunately, you are not rich. The new tax bill just says you are.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentleman from Indiana [Mr. SHARP].

Mr. SHARP. Mr. Chairman, there is not a person in this country that does not understand that we have to seriously reduce the deficit, and by and large the political leadership in this country, both in the private and public sector, have been ignoring that responsibility.

However, we can and must do something about it today. We know that in this legislation one quarter of a trillion dollars in spending cuts will occur. Of the taxes that will be increased, 75 percent will be paid by the top 5 percent of the wealthy in this country, and most of those people will still pay less taxes than they did in the 1960's, when we had good, solid economic growth.

Today, what is at contention here is that energy tax that is being wildly distorted, as if it were going to break the backs of every family and every industry in this country. Baloney. The fact is, Ross Perot is going around this country advocating an energy tax that is more than twice as heavy on our industries and our families as what is in this bill today, twice as heavy.

Mr. Chairman, I strongly support this effort to curb excessive Government borrowing which is a drag on our economy, costs jobs and places an unfair burden on our children and their children. This package represents a monumental achievement, a \$½ trillion deficit reduction, the largest in history.

For the past 12 years, the President and Congress have grappled with reducing Government spending, have consistently fallen short of any kind of success. The truth is that we have been living off a credit card, and we have to stop. It is not an easy process. Anyone that says it should be easy is not telling it straight. We have to work together to imple-

ment this package, take the good with the bad, and actively participate in this effort to turn our economy around.

Any one of us would choose different ways to reach this goal. The reality is we have a viable package before us. The hard political reality is that not one of us would have written the plan as it is before us, but now is the time to put aside our differences on details to get the job done. The benefits of deficit reduction far outweigh the discomfort that elements of this package will cause us.

Lower interest rates that will result from a lower deficit will benefit everyone, from manufacturers, to farmers, to small business owners to families looking to buy new cars and homes. Since December 1992, interest rates in this country have dropped almost 1 percent. A farmer or small business owner with \$100,000 in short-term debt who refinances a 10-year loan at this lower rate would save \$576 a year. Someone looking to refinance a \$50,000 mortgage on their home which is currently at 10 percent might refinance at 7.5 percent and save \$89 a month.

This bill presented here today contains over 200 spending cuts that will result in \$1/4 trillion in deficit reduction over the next 5 years. It includes: \$100 billion in savings from cuts in entitlement programs; a reduction in the Federal work force of 100,000 people; more than \$13 billion in cuts in benefits and pay for Federal employees; essential provisions that will force additional actions to contain unanticipated growth in spending for entitlement programs.

The proposal also includes provisions to raise revenues and increase some taxes, the most controversial part of the package. While all Americans will be asked to pay a little more, the overwhelming majority of the revenue burden will fall on the most well-off. The Congressional Budget Office estimates that 75 percent of the revenue raised in the package will come from the wealthiest 5 percent of all Americans—the people who got the biggest tax breaks in the 1980's.

Taken as a whole, I am willing to vote for and defend this program as the largest step ever taken to reduce spending. And yet we must do more and make more spending cuts. Congress must commit to making additional spending cuts during the appropriations process.

One of the items that concerns me and other most directly is the Btu, or energy tax. The Btu tax is justified only as part of an overall package to reduce spending. It will affect all citizens. But adjustments have been made to cushion the impact for the most affected people, and more adjustments will be made in the Senate.

We have worked to make the Btu tax fair; many changes have been made to protect jobs and industries sensitive to international competition: It is a broad based tax that does not disadvantage any region or part of the country. North, South, East, and West all will pay less than 0.6 percent of their income for this tax; our trading partners, who are also our competitors, pay energy prices higher than U.S. industry, sometimes more than 100 percent higher; it does not, even with the oil supplement, unduly disadvantage or advantage any particular fuel. The energy production shares of various fuels and domestic energy

production are projected to be virtually unchanged as a result of the tax; it will also help us use energy more efficiently and encourage us to help our environment as well. It is estimated that we will reduce oil imports by 400,000 barrels of oil per day by the year 2000—a savings of about \$20 billion that will stay in our domestic economy; because the energy tax will be phased in over 3 years, we will have a chance to monitor the impact, and change course if necessary; and industries and households can even make inexpensive choices to reduce energy consumption, and thus reduce the effect of the tax.

Some of the most important changes in the energy tax were made to help farmers and energy intensive industries so they will not be disadvantaged in international competition.

It is the deficit that is strangling the economy and our competitiveness, our jobs and our future—I ask my colleagues to make the tough decision to vote to reduce Government spending, against the special interests, and for a healthy economic future for this country.

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentleman from New York [Mr. HOUGHTON], a member of the committee.

Mr. HOUGHTON. Mr. Chairman, I feel we are in a bit of a rut. We can close our eyes and we can tell who is a Democrat, and who is a Republican, from what they are saying.

Frankly, I think it is too bad to handle one of the biggest issues, maybe of our decade, this particular way. I have probably about 1½ minutes to talk. What I would like to do is to talk not about myself, but I would like to talk to the freshmen, the great reform class, 25 percent of this whole body, and particularly the Democratic freshmen, if I may have the opportunity.

I really have two things to say, First, I have to believe this, having been in business many years. I think the President is getting bad advice. I know he is getting bad advice on the handling of the debt, and as the Members know, 70 percent of our debt is in 5-year or less short-term bonds, and they are even shortening it. That is bad.

On the operating side, what he says is, "Please grow, and please invest, and please reemploy," but when we throw this tax in, and another one, which involves the health care on top of an economy that is trying to get off its knees, what does it do? It is paralyzed. It does not move.

If the economy does not move and the volume drops, no amount of tax increases or cost cuts are going to make up any difference in the deficit, but that is my own view. It may not be the view of the Democrats, and particularly the freshmen Democrats. What is right for them may be different than what is right for me.

However, I implore them to vote their own conscience. I had to when I came here as a freshman in 1987. I voted against aid to the Contras, I voted against my President. I was called to the White House. The Vice

President, the Secretary of State, my party leaders asked me. I did what I thought was right.

The thing I ask the Members to do is to do what they think is right, absent the pressure they get from some of the political leaders.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 2 minutes to the gentleman from Illinois [Mr. REYNOLDS].

Mr. REYNOLDS. Mr. Chairman, I am one of those freshmen.

Mr. Chairman, the Omnibus Reconciliation Act of 1993 provides a great opportunity for deficit reduction while at the same time, the bill provides great leadership in helping our urban communities.

This bill facilitates first-time employment for thousands of young adults who live in our cities, and promotes opportunities for enhanced job skills and employment because it extends the targeted jobs tax credit permanently and expands the credit to include participants in school-to-work programs and residents of certain distressed areas.

The bill increases opportunities for low-income residents of our cities to find decent and affordable housing because it permanently extends the low-income housing tax credit. It also expands this valuable program to increase its availability in the empowerment zones and enterprise communities that will be designated.

The bill ensures that no American family with a full-time worker would be below the poverty line because it expands and simplifies the earned income tax credit significantly.

This bill provides tax incentives for people to invest in specialized small businesses. This will help companies attract much-needed equity capital so that they can play a greater role in revitalizing the inner-city economy.

The bill provides for the establishment of empowerment zones and enterprise communities in our Nation's most distressed areas, and targets tax incentives for businesses to locate in, and hire residents of, these areas. This is a critical step toward revitalizing our Nation's most economically distressed urban neighborhoods and offers hope to our residents.

And last, Mr. Chairman, this bill provides a credit for contributions to 10 community development corporations that will be selected. This, too, will promote employment and business opportunities for residents of our distressed communities.

Mr. Chairman, I urge my colleagues to stop the retreat from fairness and stand up for all Americans.

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentleman from Missouri [Mr. HANCOCK], a member of the committee.

Mr. HANCOCK. Mr. Chairman, according to the Tax Foundation, the energy tax will kill 1,358 jobs in the dis-

trict of the Member who just spoke. In my district we will lose 1,029 jobs that we cannot afford.

Mr. Chairman, the way to reduce the deficit, is to reduce spending and create jobs. If we grow the private sector job base, we grow the tax base.

And the way to create those jobs is by encouraging small business and investment.

President Clinton has said as much, but this plan does exactly the opposite.

President Clinton has never created a private sector job in his life. That is becoming all too obvious. He has never run a business. Most Members of this House have never run a business or created a real job.

Well, I have. I built a small business from scratch.

And I can tell you, from personal experience, this tax bill will stifle investment, clobber small business, and destroy jobs. But don't believe me. Listen to what other business owners across the country have to say.

I have a letter here from a California company saying:

The proposal to increase the top rate * * * has caused us to defer * * * our previously planned expansions for 1993.

An Illinois company writes:

As a direct result of the increase of taxes * * * we are freezing all future expansion plans.

A Maryland company says:

I have instructed my managers to put off [expansion plans] because of the potential impact of the economic plan.

A New York company writes:

At this point we have no choice other than to cancel altogether my company's plans for some \$1.2 million of new investment * * * Instead of creating opportunities, this money will go to the payment of increased income taxes * * *

Those are the words of real small business owners. I have a stack of letters like these. They are the people who create jobs in our country—not the people in this Chamber, not the President and his staff.

So just what we will get in exchange for all these lost jobs—all these higher taxes—all this sacrifice by the American people?

As a businessman, I've got to look at the bottom line, and the bottom line of the Clinton plan, according to his own figures, is that the national debt will increase by over \$1 million in the next 5 years.

You do not have to be a businessman to know that is not a good deal.

Mr. Chairman, a government, like a family, can for 1 year or 2 spend more than it earns, but a continuance of that habit means the poorhouse.

□ 1800

Mr. ROSTENKOWSKI. Mr. Chairman, I yield such time as he may consume to the gentleman from Arkansas [Mr. THORNTON].

Mr. THORNTON. Mr. Chairman, I rise in support of the measure.

Mr. Chairman, in 1979, when I left Congress to return to Arkansas, our national debt was less than \$1 trillion; today it is 4 times that large, and has become a stumbling block for our Nation's efforts to educate and train our work force, to provide good jobs for our people, and to provide the highest standard of living and quality of life in the world.

This proposal addresses those issues. It freezes discretionary spending, sets caps on entitlements, and reduces our deficit by 496 billion.

Personally, I would prefer that some things be approached in a different way. I argued strongly for a tax on imported oil rather than the Btu tax, however, either of those alternatives is far better than the gasoline tax.

A gasoline tax has much support in the north and east, but would have a devastating effect on Arkansas, where people drive long distances to work.

More significantly, the proposal contains some significant benefits to the people of my congressional district:

It assumes funding for innovative education and lifetime learning programs, provides for highway construction, and for transforming our welfare programs into jobs.

It provides for earned income tax credit which rewards low-income people for working.

It provides for early childhood education and immunization.

Most significantly, it does these things by making cuts in other programs and by restoring fairness.

For example, an average second district farmer with up to 400 acres of land, or a few chicken houses, will pay less in taxes under this bill than under the existing laws. Earned income tax credits, new self-employment benefits, more rapid depreciation, and other provisions will save the average farmer more than \$600 per year, after the energy tax has been applied.

The median family income in Arkansas is \$25,395. For the 50 percent of Arkansas families with two children who are below this level of income, the new proposal will actually result in a tax savings of a few dollars each month.

Mr. Chairman, this proposal gets our deficit under control, provides a foundation for better jobs, better education, and a higher quality of life, and will provide real benefits to the people of Arkansas. I urge my colleagues to support this budget proposal.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentleman from Minnesota [Mr. VENTO].

Mr. VENTO. Mr. Chairman, I rise in strong support of the bill that is before us. It speaks to change. It speaks to investment in American's future, and the total bill, taken as a whole, increases 200,000 jobs in 1994.

One Republican Member seemed to say that the Reagan-Bush economic record had produced low unemployment and poverty. That is a hollow praise, another revision of economic history. In 1991, the number of poor Americans hit its highest level in more than 20 years; 2.1 million Americans were added to the poverty rolls, nearly 1 in 7, 35.7 million Americans. The poverty increase for children is 1 in 4

today, and it is a national disgrace. And the poverty rate for members of the black community, the African-American community, was at 32.5 percent in 1980 and in 1991 it was at 32.7 percent. And throughout the 1980's it was over 30 percent.

Twelve years of Republican trickle-down economic policy has meant a dead end for both poor Americans and for working Americans. We need to pass the Clinton Budget Pact for a downpayment on America's future.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentleman from Texas [Mr. PICKLE].

Mr. PICKLE. Mr. Chairman, the only way we are ever going to reduce our national deficit is by raising new revenue and cutting spending. That is the bottom line. I think we all agree to that.

You cannot do it by cutting spending alone. It has to be a combination, and it must be in balance.

Unless we pass this kind of bill with this kind of a good balance to reduce the national deficit, the American public has the right to hold us accountable. But if we can put this bold program into effect, we have got a chance to do something about the national deficit. That is my concern. That is my appeal to the Members of this body.

I hope we do not continue to be so partisan that we will chastise each other to the very end of the road. We have got a national problem. We must reduce this deficit. I think the only way to do it is with a balance of cuts and spending, and I hope we can do that.

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentleman from Pennsylvania [Mr. SANTORUM], a member of the committee.

Mr. SANTORUM. Mr. Chairman, I thank the gentleman for yielding me the time.

Mr. Chairman, according to the Tax Foundation, the energy tax will kill 1,234 jobs in the district of the Member who just spoke.

Mr. Chairman, President Clinton came into Allegheny County and to McKeesport in my district where there is 70-percent Democrat registration, and I was the first Republican elected to that area since 1954, and he claimed that what we are going to do there is that we are going to reclaim the manufacturing base of this country and we are going to build jobs and we are going to create a productive manufacturing sector again in this economy.

Under his plan, Allegheny County loses 3,000 jobs, most of them in the manufacturing sector, because of the Btu tax. There used to be over 100,000 steel jobs in the Mon Valley which I represent, and there are now about 15,000, and this bill will be another neutron bomb on Allegheny County and manufacturing in Allegheny County.

But, unfortunately, it is only part of the problem. We have an inland water-

way user fee, and that is a long name for a tax on diesel fuel used by barges to shift goods up and down our inland waterways. Pittsburgh is the largest inland port in the country, and we happen to ship a lot of our raw materials for our manufacturing on those waterways. So not only is the manufacturing base in the Pittsburgh area going to get hit with a Btu tax, they are going to get hit with a barge tax right up on top of that, and that barge tax is going to collect roughly \$230 million annually on top of the close to \$40 billion that the inland waterway users will have to pay for Btu tax. That is a burden that is just going to kill manufacturing in an area of the country that has been struggling for the past 12 to 15 years and does not need these kinds of taxes to keep us down.

Mr. President, do not come back to McKeesport next time around and say you want to build manufacturing jobs in the Mon Valley when you propose plans that are going to destroy the manufacturing base of this country. And I might add also out in the county there happens to be an airline, US Air, which has the biggest hub in the country and is in Allegheny County, and those jobs are going to be hurt too.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentleman from Nebraska [Mr. HOAGLAND].

Mr. HOAGLAND. Mr. Chairman, a number of our colleagues from farm States are rightfully concerned about the impact the reconciliation bill would have on the agricultural sector. Let me attempt to address those concerns.

Unfortunately, the bill modestly increases the amount of taxes paid by most farmers. But after 12 years of avoiding the tough decisions, and a national debt increasing from \$900 billion to over \$4 trillion, the party is over. We simply must have additional revenues if we are to turn the corner on the deficit.

Unfortunately, as we all know, we cannot do it with cuts alone, although I certainly favor making more cuts than we are making and will fight for those. But revenues are inevitably necessary. What is important is that the burden be shared fairly by all Americans. That way we can spread it out. The average American will be taxed less than 75 cents per day by the energy tax.

But farmers are high energy users. Farm operations, unlike many other businesses, do not have the ability to pass on the increased costs resulting from the energy tax. The Ways and Means Committee began moving the bill in a direction to assure that the energy tax does not fall disproportionately upon the farm sector.

The reconciliation bill contains a number of provisions intended to ensure that farmers are treated fairly.

Partial relief from energy tax. The bill would exempt farmers from pay-

ment of the oil supplement on gasoline and diesel fuel used on the farm. This would reduce the energy tax paid by farmers on such fuels by 57 percent. Congressman DAN GLICKMAN deserves the credit for bringing this idea to the Ways and Means Committee with the necessary supporting data, a study entitled "Impact of a Btu Tax on Whole Farm and Enterprise Production Costs in Kansas" prepared by Jeffery R. Williams and Fredrick D. DeLano, two economists from Kansas State University. We are hopeful the Senate will complete the exemption.

Feedstock exemption. The bill would provide for a feedstock exemption for nonfuel uses of energy sources. By way of example, natural gas used as a feedstock to make fertilizer would be exempt from the energy tax.

Increase in earned income tax credit. The EITC is available to farmers with lower incomes. The reconciliation bill would increase the EITC in part to offset the energy tax paid by low-income farmers.

Deduction of health insurance premiums. The bill would extend the 25-percent deduction for health insurance premiums paid by self-employed farmers.

Expensing. The bill would allow farmers to annually expense \$25,000 in depreciable assets—a \$15,000 increase over the current \$10,000 expensing cap. The \$15,000 increase would free up cash-flow for farmers.

Tax-exempt bonds. The reconciliation bill would permanently extend the issuance of aggie bonds. Aggie bonds are tax-exempt bonds issued for the purpose of extending low-interest loans to beginning farmers. Through March 31, 1992, loans in the following amounts were made to beginning farmers: Nebraska—\$55 million; Colorado—\$17.8 million; Illinois—\$132.14 million; Iowa—\$106.87 million; Kansas—\$13.67 million; and North Dakota—\$36.72 million. Additional low-interest aggie loans were made in other agricultural States.

Barge tax. The bill would cut the proposed increase in the inland waterways fuel tax by one-half to 50 cents per gallon. The decrease would reduce the costs to farmers of shipping their grains to market and of shipping commodities, such as fertilizer, to farmers.

What is most important to consider is that low-interest rates will cancel the effect of the energy tax on farmers. In the study requested by Representative GLICKMAN, Kansas State University economists Jeffery Williams and Fredrick DeLano, in a thorough analysis, stated their conclusion:

If the [Btu] tax is used for debt reduction such that interest rates for borrowed funds fall, the average farm will benefit from lower interest rates. For the average Kansas farm a 2% reduction in the rate of interest paid on the average farm debt would offset the increased cost of the Btu taxes.

So you see, the most important thing we can do for America is deal honestly

and effectively with the deficit by achieving as much deficit reduction as is politically possible in this bill. That will calm the markets, keep interest rates low, make up for the cost of this modest energy tax, and benefit all of America.

I believe that the above provisions, all of which are contained in the reconciliation bill, go a long way toward ensuring that the taxes which would be levied on the farm sector are fair in relationship to the taxes imposed on the remainder of Americans.

The reconciliation bill also includes provisions reported by the Agriculture Committee that would reduce farm programs and save \$3 billion over the next 5 years. That includes increasing the triple-base acreage on which crops would not be eligible for deficiency payments, as well as savings from the Rural Electrification Administration, which the President singled out in his address to the Congress earlier this year.

The bottom line is that this bill is tough but fair. I strongly encourage you to support the reconciliation bill.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentleman from Michigan [Mr. CONYERS].

Mr. CONYERS. Mr. Chairman, late last night, the Committee on Government Operations, Budget, the House leadership, and others reached an historic compromise that sets all Federal spending, including spending for entitlements, subject to stronger congressional and Presidential review. I believe these enforcement mechanisms are critical to ensure success of the most ambitious deficit reduction package in American history before us here today.

The package today includes in its base text the extension of the enforcement provisions which President Bush and the congressional leadership negotiated in the Budget Enforcement Act in 1990. But it also does more. It creates a single cap for appropriations spending and extends the pay-go rules for policy changes in entitlements and taxes. In addition the pay-go scorecard is reflected to ensure that savings not obligated for investment must go to deficit reduction. The creation of a trust fund also helps ensure that.

Late last night, we also reached an important compromise on how to control the explosion in entitlement spending. We create new entitlement targets, the baseline for which is pegged to the 5-year budget resolution numbers and is adjustable depending on changes in the beneficiary populations. In the event of a breach of that baseline, the President is required to submit to Congress a plan which is automatically discharged from the Budget Committee unless the Budget Committee addresses the overage in the budget resolution.

Further, if the budget resolution does not address the entire overage through

savings in spending or revenues, then there is a requirement for a separate vote to increase the cap. The basic purpose here is to force Members to specifically vote on what to do as a result of the overage.

Finally, there are points of order against budget resolution conference agreements that do not fully address the overage, in order to ensure that the Senate also addresses the entirety of the overage, and against appropriations bills in the event there is no budget resolution and this process is thereby not triggered.

This is an important step to controlling entitlement spending. It requires us in the event that entitlements exceed their targets, to say how we are going to address the problem—by achieving offsetting savings in spending or revenues, or voting to increase the caps and thus increase the deficit.

This maintains total flexibility, but requires action and accountability. It is sensible reform, will ensure success of the most meaningful deficit reduction ever enacted, and Members should support it.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentleman from Washington [Mrs. UNSOELD].

Mrs. UNSOELD. Mr. Chairman, after 12 years of Republican spend-and-borrow; after 12 years of Republicans driving us to the brink of bankruptcy; now is the time for Democrats to lift this country back on track.

Having lost the White House, the Republicans are determined to deny this President his programs—no matter at what cost to the Nation.

Let us—Democrats strong—turn back the filibustering Philistines and let us throw out the guardians of gridlock.

This Nation is engaged in a struggle to restore economic health and fiscal sanity to our country.

You will hear increasingly shrill cries that the President's deficit reduction package is only tax-and-spend. There is little credibility in those cries coming from the same forces who brought this country to the brink of bankruptcy and want to protect the wealthiest Americans. They are trying every trick in the political book to prevent the President from enacting his platform. They are fighting for the status quo of borrow-and-spend.

Make no mistake about it. This is a deadly serious battle. Our Nation's very future depends on it.

Mr. ARCHER. Mr. Chairman, I yield such time as he may consume to the gentleman from Oklahoma [Mr. ISTOOK].

Mr. ISTOOK. Mr. Chairman, I simply would like to state my opposition to this massive job-killing tax bill and the associated charade.

Mr. Chairman. Voting against H.R. 2264 is one of the proudest votes of my life. This bill is a job-killing charade, and it's especially sad to see how many of the Democrat freshmen

were seduced by the siren song of tax now and cut later.

This slams the door and throws away the key on the President's campaign promises of tax relief for the middle class. This hits Americans with the biggest tax increase in U.S. history. That won't stimulate the economy, it will drive up inflation and unemployment.

The energy taxes will cost Oklahoma 11,000 jobs. Nationwide, it will cost between 600,000 and a million jobs. That's enough to make Americans start thinking about the President's hair—and stop thinking about his scalp.

The new taxes are bad enough, but I'm not only angry at the massive tax increases, I'm angry at the fakery in the bill. It tries to fool people into thinking it's some kind of serious deficit reduction plan. But the make-believe entitlement caps are as phony as the promises we heard the last time taxes went up. The taxes hit now; the spending cuts never arrive. The so-called deficit trust fund Mr. Clinton promises is a joke, only the joke's on the taxpayer.

We were promised tax cuts, instead we got haircuts. And the unkindest cut of all is just that, when it comes to Federal spending, Clinton's plan just doesn't cut it.

Mr. ARCHER. Mr. Chairman, I yield 1 minute to the gentleman from Michigan [Mr. CAMP].

Mr. CAMP. Mr. Chairman, the President's taxes are the largest in American history. They are not going to help the economy. They are not going to create jobs and they are certainly not going to control Government spending.

Farm families are going to be especially hard hit by the energy tax.

The energy taxes are indexed for inflation, which means they'll keep going up, up, and up.

But it is not just the tax, it is how complicated it will be when many farmers will have to deal with different tax levels on fuels they use. Between fuel dying and different tanks, the costs and complexity will be incredible.

Why are we going to do this to American farm families?

Why are we going to do this to American agriculture which is our leading U.S. export?

The energy tax is a tax on everyone and not everyone can afford it. In November, the people spoke—they want us to cut spending but the administration has proposed adding another trillion dollars to the debt.

Mr. Chairman, the facts speak for themselves on the President's tax plan and America cannot afford it.

The energy tax would kill 742 jobs in the district of the speaker before me, Mrs. UNSOELD. The Fourth Congressional District of Michigan would lose nearly 1,000 jobs that we cannot afford to lose.

Mr. Chairman, the President's taxes are the largest in American history. They are not going to help the economy, they are not going to create jobs and they are certainly not going to control Government spending.

The tax increases are retroactive, but the spending cuts don't start for 2 years. We were

promised \$2 in spending cuts for every \$1 in new taxes. But this tax bill is \$4 in new taxes for every \$1 in spending cuts. And, it increases the national debt by over \$1 trillion.

One of the reasons for this is the devastating energy tax in the President's plan which will cost the U.S. economy over 600,000 jobs.

In my home State of Michigan a family of four would pay about \$800 a year in energy taxes for home heating fuel and other goods and services they purchase.

Further, the energy taxes are indexed for inflation, which means they'll keep going up, and up, and up.

Farm families are going to be especially hard hit by the energy tax.

The energy taxes are indexed for inflation which means they'll keep going up, and up, and up.

But it's not just the tax, it's how complicated it will be when many farmers will be having to deal with five different tax levels on fuels they use. Between fuel dying and different tanks, the costs and complexity will be incredible.

On average there would be \$1,600 in energy-related costs to an individual farmer producing about 400 acres of corn in the midwest.

Why are we going to do this to American farm families? Why are we going to do this to American agriculture which is our leading U.S. export?

The energy tax is a tax on everyone and not everyone can afford it. In November, the people spoke—they want us to cut spending, but the administration has proposed adding another trillion dollars to the national debt.

The President pledged he would cut Federal spending and cut taxes for middle-income tax payers. Now we're voting on his increased spending and tax increases which are the largest in American history.

Mr. Speaker, the facts speak for themselves on the President's tax plan and America can't afford it.

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Mr. ROSTENKOWSKI. Mr. Chairman, I yield 30 seconds to the gentleman from Texas [Mr. COLEMAN].

Mr. COLEMAN. Mr. Chairman, I think it is important to point out that at this stage of the proceedings some of us are receiving missives, faxes, from oil companies in our own State.

It is interesting that I notice that those missives did not go to the Republicans in the other body during the time we were considering a jobs bill. So it is really interesting to be treated today, right here on this floor, to the spectacle of a whole bunch of people up here citing how many jobs are going to be lost.

They did not cite about how many jobs were going to be created if we passed the President's stimulus package, did they? You cannot come here and have it both ways.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield such time as he may consume to the gentleman from Texas [Mr. DE LA GARZA].

Mr. DE LA GARZA. Mr. Chairman, I thank the gentleman for yielding.

Mr. Chairman, I rise in support of this legislation.

Mr. Chairman, this is a very difficult vote for all of us here in the House. This is an especially difficult vote for those of us who represent rural districts around the country.

In this bill we have yet another round of budget cuts in our vital farm and rural programs. Then there is this energy-Btu tax which will be felt by practically every person and every business across rural America.

It would be easy for a Member from a rural district to vote "no" on this bill. Voting against tax increases is always popular back home. There are groups who always give you an award for voting against any tax increases—even while they tell Congress to reduce the deficit.

Voting for budget cuts in programs is always popular back home too—as long as you also vigorously defend the programs that matter most to your district's interests. Some of the taxpayer groups give out awards for being a pork-buster.

But nobody gives you an award for raising taxes and cutting spending—even if it may be in our Nation's best interests at this time.

Some are going to argue that Democrats in Congress cut farm programs to increase food stamp spending. Nothing could be further from the truth.

The budget resolution stipulated \$2.95 billion in reductions in mandatory agriculture spending and \$627 million in authorization reductions over the next 5 years.

Some of the other side will claim the Agriculture Committee could have reduced the food stamp funding increase by \$3 billion and that would have eliminated the need for any farm program cuts.

That will sound good back home. But it is not true.

The food stamp provisions are not scored as mandatory spending. If that Republican amendment would have been adopted, it would have resulted in no budget savings by the House Agriculture Committee. The House would have imposed budget cuts on agriculture.

We met the budget resolution targets in this reconciliation bill. As long as I am chairman, the Committee on Agriculture will fight the good fight on budget priorities, but we will always respect and abide by the final decision of the Congress on the budget resolution.

Another misleading argument put out by the other side is that this \$2.95 billion reduction in agriculture programs will cripple the farm economy. Let there be no question, it will be painful.

But I recall that Republican administrations for the past 12 years wanted to decimate agriculture programs. They asked Congress in 1990 to slash agriculture spending by more than \$22 billion between fiscal 1991-95.

Let us set the record straight. The Kasich substitute—the Republican substitute—will cut farm programs by half again as much as the Democratic bill. The Kasich substitute will reduce farm program spending by \$4.5 billion over 5 years.

H.R. 2264 represents a reduction of less than 6 percent from baseline farm program spending. It's the best deal farm country has gotten in more than 12 years.

None of us want to vote for a tax increase. However, the package represented by the bill before the House today gives the opportunity to reverse the path of annual deficit increases in a fair and evenhanded way. The table below was prepared by the Congressional Budget Office and demonstrates that, taken as a whole, H.R. 2264 fairly spreads the burden of deficit reduction.

DISTRIBUTION OF RECONCILIATION TAX CHANGES INCLUDING INCREASES IN EITC, LIHEAP, AND FOOD STAMPS

Households by dollar income	Dollar change in all taxes	Change in after-tax income	Percent share of total households	Share of total tax change
Less than \$10,000	-120	+2.2	15	-3.6
\$10,000 to \$20,000	-59	.4	19	-2.2
\$20,000 to \$30,000	24	-1	17	.8
\$30,000 to \$40,000	161	-6	13	4.4
\$40,000 to \$50,000	270	-8	10	5.8
\$50,000 to \$75,000	368	-8	15	12.4
\$75,000 to \$100,000	491	-8	4	7.2
\$100,000 to \$200,000	765	-8	4	8.5
\$200,000 or more	23,217	-6	1	66.1
All	463	-1.4	100	100.0

Source: Congressional Budget Office.

The good news is that this House Democratic reconciliation bill at least exempts farmers from nearly 60 percent of the total Btu tax. Under this bill, on-farm use of diesel and gasoline is exempted entirely from the higher supplemental tax on petroleum products.

I want to thank the chairman of the Ways and Means Committee, Chairman ROSTENKOWSKI, and his committee members for listening to our concerns and attempting to ease the impact on farmers in what they felt was a fair manner. This represents a substantial improvement relative to the President's original proposal.

Given that agriculture uses energy with more intensity than many other industries, this modification—combined with the benefits contained in other parts in the bill—helps to ensure that the important task of reducing the deficit is carried out fairly.

The following table—also prepared by CBO—helps to demonstrate the overall fairness of distribution of the Btu tax's burden:

DISTRIBUTION OF THE BTU TAX EITC, FOOD STAMPS, AND LIHEAP OFFSETS, FULLY PHASED-IN 1994 INCOME LEVELS

Households	Dollar burdens	Percent change in after-tax income
All	\$83	-0.2
Less than \$10,000	-116	2.1
\$10,000 to \$20,000	-61	.5
\$20,000 to \$30,000	2	.0
\$30,000 to \$40,000	117	-4
\$40,000 to \$50,000	179	-5
\$50,000 to \$75,000	213	-5
\$75,000 to \$100,000	267	-4
\$100,000 to \$200,000	274	-3
\$200,000 and over	700	-2

Source: Congressional Budget Office.

Mr. Chairman, other provisions of the bill will also help ease the burden of deficit reduction on the rural economy. There are a number of Tax Code amendments in the bill that will benefit agriculture in particular and rural America in general.

The bill allows farmers to expense up to \$25,000 of depreciable assets per year without regard to normal depreciation schedules—that's a \$15,000 increase from current levels.

It permanently extends first-time farmer bonds.

It extends the 25-percent deduction for health insurance premiums paid by self-employed farmers.

It simplifies the rules for filing estimated taxes.

Investors are given tax incentives to encourage them to provide equity capital to productive small businesses.

Small businesses in the real estate field will benefit from the relaxation of passive loss rules that allow for increased deductibility.

This bill also provides for the establishment of empowerment zones to help the most distressed rural communities across the country by providing tax incentives for businesses to invest.

In addition, the bill provides for crop insurance improvements and REA changes that will benefit rural America—and save taxpayers money.

We must do more to cut spending. We must bring sanity to the growth of entitlements—and I am encouraged by this new agreement on entitlement discipline. I am for that. But in the end, we will still probably need some tax increases to help close the budget gap.

Let me close by saying that there are a lot of good things for our country in this bill. There are a lot of good things for farmers and rural residents in this bill that is being drowned out in this debate over the Btu tax.

This is the largest deficit-reduction package in history. If we bring down the Federal deficit, we can restore confidence in our economy and we can help keep interest rates down. That's good for farmers, for business, and for home buyers.

I understand the pressures my colleagues are feeling from both the special interests here in Washington and from some of their constituents back home. Boy, I'm hearing it too.

What we must decide here today is whether this House is willing to confront the Nation's problems and make the difficult decisions as our President has done. This whole bill is about exercising the leadership, the courage and the vision to do what is good for our country.

This is not a perfect package, but it has been improved considerably. I am sure further refinements will be made by the other body. This is just the beginning of a long process.

Let there be no misunderstanding of the message we will send out today by the votes we make. Our constituents are watching, the financial markets are watching, the world is watching. If we vote down this bill today, we will be admitting to the world our inability to make the hard choices to put our financial house in order. If we fail to act, the benefits we have seen in the gains in the stock market, declining unemployment, and the lower interest rates over the past few months will evaporate. Resulting increases in interest rates will be the cruelest tax of all.

Mr. Chairman, I don't like the medicine, but I will take it. We must and we will continue to look for other ways to revive our Nation's economy and ensure a better future for our children. But for now this budget reconciliation package is our best hope, and I strongly urge my colleagues to support this bill.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 minute to the gentleman from Washington [Mr. SWIFT].

Mr. SWIFT. Mr. Chairman, it has been fascinating the amount of rhetoric that has gone on in this institution for the last several years about "We have got to bite the bullet; we have to make the tough choices."

This would not be a tough choice if it was popular. We have to make very difficult decisions about cutting spending which is popular only in the aggregate and gets very painful in the specific. We have to make very difficult choices about raising taxes to provide the revenue to deal with the investments that we have neglected for the last 10 years.

Mr. Chairman, this is not a popular bill, and by definition, the tough choices are not made on popular bills. This is what we have to do. This is what we have to do to get a handle on the deficit.

Today is the day. This is the bullet. This is what we have to bite, and it is about time we put our votes where our rhetoric has been.

Mr. BACCHUS of Florida. Mr. Chairman, I rise in strong support of H.R. 2264, the Omnibus Budget Reconciliation Act. After 12 irresponsible years of borrow and spend, this plan charts a new course toward fiscal responsibility and economic growth. This plan is good for business, good for families, and good for America.

No, this plan isn't perfect. Like many of my colleagues, I would like to see more spending cuts and more incentives for business such as a generous investment tax credit and deeper and broader cuts in the capital gains tax.

But this plan is a good start. It makes 200 cuts in spending programs to produce \$250 billion in deficit reduction. Altogether, this plan will prevent \$0.5 trillion in deficit spending in the next 5 years. It will cut in half the amount of the gross national product going to deficit spending.

This plan is fair. Three-fourths of the tax increases will be paid by the most well-off Americans—those families earning more than \$100,000 a year. And the benefits of new jobs, economic growth, and lower interest rates will be shared by everyone.

This plan is especially good for business. By reducing the budget deficit, this plan will bring down interest rates and that in turn will spur economic growth. That will help us preserve and create more jobs in Florida and throughout America.

High interest rates are the biggest obstacle to business investment and economic growth. There is no surer sign of this plan's effectiveness than the fact that in anticipation of its passage, long-term interest rates already have fallen to their lowest level in 20 years. As the deficit falls, interest rates and the cost of capital will continue to fall as well, and jobs and growth will result.

There is much more in the plan for business. Not just big business, but the service station of the Eau Gallie Causeway and the coffee shop in downtown Titusville in my district.

We increase from \$10,000 to \$25,000 the amount a small business can deduct in full each year for new equipment. This will inspire capital investments by growing businesses.

We provide a targeted capital gains exclusion for investors in qualified small businesses who hold their stock for at least 5 years. This will provide much-needed venture capital for promising enterprises.

We repeal the luxury tax that has so decimated boat-building and other vital industries.

We make permanent the 20-percent tax credit for new expenditures on research and experimentation. This will stimulate growth of many of the high-technology firms that are so important to my district and to the future of America.

We do much to bolster the real estate industry, which has led our country out of recession eight times since World War II. This bill includes passive loss relief, permanent extension of the low-income housing tax credit, permanent extension of the Mortgage Revenue Bond Program, provisions to facilitate pension fund investment in real estate, and debt restructuring to give taxpayers a greater opportunity to work out loans and avoid bankruptcy. All these will help rekindle the real estate markets.

We make permanent the targeted jobs tax credit to help businesses move hard-to-place workers from the welfare rolls to the work rolls. Likewise, we make permanent the exclusion for employer-provided educational assistance.

No wonder this plan has the support of organizations such as the National Association of Home Builders, the National Association of Realtors, the National Marine Manufacturers Association, the International Council of Shopping Centers, and many other business organizations and businesses. They know this plan is good for business.

This plan is good for families, too. The lowest-income families will profit from this plan. And the minimal tax impact of middle-income families will be more than offset by the expansion of the earned income tax credit and by reductions in interest rates on home mortgages, automobile loans, student loans, and other credit purchases. Take, for example, a family that refinances their 10-percent mortgage at 7.5 percent. They will save \$175 a month or \$2,100 a year on that alone.

Yes, we need even more deficit reduction. We need a balanced budget amendment and a real line-item veto for the President. We need comprehensive health care reform later this year to address the single fastest-growing element of our Federal budget and the Federal budget deficit.

Yet this plan is a foundation on which to build. This plan is a good start.

Mr. BARCIA. Mr. Chairman, I rise in reluctant support of the Omnibus Budget Reconciliation Act. I definitely do not support every specific detail in it. I do not support the Btu tax in its present form. I am concerned that it may be asking too much from individuals who are living on moderate incomes.

Today's vote is not the final one that sends this package to the White House. The proposal still needs approval by the Senate, and then we will have to again vote on a final version that resolves the differences between this proposal and the Senate version.

I am very concerned that if we do not accept this package we are guilty of the very gridlock we swore to end in Washington. It is

easy to say no. It takes very little courage to stand up to people who say "save my program, and don't ask me to pay for it." It takes a great deal of courage to say enough is enough and it is time that we deal with the budget honestly. We all know that spending cuts alone will not solve the deficit problem, unless Americans are willing to accept a wholesale abandonment of entire agencies, let alone programs. Some taxes will need to be changed, maybe because they were changed too much in the 1980's. But unless we get both our spending and our revenue in order, we will never solve the deficit problem that my constituents tell me they want solved.

I am casting a "yes" vote on reconciliation because I want to see our budget deficit controlled and this process to move forward. I consider my vote procedural, and it is not an endorsement of the details of this package. We all know that modifications will be made in this bill by the Senate. They will take care of many of the problems I have with the Btu tax and other issues. But if the Senate fails to properly resolve these matters, I reserve the right to vote "no" on the conference agreement. We are not sending this bill to the President, so today's vote is not as critical as the one that will come later in the summer on the conference report.

People have been led to believe that this bill will be a horrendous burden on them. It should not. It is balanced with spending cuts and tax increases of equal amounts. The revenues raised and the savings from reduced expenditures will be placed into a special deficit reduction trust fund, locking in the nearly \$0.5 trillion in deficit reduction for only deficit reduction. It now will have enforceable restrictions on the growth in entitlements. Either the growth is paid for or voted for. Either way, the Government is accountable, not allowed to hide behind automatic increases. The tax burden falls on those with the largest incomes. Sixty-two percent of all taxes would fall on the richest one percent of Americans. Only those Americans who have incomes in excess of \$145,000 for a couple or \$115,000 for an individual will have their income tax rise. In fact, according to the Congressional Budget Office, those with incomes of \$20,000 to \$30,000 will pay only \$3 more per month in taxes under this plan, and those with incomes of \$30,000 to \$40,000 will pay \$14 more per month. Those making over \$200,000 will pay \$1,935 more. There is no doubt as to who is affected by the taxes in this bill.

If we are concerned about our Nation's fiscal health and our Nation's wealth, we must deal with the deficit. When expenses go up in our families, we devote more funds to necessities and less to other items. This bill does that. It shifts spending from less important to more important items. It makes its big cuts in discretionary spending, which will hurt. We are making our choices to protect our long-term interests, at the expense of short-term comforts.

My district's single largest employer, General Motors, supports this plan. They do not like every single component of it, but they recognize that it may be the best total package for the long run. They recognize that the energy consequences of the Btu tax may mean that at long last we can get away from the

CAFE standard that hampers our auto industry. This will allow our auto industry to move forward, and gives us the ability to keep auto jobs in Michigan. The bill extends the health benefit tax deduction that farmers tell me they want. It expands the earned income tax credit. It increases expensing. It extends small issue agricultural bonds. It extends the ability of a hospital in my district to receive Medicaid payments for constituents served by this facility. There are good provisions in this bill. We are asking the President to understand some of the problems that we face in my congressional district with some of the provisions in this bill. If we want him to understand our needs, then it is only fair that we understand the problems that has forced him to suggest other provisions in this bill.

Mr. Speaker, I supported more spending cuts in the budget resolution, and we won. I joined with 19 of my freshmen colleagues in signing a letter to the President asking for more spending reductions in this reconciliation bill, and we have already had success with the additional enforcement provisions on setting priorities with entitlements. The budget deficit problem was not created by one bill, nor will it be solved by one bill. The process will extend to each and every authorization bill, each and every appropriation bill, and each and every reconciliation bill for years to come. My eye is on the future. My goal is to get our fiscal house in order. This multistep process begins today, not in a way which I would heartily endorse, but it does begin today. I support this bill to break the gridlock symbolized by a "no" vote. I support this bill to move toward our ultimate goal, and to let the American people know that we are serious about dealing with our problems by keeping the process moving.

While I am willing to give the process a chance, I advise my friends and neighbors in Michigan's Fifth Congressional District, my colleagues in Congress, and our President, however, that I will not vote for final passage of the reconciliation bill unless I can tell our citizens that we have made even more progress in this process that I vote to extend today.

Mr. HUGHES. Mr. Chairman, I rise today in support of H.R. 2264, the Omnibus Reconciliation Act. As America looks to build a stronger economy, deficit reduction must be our top priority. I am hopeful that the adoption of this bill will mark the beginning of the end of deficit spending and the beginning of the long-awaited deficit reduction process that makes that possible.

At the outset, let me be clear about my position. I'm not happy with the options presented to me today. That is why I voted against the rule. It's disgraceful that we do not have the opportunity to work our will on the Btu tax and other provisions which I, and so many others do not support.

This measure does represent a comprehensive deficit reduction plan which will significantly reduce the deficit—which is strangling our economy—by \$496 billion over the next 5 years. Deficit reduction will facilitate long term economic growth and productivity, so that our children may inherit an America that is fiscally sound and capable of maintaining her position as the world's leader in what is rapidly becoming a global economy.

The problems we are now facing are, in large part, a result of the past 12 years of mis-

placed priorities and failed fiscal policy. I believe that the reconciliation bill is a break from this harmful trend.

Unlike the 1990 budget agreement which relied too heavily on tax increases and not enough on spending cuts; and unlike the massive tax bill of 1981 which provided a plethora of tax cuts which drained our Treasury of more than \$2 trillion and increased the Federal budget deficit by more than five times over, the reconciliation bill offers real solutions to the very serious problems that have been plaguing our economy for far too many years.

There is one element missing from the plan before us today, that I will not miss—namely, the phony economic assumptions and other irresponsible accounting gimmicks that the past two administrations have used to mask and sugar-coat the very serious economic problems our country faces. I am confident that the sound, straightforward, and overall fiscal policy set forth in the reconciliation package will help chart the course for our economic recovery.

I certainly do not agree with every single detail of this package. In particular the Btu tax gives me heartburn. I have been able to secure assurances from the administration that it was not the intent of the feedstock exemption to provide any undue competitive advantage for any industry. Even with that, I question the wisdom of this particular tax and will continue to work for its elimination.

I could pick apart a number of other provisions I do not support. But there are dozens of provisions I do support. Besides, no one has come forward with a package that will pass. So what is the bottom line—no bill—stalemate—larger deficits and higher interest rates? That is not a viable option.

On the other hand, I am pleased that the reconciliation bill addresses all aspects of the budget including discretionary spending, entitlement payments to individuals as well as the—even unpopular—revenue side of the ledger.

This bill provides for some \$246 billion in spending cuts, representing one-half of the total deficit reduction.

Moreover, this measure recognizes that cutting discretionary spending alone will not be enough to achieve our long-term goals. In this regard, the bill establishes important provisions to slow the rate of growth of entitlement programs and control spending which accounts for more than one-half of the national budget, and is growing much faster than the economy as a whole.

Although I am pleased to see that this bill includes some 200 cuts in spending programs, I wanted to see even more cuts in such programs as the \$30 billion space station, the \$10 billion superconducting super collider and other programs in the discretionary as well as the entitlement areas of the budget.

Certainly, I do not want to see any increases in taxes—no one does. However, I do think it is time that we require the most affluent individuals and corporations—especially foreign-owned corporations—to start paying their fair share. These groups have had a relatively free ride through the 1980's while the middle class has borne the brunt of the tax burden. I am glad that the reconciliation package includes tax reforms which will restore equity to our tax system.

Certainly, supporting an economic reform package which generates any increased taxes is the hallmark example of the politically unpopular decision. For example, I have particular concerns about increasing the tax on the taxable portion of Social Security benefits from the current 50 percent to 80 percent. In today's economy retired couples earning \$32,000 and who are receiving Social Security benefits are certainly not the more affluent of society—and I think it is ridiculous to classify them as such.

None of the decisions we have to make are really going to be easy. I submit that any such cost in political capital pales in comparison to the price being paid by our children and grandchildren from the past years of inept fiscal policy. Our country is facing a grave financial crisis which calls for our forthright, aggressive, and timely action. I am encouraged that the reconciliation bill contains key provisions which will assist in our economic recovery by establishing key investment incentives.

There are other reasons why a "no" vote on the package is problematic. By not supporting the measure we will also be rejecting other very worthwhile provisions. For example, I am pleased that this bill will finally repeal the onerous luxury tax on boats, which has wreaked havoc on the entire American boat-building industry. Everyday that this tax is in effect, more boat-building companies are forced to close, costing thousands of hard-working Americans their livelihoods. My colleagues may recall that we have twice voted for the repeal of this tax, only to have these initiatives vetoed by former-President Bush.

I am painfully aware of the debilitating effect of this tax; indeed my own State of New Jersey has been hardest hit with employment in the boat-building industry dropping nearly 90 percent since its enactment. This is similarly reflected on a national scale with companies that build boats in the luxury tax range having dropping in employment by approximately 73 percent. I am very gratified that the reconciliation bill will, once and for all, see that this ill-advised tax is repealed.

Furthermore, the reconciliation bill modifies the passive loss rules for taxpayers who materially participate in rental real estate activities. This provision alone, will breath life back into the real estate industry which has been struggling to recover. Likewise, this bill establishes targeted capital gains provisions which will allow investors to exclude one-half of the capital gains earned from long-term investment in small business. We know from experience that small businesses create the lions-investment in such valuable business ventures.

Furthermore, this bill will extend, permanently, the targeted jobs tax credit [TJTC], the low-income home tax credit as well as the mortgage revenue bond and small-issue development bond programs. These credits have proven to be a tremendous benefit to the economy and I am very pleased that the reconciliation bill includes these worthwhile provisions.

So while this package is far from perfect, I do believe that, overall, this is a plan that will put us on the right course for achieving our goals of deficit reduction and economic growth. We are facing an economic crisis which requires our immediate attention. The

decisions to be made will not be easy, yet they are critically necessary.

We will have a chance by advancing this bill to the Senate to correct the deficiencies I have noted so that the conference report will be in a more acceptable form. If that does not occur, I will then have an opportunity to vote against it in its final form.

A rejection today denies us that option and presents us with the serious risk that the next reconciliation effort could be even more unacceptable—if we can find one that will get 218 votes. No, moving this process along is the only responsible vote.

Therefore, I urge my colleagues to join me in supporting the Omnibus Reconciliation Act.

Mr. ORTON. Mr. Chairman, I support and commend the President and the House leadership for developing and supporting this bill to cut \$500 billion from Federal spending. It is notable that the Republican alternative cuts spending by \$141 billion less than this reconciliation bill does. The Democratic Party is clearly the party that truly cares about cutting deficit spending and is willing to move forward with real deficit reduction.

President Clinton has changed the debate in this country from whether we would ever reduce the deficit to how we will reduce the deficit.

It is certain to me that we will pass a budget reconciliation bill which implements the President's budget and actually reduces the deficit by approximately \$500 billion in the next 5 years. What is at issue today, therefore, is not whether we will pass the bill but what goes into the package.

We have taken the President's proposal which contained many good provisions and made it better.

We have extended the pay-as-you-go provisions of the 1990 budget agreement which requires that any new spending must be paid for through cuts in other spending or in new taxes.

We have included the President's deficit reduction trust fund to guarantee that all taxes raised in this package will actually reduce the deficit and cannot be used to pay for new spending programs.

The 5-year freeze on discretionary spending in the budget is a first and puts Congress on record that it will not allow optional spending to rise. I worked hard in the Budget Committee to freeze discretionary spending and applaud the committee chairman for working with us to accomplish this. That measure alone will save Americans almost \$90 billion over the next 5 years.

Late last night this legislation was improved further. We were able to push through needed revisions that help control entitlement, or "mandatory," spending. Are these limits on uncontrolled increases in entitlement spending enough? No. I urge the Congress to adopt comprehensive budget process reform similar to what I have proposed in H.R. 1138.

But these controls do for the first time limit growth in the largest and fastest growing part of our budget. We cannot abdicate our responsibility in this area, as we have up until now. Without dealing with mandatory spending we cannot control the deficit. I thank the White House and the leadership for recognizing this need and for addressing it in this bill. It helps

meet our commitment to the American people to get Federal spending under control. Without such a measure, runaway entitlement spending could add as much as \$200 billion extra to the Federal debt over the next 5 years.

I am therefore positive about this bill in many ways.

I do have concerns over what's in the bill, however, and will vote against it due to its inclusion of the energy and Social Security tax increases.

The Btu tax is a left jab to the chin of middle-income Americans, and the tax increase in Social Security is an uppercut to the mid-section of the elderly. It strikes especially hard at energy-producing States like my own State of Utah. Even with some exemptions for certain energy-related purchases, this tax will hit farmers, persons who drive long distances, coal producers and steel producers, and their employees in Utah.

I am not willing to subject my district and State to a tax that will hit middle-income Americans so directly, and will hit my constituents harder than most other districts and States. Spending cuts must, in fact, come first.

The Btu tax in particular is almost certain to be removed from the package or significantly altered before final passage.

The administration and the House leadership have acknowledged that the bill will undergo substantial changes before reaching the President's desk. It is unfortunate that this House was not able to resolve the problems with the energy tax, increase in the Social Security tax, and the entitlement cuts prior to sending it on to the Senate.

I support our President and want to pass reconciliation.

The question before us today, therefore, is not whether we will or will not send the President a budget reconciliation bill. We will. The question is, "What will be in it?" I am committed to keeping our promises to middle-income Americans and keeping our focus on the larger goal of economic recovery.

I urge the Congress to work together with the President to perfect this bill by lowering taxes and increasing the spending cuts in this reconciliation package.

Ms. NORTON. Mr. Chairman, may I thank Post Office and Civil Service Committee Chairman BILL CLAY and his staff for their strong support of our efforts to develop the alternative savings proposals now contained in the budget reconciliation package. Thanks also is especially due to Chairman STENY HOYER and his staff, for Representative HOYER played a major role in the solution reached by our subcommittee. Further, we would not have prevailed without the flexibility, cooperation, and hard work of Chairman SABO and Director Panetta, and the work of OMB, OPM, GAO, and CBO.

We have adopted a set of alternatives that meet President Clinton's assignment of \$39 million in savings to the committee. As a result, great sacrifice is extracted from Federal employees, but preservation of some benefits is achieved and wholesale demoralization of the Federal work force is avoided.

Perhaps most important, the national implementation of locality pay adjustments for Federal workers in 1994 would proceed as intended by Congress. Locality pay, which is in-

tended to close the gap between Federal and private sector pay estimated to be an average of 30 percent, was mandated under the Federal Employees Pay Comparability Act of 1990. This is a critical element in a comprehensive system for pay reform designed to stem the Government's diminishing ability to attract and retain a skilled work force for vital public service functions.

Our efforts to preserve locality pay began after President Clinton announced his deficit reduction program on February 17, 1993. Proposals for substantial contributions from Federal workers were included: a pay freeze in 1994 followed by a 1-percent reduction in the amount of the annual raise for 1995 through 1997; a 1-year delay of nationwide locality pay; reduced benefits for the survivors of Federal workers; and the transfer of almost \$700 million in Federal Employee Health Benefits Program premium costs from the Government to program enrollees. All of this was in addition to the contributions being asked of all Americans.

As Chair of the Subcommittee on Compensation and Employee Benefits, I immediately decided to hold early hearings on the President's proposals to see if alternatives could be developed. The first, on March 3, 1993, was a field hearing in the District of Columbia where Federal employees from across the region and the national Federal employee organizations responded favorably to my request to list the proposals which they found most objectionable and to offer alternative proposals for reducing the cost of Government. At a second hearing on March 10, we received testimony about the details of the President's program from CBO, OMB, OPM, and GAO.

We subsequently compiled a list of over two dozen alternative proposals for reducing the cost of Government that were submitted to the subcommittee by witnesses, Members of Congress, and the public. We then sent them to CBO, OMB, OPM, and GAO for analysis and estimates that would assist us in evaluating their relative merit and capacity to generate real savings as measured by CBO standards. We invited the Federal employee organizations to comment on them as well.

Our objective throughout this process was to engage Federal employee organizations and these agencies in a collegial problem solving process which would develop alternative savings proposals. We asked employees and employee organizations to indicate which of the President's proposals were most burdensome. They indicated: first, the delay in the implementation of locality pay; second, the transfer of \$700 million in health care costs from the Government to employees; and third, the reduction of the survivor annuity benefit.

Prior to the House action on the budget resolution, I had the opportunity to discuss the disproportionate impact of the President's program on Federal employees with OMB Director Leon Panetta, and he indicated some willingness to work with the subcommittee to address this issue. Shortly thereafter, Chairman CLAY, Chairman HOYER, Chairman SABO, and I agreed to include language in the report on the House budget resolution indicating that the administration and the Budget Committee would work with the appropriate authorizing and appropriating committees to "find accept-

able alternative methods for achieving budget savings so that locality pay shall be implemented in fiscal year 1994." This language, which was retained in the conference report, provided the mandate to develop major parts of the plan now contained in the reconciliation bill before us today.

This plan contains several provisions which produced enough discretionary spending savings to cover the cost of locality pay: first, payment of the locality pay adjustment is delayed each year for 6 months until July 1; second, the annual national pay adjustment is delayed 6 months until July; third, caps are set on the amount that can be spent for locality pay in each of the next 5 years; fourth, cash awards for employees are suspended for 5 years; fifth, the accumulation of annual leave by members of the senior executive service is capped; and, sixth, an additional 10,000 civilian positions are eliminated through attrition.

Mr. Chairman, I am gratified that the committee was also able to find direct spending alternatives which enabled us to avoid reducing the survivor annuity, limiting the child survivor annuity, and imposing a COLA cap and COLA reduction on retirees below the age of 62. Finally, the committee prevented a transfer to employees of \$700 million of the Government's contribution to Federal employee health insurance premiums by reauthorizing the "proxy premium."

Even with these adjustments, our provision requires Federal workers to contribute considerably more sacrifices and savings than other Americans, including a pay freeze in 1994 and reduced raises for 3 years thereafter. A Herculean effort made by an unusual array of participants, however, has considerably relieved the burden.

The final package adopted by the Post Office and Civil Service Committee was the product of a model collective effort, with employee organizations, Government officials, and Members of Congress working closely together to help reorient the original proposals while achieving the large savings the President requested. It was a worthy goal. I am especially grateful for the cooperation that surrounded it and am proud of the participants who together produced the final product.

Mr. SPRATT. Mr. Chairman, this bill contains more spending cuts and more deficit-reduction than the American public appreciates. The bill also contains new budget process provisions that I suppose we should not expect anyone outside this institution to understand unless he or she happens to follow Congress and our budget process constantly. In 1991, as part of the Budget Enforcement Act, we capped discretionary spending through fiscal year 1995. Those caps have worked; Congress has kept discretionary spending beneath them. In the Budget Enforcement Act, we also set up so-called pay-as-you-go rules, which require that the expansion of benefits has to be paid for with new revenues or offsetting cuts; and that tax cuts must be revenue-neutral. Those rules have worked, and they are extended through 1998 by this bill. Over the next 5 fiscal years, discretionary spending will not exceed the level it reaches this year, and the cap on discretionary accounts will stop over \$100 billion in spending that would otherwise occur.

In addition to carrying those rules forward, this bill plows new ground. Neither in Gramm-Rudman-Hollings, nor in the Budget Enforcement Act, did we try to cap entitlements. Entitlements are the source of the problem; the gaping hole in our budget process; the missing piece is the whole puzzle of the deficit.

My colleague, Mr. STENHOLM, and I set out to correct that omission. We began with provisions of a bill that Leon Paneta authored and filed last year. His bill established a baseline for entitlement spending and required Congress to reconcile to that baseline every year. I first modified that plan with a plan of my own that allowed for the baseline to be corrected each year for actual inflation and for actual growth in the beneficiary population. But I retained sequestration as a back-up to ensure compliance. What we have finally settled upon as a compromise in this bill is less than we set out to do, but it is significant. Because of the amendment we offered, this bill sets entitlement spending targets for fiscal year 1994-97, and it forces the President and the Congress to face up to the need for adjustments in direct spending if actual or projected spending exceeds the targets.

Here essentially is how the provisions work: It budgets targets for entitlement spending, or direct spending for fiscal year 1994 through 1997. The targets come from the path OMB projects direct spending to follow from fiscal year 1994-97 as a result of this Reconciliation Act.

After each fiscal year, OMB will adjust the targets for legislated changes that conform to the pay-as-you-go rules and for changes in beneficiaries above the levels assumed. OMB will then determine how actual spending compares to the adjusted baseline. If actual spending exceeds targeted spending by more than 0.5 percent, the President has to recommend full, partial, or no reconciliation of the coverage, but he must make his case for less than full reconciliation.

The Budget Commission must then report by April 15 a budget resolution with a title addressing any overage reported by the President. If the President recommends reconciliation, the resolution must reduce outlays or increase revenues by at least as much as the President recommends. If the Budget Committee fails by April 15 to report a budget resolution with reconciliation for at least as much as the President recommends, any Member may move to consider the President's budget message.

If the budget resolution does not reconcile the entire overage, it must direct the Government Operations Committee to report a bill increasing the direct spending targets. The House must hold a recorded vote to increase the direct spending targets, and the House cannot consider the budget resolution until it has voted to increase the direct spending targets.

The House may not consider the conference report on the budget resolution unless the conference report fully addresses the coverages by raising the targets or reconciling the overages. The House also may not consider appropriations bills unless Congress has adopted a budget resolution conference report that deals with direct spending overages.

The goal of these provisions is greater visibility and accountability for entitlement spend-

ing. The accomplish these goals by budgeting entitlements by establishing spending targets, or a direct spending baseline; making the President and Congress face the need for entitlements reconciliation every year in the budget process; holding Congress accountable for how excesses in entitlement spending are dealt with by requiring a recorded vote on any action less than full reconciliation.

Mr. KLECZKA. Mr. Chairman, today the House will consider the President's deficit reduction plan and will make the most important vote of the year. We all are clearly aware the last election was about the economy, and that we need to act to put it back on the right track. Our future, and the futures of our children and grandchildren, are at stake.

The President has taken the lead in making deficit reduction and economic investment a priority, and House committees have approved and enhanced the President's recommendations. This reconciliation bill makes almost half a trillion dollars in deficit reduction in 5 years, the largest debt reduction legislation in history. The \$496 billion in deficit reduction amounts to \$1,984 in debt retirement for every man, woman, and child in the Nation. It begins to pay our bills. It improves our financial-standing.

We have heard much from opponents about the tax provisions in the bill, but spending cuts make up half of the deficit reduction achieved in the proposal. There are spending cuts in entitlements, including Medicare and Medicaid, Federal employee compensation, and agriculture. There is budget enforcement which requires that discretionary spending will be cut back below fiscal year 1993 levels, and then frozen at those levels each year for the next 5 years. This cuts spending by \$102 billion, and spending cuts begin this year, not years down the road.

Mr. Chairman, taxes are never pleasant. Nobody like them, myself included, but you cannot help cut the debt fairly without them. The taxes in this package are fair. Wealthy individuals are finally asked to pay their share. Seventy-five percent of such new revenues will be paid by the top 6 percent of households. While tax rates for the well-to-do are increased, middle-class tax rates are untouched. Business perks, like deductions for club dues, are eliminated. Foreign corporations will pay their fair share of U.S. taxes. The Btu energy tax will affect many of us, but it is much more fair to each region of the country, and Wisconsin in particular, than a large gasoline tax. However, families with incomes below \$30,000 would not be burdened by the Btu tax, since offsets from enhancing the earned income tax credit and other items would compensate for these costs. Again, this is a fair, balanced approach.

Also contained in this legislation are some important investment initiatives. Housing opportunities are improved with the mortgage revenue bond and low-income housing tax credit provisions. Job opportunities are available under the targeted jobs credit and the empowerment zones hiring incentives, and workers can upgrade skills under the exclusion for employer-provided education assistance provision. Small business incentives for capital formation include a capital gains incentive for new, long-term investment in small

business stock, and an expensing provision to help small firms acquire equipment and improve cash flow.

The progress on debt reduction made by this bill will be insured by tough enforcement mechanisms. Caps on discretionary spending are extended though, 1998 pay-as-you-go rules prevent new legislation from increasing the deficit, new provisions require action if mandatory spending exceeds estimates, and a new trust fund ensures all savings from this bill must only be used for deficit reduction.

Mr. Chairman, this package takes on the special interests and puts the Nation's best interest first. It breaks the gridlock and moves us forward. It does something, instead of just standing there. It will help put our economy back on the right track. Support the Budget Reconciliation Act.

Mr. LEWIS of Florida. Mr. Chairman, I rise in strong opposition to this tax-and-spend plan, which contains so many fundamental flaws I almost don't know where to begin.

It taxes too much, and it spends too much. Worse, the taxes, like the energy and social security taxes, are unfair. They will slow the economy and create unemployment. In this plan, BTU stands for Big Time Unemployment.

The spending is also wrong. Not one government program—no matter how small—is eliminated. Finally, although there are claims of cuts, this bill raises the debt ceiling to almost \$5 billion to pay for its spending over just the next 2 years.

This year, this body temporarily raised the debt ceiling. At the time, a senior Democrat made a statement that summarizes the philosophy in the tax bill. He said, and I quote, "Mr. Speaker, the bills have come due. It is time to raise the debt limit."

Well, the bills have come due. I think it is time to cut spending and pay them.

Defeat this tax and spend plan.

Mr. VENTO. Mr. Chairman, I rise in support of H.R. 2264, the Omnibus Budget Reconciliation Act.

This Budget Reconciliation Act is about making hard decisions. This Budget Reconciliation Act is about leadership, cutting the deficit, and getting the economy back on track. It is about reducing the budget deficit by \$500 billion over 5 years. It is about the Congress and the President working together to tackle the tough problems, realizing that these are not "no-sweat" solutions as some try to term and trivialize the issue.

The sacrifice being asked of the people is for long-term gain instead of short-term political advantage. The vote today will have tangible real impacts. This Clinton budget pact is a specific and detailed plan to reduce the deficit and increase investment in American workers and families. It will only succeed in the final analysis with the support of the American people and Congress.

This budget law offers significant reforms and provides a sound policy path to establish new national priorities, restore greater tax fairness, invest in people, and reduce the deficit. It is clearly a radical departure and different from the tired, tried and failed borrow-and-spend policies of the past 12 years. The bill will freeze discretionary spending at the current fiscal year 1993 level, create an important new entitlement review mechanism, and es-

tablish a new deficit reduction trust fund. Half of the deficit reduction is to be achieved through spending cuts and the remaining half is to be achieved through revenue increases, all of which will be placed in the trust fund and pledged for deficit reduction.

The restoration of tax fairness is essential to restore credibility for the national government and the overwhelming majority of the taxes fall on those most able to bear the burden. The Congressional Budget Office found that 75 percent of the proposed taxes would fall on the 6 percent of the families that make over \$100,000. Families making under \$30,000 are, on the whole, untouched after the tax benefits and program improvements are calculated. In addition, vital programs whose extension has been long awaited are part of this bill, including the low-income housing tax credit, mortgage revenue bonds, targeted jobs tax credit, small issue industrial development bonds, among others. The bill also revises the passive loss rules, repeals luxury taxes, and increases deductions for small business equipment purchases. These and other strong provisions will have meaningful effects for our struggling economy.

Mr. Speaker, each committee has carefully examined and provided reconciliation actions for revenue increases, cuts in entitlements and other direct spending programs. Each of the committees on which I serve worked hard to meet our goals and make the tough choices in fees, premiums, and cuts. We need to pass this bill and move the process along to bring in line our skyrocketing fiscal deficit and to turn back the tide on the rising human deficit that we created simultaneously throughout the last 12 years.

I urge my colleagues to vote for this bill to pull us out of the doldrums of seemingly terminal gridlock here in Washington, DC; to put our economic house in order; and to move our Nation forward to a bright future, a future of hope, making the national government relevant and involved in addressing the problems facing the American people we represent.

Mr. SANDERS. Mr. Chairman, as the only Independent in Congress, I will vote today for the President's economic package, but with mixed feelings. It is not anywhere near as good as the program that I have fought for but, in terms of the needs of working people, elderly people, children, the poor, and veterans, it is far superior to what the Republicans are offering.

As most Vermonters know, I am opposed to the energy tax because ultimately it is a regressive tax which falls too heavily on those least able to pay higher taxes. I am also opposed to the tax increase that some middle-income Social Security recipients will be seeing as a result of Clinton's proposal. I have fought hard against both of these tax increases and, as the process continues on to the Senate, into conference committee, and back to the House, I will continue to fight to eliminate these regressive tax increases.

The truth of the matter is, however, that after 12 years of Reaganomics, a \$4 trillion national debt, a \$260 billion deficit, and a declining standard of living for middle-income and working people, something must be done to move this country toward a balanced budget and a fairer tax system. While very far from

perfect, the President's budget proposal does this.

Here are the key points of the proposal:

First, the budget deficit will be cut by \$500 billion over the next 5 years. The U.S. Government cannot continue to burden our children and grandchildren with an enormous national debt which will choke economic growth, continue exorbitant interest payments, and drive up interest rates. We must act to control the deficit, and the President's plan makes a serious effort to do that.

Second, while I have deep concerns about the regressivity of the energy tax and the increase in taxes on the top 20 percent of Social Security recipients, most of the President's tax raising proposal is, in fact, progressive. Given the reality that during the 1980's the rich became richer and saw a decline in their tax rates, it is absolutely appropriate that 70 percent of the tax increase falls on families earning more than \$100,000 a year, and more than 60 percent falls on those earning more than \$200,000 a year. I would go further, but there is no denying that this approach has a strong element of progressivity. According to figures that I have seen, those families with incomes from \$40,000 to \$50,000 would see a combined increase in taxes of about \$275 a year. Those in the lower income categories would see a smaller increase.

Third, one of the most positive aspects of the President's proposal is a significant increase in the earned income tax credit, which will be helpful to all low-income workers—especially those with children. Given the fact that the United States today has the highest rate of poverty in the industrialized world for its children, this could be a very important step forward in improving that situation. Under Clinton's proposal, even with the energy tax, most low-income families with children will end up better off financially, with more disposable income. In other words, the earned income tax credit will more than offset the energy tax—making those families better off.

Fourth, also of importance, the low-income housing tax credit and mortgage revenue bond programs, which are responsible for creating hundreds of thousands of units of affordable housing, will be renewed. Small business people and farmers who buy their own health insurance will again be able to deduct from their taxes a portion of their health insurance premiums. The Food Stamp Program is being expanded to assist the million of Americans who have been hurt by the recession. Access to childhood immunizations will be greatly expanded. The assessment on dairy farmers is being lowered from 11.5 cents to 10 cents per hundredweight. And finally, this proposal protects disabled veterans from cuts in their disability compensation.

To my mind, the major weakness in Clinton's proposal is that he did not go far enough in raising taxes on the wealthy, cutting back in military spending, or eliminating various boondoggle projects such as the superconducting super collider, the space station and star wars. If he had, he could have created the revenues and savings to offset the need for the energy tax and the increased taxes on Social Security recipients.

The Republican alternative offered today would have been far worse for middle-income

and working people. Under the Republican proposal, there would have been no tax increases on the wealthy, which means that there would have been massive cutbacks in programs desperately needed by middle-income people, veterans, the poor, children, and the elderly. Under the Republican proposal, Medicare and Medicaid would have been savaged, causing enormous pain and suffering for the elderly and the poor. Social Security COLA's could well have been eliminated. Federal aid to education would have been slashed, raising property taxes and other State taxes. Food stamps, environmental protection funds, grants to college students and programs for low-income people would have been cut.

In other words, after 12 years of Reaganomics in which the rich got richer at everybody's expense, the Republican proposal would have balanced the budget on the backs of those people least able to afford it. That would not be acceptable to me or, I believe, the vast majority of Vermonters. And finally, despite all the Republican hype about deficit reduction, their proposal actually lowers the deficit significantly less than President Clinton's does.

Mr. ORTON. Mr. Chairman, I would like to take this opportunity to express my disappointment that the Rules Committee did not allow the amendment submitted by Representatives COOPER, MCCURDY, and myself dealing with amortization of intangibles.

Over the last few months, a number of Members including myself have tried to call attention to the negative impact of adopting a uniform 14-year amortization treatment of intangible assets. We have publicly acknowledged the intent of this legislative proposal, which is to provide clarification to an area that has been the subject of a great deal of dispute and litigation. We recognize the benefits of eliminating the need for costly appraisals, of ending disputes between taxpayers and the IRS, and of providing greater certainty for potential acquirers of businesses with substantial levels of intangible assets.

At the same time, we have been very concerned about the impact of this sea change in tax policy. For the first time, the tax code would allow deductions for goodwill. The purpose of allowing amortization of any asset is to properly match depreciating assets against revenues. Goodwill, however, typically does not depreciate—and certainly does not disappear over a 14-year period in the great majority of cases. At the same time, the 14-year period represents a significantly longer period than is appropriate for assets in many industries. In short, the change is significant and for many taxpayers inequitable.

Our concerns go beyond a mere distaste for accounting mismatches. Although this change does accomplish tax simplification, it also has significant implications in terms of economic policy. As currently drafted, the bill is inconsistent with the goals of the Clinton economic package. It provides tax incentives for paper transactions of large corporations, at the potential expense of small business development, job creation, and home ownership.

Before we enact tax incentives which could have a substantial effect on business decisionmaking, we should remember the eco-

nomie climate of the last decade. Throughout the 1980's, we witnessed hundreds of billions of dollars of tax shelters and LBO's, transactions that were encouraged by tax policies in effect at that time.

In the case of amortization of goodwill, we could again set the stage for transactions designed to "game" the system through inventive allocations between tangible and intangible assets. The opportunity for this type of gamesmanship is very high in large, complex transactions.

Beyond these concerns, I also believe that lumping all assets into a 14-year life for tax purposes creates a framework that is simple, but not necessarily equitable as good tax policy. We should acknowledge that this change creates a number of winners and losers. The obvious winners are large corporations with substantial amounts of goodwill. Obvious losers include potential homeowners, many small businesses, computer software developers, and insurance agents. By significantly increasing amortization lives for assets in these industries, we are simply raising taxes, without having any real debate on the policy behind these changes.

This is why I am not happy that this matter was not considered either in committee or on the floor of the House. Amortization of intangibles was not a part of the President's economic package. It has consistently been represented as revenue neutral tax simplification. It was inserted in the reconciliation bill without fanfare. Due in part to the Newark Morning Ledger case, it has suddenly become a revenue raiser, in the amount of \$2.1 billion over 5 years, according to the Joint Committee on Taxation.

I believe this should have been subject to greater debate and more careful consideration. Nevertheless, the practical reality was that this provision was going to be included in the reconciliation bill. Therefore, we have developed a compromise amendment which retains the benefits of tax simplification, provides a measure of equity for affected businesses, and averts the risk of reigniting a new round of leveraged transactions.

Our amendment includes a number of provisions. First, it provides for a shorter, 7 year amortization period for small business transactions. These are defined as any transaction under \$5 million. I believe that this approach is a far more accurate treatment of the lives of intangibles created in small business transactions. Generally, anyone who purchases a small company does not expect the value of any premium they pay in excess of tangible assets to extend for a period as long as 14 years. Unlike conglomerates with brand names or huge advertising budgets, goodwill and other intangibles in a small business are usually depleted over a more rapid period.

Our amendment would also exclude purchase mortgage servicing rights from 14-year treatment. By increasing the amortization period for these rights, the reconciliation bill is in effect a hidden tax on homeowners. Since servicing fees are a component of mortgage rates, tax increases on servicing rights will probably be passed along to the homeowners in the form of higher mortgage rates. Furthermore, this restoration to current law treatment is eminently fair, since the value of the right to

service any mortgage is clearly worthless once the mortgage has been paid off. Historical experiences of hundreds of billions of dollars of mortgages clearly establishes that average lives are in the range of 7 to 10 years, as opposed to 14 years.

Our amendment also restores fair amortization treatment for software product lines which are sold in a corporate acquisition. The average product life of software is closer to 2 years, and in current practice is generally amortized over a period of from 3 to 5 years. Fourteen year amortization is an extreme distortion which will tend to discourage the development and acquisition of promising new software applications. In cases where our domestic software firms are competing with foreign firms for the purchase of exciting new software products, we will be driving these technologies into the hands of foreign competitors. This would be tragic, especially since software has been one area in which this country has excelled.

Finally, our amendment would exclude customer lists of insurance agency/brokerage sales from 14-year amortization. Insurance in force has a fairly clearly identifiable average life, which is much shorter than 14 years. Our amendment would treat this asset more fairly, and provide safe harbors for allocation and useful lives to avoid costly appraisals and litigation with the IRS.

While these changes obviously provide for more favorable tax treatment for various industries, we realized that our proposed changes must be made in a way that does not lose revenues. Therefore, our amendment pays for these changes by providing a 28 year amortization period for all intangibles acquired in a transaction of \$50 million or greater. This is only fair since many of these transactions will still enjoy favorable tax treatment arising from newly created amortization of goodwill. This longer life treatment would also remove a significant portion of the tax incentive for more leveraged buyouts.

I am not wedded to the specific details of this approach. Adjustments would be made to thresholds, and in fact should be made if they are necessary to maintain revenue neutrality. However, I believe that adoption of this amendment would represent a significant enhancement of the existing intangibles provision found in the reconciliation bill. I urge the Congress to take a careful look at this issue and ultimately to adopt our amendment or any reasonable alternative.

AMENDMENT TO H.R. . THE OMNIBUS BUDGET RECONCILIATION ACT OF 1993 AS REPORTED BY THE BUDGET COMMITTEE

Page 1396, line 10, strike "14-year" and insert the following: "amortization"

Page 1396, after line 16 insert the following new subsection (and redesignate subsequent subsections and any references to such subsections):

"(c) AMORTIZATION PERIOD.—For purposes of subsection (a), the term 'amortization period' means—

"(1) 28 years if the aggregate purchase price paid in the transaction (or a series of related transactions) in which the intangible is acquired is more than \$50,000,000,

"(2) 14 years if such aggregate purchase price is more than \$5,000,000 but not more than \$50,000,000, and

"(3) 7 years if such aggregate purchase price is not more than \$5,000,000.

Page 1400, line 18, after "other computer software", insert the following: "and related rights"

Page 1400, after line 22, insert the following new subsection:

"(iii) exclusive rights to software developed as a product line which are acquired in a transaction (or series or related transactions) involving the acquisition of assets constituting a trade or business that regularly licenses, rents, or sells computer software in the ordinary course of business to customers.

Page 1401, line 2, before the period insert the following: ", and the documentation required to describe and maintain those programs

Page 1402, after line 19, insert the following new subsections:

"(8) MORTGAGE SERVICING.—Any right to service indebtedness which is secured by residential real property unless such right is acquired in a transaction (or series of related transactions) involving the acquisition of assets (other than rights described in this paragraph) constituting a trade or business or substantial portion thereof.

(9) INSURANCE IN FORCE AND INSURANCE EXPIRATIONS.—Any list of all insurance policy holders and any list of the expiration dates of insurance policies. In the case of the acquisition of a business the principal activity of which is the sale or brokerage of insurance policies, an allocation of basis to the items referred to in the preceding sentence shall be treated as meeting the requirements of this title if the basis allocated to such items does not exceed 75 percent of the basis allocable to the sum of such items plus all section 197 intangibles acquired in such transaction. The Secretary's regulatory authority under this subsection includes the authority to promulgate safe harbor recovery periods for useful lives consistent with industry practice and experience.

Page 1406, strike lines 20 and all that follows through line 10 on page 1407, and insert the following:

"(i) the taxpayer acquired such intangible from a related person who held such intangible on the date of enactment of this section and at all times thereafter before the acquisition of the intangible by the taxpayer,

"(ii) the intangible was acquired from a person who held such intangible on such date of enactment, and, as part of the transaction, the user of such intangible does not change, or

"(iii) the taxpayer grants the right to use such intangible to a person (or a person related to such person) who held or used such intangible on such date of enactment.

Page 1414, strike lines 17 and all that follows through line 4 on page 1416 [and redesignate the subsequent paragraph]

Mr. ENGEL. Mr. Chairman, I rise today in support of the Budget Reconciliation Act. The President has given us the opportunity to change our lives and the lives of our children for the better with a realistic and responsible economic plan. Change is never easy but we know where the Republican economic policies of the past 12 years have led us. Under the Republican Presidents we have had a crumbling economy, joblessness, an increased budget deficit, and a growing sense of despair felt by the majority of American citizens. We know that trickle-down economics do not work. We know you can not have something for nothing. Let us find the courage to make a change.

Getting the budget deficit down must be our top priority. Otherwise we are mortgaging

away the futures of our children and grandchildren. Those who grandstand here and yell only for budget cuts, only want someone else's program to be cut. The fact of the matter is there are no easy answers and the deficit will not be reduced overnight. We have the opportunity to change our Nation's future tonight. We have a responsible and realistic program before us that asks the wealthiest Americans to pay their fair share, asserts that the working Americans should not live below the poverty line, and significantly reduces the Federal deficit, freeing up capital for investment in our Nation and the world.

Some people say this a difficult vote to take, but the Congress can no longer void the tough decisions that must be made to get our economic house in order. I am willing to take a tough vote in order to secure a better future for my constituents and our children. I urge my colleagues to vote for this bill.

Mr. FRANKS of Connecticut. Mr. Chairman, today the advocates of a government-run economy will try to make history by approving the largest tax increase our country has ever seen. Remember that the deficit was created largely by the Democrat-controlled Congress. My colleagues on the other side of the aisle have dominated House of Representatives longer than Castro has dominated Cuba. Now they intend to pay off their spending by taking \$273 billion in additional taxes from the American people.

Back in 1990, then-President Bush took a ill-advised risk and supported some tax increases as a way to reduce the deficit. Congress took that new revenue and spent some more. I don't see any reason why this won't happen again. The same old spenders are still entrenched in Congress.

The Clinton plan, of course, is riddled with tax increases designed to lower the living standards of just about everyone. However, the worst two tax increases are the energy tax and the tax on Social Security benefits. The energy tax will cost the typical middle-income family about \$450 a year. Of course, Americans will never be able to figure out which \$450 it was, because the ripples from the energy tax are hidden in everything that we pay, not just heating fuel and gasoline. The energy tax will destroy 600,000 jobs over the next 5 years. Thousands of those jobs will unfortunately be lost in my district of Connecticut. While President Clinton talks about job creation, he supports Government actions which will put more Americans on unemployment.

President Carter was the last President to institute an energy tax. President Clinton, sitting in the Governor's chair in Little Rock, probably never had to sit in a gas line for hours. However, he must have had his savings eroded by the rampant inflation of the time. Why does the President commit himself to making the same mistake again today? Stop listening to the academics and actors, Mr. President, and start listening to the people who are doing something more productive for our country.

The President also sees an opportunity to take some money from his elders, and he's taking the opportunity. Nine and a half million senior citizens will pay an average of \$483 a year more in taxes as a result of President Clinton's vision of change. Senior citizens did

not give to the Government when they were younger assuming they would give more to the Government when they were older.

My constituents in Connecticut are expressing their dismay today about this budget. They do not believe that they will benefit from receiving less money in their paycheck. They do not believe that a bigger government can solve their problems. In fact, they see that government is going to make things worse. My constituents tell me that, at the very least, congress should "cut spending first." They know that the Clinton plan includes no net reduction in spending in fiscal 1993 or fiscal 1994. In fact, in its current form, not one government program is eliminated from the budget, not even the honey program. President Clinton has chosen to make all of his cuts in defense. He promotes military weakness abroad even as he promotes economic weakness at home.

I think my constituents would find their desire for deficit reduction satisfied if congress just cut spending. For this reason, and for reasons of common sense, I support the Kasich substitute to the President's budget. It achieves \$394 billion in deficit reduction with real, specific cuts and no tax increases.

The advocates of the Clinton tax plan are complaining that the minority party here in Congress is not playing fair. After all, many of the Clinton budget supporters today crossed party lines to support President Reagan's budget in 1981. Well, President Clinton would have received a lot more support if he had introduced a budget plan that agreed with what he had campaigned on. Deceit never earned any friends.

I urge my colleagues to take a second look at the Kasich alternative. It is truly the right approach to deficit reduction. The other approach will result in unemployment, inflation, and recession.

Mr. BONILLA. Mr. Chairman, I rise in defense of the working men and women of Texas, especially the people of the 23rd District.

As we prepare to vote on the President's budget reconciliation package I must plead with my colleagues to look at the severe consequences of only one of the many tax components of the budget—the Btu tax. If passed, it could destroy up to 600,000 jobs nationwide; 37,693 in Texas; and 1,955 in the 23d District alone. And if that is not enough, this regressive tax will continue to hurt those low-income families who do not lose their jobs, but still have to pay extra taxes to drive to work, light their homes and buy their food.

Mr. Chairman, the 23d District of Texas cannot afford to lose close to 2,000 jobs. It cannot afford to lose close to 2,000 jobs. For this reason, I will urge my colleagues to put partisan politics aside and vote for the substitute budget which eliminates the Btu tax along with the other Clinton tax hikes. Although I do not agree with all the elements of the Kasich plan, I do agree with the basic premise of the plan: Cut Spending First and Quit Taxing Americans. Although it's clear this plan probably won't get the support it needs to pass, let's send a message to our colleagues in the Senate to have Government serve the American people and stop this effort to have people serve the Government.

Ms. VELÁZQUEZ. Mr. Chairman, I rise in support of this budget reconciliation bill and in

support of President Clinton's plan for the future of America.

I have been listening to the debate on the floor and in particular to the Republican rhetoric about how this plan will drive this country to ruin. Well, guess who got us where we are today? Under Republican rule, this Government cut taxes on the rich, eliminated investments in our cities and our people, and what did it get us—spiralling crime rates, millions of homeless Americans, ravaged communities and a loss of faith in the Government's ability to serve its citizens. And, in addition to this social deficit, their plan prompted an explosion of the budget deficit and the Federal debt. So today, President Clinton and the Democratic party offer a tough and balanced package to clean up 12 long, painful years of failed supply-side economics.

We have also heard our Republican colleagues complain about the tax provisions of this bill. What they have forgotten to mention is that 73 percent of the net tax increase in the legislation will fall on households with incomes over \$100,000. We have heard our republican colleagues gripe about the wasted spending in this bill. What they have forgotten to mention is that the bill includes \$75 billion in tax incentives for investment and jobs.

There certainly are parts of this legislation that I do not like. But, we must consider this reconciliation bill as a package, an investment package that carefully balances the needs and ambitions of our country for jobs, housing, education, and economic development with the reality of the bloated deficit. Therefore, we must come together and prove to the American people that we, as a Congress, can govern.

Mr. Chairman, I urge my Republican colleagues, if you are going to talk the deficit reduction talk, then walk the deficit reduction walk and support H.R. 2264, the largest deficit reduction package and most ambitious investment plan this country has ever seen.

Mr. STOKES. Mr. Chairman, I rise today in strong support of H.R. 2264, the Omnibus Budget Reconciliation Act of 1993. This legislation is the largest deficit reduction package in the entire history of the United States. H.R. 2264 includes measures which will help reduce the deficit by \$500 billion over the next 5 years, balanced equally between spending cuts and revenue increases.

The American people have clamored for years for the Federal Government to end the gridlock; to end the war of words; to end the self-congratulatory political posturing on the issue of deficit reduction, and take serious action to address the problem.

Here we stand today debating legislation that, for the first time, will answer the calls of the American people, and enact responsible cuts in spending and raise additional revenues by restoring fairness to our Nation's tax system. Here we stand, just a few months after the inauguration of a new President, who embodies the spirit of change demanded by the American people, and who represents a new generation of leadership. Here we stand, before the American people, with the duty to enact a real deficit reduction bill, which contains a comprehensive plan of reasonable revenue increases, and spending cuts.

H.R. 2264, President Clinton's proposal, is the only responsible plan which has been in-

troduced, and the only plan which will actually reduce the deficit.

Passage of H.R. 2264 will meet the basic goal set in President Clinton's economic agenda submitted in February, and in the congressional budget resolution adopted in April—deficit reduction of roughly \$500 billion over a 5-year period. The legislation contains entitlement spending cuts, establishment of discretionary spending caps, savings realized from improvements in government debt management policies, and tax increases which fall predominantly on the wealthiest Americans and corporations. Also, the bill includes investment provisions to encourage long-term investments in small businesses, the prime engines of economic growth in our Nation. In addition, H.R. 2264 expands the earned income tax credit for low-income families to offset the effect of the new energy tax, and provides tax incentives for economically distressed areas to increase business activity and create jobs.

Mr. Chairman, I stand here today, representing the people of the 11th District of Ohio, the residents of the city of Cleveland, and suburban areas of Cuyahoga County. I know what my duty is to the men and women who sent me to the U.S. Congress to represent their interests. President Bill Clinton was elected by the American people because he promised a change from the failed policies, empty promises, and cynical rhetoric of the last dozen years. We all stand here today with the opportunity to fulfill the people's desire for change. I urge all my colleagues to stand with the President, to stand with the American people, and vote in favor of H.R. 2264, the Omnibus Budget Reconciliation Act of 1993.

Ms. E.B. JOHNSON of Texas. Mr. Chairman, the legislation we will vote on today is probably one of most important and crucial tests we will face this year. I am ready for that challenge. We must be prepared to make the tough choices that are demanded of us. President Clinton has put together an economic package which will stimulate the economy and also bring down the deficit.

The American public endorsed the President's plan by electing him to office. They voted for a change in the way we are managing our Government's bank account.

This measure includes \$75 billion in tax incentives to encourage investment in small businesses which we all concede is the best mechanism for creating new jobs. Many of these jobs would be in communities where individuals have low incomes. Overall the State of Texas would add approximately 10,399 new jobs in 1994. Personal income would also grow by \$530 million in this same year if this package is passed.

I am from an energy-producing State, and I can tell you there are a lot of misconceptions about the impact of the Btu tax upon families. When the tax is fully implemented, the cost will be approximately \$10 per person per month. The expansion of the earned income tax credit will more than offset this impact for low-income families. The structure of the Btu tax is fully consistent with a more progressive tax code.

The final results of the Btu tax will be to reduce energy consumption nationally by 7 percent, and reduce our dependence on foreign sources of oil in the year 2000 by more than

400,000 barrels per day. Even once the Btu tax is fully phased in, U.S. energy prices will remain the lowest in the G-7 countries.

I know critics of this bill will tell you that the Democrats are at it again. They want to tax you to death. What they will not tell you is that the majority of new taxes will be paid by families with \$200,000 and over a year incomes.

Enactment of this bill will cut the deficit by \$250 billion over the next 5 years. More importantly, it will be achieved through equal spending cuts and revenue increases.

I ask my colleagues to join with me in supporting the President in his valiant efforts to get our country moving once again because the entire country would reap the same benefits in job and income growth as the State of Texas.

Mr. KYL. Mr. Chairman, this tax bill does represent change: It is bigger than any other tax increase in the Nation's history—\$332 billion in gross receipts over the next 5 years. Beyond that, it is business as usual.

Mr. Chairman, no Nation has ever taxed itself into prosperity. Higher taxes are merely part of a vicious cycle that leads to more Federal spending, higher deficits, more borrowing and higher debt, increased interest costs, and then higher taxes again. In the meantime, the economy suffers.

There is only one way to break the cycle: cut spending.

When George Bush agreed to the last tax increase in 1990, I thought he erred, and I said so. I did not go along for partisan reasons, and I do not believe partisanship should be the deciding factor on today's bill.

The American people want Congress and the President to do something about the Federal budget deficit. But, just as the first rule for a physician, when treating his or her patient, is to do no harm, so too should Congress avoid passing something, simply to demonstrate action, if it harms the American people in the process.

This tax increase will cause real and lasting harm. According to the nonpartisan Tax Foundation, the Btu tax included in this bill will put an estimated 969 people in my congressional district alone out of work. More than 6,300 Arizonans will lose their jobs as a result of the new Btu tax; 463,000 people will be added to the unemployment rolls nationwide as a result of this one tax increase alone.

And, the negative impact does not end with job losses alone. The Btu tax is estimated to cost the average family another \$500 a year. That may not be significant for a President who pays \$200 for a single haircut, but it is significant for millions of American families who are already struggling just to put food on the table, pay the rent, or save for their children's education.

This bill will increase taxes for nearly 10 million Social Security recipients, and that number will rise to nearly 14 million by 1998. The average senior citizen will pay an extra \$483 the first year the Clinton tax increase takes effect. And, that is on top of the additional costs imposed by the Btu tax.

Overall, the Tax Foundation estimates that the average family will pay just over \$900 in additional taxes a year under the Clinton plan.

The bill raises taxes on job-creating companies, including thousands of independent small

businesses. The higher income tax rates will discourage work, investment and savings, an encourage wasteful tax-sheltering activities. Companies cannot create jobs or pay better wages when money must be used to pay the tax collector.

When all of these new taxes ultimately choke off economic recovery, less revenue will flow to the Treasury than projected, and we will be confronted again in a year or two with calls for yet another tax increase. When will Congress learn to just say "no" to new taxes?

President Clinton assures us that the American people are willing to pay higher taxes if they can be sure the additional money will be used for deficit reduction. A lack of revenue is not the problem.

The deficit does not exist because the people are taxed too little, but rather because Government spends too much.

Let us take a look at just what is in this bill besides tax increases: \$7.29 billion in additional spending for food stamps; establishment of a new \$300 million annual entitlement program for emergency immigrant health services; COLA's, albeit reduced COLA's, for Members of Congress between 1995 and 1997; and \$28.3 billion for expanded earned income tax credits.

There is more than a bit of irony in significant amounts of new spending in a deficit reduction bill.

In all, the ratio of net tax increases to net spending cuts in the bill is about four-to-one. That turns the President's promise of \$2 in spending cuts for every \$1 in tax increases on its head. And, it is questionable whether or not even the modest spending cuts in this bill will ever materialize. Ninety-three percent of the spending cuts in the President's budget are slated to occur, not now, but 4 or 5 years from now.

By now, the American people must be thinking that they have heard it all before, and they have. The bill is loaded with the same kinds of gimmicks that have appeared in deficit-reduction bills which have failed to do the job in the past.

For example, \$8.8 billion in claimed savings from ending lump-sum payments for Federal retirees is achieved by shifting costs to future years.

Maybe it is because of a lack of confidence in all of the gimmicks that sponsors of the bill have also included provisions to increase the public debt limit to \$4.9 trillion. That is an increase of \$530 billion from the current limit of \$4.37 trillion, and is expected to accommodate spending just long enough to last through the 1994 elections.

There are some good things in this bill, including passive loss reform, repeal of the luxury tax for most industries—it should be repealed for all industries—extension of the targeted jobs tax credit, the exclusion for employer-provided educational assistance, and small-issue manufacturing bond authority, to name a few.

But, the bad far outweighs the good, and the overall impact of the plan will be economic stagnation.

Mr. Chairman, I had sought from the Rules Committee the right to offer an amendment which would have attacked the deficit problem head on. It would have ratcheted down Fed-

eral spending levels as a share of gross domestic product, and enforced those spending limits with across-the-board spending cuts similar to those established by the Gramm-Rudman-Hollings law from a few years ago. No new taxes would be required to balance the budget in just 4 years.

Unfortunately, the Rules Committee chose not to make my amendment in order, and a majority of House Members went along with the Committee in adopting a rule that precludes virtually all amendments. That means no chance to improve a bill which, by the Clinton administration's own figures, will lead to a deficit of \$400 billion by the year 2000.

Mr. Chairman, this bill is a prescription for bigger, not smaller, deficits as well as economic decline. The solution is less spending, not more taxes. I urge my colleagues to vote against this business-as-usual tax bill.

Mr. LIGHTFOOT. Mr. Chairman, I rise today to voice my strong opposition to this tax-and-spend package.

I have heard my Democratic colleagues say that it is showtime for President Clinton's tax-and-spend package. But I beg to differ with them. I think it is show and tell time. It is time for the Democrats to tell the truth about what is in this package and the effect it will have on the middle class, farmers, the deficit, and job creation.

My constituents are smart enough to see the truth. They have bombarded my office to express their thoughts on this tax package. At a rate of 15 to 1, they have sent a clear message: No more taxes—cut spending first.

President Clinton has tried to sell this fair-tale tax package as a reasonable mix of tax increases and spending cuts. But there are \$6.35 in new taxes for every \$1 in spending cuts. The tax increases start immediately, some retroactive to January 1, 1993. The spending cuts will not take place for another 2 years. It is the same refrain: Tax now, spend now, cut later.

Particularly onerous is the energy tax which will cost 857 jobs in my district alone. Consumers will pay more for gas at the pump, more for the home heating costs, and more for utility bills. Because energy is needed for all goods and services produced in the economy, the energy tax will result in higher prices for everything we buy and will fuel the fire of inflation.

The energy tax will also have a devastating impact on agriculture production. This comes on top of a reduction of \$2.9 billion in USDA farm programs. In their generosity, fuels used for farming has been allowed a partial exemption. However, ethanol, a clean burning, abundant, and largely renewable energy source which was previously exempted, is to be taxed at the top rate. What the right hand giveth, the left hand taketh away.

Last year, candidate Clinton said he was committed to putting people first. However, President Clinton's actions show that he is committed to taxing people first.

Mr. SMITH of New Jersey. Mr. Speaker, I am united with the Republican Members of the New Jersey Congressional Delegation in opposition to the Clinton tax package.

Today, I will be voting against the Omnibus Budget Reconciliation Act of 1993, since it contains a whopping \$327 billion gross tax

hike and a net \$273 billion tax increase over the next 5 years. This will be the largest tax increase in the history of this Nation.

According to the Tax Foundation, New Jersey will be the second hardest hit State in the entire Nation—suffering a gross tax increase of \$412 per capita annually. Of the promised deficit reduction, 87 percent comes from tax hikes, only 13 percent is spending cuts. Next year, taxes will increase by \$35 billion but spending cuts will be less than \$2 billion. That is \$20.70 in taxes for every \$1 in spending cuts.

This bill is front-loaded with tax increases. All the spending cuts, however, come in the out years. These may end up being phantom spending cuts that never materialize. Given the administration's practice of transforming its position on issues, the taxpayer had good reason to doubt the legitimacy of these future cuts.

In stark contrast to his ill-fated campaign promises, Mr. Speaker, the middle class will pay these new levies. The energy tax will add at least 8 cents per gallon of gasoline and raise the cost of nearly every product purchased. Middle-class seniors will see their Social Security tax jump from 50 percent to 85 percent and face an increase in the estate tax which will rob their heirs. Sadly, Social Security payback will now take longer than the average recipient's life span.

The energy tax increases will also have a devastating impact on our fragile economy. DRI/McGraw Hill estimates that the energy tax will cost 400,000 jobs by 1998. The National Association of Manufacturers has an even gloomier estimate, they predict 610,000 jobs will be lost and \$38 billion in economic output will dry up. For New Jersey alone, the Tax Foundation estimates that we will witness the elimination of 14,206 jobs through 1998.

Mr. Speaker, in another abdication of financial responsibility, the tax increases are retroactive to January 1, 1993, yet the vast majority of the spending cuts are delayed into future years. Tax today, cut tomorrow, is the wrong philosophy. We cannot accept today's tax increases on the promise that spending cuts will materialize down the road.

In short, Mr. Speaker, the Clinton plan will entrench our economic problems, harm middle-class taxpayers, and further burden senior citizens. It must be defeated.

Mrs. MEYERS of Kansas. Mr. Chairman, today the House of Representatives will vote on the largest tax increase proposal in history—\$332 billion over the next 5 years. I will not support this proposal, and I urge my colleagues to reject these tax increases which will only exacerbate our economic problems.

While the economy was on the upswing at the end of 1992—it expanded at a strong annual rate of 4 percent from July to December—since January we have experienced a slowdown. The latest bad news was the March merchandise trade deficit, which at \$10.2 billion was the largest shortfall in almost 4 years.

The legislation we are presented with includes a new border tax on imported products that the Secretary of Treasury determines have an energy content of 2 percent or more. In an effort to offset the effects of the Btu tax on American business, the Ways and Means

Committee added this tax on imported goods to roughly match U.S. manufacturers' increased energy costs. But our trading partners will retaliate, and assuming that tariffs will be proportional, American business can expect to have about \$1 billion in new tariffs slapped on American goods sold overseas. This tax, along with the Btu tax, will have a significant impact on American competitiveness—especially in the small business community. With our current trade deficits, we should be taking positive steps to help American businesses boost exports, and instead we are being asked to increase taxes.

I am also concerned with the increase in the regular individual income tax rate brackets to 36 percent and 39 percent, the surtax rate on incomes over \$250,000. These increases fall not only on high-income individuals, but on many small businesses. Over 16 million of the Nation's 20-million small enterprises are organized as sole partnerships, partnerships, and subchapter S corporations. They pay individual, not corporate, tax rates. These higher rates will quash any planned expansion or the hiring of additional employees. Just yesterday I received a letter from a small businessman who said: "As an S corporation all profits are passed to me for taxation. This raises me personally to a higher bracket although most of the money I receive is put back into the company for operations. Higher taxes mean less profit for saving and investment and reduces my ability to withstand tough competition from the larger firms. Untimely, I would be forced to lay off employees."

Finally, we are forgetting history, where the lesson is clear. While I could cite other budget agreements, I will just mention one. The 1990 Omnibus Budget Reconciliation Act included a \$164 billion tax hike and promised \$500 billion in deficit reduction over 5 years. CBO now estimates a 5-year deficit total of \$1.4 trillion, or \$875 billion higher than promised.

Let us listen to the people. They want substantial spending cuts—before any taxes are increased. And, how many times do we have to learn the OBRA lesson? The Clinton offer of \$332 billion in new taxes and promised spending cuts means we are walking down the same path taken in 1990. My constituents are saying it is time to change direction.

Mr. DREIER. Mr. Chairman, in addition to the largest tax increase in American history, I oppose the budget reconciliation bill because it will penalize nonprofit volunteer organizations. Nonprofit organizations care for our sick and homeless, and our young and old, saving taxpayers thousands of dollars each year in services that the Government might otherwise be forced to provide. Yet the budget reconciliation act contains a provision to increase the postage rate for nonprofit organizations by 28 percent over 6 years. This measure will have a devastating effect on nonprofit organizations. We need to consider the real world implications of our actions before we strike this blow to the volunteer organizations of America.

For example, the Los Angeles Mission cares for the hungry and homeless in downtown Los Angeles. This postage increase would raise their postage costs by an additional \$483,783 each year. This amount would pay for 308,142 meals for the homeless, as well as 12 months of live-in rehabilitation for almost 100 people—

including counseling, physical education, classroom study, job training, and recovery from addiction. What it all boils down to is that this postage rate increase means that a few more homeless individuals will have to go without food and shelter.

We need to craft an alternative that will not hit the volunteer community and their beneficiaries so hard. I urge my colleagues to vote against the budget reconciliation bill and work for a more reasonable alternative that will not devastate nonprofit volunteer groups.

Mr. DEFAZIO. Mr. Chairman, I will give my qualified support to the President's budget plan. There is a lot to recommend it. It represents the first honest attempt at deficit reduction we've seen in 12 years. It marks the end of Ronald Reagan's legacy of borrow-and-borrow, spend-and-spend.

The President has made a serious effort to grapple with the Nation's crippling debt. He has made an important first step in restoring fairness to the tax code by raising rates on the wealthiest taxpayers who saw their taxes slashed during the 1980's. In fact, 75 percent of the taxes in this bill will be paid by the wealthiest 6 percent of American families.

As I said, this is an honest attempt to reduce the deficit. But it contains a number of provisions that are very troubling to me. I've spoken with the President about my concerns and he has promised to work with me to address them. He knows that if my concerns are not satisfied, I will vote against final passage of this budget plan.

The most burdensome provision in this bill is the new tax on energy. It not only falls most heavily on working and retired people, it is especially hard on the Pacific Northwest. It taxes hydroelectric power, which provides about two-thirds of the Northwest's electricity, at the same rate as it taxes nuclear or coal-fired power. Hydro may not be the most environmentally sound energy source, conservation is clearly much better, but to equate hydro with nuclear power is ludicrous. I do not support the energy tax.

I am also very dubious about the need to increase the tax on Social Security benefits for retired couples earning more than \$32,000 and individuals earning more than \$25,000. Why are we raising taxes on Social Security beneficiaries when we refuse to make meaningful cuts at the Pentagon? Just yesterday, a majority of my colleagues voted to add \$1.2 billion to the deficit in the form of brand new spending for the Pentagon at a time when the generals over there are sitting on a \$50 billion bank account that they haven't spent.

I will work in the coming weeks to reduce this new burden on retired Americans.

My support for this bill is weak, Mr. Speaker, but on balance I believe we need to move beyond gridlock and begin the hard work of getting this Nation's fiscal house in order. I see no alternative but to move forward with this far-less-than-perfect beginning.

Mr. LEVY. Mr. Chairman, the tax increases in this legislation mean fewer jobs, higher prices and poorer taxpayers. This is not what the American people expect from their Government.

The proposed energy taxes will mean over 1,000 lost jobs in my district alone and over 31,000 lost jobs throughout New York State.

The energy tax will cost the average Long Island family almost \$200 in direct costs. New York State businesses face \$200 million in additional taxes which mean higher prices for consumers.

Adding insult to injury, the energy tax is indexed for inflation to guarantee higher taxes on businesses and families each year.

Mr. Speaker, the American people cannot afford more taxes. Our national economy, already weakened by years of recession, cannot be saddled with tax increases which will eliminate more jobs and take more money from taxpayers to pay for more Government spending.

I urge my colleagues to join me in opposing this measure.

Mr. BALLENGER. Mr. Chairman, the Clinton proposal raises over \$355 billion in new taxes, the largest tax increase in U.S. history, as part of a plan to reduce the Federal budget deficit. The President and the Democrats raise new taxes without eliminating a single Federal program in the first few years of the plan. The plan includes a \$71 billion energy tax and \$32 billion in taxes on senior citizens.

According to several studies, the energy tax will cost the U.S. economy almost 600,000 jobs by 1998, and it will lower economic growth by \$35 to \$50 billion. The energy tax will raise the cost of practically every good and service that Americans produce, resulting in higher prices for consumers and making American workers and companies less competitive in the world market.

The average American family of four will pay an additional \$500 per year in energy costs as a result of the energy tax, according to a study by the American Petroleum Institute. This is in addition to the \$2,150 that the average household already pays each year in energy costs. A study by the Affordable Energy Alliance shows that a large number of the States' high-paying industries—mining, manufacturing, construction, and agriculture—use a lot of energy and will be the ones hardest hit by the tax. If the Clinton tax had been in effect in 1990, North Carolina residents and industries would have paid \$714.8 million in additional energy taxes. The Alliance notes that a tax burden this large will slow the economy of the State, cost jobs, and make goods and services produced in North Carolina less competitive in world markets.

Consider for example the case of a company in my district, called the Timken Co. The Timken Co. is a leading international manufacturer of highly engineered bearings and alloy steels. If the proposed energy tax becomes effective, the direct cost impact on the company resulting from higher energy needs will be \$5.6 million. To put that in perspective, the company's net income from worldwide operations amounted to only \$4.5 million in 1992. The energy tax will cost manufacturing jobs, and diminish the ability of energy-intensive industries like the Timken Co. to compete in the international market.

Clinton's plan will also raise taxes on Social Security recipients. Under current law, older Americans with a modest income, \$25,000 for singles and \$32,000 for couples, pay income taxes on up to 50 percent of their Social Security benefits. But under the Clinton proposal, seniors will pay taxes on up to 85 percent of

their benefits. This increase will raise \$32 billion over 5 years. A study by a senior advocacy group shows that the average senior citizen will pay \$483 a year in new taxes.

Finally, the President's plan will have a devastating effect on small businesses. According to information from the National Federation of Independent Business [NFIB], 80 percent of businesses in America pay taxes as individuals; not as corporate entities. The Tax Code also taxes the profits of a business, not what the owner takes home. This means that business owners are taxed on the money they reinvest back into their business. As a result, the Clinton tax plan will increase taxes for individuals, increase the tax burden on small business owners, and hurt economic growth and expansion.

Consider the following example:

A SMALL MANUFACTURER

Mr. Williams owns a manufacturing business. At the beginning of 1992, he decided to buy a new piece of machinery to expand his company's manufacturing capacity. In 1992, his business earns \$1.5 million, and he purchased a new \$500,000 machine.

This is how Mr. Williams spent the \$1.5 million his company earned in 1992—

New machinery	\$500,000
Other expenses and labor	890,000
Salary for Mr. Williams	110,000
Total expenses	1,500,000

The Tax Code requires business owners who purchase more than \$10,000 worth of equipment to depreciate the cost of the equipment over a number of years. As a result, Mr. Williams will only be able to deduct part of the cost of his new machine in 1992. The rest of the cost of the machine will be included in his income. In 1992, Mr. Williams will pay tax on approximately \$410,000 (his salary plus the cost of the machinery that is not deductible in 1992). This is how the President's proposed changes to the tax code would affect Mr. Williams:

Tax change	Extra tax paid
Increase in top rate from 31% to 36% (assuming he is married)	\$13,500
Elimination of the HI wage cap	7,830
Limitation on personal exemption and itemized deduction	3,400
Income surtax	5,760
Total tax increase	30,490

Please note that the example I just cited does not include the burdensome impact of the energy tax.

The Kasich plan/Republican substitute offers an alternative vision for America. The plan reduces the deficit by \$352 billion over the next 5 years and does not increase taxes or touch Social Security benefits. The Republican plan is based on the premise that the proper solution to spiraling deficits is to cut Federal spending. The Republican plan accepts certain fundamental ideas: that Federal resources are limited, that we must make the tough choices on spending priorities, and that unaccountable spending can not go unchecked.

The Republican plan makes tough choices and needed changes. Last year the American people made it clear that they wanted change. President Clinton has defined change as more

taxes and more Government spending. House Republicans define change as cutting spending first, working to lower the tax burden on Americans, and eliminating outdated and wasteful spending programs. The Kasich plan deserves everyone's support.

Mr. WAXMAN. Mr. Chairman, there are many reasons to vote for this legislation, many of which have been noted by my colleagues this afternoon. I would like to call the House's attention to some provisions that have received less attention.

In my view, one of the most hopeful features of this budget package is the childhood immunization initiative. The Clinton administration has come forward with proposals to assure universal access for all American children to vaccine against such dreaded illnesses as polio, measles, and diphtheria.

This proposal will require that all insurance plans continue their coverage of vaccines and will provide free vaccine to children who have no insurance coverage. In addition, this will provide free vaccine to children who are Medicaid beneficiaries or who are Indians.

This initiative is essential for a number of reasons. The first and most obvious is to end any financial disincentives to immunization that parents may have. The cost of full immunization has risen dramatically over the past years because of a combination of new vaccines, excise taxes, and price increases. Indeed, in other parts of this bill, the House will be approving a necessary reinstatement of the excise tax which could prove a significant expense to some low-income parents. This part of the bill will allay that expense for many people. For whatever reason, parents have to dig deeper to get full immunization for their children.

Second is to eliminate incentives for the growing problem of private-to-public shifts for immunization. There are widespread reports of doctors in private practice sending their patients to public clinics to receive free vaccines. This practice has two disadvantages. It adds to the problems of short-funded and overwhelmed public clinics and it sometimes results in children falling between the cracks and who are not getting their shots at the appropriate time.

And third is to free up some Federal and State immunization dollars to be used for the infrastructure of services: more accessible clinics, longer clinic hours, more school nurses, more public health outreach workers, and so on. Without these services, no matter how low the cost of vaccines may be, immunization rates will never reach the desired levels. In addition to these freed-up funds, this bill also authorizes significant increases for these infrastructure services.

This package of immunization programs is the right place for us to start health reform. It starts with children, it starts with health reform, and it starts with universal access. I urge my colleagues to support this effort.

Ms. ROYBAL-ALLARD. Mr. Chairman, I rise in support of the reconciliation bill.

The vote that we must cast today in support of the bill is not an easy one. Each of us is being called upon to make concessions and compromises we would prefer not to make. But it is the right thing to do. It is also what our constituents elected us to do. To make the tough decisions.

Our Nation is at a critical cross-road in its political and economic history. The deficit, which has grown at unprecedented levels over the past 12 years, must be controlled if we are to move toward the much-needed economic recovery. This bill provides a vehicle for that deficit reduction through targeted spending cuts and revenue increases.

More importantly, however, we need to send a clear message that we are moving in a new direction. We must prove to the public and the business investment community that we are willing to look to the future and abandon business as usual. This bill sends that message.

The reconciliation bill does not, and cannot, address all of our needs and concerns. But it is a positive first step forward that deserves your support. It is time for each of us to demonstrate the same courage and leadership as President Clinton in meeting this important challenge.

Mr. KENNEDY. My fellow Democrats, I am proud to rise to support President Clinton's deficit reduction plan.

First of all, President Clinton has presented to us the first credible plan to attack the deficit in the past 12 years. His plan will cut the deficit by \$500 billion, split evenly between taxes and spending.

It is the most serious effort to attack the basic and fundamental problem facing our economy since I have come to Washington.

Nonetheless, we have heard that old saw trotted out by the opponents of the President—"tax and spend."

I offer no apologies for the taxes in this plan. Make no mistake about it, the wealthy—those who have found their incomes rising and their taxes shrinking in the 80s—will pay the vast majority of the taxes in this bill—75 percent of all the taxes will be paid by families making more than \$100,000. This is absolutely fair, and I look forward to these changes.

We also do ask middle income Americans to pay some taxes. They will pay about \$10 per month in energy taxes. Of course, this is tough. We all wish it was unnecessary. I do not want a tax on energy, either.

But the fact is, the deficit is a much more severe tax. It hurts our ability to compete, to invest, and to create good jobs. And our constituents have told us repeatedly they are willing to pay more, if the money goes to deficit reduction. And it will—the deficit trust fund ensures that.

The energy tax is broad-based and geographically fair. It will reduce our dependence on foreign oil, spur development of energy efficient technologies, and encourage conservation.

I agree with many of my colleagues who would like additional spending cuts included in this package.

But let's not get trapped by empty Republican rhetoric, here. There are lots of tough cuts in this package—\$100 billion in discretionary cuts and \$90 million in entitlement cuts. Discretionary spending will be frozen at 1993 levels for the next 5 years. Absolutely frozen.

This will bite and bite hard on education programs, job retraining programs, trade adjustment assistance, and a host of other programs important to many of us.

But the deficit must be brought under control.

The fact is, the Republicans have no credibility on the deficit. They created the problem.

They try to blame Congress. But the Congress spent billions of dollars less than two Republican Presidents requested.

The Republicans love the position they're in—without the White House in Republican hands, they don't even try to act responsibly. They can do what they like doing best—obstruct progress, throw stones, build road-blocks.

But we must move forward.

We cannot oppose this plan because we do not agree with every provision.

We cannot vote "no" because the plan is not perfect.

No vote to raise taxes and cut spending is an easy vote. But it is a vote we must cast if we want to get the deficit under control and the economy on the road to building high-paying, high-value added jobs.

Mr. SPENCE. Mr. Chairman, I rise in opposition to the Omnibus Reconciliation Act of 1993 for many reasons that will be articulated by my Republican and Democrat colleagues today—the largest tax increase in history, severe defense cuts, and continued growth in domestic spending and entitlements.

As the ranking Republican on the Armed Services Committee, I rise in specific opposition to the legislation because of the unfair and damaging burden it places on the military community—military personnel, families and retirees.

Last year, candidate Clinton declared, "First let's provide for a strong defense. Then we can talk about defense savings." Now, under the questionable notion of treating all Federal civil servants equally in the name of deficit reduction, it's clear to me that a strong defense and concerns for military personnel are not high on the President's priority list.

First the President, then the Budget resolution, endorsed a military pay freeze in fiscal year 1994, a reduction of military COLA's in the outyears, and a reduction in military retiree COLA's. Republicans on the Armed Services Committee unanimously rejected the Budget Committee's approach to military pay and retiree COLA's, and I do not imagine that the position most of my Republicans colleagues adopt today will be any different.

First, unlike the President, and many of my colleagues who voted for the Budget resolution, I do not consider military personnel the same as all other Federal civil servants. The military is not a 9 to 5 job. It's a 24-hour-a-day, go anywhere at a moment's notice lifestyle that demands daily sacrifice of all who serve, and their families as well. Therefore, I disagree with the notion that they ought to share my deficit reduction burden equally with other Federal civil servants. Who here honestly believes that military personnel and their families do not already share in the pain? For the doubters, let me give you a few specific examples from the hundreds that come across my desk:

There is the marine staff sergeant who is married with two children. In less than 4 years, he has spent 759 days deployed away from his family.

Next is the Army captain. He is also married with two children. In the 18 months, this family has been forced to move three times: From

Germany to Oklahoma to New York. Due to moving expenses not reimbursed by the Government, family finances are drained. His wife is unable to find work at the new duty station. The captain is frequently away on training deployments. Both the captain and his wife are now in marriage counseling. Recently the captain learned that he had been passed over for promotion and faces an unexpected separation from service.

Or then there is another marine staff sergeant. He's married with three children. The sergeant has been deployed away from home 21 of last 40 months. He's missed 21 major holidays, 5 birthdays and 2 Christmases with his family. He says, "One thing is for certain—returning from a deployment, hugging your kids and having them cry because they don't know you tears your heart out, and makes you wonder if it's all worth it."

Second, even if I agreed that the President's idea of shared sacrifice by all Federal civil servants was logical, I contend that defense is the only component of the Federal budget that has been, and under this administration will continue to be, contributing to deficit reduction.

For example, under the fiscal year 1994 Budget resolution, non-defense discretionary spending actually grows by \$30 billion over the next 5 years above and beyond the rate of inflation. From essentially the same inflation-adjusted baseline, defense spending will be reduced by over \$180 billion. These Clinton cuts follow 8 consecutive years of real decline in defense spending under Presidents Reagan and Bush. How the disconnect between these numbers can be construed as an equitable sharing of deficit reduction efforts is beyond me.

Third, I believe that to cut military pay and tamper with retiree COLAs is to meddle with critically important recruiting and retention incentives. As noted in press reports yesterday, all the military services are already experiencing difficulty attracting quality recruits. For example:

Army recruit quality recently hit a 10-year low. On average, recruit quality for all services is the lowest in 3 years.

Even during a time of relatively high unemployment, the number of young people who say they are likely to join the military services has declined to its lowest levels in several years.

As the Army Personnel Chief recently told the Armed Services Committee regarding recruiting, "I see no good news on the horizon."

Fourth, in terms of pay, most military members are ordinary, middle-class citizens—a group Candidate Clinton promised to protect. For example: 70–80 percent of all enlisted people earn less than \$30,000 per year; 50 percent of enlisted people in the Army, 46 percent in the Marine Corps, 26 percent in the Navy and 18 percent in the Air Force earn less than \$20,000 per year. Of these, 118,000 are minorities, 112,000 have families and 6,500 are single parents.

Therefore, the Clinton pay cuts in this omnibus reconciliation bill break faith with the military and with America.

Fifth, military pay already lags behind inflation and civilian wages. In the past 10 years, military pay has fallen 7.8 percent behind infla-

tion and 11.7 percent behind civilian pay. If this reconciliation bill is enacted, military pay will lag 21 percent behind the civil sector. I remind my colleagues that in the late 1970s inadequate pay—coupled with increasing duty requirements—caused quality people to quit the military, or not to join at all. The force became hollow. It took over a decade to build the All Volunteer Force we all saw perform so well in the Persian Gulf following the apathy of the late 1970s. We ought to learn from our costly mistakes of the past.

Finally, reducing the retired pay of military personnel while simultaneously forcing early retirements due to the on-going defense build-down imposes a double penalty on dedicated service personnel. Thus, any claims of savings attributable to savings in retired pay will be more than offset by costs incurred in human terms.

I urge my colleagues to reject this bill. If my words do not persuade you, perhaps those of a Marine Corps sergeant will. According to the sergeant:

For 2 years, 1988–1990, I spent only 35 days in port with my family. Then, I deployed, to Saudi Arabia. Deployments to Panama, Okinawa and Somalia followed. Of the year 1992, I was only home 4 months. I am a stranger in my own home. My children know me by pictures on the wall. The Marine Corps is my life. The Corps and my family are all I have in this world.

Mr. Chairman, this dedication and sacrifice ought not be penalized. I believe that the legislation before us today breaks faith with military men and women, past and present. I strongly urge my colleagues to vote "No" on final passage.

Mr. GALLO. Mr. Speaker, I rise today in protest of the proposed tax hike on senior citizens. The system was designed to protect retirees from unfortunate economic circumstances that could shatter their later years. Citizens pay taxes into a trust fund during their working years and they, or members of their family, later receive monthly benefits. The system was designed to provide a safety net guaranteeing an additional source of income for citizens who retire or become disabled.

I am dismayed that President Clinton recommended, and the House Committee on Ways and Means approved, a measure to raise taxes on 10 million seniors by taxing up to 85 percent of Social Security benefits—a 70 percent increase in the amount subject to tax. In effect, this tax increase eliminates the 3 percent cost-of-living adjustment for those seniors who have saved and planned for the retirement.

It is especially outrageous that taxes which come from this increase are going directly into the general fund—not into the Social Security trust fund as has always been the case in the past. This raid on the Social Security trust fund and disproportionate tax on senior citizens is unconscionable. We are creating a system that is unfairly burdening the seniors by expecting them to disproportionately sacrifice to balance the Nation's budget.

Mr. Speaker, these are very difficult times for all Americans, and our seniors in particular are feeling the squeeze. This additional tax on seniors, that will be spent by Treasury on other unnamed programs, will raise \$32 bil-

lion—nearly 10 percent of the total \$330 billion in new taxes Mr. Clinton wants.

And it doesn't end there, Mr. Speaker. The ever-increasing tax, coupled with recent cuts in Medicare and Medicaid, threatens the viability of insuring even a nominally decent standard of living for our elderly and disabled.

Mr. Speaker, let's protect our seniors—vote no on this bill.

Mr. HORN. Mr. Chairman, I rise in opposition to the passage of the largest tax bill in American history. Besides the plethora of taxes which are about to be levied by the majority party on millions of American citizens, perhaps the most onerous on the average citizen is the so-called Btu or energy tax.

Today's issue of the Los Angeles Times has an excellent article by Times staff writer James Risen entitled "Energy Tax Foes Cite Its Impact on Middle Class." I commend this article to my colleagues and to taxpayers generally. For the average driving Californian, some of whom drive 130 miles or more a day to get to and from work, the full impact of this energy tax in mid-1996 will raise the price of gasoline about 8 cents a gallon.

Attached is Mr. Risen's analysis. Equally fascinating is the list of those interests excluded from the full impact of the tax. The working Californian is not among them.

[From the Los Angeles Times, May 27, 1993]

ENERGY TAX FOES CITE ITS IMPACT ON MIDDLE CLASS

(By James Risen)

WASHINGTON.—When President Clinton took to the radio waves last weekend to attack the critics of his energy tax, he argued that his foes—including members of his own party—were tools of the "big oil lobby."

Seeking to regain his populist footing, Clinton complained that oil producers were "trying to wiggle out of their contribution to deficit reduction" by seeking to strip the energy tax from his budget plan.

But a close look at the proposed energy tax—now at the center of the congressional debate over Clinton's program—shows that it was not designed by the Administration to soak Big Oil, but to hit consumers.

Without doubt, Big Oil wants to kill the tax. After all, if Americans pay higher taxes on energy, then they will eventually consume less, and that would mean less demand for the oil, gasoline and other products that the industry sells. "This tax is very threatening to the supply side of the energy industry, because you will see less consumption," says Jim Wolf, executive director of the Alliance to Save Energy.

Yet spreading opposition to the tax in Congress demonstrates not only the skills of a handful of oil lobbyists, but also the realization by moderate Democrats that the energy levy packs the single biggest wallop on the middle class of any of Clinton's tax proposals.

Congress estimates that the tax will raise \$71.5 billion over five years, and even the Administration's own conservative projections show that it will add more than \$200 a year to the tax bills of a family earning \$40,000 annually.

As a result, anxious lawmakers know that the energy tax more than any other element of Clinton's program represents a repudiation of the President's campaign promise not to raise taxes on the middle class to pay for his agenda.

Given that background, centrist Democrats from Midwestern states and other

areas with little interest in the oil industry have joined with oil state legislators to form a coalition against the provision.

Clinton Administration officials always knew the energy tax, also known as the BTU tax, would be the most difficult sell of their economic package. Privately, officials concede that one reason they chose an energy tax was that it was less visible, and less understandable, to the average consumer.

"One of my colleagues said that he is trying to convince people that it is a tax on the British," quipped Sen. John B. Breaux (D-La.), a key moderate on the tax-writing Senate Finance Committee, where the energy tax will face its greatest legislative challenge. BTU stands for British thermal unit, which measures the energy content of various fuels.

But now, congressional critics say, voters have figured the tax out, especially since Clinton agreed under congressional pressure to allow utilities to automatically include the federal energy tax as a line on home heating bills. To avoid such high visibility for the tax, the Administration had originally proposed that utilities would have to win approval from state regulatory agencies before they could include the tax on consumers' bills.

"The problem many people have with it is political," Breaux said. "I think the original idea was most people wouldn't know what a BTU tax was, so you could get it passed."

"Everybody knows what a gas tax is; you can see it. But when people start realizing that a BTU tax is a gas tax, and when they realize that they are going to see it on their utility bill every month, and when they realize they are going to see it in everything they buy, I would suggest that it's not the best way to go."

Now that voters think of the tax in those terms, the Administration is finding that its populist attacks on its opponents ring hollow—much as Clinton's gibes at Republicans over the Administration's economic stimulus package earlier this year failed to garner much grass-roots support for the program.

Instead, many voters believed that the stimulus was pork; now many believe the energy tax will not result in real deficit reduction.

The Administration "didn't listen to us with the stimulus package—they said take no prisoners, no compromise and they went right down to the final cup of Kool-Aid," says Sen. J. Bennett Johnston (D-La.), chairman of the Senate Energy and Commerce Committee and a leading opponent of the energy tax.

House Minority Whip Newt Gingrich (R-Ga.) said Wednesday that moderate Democrats rebelling against their President are "responding to people back home who are calling them and saying: 'Don't raise the tax on energy; don't raise the tax on driving to work; don't raise the tax on heating and air conditioning; don't raise the tax on agriculture.' This is a grass-roots, back-home effort by real people."

What's worse for the Administration, the White House itself has been in the vanguard of wheeling and dealing with industry lobbyists on the energy tax since February, offering a costly series of exemptions and other changes to gain critical support.

Those deals became so pervasive that the basic tax rate on consumers had to be raised in the tax-writing House Ways and Means Committee to make up for the lost revenues. For example, the Administration's original proposal would have raised the gasoline tax at the pump by 7.5 cents a gallon by 1996; now the tax increase will peak at 7.6 cents.

The Administration had all but invited lobbyists to seek further exemptions and other changes in April, when Treasury Secretary Lloyd Bentsen said that the energy tax was being structured to ensure that it ultimately would be borne by the consumer, rather than the energy producer. "The Administration," Bentsen wrote at the time, "is continuing to explore methods of assuring that the tax is in fact passed through to those who use the energy."

But Bentsen's willingness to deal on the energy tax led to more and more dealing in the House and Senate; now even House Speaker Thomas S. Foley (D-Wash.), who must lead the fight for the tax today in the House, has won a special exemption for aluminum producers who use hydroelectric power in the Pacific Northwest.

Other exemptions were given for ethanol and for fuels used to power farm equipment, although farmers were denied other exemptions they sought. A tax on heating oil was reduced in an effort to shore up support among lawmakers from the Northeast, where many homes use the fuel in winter.

"The BTU tax has become a textbook example of special interest politics at work," wrote Doug Bandow, a tax analyst with the Citizens for a Sound Economy, a conservative Washington think tank.

Those loopholes have eroded the ability of the Administration and the congressional leadership to argue for the tax on populist grounds.

TAX BILL WOULD HIT BIG INCOMES, ENERGY-USERS

A summary of the deficit-reduction bill that will be considered today by the House:

INDIVIDUAL TAXES

Income taxes: Raise the 31 percent top tax rate to 36 percent and add a 10 percent surtax for taxable income above \$250,000. Retain current 28 percent maximum tax on capital gains. Tax up to 85 percent of Social Security benefits of single people with total income over \$25,000 and couples over \$32,000.

Medicare tax: Subject all wages to the 1.45 percent Medicare tax; none above \$135,000 is taxed now.

Energy tax: Tax most fuels on basis of heat content. When fully effective in mid-1996, this would raise gasoline about 8 cents a gallon and a typical home electric bill by \$2.25 a month.

Low-income families: Expand the earned-income tax credit, which now benefits poorer working families with children, and allow some benefit to childless couples, to offset the energy tax.

Luxury taxes: Repeal the special levy on expensive planes, furs, yachts and jewelry. Keep the 10 percent tax on high-price cars but each year raise the \$30,000 threshold above which it applies.

BUSINESS TAXES

Corporate rate: Raise 34 percent top corporate rate to 35 percent for taxable income above \$10 million.

Deductions: Prohibit deduction of most club dues and lobbying expenses and half of business meals and entertainment. Bar a corporation from deducting pay above \$1 million for an executive.

New machinery: Allow small businesses to write off in one year up to \$25,000 of machinery purchases.

SPENDING RESTRAINTS

Medicare reductions: Save about \$50 billion, largely by trimming reimbursements to doctors and hospitals.

Medicaid: \$8 billion in cuts.

Federal retirees: \$11 billion in lowered benefits for federal retirees.

Student loans: Save \$4.3 billion by having government make direct loans to students instead of funneling money through banks.

SPENDING INITIATIVES

Food stamps: Boosts program by \$7 billion.
Immunizations: Provides \$2.1 billion for immunizations for poor children.

Mr. GALLO. Mr. Chairman, the budget reconciliation bill that has been reported to the House will, if enacted, devastate the American economy and frustrate the American people—the people who want change in Washington, not change left in their pockets.

The message I have been getting loud and clear from my constituents—and I am sure most of you have been hearing the same thing—is cut spending first.

Instead, we are presented with a reconciliation bill that guarantees to raise taxes first, and only promises modest spending cuts later—2 years later. We've been down this path before, where we promise the overburdened taxpayers a rose garden, but in the end, they just get stuck.

I would invite my colleagues who are considering voting for this record tax increase to take a look at an on-going experiment that is taking place less than 150 miles from here—in the State of New Jersey.

In early 1990, Governor Florio proposed what was, at that time, the largest State tax increase in the history of the Union—\$2.8 billion in new taxes. The Governor claimed that this was tough—but necessary—medicine, designed to put the State's financial house in order and promote prosperity throughout New Jersey.

The Governor's Democratic colleagues in the State legislature—in control of both houses—followed the Governor's lead and enacted the record-setting Florio tax hike. They claimed they were striking a profile in courage and that history would prove them right.

Well, Mr. Chairman, history has taught them a valuable lesson, but it is not the one they wanted to learn.

The New Jersey economy, already troubled, was sent into a tail spin. Jobs started to flee New Jersey and they continue to hemorrhage. My State's unemployment rate has risen to 9.1 percent, more than doubling under the weight of the Florio tax hikes. New Jersey's unemployment rate is the highest of the 11 leading industrial States. While New Jersey continues to bleed jobs, our neighbors—who did not resort to courageous take hikes—continue to add jobs.

The people of New Jersey took advantage of every opportunity available to them to let their State representatives know exactly how they felt, culminating in an election day rout that turned Democratic control in both houses into veto-proof Republican majorities.

This House, Mr. Chairman, does not have to repeat the mistakes made in New Jersey. We have direct evidence that the tired old policy of tax and spend does not work. It did not work there and it will not work here.

What we need to do, Mr. Chairman, is cut spending first. The Republicans, under the able leadership of my hard-working colleague from Ohio, presented an alternative to the President's plan that does just that. Let's compare the two:

Our plan does not raise taxes—his raises a record \$332 billion in new taxes;

Our plan does not include any new spending—his contains \$172 billion in new spending;

Our plan has \$394 billion in net spending cuts—his has barely more than a third of that;

Our plan does not increase taxes on Social Security benefits—his does to unprecedented levels and, for the first time ever, diverts the revenue to the general fund, not the Social Security trust fund;

Our plan achieves \$476 billion in deficit reduction, without raising taxes or raiding Social Security;

Our plan responds to the American people's call to cut spending first—his breaks faith with the people who want change, not more tax and spend, tax and spend.

Mr. Chairman, I urge my colleagues in the strongest possible terms—resist this invitation to nationwide economic disaster. Oppose the budget reconciliation bill.

Mr. KING. Mr. Chairman, I rise today to once again voice my opposition to the Clinton economic plan. It is my strong conviction that this economic package, with its recordbreaking tax hike and its unheard of new levels of Government spending, will spell disaster for the economy.

The President's package is nothing but a return to discredited, liberal Democrat tax-and-spend policies. These policies have been proven by history to be ineffective, wasteful, and deleterious. There is not a single instance in recorded history of a tax hike spurring economic growth. Those who do not learn from history are condemned to repeat it.

The President won election masquerading in the guise of a new Democrat. Over recent weeks, layer after layer of his disguise has fallen away as the voting public got a closer look at President Clinton's economic package. President Clinton is no new Democrat—he appears addicted to that party's old-fashioned creed of big government, big taxes, and big spending.

What are we being offered? Huge tax increases, a new Btu-based energy tax that will tighten the tax grip on middle-income families, stealth deficit reduction, and phantom spending cuts.

Those of us in the House who are opposed to the President's plan, because we understand how hard it will hit the taxpayers and how it will ruin our economy, have been accused of promoting gridlock in our effort to stop this disastrous plan. We are standing up for the American taxpayer and for what we know to be the right course of action.

The President's jetset, Hollywood crowd may be enamored of big tax hikes and big spending, but the hard-working people of my Long Island district certainly are not. The other night, a constituent from the village of Manhasset, in my Third Congressional District, phoned to voice his opinion on today's vote. All he said was, "don't do it." I don't intend to.

Mr. PENNY. Mr. Chairman, the public debate raging in this country about the role of Government, the responsiveness of public institutions, and the size of our Federal debt, are joined in the debate on the budget reconciliation measure before us today. The American people have been rightly critical of

the inability of the Congress and the President to responsibly resolve the deficit in recent years. While gridlock gripped Washington, the American people struggled with the consequence of our inaction.

1992 brought a new President dedicated to making Government work—dedicated also to reducing the budget deficit. While we can be critical of his handling of this measure, I believe the President has not been given sufficient credit for putting before the country the very real and painful choices that are necessary to reduce the budget deficit.

Some here do not like the President's priorities and have suggested alternatives. Others among us continue to talk about deficit reduction as if solutions will appear out of thin air. Well, the choices are tough, very tough. I doubt if any Member of Congress truly likes this measure; there are no cheerleaders for higher taxes and program cuts for their own sake. But eliminating the deficit requires taxes and cuts. Those are the choices—and they are difficult for all of us.

I had hoped this bill would contain more cuts, less taxes, and more deficit reduction. But, as Benjamin Franklin once said, "He that lives upon hope will die fasting." At some point, consensus among the alternatives must be reached. And what we have before is not perfect, but it is the best we can do at this time and it is certainly preferable to doing nothing.

Let me just speak briefly to the bill because there are a number of important provisions. The entitlement cap in this bill, which I helped to negotiate, is unprecedented. For the first time, a process is established for reviewing the growth of mandatory spending programs, which together represent almost one-half of all Federal outlays. For too long, one-half of all spending has been on automatic pilot, unrestrained by the annual budget process. With the passage of this bill, that will change. Both the President and the Congress will now be forced to propose changes to entitlement programs to rein in their growth. That is a very important reform. It will lead, I believe, to real long-term deficit reduction. It will force the Congress in the future to face the deficit issue squarely and honestly.

The extension of the discretionary budget caps in this measure—the only real brake on the growth of Federal spending since 1990—is also an important reform.

This measure contains nearly \$500 billion in real deficit reduction over the next 5 years. With tough enforcement provisions on entitlement and discretionary spending law, real long-term deficit reduction will occur.

Someone once said "It is natural for man to shut his eyes against a painful truth * * *." Today, we open our eyes and make a few tough decisions. I urge my colleagues to join me in supporting this measure.

Mr. MONTGOMERY. Mr. Chairman, the budget resolution instructed the Committee on Veterans' Affairs to recommend savings totaling \$2.58 billion over the next 5 fiscal years. Title XII of the bill we are considering today contains the provisions proposed by our committee. In brief, these provisions would make the following changes in laws under our committee's jurisdiction:

No COLA in fiscal year 1994 for old law DIC recipients. The CBO baseline assumes a 3

percent COLA. This proposal would commit the Congress to maintaining for 1 year the old law DIC rates at the level they were at when the DIC reform bill took effect on January 1, 1993.

Pensions—Medicaid nursing homes. Current law authorizing VA to reduce the pension of a single veteran who is eligible for Medicaid benefits for the cost of nursing home care expires on September 30, 1997. This change would extend the expiration date through September 30, 1998.

Pension income verification. Current law authorizing VA to verify through IRS income reported by veterans for means-tested benefit programs expires on September 30, 1997. This change would extend the expiration date for an additional year.

Reduce 1994 MGIB COLA by 1 percent. The COLA is expected to be 3 percent. This change would reduce it to 2 percent.

Chapter 35 dependents restriction. This provision would terminate eligibility of persons who are not the natural or adopted children of the veteran as of October 1, 1993, and who have not previously received benefits under this chapter.

Medical care reimbursement. This provision would extend the August 1, 1994, expiration date on VA's authority to collect from service-connected veterans for their non-service-connected care to September 30, 1998.

Bill for service-connected care. This change would authorize VA to bill third parties, principally insurers, for treatment of a veteran's service-connected disability through September 30, 1998.

Drug and other copayments. This provision would extend the September 30, 1997, sunset date on the authority to collect the \$2 prescription copayment and other per diem charges for higher income veterans for an additional year.

Home loan fees. This change would, generally, increase home loan fees by three-fourths of 1 percent on new guaranteed loans through September 30, 1998.

Include anticipated resale losses in no-bid formula. This provision would extend the change in the no-bid formula enacted as part of the VA's appropriation act last year through September 30, 1998. This change increases the number of no bids by requiring VA to take into account the average loss on the resale of a property.

Should this bill be enacted into law, savings in veterans programs would total \$2 billion, \$591 million during the next 5 years.

Mr. Chairman, our committee has been targeted for savings under all reconciliation bills and has never failed to comply with the instructions of the House and Senate. It has been difficult at times to do so. All of the so-called easy cuts were made years ago. The reductions contained in this bill will be felt by many veterans and they won't like it. At the same time, some Members are saying that the reductions contained in this bill are not enough. Veterans do not feel that way nor do those affected by other cuts contained in this bill.

Some veterans organizations have expressed their opposition to certain savings contained in this bill, especially the provision that would authorize VA to bill third-party pay-

ers for care of service-connected conditions provided to veterans who have insurance.

As I said before, there is no easy way to achieve \$2.6 billion in savings. Any veterans program we cut, or any fee we impose, will be objectionable to some veterans. We have done the best we can to achieve savings where it would have the least adverse effect.

Under current law, VA is authorized to collect from insurance companies for care provided to veterans for nonservice-connected disabilities. That authority was granted in a previous reconciliation bill and since its enactment the VA has collected almost \$1 billion. Section 12003 of the reconciliation bill would expand VA's authority by permitting third-party collections for the care and treatment of any disability. The VA would have the right to recover or collect the reasonable cost of such care or services from a third party to the extent that the veteran or a private health care provider would be eligible to receive payment for such care or services. The veteran would not be required to pay anything.

It should also be noted that we are not requiring insurance companies to provide coverage for service-connected disabilities. This provision would only affect cases where the insurer covers a veteran for care of service-connected conditions.

Under current law, VA is mandated to provide hospital care to service-connected veterans and low-income veterans for any disability. Let's be clear on one thing. Benefits and services for veterans with service-connected disabilities remain a national priority. This provision does not alter our commitment to those veterans in any way.

Government-provided health care for veterans' service-connected disabilities is the most fundamental basis for the VA health care system. However, our proposed amendments do not in any way disturb that basic tenet or the commitment to the service-connected veteran. That point is made very clearly in the report language on this measure. More significantly, an extraordinary body of law—title 38 of the United States Code—makes clear this Nation's obligation, moral and legal, to the service-connected veteran.

Absent good alternatives, we had to ask whether the objections to this provision were sufficiently compelling to adopt instead other far more onerous savings provisions.

The primary objection to this provision appears to be that it breaches the principle that the Government has an obligation to provide care to veterans with service-connected disabilities. In fact, that principle remains inviolate. There would be no change to existing law which makes it clear that whether or not a veteran is insured has no bearing on the Government's obligation to provide care. VA makes no distinction between veterans with insurance and those without in providing care, and is barred under law from doing so.

A related objection charges that this provision shifts the cost—and thus the obligation—from the Government to the private sector. The Government's obligation is, and remains, to provide care to veterans. Nothing in the proposed amendments changes that obligation. The only question is whether, under circumstances where there exists third-party coverage, that third party should be freed of a risk

it undertook to bear. In the past fiscal year, VA collected \$378 million from third parties for care provided to insured veterans. In the instance where an insured veteran chooses VA care, I believe the taxpayer, veteran and non-veteran alike, presented with the facts, would want the Government to collect from whatever coverage the veteran has just as if the care had been furnished in the private sector. It is difficult to understand why it is acceptable for VA to recover the cost of statutorily mandated hospitalization for the nonservice-connected care of a 100-percent service-connected veteran but unacceptable to recover for discretionary nursing home care, for example, for another veteran's service-connected condition. VA bears the cost of both veterans' care, and appropriately so. Any recoveries do not subsidize VA's cost of care-delivery since those moneys, other than the cost of collections, must be returned to the Treasury. But to the extent the Government is unable to collect as any other provider can, VA in effect subsidizes insurance.

A final objection asserts that this provision will lead to premium increases for insured service-connected veterans. This is not a concern that should be glibly dismissed. But this concern is entirely speculative, and runs counter to the general experience with the way most health insurance is written and risk spread. The reality is that most service-connected veterans do not obtain care from VA; insurance companies are paying for that care. Yet there is no evidence that those companies charge service-connected veterans higher premiums today.

I want to thank all members of the Veterans' Affairs Committee for their cooperation and understanding. Achieving real savings totaling almost \$2.6 billion over the next 5 years is a difficult task. But getting control of the budget deficit is a high priority of the President and both Houses of the Congress and everyone must share part of the burden if we are to bring the deficit down.

Mr. HOBSON. Mr. Chairman, despite all the rhetoric that has transpired today in this chamber, the whole argument boils down to this: The American people have asked Congress, first, to control runaway spending, and second, to do it by cutting spending first.

The President has tried to respond to runaway spending and he has offered to reduce the deficit. But through his tax and budget proposal, he intends to do it and give taxpayers the bill. Taxpayers aren't at fault here. It's time government learns to live within its means.

There are two clear choices we face today: Do we reduce the deficit through the single largest tax increase in history—the President's package. Or do we reduce the deficit by cutting spending first without tax increases—the Kasich budget alternative. We have a choice. But the Kasich alternative is what the American people want and what they have asked for.

Our vote today should be easy. We can turn our backs on the people out there at home we represent. Or we can join the American taxpayer in a fight against runaway Government spending.

I am siding with the American taxpayer to cut spending. I am supporting the Kasich alternative.

Mr. GOODLING. Mr. Speaker, I rise to express my concern about two issues which have been included in this legislation from my Committee on Education and Labor: The Direct Student Loan Program and various Employee Retirement Income Security Act [ERISA] provisions.

It has long been known that the Guaranteed Student Loan Program is in need of serious program reform and I sincerely commend the President for placing this issue at the top of his agenda. However, I have to disagree with administration's reform proposal as contained in this reconciliation bill for several reasons.

First, these provisions make major policy changes outside of the ordinary reauthorization process, changes this Congress specifically did not adopt in last year's reauthorization of the Higher Education Act due to lack of support.

Second, this proposal would abandon the direct loan demonstration program enacted into law only 10 months ago before it even begins. Until direct loans are tested, they are just a concept. Given the number of students and families that rely on the student loan program, I believe that it makes far more sense to test direct loans first, to make sure they are a better alternative to the current system.

Third, the proposal, which makes sweeping changes to the student loan program is essentially devoid of specifics and instead relies on broad grants of discretion to the Secretary of Education leaving many aspects of the new program unclear.

Fourth, I have extremely serious questions about the savings estimates associated with direct loans. CBO Director, Robert Reischauer, stated in a recent letter to me that because of accounting rules under credit reform, "the administrative costs associated with the administration's proposed direct loan program are not evenly divided over the life of the loan. Rather, the administrative costs are disproportionately associated with the collection of interest and principal payments and this collection does not begin until the student has left school, often several years after receiving the loan. For this reason, the administrative costs included in [CBO's] estimate for the first years of a direct loan program are much lower than the full administrative costs of a direct loan program."

Fifth, I have serious doubts over whether or not the Department of Education can efficiently manage this program. If they fail to run it properly—and all of the evidence suggests that the Department will not suddenly develop the administrative finesse that they have lacked for so long—it will be students and schools that will suffer.

Sixth, despite the claims of some direct lending proponents who would have us believe otherwise, there is far from uniform support on our Nation's campuses for a move to direct lending until it can be carefully evaluated. There is a great deal of anxiety among schools in my district that full implementation of direct loans does not allow for an honest assessment of the feasibility of direct loans or a financial safety net for students during the implementation period.

And finally, I think we really need to ask ourselves whether or not the Federal Government ought to be borrowing \$20 billion a year

to finance this program. The goal of reconciliation is to save money not further bloat the federal budget debt.

The President is right, we do need reform of Federal student loans, but his chief objectives: Flexible repayment and budget savings can be found by reforming the current program. Direct lending may or may not work. In my view, it makes far more sense to let the pilot run its course before throwing away the existing program in favor of a huge new Federal student loan bureaucracy.

On a second front, after several years of not having to confront serious employee benefit policy matters which are not germane to budget reconciliation, I am again compelled to express my reservations in regard to the extraneous ERISA amendments included in the budget reconciliation instructions reported by the Committee on Education and Labor and the Committee on Ways and Means.

The direct and indirect changes made to ERISA in sections 4202, 4203, and 13420 are contentious and involve ERISA and health policy matters which do not appear to be legitimate issues for inclusion in budget reconciliation. These provisions include several significant changes to ERISA which will affect the private health plans now operating under our voluntary employment-based system.

Many of my committee colleagues and I are concerned that important health policy issues, whether involving a continuation of coverage for immunization or any other form of health benefit, be fully debated and considered in the regular order.

Also falling into this category are proposed exemptions for ERISA preemption for various portions of the health care laws of four states—Hawaii, Maryland, Minnesota, and New York. The role that the States should play in achieving overall health care reform is an extremely important subject to be resolved in the context of the national debate. Even though a 2-year "sunset" would apply to these four exceptions under section 4203, the substance and merits of these proposals should be considered beyond a single perfunctory hearing.

These ERISA provisions are contentious, lack germaneness, and therefore should not be considered as part of the reconciliation process in the House.

Thank you, Mr. Chairman. I ask my colleagues to examine these issues carefully as they review and make their decisions on this extensive legislation.

Mr. HEFLEY. Mr. Chairman, the question I want answered today is this: Does anybody remember the 1990 budget agreement?

In case your memory needs refreshing, the 1990 budget agreement was going to cut the deficit by \$500 billion over 5 years through a combination of the world's largest tax increase and future, unspecified spending cuts.

So what happened?

The taxes failed to raise as much as expected, the spending cuts never materialized, and the deficit, instead of decreasing, climbed to three successive record levels.

In the meantime, the economy ground to a halt, unemployment rose, and we wound up with a new president whose campaign headquarters held a sign reading, "It's the economy, stupid."

Apparently, Bill Clinton the campaigner learned a lesson that Bill Clinton the President forgot, because today we're confronted with a budget plan that claims to cut the deficit by \$500 billion over 5 years through a combination of the world's largest tax increase and future, unspecified spending cuts.

Sound familiar?

Why are we repeating a massive failure that's only 3 years old?

Keep in mind that in 1990, the deficit was \$123 billion, or \$217 billion less than next year's anticipated deficit!

At the time of the budget agreement, the gross domestic product had reached almost \$5 trillion (1987 dollars) and unemployment was at only 5.4 percent. Since then, the economy has grown only 2 percent (in 30 months) while unemployment has risen to 6.9 percent.

And what about all those new tax revenues? Well, the budget agreement called for over \$150 billion in new taxes to cut the deficit. The actual revenues have been much less. (Some taxes, like the luxury tax, actually cost the Government money.)

That's the legacy of the 1990 budget agreement.

Confronted with a growing deficit and a soft economy, George Bush elected to raise taxes. Confronted with a remarkably similar situation, Bill Clinton has elected to do the same.

Unfortunately, there's reason to expect the Clinton package will have a worse impact on the economy than the 1990 budget agreement. In every way, the Clinton package is a more potent poison.

Instead of \$150 billion in new taxes, the Clinton plan calls for \$332 billion.

Instead of creating one new income tax bracket, the Clinton package creates two.

Instead of spreading the pain around, the Clinton plan targets small businesses and other job producers.

According to the Center for Policy Analysis, over the 5 years the Clinton package will: Lower capital investment by \$1.8 trillion; lower gross national product by \$1 trillion; lower job creation by 1.4 million; cut the deficit by only \$108 billion.

In other words, the Clinton package proposes to lower our national income by almost \$2 trillion in order to cut \$108 billion from the deficit.

In 1990, I predicted that raising taxes would hurt the economy, increase government spending, and result in a higher (not lower) deficit.

Well—I told you so.

Today, I'm making the same prediction about the Clinton tax increases. This plan will damage the economy, increase Government spending, and fail to cut the deficit by anything near \$500 billion.

It's a bad plan and we should reject it.

Mrs. VUCANOVICH. Mr. Chairman, Candidate Clinton promised tax cuts—President Clinton promises the largest tax increase in American history. Taxes that will harm each and every citizen of this country and I am strongly opposed to his plan.

Mr. Chairman, we are discussing today legislation that will have great impact on this country. I oppose it for many reasons—it is a bad bill that harms many people—but I oppose it most because it raises taxes without

so much as trying to cut spending. It's been said many times, and the people of Nevada keep telling me, they are not taxed too little—Government spends too much. It's that simple.

Over this past week, we've heard much about the energy tax and I definitely believe it is wrong. But there are many other parts of this budget that are equally wrong.

Bill Clinton is raising taxes on our senior citizens—he's cutting health care benefits to veterans—he's delaying COLA's to Federal and military retirees.

He's also attacking jobs in my State of Nevada by reducing the business tax deduction from 80 percent to 50 percent. America loves to visit Nevada and business America makes Nevada home to numerous conventions and expositions each year. Bill Clinton said he wanted to create jobs—reducing the business deduction will eliminate jobs in my State and thousands nationwide. How regressive, how unfair.

Bill Clinton is raising taxes on us all—it's a change we don't need. Let's cut government spending now.

Mr. PACKARD. Mr. Chairman, the Clinton tax package before us today heaps taxes on Americans already struggling to provide a decent standard of living for themselves and their families. Rather than making Americans pay their fair share, the Clinton tax plan will ensure that Americans will be sharing most of their income with the Federal Government.

Last night in the middle of the night, the Administration cut a deal with the Democrat leaders of the House, and may have sealed America's economic fate. In order to wring enough votes from rank and file Democrats to pass this bill which spells economic disaster for America, they came up with a new gimmick: phony "entitlement targets."

Now, when the Democrats who voted for Clinton's tax package go back to their constituents who are screaming about their higher taxes, Democrats can say they made "tough spending choices" to curb the growth of Social Security, Medicare and dozens of other entitlement programs that make up over half of the federal budget.

In reality, ladies and gentlemen, these so called entitlement targets do not guarantee that spending will be restrained. Instead, when a spending target is exceeded, President Clinton or Congress, merely has to propose more taxes to pay for the excess, more spending cuts, or more borrowing so that Congress can simply add to the deficit. The Rules Committee can also waive these targets whenever it wants.

Given the recent history of the Congress, controlled by the Democrats since 1954, what do you think it would vote to do if the spending targets were exceeded? Cut spending? Absolutely not. The tax burden on hard working Americans will either be increased, or Congress will add to the deficit. These entitlement targets are a sham—they will prevent Congress from raising taxes for about as long as President Clinton prevented planes from landing at LAX while he got his hair cut: a couple of hours.

Three parts of this budget represent a particularly onerous tax burden that will affect the middle class, seniors, and anyone else in America who breathes: The energy tax, the

Social Security tax and a surprising new entitlement program which seriously undercuts the President's rhetoric that this package will help working Americans.

First, the energy tax. The Clinton energy tax is regressive, inflationary and will counter the economic recovery already underway in this country.

Because a larger proportion of the lower and middle class' income goes toward keeping a roof over their head and transportation costs, this tax is inherently regressive.

Because the Clinton energy tax will increase the cost of manufactured goods in plants around the Nation, business and industry will simply pass these costs on to the consumer. Every step of a manufacturing process requires energy, as well as the energy required to transport the finished goods. The Clinton energy tax is therefore inflationary and will escalate the already spiralling tax burden on American families.

Finally, the energy tax will stifle the economic recovery we see occurring right now. According to the Tax Foundation, it is estimated that throughout the Nation, half a million jobs will be lost because of the Clinton energy tax. His energy tax will result in 54,399 job losses in my State of California. In my district in southern California alone, almost 1,000 jobs will be lost. Behind every number, there is a human face, a family, someone who can blame their unemployment on Clinton's tax package.

Next, the tax on Social Security benefits, or if you listen to the President: a "spending cut." Seniors will be penalized for working and saving for their retirement under the Clinton tax plan. Even though in his manifesto, "Putting People First," candidate Clinton promised to protect the integrity of the Social Security Trust Fund, he has decided to balance the budget on backs of seniors.

Clinton's proposal would affect seniors with incomes of over \$25,000 or couples with incomes over \$32,000 by increasing the tax on 85 percent of their Social Security benefits. The tax revenues generated by this new tax on seniors will then be used to fund other programs, rather than going into the Social Security trust fund. The President should not wonder, as he pillages senior's benefits to pay for other programs, why in addition to the budget deficit, he also must contend with the trust deficit.

The \$29 billion Clinton hopes to raise at the expense of our seniors could easily be achieved by implementing just a handful of waste-cutting recommendations that have been put before him. Seniors should be appalled that a President who was not even born while many of them were fighting in world wars to make the world safe for democracy, and working to feed their families, is now trying to pick their pockets to pay for his new spending programs.

And speaking of new spending programs, Mr. Speaker, I'd like to call my colleagues' attention to a new entitlement program contained in President Clinton's budget reconciliation bill. And I single it out as a vibrant example of the hypocrisy contained in this bill.

Most of the meager spending cuts in this package come from cuts in Medicare reimbursements to doctors and hospitals, Federal

retirees' benefits and Medicaid. So, essentially the President is cutting medical benefits to the poor and elderly and cutting the benefits of those who worked for the Federal Government. Meanwhile, the President has created a brand new entitlement program. Do you know who the new entitlement program is for? It is for illegal immigrants who break the law to enter our country. What happened to the President's promise to help working Americans?

Three hundred million dollars has been found to provide money to hospitals who deliver the babies of mothers who cross the border to give birth. This new entitlement for illegals is a 100 percent Federal payment of the Medicaid costs incurred by States hit by illegal immigration. So, while the Clinton tax package cuts medical benefits for working American citizens, it generously provides for 100 percent payment of illegal immigrants' medical costs. This is absolute hypocrisy.

I would close by saying, Mr. Speaker, that Mr. Clinton appears to have forgotten about the real needs of the American people and the economic welfare of this Nation. Indeed, he has not focused his formidable political skills like a laser beam on the economy. He has focused on the magical number of 218. Because 218 votes is what he needs to ramrod his tax bill through the House. And no compromise or deal cut was too shameful or outrageous if it meant that 218 Members would vote for this package. The American people will remember this as they watch more and more of their paycheck go toward Federal taxes.

President Clinton portrays this tax package as change for America, saying that it is time the rich pay their fair share. However, President Clinton is robbing everyone in America to pay for the Congress' insatiable appetite for spending.

Mr. HASTERT. Mr. Speaker, the BTU in the Btu tax in this reconciliation bill stands for Big Time Unemployment. According to some estimates, the Btu tax alone will destroy approximately 22,000 jobs in Illinois, killing more than 600,000 nationally.

In touting his energy tax the President has stated that it will reduce the deficit, increase energy conservation and have significant environmental effects. Let me address each of these arguments and then get into the impact of the Btu tax on my home State of Illinois.

A DRI/McGraw-Hill study shows that by 1998, the depressed economic activity caused by the Btu tax will increase Federal Government expenditures for unemployment compensation and other economy-related payments while decreasing Federal income tax revenues. DRI estimates that these effects will offset nearly 40 percent of the direct revenues raised by the Btu tax. Thus, although gross energy tax collections are predicted by the administration to about \$30 billion annually by 1998, DRI predicts the Federal deficit will only fall by \$19 billion.

But proposed welfare increases will take much of the rest. The Clinton administration, recognizing the regressive nature of the energy tax, plans to offset the real economic pain of the Btu tax on lower-income Americans by proposing increases in the Earned Income Tax Credit—\$7 billion by 1998—Food Stamps—\$3 billion by 1998—and Low Income

Home Energy Assistance—\$1 billion by 1998. Thus, of the \$19 billion a year the energy tax will actually net to the Treasury, these linked increases in Federal assistance payments will take \$11 billion a year. Not much deficit reduction for a tax that collects about \$30 billion annually for consumers.

The tax will also have surprisingly little effect on energy conservation. Clinton justifies the 34.2 cents per million Btu's surcharge on oil—about \$2 per barrel—in part as assisting in energy conservation. The administration originally claimed projected imports of oil will be reduced by 350,000 barrels a day by the year 2000. But the tax's increase in the price of oil will discourage domestic production in favor of cheaper imported oil. The much touted energy conservation gains will vanish as domestic production is backed out and we find our Nation in a perilous energy security position.

I want to commend my colleagues on the House Ways and Means Committee for making several changes to the President's original proposal. But, Mr. Speaker, those changes amount to nothing more than rearranging the deck chairs on the Titanic.

I. AGRICULTURE

Let me give you an example of how the specific proposals President Clinton has introduced will affect Illinois agriculture.

One of America's most energy intense industries is agriculture. The total Clinton tax is expected to cost American farmers more than \$1 billion annually for 5 years. The changes made by the Ways and Means Committee would only slightly reduce that burden.

Here's how the proposed Btu tax would affect the average Illinois farmer who raises 500 acres of corn.

FACT SHEET ON EFFECTS OF PROPOSED BTU TAX ON ILLINOIS FARMERS—(REVISED AS OF MAY 18, 1993)

Here's how a proposed Btu tax would affect the average Illinois farmer who raises 500 acres of corn:

Product	Average annual usage	Btu tax
Ammonia fertilizer	40 tons	\$150.00
Diesel fuel	4,500 gallons	166.50
Propane for drying	12,500 gallons	300.00
Total impact		616.50

Illinois Farm Bureau estimates are based on the following assumptions: a 26.8 cent/million Btu tax rate on on-farm diesel, gasoline and natural gas, a feedstock exemption, and 150 bu/acre average corn yield.

Here's the per unit rate of the proposed Btu tax on selected farm inputs:

Product	Btu Tax/unit
Ammonia fertilizer	\$3.75/ton
Diesel fuel	3.7 cents/gallon
Propane fuel	2.4 cents/gallon

If approved by Congress, the Btu energy tax would be fully phased in by October 1, 1995.

II. ETHANOL

On the ethanol front, the good news is that the Clinton Administration is moving ahead with plans to include ethanol in the reformulated gasoline program required under the Clean Air Act. Clinton also exempted ethanol from the energy tax in an earlier incarnation of his economic package. The bad news is that the Ways and Means Committee has restored

the top rate for ethanol, 61 cents per million Btus.

I know the Clinton Administration supports ethanol and I am encouraged when I hear Secretary Espy say the corn-based fuel "reduces pollution and creates more jobs," and is "something I know our President supports." But if that were the case I would argue that the inclusion of ethanol under the Btu tax would work against the President's stated policy of promoting renewable and alternative sources of energy.

Taxing ethanol under the proposed Btu tax would also add insult to injury, since it would tax one of farmers' outputs in addition to the inputs already proposed for new taxes. In other words, President Clinton proposes to levy much of his taxes on the backs of the American farmer and then tax their very products into oblivion.

Inclusion of ethanol under the Btu tax would also cast a pale of uncertainty over the ethanol industry and among farmers. It is important that President Clinton complete the review of reformulated gasoline regulation and exempt ethanol from the Btu tax as quickly as possible to ensure that the stability of the ethanol industry and the livelihoods of American farmers are not adversely affected.

III. INLAND WATERWAY FUEL USER FEES

President Clinton proposed increasing barge fuel user fees on the Inland Waterways by over 500 percent. Speaking as a representative from a grain producing State for which barge traffic along our rivers is important, I can say that this user fee will decimate the domestic barge and export grain industries.

The House Ways and Means Committee decided that the President's tax was just too high and halved it. But these taxes are still increased a whopping 250 percent!

Currently, barge operators pay a tax of 17 cents a gallon on diesel fuel into the Inland Waterway trust fund. This money goes toward the rehabilitation and construction of the Inland Waterway system. President Clinton proposed incrementally increasing this tax to \$1.19 by 1997. As if that were not enough, the Clinton Btu tax added another 5 cents on top of that, for a total of \$1.24 per gallon tax.

At present waterway fuel costs about 60-cents a gallon. The National Grain and Feed Association estimates that a \$1 increase in the inland waterway fuel tax would cause losses in annual farm income of up to \$431 million due to decreased cash prices for grain paid to farmers. This figure does not include the decrease in farm income which will result from higher prices for fertilizer which is also transported by barge. The \$431 million does not include the impact of the proposed BTU tax.

According to University of Illinois research, one-third of Illinois corn production is shipped by barge to export markets. The impact of the barge fuel tax is expected to total at least 3.5 cents/bushel for Illinois producers. Using the example of 500 acres of corn production, the impact of the proposed barge fuel tax would total \$875.

Barge transportation is so valuable because it is so economical. My district is not only blessed with some of the most productive acres in the country, but also it is situated near the Illinois River and thus access to the world markets. The corn and soybean farmers

in my district fetch some of the best prices for their crops due to this transportation premium. The proposed Clinton inland waterway tax not only erodes this market advantage, but also in the case of export grain, passes increases in transportation costs on to farmers'.

Consumers would bear the direct impact of President Clinton's proposal. Increases of the magnitude that President Clinton has proposed would be felt immediately in the marketplace. This is because river barges move such huge volumes of raw materials, fuels and farm crops; coal for electricity, tractor fuel, fertilizer, grain, industrial chemicals, metallic ores, and cement.

IV. RATE SHOCK

The Illinois Commerce Commission [ICC] has released a study indicating that the Clinton Btu tax will have a disproportionate impact on the utility bills of low-income Illinois households and that the administration's announced funding increases for an energy lifeline services program.

The report found that the average residential utility customer will pay about \$60 a year in Btu taxes whereas, the low income customer will end up paying about \$40 more as a result of the tax. In Illinois, over 600,000 households qualify as low income, that is those households with annual incomes below 125 percent of the national poverty level of \$13,000. What we know about the energy consumption patterns of the poor is that because they tend to live in older, less insulated, less modern homes, with less efficient appliances, they also tend to get about 17 percent less energy for every dollar they pay in electricity costs than middle-class people. Couple that with the fact that on average, low-income people pay a much higher percentage of their income for utility bills than do higher income earners and the unfairness of this regressive tax becomes apparent.

As I mentioned earlier, to mitigate the rate shock of the Btu tax on low-income people the Clinton Administration has proposed increased funding for the Low Income Home Energy Assistance Program [LIHEAP]. Unfortunately, most of the increase is eaten-up by the Btu tax with only a relatively small amount going to alleviating the Btu tax's rate shock effect. Worse yet, those eligible for LIHEAP assistance but still unable to participate because of the effects of the tax will still be liable to pay the whole tax.

V. INFLATION

The Btu tax would restart the Democrat's inflation machine. Taxing energy raises the cost of production for manufacturers, processors, transporters and all other commercial users. Consumers get stuck with the final bill. Once imposed, the Btu tax would be scattered throughout the production chain and largely hidden from the consumer. The looming danger from this type of hidden tax is immense because it masks the true cost of government spending and allows for future hikes at little risk.

While reducing the Federal deficit is one of my top priorities, I believe deficit reduction efforts should focus on cutting government spending—not raising taxes. For this reason I will vote against the President's Btu tax. You see, I oppose efforts to deprive middle-class, working Americans of their hard-earned dollars

to pay for a bloated, wasteful Federal bureaucracy.

And what will the American taxpayer get for these new taxes?

According to some estimates, the energy tax alone will destroy approximately 22,000 jobs in Illinois, killing more than 600,000 jobs nationally. The energy tax will raise gasoline taxes by at least 8 cents per gallon, increase inflation, and reduce our Nation's economic output by \$34 billion annually. Energy taxes are unfair because they disproportionately impact low- and middle-income families who must use a higher proportion of their income to buy basic goods. Americans will be hit with energy taxes that will result in higher prices for everything from groceries to clothing. Virtually everything that requires energy to be produced will cost more. Energy taxes will dampen our modest economic recovery hurt our ability to compete and expand in a global market, and eliminate jobs.

And the Federal deficit will continue to grow. The American people deserve better. Instead, we must take action by giving the President and Congress the tools to reduce the deficit. We must begin by giving the President the line-item veto, a power almost all state governors have. We must also force Congress to adopt the balanced budget amendment. It's time to require the Federal Government to live within its means.

In conclusion, the Clinton Btu tax has very little to do with deficit reduction or energy conservation and a lot to do with putting people out of work.

Mr. ANDREWS of Texas. Mr. Chairman, I rise to clarify an issue regarding the definition of feedstock in the bill under consideration, H.R. 2264. The administration's bill, H.R. 1960, did not define feedstock, but provided a tax refund for "any qualified nonfuel use." Secretary of the Treasury Lloyd Bentsen testified before the Senate Committee on Finance with respect to the administration's position on what was intended to be excluded for feedstock use in H.R. 1960 as introduced, and in his testimony, the Secretary explained why certain processes that require significant inputs of electricity did not qualify as a tax exempt use of energy under the Treasury's bill.

It would appear that the concept of tax exempt feedstock use in H.R. 2264 is more restrictive than either the administration's initial bill or the basic chemical industry concept that feedstocks are raw materials for the manufacturing or production process, or which participate in a chemical reaction.

However, my understanding is that the Committee on Ways and Means did not intend to modify the Treasury's position on this issue. The language in the reported bill blends the original tax-exempt concept in H.R. 1960 with the intent expressed by the Secretary before the Senate Committee on Finance. Under the reported bill, a percentage of qualified feedstock use would now be exempt from tax. The tax exempt percentage is the percentage—determined on the basis of chemical structure—of the taxable refined petroleum product, natural gas, coal, or electricity which is incorporated into the substance manufactured or produced.

The definition in H.R. 2264 now focuses on that portion of raw materials that survives in a final or manufactured product. Unfortunately, that percentage in chemical manufacturing could and does vary significantly on a daily basis depending upon a number of conditions. Most importantly, the manufacturer could now be liable for tax on substances that are not used as a fuel in the manufacture of petrochemicals or other products.

Mr. Chairman, I hope the administration will be willing to clarify the feedstock exemption when this legislation is before the Senate Committee on Finance. This is particularly important to the efficient administration of the Btu tax. Registered chemical manufacturers must certify their tax-exempt qualified feedstock use on receipt. H.R. 2264 also provides a backup use tax if tax-exempt feedstock raw materials are converted to a taxable use, for example, use as fuel. Since the collection of tax revenues is protected, there is no need to unduly restrict the feedstock definition.

Under these circumstances, the definition of a tax-exempt feedstock should be modified to track basic industry usage that a feedstock is a raw material which is used in the manufacturing or production process, or which participates in a chemical reaction.

Mr. HASTER. Mr. Chairman, I rise in support of the Energy and Commerce Committee's reconciliation provisions dealing with spectrum auctions. As an original cosponsor of H.R. 857, I believe auctions should replace the outdated, and often unfair, lottery process. Indeed, if our goal is to produce additional revenues aggregating to \$7.2 billion over 5 years with auctions, we need to make sure that all qualified bidders will have the opportunity to participate in this new process. That is why I was pleased that Chairmen DINGELL and MARKEY worked with me to add the words "and competition" to section 309(j)(3)(B) of chapter 1. This language will ensure that the FCC promotes competition during this new lottery procedure, thereby giving all potential bidders the opportunity to procure spectrum at auctions.

On another issue, I also support the committee's recommendations on regulatory parity. It is important that all commercial mobile services be regulated under the same set of requirements by the FCC.

Mr. SMITH of Michigan. Mr. Chairman, over the past several weeks, I have read in the newspapers and heard from several members that the President's budget plan would add \$1 trillion to the public debt over the next 5 years. This is incorrect. Over 5 years, the cash-flow deficit would be \$1.2 trillion, but the increase in the public debt would be \$1.8 trillion. From today through 1998, the President's plan would increase the public debt an additional \$2 trillion for a total debt of \$6.2 trillion.

Public debt includes amounts borrowed from the Government trust funds such as Social Security and Medicare, as well as moneys borrowed from Federal civilian and military pensions, highway, aviation, housing, and other Government funds. All of these borrowed funds should be considered debt.

Page 4 of the conference report of the concurrent resolution on the budget clearly in-

creases the public debt to \$6.2 trillion by 1998. We must address not only our cash-flow deficit, but the growth in the public debt. Excessive Government borrowing and the resulting IOU's undermine our financial security, as well as put persons who depend on these future funds, such as retirees, in the predicament of having to go without.

Much has been made about how the public debt increased from \$1 trillion to \$4 trillion in the past 12 years. The President's plan would increase the public debt by \$2 trillion in just over 5 years.

In the concurrent budget resolution, the public debt is increased \$372.3 billion, \$366 billion, \$355.8 billion, \$359.1 billion, and \$369.7 billion, respectively, over the next 5 years. This is an average debt increase of \$365 billion per year. From 1988 through 1992, the average debt increase was only \$328 billion per year.

Americans have been led to believe the reconciliation bill reduces spending and reduces growth of the public debt. However, Federal spending would increase from \$1.5 trillion in fiscal year 1994 to \$1.8 trillion by fiscal year 1998 and the public debt would increase exactly \$1 billion per day for the next 5 years, an increase over the daily increase of the past 5 years.

We must do better.

Our deficit reduction efforts have not gone far enough. We are fooling ourselves if we think the Clinton plan adds only \$1.2 trillion of debt. In 1998, if everything goes as planned, we will be talking about our \$6.2 trillion debt.

The CHAIRMAN. All time for general debate has expired. Pursuant to the rule, the bill is considered as having been read for amendment under the 5-minute rule.

The modifications to the bill printed in part 1 of House Report 103-112 are considered adopted.

The text of H.R. 2264, as modified, is as follows:

H.R. 2264

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 "Omnibus Budget Reconciliation Act of 1993".

SEC. 2. TABLE OF CONTENTS.

The table of contents is as follows:

TITLE I—COMMITTEE ON AGRICULTURE
TITLE II—COMMITTEE ON ARMED SERVICES
TITLE III—COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
TITLE IV—COMMITTEE ON EDUCATION AND LABOR
TITLE V—COMMITTEE ON ENERGY AND COMMERCE
TITLE VI—COMMITTEE ON FOREIGN AFFAIRS
TITLE VII—COMMITTEE ON THE JUDICIARY

TITLE VIII—COMMITTEE ON MERCHANT MARINE AND FISHERIES

TITLE IX—COMMITTEE ON NATURAL RESOURCES

TITLE X—COMMITTEE ON POST OFFICE AND CIVIL SERVICE

TITLE XI—COMMITTEE ON PUBLIC WORKS

TITLE XII—COMMITTEE ON VETERANS' AFFAIRS

TITLE XIII—COMMITTEE ON WAYS AND MEANS—SAVINGS

TITLE XIV—COMMITTEE ON WAYS AND MEANS—REVENUES

TITLE XV—BUDGET PROCESS

TITLE I—COMMITTEE ON AGRICULTURE

SEC. 1001. SHORT TITLE AND TABLE OF CONTENTS.

(a) SHORT TITLE.—This title may be cited as the "Agricultural Reconciliation Act of 1993".

(b) TABLE OF CONTENTS.—The table of contents of this title is as follows:

Sec. 1001. Short title and table of contents.

Subtitle A—Commodity Programs

Sec. 1101. Wheat program.

Sec. 1102. Feed grain program.

Sec. 1103. Upland cotton program.

Sec. 1104. Rice program.

Sec. 1105. Dairy program.

Sec. 1106. Tobacco program.

Sec. 1107. Sugar program.

Sec. 1108. Oilseeds program.

Sec. 1109. Peanut program.

Sec. 1110. Honey program.

Sec. 1111. Wool and mohair program.

Sec. 1112. Conforming amendments to continue deficit reduction activities in crop years after 1995.

Subtitle B—Restructuring of Loan Programs

Sec. 1201. Restructuring of certain loan programs.

Sec. 1202. Reorganization of rural development functions.

Subtitle C—Food Stamp Program

Sec. 1301. Short title.

Sec. 1302. References to the Act.

CHAPTER 1—ENSURING ADEQUATE FOOD ASSISTANCE

Sec. 1311. Maximum benefit level.

Sec. 1312. Helping low-income high school students.

Sec. 1313. Families with high shelter expenses.

Sec. 1314. Resource exclusion for earned income tax credits.

Sec. 1315. Homeless families in transitional housing.

Sec. 1316. Households benefiting from general assistance vendor payments.

Sec. 1317. Continuing benefits to eligible households.

Sec. 1318. Improving the nutritional status of children in Puerto Rico.

CHAPTER 2—PROMOTING SELF SUFFICIENCY

Sec. 1321. Income exclusion for education assistance.

Sec. 1322. Child support payments to non-household members.

Sec. 1323. Child support exclusion.

Sec. 1324. Improving access to employment and training activities.

Sec. 1325. Vehicles needed to seek and continue employment and for household transportation.

Sec. 1326. Vehicles necessary to carry fuel or water.

Sec. 1327. Demonstration projects testing resource accumulation.

CHAPTER 3—SIMPLIFYING THE PROVISION OF FOOD ASSISTANCE

Sec. 1331. Simplifying the household definition for households with children and others.

Sec. 1332. Eligibility of children of parents participating in drug or alcohol treatment programs.

Sec. 1333. Resources of households with disabled members.

Sec. 1334. Ensuring adequate funding for the food stamp program.

CHAPTER 4—IMPROVING PROGRAM INTEGRITY

Sec. 1341. Use and disclosure of information provided by retail food stores and wholesale food concerns.

Sec. 1342. Additional means of claims collection.

Sec. 1343. Demonstration projects testing activities directed at street trafficking in coupons.

CHAPTER 5—IMPROVING FOOD STAMP PROGRAM MANAGEMENT

Sec. 1351. Clarification of categorical eligibility.

Sec. 1352. Technical amendments related to electronic benefit transfer.

Sec. 1353. Disqualification of recipients for trading firearms, ammunition, explosives, or controlled substances for coupons.

Sec. 1354. Uncapped civil money penalty for trafficking in coupons.

Sec. 1355. Uncapped civil money penalty for selling firearms, ammunition, explosives, or controlled substances for coupons.

Sec. 1356. Modifying the food stamp quality control system.

CHAPTER 6—UNIFORM REIMBURSEMENT RATES

Sec. 1361. Uniform reimbursement rates.

CHAPTER 7—IMPLEMENTATION AND EFFECTIVE DATES

Sec. 1371. Implementation and effective dates.

Subtitle D—Miscellaneous Provisions

Sec. 1401. Maximum expenditures under market promotion program for fiscal years 1994 through 1998.

Sec. 1402. Admission, entrance, and recreation fees.

Sec. 1403. Additional program changes to meet reconciliation requirements.

Sec. 1404. Environmental conservation acreage reserve program amendments.

Sec. 1405. Levels of insurance coverage under the Federal Crop Insurance Act.

Subtitle A—Commodity Programs

SEC. 1101. WHEAT PROGRAM.

(a) FIVE PERCENT REDUCTION IN PAYMENT ACRES.—

(1) REDUCTION.—Subsection (c)(1)(C)(ii) of section 107B of the Agricultural Act of 1949 (7 U.S.C. 1445b-3a) is amended by striking "85 percent" and inserting "80 percent".

(2) APPLICATION OF AMENDMENT.—The amendment made by paragraph (1) shall apply beginning with the 1994 crop of wheat.

(b) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.—

(1) AGRICULTURAL ACT OF 1949.—Section 107B of the Agricultural Act of 1949 (7 U.S.C. 1445b-3a) is further amended—

(A) in the section heading, by striking "1995" and inserting "1998";

(B) in subsections (a)(1), (a)(4)(C), (b)(1), (c)(1)(A), (c)(1)(B)(iii), (e)(1)(G), (e)(3)(A), (e)(3)(C)(iii), (f)(1), and (q), by striking "1995" each place it appears and inserting "1998";

(C) in the heading of subsection (c)(1)(B)(ii), by striking "AND 1995" and inserting "THROUGH 1998";

(D) in subsection (c)(1)(B)(ii), by striking "and 1995" and inserting "through 1998"; and (E) in the heading of subsection (e)(1)(G), by striking "1995" and inserting "1998"; and

(F) in subsection (g)(1), by striking "and 1995" and inserting "through 1998".

(2) FOOD, AGRICULTURE, CONSERVATION, AND TRADE ACT OF 1990.—Title III of the Food, Agriculture, Conservation, and Trade Act of 1990 (Public Law 101-624; 104 Stat. 3382) is amended—

(A) in section 302 (7 U.S.C. 1379d note), by striking "May 31, 1996" and inserting "May 31, 1999";

(B) in section 303 (7 U.S.C. 1331 note), by striking "1995" and inserting "1998";

(C) in section 304 (7 U.S.C. 1340 note), by striking "1995" and inserting "1998"; and (D) in section 305 (7 U.S.C. 1455a note)—

(i) in the section heading, by striking "1995" and inserting "1998"; and

(ii) by striking "1995" and inserting "1998".

(3) FOOD SECURITY WHEAT RESERVE.—Section 302(i) of the Food Security Wheat Reserve Act of 1980 (7 U.S.C. 1736f-1(i)) is amended by striking "1995" both places it appears and inserting "1998".

SEC. 1102. FEED GRAIN PROGRAM.

(a) FIVE PERCENT REDUCTION IN PAYMENT ACRES.—

(1) REDUCTION.—Subsection (c)(1)(C)(ii) of section 105B of the Agricultural Act of 1949 (7 U.S.C. 1444f) is amended by striking "85 percent" and inserting "80 percent".

(2) APPLICATION OF AMENDMENT.—The amendment made by paragraph (1) shall apply beginning with the 1994 crop of feed grains.

(b) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.—

(1) AGRICULTURAL ACT OF 1949.—Section 105B of the Agricultural Act of 1949 (7 U.S.C. 1444f) is further amended—

(A) in the section heading, by striking "1995" and inserting "1998";

(B) in subsections (a)(1), (a)(4)(C), (a)(6), (b)(1), (c)(1)(A), (c)(1)(B)(iii)(I), (c)(1)(B)(iii)(II), (e)(1)(G), (e)(1)(H), (e)(2)(H), (e)(3)(A), (e)(3)(C)(iii), (f)(1), (p)(1), (q)(1), and (r), by striking "1995" each place it appears and inserting "1998";

(C) in the heading of subsection (c)(1)(B)(ii), by striking "AND 1995" and inserting "THROUGH 1998";

(D) in subsection (c)(1)(B)(ii), by striking "and 1995" and inserting "through 1998";

(E) in the headings of subsections (e)(1)(G) and (e)(1)(H), by striking "1995" both places it appears and inserting "1998"; and

(F) in subsection (g)(1), by striking "and 1995" and inserting "through 1998".

(2) FOOD, AGRICULTURE, CONSERVATION, AND TRADE ACT OF 1990.—Section 402 of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 1444b note) is amended—

(A) in the section heading, by striking "1995" and inserting "1998"; and

(B) by striking "1995" and inserting "1998".

(3) RECOURSE LOAN PROGRAM FOR SILAGE.—Section 403 of the Food Security Act of 1985 (7 U.S.C. 1444e-1) is amended by striking "1996" and inserting "1999".

SEC. 1103. UPLAND COTTON PROGRAM.

(a) FIVE PERCENT REDUCTION IN PAYMENT ACRES.—

(1) REDUCTION.—Subsection (c)(1)(C)(ii) of section 103B of the Agricultural Act of 1949 (7 U.S.C. 1444-2) is amended by striking "85 percent" and inserting "80 percent".

(2) APPLICATION OF AMENDMENT.—The amendment made by paragraph (1) shall

apply beginning with the 1994 crop of upland cotton.

(b) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.—

(1) AGRICULTURAL ACT OF 1949.—(A) Section 103(h)(16) of the Agricultural Act of 1949 (7 U.S.C. 1444(h)(16)) is amended by striking "1996" and inserting "1999".

(B) Section 103B of such Act (7 U.S.C. 1444-2) is further amended—

(i) in the section heading, by striking "1995" and inserting "1998";

(ii) in subsections (a)(1), (b)(1), (c)(1)(A), (c)(1)(B)(ii), (e)(3)(A), (f)(1), and (o), by striking "1995" each place it appears and inserting "1998"; and

(iii) in subparagraphs (B)(i), (D)(i), (E)(i), and (F)(i) of subsection (a)(5), by striking "1996" each place it appears and inserting "1999".

(C) Section 203(b) of such Act (7 U.S.C. 1446(b)) is amended by striking "1995" and inserting "1998".

(2) AGRICULTURAL ADJUSTMENT ACT OF 1938.—Section 374(a) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1374(a)) is amended by striking "1995" each place it appears and inserting "1998".

(3) FOOD, AGRICULTURE, CONSERVATION, AND TRADE ACT OF 1990.—Title V of the Food, Agriculture, Conservation, and Trade Act of 1990 (Public Law 101-624; 104 Stat. 3421) is amended—

(A) in section 502 (7 U.S.C. 1342 note), by striking "1995" and inserting "1998";

(B) in section 503 (7 U.S.C. 1444 note), by striking "1995" and inserting "1998"; and

(C) in section 505 (7 U.S.C. 1342 note)—

(i) in the section heading, by striking "1996" and inserting "1999"; and

(ii) by striking "1996" and inserting "1999".

SEC. 1104. RICE PROGRAM.

(a) FIVE PERCENT REDUCTION IN PAYMENT ACRES.—

(1) REDUCTION.—Subsection (c)(1)(C)(ii) of section 101B of the Agricultural Act of 1949 (7 U.S.C. 1441-2) is amended by striking "85 percent" and inserting "80 percent".

(2) APPLICATION OF AMENDMENT.—The amendment made by paragraph (1) shall apply beginning with the 1994 crop of rice.

(b) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.—Such section is further amended—

(1) in the section heading, by striking "1995" and inserting "1998";

(2) in subsections (a)(1), (a)(3), (b)(1), (c)(1)(A), (c)(1)(B)(iii), (e)(3)(A), (f)(1), and (n), by striking "1995" each place it appears and inserting "1998";

(3) in subsection (a)(5)(D)(i), by striking "1996" and inserting "1999";

(4) in the heading of subsection (c)(1)(B)(ii), by striking "AND 1995" and inserting "THROUGH 1998"; and

(5) in subsection (c)(1)(B)(ii), by striking "and 1995" and inserting "through 1998".

SEC. 1105. DAIRY PROGRAM.

(a) ALLOCATION OF PURCHASE PRICES FOR BUTTER AND NONFAT DRY MILK.—

(1) IN GENERAL.—Subsection (c)(3) of section 204 of the Agricultural Act of 1949 (7 U.S.C. 1446e) is amended—

(A) in the first sentence of subparagraph (A), by striking "The Secretary" and inserting "Subject to subparagraph (B), the Secretary";

(B) by redesignating subparagraph (B) as subparagraph (C); and

(C) by inserting after subparagraph (A) the following new subparagraph:

"(B) GUIDELINES.—In allocating the rate of price support between the purchase prices of butter and nonfat dry milk under this paragraph, the Secretary may not—

"(i) offer to purchase butter for more than \$0.65 per pound; or

"(ii) offer to purchase nonfat dry milk for less than \$1.034 per pound.".

(2) APPLICATION OF AMENDMENTS.—The amendments made by paragraph (1) shall apply with respect to purchases of butter and nonfat dry milk that are made by the Secretary of Agriculture under section 204 of the Agricultural Act of 1949 (7 U.S.C. 1446e) on or after the date of the enactment of this Act.

(b) REDUCTION IN PRICE RECEIVED.—Subsection (h)(2) of such section is amended—

(1) by striking "and" at the end of subparagraph (A);

(2) by striking the period at the end of subparagraph (B) and inserting "; and"; and

(3) by adding at the end the following new subparagraph:

"(C) during each of the calendar years 1996 through 1998, 10 cents per hundredweight of milk marketed, which rate shall be adjusted on or before May 1 of each of the calendar years 1996 through 1998 in the manner provided in subparagraph (B)."

(c) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN FISCAL YEARS AFTER 1995.—

(1) IN GENERAL.—Section 204 of the Agricultural Act of 1949 (7 U.S.C. 1446e) is further amended—

(A) in the section heading, by striking "1995" and inserting "1998";

(B) in subsections (a), (b), (d)(1)(A), (d)(2)(A), (d)(3), (f), (g)(1), and (k), by striking "1995" each place it appears and inserting "1998"; and

(C) in subsection (g)(2), by striking "1994" and inserting "1997".

(2) TRANSFER TO MILITARY AND VETERANS HOSPITALS.—Subsections (a) and (b) of section 202 of such Act (7 U.S.C. 1446a) are amended by striking "1995" both places it appears and inserting "1998".

(3) FEDERAL MILK MARKETING ORDERS.—Section 101(b) of the Agriculture and Food Act of 1981 (7 U.S.C. 608c note) is amended by striking "1995" and inserting "1998".

(4) DAIRY INDEMNITY PROGRAM.—Section 3 of Public Law 90-484 (7 U.S.C. 4501) is amended by striking "1995" and inserting "1998".

(5) FOOD SECURITY ACT OF 1985.—The Food Security Act of 1985 is amended—

(A) in section 153 (15 U.S.C. 713a-14), by striking "1995" and inserting "1998"; and

(B) in section 1163 (7 U.S.C. 1731 note), by striking "1995" each place it appears and inserting "1998".

SEC. 1106. TOBACCO PROGRAM.

(a) TEN PERCENT INCREASE IN MARKETING ASSESSMENT.—Subsection (g)(1) of section 106 of the Agricultural Act of 1949 (7 U.S.C. 1445) is amended by striking "equal to" and all that follows through the period and inserting the following: "equal to—

"(A) in the case of the 1991 through 1993 crops of tobacco, .5 percent of the national average price support level for each such crop as otherwise provided for in this section; and

"(B) in the case of the 1994 through 1998 crops of tobacco, .55 percent of the national average price support level for each such crop as otherwise provided for in this section."

(b) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN FISCAL YEARS AFTER 1995.—Such subsection is further amended by striking "1995" and inserting "1998".

(c) ACREAGE-POUNDAGE QUOTAS FOR TOBACCO.—

(1) DEFINITIONS.—Subsection (a) of section 317 of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1314c) is amended—

(A) by inserting "DEFINITIONS.—" after "(a)"; and

(B) by striking paragraphs (2), (3), (4), (5), (6), (7), and (8) and inserting the following new paragraphs:

"(2) FARM ACREAGE ALLOTMENT.—The term 'farm acreage allotment' for a tobacco farm, other than a new tobacco farm, means the acreage allotment determined by dividing the farm marketing quota by the farm yield.

"(3) FARM YIELD.—The term 'farm yield' means the yield per acre for a farm determined according to regulations issued by the Secretary and which would be expected to result in a quality of tobacco acceptable to the tobacco trade.

"(4) FARM MARKETING QUOTA.—

"(A) IN GENERAL.—The term 'farm marketing quota' for a farm for a marketing year means a number that is equal to the number of pounds of tobacco determined by multiplying—

"(i) the farm marketing quota for the farm for the previous marketing year (prior to any adjustment for undermarketing or overmarketing); by

"(ii) the national factor.

"(B) ADJUSTMENT.—The farm marketing quota determined under subparagraph (A) for a marketing year shall be increased for undermarketing or decreased for overmarketing by the number of pounds by which marketings of tobacco from the farm during the immediate preceding marketing year (if marketing quotas were in effect for that year under the program established by this section) is less than or exceeds the farm marketing quota for such year. Notwithstanding the preceding sentence, the farm marketing quota for a marketing year shall not be increased under this subparagraph for undermarketing by an amount in excess of the farm marketing quota determined for the farm for the immediately preceding year prior to any increase for undermarketing or decrease for overmarketing. If due to excess marketing in the preceding marketing year the farm marketing quota for the marketing year is reduced to zero pounds without reflecting the entire reduction required, the additional reduction shall be made for the subsequent marketing year or years.

"(5) NATIONAL FACTOR.—The term 'national factor' for a marketing year means a number obtained by dividing—

"(A) the national marketing quota (less the reserve provided for under subsection (e)); by

"(B) the sum of the farm marketing quotas (prior to any adjustments for undermarketing or overmarketing) for the immediate preceding marketing year for all farms for which marketing quotas for the kind of tobacco involved will be determined for such succeeding marketing year."

(2) CONFORMING AMENDMENTS.—Such section is further amended—

(A) in the first sentence of subsection (b), by striking "and the national acreage allotment and national average yield goal for the 1965 crop of Flue-cured tobacco";

(B) in the first sentence of subsection (c), by striking "and at the same time announce the national acreage allotment and national average yield goal";

(C) in subsection (d)—

(i) in the sixth sentence, by striking "national acreage allotment, and national average yield goal";

(ii) in the eighth sentence, by striking "national acreage allotment and national average yield goal"; and

(iii) in the ninth sentence, by striking "national acreage allotment, and national average goal are" and inserting "is";

(D) in subsection (e)—

(i) in the first sentence, by striking "No farm acreage allotment or farm yield shall be established" and inserting "A farm marketing quota and farm yield shall not be established";

(ii) in the second sentence, by striking "acreage allotment" both places it appears and inserting "marketing quota";

(iii) in the second sentence, by striking "acreage allotments" both places it appears and inserting "marketing quotas"; and

(iv) in the last sentence, by striking "acreage allotment" and inserting "marketing quota"; and

(E) in subsection (g)—

(i) in paragraph (1), by striking "paragraph (a)(8)" and inserting "subsection (a)(4)"; and

(ii) in paragraph (3), by striking "subsection (a)(8)" and inserting "subsection (a)(4)".

(3) FARM MARKETING QUOTA REDUCTIONS.—Subsection (f) of such section is amended to read as follows:

"(f) CAUSES FOR FARM MARKETING QUOTA REDUCTIONS.—(1) When an acreage-poundage program is in effect for any kind of tobacco under this section, the farm marketing quota next established for a farm shall be reduced by the amount of such kind of tobacco produced on the farm—

"(A) which was marketed as having been produced on a different farm;

"(B) for which proof of disposition is not furnished as required by the Secretary;

"(C) on acreage equal to the difference between the acreage reported by the farm operator or a duly authorized representative and the determined acreage for the farm; and

"(D) as to which any producer on the farm files, or aids, or acquiesces, in the filing of any false report with respect to the production or marketing of tobacco.

"(2) If the Secretary, through the local committee, finds that no person connected with a farm caused, aided, or acquiesced in any irregularity described in paragraph (1), the next established farm marketing quota shall not be reduced under this subsection.

"(3) The reduction required under this subsection shall be in addition to any other adjustments made pursuant to this section.

"(4) In establishing farm marketing quotas for other farms owned by the owner displaced by acquisition of the owner's land by any agency, as provided in section 378 of this Act, increases or decreases in such farm marketing quotas as provided in this section shall be made on account of marketings below or in excess of the farm marketing quota for the farm acquired by the agency.

"(5) Acreage allotments and farm marketing quotas determined under this section may (except in the case of kinds of tobacco not subject to section 316) be leased and sold under the terms and conditions in section 316 of this Act, except that any credit for undermarketing or charge for overmarketing shall be attributed to the farm to which transferred."

SEC. 1107. SUGAR PROGRAM.

(a) TEN PERCENT INCREASE IN MARKETING ASSESSMENT.—Subsection (i) of section 206 of the Agricultural Act of 1949 (7 U.S.C. 1446g) is amended—

(1) in paragraph (1), by striking "equal to" and all that follows through the period and inserting the following: "equal to—

"(A) in the case of marketings during fiscal years 1992 through 1994, .18 cents per pound of raw cane sugar, processed by the processor from domestically produced sugarcane or sugarcane molasses, that has been marketed (including the transfer or delivery of the sugar to a refinery for further processing or marketing); and

"(B) in the case of marketings during fiscal years 1995 through 1999, .198 cents per pound of raw cane sugar, processed by the processor from domestically produced sugarcane or sugarcane molasses, that has been marketed (including the transfer or delivery of the sugar to a refinery for further processing or marketing)."; and

(2) in paragraph (2), by striking "equal to" and all that follows through the period and inserting the following: "equal to—

"(A) in the case of marketings during fiscal years 1992 through 1994, .193 cents per pound of beet sugar, processed by the processor from domestically produced sugar beets or sugar beet molasses, that has been marketed; and

"(B) in the case of marketings during fiscal years 1995 through 1999, .2123 cents per pound of beet sugar, processed by the processor from domestically produced sugar beets or sugar beet molasses, that has been marketed."

(b) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.—

(1) AGRICULTURAL ACT OF 1949.—Section 206 of the Agricultural Act of 1949 (7 U.S.C. 1446g) is further amended—

(A) in the section heading, by striking "1995" and inserting "1998";

(B) in subsections (a), (c), (d)(1), and (j), by striking "1995" each place it appears and inserting "1998"; and

(C) in paragraphs (1) and (2) of subsection (i), as amended by subsection (a), by striking "1996" both places it appears and inserting "1999".

(2) AGRICULTURAL ADJUSTMENT ACT OF 1938.—Section 359b(a)(1) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359bb(a)(1)) is amended by striking "1996" and inserting "1999".

SEC. 1108. OILSEEDS PROGRAM.

(a) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.—Section 205 of the Agricultural Act of 1949 (7 U.S.C. 1446f) is amended—

(1) in the section heading, by striking "1995" and inserting "1998"; and

(2) in subsections (b), (c), (e)(1), and (n), by striking "1995" each place it appears and inserting "1998".

SEC. 1109. PEANUT PROGRAM.

(a) ASSESSMENT TO COVER UNANTICIPATED LOSSES IN ADMINISTERING THE PROGRAM.—

(1) ADDITIONAL ASSESSMENT.—Section 108B of the Agricultural Act of 1949 (7 U.S.C. 1445c-3) is amended—

(A) by redesignating subsection (h) as subsection (i); and

(B) by inserting after subsection (g) the following new subsection:

"(h) ADDITIONAL MARKETING ASSESSMENT.—

"(1) TWO PERCENT ASSESSMENT.—In addition to the marketing assessment required by subsection (g), the Secretary shall also provide for a nonrefundable marketing assessment applicable to each of the 1993 through 1998 crops of peanuts and collected and paid in accordance with this subsection. The assessment shall be on a per pound basis in an amount equal to 2 percent of the national average quota or additional peanut support rate per pound, as applicable, for the applicable crop. No peanuts shall be assessed more than 2 percent of the applicable support rate under this subsection.

"(2) FIRST PURCHASERS.—Except as provided under paragraphs (3) and (4), the first purchaser of peanuts shall—

"(A) collect from the producer a marketing assessment equal to 1 percent of the applicable national average support rate times the quantity of peanuts acquired;

"(B) pay, in addition to the amount collected under subparagraph (A), a marketing assessment in an amount equal to 1 percent of the applicable national average support rate times the quantity of peanuts acquired; and

"(C) remit the amounts required under subparagraphs (A) and (B) to the Commodity Credit Corporation in a manner specified by the Secretary.

"(3) OTHER PRIVATE MARKETINGS.—In the case of a private marketing by a producer directly to a consumer through a retail or wholesale outlet or in the case of a marketing by the producer outside of the continental United States, the producer shall be responsible for the full amount of the assessment under this subsection and shall remit the assessment by such time as is specified by the Secretary.

"(4) LOAN PEANUTS.—In the case of peanuts that are pledged as collateral for a price support loan made under this section, ½ of the assessment under this subsection shall be deducted from the proceeds of the loan. The remainder of the assessment shall be paid by the first purchaser of the peanuts as provided in subparagraph (B) of paragraph (2). For purposes of computing net gains on peanuts under this section, the reduction in loan proceeds under this subsection shall be treated as having been paid to the producer.

"(5) RESERVE ACCOUNT.—

"(A) ESTABLISHMENT.—The Secretary shall establish in the Commodity Credit Corporation a reserve account to be administered by the Secretary for purposes of this section. There shall be deposited in the reserve account for each crop of peanuts an amount equal to—

"(i) the total amount remitted to the Commodity Credit Corporation under paragraphs (2) and (3) as the payment of the marketing assessment applicable to that crop of peanuts under this subsection; and

"(ii) the total amount deducted from the proceeds of a price support loan or paid by first purchasers under paragraph (4) as the payment of the marketing assessment applicable to that crop of peanuts under this subsection.

"(B) USE OF RESERVE ACCOUNT.—The Secretary shall use amounts in the reserve account established in this paragraph to cover losses incurred by the Commodity Credit Corporation on the sale or disposal of peanuts for which price support has been provided under this section. Funds in the reserve account shall be made available until expended.

"(6) APPLICATION OF OTHER PROVISIONS.—Paragraphs (2)(B), (5), and (6) of subsection (g) shall apply with respect to the marketing assessment required by this subsection."

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall take effect 15 days after the date of the enactment of this Act.

(b) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.—

(1) AGRICULTURAL ACT OF 1949.—Section 108B of the Agricultural Act of 1949 (7 U.S.C. 1445c-3) is further amended—

(A) in the section heading, by striking "1995" and inserting "1998";

(B) in subsections (a)(1), (a)(2), (b)(1), and (g)(1), by striking "1995" each place it appears and inserting "1998"; and

(C) in subsection (i) (as redesignated by subsection (a)(1)(A)), by striking "1995" and inserting "1998".

(2) AGRICULTURAL ADJUSTMENT ACT OF 1938.—Part VI of subtitle B of title III of the Agricultural Adjustment Act of 1938 is amended—

(A) in section 358-1 (7 U.S.C. 1358-1)—
 (i) in the section heading, by striking "1995" and inserting "1998";
 (ii) in subsections (a)(1), (b)(1)(A), (b)(1)(B), (b)(2)(A), (b)(2)(C), (b)(3), and (f), by striking "1995" each place it appears and inserting "1998"; and

(iii) in subsection (d)(1), by inserting after "5 calendar years" the following: ", or such other period as the Secretary considers to be appropriate in the case of a referendum held after 1995.";

(B) in section 358b (7 U.S.C. 1358b)—
 (i) in the section heading, by striking "1995" and inserting "1998"; and
 (ii) in subsection (c), by striking "1995" and inserting "1998";

(C) in section 358c(d) (7 U.S.C. 1358c(d)), by striking "1995" and inserting "1998"; and

(D) in section 358e (7 U.S.C. 1359a)—

(i) in the section heading, by striking "1995" and inserting "1998"; and

(ii) in subsection (i), by striking "1995" and inserting "1998".

(3) FOOD, AGRICULTURE, CONSERVATION, AND TRADE ACT OF 1990.—Title VIII of the Food, Agriculture, Conservation, and Trade Act of 1990 (Public Law 101-624; 104 Stat. 3459) is amended—

(A) in section 801 (104 Stat. 3459), by striking "1995" and inserting "1998";

(B) in section 807 (104 Stat. 3478), by striking "1995" and inserting "1998"; and

(C) in section 808 (7 U.S.C. 1441 note), by striking "1995" and inserting "1998".

(c) ASSESSMENT UNDER PEANUT MARKETING AGREEMENT.—Section 8b(b)(1) of the Agricultural Adjustment Act (7 U.S.C. 608b(b)(1)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, is amended—

(1) by striking "and" at the end of subparagraph (A);

(2) by striking the period at the end of subparagraph (B) and inserting "; and"; and

(3) by adding at the end the following new subparagraph:

"(C) any assessment imposed under such agreement shall apply to peanut handlers (as that term is defined by the Secretary) who have not entered into such an agreement with the Secretary in addition to those handlers who have entered into such agreement."

SEC. 1110. HONEY PROGRAM.

(a) REDUCED SUPPORT RATE.—Subsection (a) of section 207 of the Agricultural Act of 1949 (7 U.S.C. 1446h) is amended by striking than "53.8 cents" and inserting "than—

"(1) 53.8 cents per pound for the 1991 through 1993 crop years; and

"(2) 50 cents per pound for the 1994 through 1998 crop years."

(b) PAYMENT LIMITATIONS.—Subsection (e)(1) of such section is amended—

(1) by striking "and" at the end of subparagraph (C);

(2) by striking subparagraph (D); and

(3) by adding at the end the following new subparagraphs:

"(D) \$125,000 in the 1994 crop year;

"(E) \$100,000 in the 1995 crop year;

"(F) \$75,000 in the 1996 crop year; and

"(G) \$50,000 in each of the 1997 and subsequent crop years."

(c) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES.—Subsections (a), (c)(1), and (j) of such section are amended by striking "1995" each place it appears and inserting "1998".

(d) TERMINATION OF ASSESSMENT.—Subsection (i)(1) of such section is amended by striking "1995" and inserting "1993".

SEC. 1111. WOOL AND MOHAIR PROGRAM.

(a) PAYMENT LIMITATIONS.—Section 704(b)(1) of the National Wool Act of 1954 (7 U.S.C. 1783(b)(1)) is amended—

(1) by striking "and" at the end of subparagraph (C);

(2) by striking subparagraph (D); and

(3) by adding at the end the following new subparagraphs:

"(D) \$125,000 for the 1994 marketing year;

"(E) \$100,000 for the 1995 marketing year;

"(F) \$75,000 for 1996 marketing year; and

"(G) \$50,000 for each of the 1997 and subsequent marketing years."

(b) MARKETING CHARGES.—Section 706 of National Wool Act of 1954 (7 U.S.C. 1785) is amended by inserting after the second sentence the following new sentence: "In determining the net sales proceeds and national payment rates for shorn wool and shorn mohair the Secretary shall not deduct marketing charges for commissions, coring, or grading."

(c) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.—Subsections (a) and (b)(2) of section 703 of the National Wool Act of 1954 (7 U.S.C. 1782) are amended by striking "1995" both places it appears and inserting "1998".

(d) TERMINATION OF MARKETING ASSESSMENT.—Section 704(c) of the National Wool Act of 1954 (7 U.S.C. 1783(c)) is amended by striking "1995" and inserting "1992".

(e) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) POLICY OF CONGRESS.—Section 702 of the National Wool Act of 1954 (7 U.S.C. 1781) is amended—

(A) by striking ", strategic," in the first sentence; and

(B) by striking "as a measure of national security and to promote" and inserting "that as a method to promote".

(2) ELIMINATION OF OBSOLETE PROVISION.—Section 703(b) of the National Wool Act of 1954 (7 U.S.C. 1782(b)) is amended—

(A) in paragraph (1), by striking "paragraphs (2) and (3)" and inserting "paragraph (2)";

(B) in paragraph (2), by striking "Except as provided in paragraph (3), for" and inserting "For"; and

(C) by striking paragraph (3).

(3) ADVERTISING AND SALES PROMOTION PROGRAMS.—Section 708 of the National Wool Act of 1954 (7 U.S.C. 1787) is amended—

(A) by inserting "(a)" after "Sec. 708."; and

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

"(b)(1) Except as provided in paragraph (2), to the extent that the Secretary determines that the amount of funds that would otherwise be made available under subsection (a) in any marketing year for agreements entered into under such subsection is less than the amount made available under such subsection in the previous marketing year, the difference in such amounts shall be provided from amounts available to support the prices of wool and mohair under section 703 of this title. Any amount provided under this subsection shall be considered to be an expenditure made in connection with payments to producers under this title for purposes of section 705 of this title.

"(2) Paragraph (1) shall not apply if the Secretary determines that any portion of the difference between the amounts made available under subsection (a) between two consecutive marketing years is the result of a per unit reduction in the amount of the assessment imposed under the agreements entered into under such subsection."

SEC. 1112. CONFORMING AMENDMENTS TO CONTINUE DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.

(a) SUPPLEMENTAL SET-ASIDE AND ACREAGE LIMITATION AUTHORITY.—Section 113 of the Agricultural Act of 1949 (7 U.S.C. 1445h) is amended by striking "1995" and inserting "1998".

(b) DEFICIENCY AND LAND DIVERSION PAYMENTS.—Subsections (a)(1), (b), and (c) of section 114 of the Agricultural Act of 1949 (7 U.S.C. 1445j) are amended by striking "1995" each place it appears and inserting "1998".

(c) DISASTER PAYMENTS.—Section 208 of the Agricultural Act of 1949 (7 U.S.C. 1446i) is amended—

(1) in the section heading, by striking "1995" and inserting "1998";

(2) in subsection (d), by striking "1995" and inserting "1998".

(d) MISCELLANEOUS.—Title IV of the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.) is amended—

(1) in section 402(b) (7 U.S.C. 1422(b)), by striking "1995" and inserting "1998";

(2) in section 403(c) (7 U.S.C. 1423(c)), by striking "1995" and inserting "1998";

(3) in section 406(b) (7 U.S.C. 1426(b))—

(A) by striking "1995" each place it appears and inserting "1998"; and

(B) by striking "1996" each place it appears and inserting "1999"; and

(4) in section 408(k)(3) (7 U.S.C. 1428(k)(3)), by striking "1995" and inserting "1998".

(e) ACREAGE BASE AND YIELD SYSTEM.—Title V of the Agricultural Act of 1949 (7 U.S.C. 1461 et seq.) is amended—

(1) in subsections (c)(3) and (h)(2)(A) of section 503 (7 U.S.C. 1463), by striking "1995" each place it appears and inserting "1998";

(2) in subsections (b)(1) and (b)(2) of section 505 (7 U.S.C. 1465), by striking "1995" each place it appears and inserting "1998"; and

(3) in section 509 (7 U.S.C. 1469), by striking "1995" and inserting "1998".

(f) NORMALLY PLANTED ACREAGE.—Section 1001 of the Food and Agriculture Act of 1977 (7 U.S.C. 1309) is amended in subsections (a), (b)(1), and (c) by striking "1995" each place it appears and inserting "1998".

(g) AGRICULTURE AND FOOD ACT OF 1981.—Section 1014 of the Agriculture and Food Act of 1981 (7 U.S.C. 4110) is amended by striking "1995" and inserting "1998".

(h) FOOD SECURITY ACT OF 1985.—The Food Security Act of 1985 (Public Law 99-198; 99 Stat. 1354) is amended—

(1) in section 902(c)(2)(A) (7 U.S.C. 1446 note), by striking "1995" and inserting "1998";

(2) in paragraphs (1)(A), (1)(B), and (2)(A) of section 1001 (7 U.S.C. 1308), by striking "1995" each place it appears and inserting "1998";

(3) in section 1001C(a) (7 U.S.C. 1308-3(a)), by striking "1995" both places it appears and inserting "1998";

(4) in section 1017(b) (7 U.S.C. 1385 note), by striking "1995" and inserting "1998"; and

(5) in section 1019 (7 U.S.C. 1310a), by striking "1995" and inserting "1998".

(i) OPTIONS PILOT PROGRAM.—The Options Pilot Program Act of 1990 (subtitle E of title XI of Public Law 101-624; 104 Stat. 3518; 7 U.S.C. 1421 note) is amended—

(1) in subsections (a) and (b) of section 1153, by striking "1995" each place it appears and inserting "1998"; and

(2) in section 1154(b)(1)(A), by striking "1995" both places it appears and inserting "1998".

(j) READJUSTMENT OF SUPPORT LEVELS.—Section 1302 of the Agricultural Reconciliation Act of 1990 (7 U.S.C. 1421 note) is amended in subsections (b)(1), (b)(3), and (d)(1)(C) by striking "1995" each place it appears and inserting "1998".

Subtitle B—Restructuring of Loan Programs
SEC. 1201. RESTRUCTURING OF CERTAIN LOAN PROGRAMS.

(a) LOAN PROGRAMS UNDER THE RURAL ELECTRIFICATION ACT OF 1936.—

(1) INSURED LOAN PROGRAMS.—Section 305 of the Rural Electrification Act of 1936 (7 U.S.C. 935) is amended—

(A) by striking subsections (b) and (d);
 (B) by redesignating subsection (c) as subsection (b); and

(C) by inserting after subsection (b) (as so redesignated) the following:

“(c) INSURED ELECTRIC LOANS.—

“(1) HARDSHIP LOANS.—

“(A) IN GENERAL.—The Administrator shall make insured electric loans at an interest rate of 5 percent per annum to any applicant therefor who meets each of the following requirements:

“(i) The average revenue per kilowatt-hour sold by the applicant is not less than 120 percent of the average revenue per kilowatt-hour sold by all utilities in the State in which the borrower provides service.

“(ii) The average residential revenue per kilowatt-hour sold by the applicant is not less than 120 percent of the average residential revenue per kilowatt-hour sold by all utilities in the State in which the borrower provides service.

“(iii) The average per capita income of the residents receiving electric service from the applicant is less than the average per capita income of the residents of the State in which the applicant provides service, or the median household income of the households receiving electric service from the applicant is less than the median household income of the households in the State.

“(B) SEVERE HARDSHIP LOANS.—The Administrator may make an insured electric loan at an interest rate of 5 percent per annum to an applicant therefor if, in the sole discretion of the Administrator, the applicant has experienced a severe hardship.

“(C) LIMITATION.—The Administrator may not make a loan under this paragraph to an applicant for the purpose of furnishing or improving electric service to a consumer located in an urban or urbanized area (as defined by the Bureau of the Census) if the average number of consumers per mile of line of the total electric system of the applicant exceeds 17.

“(2) MUNICIPAL RATE LOANS.—

“(A) IN GENERAL.—The Administrator shall make insured electric loans, to the extent of qualifying applications therefor, at the interest rate described in subparagraph (B) for the term or terms selected by the applicant pursuant to subparagraph (C).

“(B) INTEREST RATE.—

“(i) IN GENERAL.—Subject to clause (ii), the interest rate described in this subparagraph on a loan to a qualifying applicant shall be—

“(I) the interest rate determined by the Administrator to be equal to the current market yield on outstanding municipal obligations with remaining periods to maturity similar to the term selected by the applicant pursuant to subparagraph (C), but not greater than the rate determined under section 307(a)(3)(A) of the Consolidated Farm and Rural Development Act which is based on the current market yield on outstanding municipal obligations; plus

“(II) if the applicant for the loan makes an election pursuant to subparagraph (D) to include in the loan agreement the right of the applicant to prepay the loan, a rate equal to the amount by which—

“(aa) the interest rate on commercial loans for a similar period that afford the borrower such a right; exceeds

“(bb) the interest rate on commercial loans for such period that do not afford the borrower such a right.

“(ii) MAXIMUM RATE.—The interest rate described in this subparagraph on a loan to an applicant therefor shall not exceed 7 percent if—

“(I) the average number of consumers per mile of line of the total electric system of the applicant is less than 5.50; or

“(II)(aa) the average revenue per kilowatt-hour sold by the applicant is more than the average revenue per kilowatt-hour sold by all utilities in the State in which the borrower provides service; and

“(bb) the average per capita income of the residents receiving electric service from the applicant is less than the average per capita income of the residents of the State in which the applicant provides service, or the median household income of the households receiving electric service from the applicant is less than the median household income of the households in the State.

“(iii) EXCEPTION.—Clause (ii) shall not apply to a loan to be made to an applicant for the purpose of furnishing or improving electric service to consumers located in an urban or urbanized area (as defined by the Bureau of the Census) if the average number of consumers per mile of line of the total electric system of the applicant exceeds 17.

“(C) LOAN TERM.—

“(i) IN GENERAL.—Subject to clause (ii), the applicant for a loan under this paragraph may select the term during which the loan is to be repaid, and, at the end of such term (and any succeeding term selected by the applicant under this subparagraph), may renew the loan for another term selected by the applicant.

“(ii) MAXIMUM TERM.—Notwithstanding clause (i), the applicant may not select a term that ends more than 35 years after the beginning of the 1st term the applicant selects under clause (i).

“(D) CALL PROVISION.—The Administrator shall offer any applicant for a loan under this paragraph the option to include in the loan agreement the right of the applicant to prepay the loan on terms consistent with similar provisions of commercial loans.

“(3) OTHER SOURCE OF CREDIT NOT REQUIRED IN CERTAIN CASES.—The Administrator may not require any applicant for a loan made under this subsection who is eligible for a loan under paragraph (1) to obtain a loan from another source as a condition of approving the application for the loan or advancing any amount under the loan.

“(d) INSURED TELEPHONE LOANS.—

“(1) HARDSHIP LOANS.—

“(A) IN GENERAL.—The Administrator shall make insured telephone loans, to the extent of qualifying applications therefor, at an interest rate of 5 percent per annum, to any applicant who meets each of the following requirements:

“(i) The average number of subscribers per mile of line in the service area of the applicant is not more than 4.

“(ii) The applicant is capable of producing net income or margins, before interest payments on the loan applied for, of not less than 100 percent (but not more than 300 percent) of the interest requirements on all of the outstanding and proposed loans of the applicant.

“(iii) The Administrator has approved a telecommunications modernization plan for the State under paragraph (3), and, if the plan was developed by telephone borrowers under this title, the applicant is a participant in the plan.

“(B) AUTHORITY TO WAIVE TIER REQUIREMENT.—The Administrator may waive the requirement of subparagraph (A)(ii) in any case in which the Administrator determines (and sets forth the reasons therefor in writing) that the requirement would prevent emergency restoration of the telephone system of the applicant or result in severe hardship to the applicant.

“(C) EFFECT OF LACK OF FUNDS.—On request of any applicant who is eligible for a loan under this paragraph for which funds are not available, the applicant shall be considered to have applied for a loan under title IV.

“(2) COST-OF-MONEY LOANS.—

“(A) IN GENERAL.—The Administrator may make insured telephone loans for the purchase and installation of telephone lines, systems, and facilities (other than buildings used primarily for administrative purposes, vehicles not used primarily in construction, and personal customer premise equipment) directly related to the furnishing, improvement, or extension of rural telecommunications service or the acquisition of a rural telecommunications capability, at an interest rate equal to the then cost of money to the Government of the United States for loans of similar maturity, but not more than 7 percent per annum, to any applicant therefor who meets the following requirements:

“(i) The average number of subscribers per mile of line in the service area of the applicant is not more than 15.

“(ii) The applicant is capable of producing net income or margins, before interest payments on the loan applied for, of not less than 100 percent (but not more than 500 percent) of the interest requirements on all of the outstanding and proposed loans of the applicant.

“(iii) The Administrator has approved a telecommunications modernization plan for the State under paragraph (3), and, if the plan was developed by telephone borrowers under this title, the applicant is a participant in the plan.

“(B) CALL PROVISION.—The Administrator shall offer any applicant for a loan under this paragraph the option to include in the loan agreement the right of the applicant to prepay the loan.

“(C) CONCURRENT LOAN AUTHORITY.—On request of any applicant for a loan under this paragraph during any fiscal year, the Administrator shall—

“(i) consider the application to be for a loan under this paragraph and a loan under section 408; and

“(ii) if the applicant is eligible therefor, make a loan to the applicant under this paragraph in an amount equal to the amount that bears the same ratio to the total amount of loans for which the applicant is eligible under this paragraph and under section 408, as the amount made available for loans under this paragraph for the fiscal year bears to the total amount made available for loans under this paragraph and under section 408 for the fiscal year.

“(D) EFFECT OF LACK OF FUNDS.—On request of any applicant who is eligible for a loan under this paragraph for which funds are not available, the applicant shall be considered to have applied for a loan guarantee under section 306.

“(3) STATE TELECOMMUNICATIONS MODERNIZATION PLANS.—

“(A) APPROVAL.—If, within 6 months after final regulations are promulgated to carry out this paragraph, the public utility commission of any State develops a telecommunications modernization plan that meets the requirements of subparagraph (B),

then the Administrator shall approve the plan for the State. Otherwise, the Administrator shall approve any telecommunications modernization plan for the State that meets such requirements, which is developed by a majority of the borrowers of telephone loans made under this title who are located in the State.

"(B) REQUIREMENTS.—A telecommunications modernization plan must, at a minimum, meet the following objectives:

"(i) The plan must provide for the elimination of party line service.

"(ii) The plan must provide for the availability of telecommunications services for improved business, educational, and medical services.

"(iii) The plan must encourage and improve computer networks and information highways for subscribers in rural areas.

"(iv) The plan must provide for—

"(I) subscribers in rural areas to be able to receive through telephone lines—

"(aa) multiple voices;

"(bb) video images; and

"(cc) data at a rate of at least 1,000,000 bits of information per second; and

"(II) the proper routing of information to subscribers.

"(v) The plan must provide for uniform deployment schedules to ensure that advanced services are deployed at the same time in rural and nonrural areas.

"(C) FINALITY OF APPROVAL.—A telecommunications modernization plan approved under subparagraph (A) may not subsequently be disapproved."

(2) RURAL TELEPHONE BANK LOAN PROGRAM.—Section 408 of the Rural Electrification Act of 1936 (7 U.S.C. 948) is amended—

(A) in subsection (a)—

(i) by striking "(1)" and all that follows through "(3)" and inserting "(1) for the purchase and installation of telephone lines, systems, and facilities (other than buildings used primarily for administrative purposes, vehicles not used primarily in construction, and personal customer premise equipment) directly related to the furnishing, improvement, or extension of rural telecommunications service or the acquisition of a rural telecommunications capability, and (2)"; and

(ii) by striking "(2) hereof" and inserting "clause (1)";

(B) in subsection (b)—

(i) by amending paragraph (4) to read as follows:

"(4)(A) The Governor of the telephone bank may make a loan under this section only to an applicant therefor who meets the following requirements:

"(i) The average number of subscribers per mile of line in the service area of the applicant is not more than 15.

"(ii) The applicant is capable of producing net income or margins, before interest payments on the loan applied for, of not less than 100 percent (but not more than 500 percent) of the interest requirements on all of the outstanding and proposed loans of the applicant.

"(iii) The Administrator has approved, under section 305(d)(3), a telecommunications modernization plan for the State in which the applicant is located, and, if the plan was developed by telephone borrowers under title III, the applicant is a participant in the plan."

(ii) in paragraph (8)—

(I) by inserting "(A)" after "(8)";

(II) by striking "if such prepayment is not made later than September 30, 1988" and inserting "except for any prepayment penalty provided for in a loan agreement entered

into before the date of the enactment of the Omnibus Budget Reconciliation Act of 1993"; and

(III) by adding at the end the following:

"(B) If a borrower prepays part or all of a loan made under this section, then, notwithstanding section 407(b), the Governor of the telephone bank shall—

"(i) use the full amount of the prepayment to repay obligations of the telephone bank issued pursuant to section 407(b) before October 1, 1991, to the extent any such obligations are outstanding; and

"(ii) in repaying such obligations, first repay the advances bearing the greatest rate of interest."; and

(iii) by adding at the end the following:

"(9) On request of any applicant for a loan under this section during any fiscal year, the Governor of the telephone bank shall—

"(A) consider the application to be for a loan under this section and a loan under section 305(d)(2); and

"(B) if the applicant is eligible therefor, make a loan to the applicant under this section in an amount equal to the amount that bears the same ratio to the total amount of loans for which the applicant is eligible under this section and under section 305(d)(2), as the amount made available for loans under this section for the fiscal year bears to the total amount made available for loans under this section and under section 305(d)(2) for the fiscal year.

"(10) On request of any applicant who is eligible for a loan under this section for which funds are not available, the applicant shall be considered to have applied for a loan under section 305(d)(2)"; and

(C) by adding at the end the following:

"(e) Loans and advances made under this section on or after November 5, 1990, shall bear interest at a rate determined under this section, taking into account all assets and liabilities of the telephone bank. This subsection shall not apply to loans obligated before the date of the enactment of this subsection."

(3) FUNDING.—Section 314 of such Act (7 U.S.C. 940d) is amended to read as follows:

"SEC. 314. LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.

"(a) IN GENERAL.—There are authorized to be appropriated to the Administrator such sums as may be necessary for the cost of loans in the following amounts, for the following purposes and periods of time:

"(1) ELECTRIC HARDSHIP LOANS.—For loans under section 305(c)(1)—

"(A) for fiscal year 1994, \$125,000,000; and

"(B) for each of fiscal years 1995 through 1998, \$125,000,000, increased by the adjustment percentage for the fiscal year.

"(2) ELECTRIC MUNICIPAL RATE LOANS.—For loans under section 305(c)(2)—

"(A) for fiscal year 1994, \$600,000,000; and

"(B) for each of fiscal years 1995 through 1998, \$600,000,000, increased by the adjustment percentage for the fiscal year.

"(3) TELEPHONE HARDSHIP LOANS.—For loans under section 305(d)(1)—

"(A) for fiscal year 1994, \$125,000,000; and

"(B) for each of fiscal years 1995 through 1998, \$125,000,000, increased by the adjustment percentage for the fiscal year.

"(4) TELEPHONE COST-OF-MONEY LOANS.—For loans under section 305(d)(2)—

"(A) for fiscal year 1994, \$198,000,000; and

"(B) for each of fiscal years 1995 through 1998, \$198,000,000, increased by the adjustment percentage for the fiscal year.

"(b) ADJUSTMENT PERCENTAGE DEFINED.—As used in subsection (a), the term 'adjustment percentage' means, with respect to a

fiscal year, the percentage (if any) by which—

"(1) the average of the Consumer Price Index (as defined in section 1(f)(5) of the Internal Revenue Code of 1986) for the 12-month period ending on July 31 of the immediately preceding fiscal year; exceeds

"(2) the average of the Consumer Price Index (as so defined) for the 12-month period ending on July 31, 1993.

"(c) MANDATORY LEVELS.—The Administrator shall make insured loans under this title from the Rural Electrification and Telephone Revolving Fund established under section 301, for the purposes, in the amounts, and for the periods of time specified in subsection (a), as provided in advance in appropriations Acts.

"(d) AVAILABILITY OF FUNDS FOR INSURED LOANS.—Amounts made available for loans under section 305 are authorized to remain available until expended."

(4) RULE OF INTERPRETATION.—Section 309(a) of such Act (7 U.S.C. 939(a)) is amended by adding at the end the following: "The preceding sentence shall not be construed to make section 408(b)(2) or 412 applicable to this title."

(5) MISCELLANEOUS AMENDMENTS.—

(A) Section 2 of such Act (7 U.S.C. 902) is amended—

(i) by inserting "(a)" before "The Administrator";

(ii) by striking "telephone service in rural areas, as hereinafter provided;" and inserting "electric and telephone service in rural areas, as provided in this Act, and for the purpose of assisting electric borrowers to implement demand side management and energy conservation programs"; and

(iii) by adding at the end the following:

"(b) Not later than January 1, 1994, the Administrator shall issue interim regulations to implement the authority contained in subsection (a) to make loans for the purpose of assisting electric borrowers to implement demand side management and energy conservation programs. If such regulations are not issued by such date, the Administrator shall consider any demand side management program which is approved by a State agency to be eligible for such loans."

(B) Section 4 of such Act (7 U.S.C. 904) is amended by inserting "and for the furnishing and improving of electric service to persons in rural areas, including by assisting electric borrowers to implement demand side management and energy conservation programs" after "central station service".

(C) Section 7 of such Act (7 U.S.C. 907) is amended—

(i) by inserting "(a)" before "The Administrator is";

(ii) by designating the 2nd undesignated paragraph as subsection (b); and

(iii) by adding at the end the following:

"(c) Section 306(b) of the Consolidated Farm and Rural Development Act shall apply to a borrower of a loan under this Act in the same manner in which such section applies to an association referred to in such section."

(D) Section 13 of such Act (7 U.S.C. 913) is amended—

(i) by inserting ", except as provided in section 203(b)," before "shall be deemed to mean any area"; and

(ii) by striking "city, village, or borough having a population in excess of fifteen hundred inhabitants" and inserting "urban or urbanized area, as defined by the Bureau of the Census".

(E) Section 203(b) of such Act (7 U.S.C. 923(b)) is amended by striking "one thousand five hundred" and inserting "5,000".

(F) Section 307 of such Act (7 U.S.C. 937) is amended by adding at the end the following: "The Administrator may not request any applicant for an electric loan under this Act to apply for and accept a loan in an amount exceeding 30 percent of the credit needs of the applicant."

(G) Section 406 of such Act (7 U.S.C. 946) is amended by adding at the end the following: "(i) The Governor of the telephone bank may invest in obligations of the United States the amounts in the account in the Treasury of the United States numbered 12X8139 (known as 'the RTB Equity Fund')."

(H) Section 18 of such Act (7 U.S.C. 918) is amended—

(i) by inserting "(a) NO CONSIDERATION OF BORROWER'S LEVEL OF GENERAL FUNDS.—" before "The Administrator"; and

(ii) by adding at the end the following:

"(b) NO LOAN ORIGINATION FEES.—The Administrator and the Governor of the telephone bank may not charge any fee or charge not expressly provided in this Act in connection with any loan under this Act."

(I) Title III of such Act (7 U.S.C. 931-940d) is amended by inserting after section 306B the following:

"SEC. 306C. ELIGIBILITY OF DISTRIBUTION BORROWERS FOR LOANS, LOAN GUARANTEES, AND LIEN ACCOMMODATIONS.

"A distribution borrower not in default on the repayment of any loan made or guaranteed under this Act shall be eligible for a loan, loan guarantee, or lien accommodation under this title. For the purpose of determining such eligibility, a default by a borrower from which a distribution borrower purchases wholesale power shall not be considered a default by the distribution borrower."

"SEC. 306D. ADMINISTRATIVE PROHIBITIONS APPLICABLE TO ELECTRIC BORROWERS.

"The Administrator may not require prior approval of, impose any requirement, restriction, or prohibition with respect to the operations of, or deny or delay the granting of a lien accommodation to, any electric borrower under this Act whose net worth exceeds 110 percent of the outstanding principal balance on all loans made or guaranteed to the borrower by the Administrator."

(b) EXPANDED ELIGIBILITY FOR LOANS FOR WATER AND WASTE DISPOSAL FACILITIES.—Section 306(a)(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(1)) is amended by inserting after the 1st sentence the following: "The Secretary may also make loans to any borrower to whom a loan has been made under the Rural Electrification Act of 1936, for the conservation, development, use, and control of water, and the installation of drainage or waste disposal facilities, primarily serving farmers, ranchers, farm tenants, farm laborers, rural businesses, and other rural residents."

(c) REGULATIONS.—Not later than October 1, 1993, the Administrator of the Rural Development Administration shall issue interim final rules to implement the amendments made by this section.

SEC. 1202. REORGANIZATION OF RURAL DEVELOPMENT FUNCTIONS.

(a) ADMINISTRATION OF RURAL ELECTRIFICATION ACT OF 1936 TRANSFERRED TO THE RURAL DEVELOPMENT ADMINISTRATION.—

(1) IN GENERAL.—The Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.) is amended by striking all after the enacting clause that precedes section 2 and inserting the following:

"SECTION 1. SHORT TITLE; ADMINISTRATION OF ACT.

"(a) SHORT TITLE.—This Act may be cited as the 'Rural Electrification Act of 1936'.

"(b) ADMINISTRATION OF ACT.—The Administrator of the Rural Development Administration (in this Act referred to as the 'Administrator') shall carry out this Act under the general direction and supervision of the Secretary of Agriculture."

(2) CONFORMING AMENDMENTS.—

(A) Section 3(a) of such Act (7 U.S.C. 903(a)) is amended by striking "appointed pursuant to the provisions of this Act".

(B) Section 8 of such Act (7 U.S.C. 908) is amended—

(i) by striking "authorized to be appointed by this Act"; and

(ii) by striking "Rural Electrification Administration created by this Act" and inserting "Rural Development Administration".

(C) Each of the following provisions of such Act is amended by striking "Rural Electrification Administration" and inserting "Rural Development Administration":

(i) Section 306A(b) (7 U.S.C. 936a(b)).

(ii) Section 403(b) (7 U.S.C. 943(b)).

(iii) Section 404 (7 U.S.C. 944).

(iv) Section 406(c) (7 U.S.C. 946(c)).

(v) Section 410(a)(1) (7 U.S.C. 950(a)(1)).

(b) OTHER FUNCTIONS OF THE RURAL ELECTRIFICATION ADMINISTRATION TRANSFERRED TO THE RURAL DEVELOPMENT ADMINISTRATION.—Section 364 of the Consolidated Farm and Rural Development Act (7 U.S.C. 2006f) is amended by adding at the end the following:

"(g) TRANSFER OF FUNCTIONS OF THE RURAL ELECTRIFICATION ADMINISTRATION TO THE RURAL DEVELOPMENT ADMINISTRATION.—

"(1) IN GENERAL.—All rights, interests, obligations, and duties of the Administrator of the Rural Electrification Administration arising before the date of the enactment of this subsection, from any loan made, insured, or guaranteed by, or other action of, the Rural Electrification Administration shall be vested in the Administrator of the Rural Development Administration.

"(2) REFERENCES.—Any reference in any law, regulation, or order in effect immediately before the date of the enactment of this subsection to the Rural Electrification Administration or to the Administrator of the Rural Electrification Administration, is deemed to be a reference to the Rural Development Administration or to the Administrator of the Rural Development Administration, respectively.

"(3) EFFECT ON PENDING PROCEEDINGS AND PARTIES TO SUCH PROCEEDINGS.—

"(A) NONABATEMENT OF PROCEEDINGS.—This subsection shall not be construed to abate any proceeding commenced by or against the Rural Electrification Administration or the Administrator of the Rural Electrification Administration.

"(B) EFFECT ON PARTIES.—If an officer of the Rural Electrification Administration, in the official capacity of such officer, is a party to a proceeding pending on the date of the enactment of this subsection, then such action shall be continued with the Administrator, or other appropriate officer, of the Rural Development Administration substituted or added as a party.

"(4) INCIDENTAL TRANSFERS.—The Secretary shall transfer all personnel from the Rural Electrification Administration to the Rural Development Administration, and shall make such determinations as may be appropriate to carry out this subsection."

(c) STRUCTURE OF THE RURAL DEVELOPMENT ADMINISTRATION.—Such section 364 (7 U.S.C. 2006f), as amended by subsection (b) of this section, is amended by adding at the end the following:

"(h) STRUCTURE OF THE RURAL DEVELOPMENT ADMINISTRATION.—

"(1) DEPUTY ADMINISTRATOR FOR RURAL UTILITIES.—The Administrator of the Rural Development Administration shall appoint a Deputy Administrator for Rural Utilities who shall administer—

"(A) the programs authorized by the Rural Electrification Act of 1936; and

"(B) the rural water and waste disposal programs administered by the Rural Development Administration.

"(2) ASSISTANT ADMINISTRATORS.—The Administrator of the Rural Development Administration may appoint—

"(A) an Assistant Administrator for the electric programs authorized by the Rural Electrification Act of 1936;

"(B) an Assistant Administrator for the telephone programs authorized by such Act;

"(C) an Assistant Administrator who shall be responsible for—

"(i) rural utility technical engineering standards and specifications; and

"(ii) other utility management and accounting functions assigned by the Administrator; and

"(D) an Assistant Administrator for water and sewer programs."

(d) RURAL ECONOMIC DEVELOPMENT.—

(1) IN GENERAL.—Such section 364 (7 U.S.C. 2006f), as amended by subsections (b) and (c) of this section, is amended by adding at the end the following:

"(i) RURAL ECONOMIC DEVELOPMENT.—A borrower of a loan or loan guarantee under the Rural Electrification Act of 1936 shall be eligible for assistance under all programs administered by the Rural Development Administration, and the Administrator of the Rural Development Administration shall encourage and facilitate the full participation of such a borrower in such programs.

"(j) TECHNICAL ASSISTANCE UNIT.—The Administrator of the Rural Development Administration shall establish a technical assistance unit to provide to borrowers under the programs administered by the Rural Development Administration advice and guidance on community and economic development activities."

(2) CONFORMING REPEAL.—Section 11A of the Rural Electrification Act of 1936 (7 U.S.C. 911a) is hereby repealed.

(e) REGULATIONS.—Not later than January 1, 1994, the Administrator of the Rural Development Administration shall issue interim final rules to implement the amendments made by this section.

Subtitle C—Food Stamp Program

SEC. 1301. SHORT TITLE.

This subtitle may be cited as the "Mickey Leland Childhood Hunger Relief Act".

SEC. 1302. REFERENCES TO THE ACT.

Except as otherwise provided in this subtitle, references in this subtitle to "the Act" and sections of the Act shall be deemed to be references to the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.) and the sections of such Act.

CHAPTER 1—ENSURING ADEQUATE FOOD ASSISTANCE

SEC. 1311. MAXIMUM BENEFIT LEVEL.

Section 3(o) of the Act (7 U.S.C. 2012(o)) is amended by striking "(4) through" and all that follows through the end of the subsection, and inserting the following: "and (4) on October 1, 1993, and each October 1 thereafter, adjust the cost of such diet to reflect 104 percent of the cost of the thrifty food plan in the preceding June (without regard to adjustments made to such costs in any previous year), as determined by the Secretary, and round the result to the nearest lower dollar increment for each household size."

SEC. 1312. HELPING LOW-INCOME HIGH SCHOOL STUDENTS.

Section 5(d)(7) of the Act (7 U.S.C. 2014(d)(7)) is amended by striking "who is a student, and who has not attained his eighteenth birthday" and inserting "who is an elementary or secondary school student, and who is 21 years of age or younger".

SEC. 1313. FAMILIES WITH HIGH SHELTER EXPENSES.

(a) COMPUTATION.—Section 5(e) of the Act (7 U.S.C. 2014(e)) is amended—

(1) in the fourth sentence by striking "Provided, That the amount" and all that follows through "June 30"; and

(2) in the fifth sentence by striking "under clause (2) of the preceding sentence".

(b) LIMITATIONS.—

(1) FISCAL YEAR 1994.—Effective on the date of enactment of this Act, section 5(e) of the Act (7 U.S.C. 2014(e)) is amended by inserting after the fourth sentence the following:

"In the 12-month period ending September 30, 1994, such excess shelter expense deduction shall not exceed \$214 a month in the 48 contiguous States and the District of Columbia, and shall not exceed, in Alaska, Hawaii, Guam, and the Virgin Islands of the United States, \$372, \$305, \$259, and \$158 a month, respectively."

(2) REMOVAL OF CAP.—Effective October 1, 1994, section 5(e) of the Act (7 U.S.C. 2014(e)), as amended by paragraph (1), is amended by striking the fifth sentence.

SEC. 1314. RESOURCE EXCLUSION FOR EARNED INCOME TAX CREDITS.

Section 5(g)(3) of the Act (7 U.S.C. 2014(g)(3)) is amended by adding at the end the following:

"The Secretary shall also exclude from financial resources any earned income tax credits received by any member of the household for a period of 12 months from receipt if such member was participating in the food stamp program at the time the credits were received and participated in such program continuously during the twelve-month period."

SEC. 1315. HOMELESS FAMILIES IN TRANSITIONAL HOUSING.

Section 5(k)(2)(F) of the Act (7 U.S.C. 2014(k)(2)(F)) is amended to read as follows:

"(F) housing assistance payments made to a third party on behalf of the household residing in transitional housing for the homeless;"

SEC. 1316. HOUSEHOLDS BENEFITING FROM GENERAL ASSISTANCE VENDOR PAYMENTS.

Section 5(k)(1)(B) of the Act (7 U.S.C. 2014(k)(1)(B)) is amended by striking "living expenses" and inserting "housing expenses, not including energy or utility-cost assistance."

SEC. 1317. CONTINUING BENEFITS TO ELIGIBLE HOUSEHOLDS.

Section 8(c)(2)(B) of the Act (7 U.S.C. 2017(c)(2)(B)) is amended by inserting "of more than one month in" after "following any period".

SEC. 1318. IMPROVING THE NUTRITIONAL STATUS OF CHILDREN IN PUERTO RICO.

Section 19(a)(1)(A) of the Act (7 U.S.C. 2028(a)(1)(A)) is amended by—

(1) striking "\$1,091,000,000" and inserting "\$1,111,000,000"; and

(2) striking "\$1,133,000,000" and inserting "\$1,158,000,000".

CHAPTER 2—PROMOTING SELF SUFFICIENCY**SEC. 1321. INCOME EXCLUSION FOR EDUCATION ASSISTANCE.**

Section 5 of the Act (7 U.S.C. 2014) is amended by—

(1) amending subsection (d)(3) to read as follows:

"(3) all educational loans on which payment is deferred (including any loan origination fees or insurance premiums associated with such loans), grants, scholarships, fellowships, veterans' educational benefits, and the like awarded to a household member enrolled at a recognized institution of post-secondary education, at a school for the handicapped, in a vocational education program, or in a program that provides for completion of a secondary school diploma or obtaining the equivalent thereof;"

(2) striking ", and no portion" and all that follows through "for living expenses," in subsection (d)(5); and

(3) striking subsection (k)(3).

SEC. 1322. CHILD SUPPORT PAYMENTS TO NON-HOUSEHOLD MEMBERS.

Section 5(d)(6) of the Act (7 U.S.C. 2014(d)(6)) is amended by striking the comma at the end and inserting the following—

"Provided, That child support payments made by a household member to or for a person who is not a member of the household shall be excluded from the income of the household of the person making such payments if such household member was legally obligated to make such payments: Provided further, That the Secretary is authorized to prescribe by regulation the method(s), which may include calculation on a retrospective basis, that State agencies may use to determine the amount of child support excluded."

SEC. 1323. CHILD SUPPORT EXCLUSION.

Section 5 of the Act (7 U.S.C. 2014) is amended—

(1) in subsection (d)(13)—

(A) by striking "at the option" and all that follows through "subsection (m)," and inserting "(A)"; and

(B) by adding at the end "or (B) the first \$50 of any child support payment in the month received if such payment was made by the absent parent in the month when due,"; and

(2) by striking subsection (m).

SEC. 1324. IMPROVING ACCESS TO EMPLOYMENT AND TRAINING ACTIVITIES.

(a) DEPENDENT CARE DEDUCTION.—Section 5(e) of the Act (7 U.S.C. 2014(e)) is amended in clause (1) of the fourth sentence by—

(1) striking "\$160 a month for each dependent" and inserting "\$200 a month for a dependent child under 2 years of age and \$175 a month for any other dependent"; and

(2) striking ", regardless of the dependent's age,".

(b) REIMBURSEMENTS TO PARTICIPANTS IN EMPLOYMENT AND TRAINING PROGRAMS.—

(1) COSTS OTHER THAN COSTS OF DEPENDENT CARE.—Section 6(d)(4)(I)(i)(I) of the Act (7 U.S.C. 2015(d)(4)(I)(i)(I)) is amended by striking ", except that" and all that follows through "per month" and inserting the following—

"(which may include reimbursements for costs of any supportive services of the kinds provided or reimbursed under the State's plan under part F of title IV of the Social Security Act (42 U.S.C. 681 et seq.), except that State agencies may establish limits on reimbursements to participants for such costs, which limits may not be less than \$25 per month".

(2) COSTS OF DEPENDENT CARE.—Section 6(d)(4)(I)(i)(II) of the Act (7 U.S.C. 2015(d)(4)(I)(i)(II)) is amended to read as follows—

"(II) the actual costs of such dependent care expenses that are determined by the State agency to be necessary for the participation of an individual in the program (other

than an individual who is the caretaker relative of a dependent in a family receiving benefits under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) in a local area where an employment, training, or education program under title IV of such Act is in operation, or was in operation, on the date of enactment of the Hunger Prevention Act of 1988) up to any limit set by the State agency (which limit shall not be less than the limit for the dependent care deduction under section 5(e)), but in no event shall such payment or reimbursements exceed the applicable local market rate as determined by procedures consistent with any such determination under the Social Security Act. Individuals subject to the program under this paragraph may not be required to participate if dependent costs exceed the limit established by the State agency under this subclause or other actual costs exceed any limit established under subclause (I)."

(c) CONFORMING AMENDMENTS.—Section 16(h)(3) of the Act (7 U.S.C. 2025(h)(3)) is amended by—

(1) striking "\$25" and all that follows through "dependent care costs)", and inserting "the payment made under section 6(d)(4)(I)(i)(I) and subject to any limits the State has established under such section"; and

(2) striking "representing \$160 per month per dependent" and inserting "equal to the payment made under section 6(d)(4)(I)(i)(II) but not more than the applicable local market rate,".

SEC. 1325. VEHICLES NEEDED TO SEEK AND CONTINUE EMPLOYMENT AND FOR HOUSEHOLD TRANSPORTATION.

Section 5(g)(2) of the Act (7 U.S.C. 2014(g)(2)) is amended by striking "\$4,500" and inserting the following:

"a level set by the Secretary, which shall be \$5,500 through September 30, 1994, and which shall be adjusted on each October 1 thereafter to reflect changes in the new car component of the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics for the 12-month period ending on June 30 preceding the date of such adjustment and rounded to the nearest \$50".

SEC. 1326. VEHICLES NECESSARY TO CARRY FUEL OR WATER.

Section 5(g)(2) of the Act (7 U.S.C. 2014(g)(2)) is amended by adding at the end the following:

"The Secretary shall exclude from financial resources the value of a vehicle that a household depends upon to carry fuel for heating or water for home use when such transported fuel or water is the primary source of fuel or water for the household."

SEC. 1327. DEMONSTRATION PROJECTS TESTING RESOURCE ACCUMULATION.

Section 17 of the Act (7 U.S.C. 2026) is amended by adding at the end the following:

"(k) The Secretary may conduct, under such terms and conditions as the Secretary may prescribe, for a period not to exceed 4 years, demonstration projects to test allowing eligible households to accumulate resources up to \$10,000 for later expenditure for a purpose directly related to improving the education, training, or employability (including self employment) of household members, for the purchase of a home for the household, for a change of the household's residence, or for making major repairs to the household's home. The Secretary is authorized to pay up to \$100,000,000 in food stamp benefits to households participating in such demonstration projects during the period in which such projects are in operation."

CHAPTER 3—SIMPLIFYING THE PROVISION OF FOOD ASSISTANCE

SEC. 1331. SIMPLIFYING THE HOUSEHOLD DEFINITION FOR HOUSEHOLDS WITH CHILDREN AND OTHERS.

Section 3(i) of the Act (7 U.S.C. 2012(i)) is amended—

(1) in the first sentence—
 (A) by striking “(2)” and inserting “or (2)”;
 (B) by striking “, or (3) a parent of minor children and that parent’s children” and all that follows through “parents and children, or siblings, who live together”, and inserting the following:

“Spouses who live together, parents and their children 21 years of age or younger (who are not themselves parents living with their children or married living with their spouses) who live together, and children (excluding foster children) under 18 years of age who live with and are under the parental control of a person other than their parent together with the person exercising parental control”; and

(C) striking “, unless one of ” and all that follows through “disabled member”; and

(2) in the second sentence by striking “clause (1) of the preceding sentence” and inserting “the preceding sentences”.

SEC. 1332. ELIGIBILITY OF CHILDREN OF PARENTS PARTICIPATING IN DRUG OR ALCOHOL ABUSE TREATMENT PROGRAMS.

Section 3 of the Act (7 U.S.C. 2012) is amended—

(1) in the last sentence of subsection (i) by inserting “, together with their children,” after “narcotics addicts or alcoholics”; and

(2) in subsection (g)(5) by inserting “, and their children,” after “or alcoholics”.

SEC. 1333. RESOURCES OF HOUSEHOLDS WITH DISABLED MEMBERS.

Section 5(g)(1) of the Act (7 U.S.C. 2014(g)(1)) is amended by striking “a member who is 60 years of age or older,” and inserting “an elderly or disabled member.”

SEC. 1334. ENSURING ADEQUATE FUNDING FOR THE FOOD STAMP PROGRAM.

Section 18 of the Act (7 U.S.C. 2027) is amended by—

(1) striking the third and fourth sentences of subsection (a)(1) and inserting the following—

“The Secretary shall, once every 3 months, submit a report to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture, Forestry, and Nutrition of the Senate setting forth the Secretary’s best estimate of the preceding quarter’s expenditure, including administrative costs, as well as the cumulative totals for the fiscal year. In each quarterly report, the Secretary shall also state whether there is reason to believe that supplemental appropriations will be needed to support the operation of the program through the end of the fiscal year.”; and

(2) striking subsections (b), (c), and (d) and redesignating subsections (e) and (f) as subsections (b) and (c), respectively.

CHAPTER 4—IMPROVING PROGRAM INTEGRITY

SEC. 1341. USE AND DISCLOSURE OF INFORMATION PROVIDED BY RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS.

Section 9(c) of the Act (7 U.S.C. 2018(c)) is amended—

(1) in the second sentence by inserting after “disclosed to and used by” the following:

“State and Federal law enforcement and investigative agencies for the purposes of administering or enforcing the provisions of

this Act or any other Federal or State law and the regulations issued under this Act or such law, and”;

(2) by inserting after the second sentence the following:

“An officer or employee of an agency described in the preceding sentence who publishes, divulges, discloses, or makes known in any manner or to any extent not authorized by Federal law any information obtained under the authority granted by this subsection shall be subject to section 1905 of title 18 of the United States Code.”; and

(3) in the last sentence by striking “Such purposes shall not exclude” and inserting the following—

“Such regulations shall establish the criteria to be used by the Secretary to determine that such information is needed. Such regulations shall not prohibit”.

SEC. 1342. ADDITIONAL MEANS OF CLAIMS COLLECTION.

(a) SAFEGUARDS.—Section 11(e)(8) of the Act (7 U.S.C. 2020(e)(8)) is amended by—

(1) striking “and (B)” and inserting “(B)”;

(2) striking the semi-colon at the end and inserting the following:

“, and (C) such safeguards shall not prevent

the use by, or disclosure of such information, to agencies of the Federal Government (including the United States Postal Service) for purposes of collecting the amount of an overissuance of coupons, as determined under section 13(b) of this Act and excluding claims arising from an error of the State agency, that has not been recovered pursuant to such section, from refunds of Federal taxes as authorized pursuant to section 3720A of title 31 of the United States Code, or from Federal pay (including salaries and pensions) as authorized pursuant to section 5514 of title 5 of the United States Code.”.

(b) RECOVERY.—Section 13 of the Act (7 U.S.C. 2022) is amended by adding the following:

“(d) The amount of an overissuance of coupons (as determined under subsection (b) and except for claims arising from an error of the State agency) that has not been recovered pursuant to such subsection may be recovered from refunds of Federal taxes, as authorized pursuant to section 3720A of title 31 of the United States Code, or from Federal pay (including salaries and pensions) as authorized by section 5514 of title 5 of the United States Code.”.

SEC. 1343. DEMONSTRATION PROJECTS TESTING ACTIVITIES DIRECTED AT STREET TRAFFICKING IN COUPONS.

Section 17 of the Act (7 U.S.C. 2026) is amended by adding a new subsection (l) at the end thereof as follows—

“(l) The Secretary may use up to \$4 million of funds provided in advance in appropriations Acts for projects authorized by this section in Fiscal Year 1994 to conduct projects in which State or local food stamp agencies test innovative ideas for working with State or local law enforcement agencies to investigate and prosecute coupon street trafficking by recipients, buyers, and authorized retail stores.”.

CHAPTER 5—IMPROVING FOOD STAMP PROGRAM MANAGEMENT

SEC. 1351. CLARIFICATION OF CATEGORICAL ELIGIBILITY.

Effective on the date of enactment of this Act, section 5 of the Act (7 U.S.C. 2014) is amended by—

(1) striking “and the third sentence of section 3(i)” each place it appears in subsection (a) and inserting the “, the third sentence of section 3(i), and section 20(f)”;

(2) striking “II,” in subsection (j).

SEC. 1352. TECHNICAL AMENDMENTS RELATED TO ELECTRONIC BENEFIT TRANSFER.

(a) ELIGIBILITY DISQUALIFICATION OF INDIVIDUALS.—Section 6(b)(1)(B) of the Act (7 U.S.C. 2015(b)(1)(B)) is amended by striking “or authorization cards” and inserting “, authorization cards, or access devices”.

(b) ELIGIBILITY DISQUALIFICATION OF RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS.—Section 12(b)(3)(B) of the Act (7 U.S.C. 2021(b)(3)(B)) is amended by—

(1) striking “or authorization cards” and inserting “, authorization cards, or access devices”; and

(2) striking “or cards” and inserting “, cards, or devices”.

SEC. 1353. DISQUALIFICATION OF RECIPIENTS FOR TRADING FIREARMS, AMMUNITION, EXPLOSIVES, OR CONTROLLED SUBSTANCES FOR COUPONS.

Section 6(b)(1) of the Act (7 U.S.C. 2015(b)(1)) is amended by striking subdivisions (ii) and (iii) and inserting the following:

“(ii) for a period of 1 year upon—
 “(I) the second occasion of any such determination; or

“(II) the first occasion of a finding of the trading of a controlled substance (as defined in section 102 of the Controlled Substances Act (21 U.S.C. 802)); and

“(iii) permanently upon—
 “(I) the third occasion of any such determination;

“(II) the second occasion of a finding of the trading of a controlled substance (as defined in section 102 of the Controlled Substances Act (21 U.S.C. 802)) for coupons; or

“(III) the first occasion of a finding of the trading of firearms, ammunition, or explosives for coupons.”.

SEC. 1354. UNCAPPED CIVIL MONEY PENALTY FOR TRAFFICKING IN COUPONS.

Effective on the date of enactment of this Act, section 12(b)(3)(B) of the Act (7 U.S.C. 2021(b)(3)(B)) is amended by striking “(except” and all that follows through “)” in”, and inserting “in”.

SEC. 1355. UNCAPPED CIVIL MONEY PENALTY FOR SELLING FIREARMS, AMMUNITION, EXPLOSIVES, OR CONTROLLED SUBSTANCES FOR COUPONS.

Effective on the date of enactment of this Act, section 12(b)(3)(C) of the Act (7 U.S.C. 2021(b)(3)(C)) is amended—

(1) by striking “substances (as the term is” and inserting “substance (as”;

(2) by striking “(except” and all that follows through “)” in”, and inserting “in”.

SEC. 1356. MODIFYING THE FOOD STAMP QUALITY CONTROL SYSTEM.

(a) AMENDMENTS.—Section 16(c) of the Act (7 U.S.C. 2025(c)) is amended—

(1) in paragraph (1)(C)—

(A) by striking “payment error tolerance level” and inserting “national performance measure”; and

(B) by striking “equal to” and all that follows through the period at the end, and inserting the following:

“equal to—
 “(i) the product of—

“(I) the value of all allotments issued by the State agency in the fiscal year; times

“(II) the lesser of—

“(aa) the ratio of—

“(1) the amount by which the State agency’s payment error rate for the fiscal year exceeds the national performance measure for the fiscal year, to

“(2) the national performance measure for the fiscal year; or

"(bb) one; times

"(III) the amount by which the State agency's payment error rate for the fiscal year exceeds the national performance measure for the fiscal year.

"(ii) The amount of liability shall not be affected by corrective action under subparagraph (B).";

(2) in paragraph (3)(A) by striking "60 days (or 90 days at the discretion of the Secretary)" and inserting "120 days"; and

(3) in paragraph (6) by striking "shall be used" and all that follows through "level" the last place it appears.

(b) **STUDY BY THE OFFICE OF TECHNOLOGY ASSESSMENT.**—The Office of Technology Assessment shall undertake a study of measurement error, any bias in penalty amounts, extreme value bias, regression formula, and of geographical and temporal uniformity of measurements, in the food stamp program quality control system, and shall report the results and recommendations of such study to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate not later than 12 months after the date of enactment of this Act.

(c) **STUDY BY THE SECRETARY OF AGRICULTURE.**—The Secretary of Agriculture shall conduct a study of major causal factors which contribute to the payment error rate. The Secretary shall also conduct controlled experiments under which various reviewers review identical cases, with the objective of determining the degree of uniformity in quality control error-rate measurements and the extent to which different levels of investment of resources in the review process affect measurement error. The Secretary shall report the results and recommendations (including recommendations as to what measures would best reduce measurement error and increase uniformity of quality control error-rate measurements at reasonable cost) of such study to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate not later than 2 years after the date of enactment of this Act.

CHAPTER 6—UNIFORM REIMBURSEMENT RATES

SEC. 1361. UNIFORM REIMBURSEMENT RATES.

(a) **AMENDMENTS.**—Section 16 of the Act (7 U.S.C. 2025) is amended—

(1) in subsection (a)—

(A) by striking "and (5)" and inserting "(5)";

(B) by inserting before the colon the following—

“(6) automated data processing and information retrieval systems subject to the conditions set forth in subsection (g), (7) food stamp program investigations and prosecutions, and (8) implementing and operating the immigration status verification system under section 1137(d) of the Social Security Act (42 U.S.C. 1320b-7(d))”; and

(C) in the proviso by inserting after “75 per centum” the following:

“through June 30, 1994, 70 percent for the 1-year period beginning July 1, 1994, 60 percent for the 1-year period beginning July 1, 1995, and 50 percent for any subsequent period.”;

(2) in subsection (g)—

(A) by inserting “through June 30, 1995, equal to 60 percent for the 1-year period beginning July 1, 1995, and 50 percent effective July 1, 1996,” after “1991.”; and

(B) by striking “automatic” and inserting “automated”; and

(3) in subsection (j) by inserting after “100 per centum” the following:

“through June 30, 1994, 70 percent for the 1-year period beginning July 1, 1994, 60 percent for the 1-year period beginning July 1, 1995, and 50 percent for any subsequent period.”.

(b) **APPLICATION OF AMENDMENTS.**—The reductions in enhanced Federal match rates for administration resulting from the amendments made by subsection (a) shall apply to payments to States for expenditures incurred only after—

(1) the end of the State fiscal year that ends during 1994; or

(2) in the case of a State with a State legislature which is not scheduled to have a regular legislative session in 1994, the end of the State fiscal year that ends during 1995; without regard to whether or not final regulations to carry out such amendments have been promulgated by the Secretary before the end of either of such State fiscal years.

CHAPTER 7—IMPLEMENTATION AND EFFECTIVE DATES

SEC. 1371. IMPLEMENTATION AND EFFECTIVE DATES.

(a) **GENERAL EFFECTIVE DATE AND IMPLEMENTATION.**—Except as otherwise provided in this subtitle, this subtitle and the amendments made by this subtitle shall take effect, and shall be implemented beginning on, October 1, 1993.

(b) **SPECIAL EFFECTIVE DATES AND IMPLEMENTATION.**—(1) Sections 1312, 1315, 1316, 1317, 1322, 1323, 1326, 1331, 1333, and 1353 and the amendments made by such sections shall take effect, and shall be implemented beginning on, July 1, 1994.

(2) Paragraphs (1) and (3) of section 1356(a) and the amendments made by such paragraphs shall take effect, and shall be implemented beginning on, October 1, 1991.

(3) Paragraph (2) of section 1356(a) and the amendment made by such paragraph shall take effect, and shall be implemented beginning on, October 1, 1992.

Subtitle D—Miscellaneous Provisions

SEC. 1401. MAXIMUM EXPENDITURES UNDER MARKET PROMOTION PROGRAM FOR FISCAL YEARS 1994 THROUGH 1998.

(a) **LIMITATION.**—Section 211(c)(1) of the Agricultural Trade Act of 1978 (7 U.S.C. 5641(c)) is amended by striking “not less than \$200,000,000 for each of the fiscal years 1991 through 1995” and inserting “an amount equal to \$147,734,000 for each of the fiscal years 1991 through 1998”.

(b) **APPLICATION OF AMENDMENTS.**—The amendment made by this section shall apply with respect to fiscal years beginning after September 30, 1993.

SEC. 1402. ADMISSION, ENTRANCE, AND RECREATION FEES.

(a) **AUTHORITY TO IMPOSE FEES.**—

(1) **ENTRANCE AND ADMISSION FEES.**—The Secretary of Agriculture may charge admission or entrance fees at National Monuments, National Volcanic Monuments, National Scenic Areas, and areas of concentrated public use administered by the Secretary.

(2) **RECREATION USE FEES.**—The Secretary may charge recreation use fees at lands administered by the Secretary in connection with the use of specialized outdoor recreation sites, equipment, services, or facilities, including visitors' centers, picnic tables, boat launching facilities, or campgrounds.

(b) **AMOUNT OF FEES.**—The amount of the admission, entrance, and recreation fees authorized to be imposed under this section shall be determined by the Secretary.

(c) **DEFINITIONS.**—For purposes of this section:

(1) The term “area of concentrated public use” means an area administered by the Sec-

retary that meets each of the following criteria:

(A) The area is managed primarily for outdoor recreation purposes.

(B) Facilities and services necessary to accommodate heavy public use are provided in the area.

(C) The area contains at least one major recreation attraction.

(D) Public access to the area is provided in such a manner that admission fees can be efficiently collected at one or more centralized locations.

(2) The term “boat launching facility” includes any boat launching facility regardless of whether specialized facilities or services, such as mechanical or hydraulic boat lifts or facilities, are provided.

(3) The term “campground” means any campground where a majority of the following amenities are provided, as determined by the Secretary:

(A) Tent or trailer spaces.

(B) Drinking water.

(C) An access road.

(D) Refuse containers.

(E) Toilet facilities.

(F) The personal collection of recreation use fees by an employee or agent of the Secretary.

(G) Reasonable visitor protection.

(H) If campfires are permitted in the campground, simple devices for containing the fires.

(4) The term “Secretary” means the Secretary of Agriculture.

SEC. 1403. ADDITIONAL PROGRAM CHANGES TO MEET RECONCILIATION REQUIREMENTS.

The Secretary of Agriculture shall consolidate personnel and field, regional, and national offices of agencies within the Department of Agriculture in order to reduce personnel and duplicative overhead expenses as a result of the consolidation such that Department expenditures are reduced by—

(1) \$90,000,000 in fiscal year 1995;

(2) \$97,000,000 in fiscal year 1996;

(3) \$135,000,000 in fiscal year 1997; and

(4) \$178,000,000 in fiscal year 1998.

SEC. 1404. ENVIRONMENTAL CONSERVATION ACREAGE RESERVE PROGRAM AMENDMENTS.

(a) **ENROLLMENT REQUIREMENT.**—

(1) **CONSERVATION RESERVE PROGRAM.**—

(A) **IN GENERAL.**—Section 1231(d) of the Food Security Act of 1985 (16 U.S.C. 3831(d)) is amended—

(ii) by striking “the amount of acres specified in section 1230(b)” and inserting “a total of 38,000,000 acres during the 1986 through 1995 calendar years”; and

(iii) by striking “each of calendar years 1994 and 1995” and inserting “the 1995 calendar year”.

(B) **CONFORMING AMENDMENT.**—Section 1230(b) of such Act (16 U.S.C. 3830(b)) is amended by striking “to place in” and all that follows through “acres”.

(2) **WETLANDS RESERVE PROGRAM.**—

(A) **IN GENERAL.**—Section 1237(b) of such Act (16 U.S.C. 3837(b)) is amended to read as follows:

“(b) **MINIMUM ENROLLMENT.**—The Secretary shall enroll into the wetlands reserve program—

“(1) a total of not less than 330,000 acres by the end of the 1995 calendar year; and

“(2) a total of not less than 975,000 acres during the 1991 through 2000 calendar years.”.

(B) **CONFORMING AMENDMENT.**—Section 1237(c) of such Act (16 U.S.C. 3837(c)) is amended by striking “1995” and inserting “2000”.

(b) USE OF COMMODITY CREDIT CORPORATION.—Section 1241 of such Act (16 U.S.C. 3841) is amended—

(1) in subsection (a)—
(A) by striking "(a)(1) During each of the fiscal years ending September 30, 1986, and September 30, 1987" and inserting "(a) During each of the fiscal years 1994 through 2000"; and

(B) by striking paragraph (2); and
(2) in subsection (b), by striking "(A) through (E)" and inserting "A through E".

SEC. 1405. LEVELS OF INSURANCE COVERAGE UNDER THE FEDERAL CROP INSURANCE ACT.

(a) CONVERSION OF PROGRAM TO FOUR LEVELS OF COVERAGE.—The Federal Crop Insurance Act is amended—

(1) in subsection (a) of section 508 (7 U.S.C. 1508)—

(A) in the first sentence, by striking "If sufficient actuarial data are available, as determined by the Board," and inserting "Subject to section 508B, based on the actuarial and underwriting data available to the Board,"; and

(B) by striking the fifth, sixth, seventh, eighth, ninth, tenth, fourteenth, fifteenth, and sixteenth sentences; and

(2) by inserting after section 508A (7 U.S.C. 1508a) the following new section:

"SEC. 508B. FOUR LEVELS OF CROP INSURANCE COVERAGE.

"(a) FOUR LEVELS OF COVERAGE.—In making crop insurance available under section 508 to producers of agricultural commodities grown in the United States, the Corporation shall make available four levels of insurance coverage against losses in yields of the insured commodity:

"(1) LEVEL I.—Coverage level I shall be available only to those producers who do not purchase insurance at coverage levels II, III, or IV and shall provide for the indemnification of those producers for losses in yield to the extent that such losses exceed 65 percent of the determined yield of the commodity for the farm, as established under subsection (b).

"(2) LEVELS II, III, AND IV.—Coverage levels II, III, and IV shall provide for the indemnification of producers for those losses in yield to the extent that such losses exceed 50, 35, and 25 percent, respectively, of—

"(A) the average proven yield on the farm for a representative period based on the actual production history of the farm, as determined from the producer's records; or

"(B) if such records are not available or are insufficient, the recorded or appraised average yield of the commodity on the farm for a representative period, subject to such adjustments as the Board may prescribe to ensure that the average yield for farms in the same area, which are subject to the same conditions, are fair and just.

"(b) DETERMINED YIELD.—For purposes of subsection (a)(1), the determined yield for a commodity shall be equal to—

"(1) in the case of a crop of any commodity for which the Agricultural Stabilization and Conservation Service establishes a yield for the farm, the yield so established; and

"(2) in the case of a crop of any other commodity, the recorded or appraised average yield of the commodity on the farm for a representative period, subject to such adjustments as the Board may prescribe to ensure that the average yield for farms in the same area, which are subject to the same conditions, are fair and just.

"(c) USE OF ASCS YIELD.—If the Agricultural Stabilization and Conservation Service has established a yield for a crop of a commodity for a farm and such yield is higher

than the yield determined for the farm under subsection (a)(2) for coverage levels II, III, or IV, the producer may elect to use such higher yield for purpose of coverage levels II, III, and IV. Use of such higher yield shall be subject to an additional premium for the coverage at such a rate as the Board determines appropriate to accurately reflect the increased risk involved and that the Board determines to be actuarially sufficient to cover claims for losses on such insurance and to establish a reasonable reserve against unforeseen losses. No premium subsidy or administrative subsidy may be provided by the Corporation in connection with any additional coverage provided under this subsection.

"(d) PRICE ELECTIONS.—The Corporation shall establish a high and low price election for each agricultural commodity for which insurance is available under this title. The high price shall not be less than the projected market price of the commodity. Coverage levels II, III, and IV shall be available to producers at any price election that is equal to or less than the high price election and shall be quoted in terms of dollars per acre coverage that may be purchased. Coverage level I shall be offered only at the low price election.

"(e) COVERAGE AND PRICE INFORMATION.—The Corporation shall ensure that each producer is provided accurate and adequate information at the time of application regarding the amount of coverage available at each level of coverage for the commodity to be insured and the cost to the producer for such coverage.

"(f) ANNUAL REPORT.—The Corporation shall report annually to the Congress the results of its operations regarding each commodity for which insurance is available under this title. The report shall include for each insured commodity a description of operations under this section at each level of coverage."

(b) PREMIUM PAYMENT.—Subsection (e)(3) of section 508 of the Federal Crop Insurance Act (7 U.S.C. 1508) is amended to read as follows:

"(3) For the purpose of encouraging the broadest possible participation in the crop insurance program, the Corporation shall pay—

"(A) with respect to each policy providing for coverage level I, the full amount of the premium for such coverage; and

"(B) with respect to each policy providing for coverage level II, III, or IV, the portion of the premium that is equal to the amount that would have been paid under subparagraph (A) if the producer had elected coverage level I."

(c) REINSURANCE.—Subsection (h) of section 508 of the Federal Crop Insurance Act (7 U.S.C. 1508) is amended to read as follows:

"(h) REINSURANCE.—The Corporation shall provide reinsurance, to the maximum extent practicable, upon such terms and conditions as the Board may determine to be consistent with subsections (a) and (b) and with sound reinsurance principles promulgated pursuant to the Office of Federal Procurement Policy Act (41 U.S.C. 401, et seq.), which the Board shall modify as necessary to conform to the purposes of this Act, taking into account the expenses of the Corporation paid on its own policies of insurance. Reinsurance shall be provided to insurers including private insurance companies or pools of such companies, reinsurers of such companies, or State or local governmental entities, including any political subdivisions thereof, that insure producers of any agricultural commodity under a plan or plans acceptable to the Cor-

poration. However, in the case of the sale of coverage level I policies only (but not for the processing and adjustment of claims on those policies), contractors of the Corporation shall be paid only \$50 per policy, of which \$25.50 shall be paid by the policyholder at the time of application and \$24.50 shall be paid by the Corporation. Whenever the Corporation provides reinsurance under this subsection to any such insurers, the Corporation shall pay (as provided in subsection (e)) the portion of the producer's premium for such insurance so reinsured. Insurers of policies on which reinsurance is provided shall make use of licensed private insurance agents and brokers on the same basis as provided for policies of the Corporation under section 507(c)(3) of this title, except that the provisions for compensating agents and brokers from premiums paid by the insured shall not apply. The Corporation shall periodically revise its reinsurance agreement with the reinsured companies to provide for the reinsured companies to bear an increased share of any potential loss under such agreement, in cases in which the financial conditions of the reinsured companies and the availability of private reinsurance so permits."

(d) APPLICATION OF AMENDMENTS.—The amendments made by this section shall apply beginning with crops to be harvested in 1995.

TITLE II—COMMITTEE ON ARMED SERVICES

SEC. 2001. LIMITATION ON COST-OF-LIVING ADJUSTMENTS FOR MILITARY RETIREES.

Paragraph (2) of section 1401a(b) of title 10, United States Code, is amended to read as follows:

"(2) PRE-AUGUST 1, 1986 MEMBERS.—
"(A) GENERAL RULE.—The Secretary shall increase the retired pay of each member and former member who first became a member of a uniformed service before August 1, 1986, by the percent (adjusted to the nearest one-tenth of 1 percent) by which—

"(i) the price index for the base quarter of that year, exceeds

"(ii) the base index.

"(B) SPECIAL RULE FOR FISCAL YEARS 1994 THROUGH 1998.—In the case of the increases in retired pay that, pursuant to paragraph (1), become effective on December 1 of each of fiscal years 1994, 1995, 1996, 1997, and 1998, the initial month for which each such increase is payable as part of such retired pay shall (notwithstanding such December 1 effective date) be as set forth in the following table:

"Fiscal year:	First month for which increase is payable:
1994	April 1994.
1995	July 1995.
1996	October 1996.
1997	January 1998.
1998	April 1999.

"(C) EXCLUSION OF DISABILITY RETIREES FROM ROLLING COLA.—Subparagraph (B) does not apply with respect to the retired pay of a member retired under chapter 61 of this title."

SEC. 2002. ELIMINATION OF MILITARY PAY RAISE FOR FISCAL YEAR 1994 AND REDUCTION IN THE AMOUNT OF THE RAISE FOR FISCAL YEARS 1995 THROUGH 1998.

(a) FISCAL YEAR 1994.—During fiscal year 1994, no increase in the rates of basic pay, basic allowance for quarters, or basic allowance for subsistence of members of the uniformed services shall be made or take effect pursuant to section 1009 of title 37, United States Code.

(b) ONE PERCENT REDUCTION IN SUBSEQUENT FISCAL YEARS.—If the General Schedule of compensation for Federal classified employees is increased under section 5303 of title 5, United States Code, as amended by title X of this Act, during fiscal year 1995, 1996, 1997, or 1998, the elements of compensation of members of the uniformed services shall likewise be increased during that fiscal year in the manner provided in section 1009 of title 37, United States Code, based on the corresponding increase under section 5303 of title 5, United States Code (as so amended).

(c) EFFECTIVE DATE OF RAISES.—Notwithstanding subsections (a) and (b)(1) of section 1009 of title 37, United States Code, during the 10-year period beginning on January 1, 1994, any increase in the elements of compensation of members of the uniformed services that is required to be made under such section during a fiscal year shall take effect on January 1 of that year rather than on the date the corresponding increase under section 5303 of title 5, United States Code, as amended by title X of this Act, takes effect.

TITLE III—COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

SEC. 3001. NATIONAL DEPOSITOR PREFERENCE.

(a) IN GENERAL.—Section 11(d)(11) of the Federal Deposit Insurance Act (12 U.S.C. 1821(d)(11)) is amended to read as follows:

“(11) DEPOSITOR PREFERENCE.—

“(A) IN GENERAL.—Subject to section 5(e)(2)(C), amounts realized from the liquidation or other resolution of any insured depository institution by any receiver appointed for such institution shall be distributed to pay claims (other than secured claims to the extent of any such security) in the following order of priority:

“(i) Administrative expenses of the receiver.

“(ii) Any deposit liability of the institution.

“(iii) Any claim of an employee of the institution, other than a senior executive officer (as defined by the Corporation pursuant to section 32(f)), for pay accrued but unpaid as of the date the receiver was appointed for the institution.

“(iv) Any other general or senior liability of the institution (which is not a liability described in clause (v) or (vi)).

“(v) Any obligation subordinated to depositors or other general creditors (which is not an obligation described in clause (vi)).

“(vi) Any obligation to shareholders arising as a result of their status as shareholders (including any depository institution holding company or any shareholder or creditor of such company).

“(B) EFFECT ON STATE LAW.—

“(i) IN GENERAL.—The provisions of subparagraph (A) shall not supersede the law of any State except to the extent such law is inconsistent with the provisions of such subparagraph, and then only to the extent of the inconsistency.

“(ii) PROCEDURE FOR DETERMINATION OF INCONSISTENCY.—Upon the Corporation's own motion or upon the request of any person with a claim described in subparagraph (A)(i) or any State which is submitted to the Corporation in accordance with procedures which the Corporation shall prescribe, the Corporation shall determine whether any provision of the law of any State is inconsistent with any provision of subparagraph (A) and the extent of any such inconsistency.

“(iii) JUDICIAL REVIEW.—The final determination of the Corporation under clause (ii) shall be subject to judicial review under chapter 7 of title 5, United States Code.

“(C) ACCOUNTING REPORT.—Any distribution by the Corporation in connection with

any claim described in subparagraph (A)(vi) shall be accompanied by the accounting report required under paragraph (15)(B).”.

(b) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 11(c)(13) of the Federal Deposit Insurance Act (12 U.S.C. 1821(c)(13)) is amended—

(A) in subparagraph (A), by striking “subject to subparagraph (B).”;

(B) in inserting “and” after the semicolon at the end of subparagraph (A);

(C) by striking subparagraph (B); and

(D) by redesignating subparagraph (C) as subparagraph (B).

(2) Section 11(g)(4) of the Federal Deposit Insurance Act (12 U.S.C. 1921(g)(4)) is amended by striking “If the Corporation” and inserting “Subject to subsection (d)(11), if the Corporation”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to insured depository institutions for which a receiver is appointed after the date of the enactment of this Act.

SEC. 3002. TRANSFER OF FEDERAL RESERVE SURPLUSES.

(a) IN GENERAL.—The 1st undesignated paragraph of section 7 of the Federal Reserve Act (12 U.S.C. 289) is amended to read as follows:

“(a) DIVIDENDS AND SURPLUS FUNDS OF RESERVE BANKS.—

“(1) STOCKHOLDER DIVIDENDS.—

“(A) IN GENERAL.—After all necessary expenses of a Federal reserve bank have been paid or provided for, the stockholders of the bank shall be entitled to receive an annual dividend of 6 percent on paid-in capital stock.

“(B) DIVIDEND CUMULATIVE.—The entitlement to dividends under subparagraph shall be cumulative.

“(2) DEPOSIT OF NET EARNINGS IN SURPLUS FUND.—That portion of net earnings of each Federal reserve bank which remains after dividend claims under subparagraph (A) have been fully met shall be deposited in the surplus fund of the bank.

“(3) PAYMENT TO TREASURY.—During fiscal years 1994 through 1998, any amount in the surplus fund of any Federal reserve bank in the excess of the amount equal to 3 percent of the total paid-in capital and surplus of the member banks of such bank shall be transferred to the Board for transfer to the Secretary of the Treasury for deposit in the general fund of the Treasury.”.

(b) ADDITIONAL TRANSFERS FOR FISCAL YEARS 1997 AND 1998.—

(1) IN GENERAL.—In addition to the amounts required to be transferred from the surplus funds of the Federal reserve banks pursuant to section 7(a)(3) of the Federal Reserve Act, the Federal reserve banks shall transfer from such surplus funds to the Board of Governors of the Federal Reserve System for transfer to the Secretary of the Treasury for deposit in the general fund of the Treasury, a total amount of \$106,000,000 in fiscal year 1997 and a total amount of \$107,000,000 in fiscal year 1998.

(2) ALLOCATION BY FED.—Of the total amount required to be paid by the Federal reserve banks under paragraph (1) for fiscal year 1997 or 1998, the Board of Governors of the Federal Reserve System shall determine the amount each such bank shall pay in such fiscal year.

(3) REPLENISHMENT OF SURPLUS FUND PROHIBITED.—No Federal reserve bank may replenish such bank's surplus fund by the amount of any transfer by such bank under paragraph (1) during the fiscal year for which such transfer is made.

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) The penultimate undesignated paragraph of section 7 of the Federal Reserve Act (12 U.S.C. 290) is amended by striking “The net earnings derived” and inserting “(b) USE OF EARNINGS TRANSFERRED TO THE TREASURY.—The net earnings derived”.

(2) The last undesignated paragraph of section 7 of the Federal Reserve Act (12 U.S.C. 531) is amended by striking “Federal reserve banks” and inserting “(c) EXEMPTION FROM TAXATION.—Federal reserve banks”.

SEC. 3003. USE OF RETURN DATA FOR INCOME VERIFICATION UNDER CERTAIN HOUSING ASSISTANCE PROGRAMS.

Section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 (42 U.S.C. 3544) is amended as follows:

(1) CONSENT FORMS.—In subsection (b)—

(A) in the matter preceding paragraph (1), by inserting “(including the Indian housing program under title II of the United States Housing Act of 1937)” before the 1st comma;

(B) in paragraph (1), by striking “and” at the end;

(C) in paragraph (2), by striking the period at the end and inserting “; and”;

(D) by inserting after paragraph (2) the following new paragraph:

“(3) sign a consent from approved by the Secretary authorizing the Secretary to request the Commissioner of Social Security and the Secretary of the Treasury to release information pursuant to section 6103(1)(7)(D)(ix) of the Internal Revenue Code of 1986 with respect to such applicant or participant for the sole purpose of the Secretary verifying income information pertinent to the applicant's or participant's eligibility or level of benefits.”; and

(E) in the last sentence, by striking “This” and inserting the following: “Except as provided in this subsection, this”.

(2) APPLICANT AND PARTICIPANT PROTECTIONS.—In subsection (c)(2)—

(A) in subparagraph (A)—

(i) in the matter preceding clause (i)—
(I) by inserting after “compensation law” the following: “or pursuant to section 6103(i)(7)(D)(ix) of the Internal Revenue Code of 1986 from the Commissioner of Social Security or the Secretary of the Treasury”; and

(II) by inserting “(in the case of information obtained pursuant to such section 303(i))” before “representatives”; and

(ii) in clause (ii), by inserting “or public housing agency” after “owner” each place it appears;

(B) in subparagraph (B), by inserting after “wages” each place it appears the following: “, other earnings or income.”; and

(C) in subparagraph (C), by inserting before the second comma the following: “at a hearing that provides the basic elements of due process”.

(3) PENALTY.—In subsection (c)(3)—

(A) in subparagraph (A), by inserting “or section 6103(1)(7)(D)(ix) of the Internal Revenue Code of 1986” after “Social Security Act”; and

(B) in the first sentence of subparagraph (B)—

(i) by striking clause (i) and inserting the following: “(i) a negligent or knowing disclosure of information referred to in this section, section 303(i) of the Social Security Act, or section 6103(1)(7)(D)(ix) of the Internal Revenue Code of 1986 about such person by an officer or employee of any public housing agency or owner (or employee thereof), which disclosure is not authorized by this section, such section 303(i), such section

6103(l)(7)(D)(ix), or any regulation implementing this section, such section 303(i), or such section 6103(l)(7)(D)(ix), or"; and

(ii) in clause (ii), by inserting "such 6103(l)(7)(D)(ix)," after "303(i)."

(4) CONFORMING AMENDMENT.—The heading of subsection (c) of section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 is amended by striking "STATE EMPLOYMENT".

SEC. 3004. GNMA REMIC GUARANTEE FEES.

Section 306(g)(3) of the National Housing Act (12 U.S.C. 1721(g)(3)) is amended by adding at the end the following new subparagraph:

"(E)(i) Notwithstanding subparagraphs (A) through (D), fees charged for the guaranty of, or commitment to guaranty, multiclass securities backed by a trust or pool of securities or notes guaranteed by the Association under this subsection and other related fees shall be charged by the Association in an amount not to exceed the value, as determined by the Association, of the guaranty or commitment to guarantee. The Association shall take such action as may be necessary to reasonably assure that such portion of the value of the guaranties or commitments to guaranty as the Association determines is appropriate accrues to the benefit of mortgagors under mortgages executed after the date of the enactment of this subparagraph by or upon which such securities or notes are backed.

"(ii) For each Federal fiscal year, the Association shall submit a report to the Congress describing any activities of the Association with respect to guarantying and making commitments to guaranty multiclass securities described in clause (i). The report shall be submitted not later than 90 days after the end of the fiscal year for which the report is made and shall identify the extent of such activities during the fiscal year, the size of each transaction closed during the fiscal year involving such securities, the number of mortgages involved in each such transaction, the amount of the fees charged and earned by the Association for such transactions, and any persons receiving payments for any services provided with respect to any such transactions and the amounts of such payments, and shall include an estimate of the portion of the value of the guaranty or commitment to guarantee accruing to the benefit of mortgagors and a description of any action taken by the Association to ensure such accrual.

"(iii) The Association shall provide for the initial implementation of the program for which fees are charged under the first sentence of clause (i) by notice published in the Federal Register. The notice shall be effective upon publication and shall provide an opportunity for public comment. Not later than 12 months after publication of the notice, the Association shall issue regulations for such program based on the notice, comments received, and the experience of the Association in carrying out the program during such period."

SEC. 3005. MUTUAL MORTGAGE INSURANCE FUND PREMIUMS.

To improve the actuarial soundness of the Mutual Mortgage Insurance Fund under the National Housing Act, the Secretary of Housing and Urban Development shall increase the rate at which the Secretary earns the single premium payment collected at the time of insurance of a mortgage that is an obligation of such Fund (with respect to the rate in effect on the date of the enactment of this Act). In establishing such increased rate, the Secretary shall consider any current audit findings and reserve analyses and

information regarding the expected average duration of mortgages that are obligations of such Fund and may consider any other information that the Secretary determines to be appropriate.

TITLE IV—EDUCATION AND LABOR

SEC. 4000. TABLE OF CONTENTS.

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TITLE IV—EDUCATION AND LABOR

Sec. 4000. Table of contents.

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Subtitle B—Cost Sharing by States

Sec. 4101. Cost sharing by States.

Subtitle C—ERISA Amendments Relating to Group Health Plans

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Sec. 4202. Continued coverage of costs of a pediatric vaccine under group health plans.

Sec. 4203. Temporary rules governing preemption of certain State laws.

Subtitle A—Federal Direct Loan Program

CHAPTER 1—AMENDMENTS TO PART D OF TITLE IV OF THE HIGHER EDUCATION ACT OF 1965

SEC. 4001. SHORT TITLE; REFERENCES.

(a) SHORT TITLE.—This subtitle may be cited as the "Student Loan Reform Act of 1993".

(b) REFERENCES.—References in this subtitle to "the Act" are references to the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).

SEC. 4002. FEDERAL DIRECT STUDENT LOAN PROGRAM.

Part D of title IV of the Act (20 U.S.C. 1087a et seq.) is amended to read as follows:

"PART D—FEDERAL DIRECT STUDENT LOAN PROGRAM

"SEC. 451. PURPOSE; PROGRAM AUTHORIZATION.

"(a) PURPOSE.—It is the purpose of this part—

"(1) to simplify the delivery of student loans to borrowers and eliminate borrower confusion;

"(2) to provide a variety of repayment plans, including income contingent repay-

ment through the EXCEL Account, to borrowers so that they have flexibility in managing their student loan repayment obligations, and so that those obligations do not foreclose community service-oriented career choices for those borrowers;

"(3) to replace, through an orderly transition, the Federal Family Education Loan Program under part B of this title with the Federal Direct Student Loan Program under this part;

"(4) to avoid the unnecessary cost, to taxpayers and borrowers, and administrative complexity associated with the Federal Family Education Loan Program under part B of this title through the use of a direct student loan program; and

"(5) to create a more streamlined student loan program that can be managed more effectively at the Federal level.

"(b) PROGRAM AUTHORITY.—There are hereby made available, in accordance with the provisions of this part, such sums as may be necessary to make loans to all eligible students in attendance at participating institutions of higher education selected by the Secretary (and the eligible parents of such students), to enable such students to pursue their courses of study at such institutions during the period beginning July 1, 1994. Such loans shall be made by participating institutions that have agreements with the Secretary to originate loans, or by alternative originators designated by the Secretary to make loans for students in attendance at participating institutions (and their parents).

"SEC. 452. FUNDS FOR ORIGINATION OF DIRECT STUDENT LOANS.

"(a) IN GENERAL.—The Secretary shall provide, on the basis of the need and the eligibility of students at each participating institution, and parents of such students, for such loans, funds for student and parent loans under this part—

"(1) directly to an institution of higher education that has an agreement with the Secretary under section 454(a) to participate in the direct student loan programs under this part and that also has an agreement with the Secretary under section 454(b) to originate loans under this part, or

"(2) through an alternative originator designated by the Secretary to students and parents of students attending institutions of higher education that have an agreement with the Secretary under section 454(a) but that do not have an agreement with the Secretary under section 454(b).

"(b) FEES FOR ORIGINATION SERVICES.—

"(1) FEES FOR INSTITUTIONS.—The Secretary shall pay fees to institutions of higher education (or a consortium of such institutions) with agreements under section 454(b), in an amount established by the Secretary, to assist in meeting the costs of loan origination. Such fees—

"(A) shall be paid by the Secretary based on all the loans made under this part to a particular borrower in the same academic year;

"(B) shall be subject to a sliding scale that decreases the amount of such fees as the number of borrowers increases; and

"(C)(i) for academic year 1994-1995, shall not exceed a program-wide average of \$10 per borrower for all the loans made under this part in the same academic year; and

"(ii) for succeeding academic years, shall not exceed such average fee as the Secretary shall establish in regulations.

"(2) FEES FOR ALTERNATIVE ORIGINATORS.—The Secretary shall pay fees for loan origination services to alternative originators of

loans made under this part in an amount established by the Secretary in accordance with the terms of the contract between the Secretary and each such alternative originator.

"(c) NO ENTITLEMENT TO PARTICIPATE OR ORIGINATE.—No institution of higher education shall have a right to participate in the programs authorized by this part, to originate loans, or to perform any program function under this part. Nothing in this subsection shall be construed so as to limit the entitlement of an eligible student attending a participating institution (or the eligible parent of such student) to borrow under this part.

"SEC. 453. SELECTION OF INSTITUTIONS FOR PARTICIPATION AND ORIGINATION.

"(a) PHASE-IN OF PROGRAM.—

"(1) GENERAL AUTHORITY.—The Secretary shall enter into agreements pursuant to section 454(a) with institutions of higher education to participate in the direct student loan programs under this part, and agreements pursuant to section 454(b) with institutions of higher education to originate loans in such programs, for academic years beginning on or after July 1, 1994. Alternative origination services, through which an entity other than the participating institution at which the student is in attendance originates the loan, shall be provided by the Secretary, through one or more contracts under section 456 or such other means as the Secretary may provide, for students attending participating institutions that do not originate direct student loans under this part. Such agreements for the first year of the program shall, to the extent feasible, be entered into not later than January 1, 1994.

"(2) TRANSITION PROVISIONS.—In order to ensure an expeditious but orderly transition from the loan programs under part B of this title to the direct student loan programs under this part, the Secretary shall, in the exercise of his or her discretion, determine the number of institutions with which he or she shall enter into agreements under sections 454 (a) and (b) for any academic year, except that the Secretary shall exercise such discretion so as to achieve the following goals:

"(A) for academic year 1994-1995, loans made under this part shall represent 4 percent of the sum of new student loan volume under this part and part B of this title;

"(B) for academic year 1995-1996, loans made under this part shall represent 25 percent of the sum of new student loan volume under this part and part B of this title;

"(C) for academic year 1996-1997, loans made under this part shall represent 60 percent of the sum of new student loan volume under this part and part B of this title; and

"(D) for academic year 1997-1998, loans made under this part shall represent 100 percent of the sum of new student loan volume under this part and part B of this title.

"(3) CASH MANAGEMENT.—The requirements of the Cash Management Improvement Act of 1990 (Public Law 101-453) shall apply to the program under this part only to the extent specified in a schedule established by the Secretaries of Education and the Treasury, except that such schedule shall provide for the application of all such requirements not later than July 1, 1998.

"(b) SELECTION CRITERIA FOR PARTICIPATION.—

"(1) APPLICATION.—Each institution of higher education desiring to participate in the direct student loan program under this part shall submit an application satisfactory to the Secretary containing such informa-

tion and assurances as the Secretary may require.

"(2) AGREEMENT.—When the program authorized under this part is fully implemented, the Secretary shall enter into agreements under section 454(a) with institutions that submit applications in accordance with paragraph (1).

"(3) TRANSITION SELECTION CRITERIA.—Until such full implementation, the Secretary shall select institutions for participation in the direct student loan program under this part, and shall enter into agreements with them under section 454(a), from among those institutions that submit the applications described in paragraph (1), and meet such other eligibility requirements as the Secretary may prescribe, by—

"(A)(i) categorizing such institutions according to anticipated loan volume, length of academic program, and control of the institution; and

"(ii) selecting institutions that are reasonably representative of the respective categories; and

"(B) if needed to carry out the purposes of this part, selecting additional institutions.

"(c) SELECTION CRITERIA FOR ORIGINATION.—

"(1) IN GENERAL.—The Secretary may enter into a supplemental agreement with an institution (or a consortium of such institutions) that—

"(A) has an agreement under subsection 454(a);

"(B) desires to originate loans under this part; and

"(C) meets the criteria specified in paragraph (2).

"(2) TRANSITION SELECTION CRITERIA.—For academic year 1994-1995, the Secretary may approve an institution to originate loans only if such institution—

"(A) made loans under part E of this title in academic year 1993-1994 and did not exceed the applicable maximum default rate under section 464(g) for the most recent fiscal year for which data are available;

"(B) is not on the reimbursement system of payment for any of the programs under subpart 1 or 3 of part A, part C, or part E;

"(C) is not overdue on program or financial reports or audits required under this title;

"(D) is not subject to an emergency action, or a limitation, suspension, or termination under section 428(b)(1)(T), 432(h), or 487(c);

"(E) in the opinion of the Secretary, has not had significant deficiencies identified by the State postsecondary review entity under subpart 1 of part H of this title;

"(F) in the opinion of the Secretary, has not had severe performance deficiencies for any of the programs under this title, including those demonstrated by audits or program reviews submitted or conducted during the 5 calendar years immediately preceding the date of application;

"(G) provides an assurance that it has no delinquent outstanding debts to the United States, unless such debts are being repaid under or in accordance with a repayment arrangement satisfactory to the United States, or the Secretary in his or her discretion determines that the existence or amount of such debts has not been finally determined by the cognizant Federal agency or agencies; and

"(H) meets such other criteria as the Secretary may establish to protect the financial interest of the United States and to promote the purposes of this part.

"(3) REGULATIONS GOVERNING APPROVAL AFTER TRANSITION.—For academic year 1995-1996 and subsequent academic years, the Sec-

retary shall publish regulations governing the approval of institutions to originate loans.

"(d) CONSORTIA.—Subject to such requirements as the Secretary may prescribe, eligible institutions of higher education with agreements under section 454(a) may apply as consortia to originate loans under this part for students in attendance at such institutions. Such institutions shall each be required to meet the requirements of subsection (c) with respect to loan origination.

"SEC. 454. AGREEMENTS WITH INSTITUTIONS.

"(a) PARTICIPATION AGREEMENTS.—An agreement with any institution of higher education for participation in the direct student loan program under this part shall—

"(1) provide for the establishment and maintenance of a direct student loan program at the institution under which the institution will—

"(A) identify eligible students who seek student financial assistance at such institution in accordance with section 484;

"(B) estimate the need of each such student as required by part F of this title for an academic year, provided that any loan obtained by a student under this part with the same terms (except as otherwise provided in this part) as loans made under section 428A or 428H, or a loan obtained by a parent under this part with the same terms (except as otherwise provided in this part) as loans made under section 428B, or obtained under any State-sponsored or private loan program, may be used to offset the expected family contribution of the student for that year;

"(C) provide a statement that certifies the eligibility of any student to receive a loan under this part that is not in excess of the annual or aggregate limit applicable to the amount of such loan, except that the institution may, in exceptional circumstances specified in regulations prescribed by the Secretary, refuse to certify a statement that permits a student to receive a loan under this part, or certify a loan amount that is less than the student's determination of need (as determined under part F of this title), if the reason for such action is documented and provided in written form to such student;

"(D) set forth a schedule for disbursement of the proceeds of the loan in installments, consistent with the requirements of section 428G (other than subsection (b)(1) of such section); and

"(E) provide timely and accurate information—

"(i) concerning the status of student borrowers (and students on whose behalf parents borrow under this part) while such students are in attendance at the institution and concerning any new information of which the institution becomes aware for such students (or their parents) after they leave the institution, to the Secretary for the servicing and collecting of loans made under this part; and

"(ii) if the institution does not have an agreement with the Secretary under subsection (b), concerning student eligibility and need, as determined under subparagraphs (A) and (B), to the Secretary as needed for the alternative origination of loans to eligible students and parents in accordance with this part;

"(2) provide assurances that the institution will comply with requirements established by the Secretary relating to student loan information with respect to loans made under this part;

"(3) provide that the institution accepts responsibility and financial liability stemming from its failure to perform its functions pursuant to the agreement;

"(4) provide that students at the institution and their parents (with respect to such students) will not be eligible to participate in the programs under part B of this title for the period during which such institution participates in the direct student loan program under this part;

"(5) provide for the implementation of a quality assurance system, as established by the Secretary, to ensure that the institution is complying with program requirements and meeting program objectives;

"(6) provide that the institution will not charge any fees of any kind, however described, to student or parent borrowers for origination activities or the provision of any information necessary for a student or parent to receive a loan under this part, or any benefits associated with such loan; and

"(7) include such other provisions as the Secretary determines are necessary to protect the interests of the United States and to promote the purposes of this part.

"(b) ORIGINATION.—An agreement with any institution of higher education for the origination of loans under this part shall—

"(1) supplement the agreement entered into in accordance with subsection (a);

"(2) include provisions established by the Secretary that are similar to the participation agreement provisions described in paragraphs (1)(E)(ii), (2), (3), (4), (5), (6), and (7) of subsection (a), as modified to relate to the origination of loans by the institution;

"(3) provide that the institution will originate loans to eligible students and parents in accordance with this part; and

"(4) provide that the note or evidence of obligation on the loan shall be the property of the Secretary.

"(c) WITHDRAWAL AND TERMINATION PROCEDURES.—The Secretary shall establish procedures by which institutions may withdraw or be terminated from the program under this part.

"SEC. 455. TERMS AND CONDITIONS OF LOANS.

"(a) IN GENERAL.—

"(1) PARALLEL TERMS, CONDITIONS, BENEFITS, AND AMOUNTS.—Unless otherwise specified in this part, loans made to borrowers under this part shall have the same terms, conditions, and benefits, and be available in the same amounts, as loans made to borrowers under sections 428, 428A, 428B, and 428H of this title.

"(2) DESIGNATION OF LOANS.—Loans made to borrowers under this part that, except as otherwise specified in this part, have the same terms, conditions, and benefits as loans made to borrowers under—

"(A) section 428 shall be known as 'Federal Direct Student Loans';

"(B) section 428A shall be known as 'Federal Direct Supplemental Loans for Students';

"(C) section 428B shall be known as 'Federal Direct PLUS Loans'; and

"(D) section 428H shall be known as 'Federal Direct Unsubsidized Student Loans'.

"(b) INTEREST RATES.—

"(1) RATES FOR FDSL AND FDUSL.—(A) For Federal Direct Student Loans and Federal Direct Unsubsidized Student Loans made before July 1, 1997, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

"(i) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1; plus

"(ii) 3.1 percent,

except that such rate shall not exceed 9 percent.

"(B) For Federal Direct Student Loans and Federal Direct Unsubsidized Student Loans made on or after July 1, 1997, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 for all such loans and be equal to—

"(i) the bond equivalent rate of the security with a comparable maturity as established by the Secretary; plus

"(ii) 1 percent,

except that such rate shall not exceed 9 percent.

"(2) RATES FOR FDSL.—(A) For Federal Direct Supplemental Loans for Students made before July 1, 1997, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 for all such loans and be equal to—

"(i) the bond equivalent rate of 52-week Treasury bills auctioned at the final auction held prior to such June 1; plus

"(ii) 3.1 percent,

except that such rate shall not exceed 11 percent.

"(B) For Federal Direct Supplemental Loans for Students made on or after July 1, 1997, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 for all such loans and be equal to—

"(i) the bond equivalent rate of the security with a comparable maturity as established by the Secretary; plus

"(ii) 1.5 percent,

except that such rate shall not exceed 11 percent.

"(3) RATES FOR FDPLUS.—(A) For Federal Direct PLUS loans made before July 1, 1997, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 for all such loans and be equal to—

"(i) the bond equivalent rate of 52-week Treasury bills auctioned at the final auction held prior to such June 1; plus

"(ii) 3.1 percent,

except that such rate shall not exceed 10 percent.

"(B) For Federal Direct PLUS loans made on or after July 1, 1997, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 for all such loans and be equal to—

"(i) the bond equivalent rate of the security with a comparable maturity as established by the Secretary; plus

"(ii) 2.1 percent,

except that such rate shall not exceed 10 percent.

"(4) PUBLICATION.—The Secretary shall determine the applicable rates of interest under this subsection after consultation with the Secretary of Treasury and shall publish such rate in the Federal Register as soon as practicable after the date of determination.

"(c) LOAN FEE.—For academic years 1994-1995, 1995-1996, and 1996-1997, the Secretary shall charge the borrower of a loan made under this part a loan fee of 5 percent of the principal amount of the loan. For academic years 1997-1998 and succeeding academic years, the Secretary shall charge the borrower of a loan made under this part a loan fee of 3.65 percent of the principal amount of the loan.

"(d) REPAYMENT PLANS.—

"(1) DESIGN AND SELECTION.—Consistent with criteria established by the Secretary, the Secretary shall offer to a borrower of a loan made under this part a variety of plans

for repayment of such loan, including principal and interest on the loan. The borrower shall be entitled to accelerate, without penalty, repayment on his or her loans. The borrower may choose—

"(A) a standard repayment plan, with a fixed annual repayment amount paid over a fixed period of time, consistent with subsection (a)(1) of this section;

"(B) an extended repayment plan, with a fixed annual repayment amount paid over an extended period of time, provided that the borrower annually repays a minimum amount determined by the Secretary, consistent with the requirements of section 428(b)(1)(L);

"(C) a graduated repayment plan, with annual repayment amounts established at two or more graduated levels and paid over a fixed or extended period of time, provided that any of the borrower's scheduled payments shall not be less than 50 percent, nor more than 150 percent, of what the amortized payment on the amount owed would be if the loan were repaid under the standard repayment plan; and

"(D) except for the borrower of a Federal Direct PLUS Loan, an income contingent repayment plan known as the 'EXCEL Account,' with varying annual repayment amounts based on the income of the borrower, paid over an extended period of time, not to exceed a maximum length of time determined by the Secretary.

"(2) SELECTION BY SECRETARY.—If a borrower of a loan made under this part does not select a repayment plan described in paragraph (1), the Secretary may provide the borrower with a repayment plan described in subparagraph (A), (B), or (C) of paragraph (1).

"(3) CHANGES IN SELECTIONS.—The borrower of a loan made under this part may change his or her selection of a repayment plan under paragraph (1), or the Secretary's selection of a plan for the borrower under paragraph (2), as the case may be, under such terms and conditions as may be established by the Secretary.

"(4) ALTERNATIVE REPAYMENT PLANS.—The Secretary may provide, on a case-by-case basis, an alternative repayment plan to a borrower of a loan under this part who demonstrates to the satisfaction of the Secretary that the terms and conditions of the repayment plans available under paragraph (1) are not adequate to accommodate the borrower's exceptional circumstances. In designing such alternative repayment plans, the Secretary shall ensure that such plans do not exceed the cost to the Federal Government, as determined on the basis of the present value of future payments by such borrowers, of loans made using the plans available under paragraph (1).

"(5) REPAYMENT AFTER DEFAULT.—The Secretary may require any borrower who has defaulted on a loan made under this part to—

"(A) pay all reasonable collection costs associated with such loan; and

"(B) repay the loan pursuant to an EXCEL Account in accordance with subsection (e).

"(e) REPAYMENT THROUGH EXCEL ACCOUNTS.—

"(1) INFORMATION AND PROCEDURES.—The Secretary may obtain such information as is reasonably necessary regarding the income of a borrower (and the borrower's spouse, if applicable) of a loan made under this part that is, or may be, repaid pursuant to an EXCEL Account for the purpose of determining the annual repayment obligation of the borrower. Return and return information (as defined in section 6103 of the Internal Revenue Code of 1986) may be obtained under the

preceding sentence only to the extent authorized by section 6103(i)(13) of such Code. The Secretary shall establish procedures for determining the borrower's repayment obligation on that loan for such year, and such other procedures as are necessary to implement effectively repayment pursuant to an EXCEL Account.

"(2) REPAYMENT BASED ON ADJUSTED GROSS INCOME.—A repayment schedule for a loan made under this part and repaid pursuant to an EXCEL Account shall be based on adjusted gross income (as defined in section 62 of the Internal Revenue Code of 1986, 26 U.S.C. 62) of the borrower or, if the borrower is married and files a Federal income tax return jointly with his or her spouse, on adjusted gross income of the borrower and his or her spouse.

"(3) ADDITIONAL DOCUMENTS.—A borrower who chooses, or is required, to repay a loan made under this part pursuant to an EXCEL Account, and for whom adjusted gross income is unavailable or does not reasonably reflect his or her current income, shall provide to the Secretary other documentation of income satisfactory to the Secretary, which documentation the Secretary may use to determine an appropriate repayment schedule.

"(4) REPAYMENT SCHEDULES.—EXCEL Account repayment schedules shall be established by the Secretary through regulations and shall require payments measured as a percentage of the appropriate portion of the annual income of the borrower (and the borrower's spouse, if applicable) as determined by the Secretary.

"(5) CALCULATION OF BALANCE DUE.—The balance due on a loan made under this part that is repaid pursuant to an EXCEL Account shall equal the unpaid principal amount of the loan, any accrued interest, and any fees, such as late charges, assessed on such loan. The Secretary may limit by regulation the amount of interest that may be capitalized on such loan, and the timing of any such capitalization.

"(6) NOTIFICATION TO BORROWERS.—The Secretary shall establish procedures under which a borrower of a loan made under this part who chooses or is required to repay such loan pursuant to an EXCEL Account is notified of the terms and conditions of such plan, including notification of such borrower—

"(A) that the Internal Revenue Service will disclose to the Secretary tax return information as authorized under section 6103(i)(13) of the Internal Revenue Code of 1986; and

"(B) that if a borrower considers that special circumstances, such as a loss of employment by the borrower or his or her spouse, warrant an adjustment in the borrower's loan repayment as determined using the information described in subparagraph (A), or the alternative documentation described in paragraph (3), the borrower may contact the Secretary, who shall determine whether such adjustment is appropriate, in accordance with criteria established by the Secretary.

"(f) DEFERMENT.—

"(1) EFFECT ON PRINCIPAL AND INTEREST.—A borrower of a loan made under this part who meets the requirements described in paragraph (2) shall be eligible for a deferment, during which periodic installments of principal need not be paid, and interest—

"(A) shall not accrue, in the case of a Federal Direct Student Loan or a Federal Direct Consolidation Loan that consolidated only Federal Direct Student Loans, or a combination of such loans and Federal Student Loans for which the student borrower re-

ceived an interest subsidy under section 428; or

"(B) shall accrue and be capitalized or paid by the borrower, in the case of a Federal Direct Supplemental Loan for Students loan, a Federal Direct PLUS Loan, a Federal Direct Unsubsidized Student Loan, or a Federal Direct Consolidation Loan other than those described in subparagraph (A).

"(2) ELIGIBILITY.—A borrower of a loan made under this part shall be eligible for a deferment during any period—

"(A) during which the borrower—

"(i) is pursuing at least a half-time course of study at an eligible institution, as determined by such institution; or

"(ii) is pursuing a course of study pursuant to a graduate fellowship program approved by the Secretary, or pursuant to a rehabilitation training program for individuals with disabilities approved by the Secretary, except that no borrower shall be eligible for a deferment under this subparagraph, or a loan made under this part (other than a Federal Direct PLUS Loan, or a Federal Direct Consolidation Loan), while serving in a medical internship or residency program;

"(B) not in excess of 3 years during which the borrower is seeking and unable to find full-time employment; or

"(C) not in excess of 3 years during which the Secretary determines, in accordance with regulations prescribed under section 435(o), that the borrower has experienced or will experience an economic hardship, regardless of the reason for such hardship.

"(g) FEDERAL DIRECT CONSOLIDATION LOANS.—A borrower of a loan made under this part may consolidate such loan with the loans described in subsections (a)(4) and (d)(1)(C) of section 428C only under the terms and conditions established by the Secretary under this part. Loans made under this subsection shall be known as 'Federal Direct Consolidation Loans'.

"(h) BORROWER DEFENSES.—Notwithstanding any other provision of State or Federal law, the Secretary shall specify in regulations (except as authorized under section 458(a)) which acts or omissions of an institution of higher education a borrower may assert as a defense to repayment of a loan made under this part, except that in no event may a borrower recover from the Secretary, in any action arising from or relating to a loan made under this part, an amount in excess of the amount such borrower has repaid on such loan.

"(i) NONDISCHARGEABILITY IN BANKRUPTCY.—Notwithstanding any other provision of law, a loan made under this part shall not be dischargeable in bankruptcy.

"SEC. 456. CONTRACTS.

"(a) CONTRACTS FOR SUPPLIES AND SERVICES.—

"(1) IN GENERAL.—The Secretary may award one or more contracts for services and supplies under subsection (b). The entities with which the Secretary may enter into such contracts may include, but are not limited to, agencies with agreements with the Secretary under sections 428(b) and (c), if such agencies are otherwise qualified and comply with the procedures applicable to the award of such contracts.

"(2) EXEMPTION.—(A) The Secretary may, through June 30, 1998, award contracts under this section without regard to the requirements in section 303 of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 253), section 18 of the Office of Federal Procurement Policy Act (41 U.S.C. 416), and section 8(e) of the Small Business Act (15 U.S.C. 637(e)) and the corresponding require-

ments of the Federal Acquisition Regulations if the Secretary—

"(i) determines in writing, on a case-by-case basis, that the Government's need for the services and supplies to be provided under the contract is of such an unusual and compelling urgency that sources from which the Secretary solicits bids or proposals must be limited; and

"(ii) notifies the Congress in writing of that determination not more than 30 days after the award of the contract.

"(B) The Secretary may make the determination described in subparagraph (A)(i) if the Secretary determines that exemption from the requirements described in subparagraph (A) is in the public interest and necessary for the orderly transition from the loan programs under part B to the direct student loan programs under this part.

"(C) On and after July 1, 1998, all statutory and regulatory requirements described in subparagraph (A) shall apply to the award of a contract under this section.

"(b) CONTRACTS FOR ORIGINATION, SERVICING, AND DATA SYSTEMS.—The Secretary may enter into one or more contracts for—

"(1) the alternative origination of loans to students attending institutions with agreements to participate in the program under this part (or their parents), if such institutions do not have agreements with the Secretary under section 454(b);

"(2) the servicing and collection of loans made under this part;

"(3) the establishment and operation of one or more data systems for the maintenance of records on all loans made under this part;

"(4) services to assist in the orderly transition from the loan programs under part B to the direct student loan programs under this part; and

"(5) such other aspects of the direct student loan programs as the Secretary determines are necessary to ensure the successful operation of the programs.

"SEC. 457. REPORTS.

"(a) ANNUAL REPORTS.—The Secretary shall submit to the Congress not later than July 1, 1993, and each July 1 for the 5 succeeding years an annual report describing the progress and status of the loan program under this part.

"(b) RESEARCH, DEMONSTRATION, AND EVALUATION.—The Secretary may use a portion of the funds described in section 459 for research on, or the demonstration or evaluation of, any aspects of the program authorized by this part, including flexible repayment plans.

"SEC. 458. REGULATORY ACTIVITIES.

"(a) NOTICE IN LIEU OF REGULATIONS FOR FIRST YEAR OF PROGRAM.—The Secretary shall publish in the Federal Register whatever standards, criteria, and procedures, consistent with the provisions of this part, the Secretary determines are reasonable and necessary to the successful implementation of the first year of the direct student loan program authorized by this part. Section 431 of the General Education Provisions Act shall not apply to the publication of such standards, criteria, and procedures.

"(b) CLOSING DATE FOR APPLICATIONS FROM INSTITUTIONS.—The Secretary shall establish a date not later than October 1, 1993, as the closing date for receiving applications from institutions of higher education desiring to participate in the first year of the direct loan program under this part.

"(c) PUBLICATION OF LIST OF PARTICIPATING INSTITUTIONS AND CONTROL GROUP.—Not later than January 1, 1994, the Secretary shall publish in the Federal Register a list of the

institutions of higher education selected to participate in the first year of the direct loan program under this part.

“SEC. 459. FUNDS FOR ADMINISTRATIVE EXPENSES.

“Each fiscal year, there shall be available to the Secretary of Education from funds not otherwise appropriated, funds to be obligated for administrative costs under this part, including the costs of the transition from the loan programs under part B to the direct student loan programs under this part and transition support for the expenses of guaranty agencies in servicing outstanding loans in their portfolios and in guaranteeing new loans, not to exceed \$261,000,000 in fiscal year 1994, \$346,000,000 in fiscal year 1995, \$552,000,000 in fiscal year 1996, \$596,000,000 in fiscal year 1997, and \$749,000,000 in fiscal year 1998. If in any fiscal year, the Secretary determines that additional funds for administrative expenses are needed as a result of such transition, or the expansion of the direct student loan programs under this part, the Secretary is authorized to use funds available under this section for a subsequent fiscal year for such expenses, except that the total expenditures by the Secretary shall not exceed \$2,504,000,000 in fiscal years 1994 through 1998. The Secretary is also authorized to carry over funds available under this section to a subsequent fiscal year.”

CHAPTER 2—CONFORMING AMENDMENTS
SEC. 4021. PRESERVING LOAN ACCESS.

(a) **PURPOSE.**—It is the purpose of the amendments made by this section to provide the Secretary with flexible authority as needed to preserve access to student and parent loans under part B of title IV of the Act during the transition from the Federal Family Education Loan Program under such part to the Federal Direct Student Loan Program under part D of such title.

(b) **ADVANCES TO GUARANTY AGENCIES FOR LENDER-OF-LAST-RESORT SERVICES.**—

(1) **AMENDMENT.**—Section 428(j) of the Act is amended by adding at the end thereof the following new paragraph:

“(4) **ADVANCES TO GUARANTY AGENCIES FOR LENDER-OF-LAST-RESORT SERVICES DURING TRANSITION TO DIRECT LENDING.**—(A) In order to ensure the availability of loan capital during the transition from the Federal Family Education Loan program under this part to the Federal Direct Student Loan program under part D of this title, the Secretary is authorized to provide a guaranty agency with additional advance funds in accordance with section 422(c)(7), with such restrictions on the use of such funds as are determined appropriate by the Secretary, in order to ensure that the guaranty agency will make loans as the lender-of-last-resort. Such agency shall make such loans in accordance with this subsection and the requirements of the Secretary.

“(B) Notwithstanding any other provision of this part, a guaranty agency serving as a lender-of-last-resort under this paragraph shall be paid a fee, established by the Secretary, for making such loans in lieu of interest and special allowance subsidies, and shall be required to assign such loans to the Secretary on demand. Upon such assignment, the portion of the advance represented by the loans assigned shall be considered repaid by such guaranty agency.”

(2) **CONFORMING AMENDMENT.**—Section 422(c)(7) of the Act is amended by striking “to a guaranty agency” through the end thereof and inserting the following: “to a guaranty agency—

“(A) in accordance with section 428(j), in order to ensure that the guaranty agency

shall make loans as the lender-of-last-resort during the transition from the Federal Family Education Loan Program under this part to the Federal Direct Student Loan Program under part D of this title; or

“(B) if the Secretary is seeking to terminate the guaranty agency's agreement, or assuming the guaranty agency's functions, in accordance with section 428(c)(10)(F)(v), in order to assist the agency in meeting its immediate cash needs, ensure the uninterrupted payment of claims, or ensure that the guaranty agency shall make loans as described in subparagraph (A);”

(c) **LENDER REFERRAL SERVICES.**—Section 428(e) of the Act is amended—

(1) in paragraph (1)—

(A) by amending the paragraph heading to read as follows: “IN GENERAL; AGREEMENTS WITH GUARANTY AGENCIES.—”;

(B) by inserting the subparagraph designation “(A)” immediately after the paragraph heading;

(C) by striking “in any State” and inserting “with which the Secretary has an agreement under subparagraph (B)”;

(D) by adding at the end thereof the following new subparagraph:

“(B)(i) The Secretary may enter into agreements with guaranty agencies that meet standards established by the Secretary to provide lender referral services in geographic areas specified by the Secretary. Such guaranty agencies shall be paid in accordance with paragraph (3) for such services.

“(ii) The Secretary shall publish in the Federal Register whatever standards, criteria, and procedures consistent with the provisions of this part and part D of this title, the Secretary determines are reasonable and necessary to provide lender referral services under this subsection and ensure loan access to student and parent borrowers during the transition from the loan programs under this part to the direct student loan programs under part D of this title. Section 431 of the General Education Provisions Act shall not apply to the publication of such standards, criteria, and procedures.”;

(2) in paragraph (2)—

(A) in the matter preceding subparagraph (A), by striking “in a State” and inserting “with which the Secretary has an agreement under paragraph (1)(B)”;

(B) by amending subparagraph (A) to read as follows:

“(A) such student is either a resident of, or is accepted for enrollment in, or is attending, an eligible institution located in a geographic area for which the Secretary (I) determines that loans are not available to all eligible students, and (II) has entered into an agreement with a guaranty agency under paragraph (1)(B) to provide lender referral services; and”;

(4) in paragraph (3), by striking “The” and inserting “From funds available for costs of transition under section 459 of the Act, the”;

(5) by striking paragraph (5).

(d) **STUDENT LOAN MARKETING ASSOCIATION.**—Section 439(q) of the Act is amended—

(1) in paragraph (1)(A)—

(A) in the first sentence, by striking “the Association or its designated agent may begin making loans” and inserting “the Association or its designated agent shall, subject to the limitations in section 428(j)(3), begin making loans to such eligible borrowers”; and

(B) by striking the second sentence;

(2) in paragraph (2)(A), by striking “the Association or its designated agent may” and

inserting “the Association or its designated agent shall, subject to the limitations in section 428(j)(3),”; and

(3) in paragraph (3), by striking “that—” through the end thereof and inserting the following: “that the conditions that caused the implementation of this subsection have ceased to exist.”

SEC. 4022. GUARANTY AGENCY RESERVES.

Section 422 of the Act is amended by adding at the end thereof the following new subsection:

“(g) **PRESERVATION OF GUARANTY AGENCY RESERVES.**—

“(1) **AUTHORITY TO RECOVER FUNDS.**—Notwithstanding any other provision of law, the reserve funds of the guaranty agencies, and any assets purchased with such reserve funds, regardless of who holds or controls the reserves or assets, shall be considered to be the property of the United States to be used in the operation of the program authorized by this part or the program authorized by part D of this title. However, the Secretary may not require the return of all of a guaranty agency reserve funds to the Secretary unless he or she determines that such return is essential to the operation of the program authorized by this part or the program authorized by part D of this title, or to ensure the orderly termination of the guaranty agency's operations and the liquidation of its assets. The reserves shall be maintained by each guaranty agency to pay program expenses and contingent liabilities, as authorized by the Secretary, except that the Secretary may—

“(A) direct a guaranty agency to return to the Secretary a portion of its reserve fund which the Secretary determines is unnecessary to pay the program expenses and contingent liabilities of the guaranty agency; and

“(B) direct the guaranty agency to require the return, to the guaranty agency or to the Secretary, of any reserve funds or assets held by, or under the control of, any other entity, which the Secretary determines are necessary to pay the program expenses and contingent liabilities of the guaranty agency, or which are required for the orderly termination of the guaranty agency's operations and the liquidation of its assets.

“(2) **TERMINATION PROVISIONS IN CONTRACTS.**—To ensure that the funds and assets of the guaranty agency are preserved, any contract with respect to the administration of a guaranty agency's reserve funds, or the administration of any assets purchased or acquired with the reserve funds of the guaranty agency, that is entered into or extended by the guaranty agency, or any other party on behalf of or with the concurrence of the guaranty agency, after the effective date of this provision shall provide that the contract is terminable by the Secretary upon 30 days notice to the contracting parties if the Secretary determines that such contract includes an impermissible transfer of the reserve funds or assets, or is otherwise inconsistent with the terms or purposes of this section.”

SEC. 4023. TERMS OF LOANS.

Section 428 of the Act is amended—

(1) in subsection (b)(1)(D), by striking “be subject to” through the end thereof and inserting the following: “be subject to income contingent repayment in accordance with subsection (m);”;

(2) in subsection (m)—

(A) by amending paragraph (1) to read as follows:

“(1) **AUTHORITY OF SECRETARY TO REQUIRE.**—The Secretary may require any bor-

rower who has defaulted on a loan made under this part that is assigned to the Secretary under subsection (c)(8) to repay that loan under an income contingent repayment plan, the terms and conditions of which shall be established by the Secretary and the same as, or similar to, the EXCEL Account established for purposes of part D of this title.";

(B) by striking paragraphs (2) through (4) and inserting the following:

"(2) LOANS FOR WHICH INCOME CONTINGENT REPAYMENT MAY BE REQUIRED.—A loan made under this part may be required to be repaid under this subsection if the note or other evidence of the loan has been assigned to the Secretary pursuant to subsection (c)(8)."

SEC. 4024. ASSIGNMENT OF LOANS.

Section 428(c)(8) of the Act is amended by—

(1) inserting the subparagraph designation "(A)" after the paragraph heading;

(2) striking the second and third sentences; and

(3) adding at the end thereof the following new subparagraph:

"(B) An orderly transition from the Federal Family Education Loan program under this part to the Federal Direct Student Loan program under part D of this title shall be deemed to be in the Federal fiscal interest, and a guaranty agency shall promptly assign loans to the Secretary under this paragraph upon his or her request."

SEC. 4025. TERMINATION OF GUARANTY AGENCY AGREEMENTS; ASSUMPTION OF GUARANTY AGENCY FUNCTIONS BY THE SECRETARY.

Section 428(c)(10) of the Act is amended—

(1) in subparagraph (C), by inserting a comma and "as appropriate," immediately after "the Secretary shall";

(2) in subparagraph (D)—

(A) by inserting the clause designation "(i)" after "(D)";

(B) by striking "Each" and inserting "If the Secretary is not seeking to terminate the guaranty agency's agreement under subparagraph (E), or assuming the guaranty agency's functions under subparagraph (F), a";

(C) by adding at the end thereof the following new clause:

"(i) If the Secretary is seeking to terminate the guaranty agency's agreement under subparagraph (E), or assuming the guaranty agency's functions under subparagraph (F), a management plan described in subparagraph (C) shall include the means by which the Secretary and the guaranty agency shall work together to ensure the orderly termination of the operations, and liquidation of the assets of, the guaranty agency."

(3) in subparagraph (E)—

(A) in clause (ii), by striking "or" at the end thereof;

(B) in clause (iii), by striking the period at the end thereof and inserting a semicolon; and

(C) by adding at the end thereof the following new clauses:

"(iv) the Secretary determines that such action is necessary to protect the Federal fiscal interest;

"(v) the Secretary determines that such action is necessary to ensure the continued availability of loans to student or parent borrowers; or

"(vi) the Secretary determines that such action is necessary to ensure an orderly transition from the loan programs under this part to the direct student loan programs under part D of this title.";

(4) in subparagraph (F)—

(A) in the matter preceding clause (i), by striking "Except as provided in subparagraph (G), if" and inserting "If";

(B) by amending clause (v) to read as follows:

"(v) provide the guaranty agency with additional advance funds in accordance with section 422(c)(7), with such restrictions on the use of such funds as is determined appropriate by the Secretary, in order to—

"(I) meet the immediate cash needs of the guaranty agency;

"(II) ensure the uninterrupted payment of claims; or

"(III) ensure that the guaranty agency will make loans as the lender-of-last-resort, in accordance with subsection (j)(4)."

(C) in clause (vi)—

(i) by striking "and to avoid" and inserting "to avoid";

(ii) by striking the period at the end thereof and inserting ", and to ensure an orderly transition from the loan programs under this part to the direct student loan programs under part D of this title."; and

(iii) by redesignating such clause as clause (vii); and

(D) by inserting after clause (v) the following new clause:

"(vi) use all funds and assets of the guaranty agency to assist in the activities undertaken in accordance with this subparagraph and take appropriate action to require the return, to the guaranty agency or the Secretary, of any funds or assets provided by the guaranty agency, under contract or otherwise, to any person or organization; or";

(5) by striking subparagraph (G);

(6) by redesignating subparagraphs (H), (I), and (J) as subparagraphs (I), (J), and (K), respectively;

(7) by inserting after subparagraph (F) the following new subparagraphs:

"(G) Notwithstanding any other provision of Federal or State law, if the Secretary has terminated or is seeking to terminate a guaranty agency's agreement under subparagraph (E), or has assumed a guaranty agency's functions under subparagraph (F)—

"(i) such guaranty agency may not file for bankruptcy;

"(ii) no State court may issue any order affecting the Secretary's actions with respect to such guaranty agency;

"(iii) any contract with respect to the administration of a guaranty agency's reserve funds, or the administration of any assets purchased or acquired with the reserve funds of the guaranty agency, that is entered into or extended by the guaranty agency, or any other party on behalf of or with the concurrence of the guaranty agency, after the effective date of this provision shall provide that the contract is terminable by the Secretary upon 30 days notice to the contracting parties if the Secretary determines that such contract includes an impermissible transfer of the reserve funds or assets, or is otherwise inconsistent with the terms or purposes of this section; and

"(iv) no provision of State law shall apply to the actions of the Secretary in terminating the operations of a guaranty agency.

"(H) Notwithstanding any other provision of law, the Secretary's liability for any outstanding liabilities of a guaranty agency (other than outstanding student loan guarantees under this part), the functions of which the Secretary has assumed, shall not exceed the fair market value of the reserves of the guaranty agency, minus any necessary liquidation or other administrative costs.";

(8) in subparagraph (K) (as redesignated by paragraph (6)), by striking "system, to-

gether" through the end thereof and inserting the following: "system and the progress of the transition from the loan programs under this part to the direct student loan programs under part D of this title.".

SEC. 4026. ADMINISTRATIVE COST ALLOWANCE.

Section 428(f)(1) of the Act is amended—

(1) in subparagraph (A), by striking "The Secretary" and inserting "For a fiscal year prior to fiscal year 1994, the Secretary"; and

(2) in subparagraph (B), by inserting "prior to fiscal year 1994" after "any fiscal year".

SEC. 4027. CONSOLIDATION LOANS.

Section 428(C) of the Act is amended—

(1) by amending subsection (a)(3)(A) to read as follows:

"(3) DEFINITION OF ELIGIBLE BORROWERS.—

(A) For the purpose of this section, the term 'eligible borrower' means a borrower who, at the time of application for a consolidation loan is in repayment status, or in a grace period preceding repayment, or is a delinquent or defaulted borrower who will reenter repayment through loan consolidation.";

(2) in subsection (b)—

(A) in paragraph (1)—

(i) in subparagraph (A)(ii), by inserting "with income-sensitive repayment terms" after "obtain a consolidation loan";

(ii) by redesignating subparagraph (E) as subparagraph (F); and

(iii) by inserting after subparagraph (D) the following new subparagraph:

"(E) that the lender shall offer an income-sensitive repayment schedule, established by the lender in accordance with the regulations of the Secretary, to the borrower of any consolidation loan made by the lender on or after July 1, 1994; and";

(B) in paragraph (4), by amending subparagraph (C) to read as follows:

"(C)(i) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid in accordance with clause (ii), during any period for which the borrower would be eligible for a deferral under section 428(b)(1)(M), and that any such period shall not be included in determining the repayment period pursuant to subsection (c)(2) of this section; and

"(ii) provides that interest shall accrue and be paid—

"(I) by the Secretary, in the case of a consolidation loan that consolidated only Federal Stafford Loans for which the student borrower received an interest subsidy under section 428; or

"(II) by the borrower, or capitalized, in the case of a consolidation loan other than one described in subclause (I)."; and

(C) by adding at the end thereof the following new paragraph:

"(5) DIRECT LOANS.—In the event that a borrower is unable to obtain a consolidation loan with income-sensitive repayment terms acceptable to the borrower from a lender with an agreement under subsection (a)(1), the Secretary shall offer any such borrower who applies for it, a direct consolidation loan to be repaid pursuant to an EXCEL Account under part D of this title, except that the Secretary shall not offer such loans if, in his or her judgment, the Department does not yet have the necessary origination and servicing arrangements in place for such loans.";

(3) in subsection (c)—

(A) in paragraph (1), by amending subparagraphs (B) and (C) to read as follows:

"(B) A consolidation loan made before July 1, 1994, shall bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the greater of—

"(i) the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent; or

"(ii) 9 percent.

"(C) A consolidation loan made on or after July 1, 1994, shall bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the weighted average of the interest rates on the loans consolidated, rounded upward to the nearest whole percent."

(B) in paragraph (2)(A)—

(i) in the matter preceding clause (i), by striking out "income sensitive repayment schedules. Such repayment terms" and inserting in lieu thereof "income sensitive repayment schedules, established by the lender in accordance with the regulations of the Secretary. Except as required by such income sensitive repayment schedules, or by the terms of repayment pursuant to an EXCEL Account offered by the Secretary under subsection (b)(5), such repayment terms";

(ii) by redesignating clauses (i), (ii), (iii), (iv), and (v) as clauses (ii), (iii), (iv), (v), and (vi), respectively;

(iii) by inserting immediately preceding clause (ii) (as redesignated by clause (ii)) the following new clause:

"(i) is less than \$7,500, then such consolidation loan shall be repaid in not more than 10 years;" and

(iv) by adding a period at the end of clause (vi) (as redesignated by clause (i));

(C) by striking out subparagraph (B) of paragraph (2); and

(D) by redesignating subparagraph (C) of paragraph (2) as subparagraph (B); and

(E) in paragraph (3)(A), by inserting after the subparagraph designation the following: "except as required by the terms of repayment pursuant to an EXCEL Account offered by the Secretary under subsection (b)(5)."

SEC. 4028. STUDENT LOAN MARKETING ASSOCIATION.

Section 439 of the Act is further amended by adding at the end thereof the following new subsection:

"(s) TRANSITION STUDY.—The Secretaries of Education and the Treasury shall prepare a study, to be completed within 6 months of the enactment of this provision, which shall examine alternatives concerning the status, operations, and purposes of the Association during and after the transition from the Federal Family Education Loan program to the Federal Direct Student Loan program. Such study shall—

"(1) consider how best to meet the needs of students and taxpayers;

"(2) reflect the need for the Association to maintain liquidity and perform other functions for the Federal Family Education Loan program during the transition from such program to the Federal Direct Student Loan program under part D of this title, including additional duties as specified by the Secretary of Education or the Secretary of the Treasury;

"(3) consider any appropriate change to part D of title VII, relating to the College Construction Loan Insurance Association; and

"(4) be considered by the Secretaries of Education and the Treasury in developing any legislative proposals concerning any changes to the status of the Association as a Government-sponsored enterprise or its duties under the Federal Family Education Loan program."

SEC. 4029. AMENDMENT TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985.

The Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in section 252(c)(1)(B), by striking "guaranteed";

(2) in section 256(b)—

(A) by striking the subsection designation and heading and inserting the following:

"(b) EFFECT OF ORDERS ON STUDENT LOAN PROGRAMS.—

"(1) FEDERAL FAMILY EDUCATION LOAN PROGRAM.—(A)";

(B) by redesignating paragraphs (2) and (3) as subparagraphs (B) and (C), respectively, and by indenting such subparagraphs by an additional 2 ems spaces;

(C) in paragraph (1)(A) (as redesignated in subparagraph (B)), by striking "described in paragraphs (2) and (3)" and inserting "described in subparagraphs (B) and (C)";

(D) in paragraph (1)(B) (as redesignated in subparagraph (C)), by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively; and

(E) by adding at the end thereof the following new paragraph:

"(2) FEDERAL DIRECT STUDENT LOAN PROGRAM.—(A) Any reductions that are required to be achieved from the Federal Direct Student Loan program operated under part D of title IV of the Higher Education Act of 1965 as a consequence of an order issued pursuant to section 254, shall be achieved only by the application of the measures described in subparagraph (B).

"(B) For any loan made during the period beginning on the date that an order issued under section 254 takes effect with respect to a fiscal year, and ending at the close of such fiscal year, the loan fee that is authorized to be collected pursuant to section 456(c) of such Act shall be increased by 0.50 percent."

CHAPTER 3—EFFECTIVE DATES; STUDY

SEC. 4031. EFFECTIVE DATES.

(a) IN GENERAL.—Except as otherwise provided in this section, the amendments made by this subtitle shall be effective upon enactment.

(b) INCOME CONTINGENT REPAYMENT.—The amendments made by section 4023 of this Act shall be effective for loans made in accordance with section 428 for periods of instruction beginning on or after July 1, 1993, or made on or after July 1, 1993, in the case of loans made in accordance with section 428A, 428B, or 428C of the Act.

(c) ADMINISTRATIVE COST ALLOWANCE.—The amendments made by section 4026 of this Act shall be effective on October 1, 1994.

(d) CONSOLIDATION LOANS.—The amendments made by section 4027 of this Act (other than the amendment made by section 4027(2)(B)) shall be effective for loans made in accordance with section 428C of the Act or after July 1, 1994.

SEC. 4032. STUDY OF INTERNAL REVENUE SERVICE COLLECTION OF STUDENT LOANS.

(a) GENERAL RULE.—The Secretary of Education, in consultation with the Secretary of the Treasury, shall conduct a study of the feasibility of implementing a system for the repayment of Federal student loans through wage withholding or other means involving the Internal Revenue Service. Such study shall include an examination of—

(1) whether the Internal Revenue Service could implement such a system within its current resources and without adversely affecting the ability of the Internal Revenue Service to collect tax revenues,

(2) the cumulative impact on voluntary compliance with the tax system of increased

disclosure of tax return information and increased Internal Revenue Service involvement in nontax collection activities,

(3) the anticipated effect on the management of Federal student loan collections and on borrower repayment of such loans, and

(4) the ability of the Internal Revenue Service to effectively service student loans.

(b) RECOMMENDATIONS.—Not later than the date 6 months after the date of the enactment of this Act, the Secretary of Education shall submit to the Congress a report on the study conducted under subsection (a), together with such legislative recommendations as such Secretary may deem advisable.

SEC. 4033. PREFERENCE OF COMMITTEE FOR IRS COLLECTION MECHANISM.

It is the sense of the Committee on Education and Labor that—

(1) the Committee may not, consistent with its jurisdiction under the Rules of the House of Representatives, amend this Act to include provisions providing for the collection of student loans pursuant to the Internal Revenue Code of 1986 using the Internal Revenue Service of the Department of the Treasury;

(2) the Committee would support the amendment of this Act to include such provisions, as well as amendments to the Higher Education Act of 1965, in the manner proposed by H.R. _____ as introduced on May 11, 1993; and

(3) the Committee recommends that the House of Representatives consider and adopt such amendments.

Subtitle B—Cost Sharing by States

SEC. 4101. COST SHARING BY STATES.

(a) AMENDMENT.—Section 428 of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.) is amended by adding at the end thereof the following new subsection:

"(n) STATE SHARE OF DEFAULT COSTS.—(1) In the case of any State in which there are located any institutions of higher education with cohort default rates that exceed 20 percent, such State shall pay to the Secretary an amount equal to—

"(A) the new loan volume attributable to all institutions in the State for the current fiscal year, multiplied by

"(B) the percentage specified in paragraph (2), multiplied by

"(C) the quotient of—

"(i) the sum of the amounts calculated under paragraph (3) for each such institution in the State, divided by

"(ii) the total amount of loan volume attributable to current and former students of institutions located in that State entering repayment in the period used to calculate the cohort default rate.

"(2) For purposes of paragraph (1)(B), the percentage used shall be—

"(A) 12.5 percent for fiscal year 1995;

"(B) 20 percent for fiscal year 1996; and

"(C) 50 percent for fiscal year 1997 and succeeding fiscal years.

"(3) For purposes of paragraph (1)(C)(i), the amount shall be determined by calculating for each institution the amount by which—

"(A) the amount of the loans received for attendance by its current and former students who (i) enter repayment during the fiscal year used for the calculation of the cohort default rate, and (ii) default before the end of the following fiscal year; exceeds

"(B) 20 percent of the loans received for attendance by all the current and former students who enter repayment during the fiscal year used for the calculation of the cohort default rate.

"(4) A State may charge a fee to an institution of higher education that participates

in the program under this part and is located in that State according to a fee structure, approved by the Secretary, that is based on the institution's cohort default rate and the State's risk of loss under this subsection. Such fee structure shall include a process by which an institution with a high cohort default rate is exempt from any fees under this paragraph if such institution demonstrates to the satisfaction of the State that exceptional mitigating circumstances, as determined by the State and approved by the Secretary, contributed to its cohort default rate."

(b) **EFFECTIVE DATE.**—The amendment made by this section shall be effective on October 1, 1994.

Subtitle C—ERISA Amendments Relating to Group Health Plans

SEC. 4201. COORDINATION OF ERISA PREEMPTION RULES WITH TITLE XIX PROVISIONS PROVIDING FOR LIABILITY OF THIRD PARTIES.

(a) **IN GENERAL.**—Paragraph (8) of section 514(b) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1144(b)(8)) is amended to read as follows:

"(8)(A) Subsection (a) of this section shall not apply to any State law to the extent necessary to permit the State to comply with the following requirements for the receipt of Federal financial assistance under title XIX of the Social Security Act:

"(i) subparagraphs (A), (B), and (H) of section 1902(a)(25) of such Act (relating to third-party liability) and section 1903(o) of such Act (relating to Medicaid as secondary payor), as in effect on October 1, 1993; and

"(ii) sections 1902(a)(45) and 1912 of such Act (relating to assignment of rights of payment), as in effect on May 12, 1993.

"(B) Paragraph (2)(B) shall not apply to any State law to the extent necessary to permit the compliance of the State with any of the requirements described in subparagraph (A)."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect October 1, 1993.

SEC. 4202. CONTINUED COVERAGE OF COSTS OF A PEDIATRIC VACCINE UNDER GROUP HEALTH PLANS.

(a) **IN GENERAL.**—Part 6 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1161 et seq.) is amended by adding at the end the following new section:

"SEC. 609. CONTINUED COVERAGE OF COSTS OF A PEDIATRIC VACCINE UNDER GROUP HEALTH PLANS.

"A group health plan may not reduce its coverage of the costs of pediatric vaccines (as defined under section 2162 of the Public Health Service Act) below the coverage it provided as of May 1, 1993."

(b) **CONFORMING AMENDMENT.**—The table of contents in section 1 of such Act is amended by adding after the item relating to section 608 the following new item:

"Sec. 609. Continued coverage of costs of a pediatric vaccine under group health plans."

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply with respect to plan years beginning after the date of the enactment of this Act.

SEC. 4203. TEMPORARY RULES GOVERNING PREEMPTION OF CERTAIN STATE LAWS.

Paragraph (5) of section 514(b) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1144(b)(5)) is amended to read as follows:

"(5)(A)(i) Except as provided in clauses (ii) and (iii), subsection (a) shall not apply to the

Hawaii Prepaid Health Care Act (Haw. Rev. Stat. §§393-1 through 393-51).

"(ii) Nothing in clause (i) shall be construed to exempt from subsection (a) any State tax law relating to employee benefit plans.

"(iii) Notwithstanding clause (i), parts 1 and 4 of this subtitle, and the preceding sections of this part to the extent they govern matters which are governed by the provisions of such parts 1 and 4, shall supersede the Hawaii Prepaid Health Care Act (as in effect on or after January 14, 1983), but the Secretary may enter into cooperative arrangements under this subparagraph and section 506 with officials of the State of Hawaii to assist them in effectuating the policies of provisions of such Act which are superseded by such parts 1 and 4 and the preceding sections of this part.

"(B)(i) Except as provided in clauses (ii) and (iii), subsection (a) shall not apply to subtitle 2 of title 19 of the Annotated Code of Maryland (relating to the Health Services Cost Review Commission).

"(ii) Nothing in clause (i) shall be construed to exempt from subsection (a)—

"(I) any State tax law relating to employee benefit plans, or

"(II) any amendment of the provision referred to in clause (i) enacted on or after May 12, 1993, to the extent it provides for more than the effective administration of such Act as in effect on such date.

"(iii) Notwithstanding clause (i), parts 1 and 4 of this subtitle, and the preceding sections of this part to the extent they govern matters which are governed by the provisions of such parts 1 and 4, shall supersede the provision referred to in clause (i) (as in effect on or after May 12, 1993), but the Secretary may enter into cooperative arrangements under this subparagraph and section 506 with officials of the State of Maryland to assist them in effectuating the policies of such provision which are superseded by such parts 1 and 4 and the preceding sections of this part.

"(C)(i) Except as provided in clauses (ii) and (iii), subsection (a) shall not apply to the following provisions of the law of the State of Minnesota:

"(I) section 295.52, Minnesota Statutes, as amended in May 1993 by House File 1178 (relating to receipts tax on providers);

"(II) section 19 of article 9 of the Minnesota Health Right Act, as amended in May 1993 by House File 1178 (relating to pass-through of 2 percent gross receipts tax on providers); and

"(III) subdivision 2 of section 3 of article 1 of such Act, article 7 of such Act, and section 1 of article 3 of Minnesota House File 1178 and section 4 and all that follows through the end of such article 3, as enacted in May 1993 (relating to data collection).

"(ii) Nothing in clause (i) shall be construed to exempt from subsection (a)—

"(I) any State tax law relating to employee benefit plans (other than a provision described in clause (i)), and

"(II) any amendment of any provision referred to in clause (i) enacted on or after May 12, 1993, to the extent it provides for more than the effective administration of such provision as in effect on such date.

"(iii) Notwithstanding clause (i), parts 1 and 4 of this subtitle, and the preceding sections of this part to the extent they govern matters which are governed by the provisions of such parts 1 and 4, shall supersede the provisions described in clause (i) (as in effect on or after May 12, 1993), but the Secretary may enter into cooperative arrange-

ments under this subparagraph and section 506 with officials of the State of Minnesota to assist them in effectuating the policies of such provisions which are superseded by such parts 1 and 4 and the preceding sections of this part.

"(D)(i) Except as provided in clauses (ii), (iv), (v), and (vi), subsection (a) shall not apply to the following provisions of the law of the State of New York:

"(I) subdivisions 1(b) and 4(e) of section 2807-c of the Public Health Law (relating to 13 percent surcharge);

"(II) subdivision 1(c) of section 2807-c of the Public Health Law (relating to uniform hospital charges);

"(III) subdivision 2-a of section 2807-c of the Public Health Law (relating to the variable surcharge for HMOs);

"(IV) subdivision 14 of section 2807-c of the Public Health Law (relating to basic percentage allowances for bad debt and charity care);

"(V) subdivision 14-b of section 2807-c of the Public Health Law (relating to health care services allowances);

"(VI) subdivision 14-c of section 2807-c of the Public Health Law (relating to further allowances for financially distressed hospitals); and

"(VII) section 18 of chapter 266 of the laws of 1986, as amended (relating to excess malpractice insurance adjustments).

"(ii) Except as provided in clause (iii), nothing in clause (i) shall be construed to exempt from subsection (a)—

"(I) any State tax law relating to employee benefit plans, or

"(II) any provision referred to in clause (i) to the extent that any law of the State of New York appropriates amounts based on amounts collected by the State under such provision for any purpose other than carrying out the programs established under the provisions described in clause (i).

"(iii) Notwithstanding clause (ii), subsection (a) shall not apply to any provision of the law of the State of New York to the extent that such provision constitutes—

"(I) an HMO surcharge of the type provided for under subdivision 2-a of such section 2807-c (as in effect on February 2, 1993), or

"(II) an allowance, of the type provided for under the provisions referred to in clause (i) (as so in effect), for bad debts, charity care, health care services, or excess malpractice insurance,

but only if the law of such State appropriates amounts based on and equivalent to amounts collected by the State under such provision solely for the purpose of carrying out one or more programs established under the provisions described in clause (i).

"(iv) Subsection (a) shall apply to any provision of the law of the State of New York to the extent that such provision constitutes a surcharge of the type provided for under subdivisions 1(b) and 4(e) of section 2807-c of the Public Health Law of the State of New York (as in effect on February 2, 1993) unless such provision provides for use of amounts collected under such provision solely for the purpose of carrying out one or more programs established under the provisions described in clause (i).

"(v) Nothing in clause (i) shall be construed to exempt from subsection (a) any amendment of any provision referred to in clause (i) enacted on or after February 2, 1993, to the extent it provides for more than the effective administration of such provisions as in effect on such date, unless such amendment constitutes only a change in the methodology of determining payments to hospitals and would result in—

"(I) a surcharge described in clause (iii)(I) of not more than 9 percent with respect to which the requirements of clause (iii) are met.

"(II) an allowance described in clause (iii)(II) which does not exceed in the aggregate a Statewide average of not more than 10 percent and with respect to which the requirements of clause (iii) are met, or

"(III) a surcharge described in clause (iv) of not more than 13 percent with respect to which the requirements of clause (iv) are met.

"(vi) Subsection (a) shall not apply to any amendment to chapter 2 of the laws of 1988 of the State of New York, as amended, to the extent that such amendment extends the period for which the provisions referred to in clause (i) are in effect.

"(vii) Notwithstanding clause (i), parts 1 and 4 of this subtitle, and the preceding sections of this part to the extent they govern matters which are governed by the provisions of such parts 1 and 4, shall supersede the provisions described in clause (i) (as in effect on or after February 2, 1993), but the Secretary may enter into cooperative arrangements under this subparagraph and section 506 with officials of the State of New York to assist them in effectuating the policies of such provisions which are superseded by such parts 1 and 4 and the preceding sections of this part.

"(viii) The provisions of this subparagraph shall be effective as of February 2, 1993.

"(E) This paragraph shall cease to be effective as of May 12, 1995."

TITLE V—COMMITTEE ON ENERGY AND COMMERCE

Subtitle A—Medicare Program

SEC. 5000. REFERENCES IN SUBTITLE; TABLE OF CONTENTS OF SUBTITLE.

(a) AMENDMENTS TO SOCIAL SECURITY ACT.—Except as otherwise specifically provided, whenever in this subtitle an amendment 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 that section or other provision of the Social Security Act.

(b) REFERENCES TO OBRA.—In this subtitle, the terms "OBRA-1986", "OBRA-1987", "OBRA-1989", and "OBRA-1990" refer to the Omnibus Budget Reconciliation Act of 1986 (Public Law 99-509), the Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203), the Omnibus Budget Reconciliation Act of 1989 (Public Law 101-239), and the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508), respectively.

(c) TABLE OF CONTENTS OF SUBTITLE.—The table of contents of this subtitle is as follows:

Sec. 5000. References in subtitle; table of contents of subtitle.

CHAPTER 1—PROVISIONS RELATING TO PART B SUBCHAPTER A—PHYSICIANS' SERVICES

Sec. 5001. Reduction in default update for conversion factor for 1994.

Sec. 5002. Reduction in performance standard rate of increase and increase in maximum reduction permitted in default update.

Sec. 5003. Classification of primary care services as a separate category of services.

Sec. 5004. Phased-in reduction in practice expense relative value units for certain services.

Sec. 5005. Limitation on payment for the anesthesia care team.

Sec. 5006. Basing payments for anesthesia services on actual time.

Sec. 5007. Separate payment for interpretation of electrocardiograms.

Sec. 5008. Payments for new physicians and practitioners.

Sec. 5009. Geographic adjustment factors for medicare physicians' services.

Sec. 5010. Extra-billing limits.

Sec. 5011. Relative values for pediatric services.

Sec. 5012. Antigens under physician fee schedule.

Sec. 5013. Administration of claims relating to physicians' services.

Sec. 5014. Miscellaneous and technical corrections.

SUBCHAPTER B—OUTPATIENT HOSPITAL SERVICES AND AMBULATORY SURGICAL SERVICES

Sec. 5021. Extension of 10 percent reduction in payments for capital-related costs of outpatient hospital services.

Sec. 5022. Extension of current reduction in payments for other costs of outpatient hospital services.

Sec. 5023. 1-year freeze in ambulatory surgery rates.

Sec. 5024. Eye or eye and ear hospitals.

Sec. 5025. Extension of cap on payments for intraocular lenses.

Sec. 5026. Miscellaneous and technical corrections.

SUBCHAPTER C—DURABLE MEDICAL EQUIPMENT

Sec. 5031. Revisions to payment rules for durable medical equipment.

Sec. 5032. Payment for parenteral and enteral nutrients, supplies, and equipment during 1994.

Sec. 5033. Treatment of nebulizers and aspirators.

Sec. 5034. Certification of suppliers.

Sec. 5035. Prohibition against carrier forum shopping.

Sec. 5036. Restrictions on certain marketing and sales activities.

Sec. 5037. Kickback clarification.

Sec. 5038. Beneficiary liability for noncovered services.

Sec. 5039. Adjustments for inherent reasonableness.

Sec. 5040. Payment for surgical dressings.

Sec. 5041. Payments for tens devices.

Sec. 5042. Miscellaneous and technical corrections.

SUBCHAPTER D—PART B PREMIUM

Sec. 5051. Part B premium.

SUBCHAPTER E—OTHER PROVISIONS

Sec. 5061. Payments for clinical diagnostic laboratory tests.

Sec. 5062. Treatment of inpatients and provision of diagnostic and therapeutic X-ray services by rural health clinics and Federally qualified health centers.

Sec. 5063. Application of mammography certification requirements.

Sec. 5064. Extension of Alzheimer's disease demonstration.

Sec. 5065. Oral cancer drugs.

Sec. 5066. Extension of municipal health service demonstration projects.

Sec. 5067. Treatment of certain Indian health programs and facilities as Federally-qualified health centers.

Sec. 5068. Interest payments.

Sec. 5069. Clarification of coverage of certified nurse-midwife services performed outside the maternity cycle.

Sec. 5069A. Increase in, and study of, annual cap on amount of medicare payment for outpatient physical therapy and occupational therapy services.

Sec. 5070. Miscellaneous and technical corrections.

CHAPTER 2—PROVISIONS RELATING TO PARTS A AND B

Sec. 5071. Elimination of add-on for overhead of hospital-based home health agencies.

Sec. 5072. Study and report on medicare GME payments.

Sec. 5073. Medicare as secondary payer.

Sec. 5074. Extension of self-referral ban to additional specified services.

Sec. 5075. Reduction in payment for erythropoietin.

Sec. 5076. Medicare hospital agreements with organ procurement organizations.

Sec. 5077. Extension of waiver for Watts Health Foundation.

Sec. 5078. Improved outreach for qualified medicare beneficiaries.

Sec. 5079. Social health maintenance organizations.

Sec. 5080. Peer review organizations.

Sec. 5081. Hospice information to home health beneficiaries.

Sec. 5082. Health maintenance organizations.

Sec. 5083. Miscellaneous and technical corrections.

CHAPTER 3—PROVISIONS RELATING TO MEDICARE SUPPLEMENTAL INSURANCE POLICIES

Sec. 5091. Standards for medicare supplemental insurance policies.

CHAPTER 1—PROVISIONS RELATING TO PART B

Subchapter A—Physicians' Services

SEC. 5001. REDUCTION IN DEFAULT UPDATE FOR CONVERSION FACTOR FOR 1994.

Section 1848(d)(3)(A) (42 U.S.C. 1395w-4(d)(3)(A)) is amended—

(1) in clause (i), by striking "clause (iii)" and inserting "clauses (iii) and (iv)", and

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

"(iv) ADJUSTMENT IN PERCENTAGE INCREASE FOR 1994.—In applying clause (i) for services (other than primary care services) furnished in 1994, the percentage increase in the appropriate update index shall be reduced by—

"(I) 3 percentage points for surgical services (as defined for purposes of subsection (j)(1)), and

"(II) 2 percentage points for other services."

SEC. 5002. REDUCTION IN PERFORMANCE STANDARD RATE OF INCREASE AND INCREASE IN MAXIMUM REDUCTION PERMITTED IN DEFAULT UPDATE.

(a) REDUCTION IN PERFORMANCE STANDARD FACTOR.—Section 1848(f)(2)(B) (42 U.S.C. 1395w-4(f)(2)(B)) is amended—

(1) by striking "and" at the end of clause (ii), and

(2) by striking clause (iii) and inserting the following:

"(iii) for 1993 is 2 percentage points,

"(iv) for 1994 is 3½ percentage points, and

"(v) for each succeeding year is 4 percentage points."

(b) INCREASE IN MAXIMUM REDUCTION PERMITTED IN DEFAULT UPDATE.—Section 1848(d)(3)(B)(ii) (42 U.S.C. 1395w-4(d)(3)(B)(ii)) is amended—

(1) in subclause (II), by striking "or 1995", and

(2) in subclause (III), by striking "3" and inserting "5".

SEC. 5003. CLASSIFICATION OF PRIMARY CARE SERVICES AS A SEPARATE CATEGORY OF SERVICES.

(a) IN GENERAL.—Section 1848(j)(1) (42 U.S.C. 1395w-4(j)(1)) is amended by inserting

“, primary care services (as defined in section 1842(i)(4)),” after “Secretary”).

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply—

(1) to volume performance standard rates of increase established under section 1848(f) of the Social Security Act for fiscal years beginning with fiscal year 1994, and

(2) to updates in the conversion factors for physicians' services established under section 1848(d) of such Act for physicians' services to be furnished in calendar years beginning with 1996.

SEC. 5004. PHASED-IN REDUCTION IN PRACTICE EXPENSE RELATIVE VALUE UNITS FOR CERTAIN SERVICES.

(a) IN GENERAL.—Section 1848(c)(2) (42 U.S.C. 1395w-4(c)(2)) is amended by adding at the end the following new subparagraph:

“(E) REDUCTION IN PRACTICE EXPENSE RELATIVE VALUE UNITS FOR CERTAIN SERVICES.—

“(i) IN GENERAL.—Subject to clause (ii), the Secretary shall reduce the practice expense relative value units applied to services described in clause (iii) furnished in—

“(I) 1994, by 25 percent of the number by which the number of practice expense relative value units (determined for 1994 without regard to this subparagraph) exceeds the number of work relative value units determined for 1994,

“(II) 1995, by an additional 25 percent of such excess, and

“(III) 1996 and subsequent years, by an additional 25 percent of such excess.

“(ii) FLOOR ON REDUCTIONS.—The practice expense relative value units for a physicians' service shall not be reduced under this subparagraph to a number less than 110 percent of the number of work relative value units.

“(iii) SERVICES COVERED.—For purposes of clause (i), the services described in this clause are physicians' services that are not described in clause (iv) and for which—

“(I) there are work relative value units, and

“(II) the number of practice expense relative value units (determined for 1994) exceeds 110 percent of the number of work relative value units (determined for such year).

“(iv) EXCLUDED SERVICES.—For purposes of clause (iii), the services described in this clause are—

“(I) anesthesia services,

“(II) radiology services, and

“(III) services which the Secretary determines at least 75 percent of which are provided under this title in an office setting.”.

(b) DEVELOPMENT OF RESOURCE-BASED METHODOLOGY FOR PRACTICE EXPENSES.—

(1) The Secretary of Health and Human Services shall develop a methodology for implementing in 1997 a resource-based system for determining practice expense relative value units for each physician's service.

(2) The Secretary shall transmit a report by June 30, 1996, on the methodology developed under paragraph (1) to the Committees on Ways and Means and Energy and Commerce of the House of Representatives and the Committee on Finance of the Senate. The report shall include a presentation of data utilized in developing the methodology and an explanation of the methodology.

SEC. 5005. LIMITATION ON PAYMENT FOR THE ANESTHESIA CARE TEAM.

(a) LIMIT ON PAYMENT TO A PHYSICIAN FOR MEDICAL DIRECTION.—

(1) IN GENERAL.—Section 1848(a) (42 U.S.C. 1395w-4(a)), as amended by section 5008(a)(1), is amended by adding at the end the following new paragraph:

“(4) SPECIAL RULE FOR MEDICAL DIRECTION.—

“(A) IN GENERAL.—With respect to physicians' services furnished on or after January 1, 1994, and consisting of medical direction of two, three, or four concurrent anesthesia cases, the fee schedule amount to be applied shall not exceed one-half of the amount described in subparagraph (B).

“(B) AMOUNT.—The amount described in this subparagraph, for a physician's medical direction of the performance of anesthesia services, is the following percentage of the fee schedule amount otherwise applicable under this section if the anesthesia services were personally performed by the physician alone:

“(i) For services furnished during 1994, 120 percent.

“(ii) For services furnished during 1995, 115 percent.

“(iii) For services furnished during 1996, 110 percent.

“(iv) For services furnished during 1997, 105 percent.

“(v) For services furnished after 1997, 100 percent.”.

(2) ELIMINATION OF REDUCTION FOR MEDICAL DIRECTION OF MULTIPLE NURSE ANESTHETISTS.—Section 1842(b) (42 U.S.C. 1395u(b)) is amended by striking paragraph (13).

(b) PAYMENT TO A CERTIFIED REGISTERED NURSE ANESTHETIST FOR MEDICALLY DIRECTED SERVICES.—Subparagraph (B) of section 1833(1)(4) (42 U.S.C. 1395l(1)(4)) is amended—

(1) in clause (i), by inserting “and before January 1, 1994,” after “1991.”;

(2) in clause (ii)—

(A) by adding “and” at the end of subclause (II),

(B) by striking the comma at the end of subclause (III) and inserting a period, and

(C) by striking subclauses (IV) through (VII); and

(3) by adding at the end the following new clause:

“(iii) In the case of services of a certified registered nurse anesthetist who is medically directed by a physician and that are furnished on or after January 1, 1994, the fee schedule amount shall be one-half of the amount described in section 1848(a)(4)(B) with respect to the physician.”.

SEC. 5006. BASING PAYMENTS FOR ANESTHESIA SERVICES ON ACTUAL TIME.

(a) PHYSICIANS' SERVICES.—Section 1848(b)(2)(B) (42 U.S.C. 1395w-4(b)(2)(B)) is amended by adding at the end the following:

“For anesthesia services furnished on or after January 1, 1994, the Secretary may not modify the methodology in effect as of January 1, 1993, for determining the amount of time that may be billed for such services under this section.”.

(b) SERVICES OF CERTIFIED REGISTERED NURSE ANESTHETISTS.—Section 1833(1)(1)(B) (42 U.S.C. 1395l(1)(1)(B)) is amended by adding at the end the following: “For anesthesia services furnished on or after January 1, 1994, the Secretary may not modify the methodology in effect as of January 1, 1993, for determining the amount of time that may be billed for such services under this section.”.

SEC. 5007. SEPARATE PAYMENT FOR INTERPRETATION OF ELECTROCARDIOGRAMS.

(a) IN GENERAL.—Paragraph (3) of section 1848(b) (42 U.S.C. 1395w-4(b)) is amended to read as follows:

“(3) TREATMENT OF INTERPRETATION OF ELECTROCARDIOGRAMS.—The Secretary—

“(A) shall make separate payment under this section for the interpretation of electrocardiograms performed or ordered to be performed as part of or in conjunction with a visit to or a consultation with a physician, and

“(B) shall adjust the relative values established for visits and consultations under subsection (c) so as not to include relative value units for interpretations of electrocardiograms in the relative value for visits and consultations.”.

(b) ASSURING BUDGET NEUTRALITY.—Section 1848(c)(2) (42 U.S.C. 1395w-4(c)(2)), as amended by section 5004(a); is amended by adding at the end the following new subparagraph:

“(F) BUDGET NEUTRALITY ADJUSTMENTS.—The Secretary—

“(i) shall reduce the relative values for all services (other than anesthesia services) established under this paragraph (and, in the case of anesthesia services, the conversion factor established by the Secretary for such services) by such percentage as the Secretary determines to be necessary so that, beginning in 1996, the amendment made by section 5007(a) of the Omnibus Budget Reconciliation Act of 1993 would not result in expenditures under this section that exceed the amount of such expenditures that would have been made if such amendment had not been made, and

“(ii) shall reduce the amounts determined under subsection (a)(2)(B)(i)(I) by such percentage as the Secretary determines to be required to assure that, taking into account the reductions made under clause (i), the amendment made by section 5007(a) of the Omnibus Budget Reconciliation Act of 1993 would not result in expenditures under this section in 1994 that exceed the amount of such expenditures that would have been made if such amendment had not been made.”.

(c) CONFORMING AMENDMENTS.—Section 1848 (42 U.S.C. 1395w-4) is amended—

(1) in subsection (a)(2)(B)(ii)(I), by inserting “and as adjusted under subsection (c)(2)(F)(ii)” after “for 1994”;

(2) in subsection (c)(2)(A)(i), by adding at the end the following: “Such relative values are subject to adjustment under subparagraph (F)(i).”; and

(3) in subsection (i)(1)(B), by adding at the end “including adjustments under subsection (c)(2)(F).”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to services furnished on or after January 1, 1994.

SEC. 5008. PAYMENTS FOR NEW PHYSICIANS AND PRACTITIONERS.

(a) EQUAL TREATMENT OF NEW PHYSICIANS AND PRACTITIONERS.—(1) Section 1848(a) (42 U.S.C. 1395w-4(a)) is amended by striking paragraph (4).

(2) Section 1842(b)(4) (42 U.S.C. 1395u(b)(4)) is amended by striking subparagraph (F).

(b) BUDGET NEUTRALITY ADJUSTMENT.—Notwithstanding any other provision of law, the Secretary of Health and Human Services shall reduce the following values and amounts for 1994 (to be applied for that year and subsequent years) by such uniform percentage as the Secretary determines to be required to assure that the amendments made by subsection (a) will not result in expenditures under part B of title XVIII of the Social Security Act in 1994 that exceed the amount of such expenditures that would have been made if such amendments had not been made:

(1) The relative values established under section 1848(c) of such Act for services (other than anesthesia services) and, in the case of anesthesia services, the conversion factor established under section 1848 of such Act for such services.

(2) The amounts determined under section 1848(a)(2)(B)(i)(I) of such Act.

(3) The prevailing charges or fee schedule amounts to be applied under such part for services of a health care practitioner (as defined in section 1842(b)(4)(F)(i)(I) of such Act, as in effect before the date of the enactment of this Act).

(c) CONFORMING AMENDMENTS.—Section 1848 (42 U.S.C. 1395w-4), as amended by section 5007(c), is amended—

(1) in subsection (a)(2)(B)(i)(I), by inserting “and section 5008(b) of the Omnibus Budget Reconciliation Act of 1993” after “(c)(2)(F)(i)”;

(2) in subsection (c)(2)(A)(i), by inserting “and section 5008(b) of the Omnibus Budget Reconciliation Act of 1993” after “under subparagraph (F)(i)”;

(3) in subsection (1)(1)(B), by inserting “and section 5008(b) of the Omnibus Budget Reconciliation Act of 1993” after “under subsection (c)(2)(F)”.

(d) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to services furnished on or after January 1, 1994.

SEC. 5009. GEOGRAPHIC ADJUSTMENT FACTORS FOR MEDICARE PHYSICIANS' SERVICES.

(a) REQUIRING CONSULTATION WITH REPRESENTATIVES OF PHYSICIANS IN REVIEWING GEOGRAPHIC ADJUSTMENT FACTORS.—Section 1848(e)(1)(C) (42 U.S.C. 1395w-4(e)(1)(C)) is amended by striking “shall review” and inserting “shall, in consultation with appropriate representatives of physicians, review”.

(b) USE OF MOST RECENT DATA IN GEOGRAPHIC ADJUSTMENT.—Section 1848(e)(1) (42 U.S.C. 1395w-4(e)(1)) is amended by adding at the end the following new subparagraph:

“(D) USE OF RECENT DATA.—In establishing indices and index values under this paragraph, the Secretary shall use the most recent data available relating to practice expenses, malpractice expenses, and physician work effort in different fee schedule areas.”.

(c) DEADLINE FOR INITIAL REVIEW AND REVISION.—The Secretary of Health and Human Services shall first review and revise geographic adjustment factors under section 1848(e)(1)(C) of the Social Security Act by not later than January 1, 1995.

(d) REPORT ON REVIEW PROCESS.—Not later than 1 year after the date of the enactment of this Act, the Secretary of Health and Human Services shall study and report to the Committee on Finance of the Senate and the Committee on Ways and Means and the Committee on Energy and Commerce of the House of Representatives on—

(1) the data necessary to review and revise the indices established under section 1848(e)(1)(A) of the Social Security Act, including—

(A) the shares allocated to physicians' work effort, practice expenses (other than malpractice expenses), and malpractice expenses;

(B) the weights assigned to the input components of such shares; and

(C) the index values assigned to such components;

(2) any limitations on the availability of data necessary to review and revise such indices at least every three years;

(3) ways of addressing such limitations, with particular attention to the development of alternative data sources for input components for which current index values are based on data collected less frequently than every three years; and

(4) the costs of developing more accurate and timely data.

SEC. 5010. EXTRA-BILLING LIMITS.

(a) ENFORCEMENT AND UNIFORM APPLICATION.—

(1) ENFORCEMENT.—Paragraph (1) of section 1848(g) (42 U.S.C. 1395w-4(g)) is amended to read as follows:

“(1) LIMITATION ON ACTUAL CHARGES.—

“(A) IN GENERAL.—In the case of a nonparticipating physician or nonparticipating supplier or other person (as defined in section 1842(i)(2)) who does not accept payment on an assignment-related basis for a physician's service furnished with respect to an individual enrolled under this part, the following rules apply:

“(i) APPLICATION OF LIMITING CHARGE.—No person may bill or collect an actual charge for the service in excess of the limiting charge described in paragraph (2) for such service.

“(ii) NO LIABILITY FOR EXCESS CHARGES.—No person is liable for payment of any amounts billed for the service in excess of such limiting charge.

“(iii) CORRECTION OF EXCESS CHARGES.—If such a physician, supplier, or other person bills, but does not collect, an actual charge for a service in violation of clause (i), the physician, supplier, or other person shall reduce on a timely basis the actual charge billed for the service to an amount not to exceed the limiting charge for the service.

“(iv) REFUND OF EXCESS COLLECTIONS.—If such a physician, supplier, or other person collects an actual charge for a service in violation of clause (i), the physician, supplier, or other person shall provide on a timely basis a refund to the individual charged in the amount by which the amount collected exceeded the limiting charge for the service. The amount of such a refund shall be reduced to the extent the individual has an outstanding balance owed by the individual to the physician.

“(B) SANCTIONS.—If a physician, supplier, or other person—

“(i) knowingly and willfully bills or collects for services in violation of subparagraph (A)(i) on a repeated basis, or

“(ii) fails to comply with clause (iii) or (iv) of subparagraph (A) on a timely basis,

the Secretary may apply sanctions against the physician, supplier, or other person in accordance with paragraph (2) of section 1842(j). In applying this subparagraph, paragraph (4) of such section applies in the same manner as such paragraph applies to such section and any reference in such section to a physician is deemed also to include a reference to a supplier or other person under this subparagraph.

“(C) TIMELY BASIS.—For purposes of this paragraph, a correction of a bill for an excess charge or refund of an amount with respect to a violation of subparagraph (A)(i) in the case of a service is considered to be provided ‘on a timely basis’, if the reduction or refund is made not later than 90 days after the date the physician, supplier, or other person is notified by the carrier under this part of such violation and of the requirements of subparagraph (A).”.

(2) UNIFORM APPLICATION OF EXTRA-BILLING LIMITS TO PHYSICIANS' SERVICES.—

(A) IN GENERAL.—Section 1848(g)(2)(C) (42 U.S.C. 1395w-4(g)(2)(C)) is amended by inserting “or for nonparticipating suppliers or other persons” after “nonparticipating physicians”.

(B) CONFORMING DEFINITION.—Section 1842(i)(2) (42 U.S.C. 1395u(i)(2)) is amended—

(i) by striking “, and the term” and inserting “; the term”, and

(ii) by inserting before the period at the end the following: “; and the term ‘nonparticipating supplier or other person’ means a supplier or other person (excluding a pro-

vider of services) that is not a participating physician or supplier (as defined in subsection (h)(1))”.

(3) ADDITIONAL CONFORMING AMENDMENTS.—

Section 1848 (42 U.S.C. 1395w-4) is amended—

(A) in subsection (a)(3)—

(i) by inserting “AND SUPPLIERS” after “PHYSICIANS”.

(ii) by inserting “or a nonparticipating supplier or other person” after “nonparticipating physician”, and

(iii) by adding at the end the following: “In the case of physicians' services (including services which the Secretary excludes pursuant to subsection (j)(3)) of a nonparticipating physician, supplier, or other person for which payment is made under this part on a basis other than the fee schedule amount, the payment shall be based on 95 percent of the payment basis for such services furnished by a participating physician, supplier, or other person.”;

(B) in subsection (g)(1)(A), as amended by subsection (a), in the matter before clause (i), by inserting “(including services which the Secretary excludes pursuant to subsection (j)(3))” after “a physician's service”;

(C) in subsection (g)(2)(D), by inserting “(or, if payment under this part is made on a basis other than the fee schedule under this section, 95 percent of the other payment basis)” after “subsection (a)”;

(D) in subsection (g)(3)(B)—

(i) by inserting after the first sentence the following: “No person is liable for payment of any amounts billed for such a service in violation of the previous sentence.”, and

(ii) in the last sentence, by striking “previous sentence” and inserting “first sentence”;

(E) in subsection (h)—

(i) by inserting “or nonparticipating supplier or other person furnishing physicians' services (as defined in section 1848(j)(3))” after “physician” the first place it appears,

(ii) by inserting “, supplier, or other person” after “physician” the second place it appears, and

(iii) by inserting “, suppliers, and other persons” after “physicians” the second place it appears; and

(F) in subsection (j)(3), by inserting “, except for purposes of subsections (a)(3), (g), and (h)” after “tests and”.

(b) CLARIFICATION OF MANDATORY ASSIGNMENT RULES FOR CERTAIN PRACTITIONERS.—

(1) IN GENERAL.—Section 1842(b) (42 U.S.C. 1395u(b)), as amended by section 5014(e), is amended by adding at the end the following new paragraph:

“(18)(A) Payment for any service furnished by a practitioner described in subparagraph (C) and for which payment may be made under this part on a reasonable charge or fee schedule basis may only be made under this part on an assignment-related basis.

“(B) A practitioner described in subparagraph (C) or other person may not bill (or collect any amount from) the individual or another person for any service described in subparagraph (A), except for deductible and coinsurance amounts applicable under this part. No person is liable for payment of any amounts billed for such a service in violation of the previous sentence. If a practitioner or other person knowingly and willfully bills (or collects an amount) for such a service in violation of such sentence, the Secretary may apply sanctions against the practitioner or other person in the same manner as the Secretary may apply sanctions against a physician in accordance with section 1842(j)(2) in the same manner as such section applies with respect to a physician. Para-

graph (4) of section 1842(j) shall apply in this subparagraph in the same manner as such paragraph applies to such section.

"(C) A practitioner described in this subparagraph is any of the following:

"(i) A physician assistant, nurse practitioner, or clinical nurse specialist (as defined in section 1861(aa)(5)).

"(ii) A certified registered nurse anesthetist (as defined in section 1861(bb)(2)).

"(iii) A certified nurse-midwife (as defined in section 1861(gg)(2)).

"(iv) A clinical social worker (as defined in section 1861(hh)(1)).

"(v) A clinical psychologist (as defined by the Secretary for purposes of section 1861(ii)).

"(D) For purposes of this paragraph, a service furnished by a practitioner described in subparagraph (C) includes any services and supplies furnished as incident to the service as would otherwise be covered under this part if furnished by a physician or as incident to a physician's service."

(2) CONFORMING AMENDMENTS.—

(A) Section 1833 (42 U.S.C. 13951) is amended—

(i) in subsection (l)(5), by striking subparagraph (B) and redesignating subparagraph (C) as subparagraph (B);

(ii) by striking subsection (p); and

(iii) in subsection (r), by striking paragraph (3) and redesignating paragraph (4) as paragraph (3).

(B) Section 1842(b)(12) (42 U.S.C. 1395u(b)(12)) is amended by striking subparagraph (C).

(c) INFORMATION ON EXTRA-BILLING LIMITS.—

(1) PART OF EXPLANATION OF MEDICARE BENEFITS.—Section 1842(h)(7) (42 U.S.C. 1395u(h)(7)) is amended—

(A) by striking "and" at the end of subparagraph (B),

(B) in subparagraph (C), by striking "shall include",

(C) in subparagraph (C), by striking the period at the end and inserting ", and", and

(D) by adding at the end the following new subparagraph:

"(D) in the case of services for which the billed amount exceeds the limiting charge imposed under section 1848(g), information regarding such applicable limiting charge (including information concerning the right to a refund under section 1848(g)(1)(A)(iv))."

(2) DETERMINATIONS BY CARRIERS.—Subparagraph (G) of section 1842(b)(3) (42 U.S.C. 1395u(b)(3)) is amended to read as follows:

"(G) will, for a service that is furnished with respect to an individual enrolled under this part, that is not paid on an assignment-related basis, and that is subject to a limiting charge under section 1848(g)—

"(i) determine, prior to making payment, whether the amount billed for such service exceeds the limiting charge applicable under section 1848(g)(2);

"(ii) notify the physician, supplier, or other person periodically (but not less often than once every 30 days) of determinations that amounts billed exceeded such applicable limiting charges; and

"(iii) provide for prompt response to inquiries of physicians, suppliers, and other persons concerning the accuracy of such limiting charges for their services;"

(d) REPORT ON CHARGES IN EXCESS OF LIMITING CHARGE.—Section 1848(g)(6)(B) (42 U.S.C. 1395w-4(g)(6)(B)) is amended by inserting "the extent to which actual charges exceed limiting charges, the number and types of services involved, and the average amount of excess charges and" after "report to the Congress".

(e) MISCELLANEOUS AND TECHNICAL AMENDMENTS.—Section 1833 (42 U.S.C. 13951) is amended—

(1) in subsection (a)(1), as amended by section 5070(e)(2)—

(A) by striking "and" before "(O)", and

(B) by inserting before the semicolon at the end the following: ", and (P) with respect to services described in clauses (i), (ii) and (iv) of section 1861(s)(2)(K), the amounts paid are subject to the provisions of section 1842(b)(12)"; and

(2) in subsection (h)(5)(D)—

(A) by striking "paragraphs (2) and (3)" and by inserting "paragraph (2)", and

(B) by adding at the end the following: "Paragraph (4) of such section shall apply in this subparagraph in the same manner as such paragraph applies to such section."

(f) EFFECTIVE DATES.—

(1) ENFORCEMENT AND UNIFORM APPLICATION; MISCELLANEOUS AND TECHNICAL AMENDMENTS.—The amendments made by subsections (a) and (e) shall apply to services furnished on or after the date of the enactment of this Act; except that the amendments made by subsection (a) shall not apply to services of a nonparticipating supplier or other person furnished before January 1, 1994.

(2) PRACTITIONERS.—The amendments made by subsection (b) shall apply to services furnished on or after January 1, 1994.

(3) EOMBS.—The amendments made by subsection (c)(1) shall apply to explanations of benefits provided on or after January 1, 1994.

(4) CARRIER DETERMINATIONS.—The amendments made by subsection (c)(2) shall apply to contracts as of January 1, 1994.

(5) REPORT.—The amendment made by subsection (d) shall apply to reports for years beginning with 1994.

SEC. 5011. RELATIVE VALUES FOR PEDIATRIC SERVICES.

(a) IN GENERAL.—The Secretary of Health and Human Services shall fully develop, by not later than July 1, 1994, relative values for the full range of pediatric physicians' services which are consistent with the relative values developed for other physicians' services under section 1848(c) of the Social Security Act. In developing such values, the Secretary shall conduct such refinements as may be necessary to produce appropriate estimates for such relative values.

(b) STUDY.—

(1) IN GENERAL.—The Secretary shall conduct a study of the relative values for pediatric and other services to determine whether there are significant variations in the resources used in providing similar services to different populations. In conducting such study, the Secretary shall consult with appropriate organizations representing pediatricians and other physicians and physical and occupational therapists.

(2) REPORT.—Not later than July 1, 1994, the Secretary shall submit to Congress a report on the study conducted under paragraph (1). Such report shall include any appropriate recommendations regarding needed changes in coding or other payment policies to ensure that payments for pediatric services appropriately reflect the resources required to provide these services.

SEC. 5012. ANTIGENS UNDER PHYSICIAN FEE SCHEDULE.

(a) IN GENERAL.—Section 1848(j)(3) (42 U.S.C. 1395w-4(j)(3)) is amended by inserting "(2)(G)," after "(2)(D)."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to services furnished on or after January 1, 1994.

SEC. 5013. ADMINISTRATION OF CLAIMS RELATING TO PHYSICIANS' SERVICES.

(a) LIMITATION ON CARRIER USER FEES.—Section 1842(c) (42 U.S.C. 1395u(c)) is amended by adding at the end the following new paragraph:

"(4) Neither a carrier nor the Secretary may impose a fee under this title—

"(A) for the filing of claims related to physicians' services,

"(B) for an error in filing a claim relating to physicians' services or for such a claim which is denied,

"(C) for any appeal under this title with respect to physicians' services,

"(D) for applying for (or obtaining) a unique identifier under subsection (r), or

"(E) for responding to inquiries respecting physicians' services or for providing information with respect to medical review of such services."

(b) CLARIFICATION OF PERMISSIBLE SUBSTITUTE BILLING ARRANGEMENTS.—

(1) IN GENERAL.—Clause (D) of section 1842(b)(6) (42 U.S.C. 1395u(b)(6)) is amended to read as follows: "(D) payment may be made to a physician for physicians' services (and services furnished incident to such services) furnished by a second physician to patients of the first physician if (i) the first physician is unavailable to provide the services; (ii) the services are furnished pursuant to an arrangement between the two physicians that (I) is informal and reciprocal, or (II) involves per diem or other fee-for-time compensation for such services; (iii) the services are not provided by the second physician over a continuous period of more than 60 days; and (iv) the claim form submitted to the carrier for such services includes the second physician's unique identifier (provided under the system established under subsection (r)) and indicates that the claim meets the requirements of this clause for payment to the first physician"

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to services furnished on or after the first day of the first month beginning more than 60 days after the date of the enactment of this Act.

SEC. 5014. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) OVERVALUED PROCEDURES (SECTION 4101 OF OBRA-1990).—(1) Section 1842(b)(16)(B)(iii) (42 U.S.C. 1395u(b)(16)(B)(iii)) is amended—

(A) by striking ", simple and subcutaneous",

(B) by striking "; small" and inserting "and small",

(C) by striking "treatments;" the first place it appears and inserting "and",

(D) by striking "lobectomy";

(E) by striking "enterectomy; colectomy; cholecystectomy";

(F) by striking "; transurethral resection" and inserting "and resection", and

(G) by striking "sacral laminectomy";

(2) Section 4101(b)(2) of OBRA-1990 is amended—

(A) in the matter before subparagraph (A), by striking "1842(b)(16)" and inserting "1842(b)(16)(B)", and

(B) in subparagraph (B)—

(i) by striking ", simple and subcutaneous",

(ii) by striking "(HCPCS codes 19160 and 19162)" and inserting "(HCPCS code 19160)", and

(iii) by striking all that follows "(HCPCS codes 92250" and inserting "and 92260)".

(b) RADIOLOGY SERVICES (SECTION 4102 OF OBRA-1990).—(1) Section 1834(b)(4) (42 U.S.C. 1395m(b)(4)) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively.

(2) Section 1834(b)(4)(D) (42 U.S.C. 1395m(b)(4)(D)) is amended—

(A) in the matter before clause (i), by striking "shall be determined as follows:" and inserting "shall, subject to clause (vii), be reduced to the adjusted conversion factor for the locality determined as follows:"

(B) in clause (iv), by striking "LOCAL ADJUSTMENT.—Subject to clause (vii), the conversion factor to be applied to" and inserting "ADJUSTED CONVERSION FACTOR.—The adjusted conversion factor for"

(C) in clause (vii), by striking "under this subparagraph", and

(D) in clause (vii), by inserting "reduced under this subparagraph by" after "shall not be".

(3) Section 4102(c)(2) of OBRA-1990 is amended by striking "radiology services" and all that follows and inserting "nuclear medicine services."

(4) Section 4102(d) of OBRA-1990 is amended by striking "new paragraph" and inserting "new subparagraph".

(5) Section 1834(b)(4)(E) (42 U.S.C. 1395m(b)(4)(E)) is amended by inserting "RULE FOR CERTAIN SCANNING SERVICES.—" after "(E)".

(6) Section 1848(a)(2)(D)(iii) (42 U.S.C. 1395w-4(a)(2)(D)(iii)) is amended by striking "that are subject to section 6105(b) of the Omnibus Budget Reconciliation Act of 1989" and by striking "provided under such section" and inserting "provided under section 6105(b) of the Omnibus Budget Reconciliation Act of 1989".

(c) ANESTHESIA SERVICES (SECTION 4103 OF OBRA-1990).—(1) Section 4103(a) of OBRA-1990 is amended by striking "REDUCTION IN FEE SCHEDULE" and inserting "REDUCTION IN PREVAILING CHARGES".

(2) Section 1842(q)(1)(B) (42 U.S.C. 1395u(q)(1)(B)) is amended—

(A) in the matter before clause (i), by striking "shall be determined as follows:" and inserting "shall, subject to clause (iv), be reduced to the adjusted prevailing charge conversion factor for the locality determined as follows:", and

(B) in clause (iii), by striking "Subject to clause (iv), the prevailing charge conversion factor to be applied in" and inserting "The adjusted prevailing charge conversion factor for".

(d) ASSISTANTS AT SURGERY (SECTION 4107 OF OBRA-1990).—(1) Section 4107(c) of OBRA-1990 is amended by inserting "(a)(1)" after "subsection".

(2) Section 4107(a)(2) of OBRA-1990 is amended by adding at the end the following: "In applying section 1848(g)(2)(D) of the Social Security Act for services of an assistant-at-surgery furnished during 1991, the recognized payment amount shall not exceed the maximum amount specified under section 1848(i)(2)(A) of such Act (as applied under this paragraph in such year)."

(e) TECHNICAL COMPONENTS OF DIAGNOSTIC SERVICES (SECTION 4108 OF OBRA-1990).—Section 1842(b) (42 U.S.C. 1395u(b)) is amended by redesignating paragraph (18), as added by section 4108(a) of OBRA-1990, as paragraph (17) and, in such paragraph, by inserting "tests specified in paragraph (14)(C)(i)," after "diagnostic laboratory tests".

(f) STATEWIDE FEE SCHEDULES (SECTION 4117 OF OBRA-1990).—Section 4117 of OBRA-1990 is amended—

(1) in subsection (a)—
(A) by striking "(a) IN GENERAL.—", and
(B) by striking "if the" and all that follows through "1991,"; and

(2) by striking subsections (b), (c), and (d).
(g) STUDY OF AGGREGATION RULE FOR CLAIMS OF SIMILAR PHYSICIAN SERVICES (SEC-

TION 4113 OF OBRA-1990).—Section 4113 of OBRA-1990 is amended—

(1) by inserting "of the Social Security Act" after "1869(b)(2)"; and

(2) by striking "December 31, 1992" and inserting "December 31, 1993".

(h) OTHER MISCELLANEOUS AND TECHNICAL AMENDMENTS.—(1) The heading of section 1834(f) (42 U.S.C. 1395m(f)) is amended by striking "FISCAL YEAR".

(2)(A) Section 4105(b) of OBRA-1990 is amended—

(i) in paragraph (2), by striking "amendments" and inserting "amendment", and
(ii) in paragraph (3), by striking "amendments made by paragraphs (1) and (2)" and inserting "amendment made by paragraph (1)".

(B) Section 1848(f)(2)(C) (42 U.S.C. 1395w-4(f)(2)(C)) is amended by inserting "PERFORMANCE STANDARD RATES OF INCREASE FOR FISCAL YEAR 1991.—" after "(C)".

(C) Section 4105(d) of OBRA-1990 is amended by inserting "PUBLICATION OF PERFORMANCE STANDARD RATES.—" after "(d)".

(3) Section 1842(b)(4)(F) (42 U.S.C. 1395u(b)(4)(F)) is amended—

(A) in clause (i), by striking "prevailing charge" the first place it appears and inserting "customary charge"; and

(B) in clause (ii)(III), by striking "second, third, and fourth" and inserting "first, second, and third".

(4) Section 1842(b)(4)(F)(ii)(I) (42 U.S.C. 1395u(b)(4)(F)(ii)(I)) is amended by striking "respiratory therapist."

(5) Section 4106(c) of OBRA-1990 is amended by inserting "of the Social Security Act" after "1848(d)(1)(B)".

(6) Section 4114 of OBRA-1990 is amended by striking "patients" the second place it appears.

(7) Section 1848(e)(1)(C) (42 U.S.C. 1395w-4(e)(1)(C)) is amended by inserting "date of the" after "since the".

(8) Section 4118(f)(1)(D) of OBRA-1990 is amended by striking "is amended".

(9) Section 4118(f)(1)(N)(ii) of OBRA-1990 is amended by striking "subsection (f)(5)(A)" and inserting "subsection (f)(5)(A)".

(10) Section 1845(e) (42 U.S.C. 1395w-1(e)) is amended—

(A) by striking paragraph (2); and
(B) by redesignating paragraphs (3), (4), and (5) as paragraphs (2), (3), and (4).

(11) Section 4118(j)(2) of OBRA-1990 is amended by striking "In section" and inserting "Section".

(12)(A) Section 1848(i)(3) (42 U.S.C. 1395w-4(i)(3)) is amended by striking the space before the period at the end.

(B) Section 1834(a)(10)(B) (42 U.S.C. 1395m(a)(10)(B)) is amended by striking "as such provisions apply to physicians' services and physicians and a reasonable charge under section 1842(b)".

(i) OTHER CORRECTIONS.—(1) Effective on the date of the enactment of this Act, section 6102(d)(4) of OBRA-1989 is amended by striking all that follows the first sentence.

(2) Effective for payments for fiscal years beginning with fiscal year 1994, section 1842(c)(1) (42 U.S.C. 1395u(c)(1)) is amended—

(A) in subparagraph (A), by striking "(A) Any contract" and inserting "Any contract"; and

(B) by striking subparagraph (B).

(j) EFFECTIVE DATE.—Except as provided in subsection (i), the amendments made by this section and the provisions of this section shall take effect as if included in the enactment of OBRA-1990.

Subchapter B—Outpatient Hospital Services and Ambulatory Surgical Services

SEC. 5021. EXTENSION OF 10 PERCENT REDUCTION IN PAYMENTS FOR CAPITAL-RELATED COSTS OF OUTPATIENT HOSPITAL SERVICES.

Section 1861(v)(1)(S)(i)(I) (42 U.S.C. 1395x(v)(1)(S)(i)(I)) is amended by striking "fiscal year 1992, 1993, 1994, or 1995" and inserting "fiscal years 1992 through 1998".

SEC. 5022. EXTENSION OF CURRENT REDUCTION IN PAYMENTS FOR OTHER COSTS OF OUTPATIENT HOSPITAL SERVICES.

Section 1861(v)(1)(S)(ii)(II) (42 U.S.C. 1395x(v)(1)(S)(ii)(II)) is amended by striking "1991" and all that follows and inserting "1991 through 1998".

SEC. 5023. 1-YEAR FREEZE IN AMBULATORY SURGERY RATES.

The Secretary of Health and Human Services shall not provide for any update in the amounts of payment described in paragraphs (2)(A) and (2)(B) of section 1833(i)(2) of the Social Security Act that otherwise would occur in fiscal year 1994.

SEC. 5024. EYE OR EYE AND EAR HOSPITALS.

(a) IN GENERAL.—Section 1833(i) (42 U.S.C. 1395l(i)) is amended—

(1) in paragraph (3)(B)(ii)—
(A) by striking "the last sentence of this clause" and inserting "paragraph (4)", and
(B) by striking the last sentence; and
(2) by inserting after paragraph (3) the following new paragraph:

"(4)(A) In the case of a hospital that—
(i) makes application to the Secretary and demonstrates that it specializes in eye services or eye and ear services (as determined by the Secretary),
(ii) receives more than 30 percent of its total revenues from outpatient services, and
(iii) on October 1, 1987—
(I) was an eye specialty hospital or an eye and ear specialty hospital, or
(II) was operated as an eye or eye and ear unit (as defined in subparagraph (B)) of a general acute care hospital which, on the date of the application described in clause (i), operates less than 20 percent of the beds that the hospital operated on October 1, 1987, and has sold or otherwise disposed of a substantial portion of the hospital's other acute care operations,

the cost proportion and ASC proportion in effect under subclauses (I) and (II) of paragraph (3)(B)(ii) for cost reporting periods beginning in fiscal year 1988 shall remain in effect for cost reporting periods beginning on or after October 1, 1988, and before January 1, 1995.

"(B) For purposes of this subparagraph (A)(iii)(II), the term 'eye or eye and ear unit' means a physically separate or distinct unit containing separate surgical suites devoted solely to eye or eye and ear services."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to portions of cost reporting periods beginning on or after January 1, 1994.

SEC. 5025. EXTENSION OF CAP ON PAYMENTS FOR INTRAOCULAR LENSES.

(a) IN GENERAL.—Section 4151(c)(3) of OBRA-1990 is amended by striking "December 31, 1992" and inserting "December 31, 1994".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be effective as if included in the enactment of OBRA-1990.

SEC. 5026. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) PAYMENT AMOUNTS FOR SERVICES FURNISHED IN AMBULATORY SURGICAL CENTERS.—(1)(A) Section 1833(i)(2)(A)(i) (42 U.S.C. 1395l(i)(2)(A)(i)) is amended by striking the

comma at the end and inserting the following: “, as determined in accordance with a survey (based upon a representative sample of procedures and facilities) taken not later than January 1, 1995, and every 5 years thereafter, of the actual audited costs incurred by such centers in providing such services.”

(B) Section 1833(i)(2) (42 U.S.C. 1395i(i)(2)) is amended—

(i) in the second sentence of subparagraph (A) and the second sentence of subparagraph (B), by striking “and may be adjusted by the Secretary, when appropriate,”; and

(ii) by adding at the end the following new subparagraph:

“(C) Notwithstanding the second sentence of subparagraph (A) or the second sentence of subparagraph (B), if the Secretary has not updated amounts established under such subparagraphs with respect to facility services furnished during a fiscal year (beginning with fiscal year 1996), such amounts shall be increased by the percentage increase in the consumer price index for all urban consumers (U.S. city average) as estimated by the Secretary for the 12-month period ending with the midpoint of the fiscal year involved.”

(C) The second sentence of section 1833(i)(1) (42 U.S.C. 1395i(i)(1)) is amended by striking the period and inserting the following: “, in consultation with appropriate trade and professional organizations.”

(2) Section 4151(c)(3) of OBRA-1990 is amended by striking “for the insertion of an intraocular lens” and inserting “for an intraocular lens inserted”.

(b) ADJUSTMENTS TO PAYMENT AMOUNTS FOR NEW TECHNOLOGY INTRAOCULAR LENSES.—(1) Not later than 1 year after the date of the enactment of this Act, the Secretary of Health and Human Services (in this subsection referred to as the “Secretary”) shall develop and implement a process under which interested parties may request review by the Secretary of the appropriateness of the reimbursement amount provided under section 1833(i)(2)(A)(iii) of the Social Security Act with respect to a class of new technology intraocular lenses. For purposes of the preceding sentence, an intraocular lens may not be treated as a new technology lens unless it has been approved by the Food and Drug Administration.

(2) In determining whether to provide an adjustment of payment with respect to a particular lens under paragraph (1), the Secretary shall take into account whether use of the lens is likely to result in reduced risk of intraoperative or postoperative complication or trauma, accelerated postoperative recovery, reduced induced astigmatism, improved postoperative visual acuity, more stable postoperative vision, or other comparable clinical advantages.

(3) The Secretary shall publish notice in the Federal Register from time to time (but no less often than once each year) of a list of the requests that the Secretary has received for review under this subsection, and shall provide for a 30-day comment period on the lenses that are the subjects of the requests contained in such notice. The Secretary shall publish a notice of his determinations with respect to intraocular lenses listed in the notice within 90 days after the close of the comment period.

(4) Any adjustment of a payment amount (or payment limit) made under this subsection shall become effective not later than 30 days after the date on which the notice with respect to the adjustment is published under paragraph (3).

Subchapter C—Durable Medical Equipment SEC. 5031. REVISIONS TO PAYMENT RULES FOR DURABLE MEDICAL EQUIPMENT.

(a) BASING NATIONAL PAYMENT LIMITS ON MEDIAN OF LOCAL PAYMENT AMOUNTS.—

(1) INEXPENSIVE AND ROUTINELY PURCHASED ITEMS; ITEMS REQUIRING FREQUENT AND SUBSTANTIAL SERVICING.—(A) Paragraphs (2)(C)(i)(II) and (3)(C)(i)(II) of section 1834(a) (42 U.S.C. 1395m(a)) are each amended—

(i) by striking “1992” the first place it appears and inserting “1992, 1993, and 1994”; and

(ii) by striking “1992” the second place it appears and inserting “the year”.

(B) Paragraphs (2)(C)(ii) and (3)(C)(ii) of section 1834(a) (42 U.S.C. 1395m(a)) are each amended—

(i) by striking “and” at the end of subclause (I);

(ii) by redesignating subclause (II) as (IV); and

(iii) by inserting after subclause (I) the following new subclauses:

“(II) for 1992 and 1993, the amount determined under this clause for the preceding year increased by the covered item update for such subsequent year.

“(III) for 1994, the local payment amount determined under clause (i) for such item or device for that year, except that the national limited payment amount may not exceed 100 percent of the median of all local payment amounts determined under such clause for such item for that year and may not be less than 85 percent of the median of all local payment amounts determined under such clause for such item or device for that year, and”.

(2) MISCELLANEOUS DEVICES AND ITEMS.—Section 1834(a)(8) (42 U.S.C. 1395m(a)(8)) is amended—

(A) in subparagraph (A)(ii)(III), by striking “1992” and inserting “1992, 1993, and 1994”; and

(B) in subparagraph (B)—

(i) by striking “and” at the end of clause (i),

(ii) by redesignating clause (ii) as (iv), and

(iii) by inserting after clause (i) the following new clauses:

“(ii) for 1992 and 1993, the amount determined under this subparagraph for the preceding year increased by the covered item update for such subsequent year;

“(iii) for 1994, the local purchase price computed under subparagraph (A)(ii) for the item for the year, except that such national limited purchase price may not exceed 100 percent of the median of all local purchase prices computed for the item under such subparagraph for the year and may not be less than 85 percent of the median of all local purchase prices computed under such subparagraph for the item for the year; and”.

(3) OXYGEN AND OXYGEN EQUIPMENT.—Section 1834(a)(9) (42 U.S.C. 1395m(a)(9)) is amended—

(A) in subparagraph (A)(ii)(II), by striking “1991 and 1992” and inserting “1991, 1992, 1993, and 1994”; and

(B) in subparagraph (B)—

(i) by striking “and” at the end of clause (i),

(ii) by redesignating clause (ii) as (iv), and

(iii) by inserting after clause (i) the following new clauses:

“(ii) for 1992 and 1993, the amount determined under this subparagraph for the preceding year increased by the covered item update for such subsequent year;

“(iii) for 1994, the local monthly payment rate computed under subparagraph (A)(ii) for the item for the year, except that such national limited monthly payment rate may

not exceed 100 percent of the median of all local monthly payment rates computed for the item under such subparagraph for the year and may not be less than 85 percent of the median of all local monthly payment rates computed for the item under such subparagraph for the year; and”.

(b) PAYMENT FOR PROSTHETIC DEVICES AND ORTHOTICS AND PROSTHETICS.—

(1) IN GENERAL.—Section 1834(h)(2) (42 U.S.C. 1395m(h)(2)) is amended—

(A) in subparagraph (A)(ii)(II), by striking “1992 or 1993” and inserting “1992, 1993, or 1994”;

(B) in subparagraph (B)(ii), by striking “each subsequent year” and inserting “1993”;

(C) in subparagraph (C)(iv), by striking “regional purchase price computed under subparagraph (B)” and inserting “national limited purchase price computed under subparagraph (E)”;

(D) in subparagraph (D)(ii), by striking “a subsequent year” and inserting “1993”; and

(E) by adding at the end the following new subparagraph:

“(E) COMPUTATION OF NATIONAL LIMITED PURCHASE PRICE.—With respect to the furnishing of a particular item in a year, the Secretary shall compute a national limited purchase price—

“(i) for 1994, equal to the local purchase price computed under subparagraph (A)(ii)(II) for the item for the year, except that such national limited purchase price may not exceed 100 percent of the median of all local purchase prices for the item computed under such subparagraph for the year, and may not be less than 85 percent of the median of all local purchase prices for the item computed under such subparagraph for the year; and

“(ii) for each subsequent year, equal to the amount determined under this subparagraph for the preceding year increased by the applicable percentage increase for such subsequent year.”

(2) EXCEPTION FOR CERTAIN ITEMS.—Section 1834(h) (42 U.S.C. 1395m(h)), as amended by paragraph (1), is further amended—

(A) in paragraph (1)(B), by striking “subparagraph (C),” and inserting “subparagraphs (C) and (F),”;

(B) by adding at the end of paragraph (2) the following new subparagraph:

“(F) EXCEPTION FOR CERTAIN ITEMS.—Payment for ostomy supplies, tracheostomy supplies, and urologicals shall be made in accordance with subparagraphs (B) and (C) of section 1834(a)(2).”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to items furnished on or after January 1, 1994.

SEC. 5032. PAYMENT FOR PARENTERAL AND ENTERAL NUTRIENTS, SUPPLIES, AND EQUIPMENT DURING 1994.

In determining the amount of payment under part B of title XVIII of the Social Security Act during 1994, the charges determined to be reasonable with respect to parenteral and enteral nutrients, supplies, and equipment may not exceed the charges determined to be reasonable with respect to such nutrients, supplies, and equipment during 1993.

SEC. 5033. TREATMENT OF NEBULIZERS AND ASPIRATORS.

(a) IN GENERAL.—Section 1834(a)(3)(A) (42 U.S.C. 1395m(a)(3)(A)) is amended by striking “ventilators, aspirators, IPPB machines, and nebulizers” and inserting “ventilators and IPPB machines”.

(b) PAYMENT FOR ACCESSORIES RELATING TO NEBULIZERS AND ASPIRATORS.—Section 1834(a)(2)(A) (42 U.S.C. 1395m(a)) is amended—

(1) by striking "or" at the end of clause (i), and

(2) by adding "or" at the end of clause (ii), and

(3) by inserting after clause (ii) the following new clause:

"(iii) which is an accessory used in conjunction with a nebulizer or aspirator."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to items furnished on or after January 1, 1994.

SEC. 5034. CERTIFICATION OF SUPPLIERS.

(a) REQUIREMENTS.—

(1) IN GENERAL.—Section 1834 (42 U.S.C. 1395m) is amended by adding at the end the following new subsection:

"(i) REQUIREMENTS FOR SUPPLIERS OF MEDICAL EQUIPMENT AND SUPPLIES.—

"(I) ISSUANCE AND RENEWAL OF SUPPLIER NUMBER.—

"(A) PAYMENT.—Except as provided in subparagraph (C), no payment may be made under this part after October 1, 1994, for items furnished by a supplier of medical equipment and supplies unless such supplier obtains (and renews at such intervals as the Secretary may require) a supplier number.

"(B) STANDARDS FOR POSSESSING A SUPPLIER NUMBER.—A supplier may not obtain a supplier number unless—

"(i) for medical equipment and supplies furnished on or after October 1, 1994, and before January 1, 1996, the supplier meets standards prescribed by the Secretary; and

"(ii) for medical equipment and supplies furnished on or after January 1, 1996, the supplier meets revised standards prescribed by the Secretary (in consultation with representatives of suppliers of medical equipment and supplies, carriers, and consumers) that shall include requirements that the supplier—

"(I) comply with all applicable State and Federal licensure and regulatory requirements;

"(II) maintain a physical facility on an appropriate site;

"(III) have proof of appropriate liability insurance; and

"(IV) meet such other requirements as the Secretary may specify.

"(C) EXCEPTION FOR ITEMS FURNISHED AS INCIDENT TO A PHYSICIAN'S SERVICE.—Subparagraph (A) shall not apply with respect to medical equipment and supplies furnished as an incident to a physician's service.

"(D) PROHIBITION AGAINST MULTIPLE SUPPLIER NUMBERS.—The Secretary may not issue more than one supplier number to any supplier of medical equipment and supplies unless the issuance of more than one number is appropriate to identify subsidiary or regional entities under the supplier's ownership or control.

"(E) PROHIBITION AGAINST DELEGATION OF SUPPLIER DETERMINATIONS.—The Secretary may not delegate (other than by contract under section 1842) the responsibility to determine whether suppliers meet the standards necessary to obtain a supplier number.

"(2) CERTIFICATES OF MEDICAL NECESSITY.—

"(A) STANDARDIZED CERTIFICATES.—Not later than October 1, 1994, the Secretary shall, in consultation with carriers under this part, develop one or more standardized certificates of medical necessity (as defined in subparagraph (C)) for medical equipment and supplies for which the Secretary determines that such a certificate is necessary.

"(B) PROHIBITION AGAINST DISTRIBUTION BY SUPPLIERS OF CERTIFICATES OF MEDICAL NECESSITY.—

"(i) IN GENERAL.—Except as provided in clause (ii), a supplier of medical equipment and supplies may not distribute to physi-

cians or to individuals entitled to benefits under this part for commercial purposes any completed or partially completed certificates of medical necessity on or after October 1, 1994.

"(ii) EXCEPTION FOR CERTAIN BILLING INFORMATION.—Clause (i) shall not apply with respect to a certificate of medical necessity for any item that is not contained on the list of potentially overused items developed by the Secretary under subsection (a)(15)(A) to the extent that such certificate contains only information completed by the supplier of medical equipment and supplies identifying such supplier and the beneficiary to whom such medical equipment and supplies are furnished, a description of such medical equipment and supplies, any product code identifying such medical equipment and supplies, and any other administrative information (other than information relating to the beneficiary's medical condition) identified by the Secretary. In the event a supplier provides a certificate of medical necessity containing information permitted under this clause, such certificate shall also contain the fee schedule amount and the supplier's charge for the medical equipment or supplies being furnished prior to distribution of such certificate to the physician.

"(iii) PENALTY.—Any supplier of medical equipment and supplies who knowingly and willfully distributes a certificate of medical necessity in violation of clause (i) is subject to a civil money penalty in an amount not to exceed \$1,000 for each such certificate of medical necessity so distributed. The provisions of section 1128A (other than subsections (a) and (b)) shall apply to civil money penalties under this subparagraph in the same manner as they apply to a penalty or proceeding under section 1128A(a).

"(C) DEFINITION.—For purposes of this paragraph, the term 'certificate of medical necessity' means a form or other document containing information required by the Secretary to be submitted to show that a covered item is reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member.

"(3) COVERAGE AND REVIEW CRITERIA.—

"(A) DEVELOPMENT AND ESTABLISHMENT.—Not later than January 1, 1996, the Secretary, in consultation with representatives of suppliers of medical equipment and supplies, individuals enrolled under this part, and appropriate medical specialty societies, shall develop and establish uniform national coverage and utilization review criteria for 200 items of medical equipment and supplies selected in accordance with the standards described in subparagraph (B). The Secretary shall publish the criteria as part of the instructions provided to fiscal intermediaries and carriers under this part and no further publication, including publication in the Federal Register, shall be required.

"(B) STANDARDS FOR SELECTING ITEMS SUBJECT TO CRITERIA.—The Secretary may select an item for coverage under the criteria developed and established under subparagraph (A) if the Secretary finds that—

"(i) the item is frequently purchased or rented by beneficiaries;

"(ii) the item is frequently subject to a determination that such item is not medically necessary; or

"(iii) the coverage or utilization criteria applied to the item (as of the date of the enactment of this subsection) is not consistent among carriers.

"(C) ANNUAL REVIEW AND EXPANSION OF ITEMS SUBJECT TO CRITERIA.—The Secretary

shall annually review the coverage and utilization of items of medical equipment and supplies to determine whether items not included among the items selected under subparagraph (A) should be made subject to uniform national coverage and utilization review criteria, and, if appropriate, shall develop and apply such criteria to such additional items.

"(4) DEFINITION.—The term 'medical equipment and supplies' means—

"(A) durable medical equipment (as defined in section 1861(n));

"(B) prosthetic devices (as described in section 1861(s)(8));

"(C) orthotics and prosthetics (as described in section 1861(s)(9));

"(D) surgical dressings (as described in section 1861(s)(5));

"(E) such other items as the Secretary may determine; and

"(F) for purposes of paragraphs (1) and (3)—

"(i) home dialysis supplies and equipment (as described in section 1861(s)(2)(F)), and

"(ii) immunosuppressive drugs (as described in section 1861(s)(2)(J))."

(2) CONFORMING AMENDMENT.—Effective October 1, 1994, paragraph (16) of section 1834(a) (42 U.S.C. 1395m(a)) is repealed.

(b) REPORT ON EFFECT OF UNIFORM CRITERIA ON UTILIZATION OF ITEMS.—Not later than July 1, 1996, the Secretary shall submit a report to the Committee on Ways and Means and the Committee on Energy and Commerce of the House of Representatives and the Committee on Finance of the Senate analyzing the impact of the uniform criteria established under section 1834(i)(3)(A) of the Social Security Act (as added by subsection (a)) on the utilization of items of medical equipment and supplies by individuals enrolled under part B of the Medicare program.

(c) USE OF COVERED ITEMS BY DISABLED BENEFICIARIES.—

(1) IN GENERAL.—The Secretary of Health and Human Services, in consultation with representatives of suppliers of durable medical equipment under part B of the Medicare program and individuals entitled to benefits under such program on the basis of disability, shall conduct a study of the effects of the methodology for determining payments for items of such equipment under such part on the ability of such individuals to obtain items of such equipment, including customized items.

(2) REPORT.—Not later than one year after the date of the enactment of this Act, the Secretary shall submit a report to Congress on the study conducted under paragraph (1), and shall include in the report such recommendations as the Secretary considers appropriate to assure that disabled Medicare beneficiaries have access to items of durable medical equipment.

(d) CRITERIA FOR TREATMENT OF ITEMS AS PROSTHETIC DEVICES OR ORTHOTICS AND PROSTHETICS.—Not later than one year after the date of the enactment of this Act, the Secretary of Health and Human Services shall submit a report to the Committees on Ways and Means and Energy and Commerce of the House of Representatives and the Committee on Finance of the Senate describing prosthetic devices or orthotics and prosthetics covered under part B of the Medicare program that do not require individualized or custom fitting and adjustment to be used by a patient. Such report shall include recommendations for an appropriate methodology for determining the amount of payment for such items under such program.

SEC. 5035. PROHIBITION AGAINST CARRIER FORUM SHOPPING.

(a) IN GENERAL.—Section 1834(a)(12) (42 U.S.C. 1395m(a)(12)) is amended to read as follows:

“(12) USE OF CARRIERS TO PROCESS CLAIMS.—

“(A) DESIGNATION OF REGIONAL CARRIERS.—The Secretary may designate, by regulation under section 1842, one carrier for one or more entire regions to process all claims within the region for covered items under this section.

“(B) PROHIBITION AGAINST CARRIER SHOPPING.—(i) No supplier of a covered item may present or cause to be presented a claim for payment under this part unless such claim is presented to the appropriate regional carrier (as designated by the Secretary).

“(ii) For purposes of clause (i), the term ‘appropriate regional carrier’ means the carrier having jurisdiction over the geographic area that includes the permanent residence of the patient to whom the item is furnished.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to items furnished on or after October 1, 1993.

(c) CLARIFICATION OF AUTHORITY TO DESIGNATE CARRIERS FOR OTHER ITEMS AND SERVICES.—Nothing in this subsection or the amendment made by this subsection may be construed to restrict the authority of the Secretary of Health and Human Services to designate regional carriers or modify claims jurisdiction rules with respect to items or services under part B of the Medicare program that are not covered items under section 1834(a) of the Social Security Act or prosthetic devices or orthotics and prosthetics under section 1834(h) of such Act.

SEC. 5036. RESTRICTIONS ON CERTAIN MARKETING AND SALES ACTIVITIES.

(a) PROHIBITING UNSOLICITED TELEPHONE CONTACTS FROM SUPPLIERS OF DURABLE MEDICAL EQUIPMENT TO MEDICARE BENEFICIARIES.—

(1) IN GENERAL.—Section 1834(a) (42 U.S.C. 1395m(a)) is amended by adding at the end the following new paragraph:

“(17) PROHIBITION AGAINST UNSOLICITED TELEPHONE CONTACTS BY SUPPLIERS.—

“(A) IN GENERAL.—A supplier of a covered item under this subsection may not contact an individual enrolled under this part by telephone regarding the furnishing of a covered item to the individual (other than a covered item the supplier has already furnished to the individual) unless—

“(i) the individual gives permission to the supplier to make contact by telephone for such purpose; or

“(ii) the supplier has furnished a covered item under this subsection to the individual during the 15-month period preceding the date on which the supplier contacts the individual for such purpose.

“(B) PROHIBITING PAYMENT FOR ITEMS FURNISHED SUBSEQUENT TO UNSOLICITED CONTACTS.—If a supplier knowingly contacts an individual in violation of subparagraph (A), no payment may be made under this part for any item subsequently furnished to the individual by the supplier.

“(C) EXCLUSION FROM PROGRAM FOR SUPPLIERS ENGAGING IN PATTERN OF UNSOLICITED CONTACTS.—If a supplier knowingly contacts individuals in violation of subparagraph (A) to such an extent that the supplier’s conduct establishes a pattern of contacts in violation of such subparagraph, the Secretary shall exclude the supplier from participation in the programs under this Act, in accordance with the procedures set forth in subsections (c), (f), and (g) of section 1128.”

(2) REQUIRING REFUND OF AMOUNTS COLLECTED FOR DISALLOWED ITEMS.—Section 1834(a) (42 U.S.C. 1395m(a)), as amended by paragraph (1), is amended by adding at the end the following new paragraph:

“(18) REFUND OF AMOUNTS COLLECTED FOR CERTAIN DISALLOWED ITEMS.—

“(A) IN GENERAL.—If a nonparticipating supplier furnishes to an individual enrolled under this part a covered item for which no payment may be made under this part by reason of paragraph (17)(B), the supplier shall refund on a timely basis to the patient (and shall be liable to the patient for) any amounts collected from the patient for the item, unless—

“(i) the supplier establishes that the supplier did not know and could not reasonably have been expected to know that payment may not be made for the item by reason of paragraph (17)(B), or

“(ii) before the item was furnished, the patient was informed that payment under this part may not be made for that item and the patient has agreed to pay for that item.

“(B) SANCTIONS.—If a supplier knowingly and willfully fails to make refunds in violation of subparagraph (A), the Secretary may apply sanctions against the supplier in accordance with section 1842(j)(2).

“(C) NOTICE.—Each carrier with a contract in effect under this part with respect to suppliers of covered items shall send any notice of denial of payment for covered items by reason of paragraph (17)(B) and for which payment is not requested on an assignment-related basis to the supplier and the patient involved.

“(D) TIMELY BASIS DEFINED.—A refund under subparagraph (A) is considered to be on a timely basis only if—

“(i) in the case of a supplier who does not request reconsideration or seek appeal on a timely basis, the refund is made within 30 days after the date the supplier receives a denial notice under subparagraph (C), or

“(ii) in the case in which such a reconsideration or appeal is taken, the refund is made within 15 days after the date the supplier receives notice of an adverse determination on reconsideration or appeal.”

(b) CONFORMING AMENDMENT.—Section 1834(h)(3) (42 U.S.C. 1395m(h)(3)) is amended by striking “Paragraph (12)” and inserting “Paragraphs (12) and (17)”.

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to items furnished after the expiration of the 60-day period that begins on the date of the enactment of this Act.

SEC. 5037. KICKBACK CLARIFICATION.

(a) IN GENERAL.—Section 1128B(b)(3)(B) (42 U.S.C. 1320a-7b(b)(3)(B)) is amended by inserting before the semicolon the following:

“(except that in the case of a contract supply arrangement between any entity and a supplier of medical supplies and equipment (as defined in section 1834(i)(4), but not including items described in subparagraph (F) of such section), such employment shall not be considered bona fide to the extent that it includes tasks of a clerical and cataloging nature in transmitting to suppliers assignment rights of individuals eligible for benefits under part B of title XVIII, or performance of warehousing or stock inventory functions”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to services furnished on or after the first day of the first month that begins after the expiration of the 60-day period beginning on the date of the enactment of this Act.

SEC. 5038. BENEFICIARY LIABILITY FOR NONCOVERED SERVICES.

(a) UNASSIGNED CLAIMS.—

(1) IN GENERAL.—Section 1834(i) (42 U.S.C. 1395m(i)), as added by section 5034(a)(1), is amended—

(A) by redesignating paragraph (4) as paragraph (5), and

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

“(4) LIMITATION ON PATIENT LIABILITY.—If a supplier of medical equipment and supplies (as defined in paragraph (5))—

“(A) furnishes an item or service to a beneficiary for which no payment may be made by reason of paragraph (1);

“(B) furnishes an item or service to a beneficiary for which payment is denied in advance under subsection (a)(15); or

“(C) furnishes an item or service to a beneficiary for which payment is denied under section 1862(a)(1);

any expenses incurred for items and services furnished to an individual by such a supplier not on an assigned basis shall be the responsibility of such supplier. The individual shall have no financial responsibility for such expenses and the supplier shall refund on a timely basis to the individual (and shall be liable to the individual for) any amounts collected from the individual for such items or services. The provisions of subsection (a)(18) shall apply to refunds required under the previous sentence in the same manner as such provisions apply to refunds under such subsection.”

(2) CONFORMING AMENDMENT.—Section 1128B(b)(3)(B) (42 U.S.C. 1320a-7b(b)(3)(B)), as amended by section 5037(a), is amended by striking “1834(i)(4)” and inserting “1834(i)(5)”.

(b) ASSIGNED CLAIMS.—Section 1879 (42 U.S.C. 1395pp) is amended by adding at the end the following new subsection:

“(h) If a supplier of medical equipment and supplies (as defined in section 1834(i)(4))—

“(1) furnishes an item or service to a beneficiary for which no payment may be made by reason of section 1834(i)(1); or

“(2) furnishes an item or service to a beneficiary for which payment is denied in advance under section 1834(a)(15);

any expenses incurred for items and services furnished to an individual by such a supplier on an assignment-related basis shall be the responsibility of such supplier. The individual shall have no financial responsibility for such expenses and the supplier shall refund on a timely basis to the individual (and shall be liable to the individual for) any amounts collected from the individual for such items or services. The provisions of section 1834(a)(18) shall apply to refunds required under the previous sentence in the same manner as such provisions apply to refunds under such section.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to items or services furnished on or after October 1, 1994.

SEC. 5039. ADJUSTMENTS FOR INHERENT REASONABLENESS.

(a) ADJUSTMENTS MADE TO FINAL PAYMENT AMOUNTS.—

(1) IN GENERAL.—Section 1834(a)(10)(B) (42 U.S.C. 1395m(a)(10)(B)) is amended by adding at the end the following: “In applying such provisions to payments for an item under this subsection, the Secretary shall make adjustments to the payment basis for the item described in paragraph (1)(B) if the Secretary determines (in accordance with such provisions and on the basis of prices and costs applicable at the time the item is furnished) that such payment basis is not inherently reasonable.”

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect on the date of the enactment of this Act.

(b) ADJUSTMENT REQUIRED FOR CERTAIN ITEMS.—

(1) IN GENERAL.—In accordance with section 1834(a)(10)(B) of the Social Security Act (as amended by subsection (a)), the Secretary of Health and Human Services shall determine whether the payment amounts for the items described in paragraph (2) are not inherently reasonable, and shall adjust such amounts in accordance with such section if the amounts are not inherently reasonable.

(2) ITEMS DESCRIBED.—The items referred to in paragraph (1) are decubitus care equipment, transcutaneous electrical nerve stimulators, and any other items considered appropriate by the Secretary.

SEC. 5040. PAYMENT FOR SURGICAL DRESSINGS.

(a) IN GENERAL.—Section 1834 (42 U.S.C. 1395m), as amended by section 5034(a)(1), is amended by adding at the end the following new subsection:

“(j) PAYMENT FOR SURGICAL DRESSINGS.—

“(1) IN GENERAL.—Payment under this subsection for surgical dressings (described in section 1861(s)(5)) shall be made in a lump sum amount for the purchase of the item in an amount equal to 80 percent of the lesser of—

“(A) the actual charge for the item; or

“(B) a payment amount determined in accordance with the methodology described in subparagraphs (B) and (C) of subsection (a)(2) (except that in applying such methodology, the national limited payment amount referred to in such subparagraphs shall be initially computed based on local payment amounts using average reasonable charges for the 12-month period ending December 31, 1992, increased by the covered item updates described in such subsection for 1993 and 1994)

(2) EXCEPTIONS.—Paragraph (1) shall not apply to surgical dressings that are—

“(A) furnished as an incident to a physician's professional service; or

“(B) furnished by a home health agency.”.

(b) CONFORMING AMENDMENT.—Section 1833(a)(1) (42 U.S.C. 1395l(a)(1)), as amended by sections 5070(e)(2) and 5010(e)(1), is amended—

(1) by striking “and” before “(P)”, and

(2) by inserting before the semicolon at the end the following: “, and (Q) with respect to surgical dressings, the amounts paid shall be the amounts determined under section 1834(j)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to items furnished on or after January 1, 1994.

SEC. 5041. PAYMENTS FOR TENS DEVICES.

(a) IN GENERAL.—Section 1834(a)(1)(D) (42 U.S.C. 1395m(a)(1)(D)) is amended by striking “15 percent” the second place it appears and inserting “45 percent”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to items furnished on or after January 1, 1994.

SEC. 5042. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) UPDATES TO PAYMENT AMOUNTS.—Subparagraph (A) of section 1834(a)(14) (42 U.S.C. 1395m(a)(14)) is amended to read as follows:

“(A) for 1991 and 1992, the percentage increase in the consumer price index for all urban consumers (U.S. city average) for the 12-month period ending with June of the previous year reduced by 1 percentage point; and”.

(b) TREATMENT OF POTENTIALLY OVERUSED ITEMS AND ADVANCED DETERMINATIONS OF COVERAGE.—(1) Effective on the date of the

enactment of this Act, section 1834(a)(15) (42 U.S.C. 1395m(a)(15)) is amended to read as follows:

“(15) SPECIAL TREATMENT FOR POTENTIALLY OVERUSED ITEMS.—

“(A) DEVELOPMENT OF LIST OF ITEMS BY SECRETARY.—The Secretary shall develop and periodically update a list of items for which payment may be made under this subsection that are potentially overused, and shall include in such list seat-lift mechanisms, transcutaneous electrical nerve stimulators, motorized scooters, decubitus care mattresses, and any such other item determined by the Secretary to be potentially overused on the basis of any of the following criteria—

“(i) the item is marketed directly to potential patients;

“(ii) the item is marketed with an offer to potential patients to waive the costs of coinsurance associated with the item or is marketed as being available at no cost to policyholders of a medicare supplemental policy (as defined in section 1882(g)(1));

“(iii) the item has been subject to a consistent pattern of overutilization; or

“(iv) a high proportion of claims for payment for such item under this part may not be made because of the application of section 1862(a)(1).

“(B) ITEMS SUBJECT TO SPECIAL CARRIER SCRUTINY.—Payment may not be made under this part for any item contained in the list developed by the Secretary under subparagraph (A) unless the carrier has subjected the claim for payment for the item to special scrutiny or has followed the procedures described in paragraph (11)(C) with respect to the item.”.

(2) Effective January 1, 1994, section 1834(a)(11) (42 U.S.C. 1395m(a)) is amended by adding at the end the following new subparagraph:

“(C) CARRIER DETERMINATIONS FOR CERTAIN ITEMS IN ADVANCE.—A carrier shall determine in advance whether payment for an item may not be made under this subsection because of the application of section 1862(a)(1) if—

“(i) the item is a customized item (other than inexpensive items specified by the Secretary); or

“(ii) the item is a specified covered item under subparagraph (B).”.

(3) Effective for standards applied for contract years beginning after the date of the enactment of this Act, section 1842(c) (42 U.S.C. 1395u(c)), as amended by section 5013(a), is amended by adding at the end the following new paragraph:

“(5) Each contract under this section which provides for the disbursement of funds, as described in subsection (a)(1)(B), shall require the carrier to meet criteria developed by the Secretary to measure the timeliness of carrier responses to requests for payment of items described in section 1834(a)(11)(C).”.

(4) Section 1834(h)(3) (42 U.S.C. 1395m(h)(3)) is amended by striking “paragraph (10) and paragraph (11)” and inserting “paragraphs (10) and (11)”.

(c) STUDY OF VARIATIONS IN DURABLE MEDICAL EQUIPMENT SUPPLIER COSTS.—

(1) COLLECTION AND ANALYSIS OF SUPPLIER COST DATA.—The Administrator of the Health Care Financing Administration shall, in consultation with appropriate organizations, collect data on supplier costs of durable medical equipment for which payment may be made under part B of the medicare program, and shall analyze such data to determine the proportions of such costs attrib-

utable to the service and product components of furnishing such equipment and the extent to which such proportions vary by type of equipment and by the geographic region in which the supplier is located.

(2) DEVELOPMENT OF GEOGRAPHIC ADJUSTMENT INDEX; REPORTS.—Not later than January 1, 1995—

(A) the Administrator shall submit a report to the Committees on Energy and Commerce and Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the data collected and the analysis conducted under paragraph (1), and shall include in such report the Administrator's recommendations for a geographic cost adjustment index for suppliers of durable medical equipment under the medicare program and an analysis of the impact of such proposed index on payments under the medicare program; and

(B) the Comptroller General shall submit a report to the Committees on Energy and Commerce and Ways and Means of the House of Representatives and the Committee on Finance of the Senate analyzing on a geographic basis the supplier costs of durable medical equipment under the medicare program.

(d) OXYGEN RETESTING.—Section 1834(a)(5)(E) (42 U.S.C. 1395m(a)(5)(E)) is amended by striking “55” and inserting “56”.

(e) OTHER MISCELLANEOUS AND TECHNICAL AMENDMENTS.—(1) Section 4152(a)(3) of OBRA-1990 is amended by striking “amendment made by subsection (a)” and inserting “amendments made by this subsection”.

(2) Section 4152(c)(2) of OBRA-1990 is amended by striking “1395m(a)(7)(A)” and inserting “1395m(a)(7)”.

(3) Section 1834(a)(7)(A)(iii)(II) (42 U.S.C. 1395m(a)(7)(A)(iii)(II)) is amended by striking “clause (v)” and inserting “clause (vi)”.

(4) Section 1834(a)(7)(C)(i) (42 U.S.C. 1395m(a)(7)(C)(i)) is amended by striking “or paragraph (3)”.

(5) Section 1834(a)(3) (42 U.S.C. 1395m(a)(3)) is amended by striking subparagraph (D).

(6) Section 4153(c)(1) of OBRA-1990 is amended by striking “1834(a)” and inserting “1834(h)”.

(7) Section 4153(d)(2) of OBRA-1990 is amended by striking “Reconciliation” and inserting “Reconciliation”.

(8)(A) Section 1834(a) (42 U.S.C. 1395m(a)) is amended by striking paragraph (6).

(B) Section 1834(a) (42 U.S.C. 1395m(a)) is amended—

(i) in subparagraphs (A) and (B) of paragraph (1), by striking “(2) through (7)” each place it appears and inserting “(2) through (5) and (7)”;

(ii) in paragraph (7), by striking “(2) through (6)” and inserting “(2) through (5)”;

(iii) in paragraph (8), by striking “paragraphs (6) and (7)” each place it appears in the matter preceding subparagraph (A) and in subparagraph (C) and inserting “paragraph (7)”;

(iv) in paragraph (8)(A)(i), by striking “described—” and all that follows and inserting “described in paragraph (7) equal to the average of the purchase prices on the claims submitted on an assignment-related basis for the unused item supplied during the 6-month period ending with December 1986.”.

(9) The amendments made by this subsection shall take effect as if included in the enactment of OBRA-1990.

Subchapter D—Part B Premium

SEC. 5051. PART B PREMIUM.

Section 1839(e) (42 U.S.C. 1395r(e)) is amended—

(1) in paragraph (1)(A), by inserting "and for each month in 1996 and 1997" after "January 1991", and

(2) in paragraph (2), by striking "1991" and inserting "1998".

Subchapter E—Other Provisions

SEC. 5061. PAYMENTS FOR CLINICAL DIAGNOSTIC LABORATORY TESTS.

(a) LOWER CAP.—Section 1833(h)(4)(B) (42 U.S.C. 1395l(h)(4)(B)) is amended—

(1) by striking "and" at the end of clause (iii),

(2) in clause (iv), by inserting "and before January 1, 1994," after "1990,".

(3) by striking the period at the end of clause (iv) and inserting "and", and

(4) by adding at the end the following:

"(v) after December 31, 1993, is equal to 76 percent of the median of all the fee schedules established for that test for that laboratory setting under paragraph (1)."

(b) TWO PERCENT UPDATE FOR 1994 THROUGH 1998.—Section 1833(h)(2)(A)(i)(III) (42 U.S.C. 1395l(h)(2)(A)(i)(III)) is amended by striking "1991, 1992, and 1993" and inserting "1991 through 1998".

SEC. 5062. TREATMENT OF INPATIENTS AND PROVISION OF DIAGNOSTIC AND THERAPEUTIC X-RAY SERVICES BY RURAL HEALTH CLINICS AND FEDERALLY QUALIFIED HEALTH CENTERS.

(a) TREATMENT OF INPATIENTS.—Section 1861(aa) (42 U.S.C. 1395x(aa)) is amended—

(1) in paragraph (1), in the matter following subparagraph (C), by striking "as an outpatient" and inserting "as a patient";

(2) in paragraph (2)(A), by striking "furnishing to outpatients" and inserting "furnishing to patients"; and

(3) in paragraph (3), in the matter following subparagraph (B), by striking "as an outpatient" and inserting "as a patient".

(b) TREATMENT OF DIAGNOSTIC AND THERAPEUTIC X-RAY SERVICES.—Section 1861(aa) (42 U.S.C. 1395x(aa)) is further amended—

(1) in paragraph (1)(A), by inserting "(i)" after "(A)" and by adding at the end the following: "and (ii) diagnostic and therapeutic x-ray services," and

(2) in paragraph (2)(A), by striking "(A)" and inserting "(A)(i)".

(c) CONFORMING AMENDMENT.—Section 1862(a)(14) (42 U.S.C. 1395y(a)(14)) is amended by striking "and services of a certified registered nurse anesthetist" and inserting "services of a certified registered nurse anesthetist, rural health clinic services, and Federally-qualified health center services".

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1994, and shall apply to services furnished on or after such date.

SEC. 5063. APPLICATION OF MAMMOGRAPHY CERTIFICATION REQUIREMENTS.

(a) SCREENING MAMMOGRAPHY.—Section 1834(c) (42 U.S.C. 1395m(c)) is amended—

(1) in paragraph (1)(B), by striking "meets the quality standards established under paragraph (3)" and inserting "is conducted by a facility that has a certificate (or provisional certificate) issued under section 354 of the Public Health Service Act";

(2) in paragraph (1)(C)(iii), by striking "paragraph (4)" and inserting "paragraph (3)";

(3) by striking paragraph (3); and

(4) by redesignating paragraphs (4) and (5) as paragraphs (3) and (4).

(b) DIAGNOSTIC MAMMOGRAPHY.—Section 1861(s)(3) (42 U.S.C. 1395x(s)(3)) is amended by inserting "and including diagnostic mammography if conducted by a facility that has a certificate (or provisional certificate) issued under section 354 of the Public Health Service Act" after "necessary".

(c) CONFORMING AMENDMENTS.—(1) Section 1862(a)(1)(F) (42 U.S.C. 1395y(a)(1)(F)) is amended by striking "or which does not meet the standards established under section 1834(c)(3)" and inserting "or which is not conducted by a facility described in section 1834(c)(1)(B)".

(2) Section 1863 (42 U.S.C. 1395z) is amended by striking "or whether screening mammography meets the standards established under section 1834(c)(3)."

(3) The first sentence of section 1864(a) (42 U.S.C. 1395aa(a)) is amended by striking "or whether screening mammography meets the standards established under section 1834(c)(3)."

(4) The third sentence of section 1865(a) (42 U.S.C. 1395bb(a)) is amended by striking "1834(c)(3)."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to mammography furnished by a facility on and after the first date that the certificate requirements of section 354(b) of the Public Health Service Act apply to such mammography conducted by such facility.

SEC. 5064. EXTENSION OF ALZHEIMER'S DISEASE DEMONSTRATION.

Section 9342 of OBRA-1986, as amended by section 4164(a)(2) of OBRA-1990, is amended—

(1) in subsection (c)(1), by striking "4 years" and inserting "5 years"; and

(2) in subsection (f)—

(A) by striking "\$55,000,000" and inserting "\$60,000,000", and

(B) by striking "\$3,000,000" and inserting "\$5,000,000".

SEC. 5065. ORAL CANCER DRUGS.

(a) COVERAGE OF CERTAIN SELF-ADMINISTERED ANTICANCER DRUGS.—Section 1861(s)(2) (42 U.S.C. 1395(s)(2)), as amended by section 5070(f)(7)(B), is amended—

(1) by striking "and" at the end of subparagraph (N);

(2) by adding "and" at the end of subparagraph (O); and

(3) by adding at the end the following new subparagraph:

"(P) an oral drug (which is approved by the Federal Food and Drug Administration) prescribed for use as an anticancer chemotherapeutic agent for a given indication, and containing an active ingredient (or ingredients), which is the same indication and active ingredient (or ingredients) as a drug which the carrier determines would be covered pursuant to subparagraph (A) or (B) if the drug could not be self-administered;"

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to items furnished on or after January 1, 1994.

SEC. 5066. EXTENSION OF MUNICIPAL HEALTH SERVICE DEMONSTRATION PROJECTS.

Section 9215 of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended by section 6135 of OBRA-1989, is amended—

(1) by striking "December 31, 1993" and inserting "December 31, 1997", and

(2) in the second sentence, by inserting after "beneficiary costs," the following: "costs to the medicaid program and other payors, access to care, outcomes, beneficiary satisfaction, utilization differences among the different populations served by the projects,".

SEC. 5067. TREATMENT OF CERTAIN INDIAN HEALTH PROGRAMS AND FACILITIES AS FEDERALLY-QUALIFIED HEALTH CENTERS.

(a) IN GENERAL.—Section 1861(aa)(4) (42 U.S.C. 1395x(aa)(4)) is amended—

(1) by striking "or" at the end of subparagraph (B);

(2) by striking the period at the end of subparagraph (C) and inserting "; or"; and

(3) by adding at the end the following new subparagraph:

"(D) is an outpatient health program or facility operated by a tribe or tribal organization under the Indian Self-Determination Act or by an urban Indian organization receiving funds under title V of the Indian Health Care Improvement Act."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect as if included in the enactment of section 4161(a)(2)(C) of OBRA-1990.

SEC. 5068. INTEREST PAYMENTS.

(a) IN GENERAL.—Section 1842(c)(2)(B)(i)(IV) of the Social Security Act shall be applied with respect to paper claims received in the 9-month period beginning January 1, 1993, by substituting "27 calendar days" for "24 calendar days" and "17 calendar days".

(b) PROHIBITING PAYMENT OF INTEREST DURING MANDATORY PAYMENT DELAY PERIOD.—Section 1842(c)(2)(C) (42 U.S.C. 1395u(c)(2)(C)) is amended by adding at the end the following: "Notwithstanding any other provision of law, no interest may be paid with respect to a claim pursuant to the preceding sentence within any period following the submission of the claim during which no payment may be issued, mailed, or otherwise transmitted with respect to the claim."

SEC. 5069. CLARIFICATION OF COVERAGE OF CERTIFIED NURSE-MIDWIFE SERVICES PERFORMED OUTSIDE THE MATERNITY CYCLE.

(a) IN GENERAL.—Section 1861(gg)(2) (42 U.S.C. 1395x(gg)(2)) is amended by striking "and performs services" and all that follows and inserting a period.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to services furnished on or after January 1, 1994.

SEC. 5069A. INCREASE IN, AND STUDY OF, ANNUAL CAP ON AMOUNT OF MEDICARE PAYMENT FOR OUTPATIENT PHYSICAL THERAPY AND OCCUPATIONAL THERAPY SERVICES.

(a) INCREASE IN ANNUAL LIMITATION.—Section 1833(g) (42 U.S.C. 1395l(g)) is amended by striking "\$750" and inserting "\$900" each place it appears.

(b) STUDY.—(1) The Physician Payment Review Commission shall conduct a study of the appropriateness of continuing an annual limitation on the amount of payment for outpatient services of independently practicing physical and occupational therapists under the medicare program.

(2) By not later than January 1, 1995, the Commission shall submit to the Committees on Energy and Commerce and Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report on the study conducted under paragraph (1). Such report shall include such recommendations for changes in such annual limitation as the Commission finds appropriate.

(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to services furnished on or after January 1, 1994.

SEC. 5070. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) REVISION OF INFORMATION ON PART B CLAIMS FORMS.—Section 1833(q)(1) (42 U.S.C. 1395l(q)(1)) is amended—

(1) by striking "provider number" and inserting "unique physician identification number"; and

(2) by striking "and indicate whether or not the referring physician is an interested investor (within the meaning of section 1877(h)(5))".

(b) CONSULTATION FOR SOCIAL WORKERS.—Effective with respect to services furnished on or after January 1, 1991, section 6113(c) of OBRA-1989 is amended—

(1) by inserting "and clinical social worker services" after "psychologist services"; and
(2) by striking "psychologist" the second and third place it appears and inserting "psychologist or clinical social worker".

(c) REPORTS ON HOSPITAL OUTPATIENT PAYMENT.—(1) OBRA-1989 is amended by striking section 6137.

(2) Section 1135(d) (42 U.S.C. 1320b-5(d)) is amended—

(A) by striking paragraph (6); and
(B) in paragraph (7)—

(i) by striking "systems" each place it appears and inserting "system"; and
(ii) by striking "paragraphs (1) and (6)" and inserting "paragraph (1)".

(d) RADIOLOGY AND DIAGNOSTIC SERVICES PROVIDED IN HOSPITAL OUTPATIENT DEPARTMENTS.—(1) Effective as if included in the enactment of OBRA-1989, section 1833(n)(1)(B)(i)(II) (42 U.S.C. 1395l(n)(1)(B)(i)(II)) is amended—

(A) by inserting "and for services described in subsection (a)(2)(E)(ii) furnished on or after January 1, 1992" after "1989"; and

(B) by striking "1842(b)" and inserting "1842(b) (or, in the case of services furnished on or after January 1, 1992, under section 1848)".

(2) Effective as if included in the enactment of OBRA-1989, section 1833(n)(1)(B)(i)(II) (42 U.S.C. 1395l(n)(1)(B)(i)(II)) is amended by striking "January 1," and inserting "April 1,".

(e) PAYMENTS TO NURSE PRACTITIONERS IN RURAL AREAS (SECTION 4155 OF OBRA-1990).—(1) Section 1861(s)(2)(K)(iii) (42 U.S.C. 1395x(s)(2)(K)(iii)) is amended—

(A) by striking "subsection (aa)(3)" and inserting "subsection (aa)(5)"; and

(B) by striking "subsection (aa)(4)" and inserting "subsection (aa)(6)".

(2) Section 1833(a)(1) (42 U.S.C. 1395l(a)(1)) is amended—

(A) by striking "and" before "(N)"; and
(B) with respect to the matter inserted by section 4155(b)(2)(B) of OBRA-1990—

(i) by striking "(M)" and inserting " , and (O) , and

(ii) by transferring and inserting it (as amended) immediately before the semicolon at the end.

(3) Section 1833(r)(1) (42 U.S.C. 1395l(r)(1)) is amended—

(A) by striking "ambulatory" each place it appears and inserting "or ambulatory"; and

(B) by striking "center," and inserting "center".

(4) Section 1833(r)(2)(A) (42 U.S.C. 1395l(r)(2)(A)) is amended by striking "subsection (a)(1)(M)" and inserting "subsection (a)(1)(O)".

(5) Section 1861(b)(4) (42 U.S.C. 1395x(b)(4)) is amended by striking "subsection (s)(2)(K)(i)" and inserting "clauses (i) or (iii) of subsection (s)(2)(K)".

(6) Section 1861(aa)(5) (42 U.S.C. 1395x(aa)(5)) is amended by striking "this Act" and inserting "this title".

(7) Section 1862(a)(14) (42 U.S.C. 1395y(a)(14)) is amended by striking "1861(s)(2)(K)(i)" and inserting "1861(s)(2)(K)(i) or 1861(s)(2)(K)(iii)".

(8) Section 1866(a)(1)(H) (42 U.S.C. 1395cc(a)(1)(H)) is amended by striking "1861(s)(2)(K)(i)" and inserting "1861(s)(2)(K)(i) or 1861(s)(2)(K)(iii)".

(f) OTHER MISCELLANEOUS AND TECHNICAL AMENDMENTS.—

(1) IMMEDIATE ENROLLMENT IN PART B BY INDIVIDUALS COVERED BY AN EMPLOYMENT-BASED

PLAN.—(A) Subparagraphs (A) and (B) of section 1837(i)(3) (42 U.S.C. 1395p(i)(3)) are each amended—

(i) by striking "beginning with the first day of the first month in which the individual is no longer enrolled" and inserting "including each month during any part of which the individual is enrolled"; and

(ii) by striking "and ending seven months later" and inserting "ending with the last day of the eighth consecutive month in which the individual is at no time so enrolled".

(B) Paragraphs (1) and (2) of section 1838(e) (42 U.S.C. 1395q(e)) are amended to read as follows:

"(1) in any month of the special enrollment period in which the individual is at any time enrolled in a plan (specified in subparagraph (A) or (B), as applicable, of section 1837(i)(3)) or in the first month following such a month, the coverage period shall begin on the first day of the month in which the individual so enrolls (or, at the option of the individual, on the first day of any of the following three months), or

"(2) in any other month of the special enrollment period, the coverage period shall begin on the first day of the month following the month in which the individual so enrolls."

(C) The amendments made by subparagraphs (A) and (B) shall take effect on the first day of the first month that begins after the expiration of the 120-day period that begins on the date of the enactment of this Act.

(2) BLEND AMOUNTS FOR AMBULATORY SURGICAL CENTER PAYMENTS.—Subclauses (I) and (II) of section 1833(i)(3)(B)(ii) (42 U.S.C. 1395l(i)(3)(B)(ii)) are each amended—

(A) by striking "for reporting" and inserting "for portions of cost reporting"; and

(B) by striking "and on or before" and inserting "and ending on or before".

(3) CLINICAL DIAGNOSTIC LABORATORY TESTS (SECTION 4154 OF OBRA-1990).—Section 4154(e)(5) of OBRA-1990 is amended by striking "(1)(A)" and inserting "(1)(A)".

(4) SEPARATE PAYMENT UNDER PART B FOR CERTAIN SERVICES (SECTION 4157 OF OBRA-1990).—Section 4157(a) of OBRA-1990 is amended by striking "(a) SERVICES OF" and all that follows through "Section" and inserting "(a) TREATMENT OF SERVICES OF CERTAIN HEALTH PRACTITIONERS.—Section".

(5) COMMUNITY HEALTH CENTERS AND RURAL HEALTH CLINICS (SECTION 4161 OF OBRA-1990).—(A) The fourth sentence of section 1861(aa)(2) (42 U.S.C. 1395x(aa)(2)) is amended—

(i) by striking "certification" the first place it appears and inserting "approval"; and

(ii) by striking "the Secretary's approval or disapproval of the certification" and inserting "Secretary's approval or disapproval".

(B) Section 4161(a)(7)(B) of OBRA-1990 is amended by inserting "and to the Committee on Finance of the Senate" after "Representatives".

(6) SCREENING MAMMOGRAPHY (SECTION 4163 OF OBRA-1990).—Section 4163 of OBRA-1990 is amended—

(A) by adding at the end of subsection (d) the following new paragraph:

"(3) The amendment made by paragraph (2)(A)(iv) shall apply to screening pap smears performed on or after July 1, 1990."; and

(B) in subsection (e), by striking "The amendments" and inserting "Except as provided in subsection (d)(3), the amendments".

(7) INJECTABLE DRUGS FOR TREATMENT OF OSTEOPOROSIS.—

(A) CLARIFICATION OF DRUGS COVERED.—The section 1861(jj) (42 U.S.C. 1395x(jj)) inserted by section 4156(a)(2) of OBRA-1990 is amended—

(i) in the matter preceding paragraph (1), by striking "a bone fracture related to"; and

(ii) in paragraph (1), by striking "patient" and inserting "individual has suffered a bone fracture related to post-menopausal osteoporosis and that the individual".

(B) LIMITING COVERAGE TO DRUGS PROVIDED BY HOME HEALTH AGENCIES.—(i) The section 1861(jj) (42 U.S.C. 1395x(jj)) inserted by section 4156(a)(2) of OBRA-1990 is amended by striking "if" and inserting "by a home health agency if".

(ii) Section 1861(m)(5) (42 U.S.C. 1395x(m)(5)) is amended by striking "but excluding" and inserting "and a covered osteoporosis drug (as defined in subsection (kk), but excluding other)".

(iii) Section 1861(s)(2) (42 U.S.C. 1395x(s)(2)) is amended—

(I) by adding "and" at the end of subparagraph (N), and

(II) by striking subparagraph (O) and redesignating subparagraph (P) as subparagraph (O).

(C) PAYMENT BASED ON REASONABLE COST.—Section 1833(a)(2) (42 U.S.C. 1395l(a)(2)) is amended—

(i) in subparagraph (A), by striking "health services" and inserting "health services (other than covered osteoporosis drug (as defined in section 1861(kk)))";

(ii) by striking "and" at the end of subparagraph (D);

(iii) by striking the semicolon at the end and inserting " ; and"; and

(iv) by adding at the end the following new subparagraph:

"(F) with respect to covered osteoporosis drug (as defined in section 1861(kk)) furnished by a home health agency, 80 percent of the reasonable cost of such service, as determined under section 1861(v)".

(D) APPLICATION OF PART B DEDUCTIBLE.—Section 1833(b)(2) (42 U.S.C. 1395l(b)(2)) is amended by striking "services" and inserting "services (other than covered osteoporosis drug (as defined in section 1861(kk)))".

(E) COVERED OSTEOPOROSIS DRUG (SECTION 4156 OF OBRA-1990).—Section 1861 (42 U.S.C. 1395x) is amended, in the subsection (j) inserted by section 4156(a)(2) of OBRA-1990, by striking "(jj) The term" and inserting "(kk) The term".

(8) OTHER MISCELLANEOUS AND TECHNICAL CORRECTIONS (SECTION 4164 OF OBRA-1990).—

(A) OWNERSHIP DISCLOSURE REQUIREMENTS.—(i) Section 1124(a)(2)(A) (42 U.S.C. 1320a-3a(a)(2)(A)) is amended by striking "of the Social Security Act".

(ii) Section 4164(b)(4) of OBRA-1990 is amended by striking "paragraph" and inserting "paragraphs".

(B) DIRECTORY OF UNIQUE PHYSICIAN IDENTIFIER NUMBERS.—Section 4164(c) of OBRA-1990 is amended by striking "publish" and inserting "publish, and shall periodically update".

(g) EFFECTIVE DATE.—Except as otherwise provided in this section, the amendments made by this section shall take effect as if included in the enactment of OBRA-1990.

CHAPTER 2—PROVISIONS RELATING TO PARTS A AND B

SEC. 5071. ELIMINATION OF ADD-ON FOR OVER-HEAD OF HOSPITAL-BASED HOME HEALTH AGENCIES.

(a) GENERAL RULE.—The first sentence of section 1861(v)(1)(L)(ii) (42 U.S.C. 1395x(v)(1)(L)(ii)) is amended by striking " , with appropriate adjustment for administra-

tive and general costs of hospital-based agencies".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) applies to cost reporting periods beginning after fiscal year 1993.

SEC. 5072. STUDY AND REPORT ON MEDICARE GME PAYMENTS.

(a) STUDY.—The Secretary of Health and Human Services shall conduct a study of the methodology used to determine payments to hospitals under the medicare program for the costs of medical residency training programs and shall include in the study an analysis of the causes of variation among such programs in the per resident costs of direct graduate medical education, including the extent of support for such programs from non-hospital sources.

(b) REPORT.—Not later than 1 year after the date of the enactment of this Act, the Secretary shall submit a report to Congress on the study conducted under subsection (a), and shall include in the report any recommendations considered appropriate by the Secretary for modifications to the methodology used to determine payments to hospitals under the medicare program for the costs of medical residency training programs that will encourage greater uniformity among medical residency training programs in the per resident costs of direct graduate medical education.

SEC. 5073. MEDICARE AS SECONDARY PAYER.

(a) EXTENSION OF DATA MATCH PROGRAM.—Section 1862(b)(5)(C)(iii) (42 U.S.C. 1395y(b)(5)(C)(iii)) is amended by striking "1995" and inserting "1998".

(b) PERMANENT APPLICATION TO DISABLED INDIVIDUALS.—Section 1862(b)(1)(B) (42 U.S.C. 1395y(b)(1)(B)) is amended by striking clause (iii).

(c) APPLICATION OF ESRD RULES TO CERTAIN AGED AND DISABLED BENEFICIARIES AND EXTENSION OF APPLICATION OF 18-MONTH RULE.—

(1) Subparagraphs (A)(iv) and (B)(ii) of section 1862(b)(1) (42 U.S.C. 1395y(b)(1)) are each amended—

(A) by striking "Clause (i) shall not apply" and inserting "Subparagraph (C) shall apply instead of clause (i)", and

(B) by inserting "(without regard to entitlement under section 226)" after "or" the second place it appears.

(2) The second sentence of section 1862(b)(1)(C) is amended by striking "on or before January 1, 1996" and inserting "before October 1, 1998".

(d) UNIFORM RULES FOR SIZE OF EMPLOYER.—

(1) IN GENERAL.—Section 1862(b)(1) (42 U.S.C. 1395y(b)(1)) is amended by adding at the end the following:

"(E) GENERAL PROVISIONS.—

"(i) EXCLUSION OF GROUP HEALTH PLAN OF A SMALL EMPLOYER.—Subparagraphs (A) through (C) do not apply to a group health plan unless the plan is a plan of, or contributed to by, an employer or employee organization that has 20 or more individuals in current employment status for each working day in each of 20 or more calendar weeks in the current calendar year or the preceding calendar year.

"(ii) EXCEPTION FOR SMALL EMPLOYERS IN MULTIEmployer OR MULTIPLE EMPLOYER GROUP HEALTH PLANS.—Subparagraphs (A) through (C) also do not apply with respect to individuals enrolled in a multiemployer or multiple employer group health plan if the coverage of the individuals under the plan is by virtue of current employment status with an employer that does not have 20 or more

individuals in current employment status for each working day in each of 20 or more calendar weeks in the current calendar year and the preceding calendar year; but the exception provided in this clause applies only if the plan elects treatment under this clause.

"(iii) APPLICATION OF CONTROLLED GROUP RULES.—For purposes of clauses (i) and (ii)—

"(I) all employees of corporations which are members of a controlled group of corporations (within the meaning of section 1563(a) of the Internal Revenue Code of 1986, determined without regard to subsection (a)(4) or (e)(3)(C)), shall be treated as employed by a single employer,

"(II) all employees of trades or businesses (whether or not incorporated) which are under common control (under regulations prescribed by the Secretary of the Treasury under section 414(c) of that Code) shall be treated as employed by a single employer,

"(III) all employees of the members of an affiliated service group (as defined in section 414(m) of that Code) shall be treated as employed by a single employer, and

"(IV) leased employees (as defined in section 414(n)(2) of that Code) shall be treated as employees of the person for whom they perform services to the extent they are so treated under section 414(n) of that Code.

In applying sections of the Internal Revenue Code of 1986 under this clause, the Secretary shall rely upon the regulations and decisions of the Secretary of the Treasury respecting such sections.

"(iv) GROUP HEALTH PLAN DEFINED.—For purposes of this subsection, the term 'group health plan' has the meaning given such term in section 5000(b) of the Internal Revenue Code of 1986, without regard to section 5000(d) of such Code.

"(v) CURRENT EMPLOYMENT STATUS DEFINED.—For purposes of this subsection, an individual has 'current employment status' with an employer if the individual is an employee, is the employer, or is associated with the employer in a business relationship.

"(vi) TREATMENT OF SELF-EMPLOYED PERSONS AS EMPLOYERS.—For purposes of this subsection, the term 'employer' includes a self-employed person."

(2) CONFORMING AMENDMENTS FOR WORKING AGED.—Section 1862(b)(1)(A) (42 U.S.C. 1395y(b)(1)(A)) is amended—

(A) by amending subclauses (I) and (II) of clause (i) to read as follows:

"(I) may not take into account that an individual (or the individual's spouse) who is covered under the plan by virtue of the individual's current employment status with an employer is entitled to benefits under this title under section 226(a), and

"(II) shall provide that any individual age 65 or over (and the individual's spouse age 65 or older) who is covered under the plan by virtue of the individual's current employment status with an employer shall be entitled to the same benefits under the plan under the same conditions as any such individual (or spouse) under age 65."

(B) by striking clauses (ii), (iii), and (v), and

(C) by redesignating clause (iv) as clause (ii).

(3) AMENDMENTS FOR DISABLED INDIVIDUALS.—Section 1862(b) (42 U.S.C. 1395y(b)) is amended—

(A) by amending the heading and clause (i) of paragraph (1)(B) to read as follows:

"(B) DISABLED INDIVIDUALS UNDER GROUP HEALTH PLANS.—

"(i) IN GENERAL.—A group health plan may not take into account that an individual (or a member of the individual's family) who is

covered under the plan by virtue of the individual's current employment status with an employer is entitled to benefits under this title under section 226(b).";

(B) by striking clause (iv) of paragraph (1)(B); and

(C) in the second sentence of paragraph (2)(A), by striking "or large group health plan".

(4) AMENDMENTS FOR INDIVIDUALS WITH ESRD.—Section 1862(b)(1)(C) (42 U.S.C. 1395y(b)(1)(C)) is amended—

(A) in the matter preceding clause (i), by striking "(as defined in subparagraph (A)(v))",

(B) by striking "solely" each place it appears,

(C) by striking "by reason of" and inserting "under" each place it appears, and

(D) by inserting "or eligible for" after "entitled to" each place it appears.

(e) SECONDARY PAYER EXEMPTION FOR MEMBERS OF RELIGIOUS ORDERS.—Effective as if included in the enactment of OBRA-1989, section 6202(e)(2) of such Act is amended by adding at the end the following: "Such amendment also shall apply to items and services furnished before such date with respect to secondary payer cases which the Secretary of Health and Human Services had not identified as of such date."

(f) IMPROVING IDENTIFICATION OF MEDICARE SECONDARY PAYER SITUATIONS.—

(1) SURVEY OF BENEFICIARIES.—

(A) IN GENERAL.—Section 1862(b)(5) (42 U.S.C. 1395y(b)(5)) is amended by adding at the end the following new subparagraph:

"(D) OBTAINING INFORMATION FROM BENEFICIARIES.—Before an individual applies for benefits under part A or enrolls under part B, the Administrator shall mail the individual a questionnaire to obtain information on whether the individual is covered under a primary plan and the nature of the coverage provided under the plan, including the name, address, and identifying number of the plan."

(B) DISTRIBUTION OF QUESTIONNAIRE BY CONTRACTOR.—The Secretary of Health and Human Services shall enter into an agreement with an entity not later than April 1, 1994, to distribute the questionnaire described in section 1862(b)(5)(D) of the Social Security Act (as added by subparagraph (A)).

(C) NO MEDICARE SECONDARY PAYER DENIAL BASED ON FAILURE TO COMPLETE QUESTIONNAIRE.—Section 1862(b)(2) (42 U.S.C. 1395y(b)(2)) is amended by adding at the end the following new subparagraph:

"(C) TREATMENT OF QUESTIONNAIRES.—The Secretary may not fail to make payment under subparagraph (A) solely on the ground that an individual failed to complete a questionnaire concerning the existence of a primary plan."

(2) MANDATORY SCREENING BY PROVIDERS AND SUPPLIERS UNDER PART B.—

(A) IN GENERAL.—Section 1862(b) (42 U.S.C. 1395y(b)) is amended by adding at the end the following new paragraph:

"(6) SCREENING REQUIREMENTS FOR PROVIDERS AND SUPPLIERS.—

"(A) IN GENERAL.—Notwithstanding any other provision of this title, no payment may be made for any item or service furnished under part B unless the entity furnishing such item or service completes (to the best of its knowledge and on the basis of information obtained from the individual to whom the item or service is furnished) the portion of the claim form relating to the availability of other health benefit plans.

"(B) PENALTIES.—An entity that knowingly, willfully, and repeatedly fails to com-

plete a claim form in accordance with subparagraph (A) or provides inaccurate information relating to the availability of other health benefit plans on a claim form under such subparagraph shall be subject to a civil money penalty of not to exceed \$2,000 for each such incident. The provisions of section 1128A (other than subsections (a) and (b)) shall apply to a civil money penalty under the previous sentence in the same manner as such provisions apply to a penalty or proceeding under section 1128A(a)."

(B) EFFECTIVE DATE.—The amendment made by subparagraph (A) shall apply with respect to items and services furnished on or after January 1, 1994.

(g) IMPROVEMENTS IN RECOVERY OF PAYMENTS FROM PRIMARY PAYERS.—

(1) SUBMISSION OF REPORTS ON EFFORTS TO RECOVER ERRONEOUS PAYMENTS.—Section 1842(b)(3) (42 U.S.C. 1395u(b)(3)) is amended—

(A) by striking "and" at the end of subparagraph (H); and

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

"(I) will submit annual reports to the Secretary describing the steps taken to recover payments made under this part for items or services for which payment has been or could be made under a primary plan (as defined in section 1862(b)(2)(A))."

(2) REQUIREMENTS UNDER CARRIER PERFORMANCE EVALUATION PROGRAM.—Section 1842(b)(2) (42 U.S.C. 1395u(b)(2)) is amended by adding at the end the following new subparagraph:

"(D) In addition to any other standards and criteria established by the Secretary for evaluating carrier performance under this paragraph relating to avoiding erroneous payments, the Secretary shall establish standards and criteria relating to the carrier's success in recovering payments made under this part for items or services for which payment has been or could be made under a primary plan (as defined in section 1862(b)(2)(A))."

(3) DEADLINE FOR REIMBURSEMENT BY PRIMARY PLANS.—

(A) IN GENERAL.—Section 1862(b)(2)(B)(i) (42 U.S.C. 1395y(b)(2)(B)(i)) is amended by adding at the end the following sentence: "If reimbursement is not made to the appropriate Trust Fund before the expiration of the 60-day period that begins on the date such notice or other information is received, the Secretary may charge interest (beginning with the date on which the notice or other information is received) on the amount of the reimbursement until reimbursement is made (at a rate determined by the Secretary in accordance with regulations of the Secretary of the Treasury applicable to charges for late payments)."

(B) CONFORMING AMENDMENT.—The heading of clause (i) of section 1862(b)(2)(B) is amended to read as follows: "REPAYMENT REQUIRED.—"

(C) EFFECTIVE DATE.—The amendments made by this paragraph shall apply to payments for items and services furnished on or after the date of the enactment of this Act.

(4) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (2) shall apply to contracts with fiscal intermediaries and carriers under title XVIII of the Social Security Act for years beginning with 1994.

(h) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—

(1) The sentence in section 1862(b)(1)(C) added by section 4203(c)(1)(B) of OBRA-1990 is amended by striking "clauses (i) and (ii)" and inserting "this subparagraph".

(2) Effective as if included in the enactment of OBRA-1989, section 1862(b)(1) is amended—

(A) in subparagraphs (A)(v) and (B)(iv)(II), by inserting ", without regard to section 5000(d) of such Code" before the period at the end of each subparagraph;

(B) in subparagraph (A)(iii), by striking "current calendar year or the preceding calendar year" and inserting "current calendar year and the preceding calendar year"; and

(C) in the matter in subparagraph (C) after clause (ii), by striking "taking into account that" and inserting "paying benefits secondary to this title when".

(3) Section 1862(b)(5)(C)(i) (42 U.S.C. 1395y(b)(5)(C)(i)) is amended by striking "6103(1)(12)(D)(iii)" and inserting "6103(1)(12)(E)(iii)".

(4) Section 4203(c)(2) of OBRA-1990 is amended—

(A) by striking "the application of clause (iii)" and inserting "the second sentence";

(B) by striking "on individuals" and all that follows through "section 226A of such Act";

(C) in clause (ii), by striking "clause" and inserting "sentence";

(D) in clause (v), by adding "and" at the end; and

(E) in clause (vi)—

(i) by inserting "of such Act" after "1862(b)(1)(C)", and

(ii) by striking the period at the end and inserting the following: ", without regard to the number of employees covered by such plans."

(5) Section 4203(d) of OBRA-1990 is amended by striking "this subsection" and inserting "this section".

(6) Except as provided in paragraph (2), the amendments made by this subsection shall be effective as if included in the enactment of OBRA-1990 and shall be executed before the amendments made by subsections (a) through (d) of this section.

(i) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this section, the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) ESRD AND UNIFORM SIZE RULES.—The amendments made by subsections (c) and (d) apply to items and services furnished on or after January 1, 1994.

SEC. 5074. EXTENSION OF SELF-REFERRAL BAN TO ADDITIONAL SPECIFIED SERVICES.

(a) EXTENSION TO DESIGNATED HEALTH SERVICES.—

(1) IN GENERAL.—Section 1877 (42 U.S.C. 1395nn) is amended—

(A) by striking "clinical laboratory services" and "CLINICAL LABORATORY SERVICES" and inserting "designated health services" and "DESIGNATED HEALTH SERVICES", respectively, each place either appears in subsections (a)(1), (b)(2)(A)(ii), (b)(4), (d)(1), and (d)(3); and

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

"(i) DESIGNATED HEALTH SERVICES DEFINED.—In this section, the term 'designated health services' means—

"(1) clinical laboratory services;

"(2) physical or occupational therapy services;

"(3) radiology or other diagnostic services;

"(4) radiation therapy services;

"(5) the furnishing of durable medical equipment;

"(6) the furnishing of parenteral and enteral nutrition nutrients, supplies, and equipment;

"(7) home health services; and

"(8) home infusion therapy services."

(2) CONFORMING AMENDMENTS.—Section 1877 is further amended—

(A) in subsection (g)(1), by striking "clinical laboratory service" and inserting "designated health service"; and

(B) in subsection (h)(7)(B), by striking "clinical laboratory service" and inserting "designated health service".

(b) MULTIPLE LOCATIONS FOR GROUP PRACTICES.—Section 1877(b)(2)(A)(ii)(II) (42 U.S.C. 1395nn(b)(2)(A)(ii)(II)) is amended by striking "centralized provision" and inserting "provision of some or all".

(c) TREATMENT OF COMPENSATION ARRANGEMENTS.—

(1) RENTAL OF OFFICE SPACE AND EQUIPMENT.—Paragraph (1) of section 1877(e) (42 U.S.C. 1395nn(e)) is amended to read as follows:

"(1) RENTAL OF OFFICE SPACE; RENTAL OF EQUIPMENT.—

"(A) OFFICE SPACE.—Payments made by a lessee to a lessor for the use of premises if—

"(i) the lease is set out in writing, signed by the parties, and specifies the premises covered by the lease,

"(ii) the aggregate space rented or leased is reasonable and necessary for the legitimate business purposes of the lease or rental and is used exclusively by the lessee when being used by the lessee,

"(iii) the lease provides for a term of rental or lease for at least one year,

"(iv) the rental charges over the term of the lease are set in advance, are consistent with fair market value, and are not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties,

"(v) the lease would be commercially reasonable even if no referrals were made between the parties,

"(vi) the lease covers all of the premises leased between the parties for the period of the lease, and

"(vii) the compensation arrangement meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse.

"(B) EQUIPMENT.—Payments made by a lessee of equipment to the lessor of the equipment for the use of the equipment if—

"(i) the lease is set out in writing, signed by the parties, and specifies the equipment covered by the lease,

"(ii) the equipment rented or leased is reasonable and necessary for the legitimate business purposes of the lease or rental and is used exclusively by the lessee when being used by the lessee,

"(iii) the lease provides for a term of rental or lease of at least one year,

"(iv) the rental charges over the term of the lease are set in advance, are consistent with fair market value, and are not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties,

"(v) the lease would be commercially reasonable even if no referrals were made between the parties,

"(vi) the lease covers all of the equipment leased between the parties for the period of the lease, and

"(vii) the compensation arrangement meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse."

(2) BONA FIDE EMPLOYMENT RELATIONSHIPS.—Section 1877(e)(2) (42 U.S.C. 1395nn(e)(2)) is amended—

(A) by striking "AND SERVICE" and "WITH HOSPITALS";

(B) by striking "An arrangement" and all that follows through "if" and inserting "Any amount paid by an employer to a physician (or immediate family member) who has a bona fide employment relationship with the employer for the provision of services if";

(C) in subparagraphs (A), (B), and (D), by striking "arrangement" and inserting "employment";

(D) in subparagraph (C), by striking "to the hospital"; and

(E) by adding at the end the following: "Subparagraph (B)(ii) shall not be construed as prohibiting the payment of remuneration in the form of shares of overall profits or in the form of a productivity bonus based on services performed personally by the physician or member, if the amount of the remuneration is not determined in a manner that takes into account directly the volume or value of any referrals by the referring physician."

(3) PERSONAL SERVICE ARRANGEMENTS.—Section 1877(e) is further amended by adding at the end the following new paragraph:

"(7) PERSONAL SERVICE ARRANGEMENTS.—Remuneration from an entity under an arrangement if—

"(A) the arrangement is set out in writing, signed by the parties, and specifies the services covered by the arrangement,

"(B) the arrangement covers all of the services to be provided,

"(C) the aggregate services contracted for do not exceed those that are reasonable and necessary for the legitimate business purposes of the arrangement,

"(D) the term of the arrangement is for at least one year,

"(E) the compensation to be paid over the term of the arrangement is set in advance, does not exceed fair market value, and is not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties,

"(F) the services to be performed under the arrangement do not involve the counseling or promotion of a business arrangement of other activity that violates any State or Federal law, and

"(G) the arrangement meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse."

(4) ADDITIONAL EXCEPTIONS.—Section 1877(e) is further amended by adding at the end the following new paragraphs:

"(8) PAYMENTS BY A PHYSICIAN FOR ITEMS AND SERVICES.—Payments made by a physician—

"(A) to a laboratory in exchange for the provision of clinical laboratory services, or

"(B) to an entity as compensation for other items or services if the items or services are furnished at a price that is consistent with fair market value.

"(9) PAYMENTS FOR PATHOLOGY SERVICES OF A GROUP PRACTICE.—Payments made to a group practice for pathology services under an agreement if—

"(A) the agreement is set out in writing and specifies the services to be provided by the parties and the compensation for services provided under the agreement,

"(B) the compensation paid over the term of the agreement is consistent with fair market value and is not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties,

"(C) the compensation is provided pursuant to an agreement which would be com-

mercially reasonable even if no referrals were made to the entity, and

"(D) the compensation arrangement between the parties meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse."

(4) REFERRING PHYSICIANS.—Section 1877(h)(7)(C) (42 U.S.C. 1395nn(h)(7)(C)) is amended—

(A) by inserting "a request by a radiologist for diagnostic radiology services, and a request by a radiation oncologist for radiation therapy," after "examination services," and

(B) by inserting ", radiologist, or radiation oncologist" after "pathologist" the second place it appears.

(d) TREATMENT OF GROUP PRACTICES.—

(1) USE OF BILLING NUMBERS, ETC.—Section 1877 is amended—

(A) in subsection (b)(2)(B), by inserting "under a billing number assigned to the group practice" after "member",

(B) in subsection (h)(4)(B), by inserting "and under a billing number assigned to the group" after "in the name of the group", and

(C) in subsection (h)(4)(C), by striking "by members of the group".

(2) TREATMENT OF SERVICES UNDER ARRANGEMENTS BETWEEN HOSPITALS AND GROUP PRACTICES.—

(A) IN GENERAL.—Section 1877(h)(4) (42 U.S.C. 1395nn(h)(4)) is amended—

(i) in subparagraph (B) (as amended by paragraph (1)(B)), by inserting "(or are billed in the name of a hospital for which the group provides designated health services pursuant to an arrangement that meets the requirements of subparagraph (B))" after "assigned to the group";

(ii) by redesignating subparagraphs (A) through (D) as clauses (i) through (iv), respectively;

(iii) by inserting "(A)" after "—"; and

(iv) by adding at the end the following new subparagraph:

"(B) The requirements of this subparagraph, with respect to an arrangement for designated health services provided by the group and billed in the name of a hospital, are that—

"(i) with respect to services provided to an inpatient of the hospital, the arrangement is pursuant to the provision of inpatient hospital services under section 1861(b)(3);

"(ii) the arrangement began before December 19, 1989, and has continued in effect without interruption since such date;

"(iii) the group provides substantially all of the designated health services to the hospital's patients;

"(iv) the arrangement is pursuant to an agreement that is set out in writing and that specifies the services to be provided by the parties and the compensation for services provided under the agreement;

"(v) the compensation paid over the term of the agreement is consistent with fair market value and the compensation per unit of services is fixed in advance and is not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties;

"(vi) the compensation is provided pursuant to an agreement which would be commercially reasonable even if no referrals were made to the entity; and

"(vii) the arrangement between the parties meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse."

(B) CONFORMING AMENDMENT.—Section 1877(b)(2)(B) (42 U.S.C. 1395nn(b)(2)(B)) is

amended by inserting "(or by a hospital for which such a group practice provides designated health services pursuant to an arrangement that meets the requirements of subsection (h)(4)(B))" before ", or by an entity".

(3) TREATMENT OF CERTAIN FACILITY PRACTICE PLANS.—The last sentence of section 1877(h)(4)(A) (42 U.S.C. 1395nn(h)(4)(A)), as redesignated by paragraph (2)(A), is amended by inserting ", institution of higher education, or medical school" after "hospital".

(e) EXPANDING RURAL PROVIDER EXCEPTION TO COVER COMPENSATION ARRANGEMENTS.—

(1) IN GENERAL.—Section 1877(b) (42 U.S.C. 1395nn(b)) is amended—

(A) by redesignating paragraph (5) as paragraph (7), and

(B) by inserting after paragraph (4) the following new paragraph:

"(5) RURAL PROVIDERS.—In the case of designated services if—

"(A) the entity furnishing the services is in a rural area (as defined in section 1886(d)(2)(D)), and

"(B) substantially all of the services furnished by the entity to individuals entitled to benefits under this title are furnished to such individuals who reside in such a rural area."

(2) CONFORMING AMENDMENTS.—Section 1877(d) (42 U.S.C. 1395nn(d)) is amended—

(A) by striking paragraph (2), and

(B) by redesignating paragraph (3) as paragraph (2).

(f) EXCEPTION FOR SHARED FACILITY LABORATORY SERVICES.—

(1) IN GENERAL.—Section 1877 is amended—

(A) in subsection (b), as amended by subsection (e)(1), by inserting after paragraph (5) the following new paragraph:

"(6) SHARED FACILITY LABORATORY SERVICES.—

"(A) IN GENERAL.—In the case of shared facility laboratory services of a shared facility—

"(i) that are furnished—

"(I) personally by the referring physician who is a shared facility physician or personally by an individual supervised by such a physician or by another shared facility physician and employed under the shared facility arrangement,

"(II) by a shared facility in a building in which the referring physician furnishes physician's services unrelated to the furnishing of shared facility laboratory services, and

"(III) to a patient of a shared facility physician; and

"(ii) that are billed by the referring physician or by an entity that is wholly owned by such physician.

"(B) LIMITATION.—The exception under this paragraph shall only apply to a shared facility only if the facility and the shared facility arrangement were established as of June 26, 1992."; and

(B) in subsection (h), by adding at the end the following new paragraph:

"(8) SHARED FACILITY RELATED DEFINITIONS.—

"(A) SHARED FACILITY LABORATORY SERVICES.—The term 'shared facility laboratory services' means, with respect to a shared facility, clinical laboratory services furnished by the facility to patients of shared facility physicians.

"(B) SHARED FACILITY.—The term 'shared facility' means an entity that furnishes shared facility laboratory services under a shared facility arrangement.

"(C) SHARED FACILITY PHYSICIAN.—The term 'shared facility physician' means, with respect to a shared facility, a physician who

has a financial relationship under a shared facility arrangement with the facility.

(D) SHARED FACILITY ARRANGEMENT.—The term 'shared facility arrangement' means, with respect to the provision of shared facility laboratory services in a building, a financial arrangement—

(i) which is only between physicians who are providing services (unrelated to shared facility laboratory services) in the same building,

(ii) in which the overhead expenses of the facility are shared, in accordance with methods previously determined by the physicians in the arrangement, among the physicians in the arrangement, and

(iii) which, in the case of a corporation, is wholly owned and controlled by shared facility physicians."

(2) GAO STUDY OF SHARED FACILITY ARRANGEMENTS.—

(A) IN GENERAL.—The Comptroller General shall analyze the effect on the utilization of health services of shared facility arrangements for which an exception is provided under the amendments made by paragraph (1). The analysis shall include a review of the effect of the limitation, described in section 1877(b)(6)(B) of the Social Security Act (as added by paragraph (1)), with respect to such exception and on the availability of services (including hematology services).

(B) REPORT.—Not later than January 1, 1995, the Comptroller General shall submit a report to Congress on the analysis conducted under subparagraph (A). The report shall include recommendations with respect to changing the limitation.

(g) EXEMPTION OF COMPENSATION ARRANGEMENTS INVOLVING CERTAIN TYPES OF REMUNERATION.—Section 1877(h)(1) (42 U.S.C. 1395nn(h)(1)) is amended—

(1) by striking subparagraph (B);

(2) in subparagraph (A), by inserting before the period the following: "(other than an arrangement involving only remuneration described in subparagraph (B))"; and

(3) by adding at the end the following new subparagraph:

"(B) Remuneration described in this subparagraph is any remuneration consisting of any of the following:

(i) The forgiveness of amounts owed for inaccurate tests or procedures, mistakenly performed tests or procedures, or the correction of minor billing errors.

(ii) The provision of items, devices, or supplies that are used solely to—

(I) collect, transport, process, or store specimens for the entity providing the item, device, or supply, or

(II) communicate the results of tests or procedures for such entity."

(h) EXCEPTION FOR PUBLICLY-TRADED SECURITIES.—Section 1877(c)(2) (42 U.S.C. 1395nn(d)(2)) is amended by striking "total assets exceeding \$100,000,000" and inserting "stockholder equity exceeding \$75,000,000".

(i) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—Section 1877 (42 U.S.C. 1395nn) is amended—

(1) in subsection (b)(2)(A)(i), in subparagraph (A)(i), by striking "who are employed by such physician or group practice and who are personally" and inserting "who are directly";

(2) in the fourth sentence of subsection (f)—

(A) by striking "provided" and inserting "furnished", and

(B) by striking "provides" and inserting "furnish";

(3) in the fifth sentence of subsection (f)—

(A) by striking "providing" each place it appears and inserting "furnishing",

(B) by striking "with respect to the providers" and inserting "with respect to the entities", and

(C) by striking "diagnostic imaging services of any type" and inserting "magnetic resonance imaging, computerized axial tomography scans, and ultrasound services"; and

(4) in subsection (a)(2)(B), by striking "subsection (h)(1)(A)" and inserting "subsection (h)(1)".

(j) EFFECTIVE DATES.—

(1) The amendments made by subsection (a) apply with respect to a referral by a physician for designated health services (as described in section 1877(i) of the Social Security Act) made after December 31, 1994.

(2) The amendments made by this section (other than subsection (a)) shall apply to referrals made on or after January 1, 1992.

SEC. 5075. REDUCTION IN PAYMENT FOR ERYTHROPOIETIN.

(a) IN GENERAL.—Section 1881(b)(11)(B)(ii)(I) (42 U.S.C. 1395rr(b)(11)(B)(ii)(I)) is amended—

(1) by striking "1991" and inserting "1994", and

(2) by striking "\$11" and inserting "\$10".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) apply to erythropoietin furnished after 1993.

SEC. 5076. MEDICARE HOSPITAL AGREEMENTS WITH ORGAN PROCUREMENT ORGANIZATIONS.

(a) IN GENERAL.—Section 1138(a)(1) (42 U.S.C. 1320b-8(a)(1)) is amended—

(1) by striking "and" at the end of subparagraph (A),

(2) by striking the period at the end of subparagraph (B) and inserting "; and", and

(3) by adding at the end the following new subparagraph:

"(C) in the case of a hospital or rural primary care hospital that has in effect an agreement (described in section 371(b)(3)(A) of the Public Health Service Act) with an organ procurement organization, the agreement is with such organization for the service area in which the hospital is located (as established under such section)."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to hospitals participating in the programs under titles XVIII and XIX of the Social Security Act as of January 1, 1994.

SEC. 5077. EXTENSION OF WAIVER FOR WATTS HEALTH FOUNDATION.

Section 9312(c)(3)(D) of OBRA-1986, as added by section 4018(d) of OBRA-1987 and as amended by section 6212(a)(1) of OBRA-1989, is amended by striking "1994" and inserting "1996".

SEC. 5078. IMPROVED OUTREACH FOR QUALIFIED MEDICARE BENEFICIARIES.

The Secretary of Health and Human Services shall establish and implement a method for obtaining information from newly eligible medicare beneficiaries that may be used to determine whether such beneficiaries may be eligible for medical assistance for medicare cost-sharing under State medicaid plans as qualified medicare beneficiaries, and for transmitting such information to the State in which such a beneficiary resides.

SEC. 5079. SOCIAL HEALTH MAINTENANCE ORGANIZATIONS.

(a) EXTENSION OF CURRENT WAIVERS.—Section 4018(b) of OBRA-1987, as amended by section 4207(b)(4) of OBRA-1990, is amended—

(1) in paragraph (1) by striking "December 31, 1995" and inserting "December 31, 1997"; and

(2) in paragraph (4) by striking "March 31, 1996" and inserting "March 31, 1998".

(b) EXPANSION OF DEMONSTRATIONS.—Section 2355 of the Deficit Reduction Act of 1984, as amended by section 4207(b)(4)(B) of OBRA-1990, is amended—

(1) in the last sentence of subsection (a) by striking "12 months" and inserting "36 months"; and

(2) in subsection (b)(1)(B)—

(A) by striking "or" at the end of clause (iii), and

(B) by redesignating clause (iv) as clause (v) and inserting after clause (iii) the following new clause:

"(iv) integrating acute and chronic care management for patients with end-stage renal disease through expanded community care case management services (and for purposes of a demonstration project conducted under this clause, any requirement under a waiver granted under this section that a project disenroll individuals who develop end-stage renal disease shall not apply); or".

(c) EXPANSION OF NUMBER OF MEMBERS PER SITE.—The Secretary of Health and Human Services may not impose a limit of less than 12,000 on the number of individuals that may participate in a project conducted under section 2355 of the Deficit Reduction Act of 1984.

(d) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—

(1) The section following section 4206 of OBRA-1990 is amended by striking "SEC. 4027." and inserting "Sec. 4207.", and in this subtitle is referred to as section 4207 of OBRA-1990.

(2) Section 2355(b)(1)(B) of the Deficit Reduction Act of 1984, as amended by section 4207(b)(4)(B)(ii) of OBRA-1990, is amended—

(A) by striking "12907(c)(4)(A)" and inserting "4207(b)(4)(B)(i)", and

(B) by striking "feasibility" and inserting "feasibility".

(3) Section 4207(b)(4)(B)(iii)(III) of OBRA-1990 is amended by striking the period at the end and inserting a semicolon.

(4) Subsections (c)(3) and (e) of section 2355 of the Deficit Reduction Act of 1984, as amended by section 4207(b)(4)(B) of OBRA-1990, are each amended by striking "12907(c)(4)(A)" each place it appears and inserting "4207(b)(4)(B)".

(5) Section 4207(c)(2) of OBRA-1990 is amended by striking "the Committee on Ways and Means" each place it appears and inserting "the Committees on Ways and Means and Energy and Commerce".

(6) Section 4207(d) of OBRA-1990 is amended by redesignating the second paragraph (3) (relating to effective date) as paragraph (4).

(7) Section 4207(i)(2) of OBRA-1990 is amended—

(A) by striking the period at the end of clause (iii) and inserting a semicolon, and

(B) in clause (v), by striking "residents" and inserting "patients".

(8) Section 4207(j) of OBRA-1990 is amended by striking "title" each place it appears and inserting "subtitle".

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the enactment of OBRA-1990.

SEC. 5080. PEER REVIEW ORGANIZATIONS.

(a) REPEAL OF PRO PRECERTIFICATION REQUIREMENT FOR CERTAIN SURGICAL PROCEDURES.—

(1) IN GENERAL.—Section 1164 (42 U.S.C. 1320c-13) is repealed.

(2) CONFORMING AMENDMENTS.—

(A) Section 1154 (42 U.S.C. 1320c-3) is amended—

(i) in subsection (a), by striking paragraph (12), and

(ii) in subsection (d), by striking "(and except as provided in section 1164)".

(B) Section 1833 (42 U.S.C. 1395l) is amended—

(i) in subsection (a)(1)(D)(i), by striking “, or for tests furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion)”;

(ii) in subsection (a)(1), by striking clause (G);

(iii) in subsection (a)(2)(A), by striking “to items and services (other than clinical diagnostic laboratory tests) furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion)”;

(iv) in subsection (a)(2)(D)(i)—

(I) by striking “related basis,” and inserting “related basis or”;

(II) by striking “, or for tests furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion)”;

(v) in subsection (a)(3), by striking “and for items and services furnished in connection with obtaining a second opinion required under section 1164(c)(2), or a third opinion, if the second opinion was in disagreement with the first opinion”;

(vi) in the first sentence of subsection (b), by striking “(4)” and all that follows through “and (5)” and inserting “and (4)”.

(C) Section 1834(g)(1)(B) (42 U.S.C. 1395m(g)(1)(B)) is amended by striking “and for items and services furnished in connection with obtaining a second opinion required under section 1164(c)(2), or a third opinion, if the second opinion was in disagreement with the first opinion”.

(D) Section 1862(a) (42 U.S.C. 1395y(a)) is amended—

(i) by adding “or” at the end of paragraph (14);

(ii) by striking “; or” at the end of paragraph (15) and inserting a period;

(iii) by striking paragraph (16).

(E) The third sentence of section 1866(a)(2)(A) (42 U.S.C. 1395w(a)(2)(A)) is amended by striking “, with respect to items and services furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion)”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to services provided on or after the date of the enactment of this Act.

(b) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—(1) The third sentence of section 1156(b)(1) (42 U.S.C. 1320c-5(b)(1)) is amended by striking “whehter” and inserting “whether”.

(2)(A) Subparagraph (B) of section 1154(a)(9) (42 U.S.C. 1320c-3(a)(9)) is amended to read as follows:

“(B) If the organization finds, after reasonable notice and opportunity for discussion with the physician or practitioner concerned, that the physician or practitioner has furnished services in violation of section 1156(a), the organization shall notify the State board or boards responsible for the licensing or disciplining of the physician or practitioner of its finding and of any action taken as a result of the finding.”

(B) Subparagraph (D) of section 1160(b)(1) (42 U.S.C. 1320c-9(b)(1)) is amended to read as follows:

“(D) to provide notice in accordance with section 1154(a)(9)(B);”

(3) Section 4205(d)(2)(B) of OBRA-1990 is amended by striking “amendments” and inserting “amendment”.

(4) Section 1160(d) (42 U.S.C. 1320c-9(d)) is amended by striking “subpena” and inserting “subpoena”.

(5) Section 4205(e)(2) of OBRA-1990 is amended by striking “amendments” and inserting “amendment” and by striking “all”.

(6)(A) Except as provided in subparagraph (B), the amendments made by this subsection shall take effect as if included in the enactment of OBRA-1990.

(B) The amendments made by paragraph (2) (relating to the requirement on reporting of information to State boards) shall take effect on the date of the enactment of this Act.

SEC. 5081. HOSPICE INFORMATION TO HOME HEALTH BENEFICIARIES.

(a) IN GENERAL.—Section 1891(a)(1) (42 U.S.C. 1395bbb(a)(1)) is amended by adding at the end the following new subparagraph:

“(H) The right, in the case of a resident who is entitled to benefits under this title, to be fully informed orally and in writing (at the time of coming under the care of the agency) of the entitlement of individuals to hospice care under section 1812(a)(4) (unless there is no hospice program providing hospice care for which payment may be made under this title within the geographic area of the facility and it is not the common practice of the agency to refer patients to hospice programs located outside such geographic area).”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to services furnished on or after the first day of the first month beginning more than one year after the date of the enactment of this Act.

SEC. 5082. HEALTH MAINTENANCE ORGANIZATIONS.

(a) ADJUSTMENT IN MEDICARE CAPITATION PAYMENTS TO ACCOUNT FOR REGIONAL VARIATIONS IN APPLICATION OF SECONDARY PAYER PROVISIONS.—

(1) IN GENERAL.—Section 1876(a)(4) (42 U.S.C. 1395mm(a)(4)) is amended by adding at the end the following new sentence: “In establishing the adjusted average per capita cost for a geographic area, the Secretary shall take into account the differences between the proportion of individuals in the area with respect to whom there is a group health plan that is a primary plan (within the meaning of section 1862(b)(2)(A)) compared to the proportion of all such individuals with respect to whom there is such a group health plan.”

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to contracts entered into for years beginning with 1994.

(b) REVISIONS IN THE PAYMENT METHODOLOGY FOR RISK CONTRACTORS.—Section 4204(b) of OBRA-1990 is amended to read as follows:

“(b) REVISIONS IN THE PAYMENT METHODOLOGY FOR RISK CONTRACTORS.—(1)(A) Not later than January 1, 1995, the Secretary of Health and Human Services (in this subsection referred to as the “Secretary”) shall submit a proposal to the Congress that provides for revisions to the payment method to be applied in years beginning with 1996 for organizations with a risk-sharing contract under section 1876(g) of the Social Security Act.

“(B) In proposing the revisions required under subparagraph (A) the Secretary shall consider—

“(i) the difference in costs associated with medicare beneficiaries with differing health status and demographic characteristics; and

“(ii) the effects of using alternative geographic classifications on the determina-

tions of costs associated with beneficiaries residing in different areas.

“(2) Not later than 3 months after the date of submittal of the proposal made pursuant to paragraph (1), the Comptroller General shall review the proposal and shall report to Congress on the appropriateness of the proposed modifications.”

(c) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—(1) Section 1876(a)(3) (42 U.S.C. 1395mm(a)(3)) is amended by striking “subsection (c)(7)” and inserting “subsections (c)(2)(B)(ii) and (c)(7)”.

(2) Section 4204(c)(3) of OBRA-1990 is amended by striking “for 1991” and inserting “for years beginning with 1991”.

(3) Section 4204(d)(2) of OBRA-1990 is amended by striking “amendment” and inserting “amendments”.

(4) Section 1876(a)(1)(E)(ii)(I) (42 U.S.C. 1395mm(a)(1)(E)(ii)(I)) is amended by striking the comma after “contributed to”.

(5) Section 4204(e)(2) of OBRA-1990 is amended by striking “(which has a risk-sharing contract under section 1876 of the Social Security Act)”.

(6) Section 4204(f)(4) of OBRA-1990 is amended by striking “final”.

(7) Section 1862(b)(3)(C) (42 U.S.C. 1395y(b)(3)(C)) is amended—

(A) in the heading, by striking “PLAN” and inserting “PLAN OR A LARGE GROUP HEALTH PLAN”;

(B) by striking “group health plan” and inserting “group health plan or a large group health plan”;

(C) by striking “, unless such incentive is also offered to all individuals who are eligible for coverage under the plan”; and

(D) by striking “the first sentence of subsection (a) and other than subsection (b)” and inserting “subsections (a) and (b)”.

(8) The amendments made by this subsection shall take effect as if included in the enactment of OBRA-1990.

SEC. 5083. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) SURVEY AND CERTIFICATION REQUIREMENTS.—(1) Section 1864 (42 U.S.C. 1395aa) is amended—

(A) in subsection (e), by striking “title” and inserting “title (other than any fee relating to section 353 of the Public Health Service Act)”;

(B) in the first sentence of subsection (a), by striking “1861(s) or” and all that follows through “Service Act,” and inserting “1861(s)”.

(2) An agreement made by the Secretary of Health and Human Services with a State under section 1864(a) of the Social Security Act may include an agreement that the services of the State health agency or other appropriate State agency (or the appropriate local agencies) will be utilized by the Secretary for the purpose of determining whether a laboratory meets the requirements of section 353 of the Public Health Service Act.

(b) OTHER MISCELLANEOUS AND TECHNICAL PROVISIONS.—(1) Section 1833 (42 U.S.C. 1395l) is amended by redesignating the subsection (r) added by section 4206(b)(2) of OBRA-1990 as subsection (s).

(2) Section 1866(f)(1) (42 U.S.C. 1395cc(f)(1)) is amended by striking “1833(r)” and inserting “1833(s)”.

(3) Section 1861(s)(2) (42 U.S.C. 1395x(s)(2)) is amended by moving subparagraph (O), as redesignated by section 5070(f)(7)(B)(iii)(II) of this subtitle, two ems to the left.

(4) Section 1881(b)(1)(C) (42 U.S.C. 1395rr(b)(1)(C)) is amended by striking “1861(s)(2)(Q)” and inserting “1861(s)(2)(P)”.

(5) Section 4201(d)(2) of OBRA-1990 is amended by striking “(B) by striking”, “(C)

by striking", and "(3) by adding" and inserting "(i) by striking", "(ii) by striking", and "(B) by adding", respectively.

(6)(A) Section 4207(a)(1) of OBRA-1990 is amended by adding closing quotation marks and a period after "such review."

(B) Section 4207(a)(4) of OBRA-1990 is amended by striking "this subsection" and inserting "paragraphs (2) and (3)".

(C) Section 4207(b)(1) of OBRA-1990 is amended by striking "section 3(7)" and inserting "section 601(a)(1)".

(7) Section 4202 of OBRA-1990 is amended—

(A) in subsection (b)(1)(A), by striking "home hemodialysis staff assistant" and inserting "qualified home hemodialysis staff assistant (as described in subsection (d))";

(B) in subsection (b)(2)(B)(i)(I), by striking "(as adjusted to reflect differences in area wage levels)";

(C) in subsection (c)(1)(A), by striking "skilled"; and

(D) in subsection (c)(1)(E), by striking "(b)(4)" and inserting "(b)(2)".

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the enactment of OBRA-1990.

CHAPTER 3—PROVISIONS RELATING TO MEDICARE SUPPLEMENTAL INSURANCE POLICIES

SEC. 5091. STANDARDS FOR MEDICARE SUPPLEMENTAL INSURANCE POLICIES.

(a) SIMPLIFICATION OF MEDICARE SUPPLEMENTAL POLICIES.—

(1) Section 4351 of OBRA-1990 is amended by striking "(a) IN GENERAL.—".

(2) Section 1882(p) (42 U.S.C. 1395ss(p)) is amended—

(A) in paragraph (1)(A)—

(i) by striking "promulgates" and inserting "changes the revised NAIC Model Regulation (described in subsection (m)) to incorporate";

(ii) by striking "(such limitations, language, definitions, format, and standards referred to collectively in this subsection as 'NAIC standards')"; and

(iii) by striking "included a reference to the NAIC standards" and inserting "were a reference to the revised NAIC Model Regulation as changed under this subparagraph (such changed regulation referred to in this section as the '1991 NAIC Model Regulation')";

(B) in paragraph (1)(B)—

(i) by striking "promulgate NAIC standards" and inserting "make the changes in the revised NAIC Model Regulation";

(ii) by striking "limitations, language, definitions, format, and standards described in clauses (i) through (iv) of such subparagraph (in this subsection referred to collectively as 'Federal standards')" and inserting "a regulation"; and

(iii) by striking "included a reference to the Federal standards" and inserting "were a reference to the revised NAIC Model Regulation as changed by the Secretary under this subparagraph (such changed regulation referred to in this section as the '1991 Federal Regulation')";

(C) in paragraph (1)(C)(i), by striking "NAIC standards or the Federal standards" and inserting "1991 NAIC Model Regulation or 1991 Federal Regulation";

(D) in paragraphs (1)(C)(ii)(I), (1)(E), (2), and (9)(B), by striking "NAIC or Federal standards" and inserting "1991 NAIC Model Regulation or 1991 Federal Regulation";

(E) in paragraph (2)(C), by striking "(5)(B)" and inserting "(4)(B)";

(F) in paragraph (4)(A)(i), by inserting "or paragraph (6)" after "(B)";

(G) in paragraph (4), by striking "applicable standards" each place it appears and in-

serting "applicable 1991 NAIC Model Regulation or 1991 Federal Regulation";

(H) in paragraph (6), by striking "in regard to the limitation of benefits described in paragraph (4)" and inserting "described in clauses (i) through (iii) of paragraph (1)(A)";

(I) in paragraph (7), by striking "policyholder" and inserting "policyholders";

(J) in paragraph (8), by striking "after the effective date of the NAIC or Federal standards with respect to the policy, in violation of the previous requirements of this subsection" and inserting "on and after the effective date specified in paragraph (1)(C) (but subject to paragraph (10)), in violation of the applicable 1991 NAIC Model Regulation or 1991 Federal Regulation insofar as such regulation relates to the requirements of subsection (o) or (q) or clause (i), (ii), or (iii) of paragraph (1)(A)";

(K) in paragraph (9), by adding at the end the following new subparagraph:

"(D) Subject to paragraph (10), this paragraph shall apply to sales of policies occurring on or after the effective date specified in paragraph (1)(C)."; and

(L) in paragraph (10), by striking "this subsection" and inserting "paragraph (1)(A)(i)".

(b) GUARANTEED RENEWABILITY.—Section 1882(q) (42 U.S.C. 1395ss(q)) is amended—

(1) in paragraph (2), by striking "paragraph (2)" and inserting "paragraph (4)", and

(2) in paragraph (4), by striking "the succeeding issuer" and inserting "issuer of the replacement policy".

(c) ENFORCEMENT OF STANDARDS.—

(1) Section 1882(a)(2) (42 U.S.C. 1395ss(a)(2)) is amended—

(A) in subparagraph (A), by striking "NAIC standards or the Federal standards" and inserting "1991 NAIC Model Regulation or 1991 Federal Regulation"; and

(B) by striking "after the effective date of the NAIC or Federal standards with respect to the policy" and inserting "on and after the effective date specified in subsection (p)(1)(C)".

(2) The sentence in section 1882(b)(1) added by section 4353(c)(5) of OBRA-1990 is amended—

(A) by striking "The report" and inserting "Each report";

(B) by inserting "and requirements" after "standards";

(C) by striking "and" after "compliance"; and

(D) by striking the comma after "Commissioners".

(3) Section 1882(g)(2)(B) (42 U.S.C. 1395ss(g)(2)(B)) is amended by striking "Panel" and inserting "Secretary".

(4) Section 1882(b)(1) (42 U.S.C. 1395ss(b)(1)) is amended by striking "the the Secretary" and inserting "the Secretary".

(d) PREVENTING DUPLICATION.—

(1) Section 1882(d)(3)(A) (42 U.S.C. 1395ss(d)(3)(A)) is amended—

(A) by amending the first sentence to read as follows:

"(i) It is unlawful for a person to sell or issue to an individual entitled to benefits under part A or enrolled under part B of this title—

"(I) a health insurance policy with knowledge that the policy duplicates health benefits to which the individual is otherwise entitled under this title or title XIX,

"(II) a medicare supplemental policy with knowledge that the individual is entitled to benefits under another medicare supplemental policy, or

"(III) a health insurance policy (other than a medicare supplemental policy) with knowledge that the policy duplicates health bene-

fits to which the individual is otherwise entitled, other than benefits to which the individual is entitled under a requirement of State or Federal law.";

(B) by designating the second sentence as clause (ii) and, in such clause, by striking "the previous sentence" and inserting "clause (i)";

(C) by designating the third sentence as clause (iii) and, in such clause—

(i) by striking "the previous sentence" and inserting "clause (i) with respect to the sale of a medicare supplemental policy"; and

(ii) by striking "and the statement" and all that follows up to the period at the end; and

(D) by striking the last sentence.

(2) Section 1882(d)(3)(B) (42 U.S.C. 1395ss(d)(3)(B)) is amended—

(A) in clause (ii)(II), by striking "65 years of age or older";

(B) in clause (iii)(I), by striking "another medicare" and inserting "a medicare";

(C) in clause (iii)(I), by striking "such a policy" and inserting "a medicare supplemental policy";

(D) in clause (iii)(II), by striking "another policy" and inserting "a medicare supplemental policy"; and

(E) by amending subclause (III) of clause (iii) to read as follows:

"(III) If the statement required by clause (i) is obtained and indicates that the individual is entitled to any medical assistance under title XIX, the sale of the policy is not in violation of clause (i) (insofar as such clause relates to such medical assistance), if a State medicaid plan under such title pays the premiums for the policy, or, in the case of a qualified medicare beneficiary described in section 1905(p)(1), if the State pays less than the full amount of medicare cost-sharing as described in subparagraphs (B), (C), and (D) of section 1905(p)(3) for such individual."

(3)(A) Section 1882(d)(3)(C) (42 U.S.C. 1395ss(d)(3)(C)) is amended—

(i) by striking "the selling" and inserting "(i) the sale or issuance"; and

(ii) by inserting before the period at the end the following: ", (ii) the sale or issuance of a policy or plan described in subparagraph (A)(i)(I) (other than a medicare supplemental policy to an individual entitled to any medical assistance under title XIX) under which all the benefits are fully payable directly to or on behalf of the individual without regard to other health benefit coverage of the individual but only if (for policies sold or issued more than 60 days after the date the statements are published or promulgated under subparagraph (D)) there is disclosed in a prominent manner as part of (or together with) the application the applicable statement (specified under subparagraph (D)) of the extent to which benefits payable under the policy or plan duplicate benefits under this title, or (iii) the sale or issuance of a policy or plan described in subparagraph (A)(i)(III) under which all the benefits are fully payable directly to or on behalf of the individual without regard to other health benefit coverage of the individual".

(B) Section 1882(d)(3) (42 U.S.C. 1395ss(d)(3)) is amended by adding at the end the following:

"(D)(i) If—

"(I) within the 90-day period beginning on the date of the enactment of this subparagraph, the National Association of Insurance Commissioners develops (after consultation with consumer and insurance industry representatives) and submits to the Secretary a statement for each of the types of health in-

insurance policies (other than medicare supplemental policies and including, as separate types of policies, policies paying directly to the beneficiary fixed, cash benefits) which are sold to persons entitled to health benefits under this title, of the extent to which benefits payable under the policy or plan duplicate benefits under this title, and

"(II) the Secretary approves all the statements submitted as meeting the requirements of subclause (I),

each such statement shall be (for purposes of subparagraph (C)) the statement specified under this subparagraph for the type of policy involved. The Secretary shall review and approve (or disapprove) all the statements submitted under subclause (I) within 30 days after the date of their submittal. Upon approval of such statements, the Secretary shall publish such statements.

"(ii) If the Secretary does not approve the statements under clause (i) or the statements are not submitted within the 90-day period specified in such clause, the Secretary shall promulgate (after consultation with consumer and insurance industry representatives and not later than 90 days after the date of disapproval or the end of such 90-day period (as the case may be)) a statement for each of the types of health insurance policies (other than medicare supplemental policies and including, as separate types of policies, policies paying directly to the beneficiary fixed, cash benefits) which are sold to persons entitled to health benefits under this title, of the extent to which benefits payable under the policy or plan duplicate benefits under this title, and each such statement shall be (for purposes of subparagraph (C)) the statement specified under this subparagraph for the type of policy involved."

(C) The requirement of a disclosure under section 1882(d)(3)(C)(ii) of the Social Security Act shall not apply to an application made for a policy or plan before 60 days after the date of the Secretary of Health and Human Services publishes or promulgates all the statements under section 1882(d)(3)(D) of such Act.

(4) Subparagraphs (A) and (B) of section 1882(q)(5) (42 U.S.C. 1395ss(q)(5)(A)) are amended by striking "of the Social Security Act".

(e) LOSS RATIOS AND REFUNDS OF PREMIUMS.—

(1) Section 1882(r) (42 U.S.C. 1395ss(r)) is amended—

(A) in paragraph (1), by striking "or sold" and inserting "or renewed (or otherwise provide coverage after the date described in subsection (p)(1)(C))";

(B) in paragraph (1)(A), by inserting "for periods after the effective date of these provisions" after "the policy can be expected";

(C) in paragraph (1)(A), by striking "Commissioners," and inserting "Commissioners";

(D) in paragraph (1)(B), by inserting before the period at the end the following: "treat- ing policies of the same type as a single policy for each standard package";

(E) by adding at the end of paragraph (1) the following: "For the purpose of calculating the refund or credit required under paragraph (1)(B) for a policy issued before the date specified in subsection (p)(1)(C), the refund or credit calculation shall be based on the aggregate benefits provided and premiums collected under all such policies issued by an insurer in a State (separated as to individual and group policies) and shall be based only on aggregate benefits provided and premiums collected under such policies after the date specified in section 5091(m)(4)

of the Omnibus Budget Reconciliation Act of 1993.";

(F) in the first sentence of paragraph (2)(A), by striking "by policy number" and inserting "by standard package";

(G) by striking the second sentence of paragraph (2)(A) and inserting the following: "Paragraph (1)(B) shall not apply to a policy until 12 months following issue.";

(H) in the last sentence of paragraph (2)(A), by striking "in order" and all that follows through "are effective";

(I) by adding at the end of paragraph (2)(A), the following new sentence: "In the case of a policy issued before the date specified in subsection (p)(1)(C), paragraph (1)(B) shall not apply until 1 year after the date specified in section 5091(m)(4) of the Omnibus Budget Reconciliation Act of 1993.";

(J) in paragraph (2), by striking "policy year" each place it appears and inserting "calendar year";

(K) in paragraph (4), by striking "February", "disallowance", "loss-ratios" each place it appears, and "loss-ratio" and inserting "October", "disallowance", "loss ratios", and "loss ratio", respectively;

(L) in paragraph (6)(A), by striking "issues a policy in violation of the loss ratio requirements of this subsection" and "such violation" and inserting "fails to provide refunds or credits as required in paragraph (1)(B)" and "policy issued for which such failure occurred", respectively; and

(M) in paragraph (6)(B), by striking "to policyholders" and inserting "to the policyholder or, in the case of a group policy, to the certificate holder".

(2) Section 1882(b)(1) (42 U.S.C. 1395ss(b)(1)) is amended, in the matter after subparagraph (H), by striking "subsection (F)" and inserting "subparagraph (F)".

(3) Section 4355(d) of OBRA-1990 is amended by striking "sold or issued" and all that follows and inserting "issued or renewed (or otherwise providing coverage after the date described in section 1882(p)(1)(C) of the Social Security Act) on or after the date specified in section 1882(p)(1)(C) of such Act."

(f) TREATMENT OF HMO'S.—

(1) Section 1882(g)(1) (42 U.S.C. 1395ss(g)(1)) is amended by striking "a health maintenance organization or other direct service organization" and all that follows through "1833" and inserting "an eligible organization (as defined in section 1876(b)) if the policy or plan provides benefits pursuant to a contract under section 1876 or an approved demonstration project described in section 603(c) of the Social Security Amendments of 1983, section 2355 of the Deficit Reduction Act of 1984, or section 9412(b) of the Omnibus Budget Reconciliation Act of 1986 or, during the period beginning on the date specified in subsection (p)(1)(C) and ending on December 31, 1994, a policy or plan of an organization if the policy or plan provides benefits pursuant to an agreement under section 1833(a)(1)(A)".

(2) Section 4356(b) of OBRA-1990 is amended by striking "on the date of the enactment of this Act" and inserting "on the date specified in section 1882(p)(1)(C) of the Social Security Act".

(g) PRE-EXISTING CONDITION LIMITATIONS.— Section 1882(s) (42 U.S.C. 1395ss(s)) is amended—

(1) in paragraph (2)(A), by striking "for which an application is submitted" and inserting "in the case of an individual for whom an application is submitted prior to or"

(2) in paragraph (2)(A), by striking "in which the individual (who is 65 years of age or older) first is enrolled for benefits under

part B" and inserting "as of the first day on which the individual is 65 years of age or older and is enrolled for benefits under part B", and

(3) in paragraph (2)(B), by striking "before it" and inserting "before the policy".

(h) MEDICARE SELECT POLICIES.—

(1) Section 1882(t) (42 U.S.C. 1395ss(t)) is amended—

(A) in paragraph (1), by inserting "medicare supplemental" after "If a",

(B) in paragraph (1), by striking "NAIC Model Standards" and inserting "1991 NAIC Model Regulation or 1991 Federal Regulation",

(C) in paragraph (1)(A), by inserting "or agreements" after "contracts",

(D) in subparagraphs (E)(i) and (F) of paragraph (1), by striking "NAIC standards" and inserting "standards in the 1991 NAIC Model Regulation or 1991 Federal Regulation", and

(E) in paragraph (2), by inserting "the issuer" before "is subject to a civil money penalty".

(2) Section 1154(a)(4)(B) (42 U.S.C. 1320c-3(a)(4)(B)) is amended—

(A) by inserting "that is" after "(or", and

(B) by striking "1882(t)" and inserting "1882(t)(3)".

(i) HEALTH INSURANCE COUNSELING.—Section 4360 of OBRA-1990 is amended—

(1) in subsection (b)(2)(A)(ii), by striking "Act" and inserting "Act";

(2) in subsection (b)(2)(D), by striking "services" and inserting "counseling";

(3) in subsection (b)(2)(I), by striking "assistance" and inserting "referrals";

(4) in subsection (c)(1), by striking "and that such activities will continue to be maintained at such level";

(5) in subsection (d)(3), by striking "to the rural areas" and inserting "eligible individuals residing in rural areas";

(6) in subsection (e)—

(A) by striking "subsection (c) or (d)" and inserting "this section";

(B) by striking "and annually thereafter, issue an annual report" and inserting "and annually thereafter during the period of the grant, issue a report"; and

(C) in paragraph (1), by striking "Statewide";

(7) in subsection (f), by striking paragraph (2) and by redesignating paragraphs (3) through (5) as paragraphs (2) through (4), respectively; and

(8) by redesignating the second subsection (f) (relating to authorization of appropriations for grants) as subsection (g).

(j) TELEPHONE INFORMATION SYSTEM.—

(1) Section 1804 (42 U.S.C. 1395b-2) is amended—

(A) by adding at the end of the heading the following: "MEDICARE AND MEDIGAP INFORMATION";

(B) by inserting "(a)" after "1804", and

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

"(b) The Secretary shall provide information via a toll-free telephone number on the programs under this title."

(2) Section 1882(f) (42 U.S.C. 1395ss(f)) is amended by adding at the end the following new paragraph:

"(3) The Secretary shall provide information via a toll-free telephone number on medicare supplemental policies (including the relationship of State programs under title XIX to such policies)."

(3) Section 1889 (42 U.S.C. 1395zz) is repealed.

(k) MAILING OF POLICIES.—Section 1882(d)(4) (42 U.S.C. 1395ss(d)(4)) is amended—

(1) in subparagraph (D), by striking “, if such policy” and all that follows up to the period at the end, and

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

“(E) Subparagraph (A) shall not apply in the case of an issuer who mails or causes to be mailed a policy, certificate, or other matter solely to comply with the requirements of subsection (q).”

(1) **EFFECTIVE DATE.**—The amendments made by this section shall be effective as if included in the enactment of OBRA-1990; except that—

(1) the amendments made by subsection (d)(1) shall take effect on the date of the enactment of this Act, but no penalty shall be imposed under section 1882(d)(3)(A) of the Social Security Act (for an action occurring after the effective date of the amendments made by section 4354 of OBRA-1990 and before the date of the enactment of this Act) with respect to the sale or issuance of a policy which is not unlawful under section 1882(d)(3)(A)(i)(II) of the Social Security Act (as amended by this section);

(2) the amendments made by subsection (d)(2)(A) and by subparagraphs (A), (B), and (E) of subsection (e)(1) shall be effective on the date specified in subsection (m)(4); and

(3) the amendment made by subsection (g)(2) shall take effect on January 1, 1994, and shall apply to individuals who attain 65 years of age or older on or after the effective date of section 1882(s)(2) of the Social Security Act (and, in the case of individuals who attained 65 years of age after such effective date and before January 1, 1994, and who were not covered under such section before January 1, 1994, the 6-month period specified in that section shall begin January 1, 1994).

(m) **TRANSITION PROVISIONS.**—

(1) **IN GENERAL.**—If the Secretary of Health and Human Services identifies a State as requiring a change to its statutes or regulations to conform its regulatory program to the changes made by this section, the State regulatory program shall not be considered to be out of compliance with the requirements of section 1882 of the Social Security Act due solely to failure to make such change until the date specified in paragraph (4).

(2) **NAIC STANDARDS.**—If, within 6 months after the date of the enactment of this Act, the National Association of Insurance Commissioners (in this subsection referred to as the “NAIC”) modifies its 1991 NAIC Model Regulation (adopted in July 1991) to conform to the amendments made by this section and to delete from section 15C the exception which begins with “unless”, such modifications shall be considered to be part of that Regulation for the purposes of section 1882 of the Social Security Act.

(3) **SECRETARY STANDARDS.**—If the NAIC does not make the modifications described in paragraph (2) within the period specified in such paragraph, the Secretary of Health and Human Services shall make the modifications described in such paragraph and such modifications shall be considered to be part of that Regulation for the purposes of section 1882 of the Social Security Act.

(4) **DATE SPECIFIED.**—

(A) **IN GENERAL.**—Subject to subparagraph (B), the date specified in this paragraph for a State is the earlier of—

(i) the date the State changes its statutes or regulations to conform its regulatory program to the changes made by this section, or

(ii) 1 year after the date the NAIC or the Secretary first makes the modifications under paragraph (2) or (3), respectively.

(B) **ADDITIONAL LEGISLATIVE ACTION REQUIRED.**—In the case of a State which the Secretary identifies as—

(i) requiring State legislation (other than legislation appropriating funds) to conform its regulatory program to the changes made in this section, but

(ii) having a legislature which is not scheduled to meet in 1994 in a legislative session in which such legislation may be considered, the date specified in this paragraph is the first day of the first calendar quarter beginning after the close of the first legislative session of the State legislature that begins on or after January 1, 1994. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

Subtitle B—Medicaid Program and Other Health Care Provisions

SEC. 5100. REFERENCES IN SUBTITLE; TABLE OF CONTENTS OF SUBTITLE.

(a) **AMENDMENTS TO SOCIAL SECURITY ACT.**—Except as otherwise specifically provided, whenever in this subtitle an amendment 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 that section or other provision of the Social Security Act.

(b) **REFERENCES TO OBRA.**—In this subtitle, the terms “OBRA-1986”, “OBRA-1987”, “OBRA-1989”, and “OBRA-1990” refer to the Omnibus Budget Reconciliation Act of 1986 (Public Law 99-509), the Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203), the Omnibus Budget Reconciliation Act of 1989 (Public Law 101-239), and the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508), respectively.

(c) **TABLE OF CONTENTS OF SUBTITLE.**—The table of contents of this subtitle is as follows:

Subtitle B—Medicaid Program and Other Health Care Provisions

Sec. 5100. References in subtitle; table of contents of subtitle.

CHAPTER 1—MEDICAID PROGRAM

SUBCHAPTER A—PROGRAM SAVINGS PROVISIONS

PART I—REPEAL OF MANDATE

Sec. 5101. Personal care services furnished outside the home as optional benefit.

PART II—OUTPATIENT PRESCRIPTION DRUGS

Sec. 5106. Permitting prescription drug formularies under State plans.

Sec. 5107. Elimination of special exemption from prior authorization for new drugs.

Sec. 5108. Technical corrections relating to section 4401 of OBRA-1990.

PART III—RESTRICTIONS ON DIVESTITURE OF ASSETS AND ESTATE RECOVERY

Sec. 5111. Transfer of assets.

Sec. 5112. Medicaid estate recoveries.

Sec. 5113. Closing loophole permitting wealthy individuals to qualify for Medicaid.

PART IV—IMPROVEMENT IN IDENTIFICATION AND COLLECTION OF THIRD PARTY PAYMENTS

Sec. 5116. Liability of third parties to pay for care and services.

Sec. 5117. Health Coverage Clearinghouse.

“TITLE XXI—HEALTH COVERAGE CLEARINGHOUSE

“Sec. 2101. Establishment of clearinghouse.

“Sec. 2102. Provision of information.

“Sec. 2103. Requirement that employers furnish information.

“Sec. 2104. Data bank.”

Sec. 5118. Medical child support.

PART V—ASSURING PROPER PAYMENTS TO DISPROPORTIONATE SHARE HOSPITALS

Sec. 5121. Assuring proper payments to disproportionate share hospitals.

SUBCHAPTER B—MISCELLANEOUS PROVISIONS

PART I—ANTI-FRAUD AND ABUSE PROVISIONS

Sec. 5131. Application of Medicare rules limiting certain physician referrals.

Sec. 5132. Intermediate sanctions for kick-back violations.

Sec. 5133. Requiring maintenance of effort for State Medicaid fraud control units.

PART II—MANAGED CARE PROVISIONS

Sec. 5135. Medicaid managed care anti-fraud provisions.

Sec. 5136. Clarification of treatment of HMO enrollees in computing the Medicaid inpatient utilization rate in qualifying hospitals as disproportionate share hospitals.

Sec. 5137. Extension of period of applicability of enrollment mix requirement to certain health maintenance organizations providing services under Dayton Area Health Plan.

Sec. 5138. Extension of Medicaid waiver for Tennessee Primary Care Network.

Sec. 5139. Waiver of application of Medicaid enrollment mix requirement to District of Columbia Chartered Health Plan, Inc.

Sec. 5140. Extension of Minnesota Prepaid Medicaid Demonstration Project.

PART III—EMERGENCY SERVICES TO UNDOCUMENTED ALIENS

Sec. 5141. Increase in Federal financial participation for emergency medical assistance to undocumented aliens.

Sec. 5142. Limiting Federal Medicaid matching payment to bona fide emergency services for undocumented aliens.

PART IV—MISCELLANEOUS PROVISIONS

Sec. 5144. Increase in limit on Federal Medicaid matching payments to Puerto Rico and other territories.

Sec. 5145. Criteria for making determinations of denial of Federal Medicaid matching payments to States.

Sec. 5146. Renewal of unfunded demonstration project for low-income pregnant women and children.

Sec. 5147. Optional Medicaid coverage of TB-related services for certain TB-infected individuals.

Sec. 5148. Application of mammography certification requirements under the Medicaid program.

Sec. 5149. Removal of sunset on extension of eligibility for working families.

Sec. 5150. Extension of moratorium on treatment of certain facilities as institutions for mental diseases.

Sec. 5150A. Treatment of certain clinics as federally-qualified health centers.

Sec. 5150B. Nursing home reform.

SUBCHAPTER C—MISCELLANEOUS AND TECHNICAL CORRECTIONS RELATING TO OBRA-1990

Sec. 5151. Effective date.

- Sec. 5152. Corrections relating to section 4402 (enrollment under group health plans).
- Sec. 5153. Corrections relating to section 4501 (low-income medicare beneficiaries).
- Sec. 5154. Corrections relating to section 4601 (child health).
- Sec. 5155. Corrections relating to section 4602 (outreach locations).
- Sec. 5156. Corrections relating to section 4604 (payment for hospital services for children under 6 years of age).
- Sec. 5157. Corrections relating to section 4703 (payment adjustments for disproportionate share hospitals).
- Sec. 5158. Corrections relating to section 4704 (Federally-qualified health centers).
- Sec. 5159. Corrections relating to section 4708 (substitute physicians).
- Sec. 5160. Corrections relating to section 4711 (home and community care for frail elderly).
- Sec. 5161. Corrections relating to section 4712 (community supported living arrangements services).
- Sec. 5162. Correction relating to section 4713 (COBRA continuation coverage).
- Sec. 5163. Correction relating to section 4716 (medicaid transition for family assistance).
- Sec. 5164. Corrections relating to section 4723 (medicaid spenddown option).
- Sec. 5165. Corrections relating to section 4724 (optional State disability determinations).
- Sec. 5166. Correction relating to section 4732 (special rules for health maintenance organizations).
- Sec. 5167. Corrections relating to section 4741 (home and community-based waivers).
- Sec. 5168. Corrections relating to section 4744 (frail elderly waivers).
- Sec. 5169. Corrections relating to section 4747 (coverage of HIV-positive individuals).
- Sec. 5170. Correction relating to section 4751 (advance directives).
- Sec. 5171. Corrections relating to section 4752 (physicians' services).
- Sec. 5172. Corrections relating to section 4801 (nursing home reform).
- Sec. 5173. Other technical corrections.
- Sec. 5174. Corrections to designations of new provisions.

CHAPTER 2—UNIVERSAL ACCESS TO CHILDHOOD IMMUNIZATIONS

- Sec. 5181. Establishment of entitlement and monitoring programs with respect to childhood immunizations.

“Subtitle 3—Entitlement and Monitoring Programs With Respect to Childhood Immunizations

“PART A—ENTITLEMENT PROGRAM

- “Sec. 2151. Delivery to States of sufficient quantities of pediatric vaccines.
- “Sec. 2152. Entitlements.
- “Sec. 2153. Voluntary participation of health care providers.
- “Sec. 2154. Intrastate distribution of pediatric vaccines.
- “Sec. 2155. General provisions.
- “Sec. 2156. State option regarding immunization of additional categories of children.

- “Sec. 2157. State application for vaccines.
 - “Sec. 2158. Contracts with manufacturers of pediatric vaccines.
 - “Sec. 2159. Certain administrative variations.
 - “Sec. 2160. List of pediatric vaccines; schedule for administration.
 - “Sec. 2161. Childhood Immunization Trust Fund.
 - “Sec. 2162. Definitions.
 - “Sec. 2163. Termination of program.
- “PART B—NATIONAL SYSTEM FOR MONITORING IMMUNIZATION STATUS OF CHILDREN**
- “Sec. 2171. Formula grants for State registries with respect to monitoring.
 - “Sec. 2172. Registry data.
 - “Sec. 2173. General provisions.
 - “Sec. 2174. Application for grant.
 - “Sec. 2175. Determination of amount of allotment.
 - “Sec. 2176. Definitions.
 - “Sec. 2177. Authorization of appropriations.

“PART C—FUNDING FOR OTHER PURPOSES REGARDING CHILDHOOD IMMUNIZATIONS

- “Sec. 2181. Grants regarding Year 2000 health objectives.
- Sec. 5182. National Vaccine Injury Compensation Program amendments.
- Sec. 5183. Medicaid immunization provisions.
- Sec. 5184. Availability of medicaid payments for childhood vaccine replacement programs.
- Sec. 5185. Healthy start for infants.
- Sec. 5186. Increase in authorization of appropriations for the Maternal and Child Health Services Block Grant Program.
- Sec. 5187. Miscellaneous technical corrections to Public Health Service Act provisions.

CHAPTER 1—MEDICAID PROGRAM

Subchapter A—Program Savings Provisions

PART I—REPEAL OF MANDATE

SEC. 5101. PERSONAL CARE SERVICES FURNISHED OUTSIDE THE HOME AS OPTIONAL BENEFIT.

(a) IN GENERAL.—Section 1905(a) (42 U.S.C. 1396d(a)), as amended by section 5174(c)(1), is further amended—

(1) in paragraph (7), by striking “including personal care services” and all that follows through “nursing facility”;

(2) in paragraph (23), by striking “and” at the end;

(3) by redesignating paragraph (24) as paragraph (25); and

(4) by inserting after paragraph (23) the following new paragraph:

“(24) personal care services furnished to an individual who is not an inpatient or resident of a nursing facility that are (A) authorized by a physician for the individual in accordance with a plan of treatment, (B) provided by an individual who is qualified to provide such services and who is not a member of the individual's family, (C) supervised by a registered nurse, and (D) furnished in a home or other location; and”.

(b) CONFORMING AMENDMENTS.—(1) Section 1902(a)(10)(C)(iv) (42 U.S.C. 1396a(a)(10)(C)(iv)), as amended by section 5174(c)(2)(A), is amended by striking “through (23)” and inserting “through (24)”.

(2) Section 1902(j) (42 U.S.C. 1396a(j)), as amended by section 5174(c)(2)(B), is amended by striking “through (24)” and inserting “through (25)”.

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall take effect as if included in the enactment of section 4721(a) of OBRA-90.

PART II—OUTPATIENT PRESCRIPTION DRUGS

SEC. 5106. PERMITTING PRESCRIPTION DRUG FORMULARIES UNDER STATE PLANS.

(a) ELIMINATION OF PROHIBITION AGAINST USE OF FORMULARIES.—Paragraph (54) of section 1902(a)(54) (42 U.S.C. 1396a(a)(54)) is amended to read as follows:

“(54) in the case of a State plan that provides medical assistance for covered outpatient drugs (as defined in section 1927(k)), comply with the applicable requirements of section 1927.”.

(b) STANDARDS FOR FORMULARIES.—Section 1927(d) (42 U.S.C. 1396f-8(d)), as amended by sections 5107(a) and 5108(b)(4)(A)(iii), is amended—

(1) by adding at the end of paragraph (1) the following new subparagraph:

“(C) In the case of a State that establishes a formulary in accordance with paragraph (5), the State may exclude coverage of a covered outpatient drug that is not included in the formulary.”; and

(2) by inserting after paragraph (4) the following new paragraph:

“(5) REQUIREMENTS FOR FORMULARIES.—A State may establish a formulary only if the following requirements are met:

“(A) The formulary is established by a committee consisting of physicians, pharmacists, and other appropriate individuals appointed by the Governor of the State (or, at the option of the State, the State's drug use review board established under subsection (g)(3)).

“(B) Except as provided in subparagraph (C), the formulary includes the covered outpatient drugs of any manufacturer which has entered into and complies with an agreement under subsection (a).

“(C) The committee may exclude a covered outpatient drug with respect to the treatment of a specific disease or condition for an identified population (if any) only if the committee finds, based on the drug's labeling (or, in the case of a drug whose prescribed use is not approved under the Federal Food, Drug, and Cosmetic Act but is a medically accepted indication, based on information from the appropriate compendia described in subsection (k)(6)), that the excluded drug does not have a significant, clinically meaningful therapeutic advantage in terms of safety, effectiveness, or clinical outcome of such treatment for such population over other drugs included in the formulary.

“(D) With respect to a decision to exclude a covered outpatient drug from the formulary or a prescribed use of such a drug, the committee issues a written explanation of its decision that is available to the public, unless the decision was made at a meeting of the committee which was open to the public.

“(E) The manufacturer of the drug, and any person affected by the decision, may obtain a reversal of the committee's decision to exclude a covered outpatient drug from the formulary under subparagraph (C) on the ground that the decision was arbitrary and capricious, in accordance with an appeals process that is established by the State and that provides an opportunity for judicial review of such decision.

“(F) The State plan permits coverage of a drug excluded from the formulary pursuant to a prior authorization program that is consistent with paragraph (4).

"(G) The formulary meets such other requirements as the Secretary may impose."

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to calendar quarters beginning on or after October 1, 1993, without regard to whether or not regulations to carry out such amendments have been promulgated by such date.

SEC. 5107. ELIMINATION OF SPECIAL EXEMPTION FROM PRIOR AUTHORIZATION FOR NEW DRUGS.

(a) **IN GENERAL.**—Section 1927(d) (42 U.S.C. 1396r-8(d)), as amended by section 5108(b)(4)(A)(iii), is amended by striking paragraph (5).

(b) **CONFORMING AMENDMENT.**—Section 1927(d)(3) (42 U.S.C. 1396r-8(d)(3)) is amended by striking "(except with respect" and all that follows through "of this paragraph)".

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to calendar quarters beginning on or after October 1, 1993, without regard to whether or not regulations to carry out such amendments have been promulgated by such date.

SEC. 5108. TECHNICAL CORRECTIONS RELATING TO SECTION 4401 OF OBRA-1990.

(a) **SECTION 1903, SSA.**—Paragraph (10) of section 1903(i), as inserted by section 4401(a)(1)(B) of OBRA-1990, is amended to read as follows:

"(10) with respect to covered outpatient drugs unless there is a rebate agreement in effect under section 1927 with respect to such drugs or unless section 1927(a)(3) applies;"

(b) **SECTION 1927, SSA.**—(1) Section 1927(a) (42 U.S.C. 1396r-8(a)) is amended—

(A) in paragraph (1)—

(i) by amending the second sentence to read as follows: "Any such agreement entered into prior to April 1, 1991, shall be deemed to have been entered into on January 1, 1991, and the amount of the rebate under such agreement shall be calculated as if the agreement had been entered into on January 1, 1991."; and

(ii) in the third sentence, by striking "March" and inserting "April";

(B) in paragraph (2)—

(i) by striking "first", and

(ii) by striking the period at the end and inserting the following: ", except that such paragraph (and section 1903(i)(10)(A)) shall not apply to the dispensing of such a drug before April 1, 1991, if the Secretary determines that there were extenuating circumstances with respect to the first calendar quarter of 1991.";

(C) in paragraph (3), by striking "single source" and all that follows and inserting the following: "covered outpatient drugs if—

"(A) based on information provided by a beneficiary's physician, the State has made a determination that the availability of the drug is essential to the health of the beneficiary under the State plan, and the Secretary has reviewed and approved such determination; and

"(B) the drug has been given a rating of 1-A by the Food and Drug Administration.";

(D) in paragraph (4)—

(i) by striking "in compliance with" and inserting "in effect under", and

(ii) by striking "coverage of the manufacturer's drugs" and inserting "ingredient costs of the manufacturer's covered outpatient drugs covered"; and

(E) by adding at the end the following new paragraph:

"(5) **APPLICATION IN CERTAIN STATES AND TERRITORIES.**—

"(A) **APPLICATION IN STATES OPERATING UNDER DEMONSTRATION PROJECTS.**—In the case of any State which is providing medical

assistance to its residents under a waiver granted under section 1115, the Secretary shall require the State to meet the requirements of section 1902(a)(54) and of this section in the same manner as the State would be required to meet such requirements if the State had in effect a plan approved under this title.

"(B) **NO APPLICATION IN COMMONWEALTHS AND TERRITORIES.**—This section, and sections 1902(a)(54) and 1903(i)(10), shall only apply to a State that is one of the 50 States or the District of Columbia."

(2) Section 1927(b) (42 U.S.C. 1396r-8(b)) is amended—

(A) in paragraph (1)(A)—

(i) by striking "(or periodically in accordance with a schedule specified by the Secretary)" and inserting "(or other period specified by the Secretary)", and

(ii) by inserting "after December 31, 1990, for which payment was made" after "dispensed";

(B) in paragraph (2)(A)—

(i) by striking "calendar quarter" and "the quarter" and inserting "rebate period" and "the period", respectively.

(ii) by striking "dosage units" and inserting "units of each dosage form and strength", and

(iii) by inserting "after December 31, 1990, for which payment was made" after "dispensed";

(C) in paragraph (3)(A)—

(i) in clause (i), by striking "quarter" each place it appears and inserting "calendar quarter or other rebate period under the agreement";

(ii) in clause (i), by striking the open parenthesis before "for" and the close parenthesis after "drugs";

(iii) in clause (i), by striking "subsection (c)(2)(B) for covered outpatient drugs" and inserting "subsection (c)(1)(C) for each covered outpatient drug"; and

(iv) in clause (ii), by inserting a comma after "this section" and after "1990";

(D) in paragraph (3)(B)—

(i) by striking "\$100,000" and inserting "\$10,000";

(ii) by striking "if the wholesaler" and inserting "for each instance in which the wholesaler";

(iii) by inserting "in response to such a request" after "false information", and

(iv) by striking "(with respect to amounts of penalties or additional assessments)";

(E) in paragraph (3)(C)—

(i) in clause (i), by striking "the penalty" and inserting "the rebate next required to be paid";

(ii) in clause (i), by striking "and such amount shall be paid to the Treasury, and, if" and inserting ". If";

(iii) in clause (ii), by inserting "under subparagraph (A)" after "provides false information", and

(iv) in clause (ii), by striking "Such civil money penalties are" and inserting "Any such civil money penalty shall be";

(F) in paragraph (3)(D), by striking "wholesaler," the first place it appears and inserting "wholesaler or the"; and

(G) in paragraph (4)(B)(iii), by adding at the end the following: "In the case of such a termination, a State may terminate coverage of the drugs affected by such termination as of the effective date of such termination without providing any advance notice otherwise required by regulation."

(3) Section 1927(c) (42 U.S.C. 1396r-8(c)) is amended—

(A) in paragraph (1) in the matter preceding subparagraph (A)—

(i) by striking the first sentence,

(ii) in the second sentence, by striking "Except as otherwise provided" and all that follows through "the Secretary)" and inserting the following: "For purposes of this section, the amount of the rebate under this subsection for a rebate period", and

(iii) by inserting "(except as provided in subsection (b)(3)(C) and paragraph (2))" after "drugs shall";

(B) in paragraph (1)(A), by striking "the quarter (or other period)" and inserting "the rebate period";

(C) in subparagraph (C)—

(i) by striking "For purposes of this paragraph" and inserting "BEST PRICE DEFINED.—For purposes of this section",

(ii) by inserting "provider," after "retailer", and

(iii) by striking the semicolon at the end and inserting a period; and

(D) by striking subparagraph (D) and inserting the following:

"(D) **USE OF ESTIMATED BEST PRICES DURING INITIAL YEAR OF AVAILABILITY OF DRUG.**—If the Secretary determines that a manufacturer cannot determine the best price for rebate periods during the first year in which an agreement is in effect until after the end of the year, as part of the agreement the Secretary may require the manufacturer to estimate the best price for rebate periods during the year and provide an adjustment to the rebate paid to the State to take into account the difference (if any) between the best price and the estimated best price."

(4)(A) Section 1927(d) (42 U.S.C. 1396r-8(d)) is amended—

(i) in paragraph (2)—

(I) in subparagraph (A), by inserting "or loss" after "gain";

(II) by striking subparagraph (I), and

(III) by redesignating subparagraphs (J) and (K) as subparagraphs (I) and (J);

(ii) in paragraph (3)—

(I) by striking "described in paragraph (2)", and

(II) by inserting "described in paragraph (2)" after "classes of drugs.";

(iii) by striking paragraph (4) and by redesignating paragraphs (5) through (7) as paragraphs (4) through (6);

(iv) in paragraph (6), as so redesignated, by striking "provided" and inserting "if"; and

(v) by striking the second sentence of paragraph (6), as so redesignated, and paragraph (8) and inserting the following:

"(7) **CONSTRUCTION WITH RESPECT TO FRAUD AND ABUSE.**—Nothing in this section shall be construed to restrict the authority of a State to apply sanctions under this Act against any person for fraud or abuse."

(B) Section 1927(d)(4), as redesignated by subparagraph (A)(iii), shall first apply to drugs dispensed on or after July 1, 1991.

(5)(A) Section 1927(f) (42 U.S.C. 1396r-8(f)) is amended to read as follows:

"(f) **NO REDUCTIONS IN PHARMACY REIMBURSEMENT LIMITS.**—

"(1) **IN GENERAL.**—During the period beginning on November 5, 1990, and ending on December 31, 1994—

"(A) a State may not reduce the amount paid by the State under this title with respect to the ingredient cost of a covered outpatient drug or the dispensing fee for such a drug below the amount in effect as of November 5, 1990, and

"(B) the Secretary may not change the regulations in effect on November 5, 1990, governing the amounts described in subparagraph (A) which are eligible for Federal financial participation, to reduce the reimbursement limits described in such regulations.

"(2) CONSTRUCTION.—If the Secretary notified a State before November 5, 1990, that its payment amounts under this title with respect to the ingredient cost of a covered outpatient drug or the dispensing fee for such a drug were in excess of those permitted under regulations in effect on such date, paragraph (1)(B) shall not be construed as preventing a State from reducing payment amounts or dispensing fee in order to comply with such regulations."

(B) Not later than April 1, 1994, the Secretary of Health and Human Services shall establish an upper limit on the amount of payment which is eligible for Federal financial participation under title XIX of the Social Security Act for each multiple source drug (as defined in section 1927(k)(7)(A)(i) of such Act) for which the Food and Drug Administration has rated at least 3 formulations of such drug as therapeutically and pharmaceutically equivalent, regardless of whether all the formulations of such drug are rated as so equivalent. In establishing such a limit for a drug, the Secretary shall take into account only those formulations of the drug which the Food and Drug Administration has rated as therapeutically and pharmaceutically equivalent.

(6) Section 1927(g) (42 U.S.C. 1396r-8(g)) is amended—

(A) by amending paragraph (1) to read as follows:

"(1) REQUIREMENT FOR DRUG USE REVIEW PROGRAM.—Each State shall provide, by not later than January 1, 1993, for a drug use review program for covered outpatient drugs (other than drugs dispensed to residents of nursing facilities) that—

"(A) meets the requirements of paragraph (2), and

"(B) is intended to assure that prescriptions for such drugs are appropriate, medically necessary, and not likely to lead to adverse medical results.";

(B) in paragraph (2)—

(i) by amending the matter before subparagraph (A) to read as follows:

"(2) REQUIREMENTS.—"

(ii) by amending subparagraph (A) to read as follows:

"(A) PROSPECTIVE DRUG USE REVIEW.—Each drug use review program shall provide for a review of drug therapy before each prescription is filled or delivered to an individual receiving benefits under this title (including counseling by pharmacists) consistent with standards established by the Secretary. Nothing in this paragraph shall be construed as requiring a pharmacist to provide consultation when an individual receiving benefits under this title or caregiver of such individual refuses such consultation."

(iii) in subparagraph (C)—

(I) by striking "APPLICATION OF STANDARDS.—" and inserting "STANDARDS.—(i)",

(II) by striking "and literature referred to in subsection (1)(B)" and inserting "described in clause (ii)",

(III) by striking "including but not limited to" and inserting ". Such assessment shall include",

(IV) by striking "abuse/misuse and, as necessary, introduce remedial strategies," and inserting "abuse or misuse and introduce remedial strategies", and

(V) by adding at the end the following new clause:

"(ii) The compendia described in this clause are the American Hospital Formulary Service Drug Information, the United States Pharmacopeia-Drug Information, and the American Medical Association Drug Evaluations.", and

(iv) by amending subparagraph (D) to read as follows:

"(D) EDUCATIONAL PROGRAM.—The program shall educate (directly or by contract) pharmacists, physicians, and other individuals prescribing or dispensing covered outpatient drugs under the State plan on common drug therapy problems in order to improve prescribing or dispensing practices.";

(C) in paragraph (3)—

(i) in subparagraph (A), by striking "(hereinafter" and all that follows and inserting "(in this paragraph referred to as the 'DUR Board').",

(ii) in subparagraph (B), by striking "51 percent" and all that follows and inserting "50 percent licensed and actively practicing physicians and at least 1/3 but not more than 50 percent licensed and actively practicing pharmacists.",

(iii) by amending subparagraph (C) to read as follows:

"(C) RESPONSIBILITIES.—The responsibilities of the DUR Board shall include the following:

"(i) Carrying out retrospective drug use review pursuant to paragraph (2)(B).

"(ii) Establishing and applying standards for drug use review described in paragraph (2)(C).

"(iii) Implementing educational programs described in paragraph (2)(D).

"(iv) Conducting ongoing evaluations of the effectiveness of its programs and activities in improving the quality and safety of drug therapy for individuals receiving benefits under the State plan.";

(D) by amending subparagraph (D) to read as follows:

"(4) ANNUAL REPORT.—Each State shall submit a report each year to the Secretary on the nature and scope of the drug use review program under this subsection. Such report shall include an estimate of cost savings resulting from operation of such program."

(7) Section 1927(h) (42 U.S.C. 1396r-8(h)) is amended to read as follows:

"(h) ENCOURAGING ELECTRONIC CLAIMS MANAGEMENT.—The Secretary shall encourage each single State agency under this title to establish, as its principal means of processing claims for covered outpatient drugs, a point-of-sale electronic claims management system for the purpose of verifying eligibility, transmitting data on claims, and assisting pharmacists and other authorized persons in applying for and receiving payment under the State plan."

(8) Section 1927(i) (42 U.S.C. 1396r-8(i)) is amended to read as follows:

"(i) ANNUAL REPORT ON REBATE PROGRAM.—Not later than May 1 of each year, the Secretary shall submit to the Committee on Finance of the Senate, the Committee on Energy and Commerce of the House of Representatives, and the Committee on Aging of the Senate a report on the operation of the rebate agreements required for covered outpatient drugs under this section in the preceding fiscal year, and shall include in the report such information in addition to the information required to be reported under section 601(d) of the Veterans Health Care Act of 1992 as the Secretary considers appropriate."

(9) Section 1927(j) (42 U.S.C. 1396r-8(j)) is amended to read as follows:

"(j) EXEMPTION FROM CERTAIN REQUIREMENTS FOR CERTAIN HEALTH MAINTENANCE ORGANIZATIONS AND HOSPITALS.—

"(1) CERTAIN HEALTH MAINTENANCE ORGANIZATIONS AND PHARMACIES.—The requirements of subsections (g) and (h) shall not apply with respect to covered outpatient drugs dispensed by—

"(A) an entity which receives payment under a prepaid capitation basis or under any other risk basis in accordance with section 1903(m)(2)(A) for services provided under the State plan; or

"(B) a pharmacy that is owned or operated by a qualified health maintenance organization (as defined in section 1310(d) of the Public Health Service Act) that operates its own prospective drug use review program."

"(2) HOSPITALS WITH INDEPENDENT FORMULARY SYSTEMS.—

"(A) IN GENERAL.—The requirements of subsections (g) and (h) shall not apply with respect to covered outpatient drugs dispensed by a hospital providing medical assistance under the State plan that dispenses such drugs under a drug formulary system."

"(B) APPLICATION OF STATE FORMULARY.—Nothing in subparagraph (A) shall be construed to permit payment to be made under the State plan for a covered outpatient drug that is included in a drug formulary but that is not included in the State formulary under subsection (d)(5).

"(3) CONSTRUCTION IN DETERMINING BEST PRICE.—Nothing in this subsection shall be construed to exclude any covered outpatient drugs subject to the provisions of this subsection from the determination of the best price (as defined in subsection (c)(1)(C)) for such drugs."

(10) Section 1927(k) (42 U.S.C. 1396r-8(k)) is amended—

(A) in paragraph (1), by striking "calendar quarter" and inserting "rebate period";

(B) in paragraph (2)—

(i) in the matter before clause (i) of subparagraph (A), by striking "paragraph (5)" and inserting "subparagraph (D)",

(ii) by striking ", and" at the end of subparagraph (A),

(iii) by striking the period at the end of subparagraph (C) and inserting "; and", and

(iv) by adding at the end the following new subparagraph:

"(D) a drug which may be sold without a prescription (commonly referred to as an 'over-the-counter drug'), if the drug is prescribed by a physician (or other person authorized to prescribe under State law).";

(C) in paragraph (3)—

(i) in subparagraph (E), by striking "**** emergency room visits",

(ii) in subparagraph (F), by striking "services" and inserting "services", and

(iii) in subparagraph (H), by inserting "services" after "dialysis";

(D) by striking paragraph (4);

(E) by amending paragraph (5) to read as follows:

"(5) MANUFACTURER.—The term 'manufacturer' means, with respect to a covered outpatient drug,—

"(A) the entity (if any) that both manufactures and distributes the drug, or

"(B) if no such entity exists, the entity that distributes the drug."

Such term does not include a wholesale distributor of the drug that does not hold a National Drug Code number for the drug or a retail pharmacy licensed under State law."

(F) in paragraph (6), by striking ", which appears" and all that follows and inserting "which is accepted by any of the compendia described in subsection (g)(2)(C)(ii).";

(G) in paragraph (7)—

(i) in subparagraph (A)(i), by striking "calendar quarter" and inserting "rebate period",

(ii) in subparagraph (A)(i), by striking "paragraph (5)" and inserting "paragraph (2)(D)",

(iii) in subparagraph (A)(ii), by inserting "or product licensing application" after "application";

(iv) in subparagraph (C)(i), by striking "pharmaceutically" and inserting "pharmaceutically", and

(v) in subparagraph (C)(iii), by striking "provided that" and inserting "and"; and

(H) by redesignating paragraph (8) as paragraph (9) and by inserting after paragraph (7) the following new paragraph:

"(8) REBATE PERIOD.—The term 'rebate period' means, with respect to an agreement under subsection (a), a calendar quarter or other period specified with respect to the agreement under subsection (b)(1)(A) for the payment of rebates."

(d) FUNDING.—Section 4401(b)(2) of OBRA-1990 is amended by striking "75 percent," and all that follows and inserting "75 percent."

(e) DEMONSTRATION PROJECTS.—Section 4401(c)(1) of OBRA-1990 is amended—

(A) in subparagraph (A), by striking "10" and inserting "5"; and

(B) in subparagraph (C), by striking "regiment" and inserting "regimen".

(f) STUDIES.—Section 4401(d) of OBRA-1990 is amended—

(1) in paragraph (1)(A), by striking "other institutional facilities, and managed care plans" and inserting "nursing facilities, intermediate care facilities for the mentally retarded, and health maintenance organizations";

(2) in paragraph (1)(B), by striking "under this subsection" and inserting "under this paragraph";

(3) in paragraph (1)(B)(i), by striking "under this section" and inserting "under section 1927 of the Social Security Act";

(4) in paragraph (1)(B)(ii)—

(A) by striking "drug use review" the second place it appears and inserting "the type of drug use review that is"; and

(B) by striking "under this section" and inserting "under such section";

(5) in paragraph (1)(B)(iii), by striking "under this title" and inserting "under title XIX of the Social Security Act";

(6) in paragraph (1)(C)—

(A) by striking "May 1, 1991" and inserting "May 1, 1992"; and

(B) by striking "hereafter";

(7) in paragraph (2), by striking "the Committees on Aging of the Senate and House of Representatives an annual report" and inserting "the Committee on Aging of the Senate a report";

(8) in paragraph (3)—

(A) in subparagraph (A), by striking "acting in consultation with the Comptroller General," and

(B) in subparagraph (B)—

(i) by striking "December 31, 1991, the Secretary and the Comptroller General" and inserting "June 1, 1993, the Secretary"; and

(ii) by striking "the Committees on Aging of the Senate and the House of Representatives" and inserting "the Committee on Aging of the Senate";

(9) in paragraph (4)(A), by striking "each" and by striking the semicolon and inserting a comma; and

(10) by striking paragraphs (5) and (6).

PART III—RESTRICTIONS ON DIVESTITURE OF ASSETS AND ESTATE RECOVERY

SEC. 5111. TRANSFER OF ASSETS.

(a) PERIOD OF INELIGIBILITY.—

(1) EXTENDING LOOK-BACK PERIOD TO 36 MONTHS.—Section 1917(c)(1) (42 U.S.C. 1396p(c)(1)) is amended by striking "30-month period" and inserting "36-month period".

(2) ELIMINATING 30-MONTH LIMIT ON PERIOD OF INELIGIBILITY.—The second sentence of

such section is amended by striking "equal to" and all that follows and inserting the following: "equal to—

"(A) the total uncompensated value of the resources so transferred; divided by

"(B) the average monthly cost, to a private patient at the time of the application, of nursing facility services in the State or, at State option, in the community in which the individual is institutionalized."

(3) CUMULATIVE PERIODS OF INELIGIBILITY IN THE CASE OF MULTIPLE TRANSFERS.—Such sentence is further amended by inserting "(or, in the case of a transfer which occurs during a period of ineligibility attributable to a previous transfer, the first month after the end of all periods of ineligibility attributable to any previous transfer)" after "shall begin with the month in which such resources were transferred".

(b) CRITERIA FOR UNDUE HARDSHIP EXCEPTION.—Section 1917(c)(2)(D) (42 U.S.C. 1396p(c)(2)(D)) is amended to read as follows:

"(D) The State agency determines, under procedures established by the State (in accordance with standards specified by the Secretary) that the denial of eligibility would work an undue hardship (in accordance with criteria established by the Secretary)."

(c) TREATMENT OF JOINTLY HELD ASSETS.—Section 1917(c) (42 U.S.C. 1396p(c)) is further amended by adding at the end the following new paragraph:

"(6) For purposes of this subsection, in the case of an asset held by an individual in common with another person or persons in a joint tenancy or a similar arrangement, the asset (or the affected portion thereof) shall be considered to be transferred by such individual when any action is taken, either by such individual or by any other person, that reduces or eliminates such individual's ownership or control of such asset."

(d) MEDICAID QUALIFYING TRUSTS.—Section 1902(k) (42 U.S.C. 1396a(k)) is amended to read as follows:

"(k) TREATMENT OF TRUST AMOUNTS.—

"(1) IN GENERAL.—For purposes of determining an individual's eligibility for or amount of benefits under a State plan under this title, subject to paragraph (4), the following rules shall apply to a trust (which term includes, for purposes of this subsection, any similar legal instrument or device, such as an annuity) established by such individual:

"(A) REVOCABLE TRUSTS.—In the case of a revocable trust—

"(i) the corpus of the trust shall be considered resources available to the individual,

"(ii) payments from the trust to or for the benefit of the individual shall be considered income of the individual, and

"(iii) any other payments from the trust shall be considered a transfer of assets by the individual subject to section 1917(c).

"(B) IRREVOCABLE TRUSTS WHICH MAY BENEFIT GRANTOR.—In the case of an irrevocable trust, if there are any circumstances under which payment from the trust could be made to or for the benefit of the individual—

"(i) the corpus of the trust (or that portion of the corpus from which, or from the increase whereof, payment to the individual could be made) shall be considered resources available to the individual, and payments from that portion of the corpus (or increase)—

"(I) to or for the benefit of the individual, shall be considered income of the individual, and

"(II) for any other purpose, shall be considered a transfer of assets by the individual

subject to the provisions of section 1917(c); and

"(ii) any portion of the trust from which (or from the income whereof) no payment could under any circumstances be made to the individual shall be considered, as of the date of establishment of the trust (or, if later, the date on which payment to the individual was foreclosed), a transfer of assets by the individual subject to section 1917(c), and payments from such portion of the trust after such date shall be disregarded.

"(C) IRREVOCABLE TRUSTS WHICH CANNOT BENEFIT GRANTOR.—In the case of an irrevocable trust, if no payment may be made from the trust under any circumstances to or for the benefit of the individual—

"(i) the corpus of the trust shall be considered, as of the date of establishment of the trust (or, if later, the date on which payment to the individual was foreclosed), a transfer of assets subject to section 1917(c), and

"(ii) payments from the trust after the date specified in clause (i) shall be disregarded.

"(2) DETERMINATION OF GRANTOR.—

"(A) TREATMENT OF ACTS BY INDIVIDUAL AND OTHERS.—For purposes of this subsection, an individual shall be considered to have established a trust if—

"(i) the individual (or the individual's spouse), or a person (including a court or administrative body) with legal authority to act in place of or on behalf of such individual (or spouse), or any person (including any court or administrative body) acting at the direction or upon the request of such individual (or spouse), established (other than by will) such a trust, and

"(ii) assets of the individual (as defined in subparagraph (B)) were used to form all or part of the corpus of such trust.

"(B) ASSETS.—For purposes of this paragraph, assets of an individual include all income and resources of the individual and of the individual's spouse, including any income or resources which the individual (or spouse) is entitled to but does not receive because of action by the individual (or spouse), by a person (including a court or administrative body) with legal authority to act in place of or on behalf of such individual (or spouse), or by any person (including any court or administrative body) acting at the direction or upon the request of such individual (or spouse).

"(C) TRUSTS CONTAINING ASSETS OF MORE THAN ONE INDIVIDUAL.—In the case of a trust whose corpus includes assets of an individual (as determined pursuant to subparagraph (A)) and assets of any other person or persons, the provisions of this subsection shall apply to the portion of the trust attributable to the assets of the individual.

"(3) APPLICATION; RELATION TO OTHER PROVISIONS.—Subject to paragraph (4), this subsection shall apply without regard to—

"(A) the purposes for which the trust is established,

"(B) whether the trustees have or exercise any discretion under the trust,

"(C) any restrictions on when or whether distributions may be made from the trust, or

"(D) any restrictions on the use of distributions from the trust.

"(4) EXCEPTIONS AND HARDSHIP WAIVER.—

"(A) EXCEPTION FOR CERTAIN TRUSTS.—This subsection shall not apply to any of the following trusts:

"(i) A trust established for the benefit of a disabled individual (as determined under section 1614(a)(3)) by a parent, grandparent, or other representative payee of the individual.

"(ii) A trust established in a State for the benefit of an individual if—

"(I) the trust is composed only of pension, Social Security, and other income to the individual (and accumulated income in the trust),

"(II) the State will receive any amounts remaining in the trust upon the death of the individual, and

"(III) the State makes medical assistance available to individuals described in section 1902(a)(10)(A)(ii)(V), but does not make such assistance available to any group of individuals under section 1902(a)(10)(C).

"(B) SPECIAL TREATMENT OF ANNUITIES.—In this subsection, the term 'trust' includes an annuity only to such extent and in such manner as the Secretary specifies.

"(C) HARDSHIP WAIVER.—The State agency shall establish procedures (in accordance with standards specified by the Secretary) under which the agency waives the application of this subsection with respect to an individual if the individual establishes (under criteria established by the Secretary) that such application would work an undue hardship on the individual."

(e) EFFECTIVE DATE.—(1) The amendments made by this section shall apply, except as provided in this subsection, to payments under title XIX of the Social Security Act for calendar quarters beginning on or after October 1, 1993, without regard to whether or not final regulations to carry out such amendments have been promulgated by such date.

(2) The amendments made by this section shall not apply—

(A) to medical assistance provided for services furnished before October 1, 1993,

(B) with respect to resources disposed of before May 11, 1993,

(C) with respect to trusts established before May 11, 1993, or

(D) with respect to inter-spousal transfers.

SEC. 5112. MEDICAID ESTATE RECOVERIES.

(a) REQUIRING ESTABLISHMENT OF ESTATE RECOVERY PROGRAMS.—

(1) IN GENERAL.—Section 1902(a)(51) (42 U.S.C. 1396a(a)(51)) is amended by striking "and (B)" and inserting "(B) provide for an estate recovery program that meets the requirements of section 1917(b)(1), and (C)".

(2) REQUIREMENTS FOR ESTATE RECOVERY PROGRAMS.—Section 1917(b) (42 U.S.C. 1396p(b)) is amended—

(A) in paragraph (1)—

(i) by striking "(b)(1)" and inserting "(2)", and

(ii) by striking "(a)(1)(B)" and inserting "(a)(1)(B)(1)";

(B) in paragraph (2), by striking "(2) Any adjustment or recovery under" and inserting

"(3) Any adjustment or recovery under an estate recovery program under"; and

(C) by inserting before paragraph (2), as designated by subparagraph (A), the following:

"(b)(1) For purposes of section 1902(a)(51)(B), the requirements for an estate recovery program of a State are as follows:

"(A) The program provides for identifying and tracking (and, at the option of the State, preserving) resources (whether excluded or not) of individuals who are furnished any of the following long-term care services for which medical assistance is provided under this title:

"(i) Nursing facility services.

"(ii) Home and community-based services (as defined in section 1915(d)(5)(C)(i)).

"(iii) Services described in section 1905(a)(14) (relating to services in an institution for mental diseases).

"(iv) Home and community care provided under section 1929.

"(v) Community supported living arrangements services provided under section 1930.

"(B) The program provides for promptly ascertaining—

"(i) when such an individual dies;

"(ii) in the case of such an individual who was married at the time of death, when the surviving spouse dies; and

"(iii) at the option of the State, cases in which adjustment or recovery may not be made at the time of death because of the application of paragraph (3)(A) or paragraph (3)(B).

"(C)(i) The program provides for the collection consistent with paragraph (3) of an amount (not to exceed the amount described in clause (ii)) from—

"(I) the estate of the individual;

"(II) in the case of an individual described in subparagraph (B)(ii), from the estate of the surviving spouse; or

"(III) at the option of the State, in a case described in subparagraph (B)(iii), from the appropriate person.

"(ii) The amount described in this clause is the amount of medical assistance correctly paid under this title for long-term care services described in subparagraph (A) furnished on behalf of the individual."

(b) HARDSHIP WAIVER.—Section 1917(b) (42 U.S.C. 1396p(b)) is further amended by adding at the end the following new paragraph:

"(4) The State agency shall establish procedures (in accordance with standards specified by the Secretary) under which the agency waives the application of this subsection if such application would work an undue hardship (in accordance with criteria established by the Secretary)."

(c) DEFINITION OF ESTATE.—Section 1917(b) (42 U.S.C. 1396p(b)) is further amended by adding at the end the following new paragraph:

"(5) For purposes of this section, the term 'estate', with respect to a deceased individual, includes all real and personal property and other assets in which the individual had any legally cognizable title or interest at the time of his death, including such assets conveyed to a survivor, heir, or assign of the deceased individual through joint tenancy, survivorship, life estate, living trust, or other arrangement."

(d) EFFECTIVE DATE.—

(1)(A) The amendments made by subsections (a) and (b) apply (except as provided under subparagraph (B)) to payments under title XIX of the Social Security Act for calendar quarters beginning on or after October 1, 1993, without regard to whether or not final regulations or standards to carry out such amendments have been promulgated by such date.

(B) In the case of a State plan for medical assistance under title XIX of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation (other than legislation appropriating funds) in order for the plan to meet the additional requirements imposed by the amendments made by subsections (a) and (b), the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet these additional requirements before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

(2) The amendments made by this section shall not apply to individuals who died before October 1, 1993.

SEC. 5113. CLOSING LOOPHOLE PERMITTING WEALTHY INDIVIDUALS TO QUALIFY FOR MEDICAID.

(a) IN GENERAL.—Section 1902(r)(2) (42 U.S.C. 1396a(r)(2)) is amended by adding at the end the following:

"(C)(i) Notwithstanding subparagraph (A), except as provided in clause (ii), a State plan may not provide pursuant to this paragraph for disregarding any assets—

"(I) to the extent that payments are made under a long-term care insurance policy; or

"(II) because an individual has received (or is entitled to receive) benefits for a specified period of time under a long-term care insurance policy.

"(ii) Clause (i) shall not apply to State plan provisions that are approved as of May 14, 1993."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

PART IV—IMPROVEMENT IN IDENTIFICATION AND COLLECTION OF THIRD PARTY PAYMENTS

SEC. 5116. LIABILITY OF THIRD PARTIES TO PAY FOR CARE AND SERVICES.

(a) LIABILITY OF ERISA PLANS.—(1) Section 1902(a)(25)(A) (42 U.S.C. 1396a(a)(25)(A)) is amended by striking "insurers" and inserting "insurers and group health plans (as defined in section 607(1) of the Employee Retirement Income Security Act of 1974) and including a service benefit plan and a health maintenance organization)".

(2) Section 1903(o) of such Act (42 U.S.C. 1396b(o)) is amended by striking "regulation" and inserting "regulation and including a group health plan (as defined in section 607(1) of the Employee Retirement Income Security Act of 1974)), a service benefit plan, and a health maintenance organization".

(b) REQUIRING STATE TO PROHIBIT INSURERS FROM TAKING MEDICAID STATUS INTO ACCOUNT.—Section 1902(a)(25) (42 U.S.C. 1396a(a)(25)) is amended—

(1) by striking "and" at the end of subparagraph (F);

(2) by adding "and" at the end of subparagraph (G); and

(3) by adding after subparagraph (G) the following new subparagraph:

"(H) that the State prohibits any health insurer (including a group health plan, as defined in section 607(1) of the Employee Retirement Income Security Act of 1974, a service benefit plan, and a health maintenance organization), in enrolling an individual or in making any payments for benefits to the individual or on the individual's behalf, from taking into account that the individual is eligible for or is provided medical assistance under a State plan;"

(c) STATE RIGHT TO SUBROGATION.—Section 1902(a)(25) (42 U.S.C. 1396a(a)(25)), as amended by subsection (b), is further amended—

(1) by striking "and" at the end of subparagraph (G);

(2) by adding "and" at the end of subparagraph (H); and

(3) by adding after subparagraph (H) the following new subparagraph:

"(I) that to the extent that payment has been made under the State plan for medical assistance in any case where a third party has a legal liability to make payment for such assistance, the State is subrogated to the right of any other party to payment for such assistance;"

(d) EFFECTIVE DATE.—(1) Except as provided in paragraph (2), the amendments

made by subsections (a)(1), (b), and (c) shall apply to calendar quarters beginning on or after October 1, 1993, without regard to whether or not final regulations to carry out such amendments have been promulgated by such date.

(2) In the case of a State plan for medical assistance under title XIX of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation (other than legislation appropriating funds) in order for the plan to meet the additional requirements imposed by the amendments made by subsections (a) and (b), the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet these additional requirements before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

(3) The amendment made by subsection (a)(2) shall apply to items and services furnished on or after October 1, 1993.

SEC. 5117. HEALTH COVERAGE CLEARINGHOUSE.

(a) IN GENERAL.—The Social Security Act is amended by adding at the end the following new title:

"TITLE XXI—HEALTH COVERAGE CLEARINGHOUSE

"ESTABLISHMENT OF CLEARINGHOUSE

"SEC. 2101. (a) IN GENERAL.—The Secretary shall establish and operate a Health Coverage Clearinghouse (in this title referred to as the 'Clearinghouse') for the purpose of identifying, for beneficiaries of a covered health program (as defined in subsection (c)), third parties (which may include a covered health program) which may be liable for payment for health care items and services furnished to such beneficiaries under such program.

"(b) DIRECTOR.—The Clearinghouse shall be headed by a Director (in this title referred to as the 'Director') appointed by the Secretary.

"(c) COVERED HEALTH PROGRAM DEFINED.—In this title, the term 'covered health program' means any of the following under which payment is made for health care items or services furnished to a beneficiary:

"(1) The Medicare program under title XVIII.

"(2) A State plan for medical assistance under title XIX (including a State plan operating under a Statewide waiver under section 1115).

"(3) The Indian Health Service and any program under the Indian Health Care Improvement Act.

"(4) A State program under title V that provides payment for items or services.

"(d) OTHER DEFINITIONS.—In this title:

"(1) The term 'administrator' means, with respect to the covered health program described in—

"(A) subsection (c)(1), the Administrator of the Health Care Financing Administration;

"(B) subsection (c)(2), the single State agency referred to in section 1902(a)(5);

"(C) subsection (c)(3), the Director of the Indian Health Service; and

"(D) subsection (c)(4), the State agency receiving funds under title V.

"(2) The term 'group health plan' has the meaning given such term in section 6103(l)(12)(E)(i) of such Code.

"(3) The term 'qualified employer' has the meaning given such term in section 6103(l)(12)(E)(iii) of the Internal Revenue Code of 1986.

"PROVISION OF INFORMATION

"SEC. 2102. (a) REQUEST FOR INFORMATION.—An administrator of a covered health program may request from the Director information concerning the employment and group health coverage of a program beneficiary, the beneficiary's spouse, and (if the beneficiary is a dependent child) the beneficiary's parents. The Director shall provide such information if the request—

"(1) is in such form and manner and at such a time as the Director may require, and

"(2) specifies the name and tax identification number of the beneficiary.

"(b) DATA MATCHING PROGRAM.—

"(1) REQUEST BY DIRECTOR.—The Director shall, at such intervals as the Director finds appropriate, transmit to the Secretary of the Treasury the names and tax identification numbers of beneficiaries with respect to whom a request has been made pursuant to subsection (a), and request that such Secretary disclose to the Commissioner of Social Security the following information:

"(A) Whether the beneficiary is married and, if so, the name of the spouse and such spouse's tax identification number.

"(B) If the beneficiary is a dependent child, the name of and tax identification numbers of the beneficiary's parents.

"(2) INFORMATION FROM COMMISSIONER OF SOCIAL SECURITY.—The Secretary, acting through the Commissioner of Social Security, shall, upon written request from the Director, disclose to the Director, the following information:

"(A) For each individual who is identified as having received wages (as defined in section 3401(a) of the Internal Revenue Code of 1986) from, and as having available coverage under a group health plan of, an employer in a previous year—

"(i) the name and taxpayer identification number of the individual;

"(ii) the name, address, and taxpayer identification number of the employer, and whether such employer is a qualified employer; and

"(iii) whether the employer has made available a group health plan to the employee and the plan coverage provided (if any) with respect to the employee and family members of the employee under the group health plan.

"(B) For each individual who is identified as married and whose spouse is identified as having received wages (as defined in section 3401(a) of the Internal Revenue Code of 1986) from, and as having available coverage under a group health plan of, an employer in a previous year—

"(i) the name and taxpayer identification number of the individual and of the individual's spouse;

"(ii) the name, address, and taxpayer identification number of the spouse's employer, and whether such employer is a qualified employer; and

"(iii) whether the spouse's employer has made available a group health plan to the spouse and the plan coverage provided (if any) with respect to the spouse and family members of the spouse under the group health plan.

"(C) For each individual who is identified as a dependent child and whose parent is identified as having received wages (as defined in section 3401(a) of the Internal Revenue Code of 1986) from, and as having avail-

able coverage under a group health plan of, an employer in a previous year—

"(i) the name and taxpayer identification number of the individual and of the individual's parent;

"(ii) the name, address, and taxpayer identification number of the parent's employer, and whether such employer is a qualified employer; and

"(iii) whether the parent's employer has made available a group health plan to the parent and the plan coverage provided (if any) with respect to the parent and dependent children of the parent under the group health plan.

"(3) INFORMATION FROM EMPLOYERS.—The Director shall—

"(A) request, from the employer of each individual (including each spouse) with respect to whom information was received from the Commissioner of Social Security pursuant to paragraph (2), specific information concerning coverage of such individual (and of the individual's spouse and dependent children) under the employer's group health plan (including the period and nature of the coverage, and the name, address, and identifying number of the plan), and

"(B) furnish the information received in response to such request with respect to an individual (or such individual's spouse or dependent children) to the administrator requesting such information pursuant to subsection (a).

"REQUIREMENT THAT EMPLOYERS FURNISH INFORMATION

"SEC. 2103. (a) IN GENERAL.—An employer shall furnish to the Director the information requested pursuant to section 2102(b)(3) within 30 days after receipt of such a request.

"(b) SUNSET ON REQUIREMENT.—Subsection (a) shall not apply to inquiries made after September 30, 1998.

"(c) CIVIL MONEY PENALTY FOR FAILURE TO COOPERATE.—

"(1) IN GENERAL.—An employer (other than a Federal or other governmental entity) who willfully or repeatedly fails to provide timely and accurate response to a request for information pursuant to section 2102(b)(3) shall be subject, in addition to any other penalties that may be prescribed by law, to a civil money penalty of not to exceed \$1,000 for each individual with respect to whom such a request is made.

"(2) ENFORCEMENT AUTHORITY.—In cases of failure to respond to the Director in accordance with subsection (a) to inquiries relating to requests pursuant to section 2102, the provisions of section 1128A (other than subsections (a) and (b)) shall apply to civil money penalties under paragraph (1) in the same manner as such provisions apply to penalties or proceedings under section 1128A(a).

"DATA BANK

"SEC. 2104. (a) MAINTENANCE OF INFORMATION.—The Clearinghouse shall maintain a data bank, containing information on individuals obtained pursuant to this title. Individual information in the data bank shall be retained for not less than one year after the date the information was obtained.

"(b) DISCLOSURE OF INFORMATION IN DATA BANK.—

"(1) IN GENERAL.—The Director is authorized (subject to paragraph (2)) to disclose any information in the data bank established pursuant to subsection (a) with respect to an individual (or an individual's spouse or parent)—

"(A) to the Commissioner of Social Security, the Secretary of the Treasury, adminis-

trators, employers, and insurers, to the extent necessary to assist such administrators;

"(B) to Federal and State law enforcement officials responsible for enforcement of civil or criminal laws, in connection with investigations or administrative or judicial law enforcement proceedings relating to a covered health program; and

"(C) for research or statistical purposes.

"(2) RESTRICTIONS ON DISCLOSURE.—Information in the data bank may be disclosed under this subsection only for purposes of, and to the extent necessary in, determining the extent to which an individual is covered under any group health plan.

"(c) USE OF CONTRACTORS.—The responsibilities of the Clearinghouse under this section may be carried out by contract.

"(d) FEES.—The Clearinghouse shall—

"(1) establish fees for services under this section designed to cover the full costs to the Clearinghouse of providing such services, and

"(2) require the payment of such fees to provide such services."

(b) CONFORMING MEDICARE AMENDMENTS.—Section 1862(b)(5) (42 U.S.C. 1395y(b)(5)) is amended—

(1) in subparagraph (A)(i)—

(A) by striking "Secretary of the Treasury" and inserting "Director of the Health Coverage Clearinghouse";

(B) by striking "(as defined in section 6103(1)(12) of the Internal Revenue Code of 1986)" and inserting "(as defined in clause (iii))"; and

(C) by striking "and request" and all that follows and inserting a period;

(2) in subparagraph (A)(ii)—

(A) by striking "the Commissioner of the Social Security Administration" and all that follows and inserting "the Director of the Health Coverage Clearinghouse to obtain and disclose to the Administrator, pursuant to section 2102(b) and to subparagraph (C) of section 6103(1)(12) of the Internal Revenue Code of 1986, the information described in section 2102(b) and subparagraph (B) of such section 6103(1)(12)."; and

(B) by inserting ", pursuant to section 1144(c)," after "disclose to the Administrator"; and

(3) by striking subparagraph (C).

(c) MEDICAID USE OF CLEARINGHOUSE.—Section 1902(a)(25)(A) (42 U.S.C. 1396a(a)(25)(A)) is amended by inserting "(including making appropriate requests to the Director of the Health Coverage Clearinghouse under section 2102)" after "all reasonable measures".

(d) COLLECTION OF THIRD PARTY PAYMENTS UNDER MATERNAL AND CHILD HEALTH BLOCK GRANT PROGRAM.—Section 505(a) (42 U.S.C. 705(a)) is amended—

(1) by striking "and" at the end of paragraph (4),

(2) by striking the period at the end of paragraph (5) and inserting "; and", and

(3) by inserting after paragraph (5) the following new paragraph:

"(6) provides for an entity providing health services with assistance from the State under this title taking all reasonable steps—

"(A) to ascertain the legal liability of third parties to pay for such services, and

"(B) where such liability is found to exist, to seek reimbursement for such services."

(e) EFFECTIVE DATES.—

(1) The amendments made by subsections (a), (b), and (d) shall take effect on April 1, 1995.

(2) The amendments made by subsection (c) shall apply to allotments for years beginning with fiscal year 1994.

SEC. 5118. MEDICAL CHILD SUPPORT.

(a) STATE PLAN REQUIREMENT.—Section 1902(a)(45) (42 U.S.C. 1396a(a)(45)) is amended by striking "owed to recipients" and inserting "and have in effect laws relating to medical child support".

(b) MEDICAL CHILD SUPPORT LAWS.—Section 1912 of such Act (42 U.S.C. 1396k) is amended—

(1) by adding at the end of the heading the following: "; REQUIRED LAWS RELATING TO MEDICAL CHILD SUPPORT"; and

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

"(c) The laws relating to medical child support, which a State is required to have in effect under section 1902(a)(45), are as follows:

"(1) A law that prohibits an insurer from denying enrollment of a child under the health coverage of the child's parent on the ground that the child was born out of wedlock, on the ground that the child may not be claimed as a dependent on the parent's Federal income tax return, or on the ground that the child does not reside with the parent or in the insurer's service area. In this subsection, the term 'insurer' includes a group health plan, as defined in section 607(1) of the Employee Retirement Income Security Act of 1974, a health maintenance organization, and an entity offering a service benefit plan.

"(2) A law that requires an insurer, in any case in which a parent is required by court or administrative order to provide health coverage for a child and the parent is eligible for family health coverage through the insurer—

"(A) to permit such parent, upon application and without regard to any enrollment season restrictions, to enroll the parent and such child under such family coverage;

"(B) if such a parent is enrolled but fails to make application to obtain coverage of such child, to enroll such child under such family coverage upon application by the child's other parent or by the State agency administering the program under this title or part D of title IV; and

"(C) not to disenroll (or eliminate coverage of) such a child unless the insurer is provided satisfactory written evidence that—

"(i) such court or administrative order is no longer in effect, or

"(ii) the child is or will be enrolled in comparable health coverage through another insurer which will take effect not later than the effective date of such disenrollment.

"(3) A law that requires an employer doing business in the State, in the case of health coverage offered through employment with the employer and providing coverage of a child of an employee pursuant to a court or administrative order, to withhold from such employee's compensation the employee's share (if any) of premiums for health coverage (to the maximum amount permitted under section 303(b) of the Consumer Credit Protection Act) and to pay such share of premiums to the insurer.

"(4) A law that prohibits an insurer from imposing requirements upon a State agency, which is acting as an agent or subrogee of an individual eligible for medical assistance under this title and covered for health benefits from the insurer, that are different from requirements applicable to an agent or subrogee of any other individual so covered.

"(5) A law that requires an insurer, in any case in which a child has health coverage through the insurer of a noncustodial parent—

"(A) to provide such information to the custodial parent as may be necessary for the

child to obtain benefits through such coverage;

"(B) to permit the custodial parent (or provider, with the custodial parent's approval) to submit claims for covered services without the approval of the noncustodial parent; and

"(C) to make payment on claims submitted in accordance with subparagraph (B) directly to the custodial parent or the provider.

"(6) A law that requires the State agency under this title to garnish the wages, salary, or other employment income of, and to withhold amounts from State tax refunds to, any person who—

"(A) is required by court or administrative order to provide coverage of the costs of health services to a child who is eligible for medical assistance under this title,

"(B) has received payment from a third party for the costs of such services to such child, but

"(C) has not used such payments to reimburse, as appropriate, either the other parent or guardian of such child or the provider of such services,

to the extent necessary to reimburse the State agency for expenditures for such costs under its plan under this title, but any claims for current or past-due child support shall take priority over any such claims for the costs of such services."

(c) EFFECTIVE DATE.—(1) Except as provided in paragraph (2), the amendments made by this section apply to calendar quarters beginning on or after April 1, 1994, without regard to whether or not final regulations to carry out such amendments have been promulgated by such date.

(2) In the case of a State plan under title XIX of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation in order for the plan to meet the additional requirements imposed by the amendments made by this section, the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet these additional requirements before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

PART V—ASSURING PROPER PAYMENTS TO DISPROPORTIONATE SHARE HOSPITALS

SEC. 5121. ASSURING PROPER PAYMENTS TO DISPROPORTIONATE SHARE HOSPITALS.

(a) DISPROPORTIONATE SHARE HOSPITALS REQUIRED TO PROVIDE MINIMUM LEVEL OF SERVICES TO MEDICAID PATIENTS.—Section 1923 (42 U.S.C. 1396r-4) is amended—

(1) in subsection (a)(1)(A), by striking "requirement" and inserting "requirements";

(2) in subsection (b)(1), by striking "requirement" and inserting "requirements";

(3) in the heading to subsection (d), by striking "REQUIREMENT" and inserting "REQUIREMENTS";

(4) by adding at the end of subsection (d) the following new paragraph:

"(3) No hospital may be defined or deemed as a disproportionate share hospital under a State plan under this title or under subsection (b) or (e) of this section unless the hospital has a medicaid inpatient utilization rate (as defined in subsection (b)(2)) of not less than 1 percent."

(5) in subsection (e)(1)—

(A) by striking "and" before "(B)", and
(B) by inserting before the period at the end the following: ", and (C) the plan meets the requirement of subsection (d)(3) and such payment adjustments are made consistent with the fourth sentence of subsection (c)"; and

(6) in subsection (e)(2)—

(A) in subparagraph (A), by inserting "(other than the fourth sentence of subsection (c))" after "(c)",

(B) by striking "and" at the end of subparagraph (A),

(C) by striking the period at the end of subparagraph (B) and inserting "; and", and

(D) by adding at the end the following new subparagraph:

"(C) subsection (d)(3) shall apply."

(b) **LIMITING AMOUNT OF PAYMENT ADJUSTMENTS FOR STATE OR COUNTY HOSPITALS TO UNCOVERED COSTS.**—Subsection (c) of such section is amended by adding at the end the following: "A payment adjustment during a year is not considered to be consistent with this subsection with respect to a hospital owned or operated by a State (or by an instrumentality of or a unit of government within a State) if the payment adjustment exceeds the costs of furnishing hospital services (as determined by the Secretary and net of payments under this title, other than under this section, and by uninsured patients) by the hospital to individuals who either are eligible for medical assistance under the State plan or have no health insurance (or other source of third party payment) for such services during the year. For purposes of the preceding sentence, payments made to a hospital for services provided to indigent patients made by a State or a unit of local government within a State shall not be considered to be a source of third party payment."

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to payments to States under section 1903(a) of the Social Security Act for payments to hospitals made under State plans after—

(1) the end of the State fiscal year that ends during 1994, or

(2) in the case of a State with a State legislature which is not scheduled to have a regular legislative session in 1994, the end of the State fiscal year that ends during 1995; without regard to whether or not final regulations to carry out such amendments have been promulgated by either such date.

Subchapter B—Miscellaneous Provisions PART I—ANTI-FRAUD AND ABUSE PROVISIONS

SEC. 5131. APPLICATION OF MEDICARE RULES LIMITING CERTAIN PHYSICIAN REFERRALS.

(a) **IN GENERAL.**—Section 1903(i) (42 U.S.C. 1396b(i)), as amended by section 5174(b), is amended—

(A) in paragraph (12), by striking or at the end,

(B) in paragraph (13), by striking the period at the end and inserting "; or", and

(C) by inserting after paragraph (13) the following new paragraph:

"(14) with respect to any amount expended for an item or service for which payment would be denied under section 1877(g)(1) if the item or service were furnished to an individual entitled to benefits under title XVIII."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to items and services furnished on or after October 1, 1993.

SEC. 5132. INTERMEDIATE SANCTIONS FOR KICKBACK VIOLATIONS.

(a) **PENALTY FOR KICKBACKS.**—Section 1128A(a) (42 U.S.C. 1320a-7a(a)) is amended—

(1) by striking "or" at the end of paragraphs (1) and (2);

(2) by adding "or" at the end of paragraph (3);

(3) by inserting after paragraph (3) the following new paragraph:

"(4) carries out any activity in violation of paragraph (1) or (2) of section 1128B(b);"

(4) by striking "given." at the end of the first sentence and inserting "given or, in cases under paragraph (4), \$50,000 for each such violation.";

(5) in the second sentence, by inserting "in cases under paragraphs (1), (2), and (3)," after "In addition,"; and

(6) by inserting after the second sentence, the following new sentence: "In cases under paragraph (4), such a person shall be subject to an assessment of not more than twice the total amount of the remuneration offered, paid, solicited, or received in violation of section 1128B(b), determined without regard to whether a portion of such remuneration was offered, paid, solicited, or received for a lawful purpose."

(b) **AUTHORIZATION TO ACT.**—The first sentence of section 1128A(c)(1) (42 U.S.C. 1320a-7a(c)(1)) is amended by striking all that follows "(b)" and inserting the following: "unless, within one year after the date the Secretary presents a case to the Attorney General for consideration, the Attorney General brings an action in a district court of the United States."

(c) **EFFECTIVE DATES.**—

(1) The amendments made by subsection (a) shall apply to remuneration offered, paid, solicited, or received before, on, or after the date of the enactment of this Act.

(2) The amendment made by subsection (b) shall apply to cases presented by the Secretary of Health and Human Services for consideration on or after the date of the enactment of this Act.

SEC. 5133. REQUIRING MAINTENANCE OF EFFORT FOR STATE MEDICAID FRAUD CONTROL UNITS.

(a) **IN GENERAL.**—Section 1902(a)(49) (42 U.S.C. 1396a(a)(49)) is amended—

(1) by inserting "(A)" after "(49)", and
(2) by adding at the end the following new subparagraph:

"(B) provide that the State will expend for its medicaid fraud and abuse control unit (as defined in section 1903(q)), for each State fiscal year, an amount that is not less than the amount expended for such unit in the State fiscal year that ended in 1992 adjusted to reflect the percentage increase in total expenditures under the State plan between such State fiscal year and the State fiscal year involved;"

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply to State fiscal years ending after 1993.

PART II—MANAGED CARE PROVISIONS

SEC. 5135. MEDICAID MANAGED CARE ANTI-FRAUD PROVISIONS.

(a) **PROHIBITING AFFILIATIONS WITH INDIVIDUALS DEBARRED BY FEDERAL AGENCIES.**—

(1) **IN GENERAL.**—Section 1903(m) (42 U.S.C. 1396b(m)) is amended—

(A) in paragraph (2)(A)—

(i) by striking "and" at the end of clause (x),

(ii) by striking the period at the end of clause (xi) and inserting "; and", and

(iii) by adding at the end the following new clause:

"(xii) the entity complies with the requirements of paragraph (3) (relating to certain protections against fraud and abuse).";

(B) in paragraph (2)(B), as amended by section 5158(b), by striking "clause (ix)" and inserting "clauses (ix) and (xii)"; and

(C) by inserting after paragraph (2) the following new paragraph:

"(3)(A)(i) A health maintenance organization may not have a person described in clause (iv) as a director, officer, partner, or person with beneficial ownership of more than 5 percent of organization's equity.

"(ii) A health maintenance organization may not have an employment, consulting, or other agreement with a person described in clause (iv) for the provision of goods and services that are significant and material to the organization's obligations under its contract with the State described in paragraph (2)(A)(iii).

"(iii) If a health maintenance organization is not in compliance with clause (i) or clause (ii)—

"(I) a State may continue an existing agreement with the organization unless the Secretary (in consultation with the Inspector General of the Department of Health and Human Services) directs otherwise; and

"(II) a State may not renew or otherwise extend the duration of an existing agreement with the organization unless the Secretary (in consultation with the Inspector General of the Department of Health and Human Services) provides a written statement describing compelling reasons that exist for renewing or extending the agreement.

"(iv) A person described in this clause is a person that—

"(I) is debarred or suspended by the Federal Government, pursuant to the Federal acquisition regulation, from Government contracting and subcontracting, or

"(II) is an affiliate (within the meaning of the Federal acquisition regulation) of a person described in subclause (I)."

(2) **EFFECTIVE DATE.**—The amendments made by paragraph (1) shall apply to agreements between a State and an entity under section 1903(m) of the Social Security Act entered into or renewed on or after October 1, 1993, without regard to whether regulations to carry out such amendments are promulgated by such date.

(b) **REQUIREMENT FOR STATE CONFLICT-OF-INTEREST SAFEGUARDS IN MEDICAID RISK CONTRACTING.**—

(1) **IN GENERAL.**—Section 1903(m)(2)(A) (42 U.S.C. 1396b(m)(2)(A)), as amended by subsection (a)(1)(C), is amended—

(A) by striking "and" at the end of clause (xi),

(B) by striking the period at the end of clause (xii) and inserting "; and", and

(C) by adding at the end the following new clause:

"(xiii) the State certifies to the Secretary that it has in effect conflict-of-interest safeguards with respect to officers and employees of the State with responsibility with respect to contracts with organizations under this subsection that are at least as effective as the Federal safeguards, provided under section 27 of the Office of Federal Procurement Policy Act (41 U.S.C. 423), against conflicts of interest that apply with respect to Federal procurement officials with comparable responsibilities with respect to such contracts."

(2) **EFFECTIVE DATE.**—The amendments made by paragraph (1) shall apply as of July 1, 1994, without regard to whether regulations to carry out such amendments are promulgated by such date.

(c) REQUIRING DISCLOSURE OF FINANCIAL INFORMATION.—

(1) IN GENERAL.—Section 1903(m)(3), as inserted by subsection (a)(1)(C), is amended by adding at the end the following new subparagraph:

“(B) The contract between the State and an entity referred to in paragraph (2)(A)(iii) shall provide that—

“(i) the entity agrees to report to the State such financial information as the Secretary or the State may require to demonstrate that the entity has a fiscally sound operation; and

“(ii) the entity agrees to make available to its enrollees upon reasonable request—

“(I) the information reported under paragraph (1),

“(II) the information required to be disclosed under sections 1124 and 1126, and

“(III) a description of each transaction, described in subparagraphs (A) through (C) of section 1318(a)(3) of the Public Health Service Act, between the entity and a party in interest (as defined in section 1318(b) of such Act).”

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to contract years beginning on or after October 1, 1993, without regard to whether regulations to carry out such amendments are promulgated by such date, with respect to information reported or required to be disclosed, or transactions occurring, before, on, or after such date.

(d) PROHIBITING MARKETING FRAUD.—

(1) IN GENERAL.—Section 1903(m)(3), as inserted by subsection (a)(1) and as amended by subsection (c)(1), is amended by adding at the end the following new subparagraph:

“(C) The contract between the State and an entity referred to in paragraph (2)(A)(iii) shall provide that the entity agrees to comply with such procedures and conditions as the Secretary prescribes in order to ensure that, before an individual is enrolled with the entity, the individual is provided accurate and sufficient information to make an informed decision whether or not to enroll.”

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to contract years that begin on or after October 1, 1993, without regard to whether regulations to carry out such amendment are promulgated by such date.

(e) REQUIRING ADEQUATE EQUITY FOR FOR-PROFIT ENTITIES.—

(1) IN GENERAL.—Section 1903(m)(3), as previously amended by this section, is further amended by adding at the end the following new subparagraph:

“(D)(i) The contract between the State and an entity referred to in paragraph (2)(A)(iii) shall require, in the case of a for-profit entity, that the entity shall maintain an average ratio of—

“(I) equity capital to

“(II) payments made by the State to the entity under the contract on a capitation basis or any other risk basis, of not less than such minimum ratio as the Secretary shall specify.

“(ii) The contract between the State and a non-profit entity referred to in paragraph (2)(A)(iii) shall require that no payment shall be made directly or indirectly under an agreement between the non-profit entity and a related for-profit entity (as defined by the Secretary) unless the for-profit entity maintains an average ratio of equity capital to payments under such agreement of not less than such ratio as the Secretary shall specify.”

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to con-

tract years beginning on or after July 1, 1994, without regard to whether regulations to carry out such amendment are promulgated by such date.

(f) REQUIRING ADEQUATE PROVISION AGAINST RISK OF INSOLVENCY.—

(1) IN GENERAL.—Section 1903(m)(1)(A)(ii) (42 U.S.C. 1396b(m)(1)(A)(ii)) is amended by inserting “, which meets such standards as the Secretary shall prescribe” after “satisfactory to the State”.

(2) EFFECTIVE DATE AND TRANSITION.—(A) The amendment made by paragraph (1) shall apply to contract years beginning on or after July 1, 1994, without regard to whether regulations to carry out such amendments are promulgated by such date.

(B) If the Secretary of Health and Human Services has not promulgated standards to carry out the amendment made by paragraph (1) by July 1, 1994, until such standards have been promulgated a provision of a health maintenance organization against the risk of insolvency shall not be considered to meet standards prescribed by the Secretary, for purposes of section 1903(m)(1)(A)(ii) of the Social Security Act, unless such provision has been found satisfactory by the Secretary under section 1876(b)(2)(E) of such Act.

(g) REQUIRING REPORT ON NET EARNINGS AND ADDITIONAL BENEFITS.—

(1) IN GENERAL.—Section 1903(m)(3), as previously amended by this section, is amended by adding at the end the following new subparagraph:

“(E) The contract between the State and an entity referred to in paragraph (2)(A)(iii) shall provide that the entity shall submit a report to the State and the Secretary not later than 12 months after the close of a contract year containing—

“(i) a financial statement of the entity's net earnings under the contract during the contract year, which statement has been audited using auditing standards established by the Secretary in consultation with the States; and

“(ii) a description of any benefits that are in addition to the benefits required to be provided under the contract that were provided during the contract year to members enrolled with the entity and entitled to medical assistance under the plan.”

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to contract years beginning on or after October 1, 1993, without regard to whether regulations to carry out such amendments are promulgated by such date.

(h) REPORT ON NET EARNINGS OF CONTRACTORS.—Not later than 6 months after the date of the enactment of this Act, the Secretary of Health and Human Services shall submit a report to Congress on the earnings of organizations with contracts to receive payment for providing medical assistance under title XIX of the Social Security Act on a prepaid capitation or any other risk basis. The report shall include the Secretary's recommendations on options for requiring such organizations, as a condition of participation under such title, to dedicate a portion of such earnings to the provision of additional benefits to individuals enrolled with the organization.

SEC. 5136. CLARIFICATION OF TREATMENT OF HMO ENROLLEES IN COMPUTING THE MEDICAID INPATIENT UTILIZATION RATE IN QUALIFYING HOSPITALS AS DISPROPORTIONATE SHARE HOSPITALS.

(a) IN GENERAL.—Section 1923(b)(2) (42 U.S.C. 1396r-4(b)(2)) is amended by inserting before the period at the end the following: “and whether or not the individual is en-

rolled with an entity contracting with the State on a prepaid capitation basis or other risk basis under section 1903(m)”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to payments to States under section 1903(a) of the Social Security Act for payments to hospitals made under State plans on and after the first day of the first calendar quarter beginning after the date of the enactment of this Act.

SEC. 5137. EXTENSION OF PERIOD OF APPLICABILITY OF ENROLLMENT MIX REQUIREMENT TO CERTAIN HEALTH MAINTENANCE ORGANIZATIONS PROVIDING SERVICES UNDER DAYTON AREA HEALTH PLAN.

Section 2 of Public Law 102-276 is amended by striking “January 31, 1994” and inserting “December 31, 1995”.

SEC. 5138. EXTENSION OF MEDICAID WAIVER FOR TENNESSEE PRIMARY CARE NETWORK.

Section 6411(f) of the Omnibus Budget Reconciliation Act of 1989, as amended by section 1 of Public Law 102-317, is amended by striking “January 31, 1994” and inserting “December 31, 1995”.

SEC. 5139. WAIVER OF APPLICATION OF MEDICAID ENROLLMENT MIX REQUIREMENT TO DISTRICT OF COLUMBIA CHARTERED HEALTH PLAN, INC.

(a) IN GENERAL.—The Secretary of Health and Human Services shall waive the application of the requirement described in section 1903(m)(2)(A)(i) of the Social Security Act to the entity known as the District of Columbia Chartered Health Plan, Inc., for the period described in subsection (b), if the Secretary determines that the entity is making continuous efforts and progress toward achieving compliance with such requirement.

(b) PERIOD OF APPLICABILITY.—The period referred to in subsection (a) is the period that begins on October 1, 1992, and ends on December 31, 1995.

SEC. 5140. EXTENSION OF MINNESOTA PREPAID MEDICAID DEMONSTRATION PROJECT.

(a) IN GENERAL.—Section 507 of the Family Support Act of 1988, as amended by section 6411(j) of OBRA-1989 and by section 4733 of OBRA-1990, is amended by striking “1996” and inserting “1998”.

(b) AUTHORITY TO IMPOSE PREMIUM.—

(1) IN GENERAL.—Notwithstanding section 1916 of the Social Security Act and subject to paragraph (2), the State of Minnesota may impose a premium on individuals receiving medical assistance under the Minnesota Prepaid Demonstration Project operated under a waiver granted by the Secretary of Health and Human Services under section 1115(a) of the Social Security Act and other individuals eligible under the State's plan for medical assistance under title XIX of such Act.

(2) LIMITATION ON AMOUNT OF PREMIUM.—In no case may the amount of any premium imposed on an individual receiving medical assistance under the State plan or under the Demonstration Project described in paragraph (1) exceed 10 percent of the amount by which the family income (less expenses for the care of a dependent child) of the individual exceeds 110 percent of the income official poverty line (as defined by the Office of Management and Budget), and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.

PART III—EMERGENCY SERVICES TO UNDOCUMENTED ALIENS

SEC. 5141. INCREASE IN FEDERAL FINANCIAL PARTICIPATION FOR EMERGENCY MEDICAL ASSISTANCE TO UNDOCUMENTED ALIENS.

(a) IN GENERAL.—Section 1905(b) (42 U.S.C. 1396d(b)) is amended by adding at the end the following: "Notwithstanding the first sentence of this section, subject to 1903(v)(4), the Federal medical assistance percentage shall be 100 per centum with respect to amounts expended by an eligible State in a covered fiscal year (as defined in section 1903(v)(4)(C)) as medical assistance for care and services described in section 1903(v)(2) to aliens described in section 1903(v)(1)."

(b) LIMITATION.—Section 1903(v) (42 U.S.C. 1396b(v)) is amended by adding at the end the following new paragraphs:

"(4)(A) With respect to any eligible State (as defined in subparagraph (C)(i)), the amount of the increase in payments to a State under subsection (a) in a covered fiscal year (as defined in subparagraph (C)(ii)), resulting from the increase in the Federal medical assistance percentage under the fourth sentence of section 1905(b), shall not exceed the State's allotment determined under subparagraph (B).

"(B)(i) The total of the allotments to all States for a covered fiscal year under this paragraph shall be \$300,000,000.

"(ii) From the total allotment under clause (i) for a covered fiscal year, the Secretary shall determine the amount of the allotment for each eligible State. Subject to clause (iii), the amount of such allotment for such a fiscal year shall bear the same ratio to the total amount specified in clause (i) for the fiscal year as the ratio of—

"(I) the allotment to the State for fiscal year 1993 under section 204 of the Immigration Reform and Control Act of 1986, to

"(II) the total of such allotments for all such eligible States for fiscal year 1993.

"(iii) In the case of an eligible State which notifies the Secretary that an amount of its allotment will not be used by the State under this paragraph, the State's allotment shall be reduced by such amount and such amount shall be redistributed among the other eligible States in proportion to the amount otherwise allotted to such State under clause (ii).

"(C) For purposes of this paragraph and the fourth sentence of section 1905(b):

"(i) The term 'eligible State' means a State—

"(I) with a plan approved under this title (including a State which is providing medical assistance to its residents under a state-wide waiver granted under section 1115), and

"(II) for which its allotment for fiscal year 1993 under section 204 of the Immigration Reform and Control Act of 1986 is at least 1 percent of the total of such allotments for all the States for fiscal year 1993.

"(ii) The term 'covered fiscal year' means only fiscal year 1994.

"(D) Nothing in this paragraph or the fourth sentence of section 1905(b) shall be construed as establishing entitlement authority (within the meaning of section 3(9) of the Congressional Budget Act of 1974) for any fiscal year other than a covered fiscal year."

SEC. 5142. LIMITING FEDERAL MEDICAID MATCHING PAYMENT TO BONA FIDE EMERGENCY SERVICES FOR UNDOCUMENTED ALIENS.

(a) IN GENERAL.—Section 1903(v)(2) (42 U.S.C. 1396b(v)(2)) is amended—

(1) by striking "and" at the end of subparagraph (A),

(2) by striking the period at the end of subparagraph (B) and inserting ", and", and

(3) by adding at the end the following new subparagraph:

"(C) such care and services are not related to an organ transplant procedure."

(b) EFFECTIVE DATE.—(1) Subject to paragraph (2), the amendments made by subsection (a) shall apply as if included in the enactment of OBRA-1986.

(2) The Secretary of Health and Human Services shall not disallow expenditures made for the care and services described in section 1903(v)(2)(C) of the Social Security Act, as added by subsection (a), furnished before the date of the enactment of this Act.

PART IV—MISCELLANEOUS PROVISIONS

SEC. 5144. INCREASE IN LIMIT ON FEDERAL MEDICAID MATCHING PAYMENTS TO PUERTO RICO AND OTHER TERRITORIES.

(a) IN GENERAL.—Paragraphs (1) through (5) of section 1108(c) (42 U.S.C. 1308(c)) are amended to read as follows:

"(1) Puerto Rico shall not exceed (A) \$104,000,000 for fiscal year 1994 and (B) for each succeeding fiscal year the amount provided in this paragraph for the preceding fiscal year increased by the percentage increase in the medical care component of the consumer price index for all urban consumers (as published by the Bureau of Labor Statistics) for the twelve-month period ending in March preceding the beginning of the fiscal year, rounded to the nearest \$100,000;

"(2) the Virgin Islands shall not exceed (A) \$3,425,000 for fiscal year 1994, and (B) for each succeeding fiscal year the amount provided in this paragraph for the preceding fiscal year increased by the percentage increase referred to in paragraph (1)(B), rounded to the nearest \$10,000;

"(3) Guam shall not exceed (A) \$3,290,000 for fiscal year 1994, and (B) for each succeeding fiscal year the amount provided in this paragraph for the preceding fiscal year increased by the percentage increase referred to in paragraph (1)(B), rounded to the nearest \$10,000;

"(4) Northern Mariana Islands shall not exceed (A) \$990,000 for fiscal year 1994, and (B) for each succeeding fiscal year the amount provided in this paragraph for the preceding fiscal year increased by the percentage increase referred to in paragraph (1)(B), rounded to the nearest \$10,000; and

"(5) American Samoa shall not exceed (A) \$1,910,000 for fiscal year 1994, and (B) for each succeeding fiscal year the amount provided in this paragraph for the preceding fiscal year increased by the percentage increase referred to in paragraph (1)(B), rounded to the nearest \$10,000."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply beginning with fiscal year 1994.

SEC. 5145. CRITERIA FOR MAKING DETERMINATIONS OF DENIAL OF FEDERAL MEDICAID MATCHING PAYMENTS TO STATES.

(a) IN GENERAL.—Section 1903 (42 U.S.C. 1396b) is amended by adding at the end the following new subsection:

"(x)(1) In any case in which the Secretary proposes to disallow under section 1116(d) a claim by a State under this section and the State exercises its right of reconsideration under section 1116(d), the Departmental Appeals Board established in the Department of Health and Human Services shall, if such Board upholds the basis for the disallowance, determine whether the amount of the disallowance should be reduced. In making this determination, the Board shall take into account (to the extent the State makes a showing) factors which shall include—

"(A) the nature of the basis for the disallowance;

"(B) whether the amount of the disallowance is proportionate to the error or deficiency on which the disallowance is based;

"(C) whether the basis of the disallowance constitutes noncompliance that prevented or materially affected the provision of appropriate services to individuals eligible under this title; or

"(D) whether Federal guidance with respect to the action that is the basis for the proposed disallowance was insufficient and the State made good faith efforts to conform its action to the intent of the applicable Federal statute or regulation.

"(2) No disallowance shall be taken or upheld if the action of the State on which the disallowance would be based is consistent with its approved State plan."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to disallowances made after the date of the enactment of this Act and shall take effect without regard to the promulgation of implementing regulations.

SEC. 5146. RENEWAL OF UNFUNDED DEMONSTRATION PROJECT FOR LOW-INCOME PREGNANT WOMEN AND CHILDREN.

(a) IN GENERAL.—Section 6407 of OBRA-89 is amended—

(1) in subsection (d), by striking "3 years" and inserting "5 years";

(2) in subsection (f), by striking "\$10,000,000 in each of fiscal years 1990, 1991, and 1992" and inserting "\$30,000,000"; and

(3) in subsection (g)(2), by striking "January 1, 1994" and inserting "one year after the termination of the demonstration projects".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect as if included in the enactment of OBRA-89.

SEC. 5147. OPTIONAL MEDICAID COVERAGE OF TB-RELATED SERVICES FOR CERTAIN TB-INFECTED INDIVIDUALS.

(a) COVERAGE AS OPTIONAL, CATEGORICALLY NEEDY GROUP.—Section 1902(a)(10)(A)(ii) (42 U.S.C. 1396a(a)(10)(A)(ii)) is amended—

(1) by striking "or" at the end of subclause (X),

(2) by adding "or" at the end of subclause (XI), and

(3) by adding at the end the following new subclause:

"(XII) who are described in subsection (z)(1) (relating to certain TB-infected individuals);"

(b) GROUP AND BENEFIT DESCRIBED.—Section 1902 is amended by adding at the end the following new subsection:

"(z)(1) Individuals described in this paragraph are individuals not described in subsection (a)(10)(A)(i)—

"(A) who have tested positively to be infected with tuberculosis;

"(B) whose income (as determined under the State plan under this title with respect to disabled individuals) does not exceed the maximum amount of income a disabled individual described in subsection (a)(10)(A)(i) may have and obtain medical assistance under the plan; and

"(C) whose resources (as determined under the State plan under this title with respect to disabled individuals) do not exceed the maximum amount of resources a disabled individual described in subsection (a)(10)(A)(i) may have and obtain medical assistance under the plan.

"(2) For purposes of subsection (a)(10), the term 'TB-related services' means each of the following services relating to treatment of infection with tuberculosis:

"(A) Prescribed drugs.

"(B) Physicians' services and services described in section 1905(a)(2).

"(C) Laboratory and X-ray services.

"(D) Clinic services and Federally-qualified health center services.

"(E) Case management services (as defined in section 1915(g)(2)).

"(F) Services (other than room and board) designed to encourage completion of regimens of prescribed drugs by outpatients, including services to observe directly the intake of prescribed drugs."

(c) LIMITATION ON BENEFITS.—Section 1902(a)(10), as amended by section 5162(a), is amended, in the matter following subparagraph (F)—

(1) by striking ", and (XII)" and inserting ", (XII)", and

(2) by inserting before the semicolon at the end the following: ", and (XIII) the medical assistance made available to an individual described in subsection (z)(1) who is eligible for medical assistance only because of subparagraph (A)(ii)(XII) shall be limited to medical assistance for TB-related services (as defined in subsection (z)(2))".

(d) CONFORMING EXPANSION OF CASE MANAGEMENT SERVICES OPTION.—Section 1915(g)(1) (42 U.S.C. 1396n(g)(1)) is amended by inserting "or to individuals described in section 1902(z)(1)(A)," after "or with either,".

(e) CONFORMING AMENDMENT.—Section 1905(a) (42 U.S.C. 1396d(a)) is amended—

(1) by striking "or" at the end of clause (ix),

(2) by adding "or" at the end of clause (x),

(3) by inserting after clause (x) the following new clause:

"(xi) individuals described in section 1902(z)(1)," and

(4) by amending paragraph (19) to read as follows:

"(19) case management services (as defined in section 1915(g)(2)) and TB-related services described in section 1902(z)(2)(F);".

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to medical assistance furnished on or after January 1, 1994, without regard to whether or not final regulations to carry out such amendments have been promulgated by such date.

SEC. 5148. APPLICATION OF MAMMOGRAPHY CERTIFICATION REQUIREMENTS UNDER THE MEDICAID PROGRAM.

(a) IN GENERAL.—Section 1902(a)(9) (42 U.S.C. 1396a(a)(9)) is amended—

(1) by striking "and" at the end of subparagraph (B),

(2) by striking the semicolon at the end of subparagraph (C) and inserting ", and", and

(3) by adding at the end the following new subparagraph:

"(D) that any mammography paid for under such plan must be conducted by a facility that has a certificate (or provisional certificate) issued under section 354 of the Public Health Service Act;".

(b) EFFECTIVE DATE.—(1) Except as provided in paragraph (2), the amendments made by subsection (a) shall apply to mammography furnished by a facility during calendar quarters beginning on or after the first date that the certificate requirements of section 354(b) of the Public Health Service Act apply to such mammography conducted by such facility, without regard to whether or not final regulations to carry out such amendments have been promulgated by such date.

(2) In the case of a State plan for medical assistance under title XIX of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation (other than legislation ap-

propriating funds) in order for the plan to meet the additional requirement imposed by the amendment made by subsection (a)(3), the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet this additional requirement before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

SEC. 5149. REMOVAL OF SUNSET ON EXTENSION OF ELIGIBILITY FOR WORKING FAMILIES.

Subsection (f) of section 1925 (42 U.S.C. 1396r-6) is repealed.

SEC. 5150. EXTENSION OF MORATORIUM ON TREATMENT OF CERTAIN FACILITIES AS INSTITUTIONS FOR MENTAL DISEASES.

Effective as if included in the enactment of OBRA-1989, section 6408(a)(3) of such Act is amended by striking "180 days" and all that follows and inserting "December 31, 1995."

SEC. 5150A. TREATMENT OF CERTAIN CLINICS AS FEDERALLY-QUALIFIED HEALTH CENTERS.

(a) IN GENERAL.—Section 1905(1)(2)(B) (42 U.S.C. 1396d(1)(2)(B)), as amended by section 5158(c), is amended—

(1) by striking "or" at the end of clause (ii)(D),

(2) by adding "or" at the end of clause (iii), and

(3) by inserting after clause (iii) the following new clause:

"(iv) was treated by the Secretary, for purposes of part B of title XVIII, as a comprehensive Federally funded health center as of January 1, 1990;".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to calendar quarters beginning on or after July 1, 1993.

SEC. 5150B. NURSING HOME REFORM.

(a) SUSPENSION OF DECERTIFICATION OF NURSE AIDE TRAINING AND COMPETENCY EVALUATION PROGRAMS BASED ON EXTENDED SURVEYS.—

(1) IN GENERAL.—Section 1919(f)(2)(B)(iii)(I)(b) (42 U.S.C. 1396r(f)(2)(B)(iii)(I)(b)) is amended by striking the semicolon and inserting the following: ", unless the survey shows that the facility is in compliance with the requirements of subsections (b), (c), and (d) of this section;".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as included in the enactment of OBRA-1990.

(b) REQUIREMENTS FOR CONSULTANTS CONDUCTING REVIEWS OF USE OF DRUGS.—

(1) IN GENERAL.—Section 1919(c)(1)(D) (42 U.S.C. 1396r(c)(1)(D)) is amended by adding at the end the following sentence: "In determining whether such a consultant is qualified to conduct reviews under the previous sentence, the Secretary shall take into account the needs of nursing facilities under this title to have access to the services of such a consultant on a timely basis."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as included in the enactment of OBRA-1987.

(c) INCREASE IN MINIMUM AMOUNT REQUIRED FOR SEPARATE DEPOSIT OF PERSONAL FUNDS.—

(1) IN GENERAL.—Section 1919(c)(6)(B)(i) (42 U.S.C. 1396r(c)(6)(B)(i)) is amended by striking "\$50" and inserting "\$100".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect October 1, 1993.

(d) DUE PROCESS PROTECTIONS FOR NURSE AIDES.—

(1) PROHIBITING STATE FROM INCLUDING UNDOCUMENTED ALLEGATIONS IN NURSE AIDE REGISTRY.—Section 1919(e)(2)(B) (42 U.S.C. 1396r(e)(2)(B)) is amended by striking the period at the end of the first sentence and inserting the following: ", but shall not include any allegations of resident abuse or neglect or misappropriation of resident property that are not specifically documented by the State under such subsection."

(2) DUE PROCESS REQUIREMENTS FOR REBUTTING ALLEGATIONS.—Section 1919(g)(1)(C) (42 U.S.C. 1396r(g)(1)(C)) is amended by striking the second sentence and inserting the following: "The State shall, after providing the individual involved with a written notice of the allegations (including a statement of the availability of a hearing for the individual to rebut the allegations) and the opportunity for a hearing on the record, make a written finding as to the accuracy of the allegations."

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect October 1, 1993.

Subchapter C—Miscellaneous and Technical Corrections Relating to OBRA-1990

SEC. 5151. EFFECTIVE DATE.

Except as otherwise provided, the amendments made by this subchapter shall take effect as if included in the enactment of OBRA-1990.

SEC. 5152. CORRECTIONS RELATING TO SECTION 4402 (ENROLLMENT UNDER GROUP HEALTH PLANS).

Section 4402(b) of OBRA-1990 is amended by striking "1903(u)(1)(C)(iv)" (42 U.S.C. 1396b(u)(1)(C)(iv)) and inserting "1903(u)(1)(D)(iv)" (42 U.S.C. 1396b(u)(1)(D)(iv)).

SEC. 5153. CORRECTIONS RELATING TO SECTION 4501 (LOW-INCOME MEDICARE BENEFICIARIES).

(a) Section 1902(a)(10)(E)(iii), as added by section 4501(b)(3) of OBRA-1990, is amended by striking "cost sharing" and inserting "cost-sharing".

(b) Section 1905(p)(4)(B), as amended by section 4501(c)(1) of OBRA-1990, is amended by striking "1902(a)(10)(E)(iii)" and inserting "section 1902(a)(10)(E)(iii)".

SEC. 5154. CORRECTIONS RELATING TO SECTION 4601 (CHILD HEALTH).

(a) Section 1902(a)(10)(A)(i)(VII), as added by section 4601(a)(40)(A)(iii) of OBRA-1990, is amended by striking "family;" and inserting "family; and".

(b) Section 1902(1), as amended by section 4601(a)(1)(C) of OBRA-1990, is amended—

(1) in paragraph (1)(C), by striking "children" after "(C)";

(2) in paragraph (3), by striking "(a)(10)(A)(i)(VII)," and inserting "(a)(10)(A)(i)(VII);"; and

(3) in paragraph (4)(B), by inserting a comma before "(a)(10)(A)(i)(VI)".

(c) Subsections (a)(3)(C) and (b)(3)(C)(i) of section 1925, as amended by section 4601(a) of OBRA-1990, are each amended by striking "(i)(VI)" and inserting "(i)(VI)".

SEC. 5155. CORRECTIONS RELATING TO SECTION 4602 (OUTREACH LOCATIONS).

(a) Section 1902(a)(55), as added by section 4602(a)(3) of OBRA-1990, is amended—

(1) in the matter preceding subparagraph (A)—

(A) by striking "subsection" and inserting "paragraph"; and

(B) by striking "(a)" each place it appears; and

(2) in subparagraph (A), by striking "1905(1)(2)(B)" and inserting "1905(1)(2)(B)".

(b) Section 1902(1)(1) is amended by striking "who are not described in any of subclauses (I) through (III) of subsection (a)(10)(A)(i) and".

SEC. 5156. CORRECTIONS RELATING TO SECTION 4604 (PAYMENT FOR HOSPITAL SERVICES FOR CHILDREN UNDER 6 YEARS OF AGE).

(a) Section 1902(a)(10) is amended in clause (X) in the matter following subparagraph (F) by striking "under one year of age" and inserting "under 6 years of age".

(b) Section 1902(s), as added by section 4604(a) of OBRA-1990, is amended to read as follows:

"(s) In order to meet the requirements of subsection (a)(56), the State plan must provide that payments to hospitals under the plan for inpatient services furnished to infants who have not attained the age of 1 year (or, in the case of such an individual who is an inpatient on his first birthday, until such individual is discharged) shall—

"(1) if made on a prospective basis (whether per diem, per case, or otherwise) provide for an outlier adjustment in payment amounts for medically necessary inpatient hospital services involving exceptionally high costs or exceptionally long lengths of stay;

"(2) not be limited by the imposition of day limits; and

"(3) not be limited by the imposition of dollar limits (other than dollar limits resulting from prospective payments as adjusted pursuant to paragraph (1))."

(c) Section 1923(a)(2)(C) is amended by striking "provided on or after July 1, 1989," and all that follows and inserting the following: "involving exceptionally high costs or exceptionally long lengths of stay—

"(i) for individuals under 1 year of age, in the case of services provided on or after July 1, 1989, and on or before June 30, 1991; and

"(ii) for individuals under 6 years of age, in the case of services provided on or after July 1, 1991."

SEC. 5157. CORRECTIONS RELATING TO SECTION 4703 (PAYMENT ADJUSTMENTS FOR DISPROPORTIONATE SHARE HOSPITALS).

(a) Section 1923(c) is amended—

(1) in paragraph (2), by striking "paragraph (b)(3)" and inserting "subsection (b)(3)";

(2) by striking the period at the end of paragraph (3)(B) and inserting a comma; and

(3) in the third sentence, by striking "the payment adjustment described in paragraph (2)" and inserting "a payment adjustment described in paragraph (2) or (3)".

(b) Effective December 22, 1987, section 1923(d)(2)(A)(ii) is amended by striking "the date of the enactment of this Act" and inserting "December 22, 1987".

(c) Section 4703(d) of OBRA-1990 is amended by striking "412(a)(2)" and inserting "4112(a)(2)".

SEC. 5158. CORRECTIONS RELATING TO SECTION 4704 (FEDERALLY-QUALIFIED HEALTH CENTERS).

(a) Clause (ix) of section 1903(m)(2)(A), as added by section 4704(b)(1)(C) of OBRA-1990, is amended—

(1) by striking "of such center" the first place it appears;

(2) by striking "federally qualified" and inserting "Federally-qualified";

(3) by inserting "section" before "1905(a)(2)(C)"; and

(4) by moving such clause 2 ems to the left.

(b) Section 1903(m)(2)(B), as amended by section 4704(b)(2) of OBRA-1990, is amended by striking "except with respect to clause

(ix) of subparagraph (A)," and inserting "(except with respect to clause (ix) of such subparagraph)".

(c) Section 1905(1)(2), as amended by section 4704(c) of OBRA-1990, is amended—

(1) in subparagraph (A)—

(A) by striking "Federally-qualified" and inserting "Federally-qualified", and

(B) by striking "an patient" and inserting "a patient"; and

(2) in subparagraph (B)—

(A) in the matter preceding clause (i), by striking "a entity" and inserting "an entity";

(B) by striking "or" at the end of clause (i),

(C) by striking the semicolon at the end of clause (ii)(II) and inserting ", or";

(D) by moving clause (ii) 4 ems to the left, and

(E) in the last sentence, by striking "clause (ii)" and inserting "clause (iii)".

SEC. 5159. CORRECTIONS RELATING TO SECTION 4708 (SUBSTITUTE PHYSICIANS).

Section 1902(a)(32)(C), as added by section 4708(a)(3) of OBRA-1990, is amended to read as follows:

"(C) payment may be made to a physician for physicians' services (and services furnished incident to such services) furnished by a second physician to patients of the first physician if (i) the first physician is unavailable to provide the services; (ii) the services are furnished pursuant to an arrangement between the two physicians that (I) is informal and reciprocal, or (II) involves per diem or other fee-for-time compensation for such services; (iii) the services are not provided by the second physician over a continuous period of more than 60 days; and (iv) the claim form submitted to the carrier for such services includes the second physician's unique identifier (provided under the system established under subsection (x)) and indicates that the claim meets the requirements of this clause for payment to the first physician."

SEC. 5160. CORRECTIONS RELATING TO SECTION 4711 (HOME AND COMMUNITY CARE FOR FRAIL ELDERLY).

(a) Section 1929, as added by section 4711(b) of OBRA-1990, is amended—

(1) in subsection (c)(2)(F), by moving the second sentence 2 ems to the right;

(2) in subsection (d)(2)(F)(ii), by striking "they manage" and inserting "it manages";

(3) in subsection (d)(2)(F)(iii), by inserting "the agency or organization" after "(iii)";

(4) in subsection (e)(2)(B), by striking "fiscal year 1989" and inserting "fiscal year 1990";

(5) in subsection (f)(1), by striking "Community care" and inserting "community care";

(6) in subsection (g)(1)—

(A) by striking "SETTINGS" and inserting "SETTING"; and

(B) in subparagraph (B), by striking "setting," and inserting "setting in which home and community care under this section is provided.";

(7) in subsection (g)(2), by striking "community care" the second, third, and fourth places it appears and inserting "home and community care";

(8) in subsection (h)(1)—

(A) by striking "more than 8" each place it appears and inserting "8 or more", and

(B) in subparagraph (B), by inserting "(other than merely board)" after "personal services";

(9) in subsection (h)(2), by striking "community care" the second and third places it appears and inserting "home and community care";

(10) in subsection (j)(1)—

(A) in subparagraph (B)(ii), by striking "1990" and inserting "1991", and

(B) by adding at the end the following new subparagraph:

"(C) APPLICABILITY TO COMMUNITY CARE SETTINGS.—Subparagraphs (A) and (B) shall apply to community care settings in the same manner as such subparagraphs apply to providers of home or community care.;"

(11) in subsection (j)(2), by adding at the end the following new subparagraph:

"(D) APPLICABILITY TO COMMUNITY CARE SETTINGS.—Subparagraphs (A), (B), and (C) shall apply to community care settings in the same manner as such subparagraphs apply to providers of home or community care.;"

(12) in subsection (k)(1)(A)(i)—

(A) by striking "(d)(2)(E)" and inserting "(d)(2)", and

(B) by striking "settings," and inserting "settings";

(13) in subsection (l), by striking "State wideness" and inserting "Statewideness";

(14) in subsection (m)—

(A) in paragraph (2), by striking "Individual Community Care Plan" and inserting "individual community care plan";

(B) in paragraph (3), by striking "and need for services" and inserting "need for services, and income".

(C) in the second sentence in paragraph (4), by striking "elderly individuals" and all that follows and inserting "individuals receiving home and community care under this section who reside in such State in relation to the total number of individuals receiving home and community care under this section.", and

(D) by adding at the end the following new paragraph:

"(5) NOTICE TO STATES OF AMOUNTS AVAILABLE FOR ASSISTANCE.—

"(A) NOTICE TO SECRETARY.—In order to receive Federal medical assistance for expenditures for home and community care under this section for a fiscal year (beginning with fiscal year 1994), a State shall submit a notice to the Secretary of its intention to provide such care under this section not later than 3 months before the beginning of the fiscal year.

"(B) NOTICE TO STATES.—Not later than 2 months before the beginning of each fiscal year (beginning with fiscal year 1994), the Secretary shall notify each State that has submitted a notice to the Secretary under subparagraph (A) for the fiscal year of the amount of Federal medical assistance that will be available to the State for the fiscal year (as established under paragraph (4))."; and

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

"(n) COMMUNITY CARE SETTING DEFINED.—In this section, the term 'community care setting' means a small community care setting (as defined in subsection (g)(1)) or a large community care setting (as defined in subsection (h)(1))."

(b) Section 1905(r)(5) is amended by striking "1905(a)" and inserting "subsection (a) (other than services described in paragraph (2) or (23) of such subsection)".

(c) Section 4711(f) of OBRA-1990 is amended by striking "Act" each place it appears and inserting "section".

SEC. 5161. CORRECTIONS RELATING TO SECTION 4712 (COMMUNITY SUPPORTED LIVING ARRANGEMENTS SERVICES).

(a) Section 1930, as added by section 4712(b)(2) of OBRA-1990, is amended—

(1) in subsection (b)—

(A) by striking "title the term," and inserting "title, the term";

(B) by striking "guardian" and inserting "guardian or"; and

(C) by striking "3 other" and inserting "3";

(2) in subsection (d)—

(A) in the matter preceding paragraph (1), by striking "program," and inserting "program"; and

(B) in the second sentence, by striking "plan" each place it appears and inserting "program"; and

(3) in subsection (i), by striking "FUNDS" and inserting "FUNDS";

(b) Section 4712(c) of OBRA-1990 is amended—

(1) in paragraph (1), by inserting "of section 1930 of the Social Security Act" after "subsection (h)"; and

(2) in paragraph (2), by striking "this section" and inserting "such section".

SEC. 5162. CORRECTION RELATING TO SECTION 4713 (COBRA CONTINUATION COVERAGE).

(a) Section 1902(a)(10) is amended in the matter following subparagraph (F)—

(1) by striking "; and (XI)" and inserting "(XI)";

(2) by striking "individuals, and (XI)" and inserting "individuals, and (XII)"; and

(3) by striking "COBRA continuation premiums" and inserting "COBRA premiums".

(b) Section 1902(u)(3), as added by section 4713(a)(2) of OBRA-1990, is amended by striking "title VI" and inserting "part 6 of subtitle B of title I".

SEC. 5163. CORRECTION RELATING TO SECTION 4716 (MEDICAID TRANSITION FOR FAMILY ASSISTANCE).

Section 4716(a) of OBRA-1990 is amended by striking "AMENDMENTS.—Subsection (f) of section" and inserting "IN GENERAL.—Section".

SEC. 5164. CORRECTIONS RELATING TO SECTION 4723 (MEDICAID SPENDDOWN OPTION).

Section 1903(f)(2), as amended by section 4723(a) of OBRA-1990, is amended—

(1) by striking "(A)" after "(2)";

(2) by striking "or, (B)" and inserting "There shall also be excluded,";

(3) by striking "to the State, provided that" and inserting "to the State if"; and

(4) by striking "pursuant to this subparagraph" and inserting "pursuant to the previous sentence".

SEC. 5165. CORRECTIONS RELATING TO SECTION 4724 (OPTIONAL STATE DISABILITY DETERMINATIONS).

Section 1902(v), as added by section 4724 of OBRA-1990, is amended—

(1) by striking "(v)(1)" and inserting "(v)"; and

(2) by striking "of the Social Security Act".

SEC. 5166. CORRECTION RELATING TO SECTION 4732 (SPECIAL RULES FOR HEALTH MAINTENANCE ORGANIZATIONS).

Section 1903(m)(2)(F)(i), as amended by section 4732(b)(2)(B) of OBRA-1990, is amended by striking "or" before "with an eligible organization".

SEC. 5167. CORRECTIONS RELATING TO SECTION 4741 (HOME AND COMMUNITY-BASED WAIVERS).

The first sentence of section 1915(d)(3) is amended by striking the period at the end and inserting the following: ", and a waiver of the requirements of section 1902(a)(23) (relating to choice of providers) insofar as such requirements relate to the provision of case management services and the State provides assurances satisfactory to the Secretary that a waiver of such requirements will not substantially limit access to such services."

SEC. 5168. CORRECTIONS RELATING TO SECTION 4744 (FRAIL ELDERLY WAIVERS).

(a) Section 1924(a)(5), as added by section 4744(b)(1) of OBRA-1990, is amended by striking "1986" and inserting "1986 or a waiver under section 603(c) of the Social Security Amendments of 1983";

(b) Section 603(c) of the Social Security Amendments of 1983 is amended—

(1) by striking "(c)" and inserting "(c)(1)";

(2) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B); and

(3) by adding at the end the following new paragraph:

"(2) Section 1924 of the Social Security Act shall apply to any individual receiving services from an organization receiving a waiver under this subsection."

SEC. 5169. CORRECTIONS RELATING TO SECTION 4747 (COVERAGE OF HIV-POSITIVE INDIVIDUALS).

Section 4747 of OBRA-1990 is amended—

(1) in subsection (a), by striking "subsection (c)" and inserting "subsection (b)";

(2) in subsection (b)(2)—

(A) by striking "preventative" each place it appears and inserting "preventive", and

(B) by adding a period at the end of subparagraph (J);

(3) in subsection (c)(1)—

(A) by striking "subsection (c)" and inserting "subsection (b)", and

(B) by striking "paragraphs (1) and (2) of"; and

(4) in subsection (d)—

(A) by striking "paragraph (3)" and inserting "subsection (b)", and

(B) by striking "paragraph (1)" and inserting "subsection (a)".

SEC. 5170. CORRECTION RELATING TO SECTION 4751 (ADVANCE DIRECTIVES).

Section 1903(m)(1)(A), as amended by section 4751(b)(1) of OBRA-1990, is amended—

(1) by striking "1902(w)" and inserting "1902(w) and"; and

(2) by striking "1902(a)" and inserting "1902(w)".

SEC. 5171. CORRECTIONS RELATING TO SECTION 4752 (PHYSICIANS' SERVICES).

(a) The paragraph (58) of section 1902(a) added by section 4752(c)(1)(C) of OBRA-1990 is amended by striking "subsection (v)" and inserting "subsection (x)".

(b) Subparagraphs (A) and (B) of the paragraph (14) of section 1903(i) added by section 4752(e)(2) of OBRA-1990 are each amended—

(1) by striking "or" at the end of clause (v);

(2) by redesignating clause (vi) as clause (vii); and

(3) by inserting after clause (v) the following new clause:

"(vi) delivers such services in the emergency department of a hospital participating in the state plan approved under this title, or".

SEC. 5172. CORRECTIONS RELATING TO SECTION 4801 (NURSING HOME REFORM).

(a) Section 1919(b)(3)(C)(i)(I), as amended by section 4801(e)(3) of OBRA-1990, is amended by striking "no later than" before "not to exceed 14 days".

(b) Section 1919(b)(5)(D), as amended by section 4801(a)(4) of OBRA-1990, is amended by striking the comma before "or a new competency evaluation program."

(c) Section 1919(b)(5)(G) is amended by striking "or licensed or certified social worker" and inserting "licensed or certified social worker, registered respiratory therapist, or certified respiratory therapy technician".

(d) Section 1919(f)(2)(B)(i) is amended by striking "facilities," and inserting "facilities (subject to clause (iii))."

(e) Section 1919(f)(2)(B)(iii)(I)(c) is amended by striking "clauses" each place it appears and inserting "clause".

(f) Section 1919(g)(5)(B) is amended by striking "paragraphs" and inserting "paragraph".

(g) Section 4801(a)(6)(B) of OBRA-1990 is amended—

(1) by striking "The amendments" and inserting "(i) The amendments";

(2) by redesignating clauses (i) through (v) as subclauses (I) through (V); and

(3) by adding at the end the following new clause:

"(ii) Notwithstanding clause (i) and subject to section 1919(f)(2)(B)(iii) of the Social Security Act (as amended by subparagraph (A)), a State may approve a training and competency evaluation program or a competency evaluation program offered by or in a nursing facility described in clause (i) if, during the previous 2 years, none of the subclauses of clause (i) applied to the facility."

SEC. 5173. OTHER TECHNICAL CORRECTIONS.

(a) Section 1905(o)(1)(A) is amended—

(1) in the first sentence, by striking "intermediate care facility services" and inserting "for nursing facility services or intermediate care facility services for the mentally retarded"; and

(2) in the second sentence, by striking "or intermediate care facility" and inserting "(for purposes of title XVIII), a nursing facility, or an intermediate care facility for the mentally retarded".

(b) Section 1915(d) is amended—

(1) by striking "skilled nursing facility or intermediate care facility" each place it appears in paragraphs (1), (2)(B), and (2)(C) and inserting "nursing facility";

(2) in paragraph (2)(B)(i), by striking "skilled nursing or intermediate care facility" and inserting "nursing facility";

(3) in paragraph (5)(A), by striking "under" the second place it appears and inserting "or, in the case of waiver years beginning on or after October 1, 1990, with respect to nursing facility services and home and community-based services) under"; and

(4) in paragraph (5)(B)—

(A) in clause (i), by striking "furnished" and inserting "(or, with respect to waiver years beginning on or after October 1, 1990, for nursing facility services) furnished"; and

(B) in clause (iii)(I), by striking "(regardless" and inserting "(or, with respect to waiver years beginning on or after October 1, 1990, which comprise nursing facility services) (regardless)".

SEC. 5174. CORRECTIONS TO DESIGNATIONS OF NEW PROVISIONS.

(a) PARAGRAPHS ADDED TO SECTION 1902(a).—Section 1902(a) is amended—

(1) by striking "and" at the end of paragraph (54);

(2) in the paragraph (55) inserted by section 4602(a)(3) of OBRA-1990, by striking the period at the end and inserting a semicolon;

(3) by redesignating the paragraph (55) inserted by section 4604(b)(3) of OBRA-1990 as paragraph (56), by transferring and inserting it after the paragraph (55) inserted by section 4602(a)(3) of such Act, and by striking the period at the end and inserting a semicolon;

(4) by placing paragraphs (57) and (58), inserted by section 4751(a)(1)(C) of OBRA-1990, immediately after paragraph (56), as redesignated by paragraph (3);

(5) in the paragraph (58) inserted by section 4751(a)(1)(C) of OBRA-1990, by striking the period at the end and inserting "; and"; and

(6) by redesignating the paragraph (58) inserted by section 4752(c)(1)(C) of OBRA-1990

as paragraph (59) and by transferring and inserting it after the paragraph (58) inserted by section 4751(a)(1)(C) of such Act.

(b) PARAGRAPHS ADDED TO SECTION 1903(i).—Section 1903(i), as amended by section 2(b)(2) of the Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991, is amended—

(1) in the paragraph (10) inserted by section 4401(a)(1)(B) of OBRA-1990, by striking all that follows "1927(g)" and inserting a semicolon;

(2) by redesignating the paragraph (12) inserted by section 4752(a)(2) of OBRA-1990 as paragraph (11), by transferring and inserting it after the paragraph (10) inserted by section 4401(a)(1)(B) of OBRA-1990, and by striking the period at the end and inserting a semicolon;

(3) by redesignating the paragraph (14) inserted by section 4752(e) of OBRA-1990 as paragraph (12), by transferring and inserting it after paragraph (11), as redesignated by paragraph (2), and by striking the period at the end and inserting "; or"; and

(4) by redesignating the paragraph (11) inserted by section 4801(e)(16)(A) of OBRA-1990 as paragraph (13) and by transferring and inserting it after paragraph (12), as redesignated by paragraph (3).

(c) PARAGRAPHS ADDED TO SECTION 1905(a).—

(1) IN GENERAL.—Section 1905(a) is amended—

(A) by striking "and" at the end of paragraph (21);

(B) in paragraph (24), by striking the period at the end and inserting "; and"; and

(C) by redesignating paragraphs (22), (23), and (24) as paragraphs (24), (22), and (23), respectively, and by transferring and inserting paragraph (24) after paragraph (23), as so redesignated.

(2) CONFORMING AMENDMENTS.—(A) Effective July 1, 1991, section 1902(a)(10)(C)(iv), as amended by section 4755(c)(1)(A) of OBRA-1990, is amended by striking "through (21)" and inserting "through (23)".

(B) Effective July 1, 1991, section 1902(j), as amended by section 4711(d)(1) of OBRA-1990, is amended by striking "through (22)" and inserting "through (24)".

(d) FINAL SECTIONS.—Section 1928, as redesignated by section 4401(a)(3) of OBRA-1990, is amended—

(1) by transferring such section to the end of title XIX of the Social Security Act; and

(2) by redesignating such section as section 1931.

CHAPTER 2—UNIVERSAL ACCESS TO CHILDHOOD IMMUNIZATIONS

SEC. 5181. ESTABLISHMENT OF ENTITLEMENT AND MONITORING PROGRAMS WITH RESPECT TO CHILDHOOD IMMUNIZATIONS.

(a) IN GENERAL.—Title XXI of the Public Health Service Act (42 U.S.C. 300aa-1 et seq.) is amended by adding at the end the following subtitle:

"Subtitle 3—Entitlement and Monitoring Programs With Respect to Childhood Immunizations

"PART A—ENTITLEMENT PROGRAM

"SEC. 2151. DELIVERY TO STATES OF SUFFICIENT QUANTITIES OF PEDIATRIC VACCINES.

"(a) IN GENERAL.—In the case of any State that submits to the Secretary an application in accordance with section 2157, the Secretary, acting through the Director of the Centers for Disease Control and Prevention, shall provide for the purchase and delivery on behalf of the State of such quantities of pediatric vaccines as may be necessary for

the immunization of each eligible child in the State. The preceding sentence is subject to sections 2152(d) and 2159(a).

"(b) ELIGIBLE CHILDREN.—For purposes of this part, the term 'eligible child' means an individual 18 years of age or younger who—

"(1) with respect to the State involved, is entitled to medical assistance under the plan approved for the State under title XIX of the Social Security Act (including a State operating under a statewide waiver under section 1115 of such Act);

"(2)(A) is uninsured with respect to health insurance policies or plans (including group health plans or prepaid health plans and including employee welfare benefit plans under the Employee Retirement Income Security Act of 1974); or

"(B) is covered under such a policy or plan, but under the policy or plan benefits are not available with respect to immunizations; or

"(3) is an Indian.

"SEC. 2152. ENTITLEMENTS.

"(a) ENTITLEMENT OF STATES.—Subject to subsection (d), in the case of any State that submits to the Secretary an application in accordance with section 2157, the State is entitled to have the Secretary provide for the purchase and delivery on behalf of the State of pediatric vaccines under section 2151. The preceding sentence constitutes budget authority in advance of appropriations Acts, and represents the obligation of the Federal Government to provide for the purchase and delivery to the State of the vaccines.

"(b) ENTITLEMENTS OF CHILDREN AND HEALTH CARE PROVIDERS.—Subject to subsection (d), the Secretary may provide for the purchase and delivery of pediatric vaccines under section 2151 on behalf of a State only if the State agrees as follows:

"(1) Each eligible child in the State, in receiving an immunization with a pediatric vaccine from a program-registered provider (as defined in section 2153(a)), is entitled to receive the immunization without charge for the cost of such vaccine.

"(2) Each program-registered provider in the State who administers a pediatric vaccine to an eligible child in the State is entitled to receive such vaccine from the State without charge.

"(3) The State will carry out a program to administer the entitlements established pursuant to paragraphs (1) and (2).

"(c) ENFORCEMENT OF PROVIDER RIGHTS BY ELIGIBLE CHILDREN.—With respect to the obligation of a State under the entitlement established in subsection (b)(2), an eligible child (or representative of the child) may enforce the rights of the provider under such paragraph if—

"(1) the provider administered a pediatric vaccine to the child notwithstanding the failure of the State to carry out such obligation with respect to the vaccine; or

"(2) an immunization with the vaccine was sought for the child by a parent of the child, but the provider, on the basis of such failure of the State, did not administer the vaccine to the child.

"(d) CERTAIN CONDITIONS.—

"(1) IN GENERAL.—This part does not apply with respect to any vaccine administered before October 1, 1994.

"(2) RELATIONSHIP TO PURCHASE CONTRACTS WITH MANUFACTURERS.—With respect to a pediatric vaccine, the obligation of the Federal Government pursuant to subsection (a), and the obligations of the State pursuant to subsection (b), are effective only to the extent that there is in effect a contract under section 2158 for the purchase and delivery of the vaccine.

"(3) SUBMISSION OF APPLICATION.—

"(A) Subject to subparagraph (C), the entitlements established pursuant to subsections (a) and (b) are established with respect to a State upon the State submitting to the Secretary an application in accordance with section 2157.

"(B) An application submitted to the Secretary under section 2157 is deemed to have been submitted in accordance with such section unless the Secretary, not later than 30 days after the date on which the application is submitted, notifies the State that the application is not in accordance with such section.

"(C) In the case of a State whose application submitted under section 2157 is not submitted in accordance with such section, the Secretary may, upon the submission by the State of an application that is in accordance with such section, provide that the entitlements established pursuant to such submission are deemed to have been established on the date on which the State first submitted the application.

"SEC. 2153. VOLUNTARY PARTICIPATION OF HEALTH CARE PROVIDERS.

"(a) IN GENERAL.—

"(1) REQUEST FOR PARTICIPATION; REQUIRED APPROVAL.—The Secretary may provide for the purchase and delivery of pediatric vaccines under section 2151 on behalf of a State only if the State agrees that federally-supplied pediatric vaccines will not be distributed to a health care provider unless—

"(A) the provider submits to the State a written request to participate in the program established by the State pursuant to section 2152(b)(3);

"(B) the request is in such form and is made in such manner as the Secretary may require; and

"(C) the provider makes the agreements described in this section.

"(2) PROGRAM-REGISTERED PROVIDERS.—For purposes of this part, the term 'program-registered provider' means a health care provider that meets the conditions specified in subparagraphs (A) through (C) of paragraph (1).

"(b) ELIGIBILITY OF CHILDREN.—

"(1) IN GENERAL.—An agreement for a health care provider under subsection (a) is that the provider—

"(A) before administering a pediatric vaccine to a child, will ask a parent of the child such questions as are necessary to determine whether the child is an eligible child;

"(B) will, for a period of time specified by the Secretary, maintain records of responses made to the questions; and

"(C) will, upon request, make such records available to the State involved and to the Secretary, subject to paragraph (2).

"(2) RESTRICTION ON USE OF INFORMATION.—Records provided to a State or to the Secretary under paragraph (1)(C) may be used only for purposes of audit of the program carried out under section 2152(b)(3) by the State.

"(c) CHARGES FOR VACCINES.—

"(1) VACCINES PER SE.—An agreement for a health care provider under subsection (a) is that, in administering a federally-supplied pediatric vaccine to an eligible child, the provider will not impose a charge for the cost of the vaccine.

"(2) ADMINISTRATION OF VACCINES.—With respect to compliance with an agreement under paragraph (1), a program-registered provider may impose a charge for the administration of a federally-supplied pediatric vaccine, subject to an agreement by the provider that the provider will not impose such

charge with respect to a child if a parent of the child certifies to the provider that the parent is unable to pay the charge.

"(d) RULES OF CONSTRUCTION.—

"(1) EXTENT OF PARTICIPATION.—This section may not be construed as requiring that a program-registered provider administer a federally-supplied pediatric vaccine to each eligible child for whom an immunization with the vaccine is sought from the provider.

"(2) VERIFICATION OF INFORMATION.—With respect to compliance with agreements under subsections (b) and (c), such agreements may not be construed as requiring a program-registered provider to verify independently the information provided to the provider by a parent pursuant to such subsections.

"SEC. 2154. INTRASTATE DISTRIBUTION OF PEDIATRIC VACCINES.

"(a) IN GENERAL.—Not later than 180 days after the date of the enactment of the Omnibus Budget Reconciliation Act of 1993, the Secretary shall, through publication in the Federal Register, establish criteria for the delivery on behalf of the States of federally-supplied pediatric vaccines to program-registered providers in the State.

"(b) INVOLVEMENT OF CERTAIN PROVIDERS.—

"(1) IN GENERAL.—In establishing criteria under subsection (a), the Secretary shall establish criteria with respect to encouraging the entities described in paragraph (2) to become program-registered providers.

"(2) RELEVANT PROVIDERS.—The entities referred to in paragraph (1) are—

"(A) private health care providers; and

"(B)(i) health care providers that receive funds under title V of the Indian Health Care Improvement Act;

"(ii) the Indian Health Service; and

"(iii) health programs or facilities operated by Indian tribes or tribal organizations.

"(c) CULTURAL CONTEXT OF SERVICES.—In establishing criteria under subsection (a), the Secretary shall require that, in providing a federally-supplied pediatric vaccine to any population of eligible children a substantial portion of whose parents have a limited ability to speak the English language, a State have in effect a reasonable plan to administer the vaccines through program-registered providers who are able to communicate with the population involved in the language and cultural context that is most appropriate.

"(d) COMPLIANCE BY STATES.—The Secretary may provide for the purchase and delivery of pediatric vaccines under section 2151 on behalf of a State only if the State agrees to maintain compliance with the criteria established under subsection (a).

"SEC. 2155. GENERAL PROVISIONS.

"(a) FEDERAL STANDARDS ON ACCOUNTABILITY.—

"(1) ESTABLISHMENT OF STANDARDS.—Not later than 180 days after the date of the enactment of the Omnibus Budget Reconciliation Act of 1993, the Secretary shall, through publication in the Federal Register, establish standards with respect to determining the extent to which States and program-registered providers are in compliance with the agreements made under this part.

"(2) COMPLIANCE BY STATES.—The Secretary may provide for the purchase and delivery of pediatric vaccines under section 2151 on behalf of a State only if the State agrees to maintain compliance with the standards established under subsection (a).

"(b) STATE MAINTENANCE OF IMMUNIZATION LAWS.—The Secretary may provide for the purchase and delivery of vaccines under section 2151 on behalf of a State only if the

State certifies to the Secretary that, if it had in effect as of May 1, 1993, a law that requires some or all health insurance policies or plans to provide some coverage with respect to a pediatric vaccine, the State has not modified or repealed such law in a manner that reduces the amount of coverage so required.

"(c) PARTICIPATION IN NATIONAL MONITORING SYSTEM.—On and after January 1, 1998, the Secretary may provide for the purchase and delivery of vaccines under section 2151 on behalf of a State only if the State certifies to the Secretary that the State is operating a registry in accordance with part B.

"SEC. 2156. STATE OPTION REGARDING IMMUNIZATION OF ADDITIONAL CATEGORIES OF CHILDREN.

"(a) STATE PURCHASES.—Subject to subsections (b) and (c), for the purpose of administering a pediatric vaccine to children in addition to eligible children, any participating State under section 2151 may, pursuant to section 2158(a)(2), purchase the vaccine from a manufacturer of the vaccine at the price in effect under section 2158.

"(b) REQUIREMENTS.—A State may purchase pediatric vaccines pursuant to subsection (a) only if the following conditions are met:

"(1) The State agrees that the vaccines will be used to provide immunizations for children who are not eligible children.

"(2) The State designates the particular categories of children who are to receive the immunizations, and submits to the Secretary a description of the categories so designated.

"(3) The State provides to the Secretary such information as the Secretary determines to be necessary to provide for quantities of pediatric vaccines for the State to purchase pursuant to section 2158(a)(2).

"(4) The State agrees, subject to subsection (c), that the program established by the State pursuant to section 2152(b)(3) applies to children designated under paragraph (2) to the same extent and in the same manner as the program applies to eligible children (except for the State being the purchaser of the pediatric vaccines involved).

"(c) CERTAIN LIMITATIONS.—A State may purchase pediatric vaccines pursuant to subsection (a) only if the State agrees as follows:

"(1) The authorization established in such subsection with respect to a pediatric vaccine is subject to the quantity of the vaccine that, on behalf of the State, the Secretary provides for under section 2158(a)(2).

"(2) In any case in which multiple contracts are in effect under section 2158 with respect to such a vaccine and the State elects to purchase the vaccine pursuant to subsection (a), the Secretary will determine which of such contracts will be applicable to the purchase.

"SEC. 2157. STATE APPLICATION FOR VACCINES.

"(a) IN GENERAL.—An application by a State for pediatric vaccines under section 2151(a) is in accordance with this section if the application—

"(1) is submitted not later than the date specified by the Secretary;

"(2) contains each agreement required in this part (including the agreements required in section 2156, if the State is electing to purchase pediatric vaccines pursuant to such section);

"(3) contains any information required in this part to be submitted to the Secretary (including the information required in section 2156, if the State is electing to purchase pediatric vaccines pursuant to such section);

"(4) contains the certification required in subsection (b) of section 2155 and, as applicable, the certification required in subsection (c) of such section; and

"(5) is in such form, is made in such manner, and contains such agreements, assurances, and information as the Secretary determines to be necessary to carry out this part.

"(b) FAILURE TO APPLY.—

"(1) IN GENERAL.—If, as of January 1, 1998, a State is not receiving pediatric vaccines under section 2151 and carrying out a program pursuant to section 2152(b)(3), the Secretary shall, subject to paragraph (2), terminate payments to the State under part A of title XIX.

"(2) EXCEPTIONS.—Paragraph (1) does not apply in the case of a State described in such paragraph that—

"(A) is, through all willing health care providers, providing for the immunization of eligible children with pediatric vaccines, and is not imposing a charge on such providers or children for the costs of the vaccines; or

"(B) meets or exceeds the objectives established by the Secretary for the year 2000 for the immunization status of children in the United States who are 2 years of age.

"SEC. 2158. CONTRACTS WITH MANUFACTURERS OF PEDIATRIC VACCINES.

"(a) IN GENERAL.—Subject to the provisions of this section, the Secretary shall periodically enter into negotiations with manufacturers of pediatric vaccines for the purpose of maintaining contracts under which—

"(1) the Secretary provides for the purchase of quantities of pediatric vaccines necessary for carrying out section 2151, and provides for the delivery of the vaccines to participating States under such section; and

"(2) each participating State, at the option of the State under section 2156, is permitted to obtain additional quantities of pediatric vaccines (subject to limits in such contracts regarding quantities) through purchasing the vaccines from the manufacturers at the price negotiated by the Secretary for the quantities specified in paragraph (1).

The Secretary shall enter into the initial negotiations under the preceding sentence not later than 180 days after the date of the enactment of the Omnibus Budget Reconciliation Act of 1993.

"(b) NEGOTIATION OF PURCHASE PRICE.—

"(1) IN GENERAL.—In negotiating the prices at which pediatric vaccines will be purchased from a manufacturer under subsection (a), the Secretary shall negotiate a price that provides a reasonable profit for the manufacturer.

"(2) CERTAIN FACTORS.—

"(A) In determining a reasonable profit for a manufacturer under paragraph (1), the Secretary shall consider the following factors:

"(i) The costs of the manufacturer in researching, developing, and producing the pediatric vaccine involved.

"(ii) The costs of the manufacturer in researching and developing new or improved vaccines (pediatric or otherwise).

"(iii) The costs of shipping and handling pediatric vaccines in compliance with the agreement under subsection (c).

"(iv) Such other factors as the Secretary determines to be appropriate.

"(B) With respect to factors considered under subparagraph (A), the Secretary may enter into a contract under subsection (a) only if the manufacturer involved provides to the Secretary such information regarding the factors as the Secretary determines to be appropriate.

"(3) CONFIDENTIALITY.—With respect to information provided to the Secretary by a

manufacturer under paragraph (2), the following applies:

"(A) The Secretary shall maintain the confidentiality of the information, with provision for reasonable disclosures.

"(B) For purposes of section 552(b)(4) of title 5, United States Code, the information shall be considered to be trade secrets and commercial or financial information obtained from a person and privileged or confidential.

"(C) Section 1905 of title 18, United States Code, applies to information maintained confidentially under subparagraph (A).

"(c) CHARGES FOR SHIPPING AND HANDLING.—The Secretary may enter into a contract under subsection (a) only if the manufacturer involved agrees that the manufacturer will provide for delivering the vaccines on behalf of the States in accordance with the programs established by the States pursuant to section 2152(b)(3), and will not impose any charges for the costs of such delivery (except to the extent such costs are provided for in the price negotiated under subsection (b)).

"(d) QUANTITY OF VACCINES.—For the purpose of ensuring that the Federal Government has the ability to carry out section 2151, the Secretary, in negotiations under subsection (a), shall negotiate for maintaining a supply of pediatric vaccines to meet unanticipated needs for the vaccines. For purposes of the preceding sentence, the Secretary shall negotiate for a 6-month supply of vaccines in addition to the quantity that the Secretary otherwise would provide for in such negotiations. In carrying out this paragraph, the Secretary shall consider the potential for outbreaks of the diseases with respect to which the vaccines have been developed.

"(e) NEGOTIATING AUTHORITY OF SECRETARY.—In carrying out subsection (a), the Secretary, to the extent determined by the Secretary to be appropriate, may enter into contracts described in such subsection, may decline to enter into such contracts, and with the consent of the manufacturers involved, may modify such agreements and may extend such agreements.

"(f) CERTAIN CONTRACT PROVISIONS.—

"(1) DURATION.—A contract entered into by the Secretary under subsection (a) is effective for such period as the Secretary and the manufacturer involved may agree in the contract.

"(2) ADVANCE FUNDING.—The Secretary may, pursuant to section 2152(a), enter into contracts under subsection (a) under which the Federal Government is obligated to make outlays, the budget authority for which is not provided for in advance in appropriations Acts.

"(g) REPORTS TO SECRETARY.—The Secretary may enter into a contract under subsection (a) only if the manufacturer involved agrees to submit to the Secretary such reports as the Secretary determines to be appropriate with respect to compliance with the contract. For purposes of paragraph (3) of subsection (b), such reports shall be considered to be information provided by the manufacturer to the Secretary under paragraph (2) of such subsection.

"(h) MULTIPLE SUPPLIERS.—

"(1) IN GENERAL.—In the case of the pediatric vaccine involved, the Secretary shall, as appropriate, enter into a contract under subsection (a) with each manufacturer of the vaccine that meets the terms and conditions of the Secretary for an award of such a contract (including terms and conditions regarding safety, quality, and price).

"(2) RULE OF CONSTRUCTION.—With respect to multiple contracts entered into pursuant to paragraph (1), such paragraph may not be construed as prohibiting the Secretary from having in effect different prices under each of such contracts.

"SEC. 2159. CERTAIN ADMINISTRATIVE VARIATIONS.

"(a) TRIBES AND TRIBAL ORGANIZATIONS.—

"(1) IN GENERAL.—Subject to paragraph (2), the Secretary shall provide for the purchase and delivery on behalf of each Indian tribe and each tribal organization of such quantities of pediatric vaccines as may be necessary for the immunization of each Indian child in the State in which the tribe or organization (as the case may be) is located.

"(2) ENTITLEMENTS; ADMINISTERING PROGRAM.—The Secretary may provide for the purchase and delivery of pediatric vaccines under paragraph (1) on behalf of an Indian tribe or tribal organization only if the tribe or organization (as the case may be) agrees that this part applies to the tribe or organization (in relation to Indian children) to the same extent and in the manner as such part applies to States (in relation to eligible children).

"(b) STATE AS MANUFACTURER.—

"(1) PAYMENTS IN LIEU OF VACCINES.—In the case of a participating State under section 2151 that manufactures a pediatric vaccine and is not receiving the vaccine under such section, if the Secretary determines that the program of the State under 2152(b)(3) is carried out with respect to the vaccine, the Secretary shall provide to the State an amount equal to the value of the quantity of such vaccine that otherwise would have been delivered to the State under section 2151, subject to the provisions of this subsection.

"(2) DETERMINATION OF VALUE.—In determining the amount to pay a State under paragraph (1) with respect to a pediatric vaccine, the value of the quantity of vaccine shall be determined on the basis of the price in effect for the vaccine under contracts under section 2158. If more than 1 such contract is in effect, the Secretary shall determine such value on the basis of the average of the prices under the contracts, after weighting each such price in relation to the quantity of vaccine under the contract involved.

"(3) USE OF PAYMENTS.—A State may expend payments received under paragraph (1) only for purposes relating to pediatric vaccines.

"SEC. 2160. LIST OF PEDIATRIC VACCINES; SCHEDULE FOR ADMINISTRATION.

"(a) RECOMMENDED PEDIATRIC VACCINES.—

"(1) IN GENERAL.—The Secretary shall establish a list of the vaccines that the Secretary recommends for administration to all children for the purpose of immunizing the children, subject to such contraindications for particular medical categories of children as the Secretary may establish under subsection (b)(1)(D). The Secretary shall periodically review the list, and shall revise the list as appropriate.

"(2) RULE OF CONSTRUCTION.—

"(A) The list of vaccines specified in subparagraph (B) is deemed to be the list of vaccines maintained under paragraph (1).

"(B) The list of vaccines specified in this subparagraph is the list of vaccines that, for purposes of paragraph (1), is established (and periodically reviewed and as appropriate revised) by the Advisory Committee on Immunization Practices, an advisory committee established by the Secretary, acting through the Director of the Centers for Disease Control and Prevention.

"(b) RECOMMENDED SCHEDULE FOR ADMINISTRATION.—

"(1) IN GENERAL.—Subject to paragraph (2), in the case of a pediatric vaccine, the Secretary shall establish (and periodically review and as appropriate revise) a schedule of nonbinding recommendations for the following:

"(A) The number of immunizations with the vaccine that children should receive.

"(B) The ages at which children should receive the immunizations.

"(C) The dosage of vaccine that should be administered in the immunizations.

"(D) Any contraindications regarding administration of the vaccine to particular medical categories of children.

"(E) Such other guidelines as the Secretary determines to be appropriate with respect to administering the vaccine to children.

"(2) VARIATIONS IN MEDICAL PRACTICE.—In establishing and revising a schedule under paragraph (1), the Secretary shall ensure that, in the case of the pediatric vaccine involved, the schedule provides for the full range of variations in medical judgment regarding the administration of the vaccine, subject to remaining within medical norms.

"(3) RULE OF CONSTRUCTION.—

"(A) The schedule specified in subparagraph (B) is deemed to be the schedule maintained under paragraph (1).

"(B) The schedule specified in this subparagraph is the schedule that, for purposes of paragraph (1), is established (and periodically reviewed and as appropriate revised) by the advisory committee specified in subsection (a)(2)(B).

"(c) GENERALLY APPLICABLE RULES OF CONSTRUCTION.—

"(1) IN GENERAL.—The list established under subsection (a) and the schedules established under subsection (b) do not constitute guidelines, standards, performance measures, or review criteria for purposes of the program carried out by the Administrator for Health Care Policy and Research under part B of title IX or under section 1142 of the Social Security Act.

"(2) STATE LAWS.—This section does not supersede any State law on requirements with respect to receiving immunizations (including any such law relating to religious exemptions or medical exemptions).

"(d) ISSUANCE OF LIST AND SCHEDULES.—Not later than 180 days after the date of the enactment of the Omnibus Budget Reconciliation Act of 1993, the Secretary shall establish the initial list required in subsection (a) and the schedule required in subsection (b).

"SEC. 2161. CHILDHOOD IMMUNIZATION TRUST FUND.

"(a) ESTABLISHMENT OF FUND.—There is established in the Treasury of the United States a fund to be known as the National Childhood Immunization Trust Fund (in this section referred to as the 'Fund'). The Fund shall consist of such amounts as may be appropriated to the Fund in appropriations Acts, in the Internal Revenue Code of 1986, or in subsection (c)(3). Amounts appropriated to the Fund shall remain available until expended.

"(b) EXPENDITURES FROM FUND.—Amounts in the Fund are available to the Secretary for the purpose of carrying out this part. Payments under the program under this part, and the costs of carrying out such program, shall be exempt from reduction under any order issued under part C of the Balanced Budget and Emergency Deficit Control Act of 1985.

"(c) INVESTMENT.—

"(1) IN GENERAL.—The Secretary of the Treasury shall invest such amounts of the Fund as such Secretary determines are not required to meet current withdrawals from the Fund. Such investments may be made only in interest-bearing obligations of the United States. For such purpose, such obligations may be acquired on original issue at the issue price, or by purchase of outstanding obligations at the market price.

"(2) SALE OF OBLIGATIONS.—Any obligation acquired by the Fund may be sold by the Secretary of the Treasury at the market price.

"(3) AVAILABILITY OF INCOME.—Any interest derived from obligations acquired by the Fund, and proceeds from any sale or redemption of such obligations, are hereby appropriated to the Fund.

"SEC. 2162. DEFINITIONS.

"For purposes of this subtitle:

"(1) The term 'eligible child' has the meaning given such term in section 2151(b).

"(2) The term 'federally-supplied', with respect to a pediatric vaccine, means that such vaccine is purchased and delivered on behalf of a State under section 2151(a).

"(3) The term 'health care provider', with respect to the administration of vaccines to children, means an entity that is licensed or otherwise authorized for such administration under the law of the State in which the entity administers the vaccine, subject to section 333(e).

"(4) The term 'immunization' means an immunization against a vaccine-preventable disease.

"(5) Each of the terms 'Indian', 'Indian tribe', and 'tribal organization' has the meaning given such term in section 4 of the Indian Health Care Improvement Act.

"(6) The term 'Indian child' means an Indian who is 18 years of age or younger.

"(7) The term 'manufacturer' means any corporation, organization, or institution, whether public or private (including Federal, State, and local departments, agencies, and instrumentalities), which manufactures, imports, processes, or distributes under its label any pediatric vaccine. The term 'manufacture' means to manufacture, import, process, or distribute a vaccine.

"(8) The term 'parent', with respect to a child, means a legal guardian of the child.

"(9) The term 'participating State under section 2151' means a State that has submitted to the Secretary an application in accordance with section 2157.

"(10) The term 'pediatric vaccine' means a vaccine included on the list established under section 2160(a).

"(11) The term 'program-registered provider' has the meaning given such term in 2153(a)(2).

"SEC. 2163. TERMINATION OF PROGRAM.

This part shall cease to be in effect beginning on such date as may be prescribed in Federal law providing for immunization services for all children as part of a broad-based reform of the national health care system.

"PART B—NATIONAL SYSTEM FOR MONITORING IMMUNIZATION STATUS OF CHILDREN

"SEC. 2171. FORMULA GRANTS FOR STATE REGISTRIES WITH RESPECT TO MONITORING.

"(a) IN GENERAL.—For the purpose described in subsection (b), the Secretary, acting through the Director of the Centers for Disease Control and Prevention, shall make an allotment each fiscal year for each State in an amount determined in accordance with section 2175. The Secretary shall make a grant to the State of the allotment made for

the State for the fiscal year if the State submits to the Secretary an application in accordance with section 2174.

"(b) AUTHORIZED ACTIVITIES.—The Secretary may make a grant under subsection (a) only if the State agrees to expend the grant for the purpose of—

"(1) collecting the data described in section 2172;

"(2) operating registries to maintain the data (and establishing such registries, in the case of a State that is not operating such a registry);

"(3) utilizing the data to monitor the extent to which children have received immunizations in accordance with the schedule established under section 2160(b);

"(4) notifying parents if children have not received immunizations in accordance with such schedule; and

"(5) such other activities as the Secretary may authorize with respect to achieving the objectives established by the Secretary for the year 2000 for the immunization status of children in the United States.

"(c) REQUIREMENT REGARDING STATE LAWS.—

"(1) IN GENERAL.—The Secretary may make a grant under subsection (a) only if the State involved—

"(A) provides assurances satisfactory to the Secretary that, not later than October 1, 1996, the State will be operating a registry in accordance with this part, including having in effect such laws and regulations as may be necessary to so operate such a registry; and

"(B) agrees that, prior to such date, the State will make such efforts to operate a registry in accordance with this part as may be authorized in the law and regulations of the State.

"(2) RULES OF CONSTRUCTION.—

"(A) With respect to the agreements made by a State under this part, other than the agreement under paragraph (1)(B), the Secretary may require compliance with the agreements only to the extent consistent with such paragraph.

"(B) This part does not authorize the Secretary, as a condition of the receipt of a grant under subsection (a) by a State, to prohibit the State from providing any parent, upon the request of the parent, with an exemption from the requirements established by the State pursuant to this part for the collection of data regarding any child of the parent.

"SEC. 2172. REGISTRY DATA.

"(a) IN GENERAL.—For purposes of section 2171(b)(1), the data described in this section are the data described in subsection (b) and the data described in subsection (c). This section applies to data regarding a child without regard to whether the child is an eligible child as defined in section 2162.

"(b) DATA REGARDING BIRTH OF CHILD.—With respect to the birth of a child, the data described in this subsection is as follows:

"(1) The name of each child born in the State involved on or after October 1, 1993.

"(2) Demographic data on the child.

"(3) The name of one or both of the parents of the child.

"(4) The address, as of the date of the birth of the child, of each parent whose name is received in the registry pursuant to paragraph (3).

"(c) DATA REGARDING INDIVIDUAL IMMUNIZATIONS.—With respect to a child to whom a pediatric vaccine is administered in the State involved, the data described in this subsection is as follows:

"(1) The name, age, and address of the child.

"(2) The date on which the vaccine was administered to the child.

"(3) The name and business address of the health care provider that administered the vaccine.

"(4) The address of the facility at which the vaccine was administered.

"(5) The name and address of one or both parents of the child as of the date on which the vaccine was administered, if such information is available to the health care provider.

"(6) The type of vaccine.

"(7) The number or other information identifying the particular manufacturing batch of the vaccine, if such information appears on the container or packaging for the vaccine or is otherwise readily accessible to the health care provider.

"(8) The dosage of vaccine that was administered.

"(9) A description of any adverse medical reactions that the child experienced in relation to the vaccine and of which the health care provider is aware.

"(10) Any other contraindications noted by the health care provider with respect to administration of the vaccine to the child.

"(11) Such other data regarding immunizations for the child, including identifying data, as the Secretary may require consistent with applicable law (including social security account numbers furnished pursuant to section 205(c)(2)(E) of the Social Security Act).

"(d) DATE CERTAIN FOR SUBMISSION TO REGISTRY.—The Secretary may make a grant under section 2171 only if the State involved agrees to ensure that, with respect to a child—

"(1) the data described in subsection (b) are submitted to the registry under such section not later than 6 weeks after the date on which the child is born; and

"(2) the data described in subsection (c) with respect to a vaccine are submitted to such registry not later than 6 weeks after the date on which the vaccine is administered to the child.

"SEC. 2173. GENERAL PROVISIONS.

"(a) FEDERAL STANDARDS ON CONFIDENTIALITY.—The Secretary shall by regulation establish standards providing for maintaining the confidentiality of the identity of individuals with respect to whom data are maintained in registries under section 2171. Such standards shall, with respect to a State, provide that the State is to have in effect laws regarding such confidentiality, including appropriate penalties for violation of the laws. The Secretary may make a grant under such section only if the State involved agrees to comply with the standards.

"(b) USE OF SOCIAL SECURITY ACCOUNT NUMBERS.—Any usage or disclosure of data in registries under section 2171 that consists of social security account numbers and related information which is otherwise permitted under this part may be exercised only to the extent permitted under section 205(c)(2)(E) of the Social Security Act. For purposes of the preceding sentence, the term 'related information' has the meaning given such term in clause (iv)(II) of such section.

"(c) UNIFORMITY IN METHODOLOGIES.—The Secretary shall establish standards regarding the methodologies used in establishing and operating registries under section 2171, and may make a grant under such section only if the State agrees to comply with the standards. The Secretary shall provide for a reasonable degree of uniformity among the States in such methodologies for the purpose of ensuring the utility, comparability, and

exchange of the data maintained in such registries.

"(d) COORDINATION AMONG STATES.—The Secretary may make a grant under section 2171 to a State only if, with respect to the operation of the registry of the State under such section, the State agrees to cooperate with the Secretary and with other States in carrying out activities with respect to achieving the objectives established by the Secretary for the year 2000 for the immunization status of children in the United States.

"(e) REPORTS TO SECRETARY.—The Secretary may make a grant under section 2171 only if the State involved agrees to submit to the Secretary such reports as the Secretary determines to be appropriate with respect to the activities of the State under this part.

"SEC. 2174. APPLICATION FOR GRANT.

"An application by a State for a grant under section 2171 is in accordance with this section if the application—

"(1) is submitted not later than the date specified by the Secretary;

"(2) contains each agreement required in this part;

"(3) contains any information required in this part to be submitted to the Secretary; and

"(4) is in such form, is made in such manner, and contains such agreements, assurances, and information as the Secretary determines to be necessary to carry out this part.

"SEC. 2175. DETERMINATION OF AMOUNT OF ALLOTMENT.

"The Secretary shall determine the amount of the allotments required in section 2171 for States for a fiscal year in accordance with a formula established by the Secretary that allots the amounts appropriated under section 2177 for the fiscal year on the basis of the costs of the States in establishing and operating registries under section 2171.

"SEC. 2176. DEFINITIONS.

"For purposes of this part, each of the terms 'health care provider,' 'pediatric vaccine' and 'parent' has the meaning given the term in section 2162.

"SEC. 2177. AUTHORIZATION OF APPROPRIATIONS.

"For the purpose of carrying out this part, there are authorized to be appropriated \$50,000,000, for fiscal year 1994, \$152,000,000 for fiscal year 1995, \$125,000,000 for fiscal year 1996, and \$35,000,000 for each of the fiscal years 1997 through 1999.

"PART C—FUNDING FOR OTHER PURPOSES REGARDING CHILDHOOD IMMUNIZATIONS

"SEC. 2181. GRANTS REGARDING YEAR 2000 HEALTH OBJECTIVES.

"(a) IN GENERAL.—The Secretary, acting through the Director of the Centers for Disease Control and Prevention, may make grants to States for the purpose of carrying out activities with respect to achieving the objectives established by the Secretary for the year 2000 for the immunization status of children in the United States, other than providing for the purchase and delivery on behalf of the State of any pediatric vaccine (as defined in section 2162).

"(b) CERTAIN ACTIVITIES.—Subject to subsection (a), the purposes for which a grant under such subsection may be expended include the following:

"(1) Research into the prevention and control of diseases that may be prevented through vaccination.

"(2) Demonstration projects for the prevention and control of such diseases.

"(3) Public information and education programs for the prevention and control of such diseases.

"(4) Education, training, and clinical skills improvement activities in the prevention and control of such diseases for health professionals (including allied health personnel).

"(5) Such other activities as the Secretary determines to be appropriate.

"(c) APPLICATION FOR GRANT.—The Secretary may make a grant under subsection (a) only if an application for the grant is submitted to the Secretary and the application is in such form, is made in such manner, and contains such agreements, assurances, and information as the Secretary determines to be necessary to carry out this section.

"(d) SUPPLIES AND SERVICES IN LIEU OF GRANT FUNDS.—The Secretary, at the request of a recipient of a grant under subsection (a), may reduce the amount of such grant by—

"(1) the fair market value of any supplies or equipment furnished the grant recipient; and

"(2) the amount of the pay, allowances, and travel expenses of any officer or employee of the Federal Government when detailed to the grant recipient and the amount of any other costs incurred in connection with the detail of such officer or employee.

When the furnishing of such supplies or equipment or the detail of such an officer or employee is for the convenience of and at the request of such grant recipient and for the purpose of carrying out a program with respect to which the grant under subsection (a) is made. The amount by which any such grant is so reduced shall be available for payment by the Secretary of the costs incurred in furnishing the supplies or equipment, or in detailing the personnel, on which the reduction of such grant is based, and such amount shall be deemed as part of the grant and shall be deemed to have been paid to the grant recipient.

"(e) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of carrying out this part, there are authorized to be appropriated \$580,000,000 for fiscal year 1993, \$680,000,000 for fiscal year 1994, and such sums as may be necessary for each of the fiscal years 1995 through 1999."

(b) AUTHORITY TO USE SOCIAL SECURITY ACCOUNT NUMBERS.—Section 205(c)(2) of the Social Security Act (42 U.S.C. 405(c)(2)) is amended—

(1) by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively; and

(2) by inserting after subparagraph (D) the following new subparagraph:

"(E)(i) The Secretary and each State receiving grants under section 2171(a) of the Public Health Service Act may utilize social security account numbers issued by the Secretary under this subsection for purposes of—

"(I) operating registries under such section to maintain information including such numbers (and establishing such registries, in the case of a State that is not operating such a registry),

"(II) utilizing such numbers to monitor the extent to which children have received immunizations in accordance with the schedule established under section 2160(b) of the Public Health Service Act, and

"(III) notifying parents if children have not received immunizations in accordance with such schedule.

"(ii) Disclosure by individuals of social security account numbers may be required by a State for purposes of identification of children in a registry operated pursuant to a grant referred to in clause (i), except that

such disclosure may be required to be made only to persons specifically authorized in regulations of the Secretary prescribed under part B of subtitle 3 of title XXI of the Public Health Service Act. The Secretary shall take such actions as are necessary to restrict access to information consisting of such numbers and related information only to such authorized persons whose duties or responsibilities require access for the purposes described in clause (i). The Secretary shall issue regulations governing the use, maintenance, and disclosure by any holder of such information, including appropriate administrative, technical, and physical safeguards, to ensure that only such authorized persons have access to such information. Any use or disclosure of such information in violation of such regulations shall be deemed a disclosure in violation of subparagraph (C)(vii).

"(iii) The Secretary shall submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate not later than January 1, 1996, and biennially thereafter, on the operation of this subparagraph.

"(iv) For purposes of this subparagraph—

"(I) the term 'State' has the meaning provided such term under section 2(f) of the Public Health Service Act, and

"(II) the term 'related information' means any record, list, or compilation which indicates, directly or indirectly, the identity of any individual with respect to whom a social security account number is maintained pursuant to this subparagraph and part B of subtitle 3 of title XXI of the Public Health Service Act."

(c) RELATIONSHIP OF NEW PROGRAM OF IMMUNIZATION GRANTS TO CURRENT PROGRAM.—

(1) STRIKING OF CURRENT PROGRAM.—Section 317 of the Public Health Service Act (42 U.S.C. 247b) is amended—

(A) in subsection (j)—

(i) by striking paragraph (1); and

(ii) by striking the remaining paragraph designation; and

(B) in subsection (k)—

(i) by striking paragraph (1); and

(ii) by redesignating paragraphs (2) through (5) as paragraphs (1) through (4), respectively.

(2) TRANSITIONAL AUTHORITY UNDER NEW PROGRAM.—With respect to activities that

the Secretary of Health and Human Services was authorized to carry out pursuant to section 317(j)(1) of the Public Health Service Act (as in effect on the day before the date of the enactment of this Act), the Secretary may, for fiscal year 1994, carry out any such activity under section 2181 of the Public Health Service Act (as added by subsection (a) of this section), notwithstanding the provisions of such section 2181. The authority established in the preceding sentence includes the authority to purchase vaccines.

(d) CONTINUED COVERAGE OF COSTS OF A PEDIATRIC VACCINE UNDER GROUP HEALTH PLANS.—

(1) REQUIREMENT.—The requirement of this paragraph, with respect to a group health plan for plan years beginning after the date of the enactment of this Act, is that the group health plan not reduce its coverage of the costs of pediatric vaccines (as defined under section 2162 of the Public Health Service Act) below the coverage it provided as of May 1, 1993.

(2) ENFORCEMENT.—

(A) For purposes of section 2207 of the Public Health Service Act, the requirement of paragraph (1) is deemed a requirement of title XXII of such Act.

(B) For purposes of subsections (a) through (e) of section 4980B of the Internal Revenue Code of 1986, paragraph (1) is deemed a requirement of subsection (f) of such section.

SEC. 5182. NATIONAL VACCINE INJURY COMPENSATION PROGRAM AMENDMENTS.

(a) **USE OF VACCINE INJURY COMPENSATION TRUST FUND.**—Section 6601(r) of the Omnibus Budget Reconciliation Act of 1989 is amended by striking "\$2,500,000 for each of fiscal years 1991 and 1992" each place it appears and inserting "\$3,000,000 for fiscal year 1994 and each fiscal year thereafter" (in three places).

(b) **AMENDMENT OF VACCINE INJURY TABLE.**—Section 2116(b) of the Public Health Service Act (42 U.S.C. 300aa-16(b)) is amended by striking "such person may file" and inserting "or to significantly increase the likelihood of obtaining compensation, such person may, notwithstanding section 2111(b)(2), file".

(c) **EXTENSION OF TIME FOR DECISION.**—Section 2112(d)(3)(D) of such Act (42 U.S.C. 300aa-12(d)(3)(D)) is amended by striking "540 days" and inserting "30 months (but for no more than 6 months at a time)".

(d) **SIMPLIFICATION OF VACCINE INFORMATION MATERIALS.**—

(1) Section 2126(b) of such Act (42 U.S.C. 300aa-26(b)) is amended—

(A) by striking "by rule" in the matter preceding paragraph (1);

(B) by striking, in paragraph (1), "opportunity for a public hearing, and 90" and inserting "and 30"; and

(C) by striking, in paragraph (2), "appropriate health care providers and parent organizations".

(2) Section 2126(c) of such Act (42 U.S.C. 300aa-26(c)) is amended—

(A) by inserting "shall be based on available data and information," after "such materials" in the matter preceding paragraph (1), and

(B) by striking paragraphs (1) through (10) and inserting the following:

"(1) a concise description of the benefits of the vaccine,

"(2) a concise description of the risks associated with the vaccine,

"(3) a statement of the availability of the National Vaccine Injury Compensation Program, and

"(4) such other relevant information as may be determined by the Secretary."

(3) Subsections (a) and (d) of section 2126 of such Act (42 U.S.C. 300aa-26) are each amended by inserting "or to any other individual" after "to the legal representatives of any child".

(4) Subsection (d) of section 2126 of such Act (42 U.S.C. 300aa-26) is amended—

(A) by striking all after "subsection (a)," the second place it appears in the first sentence and inserting "supplemented with visual presentations or oral explanations, in appropriate cases," and

(B) by striking "or other information" in the last sentence.

SEC. 5183. MEDICAID IMMUNIZATION PROVISIONS.

(a) **OUTREACH AND EDUCATION.**—

(1) **IMMUNIZATION OUTREACH THROUGH EPSDT PROGRAM.**—Section 1902(a)(43)(A) (42 U.S.C. 1396a(a)(43)(A)) is amended by inserting before the comma at the end the following: "and the need for age-appropriate immunizations against vaccine-preventable diseases".

(2) **COORDINATION WITH MATERNAL AND CHILD HEALTH BLOCK GRANT PROGRAMS AND WIC PROGRAMS.**—Section 1902(a)(11) (42 U.S.C. 1396a(a)(11)) is amended—

(A) in clause (B)—

(i) by striking "effective July 1, 1969,"

(ii) by striking "and" before "(ii)", and

(iii) by striking "to him under section 1903" and inserting "to the individual under section 1903, and (iii) providing for coordination of information and education on childhood vaccinations and delivery of immunization services"; and

(B) in clause (C), by inserting "(including the provision of information and education on childhood vaccinations and the delivery of immunization services)" after "operations under this title".

(3) **COVERAGE OF PUBLIC HOUSING HEALTH CENTERS AS FEDERALLY-QUALIFIED HEALTH CENTERS.**—Section 1905(1)(2)(B) (42 U.S.C. 1396d(1)(2)(B)) is amended by striking "or 340" each place it appears and inserting "340, or 340A".

(4) **EFFECTIVE DATE.**—(A) Except as provided in subparagraph (B), the amendments made by this subsection shall apply to calendar quarters beginning on or after October 1, 1993, without regard to whether or not final regulations to carry out such amendments have been promulgated by such date.

(B) In the case of a State plan for medical assistance under title XIX of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation (other than legislation appropriating funds) in order for the plan to meet the additional requirements imposed by the amendments made by this subsection, the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet these additional requirements before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

(b) **SCHEDULE OF IMMUNIZATIONS UNDER EPSDT.**—

(1) **IN GENERAL.**—Section 1905(r)(1) (42 U.S.C. 1396d(r)(1)) is amended—

(A) in subparagraph (A)(i), by inserting "and, with respect to immunizations under subparagraph (B)(iii), in accordance with the schedule recommended by the Secretary under section 2160 of the Public Health Service Act" after "child health care"; and

(B) in subparagraph (B)(iii), by inserting "(according to the schedule recommended by the Secretary under section 2160 of the Public Health Service Act)" after "appropriate immunizations".

(2) **EFFECTIVE DATE.**—The amendments made by subparagraphs (A) and (B) of paragraph (1) shall first apply 90 days after the date the Secretary of Health and Human Services first issues the recommended schedule referred to in subparagraphs (A)(i) and subparagraph (B)(iii) of section 1905(r)(1) of the Social Security Act (as amended by such respective subparagraphs).

(c) **ASSURING ADEQUATE PAYMENT RATES FOR ADMINISTRATION OF VACCINES TO CHILDREN.**—

(1) **PAYMENT RATES.**—Section 1926(a)(4)(B) (42 U.S.C. 1396r-7(a)(4)(B)) is amended by inserting "(including the administration of vaccines)" after "means services".

(2) **EFFECTIVE DATE.**—The amendment made by paragraph (1) shall apply to the plan amendment required to be submitted under section 1926(a)(2) of the Social Security Act by not later than April 1, 1994.

(d) **DENIAL OF FEDERAL FINANCIAL PARTICIPATION FOR INAPPROPRIATE ADMINISTRATION OF SINGLE-ANTIGEN VACCINE.**—

(1) **IN GENERAL.**—Section 1903(i) (42 U.S.C. 1396b(i)), as amended by sections 5174(b) and 5131(a), is amended—

(A) in paragraph (13), by striking "or" at the end,

(B) in paragraph (14), by striking the period at the end and inserting "; or", and

(C) by inserting after paragraph (14) the following new paragraph:

"(15) with respect to any amount expended for a single-antigen vaccine and its administration in any case in which the administration of a combined-antigen vaccine was medically appropriate (as determined by the Secretary)."

(2) **EFFECTIVE DATE.**—The amendments made by paragraph (1) shall apply to amounts expended for vaccines administered on or after October 1, 1993.

(e) **REQUIRING MEDICAID MANAGED CARE PLANS TO COMPLY WITH IMMUNIZATION AND OTHER EPSDT REQUIREMENTS.**—

(1) **IN GENERAL.**—Section 1903(m) (42 U.S.C. 1396b(m)) is amended—

(A) in paragraph (2)(A), as amended by subsections (a)(1) and (b)(1) of section 5135—

(i) by striking "and" at the end of clause (xii),

(ii) by striking the period at the end of clause (xiii) and inserting "; and", and

(iii) by adding at the end the following new clause:

"(xiv) the entity complies with the requirements of paragraph (7) (relating to EPSDT compliance)."; and

(B) by adding at the end the following new paragraph:

"(7) The contract between the State and an entity referred to in paragraph (2)(A)(iii) shall—

"(A) specify which early and periodic screening, diagnostic, and treatment services are to be provided under the contract to individuals under age 21 enrolled with the entity;

"(B) in the case of such services which are not to be so provided, specify the steps the entity will take (through referrals or other arrangements) to assure that such individuals will receive such services; and

"(C) require the entity to submit such periodic reports as may be necessary to enable the State to prepare and submit timely reports under section 1902(a)(43)(D) and section 506(a)(2)."

(2) **APPLICATION OF INTERMEDIATE SANCTIONS FOR FAILURE TO PROVIDE IMMUNIZATIONS AND OTHER EPSDT SERVICES.**—Section 1903(m)(5)(A) (42 U.S.C. 1396b(m)(5)(A)) is amended—

(A) by striking "or" at the end of clause (iv) and inserting a semicolon,

(B) by striking the comma at the end of clause (v) and inserting "; or", and

(C) by inserting after clause (v) the following new clause:

"(vi) fails substantially to provide early and periodic screening, diagnostic, and treatment services to the extent specified in the contract under paragraph (7)(A)."

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to contract years beginning on or after October 1, 1993, without regard to whether or not final regulations to carry out such amendments have been promulgated by such date.

(f) **TRANSITION RULE.**—

(1) **MEDICAID USE OF CDC CONTRACT PRICE.**—The Secretary of Health and Human Services shall not, on or after the date of the enactment of this Act, enter into a contract for

the purchase by the Centers for Disease Control and Prevention of pediatric vaccines for distribution (as provided for in section 317 or section 2181 of the Public Health Service Act) unless such contract provides that the charge for such vaccines, for which medical assistance is provided under a State plan under title XIX of the Social Security Act, will not exceed the price negotiated under the contract. The previous sentence shall not apply, with respect to a vaccine for which medical assistance is provided by a State, on and after such date as the State becomes entitled to have the Secretary provide for the purchase and delivery on behalf of the State of that vaccine under section 2151 of the Public Health Service Act.

(2) **OPTIONAL USE BY STATES OF CDC CONTRACT PRICE.**—Nothing in paragraph (1) shall be construed as limiting the Federal financial participation available to States, under title XIX of the Social Security Act, for the cost of a pediatric vaccine to the contract price described in such paragraph for the vaccine.

SEC. 5184. AVAILABILITY OF MEDICAID PAYMENTS FOR CHILDHOOD VACCINE REPLACEMENT PROGRAMS.

(a) **IN GENERAL.**—Section 1902(a)(32) (42 U.S.C. 1396a(a)(32)) is amended—

(1) by striking “and” at the end of subparagraph (B),

(2) by striking the period at the end of subparagraph (C) and inserting “; and”, and

(3) by adding at the end the following new subparagraph:

“(D) in the case of payment for a childhood vaccine administered to individuals entitled to medical assistance under the State plan, the State plan may make payment directly to the manufacturer of the vaccine under a voluntary replacement program agreed to by the State pursuant to which the manufacturer (i) supplies doses of the vaccine to providers administering the vaccine, (ii) periodically replaces the supply of the vaccine, and (iii) charges the State the manufacturer's bid price to the Centers for Disease Control and Prevention for the vaccine so administered plus a reasonable premium to cover shipping and the handling of returns;”.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 5185. HEALTHY START FOR INFANTS.

(a) **IN GENERAL.**—Part D of title III of the Public Health Service Act (42 U.S.C. 254b et seq.) is amended by inserting after section 330 the following section:

“HEALTHY START FOR INFANTS

“SEC. 330A. (a) **GRANTS FOR COMPREHENSIVE SERVICES.**—

“(1) **IN GENERAL.**—The Secretary may make grants for the operation of not more than 21 demonstration projects to provide the services described in subsection (b) for the purpose of reducing, in the geographic areas in which the projects are carried out—

“(A) the incidence of infant mortality and morbidity;

“(B) the incidence of fetal deaths;

“(C) the incidence of maternal mortality;

“(D) the incidence of fetal alcohol syndrome; and

“(E) the incidence of low-birthweight births.

“(2) **ACHIEVEMENT OF YEAR 2000 HEALTH STATUS OBJECTIVES.**—With respect to the objectives established by the Secretary for the health status of the population of the United States for the year 2000, the Secretary shall, in providing for a demonstration project under paragraph (1) in a geographic area, seek to meet the objectives that are applica-

ble to the purpose described in such paragraph and the populations served by the project.

“(b) **AUTHORIZED SERVICES.**—

“(1) **IN GENERAL.**—Subject to subsection (h), the services referred to in this subsection are comprehensive services (including preventive and primary health services for pregnant women and infants and childhood immunizations in accordance with the schedule recommended by the Secretary under section 2160) for carrying out the purpose described in subsection (a), including services other than health services.

“(2) **CERTAIN PROVIDERS.**—The Secretary may make a grant under subsection (a) only if the applicant involved agrees that, in making any arrangements under which other entities provide authorized services in the demonstration project involved, the applicant will include among the entities with which the arrangements are made grantees under any of sections 329, 330, 340, and 340A, if such grantees are providing services in the service area of such project and the grantees are willing to make such arrangements with the applicant.

“(c) **ELIGIBLE GEOGRAPHIC AREAS.**—The Secretary may make a grant under subsection (a) only if—

“(1) the applicant for the grant specifies the geographic area in which the demonstration project under such subsection is to be carried out and agrees that the project will not be carried out in other areas; and

“(2) the rate of infant mortality in the geographic area equals or exceeds 150 percent of the national average in the United States of such rates.

“(d) **MINIMUM QUALIFICATIONS OF GRANTEES.**—

“(1) **PUBLIC OR NONPROFIT PRIVATE ENTITIES.**—The Secretary may make a grant under subsection (a) only if the applicant for the grant is a State or local department of health, or other public or nonprofit private entity, or a consortium of public or nonprofit private entities.

“(2) **APPROVAL OF POLITICAL SUBDIVISIONS.**—With respect to a proposed demonstration project under subsection (a), the Secretary may make a grant under such subsection only if—

“(A) the chief executive officer of each political subdivision in the service area of such project approves the applicant for the grant as being qualified to carry out the project; and

“(B) the leadership of any Indian tribe or tribal organization with jurisdiction over any portion of such area so approves the applicant.

“(3) **STATUS AS MEDICAID PROVIDER.**—

“(A) In the case of any service described in subsection (b) that is available pursuant to the State plan approved under title XIX of the Social Security Act for a State in which a demonstration project under subsection (a) is carried out, the Secretary may make a grant under such subsection for the project only if, subject to subparagraph (B)—

“(i) the applicant for the grant will provide the service directly, and the applicant has entered into a participation agreement under the State plan and is qualified to receive payments under such plan; or

“(ii) the applicant will enter into an agreement with a public or private entity under which the entity will provide the service, and the entity has entered into such a participation agreement under the State plan and is qualified to receive such payments.

“(B)(i) In the case of an entity making an agreement pursuant to subparagraph (A)(ii)

regarding the provision of services, the requirement established in such subparagraph regarding a participation agreement shall be waived by the Secretary if the entity does not, in providing health care services, impose a charge or accept reimbursement available from any third-party payor, including reimbursement under any insurance policy or under any Federal or State health benefits plan.

“(ii) A determination by the Secretary of whether an entity referred to in clause (i) meets the criteria for a waiver under such clause shall be made without regard to whether the entity accepts voluntary donations regarding the provision of services to the public.

“(e) **STATE APPROVAL OF PROJECT.**—With respect to a proposed demonstration project under subsection (a), the Secretary may make a grant under such subsection to the applicant involved only if—

“(1) the chief executive officer of the State in which the project is to be carried out approves the proposal of the applicant for carrying out the project; and

“(2) the leadership of any Indian tribe or tribal organization with jurisdiction over any portion of the service area of the project so approves the proposal.

“(f) **ELIGIBILITY FOR SERVICES PROVIDED WITH GRANT FUNDS.**—

“(1) **IN GENERAL.**—With respect to any authorized service under subsection (b), if the service is a service that States are required or authorized to provide under title XIX of the Social Security Act, the Secretary may make a grant under subsection (a) only if the applicant involved agrees that the grant will not be expended to provide the service to any individual to whom States are required or authorized under such title to provide the service. The Secretary may not make a grant under subsection (a) unless the State involved agrees that the grant will not be expended to make payment for any item or service to the extent that payment has been made, or can reasonably be expected to be made, with respect to such item or service—

“(A) under a health insurance policy or plan (including a group health plan or a prepaid health plan),

“(B) under any Federal or State health benefits program, including any program under title V, XVIII, or XIX of the Social Security Act, or

“(C) under subpart 2 of part B of title XIX of this Act.

“(2) **RULES OF CONSTRUCTION.**—For purposes of paragraph (1):

“(A) Individuals to whom States are authorized to provide services under title XIX of the Social Security Act include, pursuant to section 1902(l) of such title, pregnant women, infants, and children with an income level not less than 133 percent, and not more than 185 percent, of the official poverty line.

“(B) Authorized services under subsection (b) that are authorized to be provided under title XIX of such Act include, pursuant to section 1920 of such title, ambulatory prenatal services during a period of presumptive eligibility.

“(C) Authorized services under subsection (b) that are required to be provided under title XIX of such Act include, pursuant to section 1905(a)(4)(B) of such title, early and periodic screening, diagnostic, and treatment services for children under the age of 21.

“(D) Authorized services under subsection (b) that are authorized to be provided under title XIX of such Act include, pursuant to section 1905(a)(19) of such title, case-management services.

“(g) MAINTENANCE OF EFFORT.—

“(1) GRANTEE.—With respect to authorized services under subsection (b), the Secretary may make a grant under subsection (a) only if the applicant involved agrees to maintain expenditures of non-Federal amounts for such services at a level that is not less than the level of such expenditures maintained by the applicant for fiscal year 1991.

“(2) RELEVANT POLITICAL SUBDIVISIONS.—With respect to authorized services under subsection (b), the Secretary may make a grant under subsection (a) only if each political subdivision in the service area of the demonstration project involved agrees to maintain expenditures of non-Federal amounts for such services at a level that is not less than the level of such expenditures maintained by the political subdivision for fiscal year 1991.

“(h) RESTRICTIONS ON EXPENDITURE OF GRANT.—

“(1) IN GENERAL.—Except as provided in paragraph (3), the Secretary may make a grant under subsection (a) only if the applicant involved agrees that the grant will not be expended—

“(A) to provide inpatient services, except with respect to residential treatment for substance abuse provided in settings other than hospitals;

“(B) to make cash payments to intended recipients of health services or mental health services; or

“(C) to purchase or improve real property (other than minor remodeling of existing improvements to real property) or to purchase major medical equipment (other than mobile medical units for providing ambulatory prenatal services).

“(2) ADMINISTRATIVE EXPENSES; DATA COLLECTION.—The Secretary may make a grant under subsection (a) only if the applicant involved agrees that not more than an aggregate 10 percent of the grant will be expended for administering the grant and the collection and analysis of data.

“(3) WAIVER.—If the Secretary finds that the purpose described in subsection (a) cannot otherwise be carried out, the Secretary may, with respect to an otherwise qualified applicant, waive the restriction established in paragraph (1)(C).

“(4) DETERMINATION OF CAUSE OF INFANT DEATHS.—The Secretary may make a grant under subsection (a) only if the applicant involved—

“(1) agrees to provide for a determination of the cause of each infant death in the service area of the demonstration project involved; and

“(2) the applicant has made such arrangements with public entities as may be necessary to carry out paragraph (1).

“(j) ANNUAL REPORTS TO SECRETARY.—The Secretary may make a grant under subsection (a) only if the applicant involved agrees that, for each fiscal year for which the applicant operates a demonstration project under such subsection the applicant will, not later than April 1 of the subsequent fiscal year, submit to the Secretary a report providing the following information with respect to the project:

“(1) The number of individuals that received authorized services, and the demographic characteristics of the population of such individuals.

“(2) The types of authorized services provided, including the types of ambulatory prenatal services provided and the trimester of the pregnancy in which the services were provided.

“(3) The sources of payment for the authorized services provided.

“(4) The extent to which children under age 2 receiving authorized services have received the appropriate number and variety of immunizations against vaccine-preventable diseases.

“(5) An analysis of the causes of death determined under subsection (1).

“(6) The extent of progress being made toward meeting the health status objectives specified in subsection (a)(2).

“(7) The extent to which, in the service area involved, progress is being made toward meeting the participation goals established for the State by the Secretary under section 1905(r) of the Social Security Act (relating to early periodic screening, diagnostic, and treatment services for children under the age of 21).

“(k) COMMUNITY PARTICIPATION.—The Secretary may make a grant under subsection (a) only if the applicant involved agrees that, in preparing the proposal of the applicant for the demonstration project involved, and in the operation of the project, the applicant will consult with the residents of the service area for the project and with public and non-profit private entities that provide authorized services to such residents.

“(l) APPLICATION FOR GRANT.—The Secretary may make a grant under subsection (a) only if an application for the grant is submitted to the Secretary and the application is in such form, is made in such manner, and contains such agreements, assurances, and information as the Secretary determines to be necessary to carry out this subsection.

“(m) REPORT TO CONGRESS.—Not later than February 1, 1998, the Secretary shall submit to the Committee on Energy and Commerce of the House of Representatives, and the Committee on Labor and Human Resources of the Senate, a report—

“(1) summarizing the reports received by the Secretary under subsection (j);

“(2) describing the extent to which demonstration projects under subsection (a) have been cost effective; and

“(3) describing the extent to which the Secretary has, in the service areas of such projects, been successful in meeting the health status objectives specified in subsection (a)(2).

“(n) LIMITATION ON CERTAIN EXPENSES OF SECRETARY.—Of the amounts appropriated under subsection (o) for a fiscal year, the Secretary may not obligate more than an aggregate 5 percent for the administrative costs of the Secretary in carrying out this section, for the provision of technical assistance regarding demonstration projects under subsection (a), and for evaluations of such projects.

“(o) DEFINITIONS.—For purposes of this section:

“(1) The term ‘authorized services’ means the services specified in subsection (b).

“(2) The terms ‘Indian tribe’ and ‘tribal organization’ have the meaning given such terms in section 4(b) and section 4(c) of the Indian Self-Determination and Education Assistance Act.

“(3) The term ‘service area’, with respect to a demonstration project under subsection (a), means the geographic area specified in subsection (c).

“(p) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of carrying out this section, there are authorized to be appropriated for each of the fiscal years 1994 through 1997 such sums as may be necessary.

“(q) SUNSET.—Effective October 1, 1997, this section is repealed.”

(b) REPORT FOR FISCAL YEAR 1993.—With respect to grants under section 330A of the

Public Health Service Act, as added by subsection (a) of this section, the Secretary of Health and Human Services may make a grant under such section for fiscal year 1994 only if the applicant for the grant agrees to submit to the Secretary, not later than April 1 of such year, a report on any federally-supported project of the applicant that is substantially similar to the demonstration projects authorized in such section 330A, which report provides, to the extent practicable, the information described in subsection (j) of such section.

(c) SAVINGS PROVISION.—With respect to grants under section 330A of the Public Health Service Act, as added by subsection (a) of this section and in effect for the fiscal years 1994 through 1997, such grants remain available for obligation and expenditure in accordance with the terms upon which the grants were made, notwithstanding the repeal of such section 330A pursuant to subsection (q) of such section.

(d) USE OF GENERAL AUTHORITY UNDER PUBLIC HEALTH SERVICE ACT.—With respect to the program established in section 330A of the Public Health Service Act, as added by subsection (a) of this section, section 301 of the Public Health Service Act may not be construed as providing to the Secretary of Health and Human Services any authority to carry out, during any fiscal year in which such program is in operation, any demonstration project to provide any of the services specified in subsection (b) of such section 330A.

SEC. 5186. INCREASE IN AUTHORIZATION OF APPROPRIATIONS FOR THE MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT PROGRAM.

Section 501(a) (42 U.S.C. 701(a)) is amended by striking “\$686,000,000 for fiscal year 1990” and inserting “\$705,000,000 for fiscal year 1994”.

SEC. 5187. MISCELLANEOUS TECHNICAL CORRECTIONS TO PUBLIC HEALTH SERVICE ACT PROVISIONS.

(a) COMPENSATION FOR MEMBERS OF NATIONAL ADVISORY COUNCIL ON NATIONAL HEALTH SERVICE CORPS.—

(1) IN GENERAL.—Section 337(b)(2) of the Public Health Service Act (42 U.S.C. 254j(b)(2)) is amended—

(A) by inserting after “so serving” the following: “compensation at a rate fixed by the Secretary (but not to exceed)”, and

(B) by striking “Schedule;” and inserting “Schedule;”.

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall take effect on the date of the enactment of this Act.

(b) LIABILITY PROTECTIONS FOR INDIVIDUALS PROVIDING SERVICES AT CERTAIN CLINICS.—

(1) CLARIFICATION OF VOLUNTARY PARTICIPATION BY CERTAIN ENTITIES.—(A) Section 224(g) of the Public Health Service Act (42 U.S.C. 133(g)(1)), as added by section 2(a) of the Federally Supported Health Centers Assistance Act of 1992, is amended—

(i) in paragraph (4), by striking “An entity” and inserting “Except as provided in paragraph (6), an entity”, and

(ii) by adding at the end the following new paragraph:

“(6) An entity may elect not to be treated as being described in paragraph (4) if the entity establishes that on a continuous basis since October 24, 1992, the entity has been a participant in, and partial owner of, a non-profit risk retention group which offers malpractice and other liability coverage to the entity.”

(B) Section 224(k)(2) of such Act (42 U.S.C. 233(k)(2)), as added by section 4 of the Federally Supported Health Centers Assistance

Act of 1992, is amended by striking "entities receiving funds" and all that follows through "subsection (g)" and inserting the following: "entities described in subsection (g)(4) and receiving funds under each of the grant programs described in such subsection".

(2) CLARIFICATION OF COVERAGE OF OFFICERS AND EMPLOYEES OF CLINICS.—The first sentence of section 224(g)(1) of the Public Health Service Act (42 U.S.C. 233(g)(1)) is amended by striking "officer, employee, or contractor" and inserting the following: "officer or employee of such an entity, and any contractor".

(3) COVERAGE FOR SERVICES FURNISHED TO INDIVIDUALS OTHER THAN PATIENTS OF CLINIC.—Section 224(g) of such Act (42 U.S.C. 233(g)(1)), as amended by paragraph (1), is amended—

(A) in the first sentence of paragraph (1), by inserting after "Service" the following: "with respect to services provided to patients of the entity and (subject to paragraph (7)) to certain other individuals"; and

(B) by adding at the end the following new paragraph:

"(7) For purposes of paragraph (1), an officer, employee, or contractor described in such paragraph may be deemed to be an employee of the Public Health Service with respect to services provided to individuals who are not patients of an entity described in paragraph (4) only if the Secretary determines—

"(A) that the provision of the services to such individuals is necessary to assure the treatment of patients of such an entity; or

"(B) that such services are otherwise required to be provided to such individuals under an employment contract (or other similar arrangement) between the individual and the entity."

(4) DETERMINING COMPLIANCE OF ENTITY WITH REQUIREMENTS FOR COVERAGE.—Section 224(h) of such Act (42 U.S.C. 233(h)), as added by section 2(b) of the Federally Supported Health Centers Assistance Act of 1992, is amended by striking "the entity—" and inserting the following: "the Secretary, after receiving such assurances and conducting such investigation as the Secretary considers necessary, finds that the entity—".

(5) EFFECTIVE DATE.—The amendments made by this subsection shall take effect as if included in the enactment of the Federally Supported Health Centers Assistance Act of 1992.

(c) ELIMINATION OF DUPLICATE WAIVER AUTHORITY FOR PARTICIPANTS IN NATIONAL HEALTH SERVICE CORPS.—Section 338E(c) of the Public Health Service Act (42 U.S.C. 254(c)) is amended by striking paragraph (3) and redesignating paragraph (4) as paragraph (3).

(d) CLARIFICATION OF PROHIBITION AGAINST RESALE OF DRUGS UNDER DRUG REBATE AGREEMENTS.—Section 340B(a)(5)(B) of the Public Health Service Act (42 U.S.C. 256b(a)(5)(B)), as added by section 602(a) of the Veterans Health Care of 1992, is amended by striking "entity." and inserting "covered entity."

Subtitle C—Communications Licensing Improvement

SEC. 5200. TABLE OF CONTENTS.

The table of contents is as follows:

Subtitle C—Communications Licensing Improvement

Sec. 5200. Table of contents.

CHAPTER 1—COMPETITIVE BIDDING AUTHORITY

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Sec. 5242. Transfer of provisions of law concerning public telecommunications facilities, children's educational television, and telecommunications demonstration program.

Sec. 5243. Elimination of expired and outdated provisions.

Sec. 5244. Stylistic consistency.

CHAPTER 1—COMPETITIVE BIDDING AUTHORITY

SEC. 5201. SHORT TITLE.

This chapter may be cited as the "Licensing Improvement Act of 1993".

SEC. 5202. FINDINGS.

The Congress finds that—

(1) current licensing procedures often delay delivery of services to the public and can result in the unjust enrichment of applicants on the basis of the value of the public airwaves;

(2) if licensees are engaged in reselling the use of the public airwaves to subscribers for a fee, the licensee should pay reasonable compensation to the public for those public resources;

(3) a carefully designed system to obtain competitive bids from competing qualified applicants can speed delivery of services, promote efficient and intensive use of the electromagnetic spectrum, prevent unjust enrichment, and produce revenues to compensate the public for the use of the public airwaves; and

(4) therefore, the Federal Communications Commission should have the authority to differentiate among multiple qualified applicants for a single license using a system of competitive bids.

SEC. 5203. AUTHORITY TO USE COMPETITIVE BIDDING.

Section 309 of the Communications Act of 1934 (47 U.S.C. 309) is amended by adding at the end the following new subsection:

"(j) USE OF COMPETITIVE BIDDING.—

"(1) GENERAL AUTHORITY.—If mutually exclusive applications are filed for any initial license or construction permit which will involve a use of the electromagnetic spectrum described in paragraph (2), then the Commission shall have the authority to grant such license or permit to a qualified applicant through the use of a system of competitive bidding that meets the requirements of this subsection.

"(2) USES TO WHICH BIDDING MAY APPLY.—A use of the electromagnetic spectrum is described in this paragraph if the Commission determines that—

"(A) the principal use of such spectrum will involve, or is reasonably likely to involve, the licensee receiving compensation from subscribers in return—

"(i) for the licensee enabling those subscribers to receive communications signals that are transmitted utilizing frequencies on which the licensee is licensed to operate; or

"(ii) for the licensee enabling those subscribers to transmit directly communica-

tions signals utilizing frequencies on which the licensee is licensed to operate; and

"(B) a system of competitive bidding will promote the objectives described in paragraph (3).

"(3) DESIGN OF SYSTEMS OF COMPETITIVE BIDDING.—For each license or permit, or class of licenses or permits, that the Commission grants through the use of a competitive bidding system, the Commission shall, by rule, establish a competitive bidding methodology. The Commission shall seek to design and test multiple alternative methodologies under appropriate circumstances. In identifying licenses and permits to be issued by competitive bidding, in specifying eligibility and other characteristics of such licenses and permits, and in designing the methodologies for use under this subsection, the Commission shall seek to promote the purposes specified in section 1 of this Act and the following objectives:

"(A) the development and rapid deployment of new technologies, products, and services for the benefit of the public, including those residing in rural areas, without administrative or judicial delays;

"(B) promoting economic opportunity and competition and ensuring that new and innovative technologies are readily accessible to the American people by avoiding excessive concentration of licenses and by disseminating licenses among a wide variety of applicants, including small businesses and businesses owned by members of minority groups and women;

"(C) recovery for the public of a portion of the value of the public spectrum resource made available for commercial use and avoidance of unjust enrichment through the methods employed to award uses of that resource; and

"(D) efficient and intensive use of the electromagnetic spectrum.

"(4) CONTENTS OF REGULATIONS.—In prescribing rules pursuant to paragraph (3), the Commission shall—

"(A) consider alternative payment schedules and methods of calculation, including initial lump sums, installment or royalty payments, guaranteed annual minimum payments, or other schedules or methods that promote the objectives described in paragraph (3)(B), and combinations of such schedules and methods;

"(B) include performance requirements, such as appropriate deadlines and penalties for performance failures, to ensure prompt delivery of service to rural areas, to prevent stockpiling or warehousing of spectrum by licensees or permittees, and to promote investment in and rapid deployment of new technologies and services;

"(C) consistent with the public interest, convenience, and necessity, the purposes of this Act, and the characteristics of the proposed service, prescribe area designations and bandwidth assignments that promote (i) an equitable distribution of licenses and services among geographic areas, (ii) economic opportunity for a wide variety of applicants, including small businesses and businesses owned by members of minority groups and women, and (iii) investment in and rapid deployment of new technologies and services; and

"(D) require such transfer disclosures and antitrafficking restrictions and payment schedules as may be necessary to prevent unjust enrichment as a result of the methods employed to issue licenses and permits.

"(5) BIDDER AND LICENSEE QUALIFICATION.—No person shall be permitted to participate in a system of competitive bidding pursuant

to this subsection unless such bidder submits such information and assurances as the Commission may require to demonstrate that such bidder's application is acceptable for filing. No license shall be granted to an applicant selected pursuant to this subsection unless the Commission determines that the applicant is qualified pursuant to subsection (a) and sections 308(b) and 310. Consistent with the objectives described in paragraph (3), the Commission shall, by rule, prescribe expedited procedures consistent with the procedures authorized by subsection (i)(2) for the resolution of any substantial and material issues of fact concerning qualifications.

“(6) RULES OF CONSTRUCTION.—Nothing in this subsection, or in the use of competitive bidding, shall—

“(A) limit or otherwise affect the requirements of subsection (h) of this section, section 301, 304, 307, 310, or 706, or any other provision of this Act (other than subsections (d)(2) and (e) of this section);

“(B) be construed to convey any rights, including any expectation of renewal of a license, that differ from the rights that apply to other licenses within the same service that were not issued pursuant to this subsection; or

“(C) be construed to prohibit the Commission from issuing nationwide licenses or permits.

“(7) LIMITATION OF EFFECT ON ALLOCATION DECISIONS.—In making a decision pursuant to section 303(c) to assign a band of frequencies to a use for which licenses or permits will be issued pursuant to this subsection, and in prescribing regulations pursuant to paragraph (4)(A) and (4)(C) of this subsection, the Commission may not base a finding of public interest, convenience, and necessity solely or predominantly on the expectation of Federal revenues from the use of a system of competitive bidding under this subsection.

“(8) TREATMENT OF REVENUES.—All proceeds from the use of a competitive bidding system under this subsection shall be deposited in the Treasury in accordance with chapter 33 of title 31, United States Code. A license or permit issued by the Commission under this section shall not be treated as the property of the licensee for tax purposes by any State or local government entity.

“(9) TERMINATION; EVALUATION.—The authority of the Commission to grant a license or permit under this subsection shall expire September 30, 1998. Not later than September 30, 1997, the Commission shall conduct a public inquiry and submit to the Congress a report—

“(A) describing the methodologies established by the Commission pursuant to paragraphs (3) and (4);

“(B) comparing the relative advantages and disadvantages of such methodologies in terms of attaining the objectives described in such paragraphs;

“(C) evaluating the extent to which such methodologies have secured prompt delivery of service to rural areas; and

“(D) containing a statement of the revenues obtained, and a projection of the future revenues, from the use of competitive bidding systems under this subsection.”

SEC. 5204. CONFORMING AMENDMENTS.

Section 309 of the Communications Act of 1934 is further amended—

(1) by striking subsection (i)(1) and inserting the following:

“(1) RANDOM SELECTION.—

“(1) GENERAL AUTHORITY.—If—

“(A) there is more than one application for any initial license or construction permit which will involve a use of the electromagnetic spectrum; and

“(B) the Commission has determined that the use is not described in subsection (j)(2)(A);

then the Commission shall have the authority to grant such license or permit to a qualified applicant through the use of a system of random selection.”;

(2) in paragraph (2)—

(A) by indenting paragraph (2), including subparagraphs (A) through (C), by an additional 2 em spaces; and

(B) by inserting “DETERMINATIONS OF QUALIFICATIONS.—” after “(2)”;

(3) in paragraph (3)—

(A) by indenting subparagraphs (A) and (B), and so much of subparagraph (C) as precedes clause (i), by an additional 2 em spaces;

(B) by indenting clauses (i) and (ii) of subparagraph (C) by an additional 4 em spaces; and

(C) by inserting “PREFERENCES; DIVERSITY.—” after “(3)”;

(4) in paragraph (4)—

(A) by indenting subparagraphs (A) and (B) of such paragraph by an additional 2 em spaces;

(B) by inserting “RULEMAKING SCHEDULE AND AUTHORITY.—” after “(4)”;

(C) by adding at the end the following new subparagraph:

“(C) Not later than 180 days after the date of enactment of this subparagraph, the Commission shall prescribe such transfer disclosures and antitrafficking restrictions and payment schedules as are necessary to prevent the unjust enrichment of recipients of licenses or permits as a result of the methods employed to issue licenses under this subsection.”

SEC. 5205. REGULATORY PARITY.

(a) AMENDMENT.—Section 332 of the Communications Act of 1934 (47 U.S.C. 332) is amended—

(1) by striking “PRIVATE LAND” from the heading of the section; and

(2) by amending striking subsection (c) and inserting the following:

“(c) REGULATORY TREATMENT OF MOBILE SERVICES.—

“(1) COMMON CARRIER TREATMENT OF COMMERCIAL MOBILE SERVICES.—(A) A person engaged in the provision of commercial mobile services shall, insofar as such person is so engaged, be treated as a common carrier for purposes of this Act, except for such provisions of title II as the Commission may, consistent with the public interest, specify as inapplicable by rule. In prescribing any such rule, the Commission may not specify section 201, 202, or 208, or any other provision that the Commission determines to be necessary in order to ensure that the charges, practices, classifications, or regulations for or in connection with commercial mobile services are just and reasonable and are not unjustly or unreasonably discriminatory or is otherwise in the public interest.

“(B) Upon reasonable request of any person providing commercial mobile service, the Commission shall order a common carrier to establish physical connections with such service pursuant to the provisions of section 201 of this Act. Except to the extent that the Commission is required to respond to such a request, this subparagraph shall not be construed as a limitation or expansion of the Commission's authority to order interconnection pursuant to this Act.

“(2) NONCOMMON CARRIER TREATMENT OF PRIVATE LAND MOBILE SERVICES.—A person engaged in private land mobile service shall not, insofar as such person is so engaged, be treated as a common carrier for any purpose

under this Act. A common carrier (other than a person that was treated as provider of private land mobile services prior to the enactment of the Licensing Improvement Act of 1993) shall not provide any dispatch service on any frequency allocated for common carrier service, except to the extent such dispatch service is provided on stations licensed in the domestic public land mobile radio service before January 1, 1982. The Commission may by regulation terminate, in whole or in part, the prohibition contained in the preceding sentence if the Commission determines that such termination will serve the public interest.

“(3) STATE AUTHORITY TO REGULATE.—(A) Notwithstanding sections 2(b) and 221(b), no State or local government shall have any authority to impose any rate or entry regulation upon any commercial mobile service or any private land mobile service, except that this paragraph shall not prohibit a State from regulating the other terms and conditions of commercial mobile services.

“(B) Notwithstanding subparagraph (A), a State may petition the Commission for authority to regulate the rates for any commercial mobile service and the Commission shall grant such petition if such State demonstrates that (i) such service is a substitute for land line telephone exchange service for a substantial portion of the public within such State, or (ii) market conditions with respect to such services fail to protect subscribers adequately from unjust and unreasonable rates or rates that are unjustly or unreasonably discriminatory. The Commission shall provide reasonable opportunity for public comment in response to such petition, and shall, within 9 months after the date of its submission, grant or deny such petition. If the Commission grants such petition, the Commission shall authorize the State to exercise under State law such authority over rates, for such periods of time, as the Commission deems necessary to ensure that such rates are just and reasonable and not unjustly or unreasonably discriminatory.

“(4) REGULATORY TREATMENT OF COMMUNICATIONS SATELLITE CORPORATION.—Nothing in this subsection shall be construed to alter or affect the regulatory treatment required by title IV of the Communications Satellite Act of 1962 of the corporation authorized by title III of such Act.

“(d) DEFINITIONS.—For purposes of this section—

“(1) the term ‘commercial mobile service’ means all mobile services (as defined in section 3(n)) that—

“(A) are provided for profit (i) to the public, (ii) on an indiscriminate basis, or (iii) to such broad classes of eligible users as to be effectively available to a substantial portion of the public; and

“(B) are interconnected (or have requested interconnection pursuant to paragraph (1)(B)) with the public switched network (as such terms are defined by regulation by the Commission); and

“(2) the term ‘private mobile service’ means any mobile service (as defined in section 3(n)) that is not a commercial mobile service.”

(b) CONFORMING AMENDMENTS.—

(1) AMENDMENTS TO DEFINITIONS.—Section 3 of the Communications Act of 1934 (47 U.S.C. 153) is amended—

(A) in subsection (n)—

(i) by inserting “(1)” after “and includes”; and

(ii) by inserting before the period at the end the following: “(2) a mobile service which provides a regularly interacting group

of base, mobile, portable, and associated control and relay stations (whether licensed on an individual, cooperative, or multiple basis) for private one-way or two-way land mobile radio communications by eligible users over designated areas of operation, and (3) any service for which a license is required in a personal communications service established pursuant to the proceeding entitled 'Amendment of the Commission's Rules to Establish New Personal Communications Services' (GEN Docket No. 90-314; ET Docket No. 92-100), or any successor proceeding"; and

(B) by striking subsection (gg).

(2) CONFORMING AMENDMENTS TO SECTION 332.—Section 332 of such Act is further amended—

(A) in subsection (a), by inserting after "(a)" the following: "MANAGEMENT OF PRIVATE LAND MOBILE FREQUENCIES.—";

(B) in subsection (b)—

(i) by indenting the margin of paragraphs (2) through (4) by 2 em spaces;

(ii) by striking "(b)(1)" and inserting the following:

"(b) USE OF ADVISORY COMMITTEE.—

"(1) COORDINATION OF FREQUENCY ASSIGNMENT.—";

(iii) by inserting "EXEMPTION.—" after "(2)";

(iv) by inserting "NONEMPLOYEE STATUS.—" after "(3)"; and

(v) by inserting "APPLICATION OF FEDERAL ADVISORY COMMITTEE ACT.—" after "(4).

SEC. 5206. EFFECTIVE DATES; DEADLINES FOR COMMISSION ACTION.

(a) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this chapter are effective on the date of enactment of this Act.

(2) EFFECTIVE DATE OF MOBILE SERVICE AMENDMENTS.—The amendments made by section 5205 shall be effective 1 year after such date of enactment, except that any person that provides private land mobile services before such date of enactment shall continue to be treated as a provider of private land mobile service until 3 years after such date of enactment.

(b) DEADLINES FOR COMMISSION ACTION.—

(1) GENERAL RULEMAKING.—The Federal Communications Commission shall prescribe rules to implement section 309(j) of the Communications Act of 1934 (as added by this chapter) within 210 days after the date of enactment of this Act.

(2) PCS ORDERS AND LICENSING.—The Commission shall—

(A) within 180 days after such date of enactment, issue a final report and order (i) in the matter entitled "Redevelopment of Spectrum to Encourage Innovation in the Use of New Telecommunications Technologies" (ET Docket No. 92-9); and (ii) in the matter entitled "Amendment of the Commission's Rules to Establish New Personal Communications Services" (GEN Docket No. 90-314; ET Docket No. 92-100); and

(B) within 270 days after such date of enactment, commence issuing licenses and permits in the personal communications service.

(3) MOBILE SERVICE RULEMAKING REQUIRED.—Within 1 year after the date of enactment of this Act, the Federal Communications Commission shall—

(A) issue such modifications or terminations of its regulations concerning private land mobile services as are necessary to implement the amendments made by section 5205;

(B) make such other modifications of such regulations as may be necessary to equalize

the regulatory treatment of providers of all commercial mobile services that offer services that are substantially similar; and

(C) include in such modifications and terminations such provisions as are necessary to provide for an orderly transition to the regulatory treatment required by such amendments.

(c) SPECIAL RULE.—The Federal Communications Commission shall not issue any license or permit pursuant to section 309(i) of the Communications Act of 1934 after the date of enactment of this Act unless the Commission has made the determination required by paragraph (1)(B) of such section (as added by this chapter).

CHAPTER 2—EMERGING TELECOMMUNICATIONS TECHNOLOGIES

SEC. 5221. SHORT TITLE.

This chapter may be cited as the "Emerging Telecommunications Technologies Act of 1993".

SEC. 5222. AMENDMENT TO THE NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION ORGANIZATION ACT.

The National Telecommunications and Information Administration Organization Act is amended—

(1) by striking the heading of part B and inserting the following:

"PART D—SPECIAL AND TEMPORARY PROVISIONS";

(2) by redesignating sections 131 through 135 as sections 151 through 155, respectively; and

(3) by inserting after part A the following new part:

"PART B—EMERGING TELECOMMUNICATIONS TECHNOLOGIES

"SEC. 111. FINDINGS.

"The Congress finds that—

"(1) the Federal Government currently reserves for its own use, or has priority of access to, approximately 40 percent of the electromagnetic spectrum that is assigned for use pursuant to the Communications Act of 1934;

"(2) many of such frequencies are underutilized by Federal Government licensees;

"(3) the public interest requires that many of such frequencies be utilized more efficiently by Federal Government and non-Federal licensees;

"(4) additional frequencies are assigned for services that could be obtained more efficiently from commercial carriers or other vendors;

"(5) scarcity of assignable frequencies for licensing by the Commission can and will—

"(A) impede the development and commercialization of new telecommunications products and services;

"(B) limit the capacity and efficiency of the United States telecommunications systems;

"(C) prevent some State and local police, fire, and emergency services from obtaining urgently needed radio channels; and

"(D) adversely affect the productive capacity and international competitiveness of the United States economy;

"(6) a reassignment of these frequencies can produce significant economic returns; and

"(7) the Secretary of Commerce, the President, and the Federal Communications Commission should be directed to take appropriate steps to correct these deficiencies.

"SEC. 112. NATIONAL SPECTRUM PLANNING.

"(a) PLANNING ACTIVITIES.—The Assistant Secretary and the Chairman of the Commis-

sion shall meet, at least biannually, to conduct joint spectrum planning with respect to the following issues—

"(1) the future spectrum requirements for public and private uses, including State and local government public safety agencies;

"(2) the spectrum allocation actions necessary to accommodate those uses; and

"(3) actions necessary to promote the efficient use of the spectrum, including spectrum management techniques to promote increased shared use of the spectrum that does not cause harmful interference as a means of increasing commercial access.

"(b) REPORTS.—The Assistant Secretary and the Chairman of the Commission shall submit a joint annual report to the Committee on Energy and Commerce of the House of Representatives, the Committee on Commerce, Science, and Transportation of the Senate, the Secretary, and the Commission on the joint spectrum planning activities conducted under subsection (a) and recommendations for action developed pursuant to such activities.

"(c) REPORTING REQUIREMENTS.—The first annual report submitted after the date of the report by the advisory committee under section 113(d)(4) shall—

"(1) include an analysis of and response to that committee report; and

"(2) include an analysis of the effect on spectrum efficiency and the cost of equipment to Federal spectrum users of maintaining separate allocations for Federal Government and non-Federal Government licensees for the same or similar services.

"SEC. 113. IDENTIFICATION OF REALLOCABLE FREQUENCIES.

"(a) IDENTIFICATION REQUIRED.—The Secretary shall, within 24 months after the date of the enactment of this part, prepare and submit to the President and the Congress a report identifying bands of frequencies that—

"(1) are allocated on a primary basis for Federal Government use and eligible for licensing pursuant to section 305(a) of the Act (47 U.S.C. 305(a));

"(2) are not required for the present or identifiable future needs of the Federal Government;

"(3) can feasibly be made available, as of the date of submission of the report or at any time during the next 15 years, for use under the Act (other than for Federal Government stations under such section 305);

"(4) will not result in costs to the Federal Government, or losses of services or benefits to the public, that are excessive in relation to the benefits that may be obtained by non-Federal licensees; and

"(5) are most likely to have the greatest potential for productive uses and public benefits under the Act.

"(b) MINIMUM AMOUNT OF SPECTRUM RECOMMENDED.—

"(1) IN GENERAL.—Based on the report required by subsection (a), the Secretary shall recommend for reallocation, for use other than by Federal Government stations under section 305 of the Act (47 U.S.C. 305), bands of frequencies that span a total of not less than 200 megahertz, that are located below 6 gigahertz, and that meet the criteria specified in paragraphs (1) through (4) of subsection (a). The Secretary may not include, in such 200 megahertz, bands of frequencies that span more than 20 megahertz and that are located between 5 and 6 gigahertz. If the report identifies (as meeting such criteria) bands of frequencies spanning more than 200 megahertz, the report shall identify and recommend for reallocation those bands (span-

ning not less than 200 megahertz) that meet the criteria specified in paragraph (5) of such subsection.

"(2) MIXED USES PERMITTED TO BE COUNTED.—Bands of frequencies which the Secretary's report recommends be partially retained for use by Federal Government stations, but which are also recommended to be reallocated to be made available under the Act for use by non-Federal stations, may be counted toward the minimum spectrum required by paragraph (1) of this subsection, except that—

"(A) the bands of frequencies counted under this paragraph may not count toward more than one-half of the minimum required by paragraph (1) of this subsection;

"(B) a band of frequencies may not be counted under this paragraph unless the assignments of the band to Federal Government stations under section 305 of the Act (47 U.S.C. 305) are limited by geographic area, by time, or by other means so as to guarantee that the potential use to be made by such Federal Government stations is substantially less (as measured by geographic area, time, or otherwise) than the potential use to be made by non-Federal stations; and

"(C) the operational sharing permitted under this paragraph shall be subject to coordination procedures which the Commission shall establish and implement to ensure against harmful interference.

"(c) CRITERIA FOR IDENTIFICATION.—

"(1) NEEDS OF THE FEDERAL GOVERNMENT.—In determining whether a band of frequencies meets the criteria specified in subsection (a)(2), the Secretary shall—

"(A) consider whether the band of frequencies is used to provide a communications service that is or could be available from a commercial carrier or other vendor;

"(B) seek to promote—

"(i) the maximum practicable reliance on commercially available substitutes;

"(ii) the sharing of frequencies (as permitted under subsection (b)(2));

"(iii) the development and use of new communications technologies; and

"(iv) the use of nonradiating communications systems where practicable; and

"(C) seek to avoid—

"(i) serious degradation of Federal Government services and operations; and

"(ii) excessive costs to the Federal Government and users of Federal Government services.

"(2) FEASIBILITY OF USE.—In determining whether a frequency band meets the criteria specified in subsection (a)(3), the Secretary shall—

"(A) assume such frequencies will be assigned by the Commission under section 303 of the Act (47 U.S.C. 303) over the course of not less than 15 years;

"(B) assume reasonable rates of scientific progress and growth of demand for telecommunications services;

"(C) determine the extent to which the reallocation or reassignment will relieve actual or potential scarcity of frequencies available for licensing by the Commission for non-Federal use;

"(D) seek to include frequencies which can be used to stimulate the development of new technologies; and

"(E) consider the immediate and recurring costs to reestablish services displaced by the reallocation of spectrum.

"(3) ANALYSIS OF BENEFITS.—In determining whether a band of frequencies meets the criteria specified in subsection (a)(4), the Secretary shall consider—

"(A) the extent to which equipment is or will be available that is capable of utilizing the band;

"(B) the proximity of frequencies that are already assigned for commercial or other non-Federal use; and

"(C) the activities of foreign governments in making frequencies available for experimentation or commercial assignments in order to support their domestic manufacturers of equipment.

"(4) POWER AGENCY FREQUENCIES.—

"(A) ELIGIBLE FOR MIXED USE ONLY.—The frequencies assigned to any Federal power agency may only be eligible for mixed use under subsection (b)(2) in geographically separate areas and shall not be recommended for the purposes of withdrawing that assignment. In any case where a frequency is to be shared by an affected Federal power agency and a non-Federal user, such use by the non-Federal user shall, consistent with the procedures established under subsection (b)(2)(C), not cause harmful interference to the affected Federal power agency or adversely affect the reliability of its power system.

"(B) DEFINITION.—As used in this paragraph, the term 'Federal power agency' means the Tennessee Valley Authority, the Bonneville Power Administration, the Western Area Power Administration, or the Southwestern Power Administration.

"(d) PROCEDURE FOR IDENTIFICATION OF REALLOCABLE BANDS OF FREQUENCIES.—

"(1) SUBMISSION OF PRELIMINARY IDENTIFICATION TO CONGRESS.—Within 12 months after the date of the enactment of this part, the Secretary shall prepare and submit to the Congress a report which makes a preliminary identification of reallocable bands of frequencies which meet the criteria established by this section.

"(2) CONVENING OF ADVISORY COMMITTEE.—Not later than the date the Secretary submits the report required by paragraph (1), the Secretary shall convene an advisory committee to—

"(A) review the bands of frequencies identified in such report;

"(B) advise the Secretary with respect to (i) the bands of frequencies which should be included in the final report required by subsection (a), and (ii) the effective dates which should be established under subsection (e) with respect to such frequencies;

"(C) receive public comment on the Secretary's report and on the final report; and

"(D) prepare and submit the report required by paragraph (4).

The advisory committee shall meet at least monthly until each of the actions required by section 114(a) have taken place.

"(3) COMPOSITION OF COMMITTEE; CHAIRMAN.—The advisory committee shall include—

"(A) the Chairman of the Commission and the Assistant Secretary, and one other representative of the Federal Government as designated by the Secretary; and

"(B) representatives of—

"(i) United States manufacturers of spectrum-dependent telecommunications equipment;

"(ii) commercial carriers;

"(iii) other users of the electromagnetic spectrum, including radio and television broadcast licensees, State and local public safety agencies, and the aviation industry; and

"(iv) other interested members of the public who are knowledgeable about the uses of the electromagnetic spectrum.

A majority of the members of the committee shall be members described in subparagraph

(B), and one of such members shall be designated as chairman by the Secretary.

"(4) RECOMMENDATIONS ON SPECTRUM ALLOCATION PROCEDURES.—The advisory committee shall, not later than 36 months after the date of the enactment of this part, submit to the Secretary, the Commission, the Committee on Energy and Commerce of the House of Representatives, and the Committee on Commerce, Science, and Transportation of the Senate, a report containing such recommendations as the advisory committee considers appropriate for the reform of the process of allocating the electromagnetic spectrum between Federal and non-Federal use, and any dissenting views thereon.

"(e) TIMETABLE FOR REALLOCATION AND LIMITATION.—

"(1) TIMETABLE REQUIRED.—The Secretary shall, as part of the report required by subsection (a), include a timetable that recommends immediate and delayed effective dates by which the President shall withdraw or limit assignments on the frequencies specified in the report.

"(2) EXPEDITED REALLOCATION OF INITIAL 30 MHZ PERMITTED.—The Secretary may prepare and submit to the President a report which specifically identifies an initial 30 megahertz of spectrum that meets the criteria described in subsection (a) and that can be made available for reallocation immediately upon issuance of the report required by this section.

"(3) DELAYED EFFECTIVE DATE.—The recommended delayed effective dates shall—

"(A) permit the earliest possible reallocation of the frequency bands, taking into account the requirements of section 115(1);

"(B) be based on the useful remaining life of equipment that has been purchased or contracted for to operate on identified frequencies;

"(C) be based on the need to coordinate frequency use with other nations; and

"(D) take into account the relationship between the costs to the Federal Government of changing to different frequencies and the benefits that may be obtained from commercial and other non-Federal uses of the reassigned frequencies.

"SEC. 114. WITHDRAWAL OF ASSIGNMENT TO FEDERAL GOVERNMENT STATIONS.

"(a) IN GENERAL.—The President shall—

"(1) within 6 months after receipt of the Secretary's report under section 113(a), withdraw the assignment to a Federal Government station of any frequency which the report recommends for immediate reallocation;

"(2) within such 6-month period, limit the assignment to a Federal Government station of any frequency which the report recommends be made immediately available for mixed use under section 113(b)(2);

"(3) by the delayed effective date recommended by the Secretary under section 113(e) (except as provided in subsection (b)(4) of this section), withdraw or limit the assignment to a Federal Government station of any frequency which the report recommends be reallocated or made available for mixed use on such delayed effective date;

"(4) assign or reassign other frequencies to Federal Government stations as necessary to adjust to such withdrawal or limitation of assignments; and

"(5) transmit a notice and description to the Commission and each House of Congress of the actions taken under this subsection.

"(b) EXCEPTIONS.—

"(1) AUTHORITY TO SUBSTITUTE.—If the President determines that a circumstance described in paragraph (2) exists, the President—

"(A) may substitute an alternative frequency or band of frequencies for the frequency or band that is subject to such determination and withdraw (or limit) the assignment of that alternative frequency or band in the manner required by subsection (a); and

"(B) shall submit a statement of the reasons for taking the action described in subparagraph (A) to the Committee on Energy and Commerce of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate.

"(2) **GROUNDS FOR SUBSTITUTION.**—For purposes of paragraph (1), the following circumstances are described in this paragraph:

"(A) the reassignment would seriously jeopardize the national defense interests of the United States;

"(B) the frequency proposed for reassignment is uniquely suited to meeting important governmental needs;

"(C) the reassignment would seriously jeopardize public health or safety; or

"(D) the reassignment will result in costs to the Federal Government that are excessive in relation to the benefits that may be obtained from commercial or other non-Federal uses of the reassigned frequency.

"(3) **CRITERIA FOR SUBSTITUTED FREQUENCIES.**—For purposes of paragraph (1), a frequency may not be substituted for a frequency identified by the report of the Secretary under section 113(a) unless the substituted frequency also meets each of the criteria specified by section 113(a).

"(4) **DELAYS IN IMPLEMENTATION.**—If the President determines that any action cannot be completed by the delayed effective date recommended by the Secretary pursuant to section 113(e), or that such an action by such date would result in a frequency being unused as a consequence of the Commission's plan under section 115, the President may—

"(A) withdraw or limit the assignment to Federal Government stations on a later date that is consistent with such plan, except that the President shall notify each committee specified in paragraph (1)(B) and the Commission of the reason that withdrawal or limitation at a later date is required; or

"(B) substitute alternative frequencies pursuant to the provisions of this subsection.

"(c) **LIMITATION ON DELEGATION.**—Notwithstanding any other provision of law, the authorities and duties established by this section may not be delegated.

"SEC. 115. DISTRIBUTION OF FREQUENCIES BY THE COMMISSION.

"Not later than 1 year after the President notifies the Commission pursuant to section 114(a)(5), the Commission shall prepare, in consultation with the Assistant Secretary when necessary, and submit to the President and the Congress, a plan for the distribution under the Act of the frequency bands reallocated pursuant to the requirements of this part. Such plan shall—

"(1) not propose the immediate distribution of all such frequencies, but, taking into account the timetable recommended by the Secretary pursuant to section 113(e), shall propose—

"(A) gradually to distribute the frequencies remaining, after making the reservation required by subparagraph (B), over the course of a period of not less than 10 years beginning on the date of submission of such plan; and

"(B) to reserve a significant portion of such frequencies for distribution beginning after the end of such 10-year period;

"(2) contain appropriate provisions to ensure—

"(A) the availability of frequencies for new technologies and services in accordance with the policies of section 7 of the Act (47 U.S.C. 157); and

"(B) the availability of frequencies to stimulate the development of such technologies;

"(3) address (A) the feasibility of reallocating spectrum from current commercial and other non-Federal uses to provide for more efficient use of the spectrum, and (B) innovation and marketplace developments that may affect the relative efficiencies of different spectrum allocations; and

"(4) not prevent the Commission from allocating bands of frequencies for specific uses in future rulemaking proceedings.

"SEC. 116. AUTHORITY TO RECOVER REASSIGNED FREQUENCIES.

"(a) **AUTHORITY OF PRESIDENT.**—Subsequent to the withdrawal of assignment to Federal Government stations pursuant to section 114, the President may reclaim reassigned frequencies for reassignment to Federal Government stations in accordance with this section.

"(b) PROCEDURE FOR RECLAIMING FREQUENCIES.—

"(1) **UNALLOCATED FREQUENCIES.**—If the frequencies to be reclaimed have not been allocated or assigned by the Commission pursuant to the Act, the President shall follow the procedures for substitution of frequencies established by section 114(b) of this part.

"(2) **ALLOCATED FREQUENCIES.**—If the frequencies to be reclaimed have been allocated or assigned by the Commission, the President shall follow the procedures for substitution of frequencies established by section 114(b) of this part, except that the notification required by section 114(b)(1)(A) shall include—

"(A) a timetable to accommodate an orderly transition for licensees to obtain new frequencies and equipment necessary for its utilization; and

"(B) an estimate of the cost of displacing spectrum users licensed by the Commission.

"(c) **COSTS OF RECLAIMING FREQUENCIES; APPROPRIATIONS AUTHORIZED.**—The Federal Government shall bear all costs of reclaiming frequencies pursuant to this section, including the cost of equipment which is rendered unusable, the cost of relocating operations to a different frequency band, and any other costs that are directly attributable to the reclaiming of the frequency pursuant to this section. There are authorized to be appropriated such sums as may be necessary to carry out the purposes of this section.

"(d) **EFFECTIVE DATE OF RECLAIMED FREQUENCIES.**—The Commission shall not withdraw licenses for any reclaimed frequencies until the end of the fiscal year following the fiscal year in which the President's notification is received.

"(e) **EFFECT ON OTHER LAW.**—Nothing in this section shall be construed to limit or otherwise affect the authority of the President under sections 305 and 706 of the Act (47 U.S.C. 305, 606).

"SEC. 117. DEFINITIONS.

"As used in this part:

"(1) The term 'allocation' means an entry in the National Table of Frequency Allocations of a given frequency band for the purpose of its use by one or more radiocommunication services.

"(2) The term 'assignment' means an authorization given to a station licensee to use specific frequencies or channels.

"(3) The term 'commercial carrier' means any entity that uses a facility licensed by the Federal Communications Commission

pursuant to the Communications Act of 1934 for hire or for its own use, but does not include Federal Government stations licensed pursuant to section 305 of the Act (47 U.S.C. 305).

"(4) The term 'the Act' means the Communications Act of 1934 (47 U.S.C. 151 et seq.)."

CHAPTER 3—COMMUNICATIONS TECHNICAL AMENDMENTS

SEC. 5241. CLERICAL CORRECTIONS.

(a) **AMENDMENTS TO THE COMMUNICATIONS ACT OF 1934.**—The Communications Act of 1934 is amended—

(1) in section 4(f)(3), by striking "overtime exceeds beyond" and inserting "overtime extends beyond";

(2) in section 5, by redesignating subsection (f) as subsection (e);

(3) in section 220(b), by striking "classes" and inserting "classes";

(4) in section 223(b)(3), by striking "defendant restrict access" and inserting "defendant restricted access";

(5) in section 226(d), by striking paragraph (2) and redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively;

(6) in section 227(e)(2), by striking "national database" and inserting "national database";

(7) in section 228(c)(6)(D), by striking "conservation" and inserting "conversation";

(8) in section 308(c), by striking "May 24, 1921" and inserting "May 27, 1921";

(9) in section 331, by amending the heading of such section to read as follows:

"VERY HIGH FREQUENCY STATIONS AND AM RADIO STATIONS";

(10) in section 358, by striking "(a)";

(11) in part III of title III—

(A) by inserting before section 381 the following heading:

"VESSELS TRANSPORTING MORE THAN SIX PASSENGERS FOR HIRE REQUIRED TO BE EQUIPPED WITH RADIO TELEPHONE";

(B) by inserting before section 382 the following heading:

"VESSELS EXCEPTED FROM RADIO TELEPHONE REQUIREMENT";

(C) by inserting before section 383 the following heading:

"EXEMPTIONS BY COMMISSION";

(D) by inserting before section 384 the following heading:

"AUTHORITY OF COMMISSION; OPERATIONS, INSTALLATIONS, AND ADDITIONAL EQUIPMENT";

(E) by inserting before section 385 the following heading:

"INSPECTIONS"; and

(F) by inserting before section 386 the following heading:

"FORFEITURES";

(12) in section 410(c), by striking ", as referred to in sections 202(b) and 205(f) of the Interstate Commerce Act";

(13) in section 705(e)(3)(A), by striking "paragraph (4) of subsection (d)" and inserting "paragraph (4) of this subsection";

(14) in section 705, by redesignating subsections (f) and (g) (as added by Public Law 100-667) as subsections (g) and (h); and

(15) in section 705(h) (as so redesignated), by striking "subsection (f)" and inserting "subsection (g)".

(b) **AMENDMENTS TO THE COMMUNICATIONS SATELLITE ACT OF 1962.**—The Communications Satellite Act of 1962 is amended—

(1) in section 303(a)—

(A) by striking "section 27(d)" and inserting "section 327(d)";

(B) by striking "sec. 29-911(d)" and inserting "sec. 29-327(d)";

(C) by striking "section 36" and inserting "section 336"; and

(D) by striking "sec. 29-916d" and inserting "sec. 29-336(d)";

(2) in section 304(d), by striking "paragraphs (1), (2), (3), (4), and (5) of section 310(a)" and inserting "subsection (a) and paragraphs (1) through (4) of subsection (b) of section 310"; and

(3) in section 304(e)—

(A) by striking "section 45(b)" and inserting "section 345(b)"; and

(B) by striking "sec. 29-920(b)" and inserting "sec. 29-345(b)"; and

(4) in sections 502(b) and 503(a)(1), by striking "Communications Satellite Corporation" and inserting "communications satellite corporation established pursuant to title III of this Act".

(c) CONFORMING AMENDMENT.—Section 1253 of the Omnibus Budget Reconciliation Act of 1981 is repealed.

SEC. 5242. TRANSFER OF PROVISIONS OF LAW CONCERNING PUBLIC TELECOMMUNICATIONS FACILITIES, CHILDREN'S EDUCATIONAL TELEVISION, AND TELECOMMUNICATIONS DEMONSTRATION PROGRAM.

(a) AMENDMENTS.—The Communications Act of 1934 (hereinafter in this section referred to as "the 1934 Act") and the National Telecommunications and Information Administration Organization Act (hereinafter in this section referred to as "the NTIAO Act") are amended as follows:

(1) The NTIAO Act is amended by inserting after part B (as added by chapter 2 of this subtitle) a new part C, the heading of which shall be as follows:

"PART C—ASSISTANCE FOR PUBLIC TELECOMMUNICATIONS FACILITIES; CHILDREN'S EDUCATIONAL TELEVISION; TELECOMMUNICATIONS DEMONSTRATIONS";

(2) Sections 390, 391, 392, 393, 393A, 394, and 395 of the 1934 Act are transferred to such new part C of the NTIAO Act and are redesignated as sections 121, 122, 123, 124, 125, 131, and 135, respectively, of the NTIAO Act.

(3) Such new part C of the NTIAO Act is amended—

(A) by inserting before section 121 the following:

"Subpart 1—Assistance for Public Telecommunications Facilities" and;

(B) by inserting before section 131 the following:

"Subpart 2—National Endowment for Children's Television" and;

(C) by inserting before section 135 the following:

"Subpart 3—Telecommunications Demonstrations".

(4) Section 125 of the NTIAO Act (as added by paragraph (2) of this subsection) is amended by striking "section 390" and inserting "section 121".

(5) Each of such sections 121 through 135 is amended so that the section designation and section heading of each such shall be in the form and typeface of the section designation and section heading of this section.

(b) CONFORMING AMENDMENT TO COMMUNICATIONS ACT OF 1934.—Part IV of title III of the 1934 Act is amended by striking out subparts A, B, and C.

(c) REFERENCES IN OTHER LAWS AND DOCUMENTS.—Any reference to any section or other provision of subpart A, B, or C of part IV of title III of the 1934 Act in any law, rule, regulation, certificate, directive, instruction, or other official paper in force on the

date of enactment of this section shall be deemed to refer to the section or other provision of subpart 1, 2, or 3 of part C of the NTIAO Act to which such section or other provision is transferred by this section.

SEC. 5243. ELIMINATION OF EXPIRED AND OUTDATED PROVISIONS.

(a) AMENDMENTS TO THE COMMUNICATIONS ACT OF 1934.—The Communications Act of 1934 is amended—

(1) in section 7(b), by striking "or twelve months after the date of the enactment of this section, if later" both places it appears;

(2) in section 212, by striking "After sixty days from the enactment of this Act it shall" and inserting "It shall";

(3) in section 213, by striking subsection (g) and redesignating subsection (h) as subsection (g);

(4) in section 214(a), by striking "section 221 or 222" and inserting "section 221";

(5) in section 220(b), by striking ", as soon as practicable,";

(6) in section 222—

(A) by striking paragraph (1) of subsection (a);

(B) by redesignating paragraphs (2) and (3) of such subsection as paragraphs (1) and (2), respectively;

(C) by striking paragraph (2) of subsection (b);

(D) by redesignating subsection (b)(1) as subsection (b); and

(E) by striking subsections (c), (d), and (e);

(7) in section 224(b)(2), by striking "Within 180 days from the date of enactment of this section the Commission" and inserting "The Commission";

(8) in 226(e)(1), by striking ", within 9 months after the date of enactment of this section,";

(9) in section 309(1)(4)(A), by striking "The commission, not later than 180 days after the date of the enactment of the Communications Technical Amendments Act of 1982, shall," and inserting "The Commission shall,";

(10) by striking section 328;

(11) in section 331(b), by striking the last sentence;

(12) in section 413, by striking ", within sixty days after the taking effect of this Act,";

(13) in section 624(d)(2)—

(A) by striking out "(A)";

(B) by inserting "of" after "restrict the viewing"; and

(C) by striking subparagraph (B);

(14) by striking sections 702 and 703;

(15) in section 704—

(A) by striking subsections (b) and (d); and

(B) by redesignating subsection (c) as subsection (b);

(16) in section 705(g) (as redesignated by section 5211(15)), by striking "Within 6 months after the date of enactment of the Satellite Home Viewer Act of 1988, the Federal Communications Commission" and inserting "The Commission";

(17) in section 710(f)—

(A) by striking the first and second sentences; and

(B) in the third sentence, by striking "Thereafter, the Commission" and inserting "The Commission";

(18) in section 712(a), by striking ", within 120 days after the effective date of the Satellite Home Viewer Act of 1988,"; and

(19) by striking section 713.

(b) AMENDMENTS TO THE COMMUNICATIONS SATELLITE ACT OF 1962.—The Communications Satellite Act of 1962 is amended—

(1) in section 201(a)(1), by striking "as expeditiously as possible,";

(2) by striking sections 301 and 302 and inserting the following:

"SEC. 301. CREATION OF CORPORATION.

"There is authorized to be created a communications satellite corporation for profit which will not be an agency or establishment of the United States Government.

"SEC. 302. APPLICABLE LAWS.

"The corporation shall be subject to the provisions of this Act and, to the extent consistent with this Act, to the District of Columbia Business Corporation Act. The right to repeal, alter, or amend this Act at any time is expressly reserved."

(3) in section 304(a), by striking "at a price not in excess of \$100 for each share and";

(4) in section 404—

(A) by striking subsections (a) and (c); and

(B) by striking "(b)" at the beginning of subsection (b);

(5) in section 503—

(A) by striking paragraph (2) of subsection (a); and

(B) by redesignating paragraph (3) of subsection (a) as paragraph (2) of such subsection;

(C) by striking subsection (b);

(D) in subsection (g)—

(i) by striking "subsection (c)(3)" and inserting "subsection (b)(3)"; and

(ii) by striking the last sentence; and

(E) by redesignating subsections (c) through (h) as subsections (b) through (g), respectively;

(5) by striking sections 505, 506, and 507; and

(6) by redesignating section 508 as section 505.

SEC. 5244. STYLISTIC CONSISTENCY.

The Communications Act of 1934 and the Communications Satellite Act of 1962 are amended so that the section designation and section heading of each section of such Acts shall be in the form and typeface of the section designation and heading of this section.

Subtitle D—Energy Programs

SEC. 5301. NUCLEAR REGULATORY COMMISSION ANNUAL CHARGES.

Section 6101(a)(3) of the Omnibus Budget Reconciliation Act of 1990 (42 U.S.C. 2214(a)(3)) is amended by striking "September 30, 1995" and inserting "September 30, 1998".

TITLE VI—COMMITTEE ON FOREIGN AFFAIRS

In order to implement its reconciliation instructions, the Committee on Foreign Affairs recommends changes in law that are also recommended by the Committee on Post Office and Civil Service. These changes in law, which are contained in title X of this Act, would reduce direct spending under the Foreign Service Retirement and Disability Fund and the Foreign Service Pension System by requiring a 3-month delay in cost-of-living adjustments in each of the fiscal years 1994, 1995, and 1996.

TITLE VII—COMMITTEE ON THE JUDICIARY

SEC. 7001. PATENT AND TRADEMARK FEES.

Section 10101 of the Omnibus Budget Reconciliation Act of 1990 (35 U.S.C. 41 note) is amended—

(1) in subsection (a) by striking "1995" and inserting "1998";

(2) in subsection (b)(2) by striking "1995" and inserting "1998"; and

(3) in subsection (c)—

(A) by striking "through 1995" and inserting "through 1998"; and

(B) by adding at the end the following:

"(6) \$111,000,000 in fiscal year 1996.

- "(7) \$115,000,000 in fiscal year 1997.
 "(8) \$119,000,000 in fiscal year 1998."

TITLE VIII—COMMITTEE ON MERCHANT MARINE AND FISHERIES

SEC. 8001. EXTENSION OF VESSEL TONNAGE DUTIES.

(a) EXTENSION OF DUTIES.—Section 36 of the Act of August 5, 1909 (36 Stat. 111; 46 App. U.S.C. 121), is amended by—

(1) striking "and 1995," each place it appears and inserting "1995, 1996, 1997, 1998,";

(2) striking "place," and inserting "place,"; and

(3) striking "port, not, however, to include vessels in distress or not engaged in trade" and inserting "port. However, neither duty shall be imposed on vessels in distress or not engaged in trade".

(b) CONFORMING AMENDMENT.—The Act of March 8, 1910 (36 Stat. 234; 46 App. U.S.C. 132), is amended by striking "and 1995," and inserting "1995, 1996, 1997, and 1998,".

(c) TECHNICAL CORRECTION.—

(1) CORRECTION.—Section 10402(a) of the Omnibus Budget Reconciliation Act of 1990 (104 Stat. 1388-398) is amended by striking "in the second paragraph".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall be effective on and after November 5, 1990.

SEC. 8002. SENSE OF THE CONGRESS ON THE INLAND WATERWAYS FUEL TAX.

(a) FINDINGS.—The Congress finds the following:

(1) The Administration has proposed to increase the tax on inland barge fuels from \$0.19 to \$1.19 per gallon by 1997, which represents an increase of 525 percent.

(2) The General Accounting Office has recently identified 117 forms of Federal fees, taxes, and assessments, not including customs duties, which raise some \$2,000,000,000 in Federal revenues each year.

(3) Barge transportation is one of the most competitive, efficient, safe, and environmentally friendly modes of transportation.

(4) Barges transport 15 percent of our Nation's commerce and provide jobs to some 180,000 Americans.

(5) The Administration's proposed increase would add \$420,000,000 in new taxes for operators on inland waterways, which is more than their pretax profits.

(6) This increase would cause barge rates to skyrocket, increasing costs to consumers and devastating industries dependent upon the commercial use of barges such as coal, agriculture, and petrochemicals, and would add to our unfavorable balance of trade payments by hurting the competitiveness of United States exports.

(7) Because the price of certain agricultural commodities, such as grain, are set in the world marketplace, increased inland barge fuel taxes could not be passed on to consumers and would largely be borne by our Nation's farmers.

(8) The Senate on March 18, 1993, voted 88 to 12 to reject any further increase in inland barge fuel taxes.

(9) This huge tax increase would cause many barge companies to go out of business, would result in thousands of lost American jobs, and would further burden the already beleaguered United States maritime industry.

(b) SENSE OF CONGRESS.—It is the sense of the Congress that the inland waterways fuel tax should not be further increased beyond those increases already mandated by law.

TITLE IX—COMMITTEE ON NATURAL RESOURCES

SEC. 9001. ANNUAL DIRECT GRANT ASSISTANCE.

(a) REPEAL.—Sections 3 and 4 of the Act of March 24, 1976 entitled "a Joint Resolution to approve the 'Covenant To Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America', and for other purposes" (90 Stat. 263 and following; 48 U.S.C. 1681 note) are repealed, effective on October 1, 1993.

(b) DEFINITIONS.—As used in this section:

(1) COMMITTEES.—The term "committees" means the Committee on Natural Resources of the House of Representatives and the Committee on Energy and Natural Resources of the Senate.

(2) RECOMMENDATIONS.—The term "Recommendations" means the document executed December 17, 1992, between the special representative of the President of the United States and the special representatives of the Governor of the Commonwealth of the Northern Mariana Islands relating to future federal assistance for the Northern Mariana Islands.

(3) REPORTING DATE.—The term "reporting date" means the date on which the budget of the President for the fiscal year 1995 is required to be submitted to the Congress under section 1105 of title 31, United States Code.

(c) ASSISTANCE.—

(1) AMOUNTS.—Except as otherwise provided under this section, enactment of this section shall constitute a commitment and pledge of the full faith and credit of the United States for the payment of the following amounts:

(A) In fulfillment of the United States obligation under P.L. 94-241 and the authorization in P.L. 95-348, \$3,000,000 for fiscal year 1994, which shall be available only for the American Memorial Park, located at Tanapag Harbor Reservation, Saipan, to be expended in accordance with section 5 of the Act entitled "An Act to authorize appropriations for certain insular areas of the United States, and for other purposes", approved August 18, 1978 (92 Stat. 492), for the primary purpose of constructing an appropriate monument honoring the dead in the World War II Mariana Islands campaign.

(B) \$19,000,000 for fiscal year 1994, to be held in trust in a special account by the Secretary of the Interior for American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, the Trust Territory of the Pacific Islands, and the Virgin Islands, and to be disbursed by the Secretary during fiscal year 1994 for essential capital improvement projects. Such disbursements shall be made by the Secretary for projects described in plans submitted to the Secretary by the governments of American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, the Trust Territory of the Pacific Islands, and the Virgin Islands. No such disbursements shall be made pursuant to any such plan until after the expiration of a period of 60 days after such plan has been submitted to the committees. No such disbursements shall be made to the Commonwealth of the Northern Mariana Islands during fiscal year 1994 pursuant to any such plan until the committees have received the reports required under subsection (d)(3) and a Joint Resolution has been adopted expressing the sense of Congress that disbursements are appropriate. The Inspector General of the Department of the Interior shall (i) monitor the expenditure of such funds to determine whether such funds are expended in accordance with applicable law, and (ii) submit a

report of the findings to the committees not later than January 1, 1995.

(C) Subject to paragraphs (2), (3), and (4) and subject to subsection (d), not more than \$98,000,000 for the 6-year period beginning October 1, 1994, for the government of the Commonwealth of the Northern Mariana Islands, for capital improvement projects, at annual amounts that shall not exceed those specified for the Federal contribution within the general funding schedule contained in the Recommendations.

(2) MATCHING RATIO AND INTEREST EARNINGS.—Nothing in this section shall be construed to—

(A) modify the matching ratio requirement specified in the funding schedule contained in the Recommendations; or

(B) modify the terms of the Recommendations as to the availability of interest earnings on funds contributed under Public Law 99-396 upon meeting the terms of the grant pledge agreements entered into under Public Law 99-396.

(3) ROTA, TINIAN, AND SAIPAN.—No less than 1/4th share of the funds made available under subsection (c)(1)(C) shall be expended in the islands of Rota and Tinian and no less than 1/4th share shall be expended in Saipan.

(4) APPLICABILITY OF GRANT REGULATIONS.—The Federal assistance provided under this section shall be subject to the applicable Federal grant regulations set forth in the Common Rule (43 C.F.R. 12a, OMB Circular A-102, and OMB Circular A-128).

(d) CONDITION ON MULTI-YEAR ASSISTANCE.—

(1) JOINT RESOLUTION.—Amounts under subsection (c)(1)(C) for fiscal years 1995 through 2000 shall be as determined by the Congress by joint resolution. It is the intent of the Congress that the committees report such a joint resolution after considering the plan referred to in paragraph (2) and reports required by this subsection.

(2) CAPITAL IMPROVEMENT PROJECTS PLAN.—The plan referred to in paragraph (1) is a plan developed and submitted by the Governor of the Commonwealth of the Northern Mariana Islands to the Secretary of the Interior as approved by the legislature of the Commonwealth for new and reconstructed capital infrastructure projects, indicating the order of priority, together with cost estimates for each project and identification of sources of financing for each project. The Secretary of the Interior shall submit the plan, together with his recommendations, to the committees not later than the reporting date.

(3) REPORTS.—Each of the following reports shall be submitted to the committees not later than the reporting date as follows:

(A) REVENUE BURDEN.—The Comptroller General of the United States, after consultation with the government of the Northern Mariana Islands, shall submit a report describing the effective revenue burden (including all taxes and fees) imposed by the government of the Commonwealth of the Northern Mariana Islands. The report shall—

(i) address whether revenues raised are sufficient to meet the infrastructure needs of the Commonwealth; and

(ii) compare the revenue burden of the Commonwealth with that of Guam.

(B) COMPLIANCE WITH AUDIT RECOMMENDATIONS.—The Inspector General of the Department of the Interior shall submit a report on (i) compliance by the government of the Commonwealth of the Northern Mariana Islands with recommendations made by the Inspector General pursuant to audits of the government of the Commonwealth, and (ii)

on all unfulfilled commitments made by the government of the Commonwealth in response to those recommendations.

(C) **ASSESSMENT OF MINIMUM WAGE.**—The Secretary of Labor, after consultation with the government of the Commonwealth of the Northern Mariana Islands, shall submit a report which assesses whether—

(i) the minimum wage policies of the Commonwealth are sufficient for the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers in the Commonwealth;

(ii) the prevailing wages paid in the Commonwealth are effectively reduced by the immigration policy of the Commonwealth; and

(iii) the wage rate in the Commonwealth gives industries in the Commonwealth a competitive advantage over industries in the United States outside of the Commonwealth.

(D) **IMMIGRATION POLICY AND BURDEN ON INFRASTRUCTURE.**—(i) The Attorney General of the United States, after consultation with the government of the Commonwealth of the Northern Mariana Islands, shall submit a report which assesses—

(I) whether the immigration laws of the Commonwealth are appropriate in light of the social and economic situation in the Commonwealth;

(II) the extent to which the Commonwealth is relying on temporary alien workers to meet the Commonwealth's permanent labor needs;

(III) whether the Commonwealth has taken steps to reduce its dependence on temporary alien workers; and

(IV) the political and civil rights of the alien population as compared to the resident population.

(ii) The Comptroller General of the United States shall submit a report to the Congress which analyzes the socioeconomic impact of the immigration policy of the Commonwealth of the Northern Mariana Islands, including the financial burden imposed by the alien population on the infrastructure.

(E) **ENVIRONMENTAL LAWS.**—The Secretary of the Interior and the Administrator of the Environmental Protection Agency shall each submit a report to the Congress on the compliance by the Commonwealth of the Northern Mariana Islands with United States environmental laws, including (but not limited to) the National Environmental Policy Act of 1969, the Endangered Species Act of 1973, and the Federal Water Pollution Control Act.

SEC. 9002. NET RECEIPTS SHARING.

Section 35 of the Mineral Leasing Act is amended as follows:

(1) Strike the last sentence.

(2) Insert "(a) IN GENERAL.—" after "SEC. 35."

(3) Insert "and, subject to subsection (b)," between "United States;" and "50 percentum".

(4) Add the following new subsection at the end thereof:

"(b) **ADMINISTRATIVE COSTS.**—(1) In calculating the amount to be paid to each State during any fiscal year under this section and under other provisions of law requiring payment to a State of any revenues derived from the leasing of any other onshore lands or interest in land owned by the United States for the production of the same types of minerals as are leaseable under this Act or for the production of geothermal steam, prior to the division and distribution of such leasing receipts between the States and the United States, the Secretary shall deduct 50 percent of the portion of the enacted appropriations

of the Department of the Interior and of other departments and agencies of the United States for the preceding fiscal year allocable to the administration and enforcement of this Act and such other provisions of law. Such deduction shall be in approximately equal amounts each month (subject to paragraph (3)).

"(2) The proportion of the deduction required under paragraph (1) which is allocable to each State shall be a percentage of the total deduction allocable to all States. The percentage shall be determined by dividing—

"(A) the monies disbursed to the State during the preceding fiscal year under the provisions of this section and the other provisions of law referred to in paragraph (1), by

"(B) the total money disbursed to all States during that fiscal year under such provisions.

"(3) If the amount otherwise deductible under this subsection in any month from the portion of revenues to be distributed to a State exceeds the amount payable to the State during that month, any amount exceeding the amount payable shall be carried forward and deducted from amounts payable to the State in subsequent months.

"(4) All amounts deducted under this subsection from monies otherwise payable to a State shall be credited to miscellaneous receipts in the Treasury."

SEC. 9003. HARD ROCK MINING CLAIM MAINTENANCE AND LOCATION FEES.

(a) **CLAIM MAINTENANCE AND LOCATION FEES.**—

(1) **CLAIM MAINTENANCE FEES.**—The holder of each unpatented mining claim, mill or tunnel site located pursuant to the Mining Laws of the United States (whether located before or after enactment of this Act) shall pay to the Secretary of the Interior or his designee for each assessment year a flat claim maintenance fee of not less than \$100 per claim. Such claim maintenance fee shall be in lieu of the assessment work requirement contained in the Mining Law of 1872 (30 U.S.C. 28-28e) and the related filing requirements contained in section 314 (a) and (c) of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1744 (a) and (c)).

(2) **LOCATION FEE.**—For each mining claim, mill or tunnel site located pursuant to the Mining Laws of the United States after the date of enactment of this Act, the claimant shall pay the Secretary a location fee of \$25.

(b) **TIME OF PAYMENT.**—The claim maintenance fee payable under subsection (a)(1) for any assessment year shall be paid before the commencement of the assessment year, except that for the initial assessment year in which the location is made, the locator shall pay the claim maintenance fee at the time the location notice is recorded with the Bureau of Land Management. The location fee imposed under subsection (a)(2) shall be payable not later than 90 days after the date of location.

(c) **DEPOSIT IN TREASURY.**—The Secretary shall deposit monies received under this Act as miscellaneous receipts in the Treasury.

(d) **CO-OWNERSHIP.**—The co-ownership provisions of section 2324 of the Mining Law of 1872 (30 U.S.C. 28) shall remain in effect with respect to mining claims subject to such provisions except that the annual claim maintenance fee, where applicable, shall be paid in lieu of applicable assessment requirements and expenditures.

(e) **FORFEITURE.**—Failure to make the annual payment of any claim maintenance or location fee required with respect to any unpatented mining claim, mill, or tunnel site required by subsection (a) shall conclu-

sively constitute a forfeiture by the holder of the unpatented mining claim, mill or tunnel site, effective at noon on the date the payment is due.

(f) **FLPMA FILING REQUIREMENTS.**—Nothing in this Act shall change or modify the requirements of section 314(b) of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1744(b)) or the requirements of section 314(c) of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1744(c)) related to filings required by such section 314(b). Such requirements shall remain in effect with respect to claims, and mill or tunnel sites for which fees are required to be paid under this section.

(g) **RULES AND REGULATIONS.**—The Secretary of the Interior shall promulgate rules and regulations to carry out the purposes of this section as soon as practicable after the date of enactment of this Act.

(h) **PURCHASING POWER ADJUSTMENT.**—Every 5 years following the date of enactment of this Act, or more frequently if the Secretary determines a more frequent adjustment to be reasonable, the Secretary of the Interior shall adjust the fees specified in subsection (a) to reflect changes in the purchasing power of the dollar. The Secretary shall use the Consumer Price Index for all urban consumers published by the Department of Labor as the basis for adjustment, rounding according to the adjustment process of conditions of the Federal Civil Penalties Inflation Adjustment Act of 1990 (104 Stat. 890). The Secretary shall provide claimants notice of any adjustment made under this subsection not later than July 1 of any year in which the adjustment is made. A fee adjustment under this paragraph shall begin to apply the first assessment which begins after the adjustment is made.

(i) **OIL SHALE CLAIMS SUBJECT TO CLAIM MAINTENANCE FEES UNDER ENERGY POLICY ACT OF 1992.**—This section shall not apply to any oil shale claims for which a fee is required to be paid under section 2511(e)(2) of the Energy Policy Act of 1992 (Public Law 102-486; 106 Stat. 3111; 30 U.S.C. 242).

(j) **EXCEPTION FOR HOLDERS OF FEWER THAN 50 CLAIMS.**—

(1) **ELIGIBILITY.**—In accordance with paragraph (3), a claimant may be eligible for a waiver or reduction of the claim maintenance fees imposed under this section if the claimant certifies in writing to the Secretary that on the date the payment was due, the claimant and all related parties—

(A) held not more than 50 mining claims, mill sites, or tunnel sites, or any combination thereof, on public lands; and

(B) have performed assessment work sufficient to maintain the mining claims held by the claimant and such related parties for the assessment year ending on noon of September 1 of the calendar year in which payment of the claim maintenance fee was due; except that such performance of assessment work shall not be required by reason of section 5 of Public Law 94-429, commonly known as the Mining in the Parks Act, or such other laws that before the date of the enactment of this Act removed the applicability of the assessment work requirement of the general mining laws for any claim subject to such laws.

(2) **HOLDER.**—For purposes of paragraph (1), with respect to any claimant, the term "related parties" means—

(A) the spouse and dependent children (as defined in section 152 of the Internal Revenue Code of 1986), of the claimant; and

(B) a person affiliated with the claimant, including—

(i) a person controlled by, controlling, or under common control with the claimant; and

(ii) a subsidiary or parent company or corporation of the claimant.

(3) WAIVED OR REDUCED MAINTENANCE FEES.—

(A) 10 OR FEWER CLAIMS.—The Secretary of the Interior may waive the claim maintenance fee imposed under this section in its entirety for 10 or fewer claims held by a claimant eligible under paragraph (1).

(B) 11 OR MORE CLAIMS.—

(i) IN GENERAL.—Subject to clause (ii), for a claimant eligible under paragraph (1), the Secretary may reduce the claim maintenance fee imposed under this section to \$25 per claim for each claim in excess of 10.

(ii) LIMITATION.—The reduction provided for in this subparagraph shall be available for no more than 50 claims held by a claimant who is eligible under paragraph (1).

(4) PAYMENT IN LIEU OF ANNUAL LABOR REQUIREMENTS.—The third sentence of section 2324 of the Revised Statutes (30 U.S.C. 28) is amended by inserting after "On each claim located after the tenth day of May, eighteen hundred and seventy-two," the following: "for which a waiver of the maintenance fee, or a reduced maintenance fee, under section 9003 of the Omnibus Budget Reconciliation Act of 1993 has been granted under subsection (j) of that section."

(5) FILING REQUIREMENTS.—The holder of any unpatented mining claim for which a waiver of the maintenance fee, or a reduced maintenance fee, has been granted pursuant to this subsection shall continue to be subject to the filing requirements contained in sections 314 (a) and (c) of the Federal Land Policy Management Act of 1976 (43 U.S.C. 1744(a) and (c)).

(k) EFFECTIVE DATE.—This section shall take effect with respect to assessment years beginning after August 31, 1994.

SEC. 9004. FEDERAL IRRIGATION WATER SURCHARGE.

(a) FINDINGS AND PURPOSES.—

(1) FINDINGS.—The Congress finds that—

(A) the construction and operation of Federal reclamation projects have contributed to the depletion of streams, the alteration of riparian habitat, and the degradation of water quality;

(B) such impacts have had adverse impacts on fish and wildlife resources; and

(C) the restoration of fish and wildlife and related habitat affected by the construction or operation of Federal reclamation projects is a continuing responsibility of the beneficiaries of such projects.

(2) PURPOSES.—The purposes of this section are to—

(A) incorporate the restoration of fish and wildlife resources and related habitat affected by the construction or operation of Federal reclamation projects into the annual operation and maintenance requirements of such projects;

(B) establish a fair and equitable mechanism for securing timely payments from the beneficiaries of such projects for the implementation, operation, and maintenance of fish and wildlife restoration measures;

(C) accelerate the rate of restoration and recovery of depleted populations of indigenous fish and wildlife; and

(D) encourage more efficient use of water resources by the beneficiaries of Federal reclamation projects.

(b) OPERATIONAL CHARGES.—

(1) IN GENERAL.—Individuals or non-Federal entities that receive delivery of water (including by exchange) which is stored in or transported through Federal reclamation projects or project facilities or projects or project facilities constructed by the Sec-

retary of the Army that meet the conditions specified in paragraph (1) or (2) of section 212(a) of the Reclamation Reform Act of 1982 (Public Law 97-293, 43 U.S.C. 3901), except for facilities of the Central Valley Project, California (as that project is defined by title XXXIV of Public Law 102-575), shall, pursuant to such terms, conditions, and procedures as the Secretary of the Interior may prescribe, pay to the United States an operation and maintenance charge sufficient to yield at least \$10,000,000 (January 1993 price levels) annually in the years 1994, 1995, and 1996 and at least \$15,000,000 (January 1993 price levels) annually in 1997 and each year thereafter.

(2) PAYMENTS.—Payments required by paragraph (1) shall be made without reduction or deferral by the Secretary under any provision of reclamation law and without regard to whether an individual or entity has discharged its repayment obligation within the meaning of the first section of the Act of July 2, 1956 (70 Stat. 483; 43 U.S.C. 485h-1), section 213 of the Reclamation Reform Act of 1982 (Public Law 97-293, 43 U.S.C. 390mm), or any other provision of Federal Reclamation law. The payments shall be in addition to any other repayments owed or made to the United States and shall not be applied or credited to an individual's or entity's repayment of project construction costs, payment of other annual project operation and maintenance costs, payment of interest, or reduction of any contractual obligation the individual or entity may have with the United States.

(c) NATURAL RESOURCES RESTORATION FUND.—There is hereby established in the Treasury of the United States a fund to be known as the "Natural Resources Restoration Fund" (hereafter in this section referred to as the "Fund"). All payments of the operation and maintenance charges authorized in subsection (b) shall be deposited in the Fund, and shall be available in the fiscal year following deposit and thereafter, to such extent or in such amounts as are provided in advance in appropriation Acts, for expenditures by the Secretary of the Interior for the benefit of fish and wildlife resources, including habitat, affected by construction or operation of the projects referred to in this section.

(d) INDIAN LAND OWNERS.—For the purposes of this section, Indian tribes or individual Indian beneficial owners of land held in trust by the United States or subject to a restriction against alienation by the United States shall be considered to be Federal entities.

(e) FEDERAL RECLAMATION LAW.—This section shall constitute an amendment of and a supplement to the Federal Reclamation laws (the Reclamation Act of 1902, 32 Stat. 388, and Acts amendatory thereof and supplementary thereto).

SEC. 9005. RECREATION USER FEES.

(a) LAND AND WATER CONSERVATION FUND ACT OF 1965.—

(1) IN GENERAL.—The first sentence of section 4(b) of the Land and Water Conservation Fund Act of 1965 (relating to recreation use fees) is amended by striking out "picnic tables, or boat ramps" and all that follows down through the period at the end thereof and inserting the following: "or picnic tables, and in no event shall there be any charge for the use of any campground not having a majority of the following: tent or trailer spaces, drinking water, access road, refuse containers, toilet facilities, fee collection by an employee or agent of the Federal agency operating the facility, reasonable visitor protection, and simple devices for con-

taining a campfire (where campfires are permitted). For purposes of this subsection, the term "specialized outdoor recreation site" includes but shall not be limited to campgrounds, swimming sites, boat launch facilities, and managed parking lots." The second sentence of such section 4(b) is hereby repealed.

(2) CONFORMING AMENDMENT.—Section 210 of Public Law 90-483 (82 Stat. 746; 16 U.S.C. 460d-3) is repealed.

(b) COSTS OF COLLECTION.—Section 4(i) of the Land and Water Conservation Fund Act of 1965 (relating to special accounts for fees collected) is amended by inserting "(A)" after "(1)" and by adding the following at the end of paragraph (1):

"(B) Notwithstanding subparagraph (A), in any fiscal year, the Secretary of Agriculture and the Secretary of the Interior may withhold from the special account established under subparagraph (A) such portion of all receipts the fees collected in that fiscal year under this section as such Secretary determines to be equal to the additional fee collection costs for that fiscal year. The amounts so withheld shall be retained by the Secretary of Agriculture or the Secretary of the Interior and shall be available, without further appropriation, for expenditure by the Secretary concerned in the fiscal year in which collected to cover such additional fee collection costs. The Secretary concerned shall deposit in the special account established pursuant to subparagraph (A) any amounts so retained which remain unexpended and unobligated at the end of such fiscal year. For the purposes of this subparagraph, for any fiscal year, the term 'additional fee collection costs' means those costs for personnel and infrastructure directly associated with the collection of fees imposed under this section which exceed the costs for personnel and infrastructure directly associated with the collection of such fees during fiscal year 1993."

(c) GOLDEN AGE PASSPORT.—The second sentence of section 4(a)(4) of the Land and Water Conservation Fund Act of 1965 (relating to Golden Age Passports) is amended to read as follows: "Such permit shall be non-transferable, shall be issued for a charge of \$10, and shall entitle the permittee and the permittee's spouse accompanying the permittee to general admission into any area designated pursuant to this section."

(d) USER FEES FOR RIGHTS-OF-WAY.—In each fiscal year after the enactment of this Act, the Secretary of the Interior shall impose and collect an annual fee for the use and occupancy of any right-of-way through any national park system unit for which a permit has been issued by the Secretary pursuant to any general or specific statutory right-of-way authority (whether issued before or after the enactment of this Act) or for any other right-of-way allowed as of the date of the enactment of this Act. The amount of such annual fee shall be equal to the fair market rental value, as determined by the Secretary, of such use and occupancy for the fiscal year concerned. The fair market value shall be reviewed (and revised if necessary) not less frequently than every 3 years. The Secretary shall deposit all fees collected under this subsection in the special account established under section 4(i) of the Land and Water Conservation Fund Act of 1965.

(e) COMMERCIAL TOUR USE FEES.—(1) In the case of each unit of the National Park System for which an admission fee is charged under section 4 of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 4601-4),

the Secretary of the Interior shall establish, by October 1, 1993, a commercial tour use fee to be imposed on each vehicle or aircraft entering the unit (or the airspace of the unit) for the purpose of providing commercial tour services within (or within the air space of) the unit. Fee revenue derived from such commercial tour use fees shall be deposited into the special account established under section 4(l) of the Land and Water Conservation Fund Act of 1965.

(2) The Secretary shall establish the amount of fee to be imposed under this subsection per entry. The fee shall not be less than—

(A) \$25 per vehicle or aircraft with a passenger capacity of 25 persons or less,

(B) \$50 per vehicle or aircraft with a passenger capacity of 26 to 99 persons, and

(C) \$100 per vehicle or aircraft with a passenger capacity of 100 to 299 persons.

The Secretary may periodically increase the fee imposed under this subsection as he deems necessary and justifiable.

(3) The commercial tour use fee imposed under this subsection shall not apply to either of the following:

(A) Any vehicle or aircraft transporting organized school groups or outings conducted for educational purposes by schools or other bona fide educational institutions.

(B) Any vehicle or aircraft entering a park system unit pursuant to a contract issued under the Act of October 9, 1965 (16 U.S.C. 20-20g) entitled "An Act relating to the establishment of concession policies in the areas administered by the National Park Service and for other purposes".

(f) **FAIR MARKET VALUE FOR COMMUNICATION SITE FEES.**—No permit or other authorization for the use of any area of the public lands of the United States for purposes of commercial telephone transmission facilities shall remain in force and effect after January 1, 1994 unless, before that date, and before January 1 of each year thereafter, the holder of such permit or other authorization pays to Secretary of the Department having administrative jurisdiction over such lands an amount equal to the fair market value, as determined by such Secretary, of the right to use and occupy such area for such purposes. For purposes of this subsection, the term "public lands of the United States" means lands owned by the United States and administered by the Secretary of the Interior (other than lands held for the benefit of Indians, Aleuts, and Eskimos) and lands within the National Forest System.

SEC. 9006. NUCLEAR REGULATORY COMMISSION ANNUAL CHARGES.

Section 6101(a)(3) of the Omnibus Budget Reconciliation Act of 1990 (42 U.S.C. 2214(a)(3)) is amended by striking "September 30, 1995" and inserting "September 30, 1998".

SEC. 9007. RECOVERING THE COST FOR GOVERNMENT SERVICES.

(a) **REPORT.**—Not later than January 1, 1994, the Secretary of the Interior and the Secretary of Energy shall each submit a report identifying fees, penalties, and other charges to the Committee on Natural Resources of the House of Representatives and the Committee on Energy and Natural Resources of the Senate. Each report shall—

(1) identify all fees, penalties, and other charges imposed by the respective Secretary for the provision of services;

(2) include the procedures for adjusting such fees to recover the cost of providing those services; and

(3) identify those services for which no fee is currently charged and make recommenda-

tions for a fee appropriate to cover the cost of providing each service.

(b) **ADJUSTMENT OF FEES.**—Except as provided in subsection (d), for fiscal year 1995 and each fiscal year thereafter, the Secretary of the Interior and the Secretary of Energy shall adjust each fee, penalty, and other charge for the provision of services identified pursuant to subsection (a)(1). Each such fee, penalty, and charge shall be adjusted in accordance with the procedures identified pursuant to subsection (a)(2).

(c) **IMPLEMENTATION OF FEES FOR SERVICES NOT COVERED.**—Beginning with fiscal year 1995, the Secretary of the Interior and the Secretary of Energy shall charge fees for each of the services identified pursuant to subsection (a)(3) in an amount sufficient to recover the cost of providing the service. For each fiscal year thereafter, the fee shall be adjusted in the same manner as adjustments are made pursuant to subsection (b), using fiscal year 1995 as the base year.

(d) **CERTAIN FEES, PENALTIES AND CHARGES NOT COVERED.**—Subsection (b) shall not apply to any fee, penalty, or charge the amount of which is expressly specified in any statute or contract.

SEC. 9008. UNFUNDED LIABILITIES OF THE FEDERAL GOVERNMENT.

Section 1105 of title 31, United States Code, is amended by adding the following subsection at the end thereof:

"(g) The President shall transmit with materials related to each budget an estimate of unfunded future liabilities of the Federal Government that are not accounted for in the budget itself. Such estimate shall include (but not be limited to) liabilities for future remediation of environmental and natural resources damage, and cleaning up waste sites, on Federal lands. Sources of liabilities shall include (but not be limited to) active, inactive, or abandoned mines or oil or gas wells, irrigation waste water impacts, decommissioning of nuclear power plants, and uranium mining and processing activities (without regard to the location of such mining or processing activities) affecting the health of Native Americans and carried out pursuant to a program administered by the United States."

TITLE X—COMMITTEE ON POST OFFICE AND CIVIL SERVICE

Subtitle A—Civil Service

SEC. 10001. DELAY IN COST-OF-LIVING ADJUSTMENTS IN FEDERAL EMPLOYEE RETIREMENT BENEFITS DURING FISCAL YEARS 1994, 1995, AND 1996.

(a) **APPLICABILITY.**—This section shall apply with respect to any cost-of-living increase scheduled to take effect, during fiscal year 1994, 1995, or 1996, under—

(1) section 8340(b) or 8462(b) of title 5, United States Code;

(2) section 826 or 858 of the Foreign Service Act of 1980; or

(3) section 291 of the Central Intelligence Agency Retirement Act (50 U.S.C. 2131), as set forth in section 802 of the CIARDS Technical Corrections Act of 1992 (Public Law 102-496; 106 Stat. 3196).

(b) **DELAY IN EFFECTIVE DATE OF ADJUSTMENTS.**—A cost-of-living increase described in subsection (a) shall not take effect until the first day of the third calendar month after the date such increase would otherwise take effect.

(c) **RULE OF CONSTRUCTION.**—Nothing in this section shall be considered to affect any determination relating to eligibility for an annuity increase or the amount of the first increase in an annuity under section 8340(b) or (c) or section 8462(b) or (c) of title 5, Uni-

ted States Code, or comparable provisions of law.

SEC. 10002. PERMANENT ELIMINATION OF THE ALTERNATIVE-FORM-OF-ANNUITY OPTION EXCEPT FOR INDIVIDUALS WITH A CRITICAL MEDICAL CONDITION.

(a) **CIVIL SERVICE RETIREMENT SYSTEM; FEDERAL EMPLOYEES' RETIREMENT SYSTEM.**—Sections 8343a and 8420a of title 5, United States Code, are each amended—

(1) in subsection (a) by striking "an employee or Member may," and inserting "any employee or Member who has a life-threatening affliction or other critical medical condition may,"; and

(2) by striking subsection (f).

(b) **FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM.**—Section 807(e)(1) of the Foreign Service Act of 1980 (22 U.S.C. 4047(e)(1)) is amended by striking "a participant may," and inserting "any participant who has a life-threatening affliction or other critical medical condition may,".

(c) **CENTRAL INTELLIGENCE AGENCY RETIREMENT AND DISABILITY SYSTEM.**—Section 294(a) of the Central Intelligence Agency Retirement Act (50 U.S.C. 2143(a)), as set forth in section 802 of the CIARDS Technical Corrections Act of 1992 (Public Law 102-496; 106 Stat. 3196), is amended by striking "a participant may," and inserting "any participant who has a life-threatening affliction or other critical medical condition may,".

(d) **EFFECTIVE DATE.**—The amendments made by this section shall become effective on January 1, 1994, and shall apply with respect to any annuity commencing on or after that date.

SEC. 10003. PAY LIMITATIONS.

(a) **ELIMINATION OF THE 1994 ANNUAL PAY ADJUSTMENT.**—

(1) **STATUTORY PAY SYSTEMS.**—Notwithstanding section 633 of the Treasury, Postal Service and General Government Appropriations Act, 1991 (5 U.S.C. 5303 note) or any other provision of law, the adjustment in rates of basic pay that is scheduled to take effect in 1994 under section 5303 of title 5, United States Code, shall not take effect.

(2) **OTHER PAY SYSTEMS.**—

(A) **IN GENERAL.**—Notwithstanding any other provision of law, any general pay adjustment, similar to the adjustment referred to in paragraph (1), which is scheduled to take effect in 1994 with respect to any civilian officers or employees in the executive branch (other than those affected by paragraph (1)) shall not take effect.

(B) **EXCEPTIONS.**—Subparagraph (A) shall not apply with respect to—

(i) any pay adjustment required under the terms of a contract, as in effect before the date of the enactment of this Act; or

(ii) any alien or noncitizen of the United States who occupies a position outside the United States.

(C) **REGULATIONS.**—The Office of Personnel Management may prescribe any regulations it considers necessary for the administration of this paragraph.

(b) **MODIFICATION IN FORMULA FOR COMPUTING ANNUAL PAY ADJUSTMENTS FOR 1995, 1996, AND 1997.**—

(1) **STATUTORY PAY SYSTEMS.**—Section 5303(a) of title 5, United States Code, is amended—

(A) by striking "(a)" and inserting "(a)(1)"; and

(B) by adding at the end the following:

"(2) Notwithstanding section 633 of the Treasury, Postal Service and General Government Appropriations Act, 1991 or any other provision of law, for purposes of any

adjustment scheduled to take effect under this section in 1995, 1996, or 1997, paragraph (1) shall be deemed to be amended by striking 'equal to' through 'less than' and inserting 'equal to one and one-half percentage points less than'.

(2) OTHER PAY SYSTEMS.—Section 704(a)(1) of the Ethics Reform Act of 1989 (5 U.S.C. 5318 note) is amended by adding at the end the following:

“(C) SPECIAL RULE.—For purposes of any pay adjustment scheduled to take effect in 1995, 1996, or 1997, subparagraph (B) shall be deemed to be amended by striking ‘one-half of 1 percent’ and inserting ‘one and one-half percent’.”

SEC. 10004. PROVISIONS RELATING TO LOCALITY-BASED COMPARABILITY PAYMENTS.

(A) LOCALITY-BASED COMPARABILITY PAYMENTS.—

(1) CHANGE IN EFFECTIVE DATE OF PAYMENTS.—Section 5304(d)(2) of title 5, United States Code, is amended by striking “January 1” and inserting “July 1”.

(2) LIMITATION RELATING TO AGGREGATE AMOUNT PAYABLE DURING CERTAIN PERIODS.—Section 5304 of title 5, United States Code, is amended—

(A) by redesignating subsection (i) as subsection (j); and

(B) by inserting after subsection (h) the following:

“(i)(1) Notwithstanding any other provision of this section, comparability payments may not be established or adjusted under this section in a manner that would cause the resulting estimated total amount payable under this section during the period which—

“(A) begins on July 1, 1994, and ends on June 30, 1995, to exceed \$1,800,000,000;

“(B) begins on July 1, 1995, and ends on June 30, 1996, to exceed \$2,500,000,000;

“(C) begins on July 1, 1996, and ends on June 30, 1997, to exceed \$3,300,000,000;

“(D) begins on July 1, 1997, and ends on June 30, 1998, to exceed \$4,200,000,000; or

“(E) begins on July 1, 1998, and ends on September 30, 1998, to exceed \$1,747,000,000.

“(2) If necessary in order to achieve compliance with any of the respective limitations under paragraph (1), the President may, in carrying out subsection (d)(2), specify levels of comparability payments less than the minimum which would otherwise be required under subsection (a)(3).

“(3) The pay agent shall develop and include in the appropriate reports under subsection (d)(1) the methodology for making any estimates under this subsection, and any such estimate shall be made in accordance with the methodology so included in the then most recent report.

“(4) Whenever any authority under this subsection is exercised, the President shall so indicate in his next report under subsection (d)(3), including specific information as to how such authority was exercised and the reasons why it was so exercised.”

(b) TEMPORARY CHANGE IN EFFECTIVE DATE OF ANNUAL PAY ADJUSTMENTS UNDER SECTION 5303 OF TITLE 5, UNITED STATES CODE.—Section 5303(a) of title 5, United States Code (as amended by section 10003(b)(1)), is further amended by adding after paragraph (2) of such section 5303(a) (as so amended) the following:

“(3) Effective for the period beginning on January 1, 1995, and ending on December 31, 2003, paragraph (1) shall be deemed to be amended by striking ‘January 1’ and inserting ‘July 1’.”

(c) REPEAL OF THE PROVISION EXCLUDING SENIOR EXECUTIVES FROM THE LIMITATION

GENERALLY APPLICABLE ON THE ACCUMULATION OF ANNUAL LEAVE.—

(1) IN GENERAL.—Section 6304(f) of title 5, United States Code, is repealed, effective as of January 1, 1994.

(2) SAVINGS PROVISION.—

(A) APPLICABILITY.—This paragraph shall apply with respect to an individual—

(i) who, as of December 31, 1993, has more than 30 days of annual leave to such individual's credit (or more than 45 days, if the individual would be subject to section 6304(b) of such title) which were accrued in any position described in section 6304(f) of title 5, United States Code (as in effect on the date of the enactment of this Act); and

(ii) only for so long as such individual remains continuously employed in any such position (disregarding any break in service of 3 days or less).

(B) STATEMENT OF THE RULE.—For purposes of administering section 6304 of title 5, United States Code, with respect to any individual to whom this paragraph applies—

(i) subsection (a) of such section shall be deemed amended by striking “30” and inserting the number corresponding to the number of days determined for such individual under subparagraph (A)(i); and

(ii) subsection (b) of such section shall be deemed amended by striking “45” and inserting the number corresponding to the number of days determined for such individual under subparagraph (A)(i).

(3) CONFORMING AMENDMENT.—Section 6304(a) of title 5, United States Code, is amended by striking “(d), (e), (f), and (g)” and inserting “(d) and (e)”.

(d) NO CASH AWARDS BETWEEN FISCAL YEARS 1994 THROUGH 1998.—

(1) DEFINITION.—For the purpose of this subsection, the term “cash award” means any cash award, performance award, rank, or other form of recognition entitling the recipient to any monetary payment under subchapter I of chapter 45 of title 5, United States Code, or section 5384, 5406, or 5407 of such title.

(2) RESTRICTION.—Notwithstanding any other provision of law, no cash award may be awarded during the period beginning on October 1, 1993, and ending on September 30, 1998.

(e) REDUCTION OF FEDERAL WORKFORCE BY 150,000.—

(1) DEFINITION.—For the purpose of this subsection, the term “civilian employees in the executive branch” means all civilian employees within the executive branch of the Government (other than in the United States Postal Service or the Postal Rate Commission).

(2) LIMITATIONS.—The average total number of civilian employees in the executive branch may not exceed—

(A) 2,095,200 in fiscal year 1994;

(B) 2,044,100 in fiscal year 1995;

(C) 2,010,100 in fiscal year 1996;

(D) 1,998,500 in fiscal year 1997; or

(E) 1,996,700 in fiscal year 1998.

(3) AVERAGING.—The average total number of civilian employees in the executive branch in a fiscal year shall, for purposes of this subsection, be the average number in such fiscal year, as determined under regulations prescribed under paragraph (5). Any such average shall be determined on a “full-time equivalent” basis.

(4) VOLUNTARY MEASURES.—To the extent practicable, any reductions necessary to achieve compliance with any limitation under paragraph (2) shall be effected through attrition or other voluntary measures.

(5) REGULATIONS.—The President shall prescribe regulations to carry out this subsection.

(f) PAY-LIMITATION PROVISIONS MADE APPLICABLE TO CERTAIN EMPLOYEES IN THE JUDICIAL BRANCH.—The Director of the Administrative Office of the United States Courts shall take such measures as may be necessary to ensure that the purposes of subsections (a) and (b) of section 10003 and subsections (a)(1) (if applicable) and (b) of this section are carried out with respect to employees who are subject to the personnel management system established by the Director under section 3 of Public Law 101-474 (28 U.S.C. 602 note).

SEC. 10005. APPLICATION OF MEDICARE PART B LIMITS TO PHYSICIANS' SERVICES FURNISHED TO FEDERAL EMPLOYEE HEALTH BENEFITS ENROLLEES AGE 65 OR OLDER.

(a) IN GENERAL.—Section 8904(b) of title 5, United States Code, is amended—

(1) in paragraph (1) by inserting “(A)” after “(b)(1)” and by adding at the end the following:

“(B)(i) A plan, other than a prepayment plan described in section 8903(4), may not provide benefits, in the case of any retired enrolled individual who is age 65 or older and is not entitled to Medicare supplementary medical insurance benefits under part B of title XVIII of the Social Security Act (42 U.S.C. 1395j et seq.), to pay a charge imposed for physicians' services (as defined in section 1848(j) of such Act, 42 U.S.C. 1395w-4(j)) which are covered for purposes of benefit payments under this chapter and under such part, to the extent that such charge exceeds the fee schedule amount under section 1848(a) of such Act (42 U.S.C. 1395w-4(a)).

“(ii) Physicians and suppliers who have in force participation agreements with the Secretary of Health and Human Services consistent with section 1842(h)(1) of such Act (42 U.S.C. 1395u(h)(1)), whereby the participating provider accepts Medicare benefits (including allowable deductible and coinsurance amounts) as full payment for covered items and services shall accept equivalent benefit and enrollee cost-sharing under this chapter as full payment for services described in clause (i). Physicians and suppliers who are nonparticipating physicians and suppliers for purposes of part B of title XVIII of such Act shall not impose charges that exceed the limiting charge under section 1848(g) of such Act (42 U.S.C. 1395w-4(g)) with respect to services described in clause (i) provided to enrollees described in such clause. The Office of Personnel Management shall notify a physician or supplier who is found to have violated this clause and inform them of the requirements of this clause and sanctions for such a violation. The Office of Personnel Management shall notify the Secretary of Health and Human Services if a physician or supplier is found to knowingly and willfully violate this clause on a repeated basis and the Secretary of Health and Human Services may invoke appropriate sanctions in accordance with sections 1128A(a) and section 1848(g)(1) of such Act (42 U.S.C. 1320a-7a(a), 1395w-4(g)(1)) and applicable regulations.

“(C) If the Secretary of Health and Human Services determines that a violation of this subsection warrants excluding a provider from participation for a specified period under title XVIII of the Social Security Act, the Office shall enforce a corresponding exclusion of such provider for purposes of this chapter.”

(2) in paragraph (3)(B)—

(A) by inserting “(i)” after “includes”; and

(B) by inserting before the period at the end the following: “, and (ii) the fee schedule

amounts and limiting charges for physicians' services established under section 1848 of such Act (42 U.S.C. 1395w-4) and the identity of participating physicians and suppliers who have in force agreements with such Secretary under section 1842(h) of such Act (42 U.S.C. 1395u(h))"; and

(3) by adding at the end the following:

"(4) The Director of the Office of Personnel Management shall certify, before the first day of the fifth month that begins before each contract year, that there is in effect an arrangement with the Secretary of Health and Human Services under which, before the beginning of the contract year—

"(A) physicians and suppliers (whether or not participating) under the Medicare program will be notified of the requirements of paragraph (1)(B);

"(B) enforcement procedures will be in place to carry out such paragraph (including enforcement of protections against overcharging of beneficiaries); and

"(C) Medicare program information described in paragraph (3)(B)(i) will be supplied to carriers under paragraph (3)(A)."

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply with respect to contract years beginning on or after January 1, 1995.

SEC. 10006. TEMPORARY EXTENSION OF METHOD FOR DETERMINING GOVERNMENT CONTRIBUTIONS UNDER FEHBP IN THE ABSENCE OF A GOVERNMENT-WIDE INDEMNITY BENEFIT PLAN.

(a) **IN GENERAL.**—Public Law 101-76 (5 U.S.C. 8906 note) is amended in subsection (a)(1) by striking "1993" and inserting "1998".

(b) **SENSE OF CONGRESS.**—It is the sense of the Congress that nothing in this section should be considered to reflect any view on the appropriateness, merits, or timing, or any other aspect of any comprehensive health care reform legislation.

Subtitle B—Postal Service

SEC. 10101. PAYMENTS TO BE MADE BY THE UNITED STATES POSTAL SERVICE.

(a) **RELATING TO CORRECTED CALCULATIONS FOR PAST RETIREMENT COLAS.**—In addition to any other payments required under section 8348(m) of title 5, United States Code, or any other provision of law, the United States Postal Service shall pay into the Civil Service Retirement and Disability Fund a total of \$693,000,000, of which—

(1) at least one-third shall be paid not later than September 30, 1995;

(2) at least two-thirds shall be paid not later than September 30, 1996; and

(3) any remaining balance shall be paid not later than September 30, 1997.

(b) **RELATING TO CORRECTED CALCULATIONS FOR PAST HEALTH BENEFITS.**—In addition to any other payments required under section 8906(g)(2) of title 5, United States Code, or any other provision of law, the United States Postal Service shall pay into the Employees Health Benefits Fund a total of \$348,000,000, of which—

(1) at least one-third shall be paid not later than September 30, 1995;

(2) at least two-thirds shall be paid not later than September 30, 1996; and

(3) any remaining balance shall be paid not later than September 30, 1997.

Subtitle C—Revenue Forgone Reform

SEC. 10201. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This subtitle may be cited as the "Revenue Forgone Reform Act".

(b) **TABLE OF CONTENTS.**—The table of contents for this subtitle is as follows:

Sec. 10201. Short title; table of contents.

Sec. 10202. References.

Sec. 10203. Repeal of authorization of appropriations for mail sent at reduced rates of postage.

Sec. 10204. Establishing reduced rates of postage.

Sec. 10205. Eligibility of certain mailings for reduced rates of postage.

Sec. 10206. Provisions relating to rates for books and certain other materials.

Sec. 10207. Sense of Congress.

Sec. 10208. Technical corrections.

SEC. 10202. REFERENCES.

Except as otherwise expressly provided, whenever in this subtitle an amendment or repeal is expressed in terms of an amendment to, or a repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of title 39, United States Code.

SEC. 10203. REPEAL OF AUTHORIZATION OF APPROPRIATIONS FOR MAIL SENT AT REDUCED RATES OF POSTAGE.

(a) **IN GENERAL.**—Section 2401(c) is amended—

(1) in the first sentence—

(A) by striking "if sections" through "had not been enacted" and inserting "if sections 3217 and 3403-3406 had not been enacted"; and

(2) in the second sentence—

(A) by striking "(i)"; and

(B) by striking "volume;" through "schedules." and inserting "volume.".

(b) **APPLICABILITY.**—The amendments made by subsection (a) shall apply with respect to appropriations for fiscal years beginning after September 30, 1993.

SEC. 10204. ESTABLISHING REDUCED RATES OF POSTAGE.

(a) **RATES.**—

(1) **IN GENERAL.**—Section 3626(a) is amended to read as follows:

"(a)(1) For the purpose of this subsection—

"(A) the term 'costs attributable', as used with respect to a class of mail or kind of mailer, means the direct and indirect postal costs attributable to such class of mail or kind of mailer (excluding any other costs of the Postal Service);

"(B) the term 'regular-rate category' means any class of mail or kind of mailer, other than a class or kind referred to in paragraph (2)(A) or section 2401(c); and

"(C) the term 'institutional-costs contribution', as used with respect to a class of mail or kind of mailer, means that portion of the estimated revenues to the Postal Service from such class of mail or kind of mailer which remains after subtracting an amount equal to the estimated costs attributable to such class of mail or kind of mailer.

"(2)(A) Except as provided in paragraph (3) or (4), rates of postage for a class of mail or kind of mailer under former section 4358, 4452(b), 4452(c), 4554(b), or 4554(c) of this title shall be established in a manner such that the estimated revenues to be received by the Postal Service from such class of mail or kind of mailer shall be equal to the sum of—

"(i) the estimated costs attributable to such class of mail or kind of mailer; and

"(ii) the product derived by multiplying the estimated costs referred to in clause (i) by the applicable percentage under subparagraph (B).

"(B) The applicable percentage for any class of mail or kind of mailer referred to in subparagraph (A) shall be the product derived by multiplying—

"(i) the percentage which, for the most closely corresponding regular-rate category, the institutional-costs contribution for such

category represents relative to the estimated costs attributable to such category of mail, times

"(ii)(I) one-twelfth, for fiscal year 1994;

"(II) one-sixth, for fiscal year 1995;

"(III) one-fourth, for fiscal year 1996;

"(IV) one-third, for fiscal year 1997;

"(V) five-twelfths, for fiscal year 1998; and

"(VI) one-half, for any fiscal year after fiscal year 1998.

"(C) For temporary special authority to permit the timely implementation of the preceding provisions of this paragraph, see section 3642.

"(D) For purposes of establishing rates of postage under this subchapter for any of the classes of mail or kinds of mailers referred to in subparagraph (A), subclauses (I) through (V) of subparagraph (B)(ii) shall be deemed amended by striking the fraction specified in each such subclause and inserting 'one-half'.

"(3) The rates for the advertising portion of any mail matter under former section 4358(d) or 4358(e) of this title shall be equal to the rates for the advertising portion of the most closely corresponding regular-rate category of mail, except that if the advertising portion does not exceed 10 percent of the issue of the publication involved, the advertising portion shall be subject to the same rates as apply to the nonadvertising portion.

"(4) The rates for any advertising under former section 4358(f) of this title shall be equal to 75 percent of the rates for advertising contained in the most closely corresponding regular-rate category of mail."

(2) **SPECIAL AUTHORITY.**—Subchapter III of chapter 36 is amended by adding at the end the following:

"§ 3642. Special authority relating to reduced-rate categories of mail

"(a) In order to permit the timely implementation of section 3626(a)(2), the Postal Service may establish temporary rates of postage for any class of mail or kind of mailer referred to in section 3626(a)(2)(A).

"(b) Any exercise of authority under this section shall be in conformance with the requirements of section 3626(a), subject to the following:

"(1) All 'attributable costs' and 'institutional-costs contributions' assumed shall be the same as those which were assumed for purposes of the then most recent proceedings under subchapter II pursuant to which rates of postage for the class of mail or kind of mailer involved were last adjusted.

"(2) Any temporary rate established under this section shall take effect upon such date as the Postal Service may determine, except that—

"(A) such a rate may take effect only after 10 days' notice in the Federal Register; and

"(B) no such rate may take effect after September 30, 1998.

"(3) A temporary rate under this section may remain in effect no longer than the last day of the fiscal year in which it first takes effect.

"(4) Authority under this section may not be exercised in a manner that would result in more than 1 change taking effect under this section, during the same fiscal year, in the rates of postage for a particular class of mail or kind of mailer, except as provided in paragraph (5).

"(5) Nothing in paragraph (4) shall prevent an adjustment under this section in rates for a class of mail or kind of mailer with respect to which any rates took effect under this section earlier in the same fiscal year if—

"(A) the rates established for such class of mail or kind of mailer by the earlier adjust-

ment are superseded by new rates established under subchapter II; and

"(B) authority under this paragraph has not previously been exercised with respect to such class of mail or kind of mailer based on the new rates referred to in subparagraph (A).

"(c) The Postal Service may prescribe any regulations which may be necessary to carry out this section, including provisions governing the coordination of adjustments under this section with any other adjustments under this title."

(3) TECHNICAL AND CONFORMING AMENDMENTS.—

(A) SECTION 3626.—Section 3626(i) is repealed.

(B) SECTION 3627.—

(i) IN GENERAL.—Section 3627 is amended—
(I) by striking "sent at a free or reduced rate under section 3217, 3403-3406, or 3626 of this title," and inserting "sent free of postage under section 3217 or 3403-3406"; and
(II) in the section heading by striking "and reduced".

(ii) TABLE OF CONTENTS.—The table of contents for chapter 36 is amended—

(I) by striking the item relating to section 3627 and inserting the following:
"3627. Adjusting free rates."; and

(II) by inserting after the item relating to section 3641 the following:
"3642. Special authority relating to reduced-rate categories of mail."

(b) AUTHORIZATION.—

(1) IN GENERAL.—Section 2401 is amended—
(A) by striking subsections (d) through (f);
(B) by redesignating subsections (g) through (i) as subsections (e) through (g), respectively;

(C) in subsection (f) (as so redesignated by subparagraph (B)) by striking the second sentence;

(D) in subsection (g) (as so redesignated by subparagraph (B)) by striking "subsections (b) and (d) of this section" and inserting "subsection (b)"; and

(E) by inserting after subsection (c) the following:

"(d) As reimbursement to the Postal Service for losses which it incurred as a result of insufficient amounts appropriated under section 2401(c) for fiscal years 1991 through 1993, and to compensate for the additional revenues it is estimated the Postal Service would have received under the provisions of section 3626(a), for the period beginning on October 1, 1993, and ending on September 30, 1998, if the fraction specified in subclause (VI) of section 3626(a)(2)(B)(i) were applied with respect to such period (instead of the respective fractions specified in subclauses (I) through (V) thereof), there are authorized to be appropriated to the Postal Service \$29,000,000 for each of fiscal years 1994 through 2035."

(2) RATEMAKING LIMITATIONS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), rates of postage may not be established, under subchapter II of chapter 36 of title 39, United States Code, in a manner designed to allow the United States Postal Service to receive through revenues any portion of the additional revenues referred to in section 2401(d) of such title, as amended by paragraph (1)(E) for which amounts are authorized to be appropriated under such section 2401(d).

(B) EXCEPTION.—If Congress fails to appropriate an amount authorized under section 2401(d) of title 39, United States Code (as amended by paragraph (1)(E)), rates for the

various classes of mail may be adjusted in accordance with the provisions of subchapter II of chapter 36 of such title (excluding section 3627 thereof) such that the resulting increase in revenues will equal the amount that Congress so failed to appropriate.

(c) APPLICABILITY.—

(1) RATES.—The amendments made by subsection (a) shall apply with respect to rates for mail sent after September 30, 1993.

(2) AUTHORIZATION.—The amendments made by subsection (b) shall apply with respect to appropriations for fiscal years beginning after September 30, 1993.

SEC. 10205. ELIGIBILITY OF CERTAIN MAILINGS FOR REDUCED RATES OF POSTAGE.

(a) ADVERTISING.—Section 3626(j)(1) is amended—

(1) in subparagraph (B) by striking "or" after the semicolon;

(2) in subparagraph (C) by striking the period and inserting "; or"; and

(3) by adding at the end the following:

"(D) any product or service (other than any to which subparagraph (A), (B), or (C) relates), if—

"(i) the sale of such product or the providing of such service is not substantially related (aside from the need, on the part of the organization promoting such product or service, for income or funds or the use it makes of the profits derived) to the exercise or performance by the organization of one or more of the purposes constituting the basis for the organization's authorization to mail at such rates; or

"(ii) the mail matter involved is part of a cooperative mailing (as defined under regulations of the Postal Service) with any person or organization not authorized to mail at the rates for mail under former section 4452(b) or 4452(c) of this title;

except that—

"(I) any determination under clause (i) that a product or service is not substantially related to a particular purpose shall be made under regulations which shall be prescribed by the Postal Service based on subsections (a) and (c) of section 513 of the Internal Revenue Code of 1986; and

"(II) clause (i) shall not apply if the product involved is a periodical publication described in subsection (m)(2) (including a subscription to receive any such publication)."

(b) PRODUCTS.—Section 3626 is amended by adding at the end the following:

"(m)(1) In the administration of this section, the rates for mail under former section 4452(b) or 4452(c) of this title shall not apply to mail consisting of products, unless such products—

"(A) were received by the organization as gifts or contributions; or

"(B) are low cost articles (as defined by section 513(h)(2) of the Internal Revenue Code of 1986).

"(2) Paragraph (1) shall not apply with respect to a periodical publication of a qualified nonprofit organization."

(c) CERTIFICATION; VERIFICATION.—Section 3626(j)(3) is amended—

(1) by striking "(3)" and inserting "(3)(A)"; and

(2) by adding at the end the following:

"(B) The Postal Service shall establish procedures to carry out this paragraph, including procedures for mailer certification of compliance with the conditions specified in paragraph (1)(D) or subsection (m), as applicable, and verification of such compliance."

(d) APPLICABILITY.—The amendments made by this section shall apply with respect to mail sent, and the rates for mail sent, after September 30, 1993.

SEC. 10206. PROVISIONS RELATING TO RATES FOR BOOKS AND CERTAIN OTHER MATERIALS.

(a) IN GENERAL.—Section 3683(b) is amended to read as follows:

"(b) The rates of postage under former section 4554(b)(1) of this title shall not be effective except with respect to mailings which—

"(1) constitute materials specified in former section 4554(b)(2) of this title; and
"(2) are sent between—

"(A) an institution, organization, or association listed in subparagraph (A) or (B) of such former section 4554(b)(1) and any other such institution, organization, or association;

"(B) an institution, organization, or association referred to in subparagraph (A) and any individual (other than an individual having a financial interest in the sale, promotion, or distribution of the materials involved); or

"(C) an institution, organization, or association referred to in subparagraph (A) and a qualified nonprofit organization (as defined in former section 4452(d) of this title) that is not such an institution, organization, or association."

(b) APPLICABILITY.—The amendment made by subsection (a) shall apply with respect to mail sent after September 30, 1993.

SEC. 10207. SENSE OF CONGRESS.

It is the sense of the Congress that any legislation, enacted after September 30, 1994, which would have the effect of expanding the classes of mail or kinds of mailers eligible for reduced rates of postage should provide for sufficient funding to ensure that neither any losses to the United States Postal Service nor any increase in the rates of postage for any of the other classes of mail or kinds of mailers will result.

SEC. 10208. TECHNICAL CORRECTIONS.

(a) SECTION 410.—Section 410(b) is amended—

(1) in paragraph (8) by striking "and" after the semicolon;

(2) in the first paragraph (9) by striking "Chapter" and inserting "chapter", and by striking the period and inserting "; and"; and

(3) by designating the second paragraph (9) as paragraph (10).

(b) SECTION 3202.—Section 3202(a) is amended—

(1) in paragraph (3) by adding "and" after the semicolon; and

(2) in paragraph (4) by striking "; and" and inserting a period.

(c) SECTION 3210.—The provisions of section 318(3) of Public Law 101-163 (103 Stat. 1068), which amended section 3210 of title 39, United States Code, shall be treated as if, as enacted, the reference in such provisions to "subparagraph (c)" had instead read "subparagraph (C)".

(d) SECTION 3601.—Section 3601(a) is amended by striking "concent" and inserting "content".

(e) SECTION 3625.—Section 3625(d) is amended by striking "section 3268" and inserting "section 3628".

(f) SECTION 3626.—Section 3626 is amended by redesignating the second subsection (k) as subsection (l).

TITLE XI—COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION

SEC. 11001. AVIATION FEES FOR SERVICES.

(a) IN GENERAL.—Section 313(f) of the Federal Aviation Act of 1958 (49 U.S.C. App. 1354(f)) is amended to read as follows:

"(f) FEES FOR SERVICES.—

"(1) IMPOSITION AND COLLECTION.—The following fees are imposed and shall be collected for services rendered:

“(A) AIRCRAFT REGISTRATION FEES.—
“(i) GENERAL RULE.—For registration of an aircraft, the fee to be collected from the owner of the aircraft in each fiscal year beginning after September 30, 1993, shall be determined under the following table:

If the maximum certificated gross weight of the aircraft is:	Amount of fee is:
Not over 3,500 pounds	\$40.00
Over 3,500 lbs. but not over 6,500 lbs	\$175.00
Over 6,500 lbs. but not over 10,000 lbs	\$500.00
Over 10,000 lbs. but not over 100,000 lbs	\$1,000.00
Over 100,000 lbs.	\$2,000.00.

If the ownership of the aircraft is also transferred in such fiscal year, the fee to be collected for registration of the aircraft in such fiscal year under this subparagraph, as determined from the table, shall be increased by such amount as the Administrator shall determine so that the average amount of the increase for all aircraft collected under this sentence in such fiscal year will be approximately \$200.00.

“(ii) EXEMPTIONS.—No fee shall be collected under this subparagraph for registration of an aircraft in a fiscal year if the aircraft—

“(I) is owned or operated by an air carrier exclusively to provide air transportation;

“(II) is owned by, or operated exclusively by or for, the United States Government;

“(III) is registered under a dealer's aircraft registration certificate issued under section 505 of this Act;

“(IV) is not originally certificated with an engine driven electrical system or has not subsequently been certified by the Administrator with such a system installed; or

“(V) is a balloon or glider.

“(B) DESIGNATION AS AVIATION MEDICAL EXAMINERS.—For designation of a person as an aviation medical examiner, the fee to be collected from such person in each fiscal year beginning after September 30, 1993, shall be \$500.

“(C) ISSUANCE OF CERTIFICATES TO PILOTS.—After September 30, 1993, the fee to be collected for issuance or renewal of an airman's certificate to a pilot shall be \$12. The fee shall be collected from each pilot at least once every 3 fiscal years.

“(2) CONTINUATION OF FEE FOR PROCESSING OF FORMS FOR MAJOR FUEL TANK ALTERATIONS.—

“(A) ESTABLISHMENT AND COLLECTION.—The Administrator may establish such fees as may be necessary to cover the costs associated with processing of forms for major repairs and alterations of fuel tanks and fuel systems of aircraft.

“(B) MAXIMUM AMOUNT.—The amount of any fee under this subsection with respect to processing of a form for a major repair or alteration of a fuel tank or fuel system of an aircraft may not exceed \$7.50. Such maximum amount shall be adjusted annually by the Administrator for changes in the Consumer Price Index of All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.

“(3) COLLECTION AND DEPOSIT IN TRUST FUND.—The amounts of all fees established by or under this subsection shall be collected by the Administrator, or the Secretary of the Treasury for the Administrator, and shall be deposited in the Airport and Airway Trust Fund.”

(b) CONFORMING AMENDMENT.—The portion of the table of contents contained in the first

section of such Act relating to section 313 is amended by striking

“(f) Processing fees.”,

and inserting

“(f) Fees for services.”.

SEC. 11002. RECREATIONAL USER FEES.

(a) IN GENERAL.—Section 210 of the Flood Control Act of 1968 (16 U.S.C. 460d-3) is amended—

(1) by striking “SEC. 210. No entrance” and inserting the following:

“SEC. 210. RECREATIONAL USER FEES.

“(a) PROHIBITION ON ADMISSIONS FEES.—No entrance”;

(2) by striking the second sentence; and

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

“(b) FEES FOR USE OF DEVELOPED RECREATION SITES AND FACILITIES.—

“(1) ESTABLISHMENT AND COLLECTION.—Notwithstanding section 4(b) of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 4601-6a(b)), the Secretary of the Army is authorized, subject to paragraphs (2) and (3), to establish and collect fees for the use of developed recreation sites and facilities, including campsites, swimming beaches, and boat launching ramps.

“(2) EXEMPTION OF CERTAIN FACILITIES.—The Secretary shall not establish or collect fees under this subsection for the use or provision of drinking water, wayside exhibits, general purpose roads, overlook sites, picnic tables, toilet facilities, surface water areas, undeveloped or lightly developed shoreland, or general visitor information.

“(3) PER VEHICLE LIMIT.—The fee under this subsection for use of a site or facility (other than an overnight camping site or facility or any other site or facility at which a fee is charged for use of the site or facility as of the date of the enactment of this paragraph) for persons entering the site or facility by private, noncommercial vehicle shall not exceed \$3 per day per vehicle. Such maximum amount may be adjusted annually by the Secretary for changes in the Consumer Price Index of All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.

“(4) DEPOSIT INTO TREASURY ACCOUNT.—All fees collected under this subsection shall be deposited into the Treasury account for the Corps of Engineers established by section 4(i) of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 4601-6a(i)).”.

(b) CONFORMING AMENDMENT FOR CAMPSITES.—Section 4(b) of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 4601-6a(b)) is amended by striking the next to the last sentence.

TITLE XII—COMMITTEE ON VETERANS AFFAIRS

SEC. 12001. SHORT TITLE.

This title may be cited as the “Veterans Reconciliation Act of 1993”.

SEC. 12002. EXTENSION OF AUTHORITY TO REQUIRE THAT CERTAIN VETERANS AGREE TO MAKE COPAYMENTS IN EXCHANGE FOR RECEIVING HEALTH-CARE BENEFITS.

(a) HOSPITAL AND MEDICAL CARE.—Section 8013(e) of the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508; 38 U.S.C. 1710 note) is amended—

(1) by striking out “September 30, 1992” in the first sentence and inserting in lieu thereof “September 30, 1998”; and

(2) by striking out the second sentence.

(b) OUTPATIENT MEDICATIONS.—Section 1722A(c) of title 38, United States Code, is amended—

(1) by striking out “September 30, 1992” in the first sentence and inserting in lieu thereof “September 30, 1998”; and

(2) by striking out the second sentence.

SEC. 12003. EXTENSION OF AUTHORITY FOR MEDICAL CARE COST RECOVERY.

(a) IN GENERAL.—Section 1729(a) of title 38, United States Code, is amended—

(1) in paragraph (1), by striking out “non-service-connected”; and

(2) in paragraph (2)—

(A) by inserting “disability and, during the period before October 1, 1998, to a service-connected” after “non-service-connected” in the matter preceding subparagraph (A); and

(B) by striking out “before August 1, 1994,” in subparagraph (E) and inserting in lieu thereof “before October 1, 1998.”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply with respect to care and services furnished under chapter 17 of title 38, United States Code, after September 30, 1993.

SEC. 12004. EXTENSION OF AUTHORITY FOR CERTAIN INCOME VERIFICATION PROVISIONS UNDER THE OMNIBUS BUDGET RECONCILIATION ACT OF 1990.

(a) AUTHORITY FOR SECRETARY OF VETERANS AFFAIRS TO OBTAIN INFORMATION.—Section 5317(g) of title 38, United States Code, is amended by striking out “September 30, 1997” and inserting in lieu thereof “September 30, 1998”.

(b) AUTHORITY FOR SECRETARY OF TREASURY TO PROVIDE INFORMATION.—Subparagraph (D) of section 6103(1)(7) of the Internal Revenue Code of 1986 is amended by striking out “September 30, 1997” in the last sentence and inserting in lieu thereof “September 30, 1998”.

SEC. 12005. EXTENSION OF LIMITATION ON PENSION FOR CERTAIN RECIPIENTS OF MEDICAID-COVERED NURSING HOME CARE.

Section 5503(f)(7) of title 38, United States Code, is amended by striking out “September 30, 1997” and inserting in lieu thereof “September 30, 1998”.

SEC. 12006. DENIAL OF FISCAL YEAR 1994 COST-OF-LIVING ADJUSTMENT FOR CERTAIN DIC RECIPIENTS.

During fiscal year 1994, no increase may be provided in the rates of dependency and indemnity compensation in effect under section 1311(a)(3) of title 38, United States Code.

SEC. 12007. EXTENSION OF PROCEDURES APPLICABLE TO LIQUIDATION SALES ON DEFAULTED HOME LOANS GUARANTEED BY THE DEPARTMENT OF VETERANS AFFAIRS.

(a) INCLUSION OF LOSSES.—Section 3732(c) of title 38, United States Code, is amended—

(1) in paragraph (1)(C), by striking out “resale,” and inserting in lieu thereof “resale (including losses sustained on the resale of the property);”; and

(2) in paragraph (11), by striking out “December 31, 1992” and inserting in lieu thereof “September 30, 1998”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a)(1) shall apply to all liquidation sales occurring on or after October 1, 1993.

SEC. 12008. INCREASE IN HOME LOAN FEES.

Paragraph (6) of section 3729(a) of title 38, United States Code, is amended to read as follows:

“(6) With respect to a loan closed after September 30, 1993, and before October 1, 1998, for which a fee is collected under paragraph (1), the amount of such fee, as computed under paragraph (2), shall be increased by 0.75 percent of the total loan amount other than in the case of a loan described in subparagraph (A), (D)(ii), or (E) of paragraph (2).”.

SEC. 12009. REDUCTION OF FISCAL YEAR 1994 COST-OF-LIVING ADJUSTMENT FOR MONTGOMERY GI BILL BENEFITS.

(a) BENEFITS PAYABLE UNDER CHAPTER 30.—Section 3015(g)(1) of title 38, United States Code, is amended by inserting "less one percentage point" after "June 30, 1993."

(b) BENEFITS PAYABLE UNDER SELECTED RESERVE PROGRAM.—Section 2131(b)(2)(A) of title 10, United States Code, is amended by inserting "less one percentage point" after "June 30, 1993."

(c) TECHNICAL AMENDMENTS.—(1) Section 301(c) of Public Law 102-568 (106 Stat. 4326) is amended by striking out "Section 3015(f)" and inserting in lieu thereof "Section 3015(g) (as redesignated by section 307(a)(1))."

(2) Section 307(a) of such Public Law (106 Stat. 4328) is amended by striking out "(as amended by section 301)".

(3) The amendments made by paragraphs (1) and (2) shall apply as if included in the enactment of Public Law 102-568.

SEC. 12010. LIMITATION ON CHILDREN ELIGIBLE FOR SURVIVORS' AND DEPENDENTS' EDUCATIONAL ASSISTANCE.

(a) REVISION IN DEFINITION OF CHILDREN ELIGIBLE.—Section 3501(a)(2) of title 38, United States Code, is amended by inserting ", but does not include an individual who is not the natural or legally adopted child of the parent from whom eligibility under this chapter is derived" before the period at the end.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) does not apply with respect to any individual who, before October 1, 1993, files an original application for educational assistance under chapter 35 of title 38, United States Code.

TITLE XIII—COMMITTEE ON WAYS AND MEANS—SAVINGS

Subtitle A—Old-Age, Survivors, and Disability Insurance Program

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- Sec. 13004. Authorization for all States to extend coverage to State and local policemen and firemen under existing coverage agreements.
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Sec. 13015. Allocations to Federal Disability Insurance Trust Fund.

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Sec. 13019. Prohibition of misuse of Department of the Treasury names, symbols, etc.

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SEC. 13001. EXPLICIT REQUIREMENTS FOR MAINTENANCE OF TELEPHONE ACCESS TO LOCAL OFFICES OF THE SOCIAL SECURITY ADMINISTRATION.

(a) MAINTENANCE OF SERVICE TO LOCAL OFFICES.—

(1) IN GENERAL.—Section 5110(a) of the Omnibus Budget Reconciliation Act of 1990 (104 Stat. 1388-272) is amended by adding at the end the following new sentence: "In carrying out the requirements of the preceding sentence, the Secretary shall reestablish and maintain in service at least the same number of telephone lines to each such local office as was in place as of such date, including telephone sets for connections to such lines."

(2) EFFECTIVE DATE.—The Secretary of Health and Human Services shall ensure that the requirements of the amendment made by paragraph (1) are carried out no later than 90 days after the date of the enactment of this Act.

(3) GAO REPORT.—The Comptroller General of the United States shall make an independent determination of the number of telephone lines to each local office of the Social Security Administration which are in place as of 90 days after the enactment of this Act and shall report his findings to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate no later than 150 days after the date of the enactment of this Act.

(b) MAINTENANCE OF TOLL-FREE TELEPHONE NUMBER SERVICE.—The Secretary of Health and Human Services shall ensure that toll-free telephone service provided by the Social Security Administration is maintained at a level which is at least equal to that in effect on the date of the enactment of this Act.

SEC. 13002. EXPANSION OF STATE OPTION TO EXCLUDE SERVICE OF ELECTION OFFICIALS OR ELECTION WORKERS FROM COVERAGE.

(a) LIMITATION ON MANDATORY COVERAGE OF STATE ELECTION OFFICIALS AND ELECTION WORKERS WITHOUT STATE RETIREMENT SYSTEM.—

(1) AMENDMENT TO SOCIAL SECURITY ACT.—Section 210(a)(7)(F)(iv) of the Social Security Act (42 U.S.C. 410(a)(7)(F)(iv)) (as amended by section 11332(a) of the Omnibus Budget Reconciliation Act of 1990) is amended by striking "\$100" and inserting "\$1,000 with respect to service performed during 1994, and the adjusted amount determined under section

218(c)(8)(B) for any subsequent year with respect to service performed during such subsequent year".

(2) AMENDMENT TO FICA.—Section 3121(b)(7)(F)(iv) of the Internal Revenue Code of 1986 (as amended by section 11332(b) of the Omnibus Budget Reconciliation Act of 1990) is amended by striking "\$100" and inserting "\$1,000 with respect to service performed during 1994, and the adjusted amount determined under section 218(c)(8)(B) of the Social Security Act for any subsequent year with respect to service performed during such subsequent year".

(b) CONFORMING AMENDMENTS RELATING TO MEDICARE QUALIFIED GOVERNMENT EMPLOYMENT.—

(1) AMENDMENT TO SOCIAL SECURITY ACT.—Section 210(p)(2)(E) of the Social Security Act (42 U.S.C. 410(p)(2)(E)) is amended by striking "\$100" and inserting "\$1,000 with respect to service performed during 1994, and the adjusted amount determined under section 218(c)(8)(B) for any subsequent year with respect to service performed during such subsequent year".

(2) AMENDMENT TO FICA.—Section 3121(u)(2)(B)(ii)(V) of the Internal Revenue Code of 1986 is amended by striking "\$100" and inserting "\$1,000 with respect to service performed during 1994, and the adjusted amount determined under section 218(c)(8)(B) of the Social Security Act for any subsequent year with respect to service performed during such subsequent year".

(c) AUTHORITY FOR STATES TO MODIFY COVERAGE AGREEMENTS WITH RESPECT TO ELECTION OFFICIALS AND ELECTION WORKERS.—Section 218(c)(8) of the Social Security Act (42 U.S.C. 418(c)(8)) is amended—

(1) by striking "on or after January 1, 1968," and inserting "at any time";

(2) by striking "\$100" and inserting "\$1,000 with respect to service performed during 1994, and the adjusted amount determined under subparagraph (B) for any subsequent year with respect to service performed during such subsequent year"; and

(3) by striking the last sentence and inserting the following new sentence: "Any modification of an agreement pursuant to this paragraph shall be effective with respect to services performed in and after the calendar year in which the modification is mailed or delivered by other means to the Secretary."

(d) INDEXATION OF EXEMPT AMOUNT.—Section 218(c)(8) of such Act (as amended by subsection (c)) is further amended—

(1) by inserting "(A)" after "(8)"; and

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

"(B) For each year after 1994, the Secretary shall adjust the amount referred to in subparagraph (A) at the same time and in the same manner as is provided under section 215(a)(1)(B)(ii) with respect to the amounts referred to in section 215(a)(1)(B)(i), except that—

"(i) for purposes of this subparagraph, 1992 shall be substituted for the calendar year referred to in section 215(a)(1)(B)(ii)(II), and

"(ii) such amount as so adjusted, if not a multiple of \$100, shall be rounded to the next higher multiple of \$100 where such amount is a multiple of \$50 and to the nearest multiple of \$100 in any other case.

The Secretary shall determine and publish in the Federal Register each adjusted amount determined under this subparagraph not later than November 1 preceding the year for which the adjustment is made."

(e) EFFECTIVE DATE.—The amendments made by subsections (a), (b), and (c) shall apply with respect to service performed on or after January 1, 1994.

SEC. 13003. USE OF SOCIAL SECURITY NUMBERS BY STATES AND LOCAL GOVERNMENTS AND FEDERAL DISTRICT COURTS FOR JURY SELECTION PURPOSES.

(a) IN GENERAL.—Section 205(c)(2) of the Social Security Act (42 U.S.C. 405(c)(2)) is amended—

(1) in subparagraph (B)(i), by striking "(E)" in the matter preceding subclause (I) and inserting "(F)";

(2) by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively; and

(3) by inserting after subparagraph (D) the following:

"(E)(i) It is the policy of the United States that—

"(I) any State (or any political subdivision of a State) may utilize the social security account numbers issued by the Secretary for the additional purposes described in clause (ii) if such numbers have been collected and are otherwise utilized by such State (or political subdivision) in accordance with applicable law, and

"(II) any district court of the United States may use, for such additional purposes, any such social security account numbers which have been so collected and are so utilized by any State.

"(ii) The additional purposes described in this clause are the following:

"(I) identifying duplicate names of individuals on master lists used for jury selection purposes, and

"(II) identifying on such master lists those individuals who are ineligible to serve on a jury by reason of their conviction of a felony.

"(iii) To the extent that any provision of Federal law enacted before the date of the enactment of this subparagraph is inconsistent with the policy set forth in clause (i), such provision shall, on and after that date, be null, void, and of no effect.

"(iv) For purposes of this subparagraph, the term 'State' has the meaning such term has in subparagraph (D)."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 13004. AUTHORIZATION FOR ALL STATES TO EXTEND COVERAGE TO STATE AND LOCAL POLICEMEN AND FIREMEN UNDER EXISTING COVERAGE AGREEMENTS.

(a) IN GENERAL.—Section 218(1) of the Social Security Act (42 U.S.C. 418(1)) is amended—

(1) in paragraph (1), by striking "(1)" after "(1)", and by striking "the State of" and all that follows through "prior to the date of enactment of this subsection" and inserting "a State entered into pursuant to this section"; and

(2) by striking paragraph (2).

(b) CONFORMING AMENDMENT.—Section 218(d)(8)(D) of such Act (42 U.S.C. 418(d)(8)(D)) is amended by striking "agreements with the States named in" and inserting "State agreements modified as provided in".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to modifications filed by States after the date of the enactment of this Act.

SEC. 13005. LIMITED EXEMPTION FOR CANADIAN MINISTERS FROM CERTAIN SELF-EMPLOYMENT TAX LIABILITY.

(a) IN GENERAL.—Notwithstanding any other provision of law, if—

(1) an individual performed services described in section 1402(c)(4) of the Internal Revenue Code of 1986 which are subject to tax under section 1401 of such Code,

(2) such services were performed in Canada at a time when no agreement between the United States and Canada pursuant to section 233 of the Social Security Act was in effect, and

(3) such individual was required to pay contributions on the earnings from such services under the social insurance system of Canada, then such individual may file a certificate under this section in such form and manner, and with such official, as may be prescribed in regulations issued under chapter 2 of such Code. Upon the filing of such certificate, notwithstanding any judgment which has been entered to the contrary, such individual shall be exempt from payment of such tax with respect to services described in paragraphs (1) and (2) and from any penalties or interest for failure to pay such tax or to file a self-employment tax return as required under section 6017 of such Code.

(b) PERIOD FOR FILING.—A certificate referred to in subsection (a) may be filed only during the 180-day period commencing with the date on which the regulations referred to in subsection (a) are issued.

(c) TAXABLE YEARS AFFECTED BY CERTIFICATE.—A certificate referred to in subsection (a) shall be effective for taxable years ending after December 31, 1978, and before January 1, 1985.

(d) RESTRICTION ON CREDITING OF EXEMPT SELF-EMPLOYMENT INCOME.—In any case in which an individual is exempt under this section from paying a tax imposed under section 1401 of the Internal Revenue Code of 1986, any income on which such tax would have been imposed but for such exemption shall not constitute self-employment income under section 211(b) of the Social Security Act (42 U.S.C. 411(b)), and, if such individual's primary insurance amount has been determined under section 215 of such Act (42 U.S.C. 415), notwithstanding section 215(f)(1) of such Act, the Secretary of Health and Human Services shall recompute such primary insurance amount so as to take into account the provisions of this subsection. The recomputation under this subsection shall be effective with respect to benefits for months following approval of the certificate of exemption.

SEC. 13006. EXCLUSION OF TOTALIZATION BENEFITS FROM THE APPLICATION OF THE WINDFALL ELIMINATION PROVISION.

(a) IN GENERAL.—Section 215(a)(7) of the Social Security Act (42 U.S.C. 415(a)(7)) is amended—

(1) in subparagraph (A), by striking "but excluding" and all that follows through "1937" and inserting "but excluding (I) a payment under the Railroad Retirement Act of 1974 or 1937, and (II) a payment by a social security system of a foreign country based on an agreement concluded between the United States and such foreign country pursuant to section 233"; and

(2) in subparagraph (E), by inserting after "in the case of an individual" the following: "whose eligibility for old-age or disability insurance benefits is based on an agreement concluded pursuant to section 233 or an individual".

(b) CONFORMING AMENDMENT RELATING TO BENEFITS UNDER 1939 ACT.—Section 215(d)(3) of such Act (42 U.S.C. 415(d)(3)) is amended by striking "but excluding" and all that follows through "1937" and inserting "but excluding (I) a payment under the Railroad Retirement Act of 1974 or 1937, and (II) a payment by a social security system of a foreign country based on an agreement concluded between the United States and such foreign country pursuant to section 233".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply (notwithstanding section 215(f)(1) of the Social Security Act (42 U.S.C. 415(f)(1))) with respect to benefits payable for months after October 1993.

SEC. 13007. EXCLUSION OF MILITARY RESERVISTS FROM APPLICATION OF THE GOVERNMENT PENSION OFFSET AND WINDFALL ELIMINATION PROVISIONS.

(a) EXCLUSION FROM GOVERNMENT PENSION OFFSET PROVISIONS.—Subsections (b)(4), (c)(2), (e)(7), (f)(2), and (g)(4) of section 202 of the Social Security Act (42 U.S.C. 402 (b)(4), (c)(2), (e)(7), (f)(2), and (g)(4)) are each amended—

(1) in subparagraph (A)(ii), by striking "unless subparagraph (B) applies";

(2) in subparagraph (A), by striking "The" in the matter following clause (ii) and inserting "unless subparagraph (B) applies. The"; and

(3) in subparagraph (B), by redesignating the existing matter as clause (ii), and by inserting before such clause (ii) (as so redesignated) the following:

"(B)(i) Subparagraph (A)(i) shall not apply with respect to monthly periodic benefits based wholly on service as a member of a uniformed service (as defined in section 210(m))."

(b) EXCLUSION FROM WINDFALL ELIMINATION PROVISIONS.—Section 215(a)(7)(A) of such Act (as amended by section 13006(a) of this Act) and section 215(d)(3) of such Act (as amended by section 13006(b) of this Act) are each further amended—

(1) by striking "and" before "(II)"; and

(2) by striking "section 233" and inserting "section 233, and (III) a payment based wholly on service as a member of a uniformed service (as defined in section 210(m))".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply (notwithstanding section 215(f) of the Social Security Act) with respect to benefits payable for months after October 1993.

SEC. 13008. REPEAL OF THE FACILITY-OF-PAYMENT PROVISION.

(a) REPEAL OF RULE PRECLUDING REDISTRIBUTION UNDER FAMILY MAXIMUM.—Section 203(i) of the Social Security Act (42 U.S.C. 403(i)) is repealed.

(b) COORDINATION UNDER FAMILY MAXIMUM OF REDUCTION IN BENEFICIARY'S AUXILIARY BENEFITS WITH SUSPENSION OF AUXILIARY BENEFITS OF OTHER BENEFICIARY UNDER EARNINGS TEST.—Section 203(a)(4) of such Act (42 U.S.C. 403(a)(4)) is amended by striking "section 222(b). Whenever" and inserting the following: "section 222(b). Notwithstanding the preceding sentence, any reduction under this subsection in the case of an individual who is entitled to a benefit under subsection (b), (c), (d), (e), (f), (g), or (h) of section 202 for any month on the basis of the same wages and self-employment income as another person—

"(A) who also is entitled to a benefit under subsection (b), (c), (d), (e), (f), (g), or (h) of section 202 for such month,

"(B) who does not live in the same household as such individual, and

"(C) whose benefit for such month is suspended (in whole or in part) pursuant to subsection (h)(3) of this section, shall be made before the suspension under subsection (h)(3). Whenever".

(c) CONFORMING AMENDMENT APPLYING EARNINGS REPORTING REQUIREMENT DESPITE SUSPENSION OF BENEFITS.—The third sentence of section 203(h)(1)(A) of such Act (42 U.S.C. 403(h)(1)(A)) is amended by striking

"Such report need not be made" and all that follows through "The Secretary may grant" and inserting the following: "Such report need not be made for any taxable year—

"(i) beginning with or after the month in which such individual attained age 70, or

"(ii) if benefit payments for all months (in such taxable year) in which such individual is under age 70 have been suspended under the provisions of the first sentence of paragraph (3) of this subsection, unless—

"(I) such individual is entitled to benefits under subsection (b), (c), (d), (e), (f), (g), or (h) of section 202,

"(II) such benefits are reduced under subsection (a) of this section for any month in such taxable year, and

"(III) in any such month there is another person who also is entitled to benefits under subsection (b), (c), (d), (e), (f), (g), or (h) of section 202 on the basis of the same wages and self-employment income and who does not live in the same household as such individual.

The Secretary may grant".

(d) CONFORMING AMENDMENT DELETING SPECIAL INCOME TAX TREATMENT OF BENEFITS NO LONGER REQUIRED BY REASON OF REPEAL.—Section 86(d)(1) of the Internal Revenue Code of 1986 (relating to income tax on social security benefits) is amended by striking the last sentence.

(e) EFFECTIVE DATES.—

(1) The amendments made by subsections (a), (b), and (c) shall apply with respect to benefits payable for months after December 1994.

(2) The amendment made by subsection (d) shall apply with respect to benefits received after December 31, 1994, in taxable years ending after such date.

SEC. 13009. MAXIMUM FAMILY BENEFITS IN GUARANTEE CASES.

(a) IN GENERAL.—Section 203(a) of the Social Security Act (42 U.S.C. 403(a)) is amended by adding at the end the following new paragraph:

"(10)(A) Subject to subparagraphs (B) and (C)—

"(i) the total monthly benefits to which beneficiaries may be entitled under sections 202 and 223 for a month on the basis of the wages and self-employment income of an individual whose primary insurance amount is computed under section 215(a)(2)(B)(i) shall equal the total monthly benefits which were authorized by this section with respect to such individual's primary insurance amount for the last month of his prior entitlement to disability insurance benefits, increased for this purpose by the general benefit increases and other increases under section 215(i) that would have applied to such total monthly benefits had the individual remained entitled to disability insurance benefits until the month in which he became entitled to old-age insurance benefits or reentitled to disability insurance benefits or died, and

"(ii) the total monthly benefits to which beneficiaries may be entitled under sections 202 and 223 for a month on the basis of the wages and self-employment income of an individual whose primary insurance amount is computed under section 215(a)(2)(C) shall equal the total monthly benefits which were authorized by this section with respect to such individual's primary insurance amount for the last month of his prior entitlement to disability insurance benefits.

"(B) In any case in which—

"(1) the total monthly benefits with respect to such individual's primary insurance amount for the last month of his prior entitlement to disability insurance benefits was computed under paragraph (6), and

"(ii) the individual's primary insurance amount is computed under subparagraph (B)(i) or (C) of section 215(a)(2) by reason of the individual's entitlement to old-age insurance benefits or death,

the total monthly benefits shall equal the total monthly benefits that would have been authorized with respect to the primary insurance amount for the last month of his prior entitlement to disability insurance benefits if such total monthly benefits had been computed without regard to paragraph (6).

"(C) This paragraph shall apply before the application of paragraph (3)(A), and before the application of section 203(a)(1) of this Act as in effect in December 1978."

(b) CONFORMING AMENDMENT.—Section 203(a)(8) of such Act (42 U.S.C. 403(a)(8)) is amended by striking "Subject to paragraph (7)," and inserting "Subject to paragraph (7) and except as otherwise provided in paragraph (10)(C)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply for the purpose of determining the total monthly benefits to which beneficiaries may be entitled under sections 202 and 223 of the Social Security Act based on the wages and self-employment income of an individual who—

(1) becomes entitled to an old-age insurance benefit under section 202(a) of such Act,

(2) becomes reentitled to a disability insurance benefit under section 223 of such Act, or

(3) dies,

after October 1993.

SEC. 13010. AUTHORIZATION FOR DISCLOSURE BY THE SECRETARY OF HEALTH AND HUMAN SERVICES OF INFORMATION FOR PURPOSES OF PUBLIC OR PRIVATE EPIDEMIOLOGICAL AND SIMILAR RESEARCH.

(a) IN GENERAL.—Section 1106 of the Social Security Act (42 U.S.C. 1306) is amended—

(1) by redesignating subsections (d) and (e) as subsections (e) and (f), respectively;

(2) in subsection (f) (as so redesignated), by striking "subsection (d)" and inserting "subsection (e)"; and

(3) by inserting after subsection (c) the following new subsection:

"(d) Notwithstanding any other provision of this section, in any case in which—

"(1) information regarding whether an individual is shown on the records of the Secretary as being alive or deceased is requested from the Secretary for purposes of epidemiological or similar research which the Secretary finds may reasonably be expected to contribute to a national health interest, and

"(2) the requester agrees to reimburse the Secretary for providing such information and to comply with limitations on safeguarding and rerelease or redisclosure of such information as may be specified by the Secretary,

the Secretary shall comply with such request, except to the extent that compliance with such request would constitute a violation of the terms of any contract entered into under section 205(r)."

(b) AVAILABILITY OF INFORMATION RETURNS REGARDING WAGES PAID EMPLOYEES.—Section 6103(1)(5) of the Internal Revenue Code of 1986 (relating to disclosure of returns and return information to the Department of Health and Human Services for purposes other than tax administration) is amended—

(1) by striking "for the purpose of" and inserting "for the purpose of—";

(2) by striking "carrying out, in accordance with an agreement" and inserting the following:

"(A) carrying out, in accordance with an agreement";

(3) by striking "program." and inserting "program; or"; and

(4) by adding at the end the following new subparagraph:

"(B) providing information regarding the mortality status of individuals for epidemiological and similar research in accordance with section 1106(d) of the Social Security Act."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to requests for information made after the date of the enactment of this Act.

SEC. 13011. IMPROVEMENT AND CLARIFICATION OF PROVISIONS PROHIBITING MISUSE OF SYMBOLS, EMBLEMS, OR NAMES IN REFERENCE TO SOCIAL SECURITY PROGRAMS AND AGENCIES.

(a) PROHIBITION OF UNAUTHORIZED REPRODUCTION, REPRINTING, OR DISTRIBUTION FOR FEE OF CERTAIN OFFICIAL PUBLICATIONS.—Section 1140(a) of the Social Security Act (42 U.S.C. 1320b-10(a)) is amended—

(1) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively;

(2) by inserting "(1)" after "(a)"; and

(3) by adding at the end the following new paragraph:

"(2) No person may, for a fee, reproduce, reprint, or distribute any item consisting of a form, application, or other publication of the Social Security Administration unless such person has obtained specific, written authorization for such activity in accordance with regulations which the Secretary shall prescribe."

(b) ADDITION TO PROHIBITED WORDS, LETTERS, SYMBOLS, AND EMBLEMS.—Paragraph (1) of section 1140(a) of such Act (as redesignated by subsection (a)) is further amended—

(1) in subparagraph (A) (as redesignated), by striking "Administration", the letters "SSA" or "HCFA", and inserting "Administration", "Department of Health and Human Services", "Health and Human Services", "Supplemental Security Income Program", or "Medicaid", the letters "SSA", "HCFA", "DHHS", "HHS", or "SSI"; and

(2) in subparagraph (B) (as redesignated), by striking "Social Security Administration" each place it appears and inserting "Social Security Administration, Health Care Financing Administration, or Department of Health and Human Services", and by striking "or of the Health Care Financing Administration".

(c) EXEMPTION FOR USE OF WORDS, LETTERS, SYMBOLS, AND EMBLEMS OF STATE AND LOCAL GOVERNMENT AGENCIES BY SUCH AGENCIES.—Paragraph (1) of section 1140(a) of such Act (as redesignated by subsection (a)) is further amended by adding at the end the following new sentence: "The preceding provisions of this subsection shall not apply with respect to the use by any agency or instrumentality of a State or political subdivision of a State of any words or letters which identify an agency or instrumentality of such State or of a political subdivision of such State or the use by any such agency or instrumentality of any symbol or emblem of an agency or instrumentality of such State or a political subdivision of such State."

(d) INCLUSION OF REASONABLENESS STANDARD.—Section 1140(a)(1) of such Act (as amended by the preceding provisions of this section) is further amended, in the matter following subparagraph (B) (as redesignated), by striking "convey" and inserting "convey, or in a manner which reasonably could be interpreted or construed as conveying."

(e) INEFFECTIVENESS OF DISCLAIMERS.—Subsection (a) of section 1140 of such Act (as amended by the preceding provisions of this

section) is further amended by adding at the end the following new paragraph:

"(3) Any determination of whether the use of one or more words, letters, symbols, or emblems (or any combination or variation thereof) in connection with an item described in paragraph (1) or the reproduction, reprinting, or distribution of an item described in paragraph (2) is a violation of this subsection shall be made without regard to any inclusion in such item (or any so reproduced, reprinted, or distributed copy thereof) of a disclaimer of affiliation with the United States Government or any particular agency or instrumentality thereof."

(f) VIOLATIONS WITH RESPECT TO INDIVIDUAL ITEMS.—Section 1140(b)(1) of such Act (42 U.S.C. 1320b-10(b)(1)) is amended by adding at the end the following new sentence: "In the case of any items referred to in subsection (a)(1) consisting of pieces of mail, each such piece of mail which contains one or more words, letters, symbols, or emblems in violation of subsection (a) shall represent a separate violation. In the case of any item referred to in subsection (a)(2), the reproduction, reprinting, or distribution of such item shall be treated as a separate violation with respect to each copy thereof so reproduced, reprinted, or distributed."

(g) ELIMINATION OF CAP ON AGGREGATE LIABILITY AMOUNT.—

(1) REPEAL.—Paragraph (2) of section 1140(b) of such Act (42 U.S.C. 1320b-10(b)(2)) is repealed.

(2) CONFORMING AMENDMENTS.—Section 1140(b) of such Act is further amended—

(A) by striking "(1) Subject to paragraph (2), the" and inserting "The";

(B) by redesignating subparagraphs (A) and (B) as paragraphs (1) and (2), respectively; and

(C) in paragraph (1) (as redesignated), by striking "subparagraph (B)" and inserting "paragraph (2)".

(h) REMOVAL OF FORMAL DECLINATION REQUIREMENT.—Section 1140(c)(1) of such Act (42 U.S.C. 1320b-10(c)(1)) is amended by inserting "and the first sentence of subsection (c)" after "and (1)".

(i) PENALTIES RELATING TO SOCIAL SECURITY ADMINISTRATION DEPOSITED IN OASI TRUST FUND.—Section 1140(c)(2) of such Act (42 U.S.C. 1320b-10(c)(2)) is amended in the second sentence by striking "United States," and inserting "United States, except that, to the extent that such amounts are recovered under this section as penalties imposed for misuse of words, letters, symbols, or emblems relating to the Social Security Administration, such amounts shall be deposited into the Federal Old-Age and Survivor's Insurance Trust Fund."

(j) ENFORCEMENT.—Section 1140 of such Act (42 U.S.C. 1320b-10) is amended by adding at the end the following new subsection:

"(d) The preceding provisions of this section shall be enforced through the Office of Inspector General of the Department of Health and Human Services."

(k) ANNUAL REPORTS.—Section 1140 of such Act (as amended by the preceding provisions of this section) is further amended by adding at the end the following new subsection:

"(e) The Secretary shall include in the annual report submitted pursuant to section 704 a report on the operation of this section during the year covered by such annual report. Such report shall specify—

"(1) the number of complaints of violations of this section received by the Social Security Administration during the year,

"(2) the number of cases in which a notice of violation of this section was sent by the

Social Security Administration during the year requesting that an individual cease activities in violation of this section,

"(3) the number of complaints of violations of this section referred by the Social Security Administration to the Inspector General in the Department of Health and Human Services during the year,

"(4) the number of investigations of violations of this section undertaken by the Inspector General during the year,

"(5) the number of cases in which a demand letter was sent during the year assessing a civil money penalty under this section,

"(6) the total amount of civil money penalties assessed under this section during the year,

"(7) the number of requests for hearings filed during the year pursuant to subsection (c)(1) of this section and section 1128A(c)(2),

"(8) the disposition during such year of hearings filed pursuant to sections 1140(c)(1) and 1128A(c)(2), and

"(9) the total amount of civil money penalties under this section deposited into the Federal Old-Age and Survivors Insurance Trust Fund during the year."

(1) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to violations occurring after the date of the enactment of this Act.

SEC. 13012. INCREASED PENALTIES FOR UNAUTHORIZED DISCLOSURE OF SOCIAL SECURITY INFORMATION.

(a) UNAUTHORIZED DISCLOSURE.—Section 1106(a) of the Social Security Act (42 U.S.C. 1306(a)) is amended—

(1) by striking "misdemeanor" and inserting "felony";

(2) by striking "\$1,000" and inserting "\$10,000 for each occurrence of a violation"; and

(3) by striking "one year" and inserting "5 years".

(b) UNAUTHORIZED DISCLOSURE BY FRAUD.—Section 1107(b) of such Act (42 U.S.C. 1307(b)) is amended—

(1) by inserting "social security account number," after "information as to the";

(2) by striking "misdemeanor" and inserting "felony";

(3) by striking "\$1,000" and inserting "\$10,000 for each occurrence of a violation"; and

(4) by striking "one year" and inserting "5 years".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to violations occurring on or after the date of the enactment of this Act.

SEC. 13013. SIMPLIFICATION OF EMPLOYMENT TAXES ON DOMESTIC SERVICES.

(a) COORDINATION OF COLLECTION OF DOMESTIC SERVICE EMPLOYMENT WITH COLLECTION OF INCOME TAXES.—

(1) IN GENERAL.—Chapter 25 of the Internal Revenue Code of 1986 (relating to general provisions relating to employment taxes) is amended by adding at the end thereof the following new section:

"SEC. 3510. COORDINATION OF COLLECTION OF DOMESTIC SERVICE EMPLOYMENT TAXES WITH COLLECTION OF INCOME TAXES.

"(a) GENERAL RULE.—Except as otherwise provided in this section—

"(1) returns with respect to domestic service employment taxes shall be made on a calendar year basis,

"(2) any such return for any calendar year shall be filed on or before the 15th day of the fourth month following the close of the employer's taxable year which begins in such calendar year, and

"(3) no requirement to make deposits (or to pay installments under section 6157) shall apply with respect to such taxes.

"(b) DOMESTIC SERVICE EMPLOYMENT TAXES SUBJECT TO ESTIMATED TAX PROVISIONS.—

"(1) IN GENERAL.—Solely for purposes of section 6654, domestic service employment taxes imposed with respect to any calendar year shall be treated as a tax imposed by chapter 2 for the taxable year of the employer which begins in such calendar year.

"(2) ANNUALIZATION.—Under regulations prescribed by the Secretary, appropriate adjustments shall be made in the application of section 6654(d)(2) in respect of the amount treated as tax under paragraph (1).

"(3) TRANSITIONAL RULE.—For purposes of applying section 6654 to a taxable year beginning in 1993, the amount referred to in clause (ii) of section 6654(d)(1)(B) shall be increased by 90 percent of the amount treated as tax under paragraph (1) for such taxable year.

"(c) DOMESTIC SERVICE EMPLOYMENT TAXES.—For purposes of this section, the term "domestic service employment taxes" means—

"(1) any taxes imposed by chapter 21 or 23 on remuneration paid for domestic service in a private home of the employer, and

"(2) any amount withheld from such remuneration pursuant to an agreement under section 3402(p).

For purposes of this subsection, the term "domestic service in a private home of the employer" does not include service described in section 3121(g)(5).

"(d) EXCEPTION WHERE EMPLOYER LIABLE FOR OTHER EMPLOYMENT TAXES.—To the extent provided in regulations prescribed by the Secretary, this section shall not apply to any employer for any calendar year if such employer is liable for any tax under this subtitle with respect to remuneration for services other than domestic service in a private home of the employer.

"(e) GENERAL REGULATORY AUTHORITY.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section. Such regulations may treat domestic service employment taxes as taxes imposed by chapter 1 for purposes of coordinating the assessment and collection of such employment taxes with the assessment and collection of domestic employers' income taxes.

"(f) AUTHORITY TO ENTER INTO AGREEMENTS TO COLLECT STATE UNEMPLOYMENT TAXES.—

"(1) IN GENERAL.—The Secretary is hereby authorized to enter into an agreement with any State to collect, as the agent of such State, such State's unemployment taxes imposed on remuneration paid for domestic service in a private home of the employer. Any taxes to be collected by the Secretary pursuant to such an agreement shall be treated as domestic service employment taxes for purposes of this section.

"(2) TRANSFERS TO STATE ACCOUNT.—Any amount collected under an agreement referred to in paragraph (1) shall be transferred by the Secretary to the account of the State in the Unemployment Trust Fund.

"(3) SUBTITLE F MADE APPLICABLE.—For purposes of subtitle F, any amount required to be collected under an agreement under paragraph (1) shall be treated as a tax imposed by chapter 23.

"(4) STATE.—For purposes of this subsection, the term "State" has the meaning given such term by section 3306(j)(1)."

(2) CLERICAL AMENDMENT.—The table of sections for chapter 25 of such Code is amended by adding at the end thereof the following:

"Sec. 3510. Coordination of collection of domestic service employment taxes with collection of income taxes."

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to remuneration paid in calendar years beginning after December 31, 1993.

(4) EXPANDED INFORMATION TO EMPLOYERS.—The Secretary of the Treasury or his delegate shall prepare and make available information on the Federal tax obligations of employers with respect to employees performing domestic service in a private home of the employer. Such information shall also include a statement that such employers may have obligations with respect to such employees under State laws relating to unemployment insurance and workers compensation.

(b) THRESHOLD REQUIREMENT FOR SOCIAL SECURITY TAXES.—

(1) AMENDMENTS OF INTERNAL REVENUE CODE.—

(A) Subparagraph (B) of section 3121(a)(7) of the Internal Revenue Code of 1986 (defining wages) is amended to read as follows:

"(B) cash remuneration paid by an employer in any calendar year to an employee for domestic service in a private home of the employer (within the meaning of subsection (y)), if the cash remuneration paid in such year by the employer to the employee for such service is less than the applicable dollar threshold (as defined in subsection (y)) for such year;"

(B) Section 3121 of such Code is amended by adding at the end thereof the following new subsection:

"(y) DOMESTIC SERVICE IN A PRIVATE HOME.—For purposes of subsection (a)(7)(B)—

"(1) EXCLUSION FOR CERTAIN FARM SERVICE.—The term 'domestic service in a private home of the employer' does not include service described in subsection (g)(5).

"(2) APPLICABLE DOLLAR THRESHOLD.—The term 'applicable dollar threshold' means \$1,800. In the case of calendar years after 1994, the Secretary of Health and Human Services shall adjust such \$1,800 amount at the same time and in the same manner as under section 215(a)(1)(B)(ii) of the Social Security Act with respect to the amounts referred to in section 215(a)(1)(B)(i) of such Act, except that, for purposes of this subparagraph, 1992 shall be substituted for the calendar year referred to in section 215(a)(1)(B)(ii)(II) of such Act. If the amount determined under the preceding sentence is not a multiple of \$50, such amount shall be rounded to the nearest multiple of \$50."

(C) The second sentence of section 3102(a) of such Code is amended—

(i) by striking "calendar quarter" each place it appears and inserting "calendar year", and

(ii) by striking "\$50" and inserting "the applicable dollar threshold (as defined in section 3121(y)(2)) for such year".

(2) AMENDMENT OF SOCIAL SECURITY ACT.—Subparagraph (B) of section 209(a)(6) of the Social Security Act (42 U.S.C. 409(a)(6)(B)) is amended to read as follows:

"(B) Cash remuneration paid by an employer in any calendar year to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such year by the employer to the employee for such service is less than the applicable dollar threshold (as defined in section 3121(y)(2) of the Internal Revenue Code of 1986) for such year. As used in this subparagraph, the term 'domestic service in a private home of the employer' does not include service described in section 210(f)(5)."

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to remuneration paid in calendar years beginning after December 31, 1993.

(4) RELIEF FROM LIABILITY FOR CERTAIN UNDERPAYMENT AMOUNTS.—

(A) IN GENERAL.—On and after the date of the enactment of this Act, an underpayment to which this paragraph applies (and any penalty, addition to tax, and interest with respect to such underpayment) shall not be assessed (or, if assessed, shall not be collected).

(B) UNDERPAYMENTS TO WHICH PARAGRAPH APPLIES.—This paragraph shall apply to an underpayment to the extent of the amount thereof which would not be an underpayment if—

(i) the amendments made by paragraph (1) had applied to all calendar years after 1950 and before 1994, and

(ii) the applicable dollar threshold for any such calendar year were the amount determined under the following table:

In the case of calendar year:	The applicable dollar threshold is:
1951, 1952, or 1953	\$ 200
1954, 1955, 1956, or 1957 ..	250
1958, 1959, 1960, 1961, or 1962	300
1963, 1964, 1965, or 1966 ..	350
1967, 1968, 1969	400
1970	450
1971, 1972, or 1973	500
1974 or 1975	600
1976	650
1977	700
1978	750
1979	800
1980	850
1981	900
1982	1,000
1983	1,100
1984	1,200
1985	1,250
1986	1,300
1987	1,350
1988	1,400
1989	1,500
1990	1,550
1991	1,600
1992	1,700
1993	1,750

SEC. 13014. INCREASE IN AUTHORIZED PERIOD FOR EXTENSION OF TIME TO FILE ANNUAL EARNINGS REPORT.

(a) IN GENERAL.—Section 203(h)(1)(A) of the Social Security Act (42 U.S.C. 403(h)(1)(A)) is amended in the last sentence by striking "three months" and inserting "four months".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to reports of earnings for taxable years ending on or after December 31, 1993.

SEC. 13015. ALLOCATIONS TO FEDERAL DISABILITY INSURANCE TRUST FUND.

(a) ALLOCATION WITH RESPECT TO WAGES.—Section 201(b)(1) of the Social Security Act (42 U.S.C. 401(b)(1)) is amended to read as follows:

"(1) 1.75 percent of the wages (as defined in section 3121 of the Internal Revenue Code of 1986) paid after December 31, 1992, and reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1986, which wages shall be certified by the Secretary of Health and Human Services on the basis of the records of wages established and maintained by such Secretary in accordance with such reports; and"

(b) ALLOCATION WITH RESPECT TO SELF-EMPLOYMENT INCOME.—Section 201(b)(2) of such

Act (42 U.S.C. 401(b)(2)) is amended to read as follows:

"(2) 1.75 percent of the self-employment income (as defined in section 1402 of the Internal Revenue Code of 1986) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of the Internal Revenue Code of 1986 for any taxable year beginning after December 31, 1992, which self-employment income shall be certified by the Secretary of Health and Human Services on the basis of the records of self-employment income established and maintained by the Secretary of Health and Human Services in accordance with such returns."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to wages paid after December 31, 1992, and self-employment income for taxable years beginning after such date.

(d) STUDY ON RISING COSTS OF DISABILITY BENEFITS.—

(1) IN GENERAL.—As soon as practicable after the date of the enactment of this Act, the Secretary of Health and Human Services shall conduct a comprehensive study of the reasons for rising costs payable from the Federal Disability Insurance Trust Fund.

(2) MATTERS TO BE INCLUDED IN STUDY.—In conducting the study under this subsection, the Secretary shall—

(A) determine the relative importance of the following factors in increasing the costs payable from the Trust Fund:

- (i) increased numbers of applications for benefits;
- (ii) higher rates of benefit allowances; and
- (iii) decreased rates of benefit terminations; and

(B) identify, to the extent possible, underlying social, economic, demographic, programmatic, and other trends responsible for changes in disability benefit applications, allowances, and terminations.

(3) REPORT.—Not later than December 31, 1995, the Secretary shall transmit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate setting forth the results of the study conducted under this subsection, together with any recommendations for legislative changes which the Secretary determines appropriate.

SEC. 13016. EXTENSION OF DISABILITY INSURANCE PROGRAM DEMONSTRATION PROJECT AUTHORITY.

(a) IN GENERAL.—Section 505 of the Social Security Disability Amendments of 1980 (Public Law 96-265), as amended by section 12101 of the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99-272), section 10103 of the Omnibus Budget Reconciliation Act of 1989 (Public Law 101-239), and section 5120 of the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508) is further amended—

(1) in paragraph (3) of subsection (a), by striking "June 10, 1993" and inserting "June 10, 1996";

(2) in paragraph (4) of subsection (a), by striking "1992" and inserting "1995"; and

(3) in subsection (c), by striking "October 1, 1993" and inserting "June 9, 1996".

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 13017. TECHNICAL AND CLERICAL AMENDMENTS.

(a) AMENDMENTS TO TITLE II OF THE SOCIAL SECURITY ACT.—

(1) Section 201(a) of the Social Security Act (42 U.S.C. 401(a)) is amended, in the matter following clause (4), by striking "and and" and inserting "and".

(2) Section 202(d)(8)(D)(ii) of such Act (42 U.S.C. 402(d)(8)(D)(ii)) is amended by adding a period at the end and by adjusting the left-hand margination thereof so as to align with section 202(d)(8)(D)(i) of such Act.

(3) Section 202(q)(1)(A) of such Act (42 U.S.C. 402(q)(1)(A)) is amended by striking the dash at the end.

(4) Section 202(q)(9) of such Act (42 U.S.C. 402(q)(9)) is amended, in the matter preceding subparagraph (A), by striking "paragraph" and inserting "paragraph".

(5) Section 202(t)(4)(D) of such Act (42 U.S.C. 402(t)(4)(D)) is amended by inserting "if the" before "Secretary" the second and third places it appears.

(6) Clauses (i) and (ii) of section 203(f)(5)(C) of such Act (42 U.S.C. 403(f)(5)(C)) are amended by adjusting the left-hand margination thereof so as to align with clauses (i) and (ii) of section 203(f)(5)(B) of such Act.

(7) Paragraph (3)(A) and paragraph (3)(B) of section 205(b) of such Act (42 U.S.C. 405(b)) are amended by adjusting the left-hand margination thereof so as to align with the matter following section 205(b)(2)(C) of such Act.

(8) Section 205(c)(2)(B)(iii) of such Act (42 U.S.C. 405(c)(2)(B)(iii)) is amended by striking "non-public" and inserting "nonpublic".

(9) Section 205(c)(2)(C) of such Act (42 U.S.C. 405(c)(2)(C)) is amended—

(A) by striking the clause (vii) added by section 2201(c) of Public Law 101-624; and

(B) by redesignating the clause (iii) added by section 2201(b)(3) of Public Law 101-624, clause (iv), clause (v), clause (vi), and the clause (vii) added by section 1735(b) of Public Law 101-624 as clause (iv), clause (v), clause (vi), clause (vii), and clause (viii), respectively;

(C) in clause (v) (as redesignated), by striking "subclause (I) of", and by striking "subclause (II) of clause (i)" and inserting "clause (ii)"; and

(D) in clause (viii)(IV) (as redesignated), by inserting "a social security account number or" before "a request for".

(10) The heading for section 205(j) of such Act (42 U.S.C. 405(j)) is amended to read as follows:

"Representative Payees".

(11) The heading for section 205(s) of such Act (42 U.S.C. 405(s)) is amended to read as follows:

"Notice Requirements".

(12) Section 208(c) of such Act (42 U.S.C. 408(c)) is amended by striking "subsection (g)" and inserting "subsection (a)(7)".

(13) Section 210(a)(5)(B)(i)(V) of such Act (42 U.S.C. 410(a)(5)(B)(i)(V)) is amended by striking "section 105(e)(2)" and inserting "section 104(e)(2)".

(14) Section 211(a) of such Act (42 U.S.C. 411(a)) is amended—

(A) in paragraph (13), by striking "and" at the end; and

(B) in paragraph (14), by striking the period and inserting "; and".

(15) Section 213(c) of such Act (42 U.S.C. 413(c)) is amended by striking "section" the first place it appears and inserting "sections".

(16) Section 215(a)(5)(B)(i) of such Act (42 U.S.C. 415(a)(5)(B)(i)) is amended by striking "subsection" the second place it appears and inserting "subsections".

(17) Section 215(f)(7) of such Act (42 U.S.C. 415(f)(7)) is amended by inserting a period after "1990".

(18) Subparagraph (F) of section 218(c)(6) of such Act (42 U.S.C. 418(c)(6)) is amended by adjusting the left-hand margination thereof

so as to align with section 218(c)(6)(E) of such Act.

(19) Section 223(i) of such Act (42 U.S.C. 423(i)) is amended by adding at the beginning the following heading:

"Limitation on Payments to Prisoners".

(b) RELATED AMENDMENTS.—

(1) Section 603(b)(5)(A) of Public Law 101-649 (amending section 202(n)(1) of the Social Security Act) (104 Stat. 5085) is amended by inserting "under" before "paragraph (1)," and by striking "(17), or (18)" and inserting "(17), (18), or (19)", effective as if this paragraph were included in such section 603(b)(5)(A).

(2) Section 10208(b)(1) of Public Law 101-239 (amending section 230(b)(2)(A) of the Social Security Act) (103 Stat. 2477) is amended by striking "230(b)(2)(A)" and "430(b)(2)(A)" and inserting "230(b)(2)" and "430(b)(2)", respectively, effective as if this paragraph were included in such section 10208(b)(1).

(c) CONFORMING, CLERICAL AMENDMENTS UPDATING, WITHOUT SUBSTANTIVE CHANGE, REFERENCES IN TITLE II OF THE SOCIAL SECURITY ACT TO THE INTERNAL REVENUE CODE.—

(1)(A) Section 201(a) of such Act (42 U.S.C. 401(a)) is amended—

(i) by striking clauses (1) and (2);

(ii) in clause (3), by striking "(3) the taxes imposed" and all that follows through "December 31, 1954," and inserting "(1) the taxes imposed by chapter 21 (other than sections 3101(b) and 3111(b)) of the Internal Revenue Code of 1986 with respect to wages (as defined in section 3121 of such Code) reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of such Code," and by striking "subchapter or";

(iii) in clause (4), by striking "(4) the taxes imposed" and all that follows through "such Code," and inserting "(2) the taxes imposed by chapter 2 (other than section 1401(b)) of the Internal Revenue Code of 1986 with respect to self-employment income (as defined in section 1402 of such Code) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of such Code," and by striking "subchapter or chapter" and inserting "chapter"; and

(iv) in the matter following the clauses amended by this subparagraph, by striking "clauses (3) and (4)" each place it appears and inserting "clauses (1) and (2)".

(B) The amendments made by subparagraph (A) shall apply only with respect to taxes imposed with respect to wages paid on or after January 1, 1993, or with respect to self-employment income for taxable years beginning on or after such date.

(2)(A)(i) Section 201(g)(1) of such Act (42 U.S.C. 401(g)(1)) is amended—

(I) in subparagraph (A)(i), by striking "and subchapter E" and all that follows through "1954" and inserting "and chapters 2 and 21 of the Internal Revenue Code of 1986";

(II) in subparagraph (A)(ii), by striking "1954" and inserting "1986";

(III) in the matter in subparagraph (A) following clause (ii), by striking "subchapter E" and all that follows through "1954," and inserting "chapters 2 and 21 of the Internal Revenue Code of 1986," and by striking "1954 other" and inserting "1986 other"; and

(IV) in subparagraph (B), by striking "1954" each place it appears and inserting "1986".

(ii) The amendments made by clause (i) shall apply only with respect to periods beginning on or after the date of the enactment of this Act.

(B)(i) Section 201(g)(2) of such Act (42 U.S.C. 401(g)(2)) is amended by striking "section 3101(a)" and all that follows through

"1950." and inserting "section 3101(a) of the Internal Revenue Code of 1986 which are subject to refund under section 6413(c) of such Code with respect to wages (as defined in section 3121 of such Code).", and by striking "wages reported" and all that follows through "1954," and inserting "wages reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of such Code".

(ii) The amendments made by clause (i) shall apply only with respect to wages paid on or after January 1, 1993.

(C) Section 201(g)(4) of such Act (42 U.S.C. 401(g)(4)) is amended—

(i) by striking "The Board of Trustees shall prescribe before January 1, 1981, the method" and inserting "If at any time or times the Boards of Trustees of such Trust Funds deem such action advisable, they may modify the method prescribed by such Boards";

(ii) by striking "1954" and inserting "1986"; and

(iii) by striking the last sentence.

(3) Section 202(v) of such Act (42 U.S.C. 402(v)) is amended—

(A) in paragraph (1), by striking "1954" and inserting "1986"; and

(B) in paragraph (3)(A), by inserting "of the Internal Revenue Code of 1986" after "3127".

(4) Section 205(c)(5)(F)(i) of such Act (42 U.S.C. 405(c)(5)(F)(i)) is amended by inserting "or the Internal Revenue Code of 1986" after "1954".

(5)(A) Section 208(a)(1) of such Act (42 U.S.C. 408(a)(1)) is amended—

(i) in the matter preceding subparagraph (A), by striking "subchapter E" and all that follows through "1954" and inserting "chapter 2 or 21 or subtitle F of the Internal Revenue Code of 1986";

(ii) in subparagraph (A), by inserting "of 1986" after "Internal Revenue Code"; and

(iii) in subparagraph (B), by inserting "of 1986" after "Internal Revenue Code".

(B) The amendments made by subparagraph (A) shall apply only with respect to violations occurring on or after the date of the enactment of this Act.

(6)(A) Section 209(a)(4)(A) of such Act (42 U.S.C. 409(a)(4)(A)) is amended by inserting "or the Internal Revenue Code of 1986" after "Internal Revenue Code of 1954".

(B) Section 209(a) of such Act (42 U.S.C. 409(a)) is amended—

(i) in subparagraphs (C) and (E) of paragraph (4),

(ii) in paragraph (5)(A),

(iii) in subparagraphs (A) and (B) of paragraph (14),

(iv) in paragraph (15),

(v) in paragraph (16), and

(vi) in paragraph (17),

by striking "1954" each place it appears and inserting "1986".

(C) Subsections (b), (f), (g), (i)(1), and (j) of section 209 of such Act (42 U.S.C. 409) are amended by striking "1954" each place it appears and inserting "1986".

(7) Section 211(a)(15) of such Act (42 U.S.C. 411(a)(15)) is amended by inserting "of the Internal Revenue Code of 1986" after "section 162(m)".

(8) Title II of such Act is further amended—

(A) in subsections (f)(5)(B)(ii) and (k) of section 203 (42 U.S.C. 403),

(B) in section 205(c)(1)(D)(i) (42 U.S.C. 405(c)(1)(D)(i)),

(C) in the matter in section 210(a) (42 U.S.C. 410(a)) preceding paragraph (1) and in paragraphs (8), (9), and (10) of section 210(a),

(D) in subsections (p)(4) and (q) of section 210 (42 U.S.C. 410).

(E) in the matter in section 211(a) (42 U.S.C. 411(a)) preceding paragraph (1) and in paragraphs (3), (4), (6), (10), (11), and (12) and clauses (iii) and (iv) of section 211(a).

(F) in the matter in section 211(c) (42 U.S.C. 411(c)) preceding paragraph (1), in paragraphs (3) and (6) of section 211(c), and in the matter following paragraph (6) of section 211(c).

(G) in subsections (d), (e), and (h)(1)(B) of section 211 (42 U.S.C. 411).

(H) in section 216(j) (42 U.S.C. 416(j)).

(I) in section 218(e)(3) (42 U.S.C. 418(e)(3)).

(J) in section 229(b) (42 U.S.C. 429(b)).

(K) in section 230(c) (42 U.S.C. 430(c)), and

(L) in section 232 (42 U.S.C. 432).

by striking "1954" each place it appears and inserting "1986".

(d) RULES OF CONSTRUCTION.—

(1) The preceding provisions of this section shall be construed only as technical and clerical corrections and as reflecting the original intent of the provisions amended thereby.

(2) Any reference in title II of the Social Security Act to the Internal Revenue Code of 1986 shall be construed to include a reference to the Internal Revenue Code of 1954 to the extent necessary to carry out the provisions of paragraph (1).

(e) UTILIZATION OF NATIONAL AVERAGE WAGE INDEX FOR WAGE-BASED ADJUSTMENTS.—

(1) DEFINITION OF NATIONAL AVERAGE WAGE INDEX.—Section 209(k) of the Social Security Act (42 U.S.C. 409(k)) is amended—

(A) by redesignating paragraph (2) as paragraph (3);

(B) in paragraph (3) (as redesignated), by striking "paragraph (1)" and inserting "this subsection"; and

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

"(k)(1) For purposes of sections 203(f)(8)(B)(ii), 213(d)(2)(B), 215(a)(1)(B)(ii), 215(a)(1)(C)(ii), 215(a)(1)(D), 215(b)(3)(A)(ii), 215(i)(1)(E), 215(i)(2)(C)(ii), 224(f)(2)(B), and 230(b)(2) (and 230(b)(2) as in effect immediately prior to the enactment of the Social Security Amendments of 1977), the term 'national average wage index' for any particular calendar year means, subject to regulations of the Secretary under paragraph (2), the average of the total wages for such particular calendar year.

"(2) The Secretary shall prescribe regulations under which the national average wage index for any calendar year shall be computed—

"(A) on the basis of amounts reported to the Secretary of the Treasury or his delegate for such year.

"(B) by disregarding the limitation on wages specified in subsection (a)(1).

"(C) with respect to calendar years after 1990, by incorporating deferred compensation amounts and factoring in for such years the rate of change from year to year in such amounts, in a manner consistent with the requirements of section 10208 of the Omnibus Budget Reconciliation Act of 1989, and

"(D) with respect to calendar years before 1978, in a manner consistent with the manner in which the average of the total wages for each of such calendar years was determined as provided by applicable law as in effect for such years."

(2) CONFORMING AMENDMENTS.—

(A) Section 203(f)(8)(B)(ii) of such Act (42 U.S.C. 403(f)(8)(B)(ii)) is amended by striking "deemed average total wages" each place it appears and inserting "national average wage index".

(B) Section 213(d)(2)(B) of such Act (42 U.S.C. 413(d)(2)(B)) is amended by striking "deemed average total wages" and inserting "national average wage index", and by striking "the average of the total wages" and all that follows and inserting "the national average wage index (as so defined) for 1976."

(C) Section 215(a)(1)(B)(ii) of such Act (42 U.S.C. 415(a)(1)(B)(ii)) is amended—

(i) in subclause (I), by striking "deemed average total wages" and inserting "national average wage index"; and

(ii) in subclause (II), by striking "the average of the total wages" and all that follows and inserting "the national average wage index (as so defined) for 1977."

(D) Section 215(a)(1)(C)(ii) of such Act (42 U.S.C. 415(a)(1)(C)(ii)) is amended by striking "deemed average total wages" and inserting "national average wage index".

(E) Section 215(a)(1)(D) of such Act (42 U.S.C. 415(a)(1)(D)) is amended—

(i) by striking "after 1978";

(ii) by striking "and the average of the total wages (as described in subparagraph (B)(ii)(I))" and inserting "and the national average wage index (as defined in section 209(k)(1))"; and

(iii) by striking the last sentence.

(F) Section 215(b)(3)(A)(ii) of such Act (42 U.S.C. 415(b)(3)(A)(ii)) is amended by striking "deemed average total wages" each place it appears and inserting "national average wage index".

(G) Section 215(i)(1) of such Act (42 U.S.C. 415(i)(1)) is amended—

(i) in subparagraph (E), by striking "SSA average wage index" and inserting "national average wage index (as defined in section 209(k)(1))"; and

(ii) by striking subparagraph (G) and redesignating subparagraph (H) as subparagraph (G).

(H) Section 215(i)(2)(C)(ii) of such Act (42 U.S.C. 415(i)(2)(C)(ii)) is amended to read as follows:

"(ii) The Secretary shall determine and promulgate the OASDI fund ratio for the current calendar year on or before November 1 of the current calendar year, based upon the most recent data then available. The Secretary shall include a statement of the fund ratio and the national average wage index (as defined in section 209(k)(1)) and a statement of the effect such ratio and the level of such index may have upon benefit increases under this subsection in any notification made under clause (i) and any determination published under subparagraph (D)."

(I) Section 224(f)(2) of such Act (42 U.S.C. 424a(f)(2)) is amended—

(i) in subparagraph (A), by adding "and" at the end;

(ii) by striking subparagraph (C); and

(iii) by striking subparagraph (B) and inserting the following:

"(B) the ratio of (i) the national average wage index (as defined in section 209(k)(1)) for the calendar year before the year in which such redetermination is made to (ii) the national average wage index (as so defined) for the calendar year before the year in which the reduction was first computed (but not counting any reduction made in benefits for a previous period of disability)."

(J) Section 230(b)(2) of such Act (42 U.S.C. 430(b)(2)) is amended by striking "deemed average total wages" each place it appears and inserting "national average wage index".

(K) Section 230(d) of such Act (42 U.S.C. 430(d)) is amended by striking "deemed average total wage" and inserting "national average wage index".

SEC. 13018. CROSS-MATCHING OF SOCIAL SECURITY ACCOUNT NUMBER INFORMATION AND EMPLOYER IDENTIFICATION NUMBER INFORMATION MAINTAINED BY THE DEPARTMENT OF AGRICULTURE.

(a) SOCIAL SECURITY ACCOUNT NUMBER INFORMATION.—Clause (iii) of section 205(c)(2)(C) of the Social Security Act (42 U.S.C. 405(c)(2)(C)) (as added by section 1735(a)(3) of the Food, Agriculture, Conservation, and Trade Act of 1990 (Public Law 101-624; 104 Stat. 3791)) is amended—

(1) by inserting "(I)" after "(iii)"; and

(2) by striking "The Secretary of Agriculture shall restrict" and all that follows and inserting the following:

"(I) The Secretary of Agriculture may share any information contained in any list referred to in subclause (I) with any other agency or instrumentality of the United States which otherwise has access to social security account numbers in accordance with this subsection or other applicable Federal law, except that the Secretary of Agriculture may share such information only to the extent that such Secretary determines such sharing would assist in verifying and matching such information against information maintained by such other agency or instrumentality. Any such information shared pursuant to this subclause may be used by such other agency or instrumentality only for the purpose of effective administration and enforcement of the Food Stamp Act of 1977 or for the purpose of investigation of violations of other Federal laws or enforcement of such laws.

"(III) The Secretary of Agriculture, and the head of any other agency or instrumentality referred to in this subclause, shall restrict, to the satisfaction of the Secretary of Health and Human Services, access to social security account numbers obtained pursuant to this clause only to officers and employees of the United States whose duties or responsibilities require access for the purposes described in subclause (II).

"(IV) The Secretary of Agriculture, and the head of any agency or instrumentality with which information is shared pursuant to clause (II), shall provide such other safeguards as the Secretary of Health and Human Services determines to be necessary or appropriate to protect the confidentiality of the social security account numbers."

(b) EMPLOYER IDENTIFICATION NUMBER INFORMATION.—Subsection (f) of section 6109 of the Internal Revenue Code of 1986 (as added by section 1735(c) of the Food, Agriculture, Conservation, and Trade Act of 1990 (Public Law 101-624; 104 Stat. 3792)) (relating to access to employer identification numbers by Secretary of Agriculture for purposes of Food Stamp Act of 1977) is amended—

(1) by striking paragraph (2) and inserting the following:

"(2) SHARING OF INFORMATION AND SAFEGUARDS.—

"(A) SHARING OF INFORMATION.—The Secretary of Agriculture may share any information contained in any list referred to in paragraph (1) with any other agency or instrumentality of the United States which otherwise has access to employer identification numbers in accordance with this section or other applicable Federal law, except that the Secretary of Agriculture may share such information only to the extent that such Secretary determines such sharing would assist in verifying and matching such information against information maintained by such other agency or instrumentality. Any such information shared pursuant to this subparagraph may be used by such other agency or

instrumentality only for the purpose of effective administration and enforcement of the Food Stamp Act of 1977 or for the purpose of investigation of violations of other Federal laws or enforcement of such laws.

“(B) SAFEGUARDS.—The Secretary of Agriculture, and the head of any other agency or instrumentality referred to in subparagraph (A), shall restrict, to the satisfaction of the Secretary of the Treasury, access to employer identification numbers obtained pursuant to this subsection only to officers and employees of the United States whose duties or responsibilities require access for the purposes described in subparagraph (A). The Secretary of Agriculture, and the head of any agency or instrumentality with which information is shared pursuant to subparagraph (A), shall provide such other safeguards as the Secretary of the Treasury determines to be necessary or appropriate to protect the confidentiality of the employer identification numbers.”

(2) in paragraph (3), by striking “by the Secretary of Agriculture pursuant to this subsection” and inserting “pursuant to this subsection by the Secretary of Agriculture or the head of any agency or instrumentality with which information is shared pursuant to paragraph (2)”, and by striking “social security account numbers” and inserting “employer identification numbers”; and

(3) in paragraph (4), by striking “by the Secretary of Agriculture pursuant to this subsection” and inserting “pursuant to this subsection by the Secretary of Agriculture or any agency or instrumentality with which information is shared pursuant to paragraph (2)”.

SEC. 13019. PROHIBITION OF MISUSE OF DEPARTMENT OF THE TREASURY NAMES, SYMBOLS, ETC.

(a) GENERAL RULE.—Subchapter II of chapter 3 of title 31, United States Code, is amended by adding at the end thereof the following new section:

“§ 333. Prohibition of misuse of Department of the Treasury names, symbols, etc.

“(a) GENERAL RULE.—No person may use, in connection with, or as a part of, any advertisement, solicitation, business activity, or product, whether alone or with other words, letters, symbols, or emblems—

“(1) the words ‘Department of the Treasury’, or the name of any service, bureau, office, or other subdivision of the Department of the Treasury.

“(2) the titles ‘Secretary of the Treasury’ or ‘Treasurer of the United States’ or the title of any other officer or employee of the Department of the Treasury.

“(3) the abbreviations or initials of any entity referred to in paragraph (1).

“(4) the words ‘United States Savings Bond’ or the name of any other obligation issued by the Department of the Treasury.

“(5) any symbol or emblem of an entity referred to in paragraph (1) (including the design of any envelope or stationary used by such an entity), and

“(6) any colorable imitation of any such words, titles, abbreviations, initials, symbols, or emblems,

in a manner which could reasonably be interpreted or construed as conveying the false impression that such advertisement, solicitation, business activity, or product is in any manner approved, endorsed, sponsored, or authorized by, or associated with, the Department of the Treasury or any entity referred to in paragraph (1) or any officer or employee thereof.

“(b) TREATMENT OF DISCLAIMERS.—Any determination of whether a person has violated

the provisions of subsection (a) shall be made without regard to any use of a disclaimer of affiliation with the United States Government or any particular agency or instrumentality thereof.

“(c) CIVIL PENALTY.—

“(1) IN GENERAL.—The Secretary of the Treasury may impose a civil penalty on any person who violates the provisions of subsection (a).

“(2) AMOUNT OF PENALTY.—The amount of the civil penalty imposed by paragraph (1) shall not exceed \$5,000 for each use of any material in violation of subsection (a). If such use is in a broadcast or telecast, the preceding sentence shall be applied by substituting ‘\$25,000’ for ‘\$5,000’.

“(3) TIME LIMITATIONS.—

“(A) ASSESSMENTS.—The Secretary of the Treasury may assess any civil penalty under paragraph (1) at any time before the end of the 3-year period beginning on the date of the violation with respect to which such penalty is imposed.

“(B) CIVIL ACTION.—The Secretary of the Treasury may commence a civil action to recover any penalty imposed under this subsection at any time before the end of the 2-year period beginning on the date on which such penalty was assessed.

“(4) COORDINATION WITH SUBSECTION (d).—No penalty may be assessed under this subsection with respect to any violation after a criminal proceeding with respect to such violation has been commenced under subsection (d).

“(d) CRIMINAL PENALTY.—

“(1) IN GENERAL.—If any person knowingly violates subsection (a), such person shall, upon conviction thereof, be fined not more than \$10,000 for each such use or imprisoned not more than 1 year, or both. If such use is in a broadcast or telecast, the preceding sentence shall be applied by substituting ‘\$50,000’ for ‘\$10,000’.

“(2) TIME LIMITATIONS.—No person may be prosecuted, tried, or punished under paragraph (1) for any violation of subsection (a) unless the indictment is found or the information instituted during the 3-year period beginning on the date of the violation.

“(3) COORDINATION WITH SUBSECTION (c).—No criminal proceeding may be commenced under this subsection with respect to any violation if a civil penalty has previously been assessed under subsection (c) with respect to such violation.”

(b) CLERICAL AMENDMENT.—The analysis for chapter 3 of title 31, United States Code, is amended by adding after the item relating to section 332 the following new item:

“333. Prohibition of misuse of Department of the Treasury names, symbols, etc.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

(d) REPORT.—Not later than May 1, 1995, the Secretary of the Treasury shall submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the implementation of the amendments made by this section. Such report shall include the number of cases in which the Secretary has notified persons of violations of section 333 of title 31, United States Code (as added by subsection (a)), the number of prosecutions commenced under such section, and the total amount of the penalties collected in such prosecutions.

SEC. 13020. AVAILABILITY AND USE OF DEATH INFORMATION UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM.

(a) IMPROVEMENTS IN PROGRAM FOR USE OF DEATH CERTIFICATES TO CORRECT PROGRAM INFORMATION.—

(1) ELIMINATION OF STATE RESTRICTIONS ON USE OF INFORMATION.—Section 205(r)(1) of the Social Security Act (42 U.S.C. 405(r)(1)) is amended by adding at the end, after and below subparagraph (B), the following new sentence:

“Any contract entered into pursuant to subparagraph (A) shall not include any restriction on the use of information obtained by the Secretary pursuant to such contract, except to the extent that such use may be restricted under paragraph (6).”

(2) INFORMATION PROVIDED TO STATE AGENCIES FREE OF CHARGE.—

(A) IN GENERAL.—Section 205(r)(4) of such Act (42 U.S.C. 405(r)(4)) is amended to read as follows:

“(4)(A) In the case of individuals with respect to whom federally funded benefits are provided by (or through) a State agency other than under this Act, the Secretary shall to the extent feasible provide such information free of charge through a cooperative arrangement with such agency, for ensuring proper payment of those benefits with respect to such individuals, if such arrangement does not conflict with the duties of the Secretary under paragraph (1).

“(B) The Secretary may enter into similar agreements with States to provide information free of charge for their use in programs wholly funded by the States if such arrangement does not conflict with the duties of the Secretary under paragraph (1).”

(B) CONFORMING AMENDMENT.—Section 205(r)(3) of such Act (42 U.S.C. 405(r)(3)) is amended by striking “or State”.

(3) USE BY STATES OF SOCIAL SECURITY ACCOUNT NUMBERS CONTINGENT UPON PARTICIPATION IN PROGRAM.—Section 205(r)(2) of such Act (42 U.S.C. 405(r)(2)) is amended—

(A) by inserting “(A)” after “(2)”; and

(B) by adding at the end the following new subparagraph:

“(B) Notwithstanding section 7(a)(2)(B) of the Privacy Act of 1974 and clauses (i) and (v) of subsection (c)(2)(C) of this section, any State which is not a party to a contract with the Secretary meeting the requirements of paragraph (1) (and any political subdivision thereof) may not utilize an individual’s social security account number in the administration of any driver’s license or motor vehicle registration law.”

(b) STUDY REGARDING IMPROVEMENTS IN GATHERING AND REPORTING OF DEATH INFORMATION.

(1) IN GENERAL.—As soon as practicable after the date of the enactment of this Act, the Secretary of Health and Human Services shall conduct a study of possible improvements in the current methods of gathering and reporting death information by the Federal, State, and local governments which would result in more efficient and expeditious handling of such information.

(2) SPECIFIC MATTERS TO BE STUDIED.—In carrying out the study required under this subsection, the Secretary shall—

(A) ascertain the delays in the receipt of death information which are currently encountered by the Social Security Administration and other agencies in need of such information on a regular basis,

(B) analyze the causes of such delays,

(C) develop alternative options for improving Federal, State, and local agency cooperation in reducing such delays, and

(D) evaluate the costs and benefits associated with the options referred to in subparagraph (C).

(3) REPORT.—Not later than June 1, 1994, the Secretary shall submit a written report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate setting forth the results of the study conducted pursuant to this subsection, together with such administrative and legislative recommendations as the Secretary may consider appropriate.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by subsection (a) shall take effect 1 year after the date of the enactment of this Act.

(2) PROMOTION OF ENTRY INTO NEW CONTRACTS.—As soon as practicable after the date of the enactment of this Act, the Secretary of Health and Human Services shall take such actions as are necessary and appropriate to promote entry into contracts under section 205(r) of the Social Security Act which are in compliance with the requirements of the amendments made by subsection (a).

Subtitle B—Human Resources Amendments

SEC. 13201. TABLE OF CONTENTS.

The table of contents of this subtitle is as follows:

Subtitle B—Human Resources Amendments
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CHAPTER 1—CHILD WELFARE SERVICES, FOSTER CARE, AND ADOPTION ASSISTANCE

Sec. 13211. Entitlement funding for services designed to strengthen and preserve families.

Sec. 13212. Grants for State courts to assess and improve handling of proceedings relating to foster care and adoption.

Sec. 13213. Required protections for foster children.

Sec. 13214. States required to report on measures taken to comply with the Indian Child Welfare Act.

Sec. 13215. Child welfare traineeships.

Sec. 13216. Dissolved adoptions.

Sec. 13217. Time frame for judicial determinations on voluntary placements.

Sec. 13218. Study of reasonable efforts.

Sec. 13219. Enhanced match for automated data systems.

Sec. 13220. Periodic reevaluation of foster care maintenance payments.

Sec. 13221. Dispositional hearing.

Sec. 13222. Health care plans for foster children.

Sec. 13223. Independent living.

Sec. 13224. Elimination of foster care ceilings and of authority to transfer unused foster care funds to child welfare services programs.

Sec. 13225. Training of agency staff and foster and adoptive parents.

Sec. 13226. On-site reviews and audits of State claims for foster care and adoption assistance.

Sec. 13227. Conformity reviews.

Sec. 13228. Repeal of annual report on voluntary placement.

Sec. 13229. Demonstration projects.

Sec. 13230. Placement accountability.

Sec. 13231. Payments of State claims for foster care and adoption assistance.

Sec. 13232. Moratorium on collection of disallowances.

Sec. 13233. Border region child welfare worker training demonstration.

Sec. 13234. Effect of failure to carry out State plan.

CHAPTER 2—CHILD SUPPORT ENFORCEMENT

Sec. 13241. State paternity establishment programs.

Sec. 13242. Enforcement of health insurance support.

Sec. 13243. Reports to credit bureaus on persons delinquent in child support payments.

CHAPTER 3—SUPPLEMENTAL SECURITY INCOME

Sec. 13251. Fees for Federal administration of State supplementary payments.

Sec. 13252. Exclusion from income of State relocation assistance.

Sec. 13253. Prevention of adverse effects on eligibility for, and amount of, benefits when spouse or parent of beneficiary is absent from the household due to active military service.

Sec. 13254. Eligibility for children of Armed Forces personnel residing outside the United States other than in foreign countries.

Sec. 13255. Definition of disability for children under age 18 applied to all individuals under age 18.

Sec. 13256. Valuation of certain in-kind support and maintenance when there is a cost of living adjustment in benefits.

Sec. 13257. Exclusion from income of certain amounts received by Indians from interests held in trust.

CHAPTER 4—AID TO FAMILIES WITH DEPENDENT CHILDREN

Sec. 13261. 50 percent Federal match of State administrative costs.

Sec. 13262. Delay in effective date of penalty for failure to meet required participation rate for unemployed parents in the JOBS program.

Sec. 13263. Report to the Congress with respect to performance standards in the JOBS program.

Sec. 13264. Measurement and reporting of welfare participation.

Sec. 13265. New Hope demonstration project.

Sec. 13266. Delay in requirement that outlying areas operate an AFDC-UP program.

Sec. 13267. Adult in family or household allowed to attest to citizenship status of family or household members.

Sec. 13268. Increase in stepparent income disregard.

Sec. 13269. Extension of New York State child support demonstration program.

Sec. 13270. Early childhood development projects.

CHAPTER 5—UNEMPLOYMENT INSURANCE

Sec. 13271. Treatment of short-time compensation programs.

Sec. 13272. Technical amendment to Unemployment Trust Fund.

Sec. 13273. Extension of reporting date for advisory council.

Sec. 13274. Clarification of emergency unemployment benefits provisions.

Sec. 13275. Modifications to extended unemployment program.

Sec. 13276. Extension of current Federal unemployment rate.

Sec. 13277. Disclosure of information to Railroad Retirement Board.

CHAPTER 6—TECHNICAL PROVISIONS

Sec. 13281. Corrections related to the income security and human resources provisions of the Omnibus Budget Reconciliation Act of 1990.

Sec. 13282. Technical corrections related to the human resource and income security provisions of the Omnibus Budget Reconciliation Act of 1989.

Sec. 13283. Elimination of obsolete provisions relating to treatment of the earned income tax credit.

Sec. 13284. Redesignation of certain provisions.

SEC. 13202. REFERENCES.

Except as otherwise expressly provided, wherever in this subtitle 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 Social Security Act.

CHAPTER 1—CHILD WELFARE SERVICES, FOSTER CARE, AND ADOPTION ASSISTANCE

SEC. 13211. ENTITLEMENT FUNDING FOR SERVICES DESIGNED TO STRENGTHEN AND PRESERVE FAMILIES.

(a) IN GENERAL.—Part B of title IV (42 U.S.C. 620–628) is amended—

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

“PART B—CHILD AND FAMILY SERVICES

“Subpart 1—Child Welfare Services”; and

(2) by adding at the end the following:

“Subpart 2—Family Preservation and Support Services

“SEC. 430. PURPOSES; LIMITATIONS ON AUTHORIZATIONS OF APPROPRIATIONS; RESERVATION OF CERTAIN AMOUNTS.

“(a) PURPOSES; LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—For the purpose of encouraging and enabling each State to develop and establish, or expand, and to operate a program of family preservation services and community-based family support services, there are authorized to be appropriated to the Secretary—

“(1) \$60,000,000 for fiscal year 1994;

“(2) \$135,000,000 for fiscal year 1995;

“(3) \$240,000,000 for fiscal year 1996;

“(4) \$360,000,000 for fiscal year 1997; and

“(5) \$600,000,000 for fiscal year 1998.

“(b) RESERVATION OF CERTAIN AMOUNTS.—

“(1) EVALUATION, RESEARCH, TRAINING, AND TECHNICAL ASSISTANCE.—The Secretary shall reserve 1 percent of the amount appropriated pursuant to subsection (a) for each fiscal year, for expenditure by the Secretary for evaluation, research, training, and technical assistance related to the program under this subpart.

“(2) STATE COURT ASSESSMENTS.—The Secretary shall reserve \$5,000,000 of the amount appropriated pursuant to subsection (a) for fiscal year 1995, and \$10,000,000 of the amount so appropriated for each of fiscal years 1996, 1997, and 1998, for grants under section 13212 of the Omnibus Budget Reconciliation Act of 1993.

“(3) INDIAN TRIBES.—The Secretary shall reserve 1 percent of the amount appropriated pursuant to subsection (a) for each fiscal year, for allotment to Indian tribes in accordance with section 433(a).

“SEC. 431. DEFINITIONS.

“(a) IN GENERAL.—As used in this subpart:

“(1) FAMILY PRESERVATION SERVICES.—The term ‘family preservation services’ means services for children and families designed to help families (including adoptive and extended families) at risk or in crisis, including—

“(A) service programs designed to help children—

“(i) where appropriate, return to families from which they have been removed; or

"(ii) be placed for adoption, with a legal guardian, or, if adoption or legal guardianship is determined not to be appropriate for a child, in some other planned, permanent living arrangement;

"(B) preplacement preventive services programs, such as intensive family preservation programs, designed to help children at risk of foster care placement remain with their families;

"(C) service programs designed to provide followup care to families to whom a child has been returned after a foster care placement;

"(D) respite care of children to provide temporary relief for parents and other caregivers (including foster parents); and

"(E) services designed to improve parenting skills (by reinforcing parents' confidence in their strengths, and helping them to identify where improvement is needed and to obtain assistance in improving those skills) with respect to matters such as child development, family budgeting, coping with stress, health, and nutrition.

"(2) FAMILY SUPPORT SERVICES.—The term 'family support services' means community-based services to promote the well-being of children and families designed to increase the strength and stability of families (including adoptive, foster, and extended families), to increase parents' confidence and competence in their parenting abilities, to afford children a stable and supportive family environment, and otherwise to enhance child development, including—

"(A) services described in paragraph (1)(E);

"(B) respite care of children to provide temporary relief for parents and other caregivers;

"(C) structured activities involving parents and children to strengthen the parent-child relationship;

"(D) drop-in centers to afford families opportunities for informal interaction with other families and with program staff;

"(E) information and referral services to afford families access to other community services, including child care, health care, nutrition programs, adult education and literacy programs, and counseling and mentoring services; and

"(F) early developmental screening of children to assess the needs of such children, and assistance to families in securing specific services to meet these needs.

"(3) STATE AGENCY.—The term 'State agency' means the State agency responsible for administering the program under subpart 1.

"(4) STATE.—The term 'State' includes an Indian tribe or tribal organization, in addition to the meaning given such term for purposes of subpart 1.

"(5) TRIBAL ORGANIZATION.—The term 'tribal organization' means the recognized governing body of any Indian tribe.

"(6) INDIAN TRIBE.—The term 'Indian tribe' means any Indian tribe (as defined in section 482(i)(5)) and any Alaska Native organization (as defined in section 482(i)(7)(A)).

"(b) OTHER TERMS.—For other definitions of other terms used in this subpart, see section 475.

"SEC. 432. STATE PLANS.

"(a) PLAN REQUIREMENTS.—A State plan meets the requirements of this subsection if the plan—

"(1) provides that the State agency shall administer, or supervise the administration of, the State program under this subpart;

"(2)(A)(i) sets forth the goals intended to be accomplished under the plan by the end of the 5th fiscal year in which the plan is in operation in the State, and (ii) is updated periodically

to set forth the goals intended to be accomplished under the plan by the end of each 5th fiscal year thereafter;

"(B) describes the methods to be used in measuring progress toward accomplishment of the goals;

"(C) contains a commitment that the State—

"(i) after the end of each of the 1st 4 fiscal years covered by a set of goals, will perform an interim review of progress toward accomplishment of the goals, and on the basis of the interim review will revise the statement of goals in the plan, if necessary, to reflect changed circumstances; and

"(ii) after the end of the last fiscal year covered by a set of goals, will perform a final review of progress toward accomplishment of the goals, and on the basis of the final review (I) will prepare, transmit to the Secretary, and make available to the public a final report on progress toward accomplishment of the goals, and (II) will develop (in consultation with the entities required to be consulted pursuant to subsection (b)) and add to the plan a statement of the goals intended to be accomplished by the end of the 5th succeeding fiscal year;

"(3) provides for coordination, to the extent feasible and appropriate, of the provision of services under the plan and the provision of services or benefits under other Federal or federally assisted programs serving the same populations;

"(4) contains assurances that not less than 90 percent of expenditures under the plan for any fiscal year with respect to which the State is eligible for payment under section 433 for the fiscal year shall be for services for children and families, and that significant portions of such 90 percent shall be expended—

"(A) for family preservation services; and

"(B) for community-based family support services;

"(5) provides that, by the beginning of the 6th fiscal year during which the plan is in effect, programs under the plan shall be available on a statewide basis, to the extent feasible and appropriate;

"(6) contains assurances that the State will—

"(A) annually prepare, furnish to the Secretary, and make available to the public a description (including separate descriptions with respect to family preservation services and community-based family support services) of—

"(i) the service programs to be made available under the plan in the immediately succeeding fiscal year;

"(ii) the populations which the programs will serve; and

"(iii) the geographic areas in the State in which the services will be available; and

"(B) perform the activities described in subparagraph (A)—

"(i) in the case of the 1st fiscal year under the plan, at the time the State submits its initial plan; and

"(ii) in the case of each succeeding fiscal year, by the end of the 3rd quarter of the immediately preceding fiscal year;

"(7) provides for such methods of administration as the Secretary finds to be necessary for the proper and efficient operation of the plan;

"(8)(A) contains assurances that Federal funds provided to the State under this subpart will not be used to supplant Federal or non-Federal funds for existing services and activities which promote the purposes of this subpart; and

"(B) provides that the State will furnish reports to the Secretary, at such times, in

such format, and containing such information as the Secretary may require, that demonstrate the State's compliance with the prohibition contained in subparagraph (A); and

"(9) provides that the State agency will furnish such reports, containing such information, and participate in such evaluations, as the Secretary may require.

"(b) APPROVAL OF PLANS.—

"(1) IN GENERAL.—The Secretary shall approve a plan that meets the requirements of subsection (a) only if the plan was developed jointly by the Secretary and the State, after consultation by the State agency with appropriate public and nonprofit private agencies and community-based organizations with experience in administering programs of services for children and families (including family preservation and family support services).

"(2) PLANS OF INDIAN TRIBES EXEMPTED FROM INAPPROPRIATE REQUIREMENTS.—The Secretary may exempt a plan submitted by an Indian tribe from any requirement of this section that the Secretary determines would be inappropriate to apply to the Indian tribe, taking into account the resources, needs, and other circumstances of the Indian tribe.

"SEC. 433. ALLOTMENTS TO STATES.

"(a) INDIAN TRIBES.—

"(1) IN GENERAL.—From the amount reserved pursuant to section 430(b)(3), the Secretary shall allot to each Indian tribe with a plan approved under this subpart (except as provided in paragraph (2) of this subsection) an amount that bears the same ratio to such reserved amount as the number of children in the Indian tribe bears to the total number of children in all Indian tribes with State plans so approved, as determined by the Secretary on the basis of the most current and reliable information available to the Secretary.

"(2) SPECIAL RULE.—The Secretary may not allot funds to an Indian tribe with a plan approved under this subpart whose allotment (but for this paragraph) would be less than \$10,000 if allotments were made under paragraph (1) to all Indian tribes with plans approved under this subpart with the same or larger numbers of children.

"(b) TERRITORIES.—From the amount appropriated pursuant to section 430 that remains after applying section 430(b) for each fiscal year, the Secretary shall allot to each of the jurisdictions of Puerto Rico, Guam, the Virgin Islands, the Northern Mariana Islands, and American Samoa an amount determined in the same manner as the allotment to each of such jurisdictions is determined under section 421.

"(c) OTHER STATES.—

"(1) IN GENERAL.—From the amount appropriated pursuant to section 430 that remains after applying section 430(b) and subsection (b) of this section for each fiscal year, the Secretary shall allot to each State (other than an Indian tribe) which is not specified in subsection (b) of this section an amount equal to such remaining amount multiplied by the food stamp percentage of the State for the fiscal year.

"(2) FOOD STAMP PERCENTAGE DEFINED.—

"(A) IN GENERAL.—As used in paragraph (1) of this subsection, the term 'food stamp percentage' means, with respect to a State and a fiscal year, the average monthly number of children receiving food stamp benefits in the State for months in the 3 fiscal years referred to in subparagraph (B) of this paragraph, as determined from sample surveys made under section 16(c) of the Food Stamp Act of 1977, expressed as a percentage of the

average monthly number of children receiving food stamp benefits in the States described in such paragraph (1) for months in such 3 fiscal years, as so determined.

"(B) FISCAL YEARS USED IN CALCULATION.—For purposes of the calculation pursuant to subparagraph (A), the Secretary shall use data for the 3 most recent fiscal years, preceding the fiscal year for which the State's allotment is calculated under this subsection, for which such data are available to the Secretary.

"SEC. 434. PAYMENTS TO STATES.

"(a) ENTITLEMENT.—

"(1) GENERAL RULE.—Except as provided in paragraph (2) of this subsection, each State which has a plan approved under this subpart shall be entitled to payment of the lesser of—

"(A) 75 percent of the total cost of activities under the plan during the fiscal year or the immediately succeeding fiscal year; or

"(B) the allotment of the State under section 433 for the fiscal year.

"(2) SPECIAL RULE.—Upon submission by a State to the Secretary during fiscal year 1994 of an application in such form and containing such information as the Secretary may require (including, if the State is seeking payment of an amount pursuant to subparagraph (B) of this paragraph, a description of the services to be provided with the amount), the State shall be entitled to payment of an amount equal to the sum of—

"(A) such amount not exceeding \$1,000,000 as the State may require to develop and submit a plan for approval under section 432; and

"(B) an amount equal to the lesser of—

"(i) 75 percent of the cost of State services to children and families provided in accordance with section 432(a)(4); or

"(ii) the allotment of the State under section 433 for fiscal year 1994, reduced by any amount paid to the State pursuant to subparagraph (A) of this paragraph.

"(b) PROHIBITIONS.—

"(1) NO USE OF OTHER FEDERAL FUNDS FOR STATE MATCH.—Each State receiving an amount paid under paragraph (1) or (2)(B) of subsection (a) may not expend any Federal funds to meet the costs of services described in this subpart not covered by the amount so paid.

"(2) AVAILABILITY OF FUNDS.—

"(A) IN GENERAL.—A State may not expend any amount paid under subsection (a)(1) for any fiscal year after the end of the immediately succeeding fiscal year.

"(B) PLAN DEVELOPMENT.—A State may not expend any amount paid under subsection (a)(2) after the end of fiscal year 1994.

"(c) DIRECT PAYMENTS TO TRIBAL ORGANIZATIONS OF INDIAN TRIBES.—The Secretary shall pay any amount to which an Indian tribe is entitled under this section directly to the tribal organization of the Indian tribe.

"SEC. 435. EVALUATIONS; REPORT.

"(a) EVALUATIONS.—

"(1) IN GENERAL.—The Secretary shall evaluate the effectiveness of the programs carried out pursuant to this subpart in accomplishing the purposes of this subpart, in accordance with criteria established in accordance with paragraph (2).

"(2) CRITERIA TO BE USED.—In developing the criteria to be used in evaluations under paragraph (1), the Secretary shall consult with appropriate parties, such as—

"(A) State agencies administering programs under this part and part E;

"(B) persons administering child and family services programs (including family preservation and family support programs) for

private, nonprofit organizations with an interest in child welfare; and

"(C) other persons with recognized expertise in the evaluation of child and family services programs (including family preservation and family support programs) or other related programs.

"(b) REPORT TO THE CONGRESS.—Not later than December 31, 1997, the Secretary shall submit to the Congress a report containing findings with respect to the evaluations required by subsection (a).

"(c) COORDINATION OF EVALUATIONS.—The Secretary shall develop procedures to coordinate evaluations under this section, to the extent feasible, with evaluations by the States of the effectiveness of programs under this subpart."

(b) CONFORMING AMENDMENTS.—

(1) Section 422 (42 U.S.C. 622) is amended—

(A) in subsection (a), by striking "this part" and inserting "this subpart";

(B) in subsection (b), by striking "this part" each place such term appears and inserting "this subpart"; and

(C) in subsection (b)(2), by inserting "under the State plan approved under subpart 2 of this part," after "part A of this title,".

(2) Section 423(a) (42 U.S.C. 623(a)) is amended by striking "this part" and inserting "this subpart".

(3) Section 428(a) (42 U.S.C. 628(a)) is amended by striking "this part" each place such term appears and inserting "this subpart".

(4) Section 471(a)(2) (42 U.S.C. 671(a)(2)) is amended by inserting "subpart 1 of" before "part B".

(c) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to calendar quarters beginning on or after October 1, 1993.

SEC. 13212. GRANTS FOR STATE COURTS TO ASSESS AND IMPROVE HANDLING OF PROCEEDINGS RELATING TO FOSTER CARE AND ADOPTION.

(a) IN GENERAL.—The Secretary shall make grants, in accordance with this section, to the highest State courts in States participating in the program under part E of title IV of the Social Security Act, for the purpose of enabling such courts—

(1) to conduct assessments, in accordance with subsection (b), of the role, responsibilities, and effectiveness of State courts in carrying out State laws requiring proceedings (conducted by or under the supervision of the courts)—

(A) to determine the advisability or appropriateness of foster care placement;

(B) to determine whether to terminate parental rights; and

(C) to legally recognize the adoption of a child; and

(2) to implement changes deemed necessary as a result of the assessments.

(b) ASSESSMENTS.—Each assessment conducted with funds provided under this section shall—

(1) identify the requirements imposed on State courts with respect to proceedings described in subsection (a), addressing separately—

(A) rules, standards, and criteria imposed pursuant to State laws (including laws implementing parts B and E of title IV of the Social Security Act, laws relating to child abuse and neglect, or any other laws on related matters) to be applied in determinations with respect to placement of a child, or with respect to related matters concerning the parent-child relationship and the welfare of the child, including determinations—

(i) whether to remove a child from or return a child to the home of the child;

(ii) whether to place a child in foster care or to continue a foster care placement;

(iii) whether to terminate parental rights;

(iv) whether to place a child for adoption or in another permanent arrangement; and

(v) whether to set aside or to finalize an adoption; and

(B) rules and procedures, established by or under State law or adopted by the State court system on its own initiative, with respect to the conduct of such proceedings, that address matters such as—

(i) whether a proceeding should be judicial or administrative;

(ii) timetables for such proceedings, and determinations of the priority of such proceedings relative to other matters under the jurisdiction of the State courts;

(iii) procedural safeguards of the rights of parents (including foster and adoptive parents), guardians, and children, such as provisions for legal representation and for guardians ad litem; and

(iv) rules for conduct of the proceeding with respect to matters such as admissible evidence, opportunity to present witnesses, and time limits on the presentation of evidence and the making of arguments;

(2) evaluate the performance of the State courts in implementing the requirements identified under paragraph (1), by assessing—

(A) the extent to which particular practices or procedures have been successful in facilitating compliance with such requirements;

(B) the frequency of failures to comply with any such requirements, and patterns with respect to the circumstances and factors contributing to the failures; and

(C) the extent to which caseload size and resource limitations contribute to the failures identified pursuant to subparagraph (B);

(3) determine the extent to which the rules and practices identified under paragraph (1) or (2) are in accord with recommended standards of national organizations concerned with permanent placement for foster children;

(4) determine, from the standpoint of the State courts, the extent to which particular requirements under paragraph (1)—

(A) are facilitating or impeding achievement of the purposes of such parts B and E, including the goal of appropriate permanent placement for each child; and

(B) are imposing significant administrative burdens on the State court system; and

(5) make specific recommendations for improvement, based on the conclusions reached as a result of activities described in paragraphs (1) through (4), including recommendations for—

(A) changes in Federal or State laws, regulations, or policies;

(B) changes in procedures and practices of the State courts and of the State agencies administering foster care, adoption, child welfare, and child protective services programs;

(C) additional education or training of State court judges, or of personnel of the judicial system or of the State agencies described in subparagraph (B);

(D) collection or dissemination of additional data or information for purposes of increasing the understanding of personnel of State courts and State agencies of matters relating to case review proceedings in general, or to specific case review proceedings; and

(E) increases in manpower, reductions in the number of case reviews, or other changes needed to enable the State courts to better manage their caseloads with respect to such proceedings.

(c) APPLICATIONS.—In order to be eligible for a grant under this section, a highest State court shall submit to the Secretary, at such time and in such form as the Secretary may require, an application containing—

(1) a timetable for conducting and completing the assessment;

(2) a budget for the assessment;

(3) a description of the methods to be used to select State courts for inclusion in, and to conduct, the assessment;

(4) certifications by the head of the State agency administering the State program under such part E, and by the State foster care citizen review board or State organization of such review boards (if any), that such entities have had an opportunity to review and comment on a draft of the application before its submission, and a copy of such comments;

(5) a description of the process to be used by the court to consult with the entities referred to in paragraph (4) of this subsection in conducting the assessment under subsection (b);

(6) an assurance that, to the extent funds provided under this section are not necessary to complete the assessment under subsection (b), the court will use such funds to implement, to the extent feasible, recommendations made pursuant to subsection (b)(5);

(7) an assurance that funds provided under this section will not be used to supplant State or local funds which would otherwise be used for similar purposes;

(8) a commitment to furnish to the Secretary—

(A) an interim report following the end of the 2nd year of assessment activities under this section; and

(B) a final report following the completion of the assessment; and

(9) any other information the Secretary may require.

(d) ALLOTMENTS.—

(1) IN GENERAL.—Each highest State court which has an application approved under subsection (c), and is conducting assessment activities in accordance with this section, shall be entitled to payment, for each of fiscal years 1995 through 1998, from amounts reserved pursuant to section 430(b)(2) of the Social Security Act, of an amount equal to the sum of—

(A) for fiscal year 1995, \$75,000 plus the amount described in paragraph (2) for fiscal year 1995; and

(B) for each of fiscal years 1996 through 1998, \$85,000 plus the amount described in paragraph (2) for each of such fiscal years.

(2) FORMULA.—The amount described in this paragraph for any fiscal year is the amount that bears the same ratio to the amount reserved pursuant to section 430(b)(2) of the Social Security Act for the fiscal year (reduced by the dollar amount specified in paragraph (1) of this subsection for the fiscal year) as the number of individuals in the State who have not attained 21 years of age bears to the total number of such individuals in all States the highest State courts of which have approved applications under subsection (c).

(e) USE OF GRANT FUNDS.—Each highest State court which receives funds paid under this section may use such funds to pay—

(1) any or all costs of activities under this section in fiscal year 1995; and

(2) not more than 75 percent of the cost of activities under this section in each of fiscal years 1996, 1997, and 1998.

SEC. 13213. REQUIRED PROTECTIONS FOR FOSTER CHILDREN.

(a) IN GENERAL.—Section 422(b) (42 U.S.C. 622(b)) is amended—

(1) by striking "and" at the end of paragraph (7);

(2) by striking the period at the end of paragraph (8) and inserting "; and"; and

(3) by adding at the end the following:

"(9) provide assurances that the State—

"(A) since June 17, 1980, has completed an inventory of all children who, before the inventory, had been in foster care under the responsibility of the State for 6 months or more, which determined—

"(i) the appropriateness of, and necessity for, the foster care placement;

"(ii) whether the child could or should be returned to the parents of the child or should be freed for adoption or other permanent placement; and

"(iii) the services necessary to facilitate the return of the child or the placement of the child for adoption or legal guardianship;

"(B) is operating, to the satisfaction of the Secretary—

"(i) a statewide information system from which can be readily determined the status, demographic characteristics, location, and goals for the placement of every child who is (or, within the immediately preceding 12 months, has been) in foster care;

"(ii) a case review system (as defined in section 475(5)) for each child receiving foster care under the supervision of the State;

"(iii) a service program designed to help children—

"(I) where appropriate, return to families from which they have been removed; or

"(II) be placed for adoption, with a legal guardian, or, if adoption or legal guardianship is determined not to be appropriate for a child, in some other planned, permanent living arrangement; and

"(iv) a preplacement preventive services program designed to help children at risk of foster care placement remain with their families; and

"(C)(i) has reviewed (or within 12 months after the date of the enactment of this paragraph will review) State laws and administrative and judicial procedures in effect for children abandoned at or shortly after birth (including laws and procedures providing for legal representation of such children); and

"(ii) has enacted and is implementing (or within 24 months after the date of the enactment of this paragraph will enact and implement) such laws and procedures as the State determines, on the basis of the review described in clause (i), to be necessary to enable permanent decisions to be made expeditiously with respect to the placement of such children."

(b) RESTRICTION ON REALLOTMENT.—Section 424 (42 U.S.C. 624) is amended—

(1) in the 1st sentence, by striking "The amount" and inserting the following:

"(a) IN GENERAL.—Subject to subsection (b), the amount"; and

(2) by adding at the end the following:

"(b) EXCEPTION RELATING TO FOSTER CHILD PROTECTIONS.—The Secretary shall not reallocate under subsection (a) of this section any amount that is withheld or recovered from a State due to the failure of the State to comply with section 422(b)(9)."

(c) REPEAL.—Section 427 (42 U.S.C. 627) is hereby repealed.

(d) CONFORMING AMENDMENTS.—

(1) Section 423(a) (42 U.S.C. 623(a)) is amended by striking "and in section 427".

(2) Section 425(a)(2) (42 U.S.C. 625(a)(2)) is amended by striking "the statistical report required by section" and inserting "with section 422(b)(9) or"

(3) Section 472(d) (42 U.S.C. 672(d)) is amended by striking "427(b)" and inserting "422(b)(9)".

(e) EFFECTIVE DATE.—The amendments and repeal made by this section shall be effective for fiscal years beginning on or after October 1, 1994.

(f) CONSTRUCTION OF SECTION.—This section and the amendments and repeal made by this section shall not be construed to permit any State to interrupt the provision of the foster care protections described in section 427 of the Social Security Act, as in effect on the effective date of such amendments and repeal.

SEC. 13214. STATES REQUIRED TO REPORT ON MEASURES TAKEN TO COMPLY WITH THE INDIAN CHILD WELFARE ACT.

(a) STATE PLAN REQUIREMENT.—Section 422(b) (42 U.S.C. 622(b)), as amended by section 13213(a) of this Act, is amended—

(1) by striking "and" at the end of paragraph (8);

(2) by striking the period at the end of paragraph (9) and inserting "; and"; and

(3) by adding at the end the following:

"(10) contain a description, developed after consultation with tribal organizations (as defined in section 4 of the Indian Self-Determination and Education Assistance Act) in the State, of the specific measures taken by the State to comply with the Indian Child Welfare Act."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective with respect to calendar quarters beginning on or after October 1, 1994.

SEC. 13215. CHILD WELFARE TRAINEESHIPS.

(a) IN GENERAL.—Part B of title IV (42 U.S.C. 620–628) is amended by inserting after section 428 the following:

"SEC. 429. CHILD WELFARE TRAINEESHIPS.

"The Secretary may approve an application for a grant to a public or nonprofit institution for higher learning to provide traineeships with stipends under section 426(a)(1)(C) only if the application—

"(1) provides assurances that each individual who receives a stipend with such traineeship (in this section referred to as a 'recipient') will enter into an agreement with the institution under which the recipient agrees—

"(A) to participate in training at a public or private nonprofit child welfare agency on a regular basis (as determined by the Secretary) for the period of the traineeship;

"(B) to be employed for a period of years equivalent to the period of the traineeship, in a public or private nonprofit child welfare agency in any State, within a period of time (determined by the Secretary in accordance with regulations) after completing the post-secondary education for which the traineeship was awarded;

"(C) to furnish to the institution and the Secretary evidence of compliance with subparagraphs (A) and (B); and

"(D) if the recipient fails to comply with subparagraph (A) or (B) and does not qualify for any exception to this subparagraph which the Secretary may prescribe in regulations, to repay to the Secretary all (or an appropriately prorated part) of the amount of the stipend, plus interest, and, if applicable, reasonable collection fees (in accordance with regulations promulgated by the Secretary);

"(2) provides assurances that the institution will—

"(A) enter into agreements with child welfare agencies for onsite training of recipients;

"(B) permit an individual who is employed in the field of child welfare services to apply for a traineeship with a stipend if the traineeship furthers the progress of the individual toward the completion of degree requirements; and

"(C) develop and implement a system that, for the 3-year period that begins on the date any student completes a child welfare services program of study, tracks the employment record of the student, for the purpose of determining the percentage of students who secure employment in the field of child welfare services and remain employed in the field."

(b) CONFORMING AMENDMENT.—Section 426(a)(1)(C) (42 U.S.C. 626(a)(1)(C)) is amended by inserting "described in section 429" after "including traineeships".

(c) APPLICABILITY.—The amendments made by this section shall apply to grants awarded on or after April 1, 1994.

SEC. 13216. DISSOLVED ADOPTIONS.

(a) ELIGIBILITY FOR FOSTER CARE MAINTENANCE PAYMENTS.—Section 472 (42 U.S.C. 672) is amended—

(1) in subsection (b), by inserting "or (i)" after "subsection (a)"; and

(2) by adding at the end the following:

"(i) Any State with a plan approved under this part may make foster care maintenance payments under this part on behalf of a child—

"(1) with respect to whom such payments were previously made;

"(2) whose adoption has been set aside by a court;

"(3) who meets the requirements of paragraphs (1), (2), and (3) of subsection (a); and

"(4) who fails to meet the requirements of subsection (a)(4) but would meet such requirements if—

"(A) the child were treated as if the child were in the same financial and other circumstances the child was in the last time the child was determined eligible for such payments; and

"(B) the adoption were treated as having never occurred."

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to payments under part E of title IV of the Social Security Act in fiscal years beginning on or after October 1, 1995.

SEC. 13217. TIME FRAME FOR JUDICIAL DETERMINATIONS ON VOLUNTARY PLACEMENTS.

(a) IN GENERAL.—Section 472(e) (42 U.S.C. 672(e)) is amended—

(1) by striking "No" and inserting "(1) Except as provided in paragraph (2), no"; and

(2) by adding at the end the following:

"(2) If the judicial determination referred to in paragraph (1) is made after the 180-day period described therein, the payments referred to therein may not be made for the period that begins at the end of the 180-day period and ends 180 days after the date of the judicial determination, but shall (unless otherwise prohibited) be made for periods thereafter."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective with respect to foster care maintenance payments made, under State plans in fiscal year 1996 and succeeding fiscal years, on behalf of children placed in foster care on or after October 1, 1995.

SEC. 13218. STUDY OF REASONABLE EFFORTS.

(a) IN GENERAL.—The Secretary of Health and Human Services shall conduct a study of the implementation by the States of section 471(a)(15) of the Social Security Act, giving particular attention to—

(1) standards used by States in determining what action to take, and whether and for how long to continue efforts—

(A) before the placement of a child in foster care, to prevent or eliminate the need for removal of the child from the home of the child; and

(B) to return a child home rather than to seek some other planned, permanent placement; and

(2) the responses of the courts to the State actions described in paragraph (1) of this subsection, including whether such responses facilitate or impede the achievement by State agencies of the objectives of such section 471(a)(15).

(b) REPORT AND RECOMMENDATIONS.—Within 18 months after the date of the enactment of this Act, the Secretary of Health and Human Services shall submit to the Congress a report, with such recommendations as the Secretary finds appropriate, based on the results of the study required by subsection (a) of this section, which describes State practices that the Secretary has found effective in achieving the objectives of section 471(a)(15) of the Social Security Act, and, if appropriate, shall set forth model practices for consideration by the States.

SEC. 13219. ENHANCED MATCH FOR AUTOMATED DATA SYSTEMS.

(a) PAYMENTS TO STATES.—

(1) IN GENERAL.—Section 474(a)(3) (42 U.S.C. 674(a)(3)) is amended—

(A) by striking "and" at the end of subparagraph (B);

(B) by redesignating subparagraph (C) as subparagraph (E); and

(C) by inserting after subparagraph (B) the following:

"(C) 90 percent of so much of such expenditures as are for the planning, design, development, or installation of statewide mechanized data collection and information retrieval systems (including 90 percent of the full amount of expenditures for hardware components for such systems) but only to the extent that such systems—

"(i) meet the requirements imposed by regulations promulgated pursuant to section 479(b)(2);

"(ii) to the extent practicable, are capable of interfacing with the State data collection system that collects information relating to child abuse and neglect;

"(iii) to the extent practicable, have the capability of interfacing with, and retrieving information from, the State data collection system that collects information relating to the eligibility of individuals under part A (for the purposes of facilitating verification of eligibility of foster children); and

"(iv) are determined by the Secretary to be likely to provide more efficient, economical, and effective administration of the programs carried out under a State plan approved under part B or this part; and

"(D) 50 percent of so much of such expenditures as are for the operation of the statewide mechanized data collection and information retrieval systems referred to in subparagraph (C); and"

(2) TREATMENT OF STATE EXPENDITURES FOR DATA COLLECTION AND INFORMATION RETRIEVAL SYSTEMS.—Section 474 (42 U.S.C. 674), as amended by section 13224 of this Act, is amended by adding at the end the following:

"(c) AUTOMATED DATA COLLECTION EXPENDITURES.—The Secretary shall treat as necessary for the proper and efficient administration of the State plan all expenditures of a State necessary in order for the State to plan, design, develop, install, and operate data collection and information retrieval systems described in subsection (a)(3)(C), without regard to whether the systems may be used with respect to foster or adoptive children other than those on behalf of whom foster care maintenance payments or adoption assistance payments may be made under this part."

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to expenditures during fiscal years 1994, 1995, and 1996.

(b) TERMINATION OF ENHANCED MATCH.—

(1) IN GENERAL.—Section 474(a)(3)(C) (42 U.S.C. 674(a)(3)(C)), as amended by subsection (a) of this section, is amended by striking "90 percent" each place such term appears and inserting "50 percent".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to expenditures during fiscal years beginning on or after October 1, 1996.

SEC. 13220. PERIODIC REEVALUATION OF FOSTER CARE MAINTENANCE PAYMENTS.

(a) IN GENERAL.—Section 471(a)(11) (42 U.S.C. 671(a)(11)) is amended—

(1) by inserting "(A)" after "(11)";

(2) by striking "and amounts paid as foster care maintenance payments and adoption assistance"; and

(3) by adding at the end the following:

"(B) provides that, at least once every 3 years, the State agency will review the amount paid as foster care maintenance payments and adoption assistance payments to ensure their continuing appropriateness, and will submit to the Secretary (and make available to the public) a report on the results of the review, in such form and manner as the Secretary may by regulation require, which contains, at a minimum—

"(i) a statement of the manner in which the foster care maintenance payment level is determined, including information on the cost of foster care with respect to which such payments are made;

"(ii) information on the amount of the basic foster care maintenance payment level, and as to whether such payment level includes an amount to cover the cost of clothing, and whether such payment level varies by the type of care or the special needs or age of the child, and, if so, the payment levels for each special needs, care, or age category;

"(iii) if such payments are not made at a different rate for children who test positive for human immunodeficiency virus, have acquired immune deficiency syndrome, are addicted to drugs, suffer from complications due to exposure to drugs or alcohol, or have other severe special needs, the reasons therefor; and

"(iv) information on any limitations imposed by the State on adoption assistance payment levels."

(b) EFFECTIVE DATE.—The amendment made by this section shall be effective with respect to calendar quarters beginning on or after October 1, 1994.

SEC. 13221. DISPOSITIONAL HEARING.

Section 475(5)(C) (42 U.S.C. 675(5)(C)) is amended by striking "periodically" and inserting "not less frequently than every 12 months".

SEC. 13222. HEALTH CARE PLANS FOR FOSTER CHILDREN.

(a) IN GENERAL.—Section 475(1)(C) (42 U.S.C. 675(1)(C)) is amended—

(1) in clause (vii), by striking "and"; and

(2) by redesignating clause (viii) as clause (ix) and inserting after clause (vii) the following:

"(viii) a record indicating that the child's foster care provider was advised (where appropriate) of the child's eligibility for early and periodic screening, diagnostic, and treatment services under title XIX; and"

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to case plans established or reviewed on or after January 1, 1994.

SEC. 13223. INDEPENDENT LIVING.

(a) TREATMENT OF ASSETS OF PARTICIPATING YOUTHS.—Section 477 (42 U.S.C. 677) is amended—

(1) by redesignating subsection (i) as subsection (j); and

(2) by inserting after subsection (h) the following:

“(i) Notwithstanding any other provision of this title, with respect to a child who is included in a program established by a State agency under subsection (a), an amount of the assets of the child which would otherwise be regarded as resources for purposes of determining eligibility for benefits under this title may be disregarded for the purpose of allowing the child to establish a household, pursue education, or otherwise complete the transition to independent living. The amount disregarded may not exceed an amount determined by the State agency to be reasonable for such purposes.”

(b) PERMANENT EXTENSION OF PROGRAM.—Section 477 (42 U.S.C. 677) is amended—

(1) in subsection (a)(1), by striking the 3rd sentence;

(2) in subsection (c), by striking “of the fiscal years 1988 through 1992” and inserting “succeeding fiscal year”;

(3) in subsection (e)(1)(A), by striking “each of the fiscal years 1987 through 1992” and inserting “fiscal year 1987 and any succeeding fiscal year”;

(4) in subsection (e)(1)(B), by striking “fiscal years 1991 and 1992” and inserting “fiscal year 1991 and any succeeding fiscal year”; and

(5) in subsection (e)(1)(C)(ii), by striking “fiscal year 1992” and inserting “any succeeding fiscal year”.

(c) EFFECTIVE DATES.—

(1) TREATMENT OF ASSETS OF PARTICIPATING YOUTHS.—The amendments made by subsection (a) shall apply to activities in fiscal years beginning on or after October 1, 1995.

(2) PERMANENT EXTENSION OF PROGRAM.—The amendments made by subsection (b) shall apply to activities engaged in on or after October 1, 1992.

SEC. 13224. ELIMINATION OF FOSTER CARE CELLINGS AND OF AUTHORITY TO TRANSFER UNUSED FOSTER CARE FUNDS TO CHILD WELFARE SERVICES PROGRAMS.

(a) REPEAL.—Subsections (b) and (c) of section 474 (42 U.S.C. 674(b) and (c)) are hereby repealed.

(b) CONFORMING AMENDMENTS.—Section 474 (42 U.S.C. 674) is amended—

(1) in subsection (d)(1)—

(A) by striking “subsections (a), (b), and (c)” and inserting “subsection (a)”; and

(B) by striking “the provisions of such subsections” and inserting “subsection (a)”; and

(2) by redesignating subsection (d) as subsection (b).

(c) EFFECTIVE DATE.—The amendments and repeal made by this section shall apply to payments for calendar quarters beginning on or after October 1, 1993.

SEC. 13225. TRAINING OF AGENCY STAFF AND FOSTER AND ADOPTIVE PARENTS.

(a) IN GENERAL.—Section 8006(b) of the Omnibus Budget Reconciliation Act of 1989 (42 U.S.C. 674 note) is amended by striking “, and before October 1, 1992”.

(b) RETROACTIVE APPLICABILITY.—The Social Security Act shall be applied and administered as if the amendment made by subsection (a) had been made on October 1, 1992.

SEC. 13226. ON-SITE REVIEWS AND AUDITS OF STATE CLAIMS FOR FOSTER CARE AND ADOPTION ASSISTANCE.

(a) ON-SITE REVIEWS AND AUDITS OF STATE CLAIMS.—Section 474 (42 U.S.C. 674), as

amended by sections 13224 and 13219(a)(2) of this Act, is amended—

(1) by redesignating subsection (c) as subsection (d); and

(2) by inserting after subsection (b) the following:

“(c) ON-SITE REVIEWS AND AUDITS OF STATE CLAIMS FOR PAYMENT.—

“(1) REGULATIONS SPECIFYING REVIEW STANDARDS.—The Secretary shall promulgate regulations applicable to on-site reviews and audits of State expenditures for foster care maintenance payments and adoption assistance payments under this part, which specify—

“(A) the criteria to be used to determine the appropriateness of expenditures identified in sampled case files;

“(B) the criteria to be used to determine the appropriateness of expenditures for child placement services and plan administration; and

“(C) the types of erroneous expenditures which will be disregarded for purposes of determining the appropriateness of payments under this part (including erroneous payments resulting from the State’s reliance upon and correct use of formal written statements of Federal law or policy provided to the State by the Secretary).

“(2) DEVELOPMENT AND PUBLICATION OF WRITTEN STANDARDS AND PROCEDURES.—The Secretary, after consultation with organizations representing State and local governmental agencies with responsibility for foster care and adoption services and other relevant agencies and organizations, shall develop and furnish to State agencies a written description of the methods and procedures to be used in the on-site audits and reviews referred to in paragraph (1), which specify—

“(A) the methods and procedures to be used to select a sample of case files for review or audit;

“(B) the procedures to be used in reviewing or auditing sampled case files to determine erroneous expenditures;

“(C) the procedures to be used to review or audit State expenditures for child placement services and plan administration; and

“(D) the methodology to be used to extrapolate from review or audit findings to all expenditures under the State plan.

“(3) ADVANCE NOTICE TO STATES.—The Secretary shall not, in a review or audit of State expenditures during a fiscal year, use any criterion specified pursuant to paragraph (1), or any procedure or methodology specified pursuant to paragraph (2), which was not published in final regulations or furnished in writing to the State (as applicable) at least 3 months before the beginning of the fiscal year.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to expenditures in fiscal years beginning on or after October 1, 1994.

SEC. 13227. CONFORMITY REVIEWS.

(a) IN GENERAL.—Part A of title XI (42 U.S.C. 1301–1320b–13) is amended by inserting after section 1122 the following:

“SEC. 1123. REVIEWS OF CHILD AND FAMILY SERVICES PROGRAMS, AND OF FOSTER CARE AND ADOPTION ASSISTANCE PROGRAMS, FOR COMPLIANCE WITH STATE PLAN REQUIREMENTS.

“(a) IN GENERAL.—The Secretary shall not impose a financial penalty on any State for any failure of the State programs under parts B and E of title IV to comply with any requirement of any State plan approved under such part B or E, except pursuant to final regulations, developed after consultation with State agencies administering such

programs, which meet the requirements of this section.

“(b) ELEMENTS OF REVIEW SYSTEM.—The regulations referred to in subsection (a) shall—

“(1) specify the timetable for compliance reviews of State programs, which—

“(A) shall provide for annual reviews of each State program during the 1st 2 years of operation;

“(B) shall provide for review of a State program not later than 1 year following a review in which the State program was found not to be in substantial compliance with plan requirements; and

“(C) may provide for less frequent reviews of State programs which have been found to be in substantial compliance with plan requirements, but shall permit the Secretary to reinstate more frequent reviews based on information which indicates that the State program may not be in compliance with plan requirements;

“(2) specify the plan requirements subject to review, and the criteria to be used to measure compliance with such requirements and to determine whether there is a substantial failure to comply with a plan requirement;

“(3) specify the method to be used to determine the financial penalty to be imposed (subject to paragraph (4)) for a failure to comply with plan requirements, which ensures that—

“(A) a financial penalty will not be imposed with respect to a program, unless it is determined that the program fails substantially to so comply;

“(B) a financial penalty will not be imposed for a failure to so comply resulting from the State’s reliance upon and correct use of formal written statements of Federal law or policy provided to the State by the Secretary; and

“(C) the amount of financial penalty is related to the extent of the noncompliance; and

“(4) require the Secretary, with respect to any State found to have failed substantially to comply with plan requirements—

“(A) to afford the State an opportunity to adopt and implement a corrective action plan, approved by the Secretary, designed to end the noncompliance;

“(B) to make technical assistance available to the State to the extent necessary to enable the State to develop and implement such a corrective action plan;

“(C) to suspend the imposition of any penalty under this section while such a corrective action plan is in effect; and

“(D) to rescind any such penalty if the noncompliance is ended by successful completion of such a corrective action plan.

“(c) PROVISIONS FOR ADMINISTRATIVE AND JUDICIAL REVIEW.—The regulations referred to in subsection (a) shall—

“(1) require the Secretary, not later than 10 days after a determination that a program of the State is not in compliance with applicable plan requirements, to notify the State of—

“(A) the basis for the determination; and

“(B) the amount of the financial penalty (if any) imposed on the State;

“(2) afford the State an opportunity to appeal the determination to the Departmental Appeals Board within 60 days after receipt of the notice described in paragraph (1) (or, if later, after failure to continue or to complete a corrective action plan); and

“(3) afford the State an opportunity to obtain judicial review of an adverse decision of the Board, within 60 days after the State re-

ceives notice of the decision of the Board, by appeal to the district court of the United States for the judicial district in which the principal or headquarters office of the agency responsible for administering the program is located."

(b) **CONFORMING AMENDMENT.**—Section 471(b) (42 U.S.C. 671(b)) is amended by striking all that follows the 1st sentence.

(c) **EFFECTIVE DATE.**—The amendments made by subsections (a) and (b) shall take effect on the date of the enactment of this Act.

(d) **CONSTRUCTION.**—This section shall not be construed to prevent the Secretary, before the effective date of final regulations meeting the requirements of section 1123 of the Social Security Act, from conducting compliance reviews of State programs under parts B and E of such Act for the purpose of providing information and technical assistance to States concerning corrective actions needed in order to comply with plan requirements applicable to such programs.

SEC. 13228. REPEAL OF ANNUAL REPORT ON VOLUNTARY ADOPTION.

Section 102(e) of the Adoption Assistance and Child Welfare Act of 1980 (42 U.S.C. 672 note) is hereby repealed.

SEC. 13229. DEMONSTRATION PROJECTS.

Part A of title XI (42 U.S.C. 1301-1320b-13) is amended by inserting after section 1128B the following:

"SEC. 1129. DEMONSTRATION PROJECTS.

"(a) **IN GENERAL.**—The Secretary may authorize not more than 10 States to conduct demonstration projects pursuant to this section which the Secretary finds are likely to promote the objectives of part B or E of title IV.

"(b) **WAIVER AUTHORITY.**—The Secretary may waive compliance with any requirement of part B or E of title IV which (if applied) would prevent a State from carrying out a demonstration project under this section or prevent the State from effectively achieving the purpose of such a project, except that the Secretary may not waive—

"(1) any provision of section 427 (as in effect before October 1, 1994), section 422(b)(9) (as in effect after such date), or section 479; or

"(2) any provision of such part E, to the extent that the waiver would impair the entitlement of any qualified child or family to benefits under a State plan approved under such part E.

"(c) **TREATMENT AS PROGRAM EXPENDITURES.**—For purposes of parts B and E of title IV, the Secretary shall consider the expenditures of any State to conduct a demonstration project under this section to be expenditures under subpart 1 or 2 of such part B, or under such part E, as the State may elect.

"(d) **DURATION OF DEMONSTRATION.**—A demonstration project under this section may be conducted for not more than 5 years.

"(e) **APPLICATION.**—Any State seeking to conduct a demonstration project under this section shall submit to the Secretary an application, in such form as the Secretary may require, which includes—

"(1) a description of the proposed project, the geographic area in which the proposed project would be conducted, the children or families who would be served by the proposed project, and the services which would be provided by the proposed project (which shall provide, where appropriate, for random assignment of children and families to groups served under the project and to control groups);

"(2) a statement of the period during which the proposed project would be conducted;

"(3) a discussion of the benefits that are expected from the proposed project (compared to a continuation of activities under the approved plan or plans of the State);

"(4) an estimate of the costs or savings of the proposed project;

"(5) a statement of program requirements for which waivers would be needed to permit the proposed project to be conducted;

"(6) a description of the proposed evaluation design; and

"(7) such additional information as the Secretary may require.

"(f) **EVALUATIONS; REPORT.**—Each State authorized to conduct a demonstration project under this section shall—

"(1) obtain an evaluation by an independent contractor of the effectiveness of the project, using an evaluation design approved by the Secretary which provides for—

"(A) a comparison of methods of service delivery under the project, and such methods under a State plan or plans, with respect to efficiency, economy, and any other appropriate measures of program management;

"(B) comparison of outcomes for children and families (and groups of children and families) under the project, and such outcomes under a State plan or plans, for purposes of assessing the effectiveness of the project in achieving program goals; and

"(C) any other information that the Secretary may require; and

"(2) provide interim and final evaluation reports to the Secretary, at such times and in such manner as the Secretary may require.

"(g) **COST NEUTRALITY.**—The Secretary may not authorize a State to conduct a demonstration project under this section unless the Secretary determines that the total amount of Federal funds that will be expended under (or by reason of) the project over its approved term (or such portion thereof or other period as the Secretary may find appropriate) will not exceed the amount of such funds that would be expended by the State under the State plans approved under parts B and E of title IV if the project were not conducted."

SEC. 13230. PLACEMENT ACCOUNTABILITY.

(a) **CASE PLAN REQUIREMENTS.**—Section 475(5)(A) (42 U.S.C. 675(5)(A)) is amended by adding at the end the following: "which—

"(i) if the child has been placed in a foster family home or child-care institution a substantial distance from the home of the parents of the child, or in a State different from the State in which the home is located, sets forth the reasons why such placement is in the best interests of the child, and

"(ii) if the child has been placed in foster care outside the State, requires that, at least every 6 months, a caseworker on the staff of the State agency of the State in which the home of the parents of the child is located, or of the State in which the child has been placed, visit such child in such home or institution and submit a report on such visit to the State agency of the State in which the home of the parents of the child is located."

(b) **DISPOSITIONAL HEARING.**—Section 475(5)(C) (42 U.S.C. 675(5)(C)) is amended by inserting "and, in the case of a child described in subparagraph (A)(ii), whether the out-of-State placement continues to be appropriate and in the best interests of the child," after "long-term basis".

(c) **DATA COLLECTION.**—Section 479(c)(3)(C) (42 U.S.C. 679(c)(3)(C)) is amended—

(1) by striking "and" at the end of clause (i); and

(2) by adding at the end the following: "(iii) the children placed in foster care outside the State, and"

(d) **EFFECTIVE DATES.**—The amendments made by subsections (a), (b), and (c) shall be effective with respect to fiscal years beginning on and after October 1, 1994.

SEC. 13231. PAYMENTS OF STATE CLAIMS FOR FOSTER CARE AND ADOPTION ASSISTANCE.

Section 474(b) (42 U.S.C. 674(b)), as so redesignated by section 13239(b)(2) of this Act, is amended by adding at the end the following:

"(4)(A) Within 60 days after receipt of a State claim for expenditures pursuant to subsection (a), the Secretary shall allow, disallow, or defer such claim.

"(B) Within 15 days after a decision to defer such a State claim, the Secretary shall notify the State of the reasons for the deferral and of the additional information necessary to determine the allowability of the claim.

"(C) Within 90 days after receiving such necessary information (in readily reviewable form), the Secretary shall—

"(i) disallow the claim, if able to complete the review and determine that the claim is not allowable; or

"(ii) in any other case, allow the claim, subject to disallowance (as necessary)—

"(I) upon completion of the review, if it is determined that the claim is not allowable; or

"(II) on the basis of findings of an audit or financial management review."

SEC. 13232. MORATORIUM ON COLLECTION OF DISALLOWANCES.

The Secretary of Health and Human Services shall not—

(1) before October 1, 1994, reduce any payment to, withhold any payment from, or seek any repayment from any State under part B or E of title IV of the Social Security Act by reason of a determination made in connection with a review of State compliance with section 427 of such Act for any Federal fiscal year before fiscal year 1995; or

(2) reduce any payment to, withhold any payment from, or seek any repayment from any State under such part E by reason of a determination made in connection with any on-site Federal financial review, or any audit conducted by the Inspector General using similar methodologies.

SEC. 13233. BORDER REGION CHILD WELFARE WORKER TRAINING DEMONSTRATION.

(a) **IN GENERAL.**—The Secretary shall make grants to not more than 5 eligible institutions to train individuals to deliver culturally sensitive and bilingual child welfare services in areas of the United States that border on Mexico, 1 of which grants shall be for training to deliver child welfare services to historically unserved or underserved populations in an urban center with a high concentration of such populations.

(b) **APPLICATIONS.**—The Secretary shall approve an application of an institution for a grant under this section only if the application—

(1) demonstrates to the satisfaction of the Secretary that the institution has a history of, or a plan for, training students to deliver culturally sensitive and bilingual child welfare services in a border county;

(2) provides assurances that the institution will develop and implement, in consultation with the child welfare agency of the State in which the institution is located, a curriculum in the field of child welfare services which—

(A) is sensitive to the culture of—

(i) the areas of the United States that border on Mexico; or

(ii) in the case of the institution which receives the urban center grant described in

subsection (a), the historically unserved or underserved populations in the urban center; and

(B) includes training for identification of health problems of children and their families and of child abuse and neglect;

(3) provides assurances that each individual who receives a stipend with such training will enter into an agreement with the institution under which the individual agrees—

(A) to be employed for a period of years equivalent to the period of such training, in a public or private nonprofit family assistance agency that provides services directly to residents of—

(i) the border county in which the agency is located; or

(ii) in the case of the institution which receives the urban center grant described in subsection (a), the urban center in which the agency is located; and

(B) if the individual fails to be so employed for such period, to repay to the Secretary, in accordance with such conditions as the Secretary may prescribe, all or part of the amount of the stipend, plus interest, and, if applicable, reasonable collection fees; and

(4) provides that each agreement entered into with an individual pursuant to paragraph (3) will fully disclose the terms and conditions under which the stipend is to be provided.

(c) EVALUATIONS.—Each institution that receives a grant under this section shall develop and carry out a plan for evaluating the effects of the training provided under the grant, and shall submit to the Secretary a report on the evaluation.

(d) DEFINITIONS.—As used in this section:

(1) FAMILY ASSISTANCE AGENCY.—The term "family assistance agency" means a child welfare agency, family planning agency, hospital, clinic, community mental health facility, or drug and alcohol treatment program.

(2) ELIGIBLE INSTITUTION.—The term "eligible institution" means a public or private nonprofit institution of higher learning that is located in a State that contains a border county.

(3) BORDER COUNTY.—The term "border county" means—

(A) a United States county that borders on Mexico; and

(B) a United States county that borders on a county described in subparagraph (A).

(4) URBAN CENTER.—The term "urban center" means an area in a metropolitan statistical area, as designated by the Office of Management and Budget, which has a high incidence of individuals in historically unserved or underserved populations who are in need of social services, as determined by the Secretary using the most recent and best available information.

(5) HISTORICALLY UNSERVED OR UNDERSERVED POPULATIONS.—The term "historically unserved or underserved populations" includes—

(A) socially and economically disadvantaged populations;

(B) persons with limited English proficiency;

(C) populations residing in urban areas and exhibiting a high incidence of child abuse, neglect, or abandonment, as determined by the Secretary;

(D) homeless persons (within the meaning of section 103 of the Stewart B. McKinney Homeless Assistance Act);

(E) persons who are, or are in danger of becoming, infected with the human immunodeficiency virus; and

(F) persons who abuse alcohol or drugs.

(6) SECRETARY.—The term "Secretary" means the Secretary of Health and Human Services.

(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as may be necessary to carry out this section.

SEC. 13234. EFFECT OF FAILURE TO CARRY OUT STATE PLAN.

(a) IN GENERAL.—Part A of title XI (42 U.S.C. 1301-1320b-13), as amended by section 13229 of this Act, is amended by inserting after section 1129 the following:

"SEC. 1130. EFFECT OF FAILURE TO CARRY OUT STATE PLAN.

"In an action brought to enforce a provision of the Social Security Act, such provision is not to be deemed unenforceable because of its inclusion in a section of the Act requiring a State plan or specifying the required contents of a State plan. This section is not intended to limit or expand the grounds for determining the availability of private actions to enforce State plan requirements other than by overturning any such grounds applied in *Suter v. Artist M.*, 112 S. Ct. 1360 (1992), but not applied in prior Supreme Court decisions respecting such enforceability: *Provided, however*, That this section is not intended to alter the holding in *Suter v. Artist M.* that section 471(a)(15) of the Act is not enforceable in a private right of action."

(b) APPLICABILITY.—The amendment made by subsection (a) shall apply to actions pending on the date of the enactment of this Act and to actions brought on or after such date of enactment.

CHAPTER 2—CHILD SUPPORT ENFORCEMENT

SEC. 13241. STATE PATERNITY ESTABLISHMENT PROGRAMS.

(a) PERFORMANCE STANDARDS.—Section 452(g) (42 U.S.C. 652(g)) is amended—

(1) in paragraph (1)—

(A) by striking "1991" and inserting "1994";

(B) by inserting "is based on reliable data and" before "equals or exceeds"; and

(C) by striking subparagraphs (A), (B), and (C) and inserting the following:

"(A) 75 percent;

"(B) for a State with a paternity establishment percentage of not less than 50 percent but less than 75 percent for the fiscal year, the paternity establishment percentage of the State for the immediately preceding year plus 3 percentage points; or

"(C) for a State with a paternity establishment percentage of less than 50 percent for such fiscal year, the paternity establishment percentage of the State for the immediately preceding year plus 6 percentage points.";

(2) in paragraph (2)—

(A) by striking "(or under all such plans)" each place such term appears;

(B) by inserting "or part E" after "under part A" each place such term appears;

(C) by amending subparagraph (B) to read as follows:

"(B) the term 'reliable data' means the most recent data available which are found by the Secretary to be reliable for purposes of this section.";

(D) by inserting "unless paternity is established for such child" after "the death of a parent";

(E) by striking "parent or" and inserting "parent,"; and

(F) by inserting ", or any child with respect to whom the State agency administering the plan under part E determines (as provided in section 454(4)(B)) that it is against the best interest of such child to do so" after "cooperate under section 402(a)(26)".

(b) STATE PLAN REQUIREMENTS.—

(1) REQUIRED PROCEDURES.—Section 466(a) (42 U.S.C. 666(a)) is amended—

(A) in paragraph (2)—

(i) by striking "at the option of the State,"; and

(ii) by inserting "and paternity establishment" after "support order issuance and enforcement";

(B) in paragraph (5), by adding at the end the following:

"(C) Procedures for a simple civil process for voluntarily acknowledging paternity under which the State must explain the rights and responsibilities of acknowledging paternity, and afford due process safeguards. Such procedures must include (i) a hospital-based program for the voluntary acknowledgment of paternity during the period immediately before or after the birth of a child, and (ii) the inclusion of signature lines on applications for official birth certificates which, once signed by the father and the mother, are considered a voluntary acknowledgment of paternity.

"(D) Procedures under which the voluntary acknowledgment of paternity of a child by an individual in the manner described in subparagraph (C)(ii) creates a rebuttable or, at the option of the State, conclusive presumption that the individual is the father of the child, and under which such a voluntary acknowledgment is admissible as evidence of paternity.

"(E) Procedures under which a voluntary acknowledgment of paternity in the manner described in subparagraph (C)(ii) must be recognized as a basis for seeking a support order without first requiring any further proceedings to establish paternity.

"(F) Procedures requiring that (i) any objection to genetic testing results be made in writing within a specified number of days before any hearing at which such results may be introduced into evidence, and (ii) if no objection is made, the test results be admissible as evidence of paternity without the need for foundation testimony or other proof of authenticity or accuracy.

"(G) Procedures which create a rebuttable or, at the option of the State, conclusive presumption of paternity of a child, upon genetic testing results indicating a threshold probability of the alleged father being the father of the child.

"(H) Procedures requiring a default order to be entered in a paternity case upon a showing that process has been served on the defendant and any additional showing required by State law."; and

(C) by inserting after paragraph (10) the following:

"(11) Procedures under which a State must give full faith and credit to a determination of paternity made by any other State, whether established through voluntary acknowledgment or through administrative or judicial processes."

(2) FURNISHING OF SOCIAL SECURITY NUMBERS.—

(A) IN GENERAL.—Section 466(a) (42 U.S.C. 666(a)), as amended by paragraph (1)(C) of this subsection, is amended by inserting after paragraph (11) the following:

"(12)(A) Procedures under which, in the administration of any law involving the issuance, reissuance, or amendment of a birth certificate, the State shall require each parent to furnish to the State, or any agency or political subdivision thereof having administrative responsibility for the law involved, the social security account number (or numbers, if the parent has more than 1 such number) issued to the parent, unless the State (in

accordance with regulations prescribed by the Secretary) finds good cause for not requiring the furnishing of the number.

"(B) Procedures under which any number furnished under subparagraph (A) shall be made available to the agency administering the State plan under this part, in accordance with Federal or State law or regulation.

"(C) Procedures under which—

"(i) any number furnished under subparagraph (A) shall not be recorded on the birth certificate; and

"(ii) any social security account number, obtained with respect to the issuance by the State of any birth certificate, shall not be used for other than child support purposes, unless section 7(a) of the Privacy Act of 1974 does not prohibit the State from requiring the disclosure of the number, by reason of the State having adopted, before January 1, 1975, a statute or regulation requiring such disclosure."

(B) CONFORMING AMENDMENTS.—Section 205(c)(2)(C)(ii) (42 U.S.C. 405(c)(2)(C)(ii)) is amended—

(i) by striking "(ii) In the administration of any law involving the issuance" and inserting "(ii) In the administration of any law involving the issuance, reissuance, or amendment"; and

(ii) by striking "any purpose other than for the enforcement of child support orders in effect in the State" and inserting "other than child support purposes".

(C) CONFORMING REPEAL.—Section 468 (42 U.S.C. 668) is hereby repealed.

(d) EFFECTIVE DATE.—The amendments and repeal made by this section shall become effective with respect to a State—

(1) on October 1, 1993, or, if later

(2) upon enactment by the legislature of the State of all laws required by such amendments,

but in no event later than the 1st day of the 1st calendar quarter beginning after the close of the 1st regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the preceding sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

SEC. 13242. ENFORCEMENT OF HEALTH INSURANCE SUPPORT.

(a) STATE PLAN REQUIREMENTS.—Section 454(a) (42 U.S.C. 654(a)) is amended—

(1) by striking "and" at the end of paragraph (23);

(2) by striking the period at the end of paragraph (24) and inserting "; and"; and

(3) by inserting after paragraph (24) the following:

"(25) provide assurances satisfactory to the Secretary that the State has in effect laws applicable to health insurers and insurance policies or programs subject to the laws of the State that—

"(A) prohibit insurers' consideration, in determining an individual's eligibility for or coverage under any such policy or program, of such individual's eligibility for or coverage under the plan of any State under title XIX;

"(B) provide that, where an individual assigns rights to any State in accordance with section 1912, that State is subrogated, to the extent of medical assistance furnished, to the individual's rights under any health insurance policy or program;

"(C) prohibit insurers from applying, to State agencies administering programs under title XIX and acting as agents or subrogees (for purposes of insurance policies

or programs of such insurers) of individuals receiving medical assistance under such State programs, requirements (with respect to deadlines for filing claims or any other matters) different from requirements applicable to any other applicant, beneficiary, agent, or subrogee;

"(D) prohibit insurers from denying enrollment of a child under the health insurance coverage of the child's parent on grounds that—

"(i) the child does not reside with the parent, or

"(ii) the child was born out of wedlock;

"(E) in any case where a parent is required by court or administrative order to provide health insurance coverage for a child, require insurers, without regard to otherwise applicable enrollment season restrictions—

"(i) to permit such parent, upon application, to enroll in family coverage (if otherwise eligible and not already so enrolled), and to enroll such child under such family coverage, and

"(ii) where such a parent who is enrolled in family coverage fails to make application, to enroll such child under such family coverage upon application by the child's other parent or by the State agency administering the program under this part or title XIX; and

"(F) in any case where a child is covered under the health insurance of a noncustodial parent, require insurers—

"(i) to permit the custodial parent (or service provider, with the custodial parent's approval), or any State agency administering a program under title XIX, to submit claims for covered services without the approval of the noncustodial parent, and

"(ii) to make payment on claims submitted in accordance with clause (i) directly to the custodial parent, service provider, or State agency submitting such claim;

"(26) provide assurances satisfactory to the Secretary that the State has in effect laws requiring employers doing business in the State—

"(A) upon notice of a court or administrative order requiring an employee to provide health insurance coverage for the employee's child, and upon application by such employee (or, where such employee fails to make application, by the child's other parent or the State agency administering the program under this part or title XIX), to permit enrollment of such child at any time as a dependent of the employee under the employer's group health insurance;

"(B) to permit disenrollment from such group health insurance by such employee, or elimination of coverage of such child, only upon receipt of satisfactory evidence, in writing, that—

"(i) such court or administrative order is no longer in effect, or

"(ii) the employee has enrolled or will enroll in alternative health insurance covering such child which will take effect immediately upon the effective date of such disenrollment; and

"(C) to withhold from such employee's compensation the employee's share (if any) of premiums for such health insurance, and to pay such share of premiums to the insurer;

"(27) provide assurances satisfactory to the Secretary that the State has in effect laws requiring the State agency to garnish the wages, salary, or other employment income of, and to withhold amounts from State tax refunds to, any person who—

"(A) is required by court or administrative order to provide coverage of the costs of medical services to an individual eligible for medical assistance under title XIX,

"(B) has received payment from a third party for the costs of medical services to such individual, and

"(C) has not used such payments to reimburse, as appropriate, either such individual or the provider of such services,

to the extent necessary to reimburse the State agency for expenditures for such costs under its plan under title XIX, but any claims for current or past-due child support shall take priority over any such claims for the costs of medical services."

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by subsection (a) apply to calendar quarters beginning on or after April 1, 1994, except as provided in paragraph (2).

(2) EXTENSION FOR STATE LAW AMENDMENT.—In the case of a State plan under part D of title IV of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation in order for the plan to meet the additional requirements imposed by the amendments made by subsection (a), the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet these additional requirements before the 1st day of the 1st calendar quarter beginning after the close of the 1st regular session of the State legislature that begins after the date of enactment of this Act. For purposes of the preceding sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

SEC. 13243. REPORTS TO CREDIT BUREAU ON PERSONS DELINQUENT IN CHILD SUPPORT PAYMENTS.

(a) IN GENERAL.—Section 466(a)(7) (42 U.S.C. 666(a)(7)) is amended—

(1) by striking "upon the request of such agency" and inserting ", and procedures which require the State to periodically report to any such agency the name of any parent who owes overdue support and is at least 2 months delinquent in the payment of such support and the amount of such delinquency unless the agency requests not to receive such information"; and

(2) by striking "(C) a fee" and all that follows through "by the State" and inserting ", and (C) such information shall not be made available to (i) a consumer reporting agency which the State determines does not have sufficient capability to systematically and timely make accurate use of such information, or (ii) an entity which has not furnished evidence satisfactory to the State that the entity is a consumer reporting agency".

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by subsection (a) shall take effect on October 1, 1994.

(2) EXCEPTION.—If the Secretary of Health and Human Services determines that a State is unable to comply with the amendments made by subsection (a), such State shall be exempt from compliance with such amendments until the State establishes an automated data processing and information retrieval system under section 454(24) of the Social Security Act, or October 1, 1995, whichever occurs earlier.

CHAPTER 3—SUPPLEMENTAL SECURITY INCOME

SEC. 13251. FEES FOR FEDERAL ADMINISTRATION OF STATE SUPPLEMENTARY PAYMENTS.

(a) IN GENERAL.—

(1) OPTIONAL STATE SUPPLEMENTARY PAYMENTS.—Section 1616(d) (42 U.S.C. 1382e(d)) is amended—

(A) by inserting "(1)" after "(d)";

(B) by inserting ", plus an administration fee assessed in accordance with paragraph (2) and any additional services fee charged in accordance with paragraph (3)" before the period; and

(C) by adding after and below the end the following:

"(2)(A) The Secretary shall assess each State an administration fee in an amount equal to—

"(i) the number of supplementary payments made by the Secretary on behalf of the State under this section for any month in a fiscal year; multiplied by

"(ii) the applicable rate for the fiscal year.

"(B) As used in subparagraph (A), the term 'applicable rate' means—

"(i) for fiscal year 1994, \$1.67;

"(ii) for fiscal year 1995, \$3.33;

"(iii) for fiscal year 1996, \$5.00; and

"(iv) for fiscal year 1997 and each succeeding fiscal year, \$5.00, or such different rate as the Secretary determines pursuant to criteria established in regulations is appropriate for the State, taking into account the complexity of the State's supplementary payment program.

"(C) All fees collected pursuant to this paragraph shall be transferred to the United States at the same time that amounts for such supplementary payments are required to be so transferred.

"(3)(A) The Secretary shall charge a State an additional services fee if, at the request of the State, the Secretary provides additional services beyond the level customarily provided, in the administration of State supplementary payments pursuant to this section.

"(B) The additional services fee shall be in an amount that the Secretary determines is necessary to cover all costs (including indirect costs) incurred by the Federal Government in furnishing the additional services referred to in subparagraph (A).

"(C) The additional services fee shall be payable in advance or by way of reimbursement.

"(4) All administration fees and additional services fees collected pursuant to this subsection shall be deposited in the general fund of the Treasury of the United States as miscellaneous receipts."

(2) MANDATORY STATE SUPPLEMENTARY PAYMENTS.—Section 212(b)(3) of Public Law 93-66 (42 U.S.C. 1382 note) is amended—

(A) by inserting "(A)" after "(3)";

(B) by inserting ", plus an administration fee assessed in accordance with subparagraph (B) and any additional services fee charged in accordance with subparagraph (C)" before the period; and

(C) by adding after and below the end the following:

"(B)(i) The Secretary shall assess each State an administration fee in an amount equal to—

"(I) the number of supplementary payments made by the Secretary on behalf of the State under this subsection for any month in a fiscal year; multiplied by

"(II) the applicable rate for the fiscal year.

"(ii) As used in clause (i), the term 'applicable rate' means—

"(I) for fiscal year 1994, \$1.67;

"(II) for fiscal year 1995, \$3.33;

"(III) for fiscal year 1996, \$5.00; and

"(IV) for fiscal year 1997 and each succeeding fiscal year, \$5.00, or such different rate as the Secretary determines pursuant to regulations established in regulations is appro-

priate for the State, taking into account the complexity of the State's supplementary payment program.

"(iii) All fees collected pursuant to this subparagraph shall be transferred to the United States at the same time that amounts for such supplementary payments are required to be so transferred.

"(C)(i) The Secretary shall charge a State an additional services fee if, at the request of the State, the Secretary provides additional services beyond the level customarily provided, in the administration of State supplementary payments pursuant to this subsection.

"(ii) The additional services fee shall be in an amount that the Secretary determines is necessary to cover all costs (including indirect costs) incurred by the Federal Government in furnishing the additional services referred to in clause (i).

"(iii) The additional services fee shall be payable in advance or by way of reimbursement.

"(D) All administration fees and additional services fees collected pursuant to this paragraph shall be deposited in the general fund of the Treasury of the United States as miscellaneous receipts."

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to supplementary payments made pursuant to section 1616(a) of the Social Security Act or section 212(a) of Public Law 93-66 for any calendar month beginning after September 30, 1993, and to services furnished after such date, regardless of whether regulations to implement such amendments have been promulgated by such date, or whether any agreement entered into under such section 1616(a) or such section 212(a) has been modified.

SEC. 13252. EXCLUSION FROM INCOME OF STATE RELOCATION ASSISTANCE.

Section 5035(c) of the Omnibus Budget Reconciliation Act of 1990 (42 U.S.C. 1382a note; 104 Stat. 1388-225) is amended—

(1) by striking "The amendments made by this section" and inserting "(1) The amendments made by subsection (b)"; and

(2) by adding at the end the following:

"(2) The amendments made by subsection (a) shall apply with respect to benefits for calendar months beginning on or after May 1, 1991."

SEC. 13253. PREVENTION OF ADVERSE EFFECTS ON ELIGIBILITY FOR, AND AMOUNT OF, BENEFITS WHEN SPOUSE OR PARENT OF BENEFICIARY IS ABSENT FROM THE HOUSEHOLD DUE TO ACTIVE MILITARY SERVICE.

(a) ABSENT PERSON GENERALLY DEEMED TO BE LIVING IN THE HOUSEHOLD.—Section 1614(f) (42 U.S.C. 1382c(f)) is amended by adding at the end the following:

"(4) For purposes of paragraphs (1) and (2), a spouse or parent (or spouse of such a parent) who is absent from the household in which the individual lives due solely to a duty assignment as a member of the Armed Forces on active duty shall, in the absence of evidence to the contrary, be deemed to be living in the same household as the individual."

(b) EXCLUSION FROM INCOME OF HAZARDOUS DUTY PAY RECEIVED WHILE IN ACTIVE MILITARY SERVICE.—Section 1612(b) (42 U.S.C. 1382a(b)) is amended—

(1) in paragraph (18), by striking "and" the 2nd place such term appears;

(2) in paragraph (19), by striking the period and inserting "; and"; and

(3) by adding at the end the following:

"(20) special pay received pursuant to section 310 of title 37, United States Code."

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the

1st day of the 2nd month that begins after the date of the enactment of this Act.

SEC. 13254. ELIGIBILITY FOR CHILDREN OF ARMED FORCES PERSONNEL RESIDING OUTSIDE THE UNITED STATES OTHER THAN IN FOREIGN COUNTRIES.

(a) IN GENERAL.—Section 1614(a)(1)(B)(ii) (42 U.S.C. 1382c(a)(1)(B)(ii)) is amended by striking "the District of Columbia" and all that follows to the period and inserting "and who, for the month before the parent reported for such assignment, received a benefit under this title".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on October 1, 1993.

SEC. 13255. DEFINITION OF DISABILITY FOR CHILDREN UNDER AGE 18 APPLIED TO ALL INDIVIDUALS UNDER AGE 18.

(a) IN GENERAL.—Section 1614(a)(3)(A) (42 U.S.C. 1382c(a)(3)(A)) is amended by striking "a child" and inserting "an individual".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to determinations made on or after the date of the enactment of this Act.

SEC. 13256. VALUATION OF CERTAIN IN-KIND SUPPORT AND MAINTENANCE WHEN THERE IS A COST OF LIVING ADJUSTMENT IN BENEFITS.

(a) IN GENERAL.—Section 1611(c) (42 U.S.C. 1382(c)) is amended—

(1) in paragraph (1), by striking "and (5)" and inserting "(5), and (6)"; and

(2) by redesignating paragraphs (6) and (7) as paragraphs (7) and (8), respectively; and

(3) by inserting after paragraph (5) the following:

"(6) The dollar amount in effect under subsection (b) as a result of any increase in benefits under this title by reason of section 1617 shall be used to determine the value of any in-kind support and maintenance required to be taken into account in determining the benefit payable under this title to an individual (and the eligible spouse, if any, of the individual) for the 1st 2 months for which the increase in benefits applies."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to benefits paid for months after the calendar year 1993.

SEC. 13257. EXCLUSION FROM INCOME OF CERTAIN AMOUNTS RECEIVED BY INDIANS FROM INTERESTS HELD IN TRUST.

(a) IN GENERAL.—Section 8 of the Act of October 19, 1973, (25 U.S.C. 1408) is amended by inserting ", and the first \$2,000 per year of income received by individual Indians that is derived from such interests shall not be considered income," after "resource".

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on January 1, 1993.

CHAPTER 4—AID TO FAMILIES WITH DEPENDENT CHILDREN

SEC. 13261. 50 PERCENT FEDERAL MATCH OF STATE ADMINISTRATIVE COSTS.

(a) IN GENERAL.—Section 403(a)(3) (42 U.S.C. 603(a)(3)) is amended by striking "the sum of" and all that follows through the end of subparagraph (D) and inserting "50 percent of the total amounts expended during such quarter as the Secretary has found necessary for the proper and efficient administration of the State plan (including any amounts expended by the State to carry out initial evaluations under section 486(a))."

(b) OPTIONAL USE OF CERTAIN PROCEDURES TO VERIFY IMMIGRATION STATUS OF AFDC APPLICANTS.—Section 1137(d) (42 U.S.C. 1320b-7(d)) is amended—

(1) in each of paragraphs (3) and (4)(B)(i), by inserting "(or, in the case of the program specified in subsection (b)(1), may)" after "shall"; and

(2) in paragraph (4), by inserting "(if required)" after "verified".

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to payments made for calendar quarters beginning on or after April 1, 1994.

(2) DELAYED APPLICABILITY TO CERTAIN STATES.—

(A) IN GENERAL.—The Secretary of Health and Human Services may delay the applicability to a qualified State of the amendments made by subsection (a) until the 1st calendar quarter that begins after the close of the 1st regular session of the State legislature that begins after the date of the enactment of this section.

(B) QUALIFIED STATE DEFINED.—As used in subparagraph (A), the term "qualified State" means a State that meets such criteria as the Secretary shall establish and apply uniformly, including whether the State legislature meets biennially and does not have a regular session scheduled in calendar year 1994.

SEC. 13262. DELAY IN EFFECTIVE DATE OF PENALTY FOR FAILURE TO MEET REQUIRED PARTICIPATION RATE FOR UNEMPLOYED PARENTS IN THE JOBS PROGRAM.

Section 403(1)(4)(B) (42 U.S.C. 603(1)(4)(B)) is amended—

(1) in clause (i), by striking "1994" and inserting "1995";

(2) in clause (ii), by striking "1995" and inserting "1996";

(3) in clause (iii), by striking "1996" and inserting "1997"; and

(4) in clause (iv), by striking "1997 and 1998" and inserting "1998 and 1999".

SEC. 13263. REPORT TO THE CONGRESS WITH RESPECT TO PERFORMANCE STANDARDS IN THE JOBS PROGRAM.

Section 487(a) (42 U.S.C. 687(a)) is amended—

(1) by striking "3" and inserting "4";

(2) in paragraph (1), by inserting "criteria for" after "develop";

(3) in paragraph (2), by striking "for" and inserting "with respect to"; and

(4) in the 2nd sentence, by striking "under this subsection" and inserting "with respect to the program under this part".

SEC. 13264. MEASUREMENT AND REPORTING OF WELFARE PARTICIPATION.

(a) CONGRESSIONAL POLICY.—The Congress hereby declares that—

(1) it is the policy and responsibility of the Federal Government to reduce the rate at which, and the degree to which, families depend on income from welfare programs, and the duration of welfare participation, to assist families toward self-sufficiency, and to increase the living standards of low-income families, consistent with other essential national goals;

(2) it is the policy of the United States to strengthen families and improve the life prospects of their children, to ensure that children grow up in families that are economically self-sufficient, and to underscore the responsibility of parents to support their children;

(3) the Federal Government should help welfare recipients as well as individuals at risk of welfare participation to improve their education and job skills, to obtain access to high quality child care and other necessary support services, and to take such other steps as may assist them to meet their

responsibilities to become financially independent; and

(4) it is the purpose of this section to provide the public with generally accepted measures of welfare participation so that the public can track such participation over time and determine whether progress is being made in reducing the rate at which, and the degree to which, families depend on income from welfare programs, and the duration of welfare participation.

(b) DEVELOPMENT OF WELFARE PARTICIPATION MEASURES AND PREDICTORS.—

(1) IN GENERAL.—The Secretary of Health and Human Services (in this section referred to as the "Secretary") in consultation with the Secretary of Agriculture shall develop—

(A) measures of—

(i) the rate at which, and the degree to which, families depend on income from welfare programs; and

(ii) the duration of welfare participation; and

(B) predictors of welfare participation.

(2) INTERIM REPORT.—Not later than 2 years after the date of the enactment of this section, the Secretary shall provide an interim report containing conclusions resulting from such development, to—

(A) the Committee on Ways and Means of the House of Representatives;

(B) the Committee on Education and Labor of the House of Representatives;

(C) the Committee on Agriculture of the House of Representatives;

(D) the Committee on Energy and Commerce of the House of Representatives;

(E) the Committee on Finance of the Senate;

(F) the Committee on Labor and Human Resources of the Senate; and

(G) the Committee on Agriculture, Nutrition, and Forestry of the Senate.

(c) ADVISORY BOARD ON WELFARE PARTICIPATION.—

(1) ESTABLISHMENT.—There is established an Advisory Board on Welfare Participation (in this section referred to as the "Board").

(2) COMPOSITION.—The Board shall be composed of 12 members with equal numbers to be appointed by the House of Representatives, the Senate, and the President. The Board shall be composed of experts in the fields of welfare research and statistical methodology, representatives of State and local welfare agencies, and organizations concerned with welfare issues.

(3) VACANCIES.—Any vacancy occurring in the membership of the Board shall be filled in the same manner as the original appointment for the position being vacated. The vacancy shall not affect the power of the remaining members to execute the duties of the Board.

(4) DUTIES.—Duties of the Board shall include—

(A) providing advice and recommendations to the Secretary on the development of measures of the rate at which, and the degree to which, families depend on income from welfare programs, and the duration of welfare participation; and

(B) providing advice on the development and presentation of the report required by subsection (d).

(5) TRAVEL EXPENSES.—Members of the Board shall not be compensated, but shall receive travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, for each day the member is engaged in the performance of duties away from the home or regular place of business of the member.

(6) DETAIL OF FEDERAL EMPLOYEES.—The Secretary shall detail, without reimbursement, any of the personnel of the Department of Health and Human Services to the Board to assist the Board in carrying out its duties. Any detail shall not interrupt or otherwise affect the civil service status or privileges of the Federal employee.

(7) VOLUNTARY SERVICE.—Notwithstanding section 1342 of title 31, United States Code, the Board may accept the voluntary services provided by a member of the Board.

(8) TERMINATION OF BOARD.—The Board shall be terminated at such time as the Secretary determines the duties described in subsection (c)(4) have been completed, but in any case prior to the submission of the 1st report required by subsection (d).

(d) ANNUAL WELFARE PARTICIPATION REPORTS.—

(1) PREPARATION.—The Secretary shall prepare annual reports on welfare participation in the United States.

(2) COVERAGE.—The report shall include analysis of families and individuals receiving assistance under means-tested benefit programs, including the program of aid to families with dependent children under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), the food stamp program under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.), and the supplemental security income program under title XVI of the Social Security Act (42 U.S.C. 1381 et seq.), or as general assistance under programs administered by State and local governments.

(3) CONTENTS.—Each such report shall set forth, for each means-tested benefit program described in paragraph (2)—

(A) measures of—

(i) the rate at which, and the degree to which, families depend on income from welfare programs; and

(ii) the duration of welfare participation;

(B) trends in the measures;

(C) predictors of welfare participation;

(D) the causes of welfare participation;

(E) patterns of multiple program participation;

(F) such other information as the Secretary deems relevant; and

(G) such recommendations for legislation, which shall not include proposals to reduce eligibility levels or impose barriers to program access, as the Secretary may determine to be necessary or desirable to reduce—

(i) the rate at which, and the degree to which, families depend on income from welfare programs; and

(ii) the duration of welfare participation.

(4) SUBMISSION.—The Secretary shall submit such reports not later than 3 years after the date of the enactment of this section, and annually thereafter, to the committees specified in subsection (b)(2). Each such report shall be transmitted during the 1st 60 days of each regular session of the Congress.

SEC. 13265. NEW HOPE DEMONSTRATION PROJECT.

(a) IN GENERAL.—The Secretary of Health and Human Services (in this section referred to as the "Secretary") shall provide for a demonstration project for a qualified program to be conducted in Milwaukee, Wisconsin, in accordance with this section.

(b) PAYMENTS.—For each calendar quarter in which there is a qualified program approved under this subsection, the Secretary shall pay to the operator of the qualified program, for no more than 20 calendar quarters, an amount equal to the aggregate amount that would otherwise have been payable to the State with respect to participants in the program for such calendar quarter, in the ab-

sence of the program, for cash assistance and child care under part A of title IV of the Social Security Act and for administrative expenses related to such assistance. In calculating the amount of such payment, the expenses of the program incurred in evaluating the effects of the program may be treated as amounts necessary for the proper and efficient administration of the program, for purposes of part A of title IV of such Act.

(c) DEMONSTRATION PROJECT DESCRIBED.—For purposes of this section, the term "qualified program" means a program operated—

(1) by The New Hope Project, Inc., a private, not-for-profit corporation incorporated under the laws of the State of Wisconsin (in this section referred to as the "operator"), which offers low-income residents of Milwaukee, Wisconsin, employment, wage supplements, child care, health care, and counseling and training for job retention or advancement; and

(2) in accordance with an application submitted by the operator of the program and approved by the Secretary based on the Secretary's determination that the application satisfies the requirements of subsection (d).

(d) CONTENTS OF APPLICATION.—The operator of the qualified program shall provide, in its application to conduct a demonstration project for the program, that the following terms and conditions will be met:

(1) The operator will develop and implement an evaluation plan designed to provide reliable information on the impact and implementation of the program. The evaluation plan will include adequately sized groups of project participants and control groups assigned at random.

(2) The operator will develop and implement a plan addressing the services and assistance to be provided by the program, the timing and determination of payments from the Secretary to the operator of the program, and the roles and responsibilities of the Secretary and the operator with respect to meeting the requirements of this paragraph.

(3) The operator will specify a methodology for determining expenditures to be paid to the operator by the Secretary, with assistance from the Secretary in calculating the amount that would otherwise have been payable to the State in the absence of the program, pursuant to subsection (b).

(4) The operator will issue an interim and final report on the results of the evaluation described in paragraph (1) to the Secretary at such times as required by the Secretary.

(e) EFFECTIVE DATE.—This section shall take effect on the 1st day of the 1st calendar quarter that begins after the date of enactment of this Act.

SEC. 13266. DELAY IN REQUIREMENT THAT OUTLYING AREAS OPERATE AN AFDC-UP PROGRAM.

Section 401(g)(2) of the Family Support Act of 1988 (42 U.S.C. 602 note; 102 Stat. 2396) is amended by striking "October 1, 1992" and inserting "the date of the repeal of the limitations contained in section 1108(a) of the Social Security Act on payments to such jurisdictions for purposes of making maintenance payments under parts A and E of title IV of such Act".

SEC. 13267. ADULT IN FAMILY OR HOUSEHOLD ALLOWED TO ATTEST TO CITIZENSHIP STATUS OF FAMILY OR HOUSEHOLD MEMBERS.

(a) IN GENERAL.—Section 1137(d)(1)(A) (42 U.S.C. 1320b-7(d)(1)(A)) is amended—

(1) by inserting "(i)" after "(1)(A)";

(2) by inserting "(other than the aid to families with dependent children program

under part A of title IV of this Act)" after

"any program listed in subsection (b)"; and

(3) by adding at the end the following:

"(i) The State shall require, as a condition of an individual's eligibility for benefits under the aid to families with dependent children program under part A of title IV of this Act, a declaration in writing, under penalty of perjury—

"(I) in the case of an individual who is an adult member of a family or household applying for or receiving such benefits, by such individual or another adult member of such family or household on such individual's behalf;

"(II) in the case of an individual who is a child, by an adult on the individual's behalf; or

"(III) in the case of an individual born into a family or household receiving such benefits, by an adult member of such individual's family or household on the individual's behalf no later than the next redetermination of eligibility of such family or household following the birth of such individual,

stating whether the individual is a citizen or national of the United States, and, if that individual is not a citizen or national of the United States, that the individual is in a satisfactory immigration status."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall become effective with respect to benefits provided on or after October 1, 1993.

SEC. 13268. INCREASE IN STEPPARENT INCOME DISREGARD.

(a) IN GENERAL.—Section 402(a)(31) (42 U.S.C. 602(a)(31)) is amended by striking "\$75" and inserting "\$90".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on October 1, 1993, and shall apply to payments under part A of title IV of the Social Security Act for fiscal year 1994 and such payments for succeeding fiscal years.

SEC. 13269. EXTENSION OF NEW YORK STATE CHILD SUPPORT DEMONSTRATION PROGRAM.

Section 9122(g)(1) of the Omnibus Budget Reconciliation Act of 1987 (42 U.S.C. 602 note; 101 Stat. 1330-312) is amended by striking "five" and inserting "10".

SEC. 13270. EARLY CHILDHOOD DEVELOPMENT PROJECTS.

Section 501(a) of the Family Support Act of 1988 (42 U.S.C. 1315 note; 102 Stat. 2400) is amended by adding at the end the following:

"(4) For grants to States to conduct demonstration projects under this subsection, there are authorized to be appropriated not to exceed \$3,000,000 for each of the fiscal years 1994 through 1998."

CHAPTER 5—UNEMPLOYMENT INSURANCE

SEC. 13271. TREATMENT OF SHORT-TIME COMPENSATION PROGRAMS.

(a) GENERAL RULE.—Section 3306 of the Internal Revenue Code of 1986 is amended by adding at the end thereof the following new subsection:

"(t) SHORT-TIME COMPENSATION PROGRAM.—For purposes of this chapter, the term 'short-time compensation program' means a program under which—

"(1) individuals whose workweeks have been reduced by at least 10 percent are eligible for unemployment compensation;

"(2) the amount of unemployment compensation payable to any such individual is a pro rata portion of the unemployment compensation which would be payable to the individual if the individual were totally unemployed;

"(3) eligible employees are not required to meet the availability for work or work search test requirements while collecting short-time compensation benefits, but are required to be available for their normal workweek;

"(4) eligible employees may participate in an employer-sponsored training program to enhance jobs skills if such program has been approved by the State agency;

"(5) there is a reduction in the number of hours worked by employees in lieu of temporary layoffs;

"(6) there is a plan of an employer (or an employers association which is party to a collective bargaining agreement) approved by the State agency consisting of factors in this subsection or other factors as the Secretary of Labor may find relevant; and

"(7) the employer continues to provide health benefits and pension benefits under a pension plan (as defined in section 3(35) of the Employee Retirement Income Security Act of 1974) to any employee whose workweek is reduced under such plan.

A short-time compensation program may also contain such other factors as the Secretary of Labor finds relevant."

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (E) of section 3304(a)(4) of such Code is amended to read as follows:

"(E) amounts may be withdrawn for the payment of short-time compensation under a short-time compensation program approved by the Secretary of Labor."

(2) Paragraph (4) of section 3306(f) of such Code is amended to read as follows:

"(4) amounts may be withdrawn for the payment of short-time compensation under a short-time compensation program approved by the Secretary of Labor."

(3) Section 303(a)(5) of the Social Security Act is amended by striking "the payment of short-time compensation under a plan approved by the Secretary of Labor" and inserting "the payment of short-time compensation under a short-time compensation program (as defined in section 3306(t) of the Internal Revenue Code of 1986) approved by the Secretary of Labor".

SEC. 13272. TECHNICAL AMENDMENT TO UNEMPLOYMENT TRUST FUND.

Paragraph (1) of section 905(b) of the Social Security Act is amended to read as follows:

"(b)(1) Except as provided in paragraph (3), the Secretary of the Treasury shall transfer (as of the close of each month), from the employment security administration account to the extended unemployment compensation account established by subsection (a), an amount equal to 20 percent of the amount by which—

"(A) the transfers to such account pursuant to section 901(b)(2) during such month, exceed

"(B) the payments during such month from the employment security administration account pursuant to section 901(b)(3) and (d).

If for any month the payments referred to in subparagraph (B) exceed the transfers referred to in subparagraph (A), proper adjustments shall be made in the amounts subsequently transferred."

SEC. 13273. EXTENSION OF REPORTING DATE FOR ADVISORY COUNCIL.

In the case of the first Advisory Council on Unemployment Compensation established under section 908 of the Social Security Act, subsection (f) of such section 908 shall be applied—

(1) by substituting "3rd year" for "2d year" in paragraph (1), and

(2) by substituting "February 1, 1995" for "February 1, 1994" in paragraph (2).

SEC. 13274. CLARIFICATION OF EMERGENCY UNEMPLOYMENT BENEFITS PROVISIONS.

(a) IN GENERAL.—Subclauses (II) and (III) of section 102(b)(2)(A)(v) of the Emergency Unemployment Compensation Act of 1991 are amended to read as follows:

“(II) The requirements of this subclause are met for any week if the national rate of total unemployment (seasonally adjusted) for each of the 2 most recent calendar months (not averaged) for which data are published before the close of such week is less than 7 percent, and if the requirements of subclause (III) are not met for such week.

“(III) The requirements of this subclause are met for any week if the national rate of total unemployment (seasonally adjusted) for each of the 2 most recent calendar months (not averaged) for which data are published before the close of such week is less than 6.8 percent.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply as if included in the amendments made by section 101(b) of the Unemployment Compensation Amendments of 1992.

SEC. 13275. MODIFICATIONS TO EXTENDED UNEMPLOYMENT PROGRAM.

(a) INCREASE IN REIMBURSEMENT RATE.—Subsection (a) of section 204 of the Federal-State Extended Unemployment Compensation Act of 1970 is amended by striking “one-half” and inserting “75 percent”.

(b) REPEAL OF SPECIAL ELIGIBILITY REQUIREMENTS.—Subsection (a) of section 202 of such Act is amended—

- (1) by striking paragraphs (3), (4), and (7),
- (2) by redesignating paragraphs (5) and (6) as paragraphs (3) and (4), respectively, and
- (3) by striking “paragraphs (3), (4), and (5)” in paragraph (4) (as redesignated by paragraph (1) of this subsection) and inserting “paragraph (3)”.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to weeks beginning after October 2, 1993.

(2) SPECIAL RULE.—In the case of any State the legislature of which has not been in session for at least 30 calendar days (whether or not successive) between the date of the enactment of this Act and October 1, 1993, the amendment made by subsection (b) shall not be a requirement of the State law of such State before the date 30 calendar days after the 1st day on which such legislature is in session on or after October 1, 1993.

SEC. 13276. EXTENSION OF CURRENT FEDERAL UNEMPLOYMENT RATE.

Section 3301 of the Internal Revenue Code of 1986 is amended—

- (1) by striking “1996” in paragraph (1) and inserting “1998”, and
- (2) by striking “1997” in paragraph (2) and inserting “1999”.

SEC. 13277. DISCLOSURE OF INFORMATION TO RAILROAD RETIREMENT BOARD.

Section 6103(l)(1)(C) of the Internal Revenue Code of 1986 is amended to read as follows:

“(C) taxes imposed by chapters 22 and 23A, to the Railroad Retirement Board for purposes of its administration of the Railroad Retirement and Railroad Unemployment Insurance Acts.”

CHAPTER 6—TECHNICAL PROVISIONS**SEC. 13281. CORRECTIONS RELATED TO THE INCOME SECURITY AND HUMAN RESOURCES PROVISIONS OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1990.**

(a) AMENDMENT RELATED TO SECTION 5035(a)(2).—Section 5035(a)(2) of the Omnibus

Budget Reconciliation Act of 1990 (Public Law 101-508) is amended by striking “a semicolon” and inserting “; and”.

(b) REPEAL OF PROVISION INADVERTENTLY INCLUDED.—Section 5057 of the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508), and the amendment made by such section, are hereby repealed, and section 1139(d) of the Social Security Act shall be applied and administered as if such section 5057 had never been enacted.

(c) AMENDMENT RELATED TO SECTION 5105(d)(1)(B).—Section 5105(d)(1)(B) of the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508; 104 Stat. 1388-266) is amended to read as follows:

“(B) TITLE XVI.—Section 1631(a)(2)(F) (42 U.S.C. 1383(a)(2)(F)), as so redesignated by subsection (c)(2) of this section, is amended to read as follows:

“(F) The Secretary shall include as a part of the annual report required under section 704 information with respect to the implementation of the preceding provisions of this paragraph, including—

- “(i) the number of cases in which the representative payee was changed;
- “(ii) the number of cases discovered where there has been a misuse of funds;
- “(iii) how any such cases were dealt with by the Secretary;
- “(iv) the final disposition of such cases (including any criminal penalties imposed); and
- “(v) such other information as the Secretary determines to be appropriate.”

(d) AMENDMENT RELATED TO SECTION 5105(a)(1)(B).—The 2nd paragraph of section 1631(a) (42 U.S.C. 1383(a)) is amended by striking “(A)(i) Payments” and inserting “(2)(A)(i) Payments”.

(e) AMENDMENTS RELATED TO SECTION 5105(b).—Section 1631(a)(2)(C) (42 U.S.C. 1383(a)(2)(C)) is amended—

- (1) by striking clause (ii);
- (2) by redesignating clauses (iii), (iv), and (v) as clauses (ii), (iii), and (iv), respectively; and
- (3) in clause (iv) (as so redesignated), by striking “(iii), and (iv)” and inserting “and (iii)”.

(f) AMENDMENTS RELATED TO SECTION 5107(a)(2)(B).—Section 1631(c)(1)(B) (42 U.S.C. 1383(c)(1)(B)) is amended by striking “paragraph (1)” each place such term appears and inserting “subparagraph (A)”.

(g) AMENDMENT RELATED TO SECTION 5109(a)(2).—Section 1631 (42 U.S.C. 1383) is amended by redesignating the subsection (n) added by section 5109(a)(2) of the Omnibus Budget Reconciliation Act of 1990, as subsection (o).

(h) AMENDMENTS RELATED TO SECTION 11115(b)(2).—Section 11115(b)(2) of the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508) is amended—

- (1) in subparagraph (A), by striking “paragraph (8)” and inserting “paragraph (9)”;
- (2) in subparagraph (B), by striking “paragraph (9)” and inserting “paragraph (10)”;
- (3) in subparagraph (C), by redesignating the new paragraph added thereby as paragraph (11).

(i) AMENDMENT RELATED TO SECTION 13101(d)(2).—Section 256(k)(2)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

- (1) by striking “—” the 2nd place it appears and all that follows through “(I)”;
- (2) by striking “; or” and all that follows through “(II)” and inserting “, except that a State may not be allotted an amount under this subparagraph that exceeds”.

(j) EFFECTIVE DATE.—Each amendment made by this section shall take effect as if included in the provision of the Omnibus Budget Reconciliation Act of 1990 to which the amendment relates at the time such provision became law.

SEC. 13282. TECHNICAL CORRECTIONS RELATED TO THE HUMAN RESOURCE AND INCOME SECURITY PROVISIONS OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1989.

(a) AMENDMENT RELATING TO SECTION 8004(a).—Section 408(m)(2)(A) (42 U.S.C. 608(m)(2)(A)) is amended by striking “a fiscal” and inserting “the fiscal”.

(b) AMENDMENT RELATING TO SECTION 8006(a).—Section 473(a)(6)(B) (42 U.S.C. 673(a)(6)(B)) is amended by striking “474(a)(3)(B)” and inserting “474(a)(3)(C)”.

(c) AMENDMENT RELATING TO SECTION 8007(b)(3).—Subparagraph (D) of section 475(5) (42 U.S.C. 675(5)(D)) is amended by moving such subparagraph 2 ems to the right so that the left margin of such subparagraph is aligned with the left margin of subparagraph (C) of such section.

(d) EFFECTIVE DATE.—Each amendment made by this section shall take effect as if the amendment had been included in the provision of the Omnibus Budget Reconciliation Act of 1989 to which the amendment relates, at the time the provision became law.

SEC. 13283. ELIMINATION OF OBSOLETE PROVISIONS RELATING TO TREATMENT OF THE EARNED INCOME TAX CREDIT.

(a) TREATMENT OF EITC AS EARNED INCOME.—Section 1612(a)(1) (42 U.S.C. 1382a(a)(1)) is amended by striking subparagraph (C) and by redesignating subparagraphs (D) and (E) as subparagraphs (C) and (D), respectively.

(b) ADJUSTMENT OF BENEFITS DUE TO TREATMENT OF EITC AS EARNED INCOME.—Section 1631(b) (42 U.S.C. 1383(b)) is amended by striking paragraph (3) and by redesignating paragraphs (4) and (5) as paragraphs (3) and (4), respectively.

SEC. 13284. REDESIGNATION OF CERTAIN PROVISIONS.

Section 1631(e)(6) (42 U.S.C. 1383(e)(6)) is amended by redesignating subparagraphs (1) and (2) as subparagraphs (A) and (B), respectively.

Subtitle C—Medicare Program**SEC. 13400. REFERENCES IN SUBTITLE; TABLE OF CONTENTS OF SUBTITLE.**

(a) AMENDMENTS TO SOCIAL SECURITY ACT.—Except as otherwise specifically provided, whenever in this subtitle an amendment 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 that section or other provision of the Social Security Act.

(b) REFERENCES TO OBRA.—In this subtitle, the terms “OBRA-1986”, “OBRA-1987”, “OBRA-1989”, and “OBRA-1990” refer to the Omnibus Budget Reconciliation Act of 1986 (Public Law 99-509), the Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203), the Omnibus Budget Reconciliation Act of 1989 (Public Law 101-239), and the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508), respectively.

(c) TABLE OF CONTENTS OF SUBTITLE.—The table of contents of this subtitle is as follows:

Subtitle C—Medicare Program

Sec. 13400. References in subtitle; table of contents of subtitle.

CHAPTER 1—PROVISIONS RELATING TO PART A
SUBCHAPTER A—ELIMINATION OF INFLATION UPDATE FOR SERVICES PROVIDED UNDER PART A
Sec. 13401. Inpatient hospital services and hospice care.

Sec. 13402. Limits on per diem routine service costs for extended care services.

SUBCHAPTER B—OTHER PROVISIONS RELATING TO PART A

- Sec. 13411. Wage index provisions.
- Sec. 13412. Transition for hospital outlier thresholds.
- Sec. 13413. Essential access community hospital (EACH) amendments.
- Sec. 13414. Rural health transition grant program extension.
- Sec. 13415. Regional referral center extension.
- Sec. 13416. Medicare-dependent, small rural hospital payment extension.
- Sec. 13417. Extension of regional floor.
- Sec. 13418. Extension of rural hospital demonstration.
- Sec. 13419. Hemophilia pass-through extension.
- Sec. 13420. State hospital payment programs.
- Sec. 13421. Psychology services in hospitals.
- Sec. 13422. Graduate medical education payments in hospital-owned community health centers.
- Sec. 13423. Treatment of certain military facilities.
- Sec. 13424. Epilepsy DRG.
- Sec. 13425. Skilled nursing facility wage index.
- Sec. 13426. Hospice notification to beneficiaries.
- Sec. 13427. Reduction in part A premium for certain individuals with 30 or more quarters of Social Security coverage.
- Sec. 13428. Periodic updates to salary equivalency guidelines for physical therapy and respiratory therapy services.
- Sec. 13429. Extension of deadline for application for geographic classification for certain reclassified hospitals.
- Sec. 13430. Clarification of DRG payment window expansion; miscellaneous and technical corrections.

CHAPTER 2—PROVISIONS RELATING TO PART B
SUBCHAPTER A—ELIMINATION OF INFLATION UPDATE

- Sec. 13431. Elimination of inflation update for physician and related professional services.
- Sec. 13432. Elimination of cost-of-living adjustments for certain items and services.
- Sec. 13433. Ambulatory surgical center services.
- Sec. 13434. Other items and services under part B.

SUBCHAPTER B—PHYSICIANS' SERVICES

- Sec. 13441. Reinstating separate payment for the interpretation of electrocardiograms (EKGs).
- Sec. 13442. Payments for new physicians and practitioners.
- Sec. 13443. Retaining payment for actual anesthesia time.
- Sec. 13444. Geographic cost of practice index refinements.
- Sec. 13445. Extra-billing.
- Sec. 13446. Relative values for pediatric services.
- Sec. 13447. Antigens under physician fee schedule.
- Sec. 13448. Administration of claims relating to physicians' services.
- Sec. 13449. Miscellaneous and technical corrections.

SUBCHAPTER C—AMBULATORY SURGICAL CENTER SERVICES

- Sec. 13451. Designation of certain hospitals as eye or eye and ear hospitals.

- Sec. 13452. Treatment of intraocular lenses.
- Sec. 13453. Technical amendments.

SUBCHAPTER D—DURABLE MEDICAL EQUIPMENT

- Sec. 13461. Certification of suppliers.
- Sec. 13462. Prohibition against carrier forum shopping.
- Sec. 13463. Restrictions on certain marketing and sales activities.
- Sec. 13464. Anti-kickback clarification.
- Sec. 13465. Limitations on beneficiary liability for noncovered services.
- Sec. 13466. Adjustments for inherent reasonableness.
- Sec. 13467. Treatment of nebulizers and aspirators.
- Sec. 13468. Payment for ostomy supplies and other supplies.
- Sec. 13469. Miscellaneous and technical corrections.

SUBCHAPTER E—OTHER PROVISIONS

- Sec. 13471. Clarifying payments for medically directed certified registered nurse anesthetist services.
- Sec. 13472. Extension of Alzheimer's disease demonstration projects.
- Sec. 13473. Oral cancer drugs.
- Sec. 13474. Part B premium payments for late enrollment.
- Sec. 13475. Coverage of services of speech-language pathologists and audiologists.
- Sec. 13476. Extension of municipal health service demonstration projects.
- Sec. 13477. Treatment of certain Indian health programs and facilities as Federally-qualified health centers.
- Sec. 13478. Miscellaneous and technical corrections.

SUBCHAPTER F—PART B PREMIUM

- Sec. 13481. Part B premium.

CHAPTER 3—PROVISIONS RELATING TO PARTS A AND B

SUBCHAPTER A—ELIMINATION OF UPDATES

- Sec. 13501. Elimination of cost-of-living update in per resident amounts for direct medical education.
- Sec. 13502. Elimination of inflation update in cost limits for home health services.

SUBCHAPTER B—MEDICARE SECONDARY PAYER PROVISIONS

- Sec. 13511. Extension of transfer of data.
- Sec. 13512. 3-year extension of medicare secondary payer to disabled beneficiaries.
- Sec. 13513. 3-year extension of 18-month rule for ESRD beneficiaries.
- Sec. 13514. Medicare secondary payer reforms.

SUBCHAPTER C—PHYSICIAN OWNERSHIP AND REFERRAL

- Sec. 13521. Application of medicare ban on self-referrals to all payers.
- Sec. 13522. Extension of self-referral ban to additional specified services.
- Sec. 13523. Exceptions for both ownership and compensation arrangements.
- Sec. 13524. Exceptions related only to ownership or investment.
- Sec. 13525. Exceptions related only to compensation arrangements.
- Sec. 13526. Clarification concerning civil money penalty sanctions.
- Sec. 13527. Requirements for group practice.
- Sec. 13528. No Federal preemption of more restrictive State laws.
- Sec. 13529. Miscellaneous provisions.
- Sec. 13530. Effective dates.

SUBCHAPTER D—OTHER PROVISIONS

- Sec. 13551. Direct graduate medical education.

- Sec. 13552. Immunosuppressive drug therapy.
- Sec. 13553. Reduction in payments for erythropoietin.
- Sec. 13554. Qualified medicare beneficiary outreach.
- Sec. 13555. Extension of social health maintenance organization demonstrations.
- Sec. 13556. Hospice notification to home health beneficiaries.
- Sec. 13557. Interest payments.
- Sec. 13558. Peer review organizations.
- Sec. 13559. Health maintenance organizations.
- Sec. 13560. Medicare administration budget process.
- Sec. 13561. Other provisions.

CHAPTER 4—MEDICARE SUPPLEMENTAL INSURANCE POLICIES

- Sec. 13571. Standards for medicare supplemental insurance policies.

CHAPTER 5—TREATMENT OF CERTAIN STATE HEALTH CARE PROGRAMS

- Sec. 13581. Treatment of certain State health care programs.

CHAPTER 1—PROVISIONS RELATING TO PART A

Subchapter A—Elimination of Inflation Update for Services Provided Under Part A

SEC. 13401. INPATIENT HOSPITAL SERVICES AND HOSPICE CARE.

Section 1886(b)(3)(B)(iii) (42 U.S.C. 1395ww(b)(3)(B)(iii)) is amended—

(1) by striking "(iii) For purposes of this subparagraph" and inserting "(iii)(I) Except as provided in subclause (II), for purposes of this subparagraph", and

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

"(II) For purposes of this subparagraph and section 1814(i)(1)(C)(ii), the 'market basket percentage increase', with respect to cost reporting periods and discharges occurring in fiscal year 1994 or 1995, is 0 percent."

SEC. 13402. LIMITS ON PER DIEM ROUTINE SERVICE COSTS FOR EXTENDED CARE SERVICES.

The Secretary of Health and Human Services shall not provide for any increase, on the basis of inflation or changes in the cost of goods and services, in the limits on per diem routine service costs for extended care services under section 1888 of the Social Security Act for cost reporting periods beginning during fiscal year 1994 or fiscal year 1995.

Subchapter B—Other Provisions Relating to Part A

SEC. 13411. WAGE INDEX PROVISIONS.

(a) WAGE INDEX HOLD HARMLESS PROTECTION.—

(1) IN GENERAL.—Section 1886(d)(8)(C) (42 U.S.C. 1395ww(d)(8)(C)) is amended by adding at the end the following new clause:

"(iv) The application of subparagraph (B) or a decision of the Medicare Geographic Classification Review Board or the Secretary under paragraph (1) may not result in a reduction in an urban area's wage index if—

"(I) the urban area has a wage index below the wage index for rural areas in the State in which it is located; or

"(II) the urban area is located in a State that is composed of a single urban area."

(2) NO STANDARDIZED AMOUNT ADJUSTMENT.—The Secretary of Health and Human Services shall not revise the fiscal year 1992 or fiscal year 1993 standardized amounts pursuant to subsections (d)(3)(B) and (d)(8)(D) of section 1886 of the Social Security Act to account for the amendment made by paragraph (1).

(3) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to discharges occurring—

(A) on or after October 1, 1991, in the case of hospitals located in an urban area described in section 1886(d)(8)(C)(iv)(I) of the Social Security Act (as added by paragraph (1)); and

(B) on or after the date of the enactment of this Act, in the case of hospitals located in an urban area described in section 1886(d)(8)(C)(iv)(II) of the Social Security Act (as added by paragraph (1)).

(b) UPDATING STANDARDS FOR TREATING RURAL COUNTIES AS URBAN COUNTIES BASED ON RATES OF COMMUTATION.—

(1) IN GENERAL.—Section 1886(d)(8)(B) (42 U.S.C. 1395ww(d)(8)(B)) is amended—

(A) by striking "standards" each place it appears and inserting "standards most recently used", and

(B) by striking "published in the Federal Register on January 3, 1980".

(2) HOLD HARMLESS FOR COUNTIES CURRENTLY TREATED AS URBAN.—Any hospital that is treated as being located in an urban metropolitan statistical area pursuant to section 1886(d)(8)(B) of the Social Security Act as of September 30, 1992, shall continue to be so treated notwithstanding the amendments made by paragraph (1).

(3) EFFECTIVE DATE.—The amendments made by paragraph (1) shall be effective on October 1, 1993.

(c) USE OF OCCUPATIONAL MIX IN GUIDELINES.—

(1) IN GENERAL.—Section 1886(d)(10)(D)(i)(I) (42 U.S.C. 1395ww(d)(10)(D)(i)(I)) is amended by inserting "(to the extent the Secretary determines appropriate)" after "taking into account".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as if included in the enactment of OBRA-1989.

SEC. 13412. TRANSITION FOR HOSPITAL OUTLIER THRESHOLDS.

Section 1886(d)(5)(A) (42 U.S.C. 1395ww(d)(5)(A)) is amended—

(1) in clause (i), by striking "The Secretary" and inserting "For discharges occurring during fiscal years ending on or before September 30, 1997, the Secretary"; and

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

"(v) The Secretary shall provide that—

"(I) the day outlier percentage for fiscal year 1995 shall be 75 percent of the day outlier percentage for fiscal year 1994;

"(II) the day outlier percentage for fiscal year 1996 shall be 50 percent of the day outlier percentage for fiscal year 1994; and

"(III) the day outlier percentage for fiscal year 1997 shall be 25 percent of the day outlier percentage for fiscal year 1994.

"(vi) For purposes of this subparagraph, the term 'day outlier percentage' means, for a fiscal year, the percentage of the total additional payments made by the Secretary under this subparagraph for discharges in that fiscal year which are additional payments under clause (i)."

SEC. 13413. ESSENTIAL ACCESS COMMUNITY HOSPITAL (EACH) AMENDMENTS.

(a) INCREASING NUMBER OF PARTICIPATING STATES.—Section 1820(a)(1) (42 U.S.C. 1395i-4(a)(1)) is amended by striking "7" and inserting "9".

(b) TREATMENT OF INPATIENT HOSPITAL SERVICES PROVIDED IN RURAL PRIMARY CARE HOSPITALS.—

(1) IN GENERAL.—Section 1820(f)(1)(F) (42 U.S.C. 1395i-4(f)(1)(F)) is amended to read as follows:

"(F) subject to paragraph (4), provides not more than 6 inpatient beds (meeting such

conditions as the Secretary may establish) for providing inpatient care to patients requiring stabilization before discharge or transfer to a hospital, except that the facility may not provide any inpatient hospital services—

"(i) to any patient whose attending physician does not certify that the patient may reasonably be expected to be discharged or transferred to a hospital within 72 hours of admission to the facility; or

"(ii) consisting of surgery or any other service requiring the use of general anesthesia (other than surgical procedures specified by the Secretary under section 1833(i)(1)(A)), unless the attending physician certifies that the risk associated with transferring the patient to a hospital for such services outweighs the benefits of transferring the patient to a hospital for such services."

(2) LIMITATION ON AVERAGE LENGTH OF STAY.—Section 1820(f) (42 U.S.C. 1395i-4(f)) is amended by adding at the end the following new paragraph:

"(4) LIMITATION ON AVERAGE LENGTH OF INPATIENT STAYS.—The Secretary may terminate a designation of a rural primary care hospital under paragraph (1) if the Secretary finds that the average length of stay for inpatients at the facility during the previous year in which the designation was in effect exceeded 72 hours. In determining the compliance of a facility with the requirement of the previous sentence, there shall not be taken into account periods of stay of inpatients in excess of 72 hours to the extent such periods exceed 72 hours because transfer to a hospital is precluded because of inclement weather or other emergency conditions."

(3) CONFORMING AMENDMENT.—Section 1814(a)(8) (42 U.S.C. 1395f(a)(8)) is amended by striking "such services" and all that follows and inserting "the individual may reasonably be expected to be discharged or transferred to a hospital within 72 hours after admission to the rural primary care hospital."

(4) GAO REPORTS.—Not later than 2 years after the date of the enactment of this Act, the Comptroller General shall submit reports to Congress on—

(A) the application of the requirements under section 1820(f) of the Social Security Act (as amended by this subsection) that rural primary care hospitals provide inpatient care only to those individuals whose attending physicians certify may reasonably be expected to be discharged within 72 hours after admission and maintain an average length of inpatient stay during a year that does not exceed 72 hours; and

(B) the extent to which such requirements have resulted in such hospitals providing inpatient care beyond their capabilities or have limited the ability of such hospitals to provide needed services.

(c) DESIGNATION OF HOSPITALS.—

(1) PERMITTING DESIGNATION OF HOSPITALS LOCATED IN URBAN AREAS.—

(A) IN GENERAL.—Section 1820 (42 U.S.C. 1395i-4) is amended—

(i) by striking paragraph (1) of subsection (e) and redesignating paragraphs (2) through (6) as paragraphs (1) through (5); and

(ii) in subsection (e)(1)(A) (as redesignated by subparagraph (A))—

(I) by striking "is located" and inserting "except in the case of a hospital located in an urban area, is located";

(II) by striking ", (ii)" and inserting "or (ii)";

(III) by striking "or (iii)" and all that follows through "section.", and

(IV) in subsection (1)(1)(B), by striking "paragraph (3)" and inserting "paragraph (2)".

(B) NO CHANGE IN MEDICARE PROSPECTIVE PAYMENT.—Section 1886(d)(5)(D) (42 U.S.C. 1395ww(d)(5)(D)) is amended—

(i) in clause (iii)(III), by inserting "located in a rural area and" after "that is", and

(ii) in clause (v), by inserting "located in a rural area and" after "in the case of a hospital".

(2) PERMITTING HOSPITALS LOCATED IN ADJOINING STATES TO PARTICIPATE IN STATE PROGRAM.—

(A) IN GENERAL.—Section 1820 (42 U.S.C. 1395i-4) is amended—

(i) by redesignating subsection (k) as subsection (l); and

(ii) by inserting after subsection (j) the following new subsection:

"(k) ELIGIBILITY OF HOSPITALS NOT LOCATED IN PARTICIPATING STATES.—Notwithstanding any other provision of this section—

"(1) for purposes of including a hospital or facility as a member institution of a rural health network, a State may designate a hospital or facility that is not located in the State as an essential access community hospital or a rural primary care hospital if the hospital or facility is located in an adjoining State and is otherwise eligible for designation as such a hospital;

"(2) the Secretary may designate a hospital or facility that is not located in a State receiving a grant under subsection (a)(1) as an essential access community hospital or a rural primary care hospital if the hospital or facility is a member institution of a rural health network of a State receiving a grant under such subsection; and

"(3) a hospital or facility designated pursuant to this subsection shall be eligible to receive a grant under subsection (a)(2)."

(B) CONFORMING AMENDMENTS.—(i) Section 1820(c)(1) (42 U.S.C. 1395i-4(c)(1)) is amended by striking "paragraph (3)" and inserting "paragraph (3) or subsection (k)".

(ii) Paragraphs (1)(A) and (2)(A) of section 1820(i) (42 U.S.C. 1395i-4(i)) are each amended—

(I) in clause (i), by striking "(a)(1)" and inserting "(a)(1) (except as provided in subsection (k))", and

(II) in clause (ii), by striking "subparagraph (B)" and inserting "subparagraph (B) or subsection (k)".

(d) SKILLED NURSING SERVICES IN RURAL PRIMARY CARE HOSPITALS.—Section 1820(f)(3) (42 U.S.C. 1395i-4(f)(3)) is amended by striking "because the facility" and all that follows and inserting the following: "because, at the time the facility applies to the State for designation as a rural primary care hospital, there is in effect an agreement between the facility and the Secretary under section 1883 under which the facility's inpatient hospital facilities are used for the furnishing of extended care services, except that the number of beds used for the furnishing of such services may not exceed the total number of licensed inpatient beds at the time the facility applies to the State for such designation (minus the number of inpatient beds used for providing inpatient care pursuant to paragraph (1)(F)). For purposes of the previous sentence, the number of beds of the facility used for the furnishing of extended care services shall not include any beds of a unit of the facility that is licensed as a distinct-part skilled nursing facility at the time the facility applies to the State for designation as a rural primary care hospital."

(e) PAYMENT FOR OUTPATIENT RURAL PRIMARY CARE HOSPITAL SERVICES.—

(1) IMPLEMENTATION OF PROSPECTIVE PAYMENT SYSTEM.—Section 1834(g) (42 U.S.C. 1395m(g)) is amended—

(A) in paragraph (1), by striking "during a year before 1993" and inserting "during a year before the prospective payment system described in paragraph (2) is in effect"; and

(B) in paragraph (2), by striking "January 1, 1993," and inserting "January 1, 1996,".

(2) NO USE OF CUSTOMARY CHARGE IN DETERMINING PAYMENT.—Section 1834(g)(1) (42 U.S.C. 1395m(g)(1)) is amended by adding at the end the following:

"The amount of payment shall be determined under either method without regard to the amount of the customary or other charge."

(f) CLARIFICATION OF PHYSICIAN STAFFING REQUIREMENT FOR RURAL PRIMARY CARE HOSPITALS.—Section 1820(f)(1)(H) (42 U.S.C. 1395i-4(f)(1)(H)) is amended by striking the period and inserting the following: ", except that in determining whether a facility meets the requirements of this subparagraph, subparagraphs (E) and (F) of that paragraph shall be applied as if any reference to a 'physician' is a reference to a physician as defined in section 1861(r)(1)."

(g) TECHNICAL AMENDMENTS RELATING TO PART A DEDUCTIBLE, COINSURANCE, AND SPELL OF ILLNESS.—(1) Section 1812(a)(1) (42 U.S.C. 1395d(a)(1)) is amended—

(A) by striking "inpatient hospital services" the first place it appears and inserting "inpatient hospital services or inpatient rural primary care hospital services";

(B) by striking "inpatient hospital services" the second place it appears and inserting "such services"; and

(C) by striking "and inpatient rural primary care hospital services".

(2) Sections 1813(a) and 1813(b)(3)(A) (42 U.S.C. 1395e(a), 1395e(b)(3)(A)) are each amended by striking "inpatient hospital services" each place it appears and inserting "inpatient hospital services or inpatient rural primary care hospital services".

(3) Section 1813(b)(3)(B) (42 U.S.C. 1395e(b)(3)(B)) is amended by striking "inpatient hospital services" and inserting "inpatient hospital services, inpatient rural primary care hospital services".

(4) Section 1861(a) (42 U.S.C. 1395x(a)) is amended—

(A) in paragraphs (1), by striking "inpatient hospital services" and inserting "inpatient hospital services, inpatient rural primary care hospital services"; and

(B) in paragraph (2), by striking "hospital" and inserting "hospital or rural primary care hospital".

(h) AUTHORIZATION OF APPROPRIATIONS.—Section 1820(k) (42 U.S.C. 1395i-4(k)) is amended by striking "1990, 1991, and 1992" and inserting "1990 through 1995".

(i) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 13414. RURAL HEALTH TRANSITION GRANT PROGRAM EXTENSION.

Section 4005(e)(9) of OBRA-1987 is amended—

(1) by striking "1989 and" and inserting "1989"; and

(2) by striking "1992" and inserting "1992 and \$30,000,000 for each of fiscal years 1993 through 1997".

SEC. 13415. REGIONAL REFERRAL CENTER EXTENSION.

(a) EXTENSION OF CLASSIFICATION THROUGH FISCAL YEAR 1994.—Effective on the date of the enactment of this Act, section 6003(d) of

such Act (42 U.S.C. 1395ww note) is amended by striking "October 1, 1992" and inserting "October 1, 1994".

(b) PERMITTING HOSPITALS TO DECLINE RECLASSIFICATION.—If any hospital fails to qualify as a rural referral center under section 1886(d)(5)(C) of the Social Security Act as a result of a decision by the Medicare Geographic Classification Review Board under section 1886(d)(10) of such Act to reclassify the hospital as being located in an urban area for fiscal year 1993 or fiscal year 1994, the Secretary of Health and Human Services shall—

(1) notify such hospital of such failure to qualify,

(2) provide an opportunity for such hospital to decline such reclassification, and

(3) if the hospital declines such reclassification, administer the Social Security Act (other than section 1886(d)(8)(D)) for such fiscal year as if the decision by the Review Board had not occurred.

(c) REQUIRING LUMP-SUM RETROACTIVE PAYMENT FOR HOSPITALS LOSING CLASSIFICATION.—

(1) IN GENERAL.—In the case of an affected regional referral center (as described in paragraph (2)), the Secretary of Health and Human Services shall make a lump sum payment to the center equal to the difference between the aggregate payment made to the center under section 1886 of such Act (excluding outlier payments under subsection (d)(5)(A) of such section) during the period of applicability described in paragraph (3) and the aggregate payment that would have been made to the center under such section if, during the period of applicability, the center was classified a regional referral center under section 1886(d)(5)(C) of such Act.

(2) AFFECTED CENTERS DESCRIBED.—In paragraph (1), an "affected regional referral center" is a hospital classified as regional referral center under section 1886(d)(5)(C) of the Social Security Act as of September 30, 1992, that was not classified as such a center after such date but would have been so classified if the reference in section 6003(d) of OBRA-1989 to "October 1, 1992," had been deemed a reference to "October 1, 1994,".

(3) PERIOD OF APPLICABILITY.—In paragraph (1), the "period of applicability" is the period that begins on October 1, 1992, and ends on the date of the enactment of this Act.

SEC. 13416. MEDICARE-DEPENDENT, SMALL RURAL HOSPITAL PAYMENT EXTENSION.

(a) EXTENSION OF ADDITIONAL PAYMENTS.—Effective on the date of the enactment of this Act, section 1886(d)(5)(G) (42 U.S.C. 1395ww(d)(5)(G)) is amended—

(1) in clause (i) in the matter preceding subclause (I)—

(A) by inserting "(or portion thereof)" after "cost reporting period", and

(B) by striking "March 31, 1993," and all that follows and inserting the following:

"September 30, 1994, in the case of a subsection (d) hospital which is a medicare-dependent, small rural hospital, payment under paragraph (1)(A) shall be equal to the sum of the amount determined under clause (ii) and the amount determined under paragraph (1)(A)(iii).";

(2) by redesignating clauses (ii) and (iii) as clauses (iii) and (iv); and

(3) by inserting after clause (i) the following new clause:

"(ii) The amount determined under this clause is—

"(I) for discharges occurring during the first 3 12-month cost reporting periods that begin on or after April 1, 1990, the amount by

which the hospital's target amount for the cost reporting period (as defined in subsection (b)(3)(D)) exceeds the amount determined under paragraph (1)(A)(iii); and

"(II) for discharges occurring during any subsequent cost reporting period (or portion thereof), 50 percent of the amount by which the hospital's target amount for the cost reporting period (as defined in subsection (b)(3)(D)) exceeds the amount determined under paragraph (1)(A)(iii)."

(b) PERMITTING HOSPITALS TO DECLINE RECLASSIFICATION.—If any hospital fails to qualify as a medicare-dependent, small rural hospital under section 1886(d)(5)(G)(i) of the Social Security Act as a result of a decision by the Medicare Geographic Classification Review Board under section 1886(d)(10) of such Act to reclassify the hospital as being located in an urban area for fiscal year 1993 or fiscal year 1994, the Secretary of Health and Human Services shall—

(1) notify such hospital of such failure to qualify,

(2) provide an opportunity for such hospital to decline such reclassification, and

(3) if the hospital declines such reclassification, administer the Social Security Act (other than section 1886(d)(8)(D)) for such fiscal year as if the decision by the Review Board had not occurred.

(c) REQUIRING LUMP-SUM RETROACTIVE PAYMENT.—

(1) IN GENERAL.—In the case of a hospital treated as a medicare dependent, small rural hospital under section 1886(d)(5)(G) of the Social Security Act, the Secretary of Health and Human Services shall make a lump sum payment to the hospital equal to the difference between the aggregate payment made to the hospital under section 1886 of such Act (excluding outlier payments under subsection (d)(5)(A) of such section) during the period of applicability described in paragraph (2) and the aggregate payment that would have been made to the hospital under such section if, during the period of applicability, section 1886(d)(5)(G) of such Act had been applied as if—

(A) the reference in clause (i) to "March 31, 1993," had been deemed a reference to "September 30, 1994,"; and

(B) the amendments made by subsection (a) had been in effect.

(2) PERIOD OF APPLICABILITY.—In paragraph (1), the "period of applicability" is, with respect to a hospital, the period that begins on the first day of the hospital's first 12-month cost reporting period that begins after April 1, 1992, and ends on the date of the enactment of this Act.

SEC. 13417. EXTENSION OF REGIONAL FLOOR.

Section 1886(d)(1)(A)(iii) (42 U.S.C. 1395ww(d)(1)(A)(iii)) is amended by striking "September 30, 1993" and inserting "September 30, 1996".

SEC. 13418. EXTENSION OF RURAL HOSPITAL DEMONSTRATION.

Section 4008(i)(1) of OBRA-1990 is amended by adding at the end the following new sentence: "The Secretary shall continue any such demonstration project until at least December 31, 1995."

SEC. 13419. HEMOPHILIA PASS-THROUGH EXTENSION.

Effective as if included in the enactment of OBRA-1989, section 6011(d) of such Act is amended by striking "2 years after the date of enactment of this Act" and inserting "September 30, 1994".

SEC. 13420. STATE HOSPITAL PAYMENT PROGRAMS.

In the case of a State hospital reimbursement system that meets the requirements of

section 1814(b)(3) of the Social Security Act, no other provision of law shall be construed as preventing the system from providing that payment for services covered under the system be made on the basis of rates provided for under the system.

SEC. 13421. PSYCHOLOGY SERVICES IN HOSPITALS.

Section 1861(e)(4) (42 U.S.C. 1395x(e)(4)) is amended by striking "physician;" and inserting "physician, except that a patient receiving qualified psychologist services (as defined in subsection (ii)) may be under the care of a clinical psychologist with respect to such services to the extent permitted under State law;".

SEC. 13422. GRADUATE MEDICAL EDUCATION PAYMENTS IN HOSPITAL-OWNED COMMUNITY HEALTH CENTERS.

Section 1886(d)(5)(B)(iv) (42 U.S.C. 1395ww(d)(5)(B)(iv)) is amended by inserting after "the hospital" the following: "or providing services at any entity receiving a grant under section 330 of the Public Health Service Act that is under the ownership or control of the hospital (if the hospital incurs all, or substantially all, of the costs of the services furnished to the hospital by such in-terns and residents)".

SEC. 13423. TREATMENT OF CERTAIN MILITARY FACILITIES.

(a) COVERAGE OF SERVICES PROVIDED IN CERTAIN UNIFORMED SERVICES TREATMENT FACILITIES.—

(1) IN GENERAL.—The Secretary of Health and Human Services may not take any recoupment action to recover amounts that were paid by the United States under title XVIII of the Social Security Act to the facilities described in paragraph (2) (or to other individuals or entities with whom such facilities had entered into agreements to provide services under such title) for services provided during the period beginning October 1, 1986, and ending December 31, 1989, except to the extent that funds were obligated to the Uniformed Services Treatment Facilities program to fulfill such an action pursuant to title VI of the Department of Defense Appropriations Act, 1993.

(2) FACILITIES DESCRIBED.—The facilities referred to in paragraph (1) are the hospitals described in section 248c of title 42, United States Code, that are located in Boston, Massachusetts; Baltimore, Maryland; and Seattle, Washington.

(b) STUDY OF JOINT MEDICAL FACILITIES.—

(1) STUDY.—The Secretary of Health and Human Services, in consultation with the Secretary of Defense and the Secretary of Veterans Affairs, shall conduct a study of the feasibility and desirability of establishing joint medical facilities among the Department of Defense, the Department of Veterans Affairs, and other public and private entities, and shall include in such study an analysis of the need to make changes in the medicare and medicaid programs (including facility certification standards under such programs) in order to facilitate the establishment of such joint medical facilities.

(2) REPORT.—Not later than October 1, 1993, the Secretary of Health and Human Services shall submit a report to Congress on the study conducted under paragraph (1).

SEC. 13424. EPILEPSY DRG.

(a) IN GENERAL.—The Secretary of Health and Human Services shall review the diagnosis-related groups established pursuant to section 1886(d)(4) of the Social Security Act that are assigned to discharges of patients with intractable epilepsy, including patients whose admissions involve intensive neurodiagnostic monitoring, and shall re-

vis, for discharges occurring on or after October 1, 1994, the assignment of discharges to such groups as the Secretary considers appropriate to account for the resource requirements of such patients.

(b) CONSULTATION REQUIREMENTS.—In carrying out subsection (a), the Secretary shall consult with the Prospective Payment Assessment Commission and national organizations representing individuals with epilepsy or individuals and entities providing specialized medical services to such individuals related to the treatment of epilepsy.

SEC. 13425. SKILLED NURSING FACILITY WAGE INDEX.

(a) IN GENERAL.—Not later than 1 year after the date of the enactment of this Act, the Secretary of Health and Human Services shall begin to collect data on employee compensation and paid hours of employment in skilled nursing facilities for the purpose of constructing a skilled nursing facility wage index adjustment to the routine service cost limits required under section 1888(a)(4) of the Social Security Act.

(b) PROPAC REPORT.—The Prospective Payment Assessment Commission shall, by March 1, 1994, study and report to the Congress on the impact of applying routine per diem cost limits for skilled nursing facilities on a regional basis.

SEC. 13426. HOSPICE NOTIFICATION TO BENEFICIARIES.

(a) HOSPITALS.—Section 1861(ee)(2)(D) (42 U.S.C. 1395x(ee)(2)(D)) is amended by inserting ", including hospice services," after "post-hospital services".

(b) NURSING FACILITIES.—Section 1819(c)(1)(B) (42 U.S.C. 1395i-3(c)(1)(B)) is amended—

(1) by striking "and" at the end of clause (ii);

(2) by striking the period at the end of clause (iii) and inserting "; and"; and

(3) by inserting after clause (iii) the following new clause:

"(iv) inform each resident who is entitled to benefits under this title, orally and in writing at the time of admission to the facility, of the entitlement of individuals to hospice care under section 1812(a)(4) (unless there is no hospice program providing hospice care for which payment may be made under this title within the geographic area of the facility and it is not the common practice of the facility to refer patients to hospice programs located outside such geographic area)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to services furnished on or after the first day of the first month beginning more than one year after the date of the enactment of this Act.

SEC. 13427. REDUCTION IN PART A PREMIUM FOR CERTAIN INDIVIDUALS WITH 30 OR MORE QUARTERS OF SOCIAL SECURITY COVERAGE.

(a) IN GENERAL.—Section 1818(d) (42 U.S.C. 1395i-2(d)) is amended—

(1) in the second sentence of paragraph (2), by striking "Such amount" and inserting "Subject to paragraph (4), the amount of an individual's monthly premium under this section"; and

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

"(4)(A) In the case of an individual described in subparagraph (B), the monthly premium for a month shall be reduced by the applicable reduction percent specified in the following table:

"For a month in:	The applicable reduction percent is:
1994	25

"For a month in:	The applicable reduction percent is:
1995	30
1996	35
1997	40
1998 or subsequent year	45

"(B) An individual described in this subparagraph with respect to a month is an individual who establishes to the satisfaction of the Secretary that, as of the last day of the previous month, the individual—

"(i) had at least 30 quarters of coverage under title II;

"(ii) was married (and had been married for the previous 1 year period) to an individual who had at least 30 quarters of coverage under such title;

"(iii) had been married to an individual for a period of at least 1 year (at the time of the individual's death) if at such time the individual had at least 30 quarters of coverage under such title; and

"(iv) is divorced from an individual and had been married to the individual for a period of at least 10 years (at the time of the divorce) if at such time the individual had at least 30 quarters of coverage under such title."

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to monthly premiums under section 1818 of the Social Security Act for months beginning with January 1, 1994.

SEC. 13428. PERIODIC UPDATES TO SALARY EQUIVALENCY GUIDELINES FOR PHYSICAL THERAPY AND RESPIRATORY THERAPY SERVICES.

(a) IN GENERAL.—Section 1861(v)(5) (42 U.S.C. 1395x(v)(5)) is amended by adding at the end the following new subparagraph:

"(C) Using the most recent available data, the Secretary shall update, not less often than every 3 years, the salary equivalency guidelines used under subparagraph (A) with respect to physical therapy and respiratory therapy services."

(b) EFFECTIVE DATE.—The Secretary of Health and Human Services shall first update the salary equivalency guidelines, under the amendment made by subsection (a), by not later than December 31, 1993. Such updated guidelines shall apply to cost reporting periods beginning on or after July 1, 1993.

SEC. 13429. EXTENSION OF DEADLINE FOR APPLICATION FOR GEOGRAPHIC CLASSIFICATION FOR CERTAIN RECLASSIFIED HOSPITALS.

Notwithstanding section 1886(d)(10)(C)(ii) of the Social Security Act, a hospital may submit an application to the Medicare Geographic Classification Review Board requesting a change in geographic classification for fiscal year 1994 after the first day of fiscal year 1993 if—

(1) the hospital's geographic classification for fiscal year 1994 was changed from urban to rural as a result of the issuance of the Revised Statistical Definitions for Metropolitan Areas established by the Office of Management and Budget on December 28, 1992 (pursuant to OMB Bulletin No. 93-05); and

(2) the hospital submits the application not later than 60 days after the date of the enactment of this Act.

SEC. 13430. CLARIFICATION OF DRG PAYMENT WINDOW EXPANSION; MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) CLARIFICATION OF DRG PAYMENT WINDOW EXPANSION.—The first sentence of section 1886(a)(4) (42 U.S.C. 1395ww(a)(4)) is further amended by striking "and includes" and inserting "and (in the case of a subsection (d) hospital) includes".

(b) TECHNICAL CORRECTION RELATING TO RESIDENT ASSESSMENT IN NURSING HOMES.—

Section 1819(b)(3)(C)(i)(I) (42 U.S.C. 1395i-3(b)(3)(C)(i)(I)) is amended by striking "not later than" before "14 days".

(c) CLERICAL CORRECTIONS.—(1) Section 1814(i)(1)(C)(i) (42 U.S.C. 1395f(i)(1)(C)(i)) is amended by striking "1990," and inserting "1990,".

(2) Section 1816(f)(2)(A)(ii) (42 U.S.C. 1396h(f)(2)(A)(ii)) is amended by striking "such agency" and inserting "such agency's".

(3) Section 1886(d)(1)(A)(iii) (42 U.S.C. 1395ww(d)(1)(A)(iii)) is amended by striking "the sum of" and inserting "is equal to the sum of".

CHAPTER 2—PROVISIONS RELATING TO PART B

Subchapter A—Elimination of Inflation Update

SEC. 13431. ELIMINATION OF INFLATION UPDATE FOR PHYSICIAN AND RELATED PROFESSIONAL SERVICES.

(a) NO INCREASE IN INDEX.—Section 1848(d)(3)(A) (42 U.S.C. 1395w-4(d)(3)(A)) is amended—

(1) in clause (i), by striking "clause (iii)" and inserting "clauses (iii) and (iv)", and

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

"(iv) NO INCREASE IN INDEX FOR 1994 OR 1995.—In applying clause (i) for services furnished on or after January 1, 1994, the percentage increase in the appropriate update index for each of 1994 and 1995 shall be 0 percent."

(b) NO INCREASE IN MEI FOR 1994 AND 1995.—Section 1842(b)(4)(E) (42 U.S.C. 1395u(b)(4)(E)) is amended by adding at the end the following new clause:

"(vi) For purposes of this part for items and services furnished in 1994 or 1995, the percentage increase in the MEI is 0 percent."

SEC. 13432. ELIMINATION OF COST-OF-LIVING ADJUSTMENTS FOR CERTAIN ITEMS AND SERVICES.

(a) CLINICAL LABORATORY SERVICES.—Section 1833(h)(2)(A)(ii) (42 U.S.C. 1395l(h)(2)(A)(ii)) is amended—

(1) by striking "and" at the end of subclause (II),

(2) by striking the period at the end of subclause (III) and inserting "and", and

(3) by adding at the end the following new subclause:

"(IV) the annual adjustment in the fee schedules determined under clause (i) for each of the years 1994 and 1995 shall be 0 percent."

(b) DURABLE MEDICAL EQUIPMENT.—Section 1834(a)(14) (42 U.S.C. 1395m(a)(14)) is amended—

(1) in subparagraph (A), as amended by 13469(a), by striking "and" at the end;

(2) in subparagraph (B)—

(A) by striking "a subsequent year" and inserting "1993", and

(B) by striking "June of the previous year." and inserting "June 1992."; and

(3) by adding at the end the following new subparagraphs:

"(C) for 1994 and 1995, no percentage change, and

"(D) for a subsequent year, the percentage increase in the consumer price index for all urban consumers (U.S. city average) for the 12-month period ending with June of the previous year."

(c) ORTHOTICS AND PROSTHETICS.—Section 1834(h)(4)(A) (42 U.S.C. 1395m(h)(4)(A)) is amended—

(1) in clause (i), by striking "and";

(2) in clause (ii), by striking "a subsequent year" and inserting "1992 and 1993"; and

(3) by adding at the end the following new clauses:

"(iii) for 1994 and 1995, 0 percent, and

"(iv) for a subsequent year, the percentage increase in the consumer price index for all urban consumers (United States city average) for the 12-month period ending with June of the previous year;".

(d) REASONABLE CHARGE LIMITS FOR ENTERAL AND PARENTERAL NUTRIENTS, SUPPLIES AND EQUIPMENT.—In determining the amount of payment under part B of title XVIII of the Social Security Act during 1994 and 1995, the charges determined to be reasonable with respect to parenteral and enteral nutrients, supplies, and equipment may not exceed the charges determined to be reasonable with respect to such nutrients, supplies, and equipment during 1993.

SEC. 13433. AMBULATORY SURGICAL CENTER SERVICES.

(a) ELIMINATION OF INFLATION UPDATE.—The Secretary of Health and Human Services shall not provide for any inflation update in the payment amounts under subparagraphs (A) and (B) of section 1833(i)(2) of the Social Security Act for fiscal year 1994 or for fiscal year 1995.

(b) CONFORMING AMENDMENT.—Section 1833(i)(2)(C) (42 U.S.C. 1395i(2)(C)), as added by section 13453(a)(2)(B), is amended by striking "fiscal year 1995" and inserting "fiscal year 1996".

SEC. 13434. OTHER ITEMS AND SERVICES UNDER PART B.

(a) RURAL HEALTH CLINIC SERVICES; FEDERALLY-QUALIFIED HEALTH CENTER SERVICES; COMPREHENSIVE OUTPATIENT REHABILITATION FACILITY SERVICES.—In determining the amount of payment made for rural health clinic services, Federally qualified health center services, or comprehensive outpatient rehabilitation facility services furnished under part B of title XVIII of the Social Security Act for services furnished on or after January 1, 1994, the Secretary of Health and Human Services shall provide that any inflation update, in the applicable limits used to determine the costs which are reasonable and related to the cost of furnishing such services under section 1833(a)(3) of such Act, that would otherwise have applied for 1994 or for 1995 shall be deemed to be 0 percent.

(b) DIALYSIS SERVICES.—In determining the amount of payment made for dialysis services furnished under part B of title XVIII of the Social Security Act on or after January 1, 1994, the Secretary of Health and Human Services shall provide that any inflation update, in the payment amounts determined under section 1881(b)(2)(B) of such Act or the rates determined under section 1881(b)(7) of such Act, that would otherwise have applied for 1994 or for 1995 shall be deemed to be 0 percent.

(c) OTHER PART B ITEMS AND SERVICES.—In determining the amount of payment made for an item or service furnished under part B of title XVIII of the Social Security Act on or after January 1, 1994, other than an item or service to which a preceding provision of (or amendment made by) this subchapter applies, the Secretary of Health and Human Services shall provide that any inflation update in the fee schedule amount for the item or service established under such part B of such title, or (if applicable) any applicable limit used to determine the actual charge, reasonable charge, or reasonable cost for the item or service under such part, that would otherwise have applied for 1994 or for 1995 shall be deemed to be 0 percent.

Subchapter B—Physicians' Services

SEC. 13441. REINSTATING SEPARATE PAYMENT FOR THE INTERPRETATION OF ELECTROCARDIOGRAMS (EKGS).

(a) IN GENERAL.—Paragraph (3) of section 1848(b) (42 U.S.C. 1395w-4(b)) is amended to read as follows:

"(3) TREATMENT OF INTERPRETATION OF ELECTROCARDIOGRAMS.—The Secretary—

"(A) shall make separate payment under this section for the interpretation of electrocardiograms performed or ordered to be performed as part of or in conjunction with a visit to or a consultation with a physician, and

"(B) shall adjust the relative values established for visits and consultations under subsection (c) so as not to include relative value units for interpretations of electrocardiograms in the relative value for visits and consultations."

(b) ASSURING BUDGET NEUTRALITY.—Section 1848(c)(2) (42 U.S.C. 1395w-4(c)(2)) is amended by adding at the end the following new subparagraph:

"(E) BUDGET NEUTRALITY ADJUSTMENTS.—The Secretary—

"(i) shall reduce the relative values for all services (other than anesthesia services) established under this paragraph (and, in the case of anesthesia services, the conversion factor established by the Secretary for such services) by such percentage as the Secretary determines to be necessary so that, beginning in 1996, the amendment made by section 13441(a) of the Omnibus Budget Reconciliation Act of 1993 would not result in expenditures under this section that exceed the amount of such expenditures that would have been made if such amendment had not been made, and

"(ii) shall reduce the amounts determined under subsection (a)(2)(B)(i)(I) by such percentage as the Secretary determines to be required to assure that, taking into account the reductions made under clause (i), the amendment made by section 13441(a) of the Omnibus Budget Reconciliation Act of 1993 would not result in expenditures under this section in 1993 that exceed the amount of such expenditures that would have been made if such amendment had not been made."

(c) CONFORMING AMENDMENTS.—Section 1848 (42 U.S.C. 1395w-4) is amended—

(1) in subsection (a)(2)(B)(i)(I), by inserting "and as adjusted under subsection (c)(2)(E)(ii)" after "for 1993";

(2) in subsection (c)(2)(A)(i), by adding at the end the following: "Such relative values are subject to adjustment under subparagraph (E)(i)."; and

(3) in subsection (i)(1)(B), by adding at the end "including adjustments under subsection (c)(2)(E)."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to services furnished on or after January 1, 1994.

SEC. 13442. PAYMENTS FOR NEW PHYSICIANS AND PRACTITIONERS.

(a) EQUAL TREATMENT OF NEW PHYSICIANS AND PRACTITIONERS.—(1) Section 1848(a) (42 U.S.C. 1395w-4(a)) is amended by striking paragraph (4).

(2) Section 1842(b)(4) (42 U.S.C. 1395u(b)(4)) is amended by striking subparagraph (F).

(b) BUDGET NEUTRALITY ADJUSTMENT.—Notwithstanding any other provision of law, the Secretary of Health and Human Services shall reduce the following values and amounts for 1993 (to be applied for that year and subsequent years) by such uniform percentage as the Secretary determines to be required to assure that the amendments

made by subsection (a) will not result in expenditures under part B of title XVIII of the Social Security Act in 1993 that exceed the amount of such expenditures that would have been made if such amendments had not been made:

(1) The relative values established under section 1848(c) of such Act for services (other than anesthesia services) and, in the case of anesthesia services, the conversion factor established under section 1848 of such Act for such services.

(2) The amounts determined under section 1848(a)(2)(B)(i)(I) of such Act.

(3) The prevailing charges or fee schedule amounts to be applied under such part for services of a health care practitioner (as defined in section 1842(b)(4)(F)(ii)(I) of such Act, as in effect before the date of the enactment of this Act).

(c) CONFORMING AMENDMENTS.—Section 1848 (42 U.S.C. 1395w-4), as amended by section 13441(c), is amended—

(1) in subsection (a)(2)(B)(i)(I), by inserting "and section 13442(b) of the Omnibus Budget Reconciliation Act of 1993" after "(c)(2)(E)(ii)" after "for 1993";

(2) in subsection (c)(2)(A)(i), by inserting "and section 13442(b) of the Omnibus Budget Reconciliation Act of 1993" after "under subparagraph (E)(i)"; and

(3) in subsection (1)(1)(B), by inserting "and section 13442(b) of the Omnibus Budget Reconciliation Act of 1993" after "under subsection (c)(2)(E)".

(d) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to services furnished on or after January 1, 1994.

SEC. 13443. RETAINING PAYMENT FOR ACTUAL ANESTHESIA TIME.

(a) PHYSICIANS' SERVICES.—Section 1848(b)(2)(B) (42 U.S.C. 1395w-4(b)(2)(B)) is amended by adding at the end the following: "The Secretary may not modify the methodology in effect as of January 1, 1992, for determining the amount of time that may be billed for such services under this section."

(b) SERVICES OF CERTIFIED REGISTERED NURSE ANESTHETISTS.—Section 1833(1)(1)(B) (42 U.S.C. 1395i(1)(1)(B)) is amended by adding at the end the following: "The Secretary may not modify the methodology in effect as of January 1, 1992, for determining the amount of time that may be billed for such services under this section."

(c) EFFECTIVE DATE.—The amendments made by this section shall take apply to services furnished on or after the date of the enactment of this Act.

SEC. 13444. GEOGRAPHIC COST OF PRACTICE INDEX REFINEMENTS.

(a) REQUIRING CONSULTATION WITH REPRESENTATIVES OF PHYSICIANS IN REVIEWING GEOGRAPHIC ADJUSTMENT FACTORS.—Section 1848(e)(1)(C) (42 U.S.C. 1395w-4(e)(1)(C)) is amended by striking "shall review" and inserting "shall, in consultation with appropriate representatives of physicians, review".

(b) USE OF MOST RECENT DATA IN GEOGRAPHIC ADJUSTMENT.—Section 1848(e)(1) (42 U.S.C. 1395w-4(e)(1)) is amended by adding at the end the following new subparagraph:

"(D) USE OF RECENT DATA.—In establishing indices and index values under this paragraph, the Secretary shall use the most recent data available relating to practice expenses, malpractice expenses, and physician work effort in different fee schedule areas."

(c) DEADLINE FOR INITIAL REVIEW AND REVISION.—The Secretary of Health and Human Services shall first review and revise geographic adjustment factors under section 1848(e)(1)(C) of the Social Security Act by

not later than January 1, 1995. Not later than April 1, 1994, the Secretary shall study and report to report to the Committee on Finance of the Senate and the Committee on Energy and Means and the Committee on Energy and Commerce of the House of Representatives on the construction of the geographic cost of practice index under section 1848(e)(1)(A)(i) of such Act.

(d) REPORT ON REVIEW PROCESS.—Not later than 1 year after the date of the enactment of this Act, the Secretary of Health and Human Services shall study and report to the Committee on Finance of the Senate and the Committee on Ways and Means and the Committee on Energy and Commerce of the House of Representatives on—

(1) the data necessary to review and revise the indices established under section 1848(e)(1)(A) of the Social Security Act, including—

(A) the shares allocated to physicians' work effort, practice expenses (other than malpractice expenses), and malpractice expenses;

(B) the weights assigned to the input components of such shares; and

(C) the index values assigned to such components;

(2) any limitations on the availability of data necessary to review and revise such indices at least every three years;

(3) ways of addressing such limitations, with particular attention to the development of alternative data sources for input components for which current index values are based on data collected less frequently than every three years; and

(4) the costs of developing more accurate and timely data.

(e) DEVELOPMENT OF CRITERIA FOR USE IN DETERMINING PAYMENT LOCALITIES.—The Physician Payment Review Commission shall conduct a study to develop criteria that would be used to refine the fee schedule areas that are used within States, in applying geographic adjustment factors for computing payment amounts, under section 1848 of the Social Security Act. The Commission shall include a report on such study in its recommendations submitted to the Congress under section 1845(b) of such Act in 1994.

SEC. 13445. EXTRA-BILLING.

(a) ENFORCEMENT AND UNIFORM APPLICATION.—

(1) ENFORCEMENT.—Paragraph (1) of section 1848(g) (42 U.S.C. 1395w-4(g)) is amended to read as follows:

"(1) LIMITATION ON ACTUAL CHARGES.—

(A) IN GENERAL.—In the case of a nonparticipating physician or nonparticipating supplier or other person (as defined in section 1842(i)(2)) who does not accept payment on an assignment-related basis for a physician's service furnished with respect to an individual enrolled under this part, the following rules apply:

(i) APPLICATION OF LIMITING CHARGE.—No person may bill or collect an actual charge for the service in excess of the limiting charge described in paragraph (2) for such service.

(ii) NO LIABILITY FOR EXCESS CHARGES.—No person is liable for payment of any amounts billed for the service in excess of such limiting charge.

(iii) CORRECTION OF EXCESS CHARGES.—If such a physician, supplier, or other person bills, but does not collect, an actual charge for a service in violation of clause (i), the physician, supplier, or other person shall reduce on a timely basis the actual charge billed for the service to an amount not to exceed the limiting charge for the service.

"(iv) REFUND OF EXCESS COLLECTIONS.—If such a physician, supplier, or other person collects an actual charge for a service in violation of clause (i), the physician, supplier, or other person shall provide on a timely basis a refund to the individual charged in the amount by which the amount collected exceeded the limiting charge for the service. The amount of such a refund shall be reduced to the extent the individual has an outstanding balance owed by the individual to the physician.

"(B) SANCTIONS.—If a physician, supplier, or other person—

(i) knowingly and willfully bills or collects for services in violation of subparagraph (A)(i) on a repeated basis, or

(ii) fails to comply with clause (iii) or (iv) of subparagraph (A) on a timely basis,

the Secretary may apply sanctions against the physician, supplier, or other person in accordance with paragraph (2) of section 1842(j). In applying this subparagraph, paragraph (4) of such section applies in the same manner as such paragraph applies to such section and any reference in such section to a physician is deemed also to include a reference to a supplier or other person under this subparagraph.

"(C) TIMELY BASIS.—For purposes of this paragraph, a correction of a bill for an excess charge or refund of an amount with respect to a violation of subparagraph (A)(i) in the case of a service is considered to be provided 'on a timely basis', if the reduction or refund is made not later than 30 days after the date the physician, supplier, or other person is notified by the carrier under this part of such violation and of the requirements of subparagraph (A)."

(2) UNIFORM APPLICATION OF EXTRA-BILLING LIMITS TO PHYSICIANS' SERVICES.—

(A) IN GENERAL.—Section 1848(g)(2)(C) (42 U.S.C. 1395w-4(g)(2)(C)) is amended by inserting "or for nonparticipating suppliers or other persons" after "nonparticipating physicians".

(B) CONFORMING DEFINITION.—Section 1842(i)(2) (42 U.S.C. 1395u(i)(2)) is amended—

(i) by striking "and the term" and inserting "and the term"; and

(ii) by inserting before the period at the end the following: "and the term 'nonparticipating supplier or other person' means a supplier or other person (excluding a provider of services) that is not a participating physician or supplier (as defined in subsection (h)(1))."

(b) PRE-PAYMENT SCREENING OF CLAIMS.—Subparagraph (G) of section 1842(b)(3) (42 U.S.C. 1395u(b)(3)) is amended to read as follows:

"(G) will, for a service that is furnished with respect to an individual enrolled under this part, that is not paid on an assignment-related basis, and that is subject to a limiting charge under section 1848(g)—

(i) determine, prior to making payment, whether the amount billed for such service exceeds the limiting charge applicable under section 1848(g)(2);

(ii) notify the physician, supplier, or other person periodically (but not less often than once every 30 days) of determinations that amounts billed exceeded such applicable limiting charges; and

(iii) provide for prompt response to inquiries of physicians, suppliers, and other persons concerning the accuracy of such limiting charges for their services;"

(c) INFORMATION ON EXTRA-BILLING LIMITS.—

(1) PART OF EXPLANATION OF MEDICARE BENEFITS.—Section 1842(h)(7) (42 U.S.C. 1395u(h)(7)) is amended—

(A) by striking "and" at the end of subparagraph (B).

(B) in subparagraph (C), by striking "shall include" and by striking the period at the end and inserting ", and", and

(C) by adding at the end the following new subparagraph:

"(D) in the case of services for which the billed amount exceeds the limiting charge imposed under section 1848(g), information regarding such applicable limiting charge (including information concerning the right to a refund under section 1848(g)(1)(A)(iv))."

(2) REPORT ON CHARGES IN EXCESS OF LIMITING CHARGE.—Section 1848(g)(6)(B) (42 U.S.C. 1395w-4(g)(6)(B)) is amended by inserting "the extent to which actual charges exceed limiting charges, the number and types of services involved, and the average amount of excess charges and" after "report to the Congress".

(d) APPLYING THE LIMITING CHARGE TO NON-PHYSICIAN SERVICES PROVIDED UNDER THE PHYSICIAN FEE SCHEDULE.—Section 1848 (42 U.S.C. 1395w-4) is amended—

(1) in subsection (a)(3), by inserting "AND SUPPLIERS" after "PHYSICIANS", and by inserting "or a nonparticipating supplier or other person" after "nonparticipating physician" and by adding at the end the following: "In the case of physicians' services (including services which the Secretary excludes pursuant to subsection (j)(3)) of a nonparticipating physician, supplier, or other person for which payment is made under this part on a basis other than the fee schedule amount, the payment shall be based on 95 percent of the payment basis for such services furnished by a participating physician, supplier, or other person.";

(2) in subsection (g)(1)(A), as amended by subsection (a), in the matter before clause (i), by inserting "(including services which the Secretary excludes pursuant to subsection (j)(3))" after "a physician's service";

(3) in subsection (g)(2)(D), by inserting "(or, if payment under this part is made on a basis other than the fee schedule under this section, 95 percent of the other payment basis)" after "subsection (a)";

(4) in subsection (g)(3)(B)—
(A) by inserting after the first sentence the following: "No person is liable for payment of any amounts billed for such a service in violation of the previous sentence.", and

(B) in the last sentence, by striking "previous sentence" and inserting "first sentence";

(5) in subsection (h)—

(A) by inserting "or nonparticipating supplier or other person furnishing physicians' services (as defined in section 1848(j)(3))" after "physician" the first place it appears,

(B) by inserting ", supplier, or other person" after "physician" the second place it appears, and

(C) by inserting ", suppliers, and other persons" after "physicians" the second place it appears; and

(6) in subsection (j)(3), by inserting ", except for purposes of subsections (a)(3), (g), and (h)" after "tests and".

(e) CLARIFICATION OF MANDATORY ASSIGNMENT RULES FOR CERTAIN PRACTITIONERS.—

(1) IN GENERAL.—Section 1842(b) (42 U.S.C. 1395u(b)), as amended by section 13449(e), is amended by adding at the end the following new paragraph:

"(18)(A) Payment for any service furnished by a practitioner described in subparagraph (C) and for which payment may be made under this part on a reasonable charge or fee schedule basis may only be made under this part on an assignment-related basis.

"(B) A practitioner described in subparagraph (C) or other person may not bill (or collect any amount from) the individual or another person for any service described in subparagraph (A), except for deductible and coinsurance amounts applicable under this part. No person is liable for payment of any amounts billed for such a service in violation of the previous sentence. If a practitioner or other person knowingly and willfully bills (or collects an amount) for such a service in violation of such sentence, the Secretary may apply sanctions against the practitioner or other person in the same manner as the Secretary may apply sanctions against a physician in accordance with section 1842(j)(2) in the same manner as such section applies with respect to a physician. Paragraph (4) of section 1842(j) shall apply in this subparagraph in the same manner as such paragraph applies to such section.

"(C) A practitioner described in this subparagraph is any of the following:

"(i) A physician assistant, nurse practitioner, or clinical nurse specialist (as defined in section 1861(aa)(5)).

"(ii) A certified registered nurse anesthetist (as defined in section 1861(bb)(2)).

"(iii) A certified nurse-midwife (as defined in section 1861(gg)(2)).

"(iv) A clinical social worker (as defined in section 1861(hh)(1)).

"(v) A clinical psychologist (as defined by the Secretary for purposes of section 1861(ii)).

"(D) For purposes of this paragraph, a service furnished by a practitioner described in subparagraph (C) includes any services and supplies furnished as incident to the service as would otherwise be covered under this part if furnished by a physician or as incident to a physician's service."

(2) CONFORMING AMENDMENTS.—

(A) Section 1833 (42 U.S.C. 1395i) is amended—

(i) in subsection (1)(5), by striking subparagraph (B) and redesignating subparagraph (C) as subparagraph (B);

(ii) by striking subsection (p); and

(iii) in subsection (r), by striking paragraph (3) and redesignating paragraph (4) as paragraph (3).

(B) Section 1842(b)(12) (42 U.S.C. 1395u(b)(12)) is amended by striking subparagraph (C).

(f) MISCELLANEOUS AND TECHNICAL AMENDMENTS.—Section 1833 (42 U.S.C. 1395i) is amended—

(1) in subsection (a)(1), as amended by section 13479(e)(2)—

(A) by striking "and" before "(O)", and

(B) by inserting before the semicolon at the end the following: ", and (P) with respect to services described in clauses (i), (ii) and (iv) of section 1861(s)(2)(K), the amounts paid are subject to the provisions of section 1842(b)(12)"; and

(2) in subsection (h)(5)(D)—
(A) by striking "paragraphs (2) and (3)" and by inserting "paragraph (2)", and

(B) by adding at the end the following: "Paragraph (4) of such section shall apply in this subparagraph in the same manner as such paragraph applies to such section."

(g) EFFECTIVE DATES.—

(1) ENFORCEMENT AND UNIFORM APPLICATION; MISCELLANEOUS AND TECHNICAL AMENDMENTS.—The amendments made by subsections (a), (d), and (f) shall apply to services furnished on or after the date of the enactment of this Act; except that such amendments made by subsections (a) and (d) shall not apply to services of a nonparticipating supplier or other person furnished before January 1, 1994.

(2) CARRIER DETERMINATIONS.—The amendments made by subsection (b) shall apply to contracts as of January 1, 1994.

(3) EOMBS.—The amendments made by subsection (c)(1) shall apply to explanations of benefits provided on or after January 1, 1994.

(4) REPORT.—The amendment made by subsection (c)(2) shall apply to reports for years beginning with 1994.

(5) PRACTITIONERS.—The amendments made by subsection (e) shall apply to services furnished on or after January 1, 1994.

SEC. 13446. RELATIVE VALUES FOR PEDIATRIC SERVICES.

(a) IN GENERAL.—The Secretary of Health and Human Services shall fully develop, by not later than July 1, 1994, relative values for the full range of pediatric physicians' services which are consistent with the relative values developed for other physicians' services under section 1848(c) of the Social Security Act. In developing such values, the Secretary shall conduct such refinements as may be necessary to produce appropriate estimates for such relative values.

(b) STUDY.—

(1) IN GENERAL.—The Secretary shall conduct a study of the relative values for pediatric and other services to determine whether there are significant variations in the resources used in providing similar services to different populations. In conducting such study, the Secretary shall consult with appropriate organizations representing pediatricians and other physicians.

(2) REPORT.—Not later than July 1, 1994, the Secretary shall submit to Congress a report on the study conducted under paragraph (1). Such report shall include any appropriate recommendations regarding needed changes in coding or other payment policies to ensure that payments for pediatric services appropriately reflect the resources required to provide these services.

SEC. 13447. ANTIGENS UNDER PHYSICIAN FEE SCHEDULE.

(a) IN GENERAL.—Section 1848(j)(3) (42 U.S.C. 1395w-4(j)(3)) is amended by inserting "(2)(G)," after "(2)(D)."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to services furnished on or after January 1, 1995.

SEC. 13448. ADMINISTRATION OF CLAIMS RELATING TO PHYSICIANS' SERVICES.

(a) LIMITATION ON CARRIER USER FEES.—Section 1842(c) (42 U.S.C. 1395u(c)) is amended by adding at the end the following new paragraph:

"(4) Neither a carrier nor the Secretary may impose a fee under this title—

"(A) for the filing of claims related to physicians' services,

"(B) for an error in filing a claim relating to physicians' services or for such a claim which is denied,

"(C) for any appeal under this title with respect to physicians' services,

"(D) for applying for (or obtaining) a unique identifier under subsection (r), or

"(E) for responding to inquiries respecting physicians' services or for providing information with respect to medical review of such services."

(b) CLARIFICATION OF PERMISSIBLE SUBSTITUTE BILLING ARRANGEMENTS.—

(1) IN GENERAL.—Clause (D) of section 1842(b)(6) (42 U.S.C. 1395u(b)(6)), as amended by section 13449(f), is amended to read as follows: "(D) payment may be made to a physician for physicians' services (and services furnished incident to such services) furnished by a second physician to patients of the first physician if (i) the first physician is

unavailable to provide the services; (ii) the services are furnished pursuant to an arrangement between the two physicians that (I) is informal and reciprocal, or (II) involves per diem or other fee-for-time compensation for such services; (iii) the services are not provided by the second physician over a continuous period of more than 60 days; and (iv) the claim form submitted to the carrier for such services includes the second physician's unique identifier (provided under the system established under subsection (r)) and indicates that the claim meets the requirements of this clause for payment to the first physician."

(2) **EFFECTIVE DATE.**—The amendment made by paragraph (1) shall apply to services furnished on or after the first day of the first month beginning more than 60 days after the date of the enactment of this Act.

SEC. 13449. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) **OVERVALUED PROCEDURES (SECTION 4101 OF OBRA-1990).**—(1) Section 1842(b)(16)(B)(iii) (42 U.S.C. 1395u(b)(16)(B)(iii)) is amended—

(A) by striking "simple and subcutaneous";

(B) by striking "small" and inserting "and small";

(C) by striking "treatments;" the first place it appears and inserting "and";

(D) by striking "lobectomy";

(E) by striking "enterectomy; colectomy; cholecystectomy";

(F) by striking "transurethral resection" and inserting "and resection", and

(G) by striking "sacral laminectomy";

(2) Section 4101(b)(2) of OBRA-1990 is amended—

(A) in the matter before subparagraph (A), by striking "1842(b)(16)" and inserting "1842(b)(16)(B)", and

(B) in subparagraph (B)—

(i) by striking "simple and subcutaneous";

(ii) by striking "(HCPCS codes 19160 and 19162)" and inserting "(HCPCS code 19160)", and

(iii) by striking all that follows "(HCPCS codes 92250" and inserting "and 92260)."

(b) **RADIOLOGY SERVICES (SECTION 4102 OF OBRA-1990).**—(1) Section 1834(b)(4) (42 U.S.C. 1395m(b)(4)) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively.

(2) Section 1834(b)(4)(D) (42 U.S.C. 1395m(b)(4)(D)) is amended—

(A) in the matter before clause (i), by striking "shall be determined as follows;" and inserting "shall, subject to clause (vii), be reduced to the adjusted conversion factor for the locality determined as follows:";

(B) in clause (iv), by striking "LOCAL ADJUSTMENT.—Subject to clause (vii), the conversion factor to be applied to" and inserting "ADJUSTED CONVERSION FACTOR.—The adjusted conversion factor for";

(C) in clause (vii), by striking "under this subparagraph", and

(D) in clause (vii), by inserting "reduced under this subparagraph by" after "shall not be".

(3) Section 4102(c)(2) of OBRA-1990 is amended by striking "radiology services" and all that follows and inserting "nuclear medicine services".

(4) Section 4102(d) of OBRA-1990 is amended by striking "new paragraph" and inserting "new subparagraph".

(5) Section 1834(b)(4)(E) (42 U.S.C. 1395m(b)(4)(E)) is amended by inserting "RULE FOR CERTAIN SCANNING SERVICES.—" after "(E)".

(6) Section 1848(a)(2)(D)(iii) (42 U.S.C. 1395w-4(a)(2)(D)(iii)) is amended by striking

"that are subject to section 6105(b) of the Omnibus Budget Reconciliation Act of 1989" and by striking "provided under such section" and inserting "provided under section 6105(b) of the Omnibus Budget Reconciliation Act of 1989".

(c) **ANESTHESIA SERVICES (SECTION 4103 OF OBRA-1990).**—(1) Section 4103(a) of OBRA-1990 is amended by striking "REDUCTION IN FEE SCHEDULE" and inserting "REDUCTION IN PREVAILING CHARGES".

(2) Section 1842(q)(1)(B) (42 U.S.C. 1395u(q)(1)(B)) is amended—

(A) in the matter before clause (i), by striking "shall be determined as follows;" and inserting "shall, subject to clause (iv), be reduced to the adjusted prevailing charge conversion factor for the locality determined as follows:"; and

(B) in clause (iii), by striking "Subject to clause (iv), the prevailing charge conversion factor to be applied in" and inserting "The adjusted prevailing charge conversion factor for";

(d) **ASSISTANTS AT SURGERY (SECTION 4107 OF OBRA-1990).**—(1) Section 4107(c) of OBRA-1990 is amended by inserting "(a)(1)" after "subsection".

(2) Section 4107(a)(2) of OBRA-1990 is amended by adding at the end the following: "In applying section 1848(g)(2)(D) of the Social Security Act for services of an assistant-at-surgery furnished during 1991, the recognized payment amount shall not exceed the maximum amount specified under section 1848(i)(2)(A) of such Act (as applied under this paragraph in such year)."

(e) **TECHNICAL COMPONENTS OF DIAGNOSTIC SERVICES (SECTION 4108 OF OBRA-1990).**—Section 1842(b) (42 U.S.C. 1395u(b)) is amended by redesignating paragraph (18), as added by section 4108(a) of OBRA-1990, as paragraph (17) and, in such paragraph, by inserting "tests specified in paragraph (14)(C)(i)," after "diagnostic laboratory tests".

(f) **RECIPROCAL BILLING ARRANGEMENTS (SECTION 4110 OF OBRA-1990).**—Section 1842(b)(6)(D) (42 U.S.C. 1395u(b)(6)(D)) is amended—

(1) by striking "visit services (including emergency visits and related services)" and inserting "physicians' services (and services furnished incident to such services)";

(2) by striking "on an occasional, reciprocal basis" and inserting "under an arrangement that is informal and reciprocal or involves per diem or other fee-for-time compensation for services";

(3) by striking "visit" in subclauses (i), (ii), and (iv); and

(4) in subclause (iii), by striking "the claim" and all that follows through the comma at the end and inserting "the claim meets the requirements of this clause for payment to the first physician".

(g) **STUDY OF AGGREGATION RULE FOR CLAIMS OF SIMILAR PHYSICIAN SERVICES (SECTION 4113 OF OBRA-1990).**—Section 4113 of OBRA-1990 is amended—

(1) by inserting "of the Social Security Act" after "1869(b)(2)"; and

(2) by striking "December 31, 1992" and inserting "December 31, 1993".

(h) **STATEWIDE FEE SCHEDULES (SECTION 4117 OF OBRA-1990).**—Section 4117 of OBRA-1990 is amended—

(1) in subsection (a)—

(A) by striking "IN GENERAL.—", and

(B) by striking "if the" and all that follows through "1991, "; and

(2) by striking subsections (b), (c), and (d).

(i) **OTHER MISCELLANEOUS AND TECHNICAL AMENDMENTS.**—(1) The heading of section 1834(f) (42 U.S.C. 1395m(f)) is amended by striking "FISCAL YEAR".

(2)(A) Section 4105(b) of OBRA-1990 is amended—

(i) in paragraph (2), by striking "amendments" and inserting "amendment"; and

(ii) in paragraph (3), by striking "amendments made by paragraphs (1) and (2)" and inserting "amendment made by paragraph (1)".

(B) Section 1848(f)(2)(C) (42 U.S.C. 1395w-4(f)(2)(C)) is amended by inserting "PERFORMANCE STANDARD RATES OF INCREASE FOR FISCAL YEAR 1991.—" after "(C)".

(C) Section 4105(c) of OBRA-1990 is amended by inserting "PUBLICATION OF PERFORMANCE STANDARD RATES.—" after "(d)".

(3) Section 1842(b)(4)(F) (42 U.S.C. 1395u(b)(4)(F)) is amended—

(A) in clause (i), by striking "prevailing charge" the first place it appears and inserting "customary charge"; and

(B) in clause (ii)(III), by striking "second, third, and fourth" and inserting "first, second, and third".

(4) Section 1842(b)(4)(F)(ii)(I) (42 U.S.C. 1395u(b)(4)(F)(ii)(I)) is amended by striking "respiratory therapist,".

(5) Section 4106(c) of OBRA-1990 is amended by inserting "of the Social Security Act" after "1848(d)(1)(B)".

(6) Section 4114 of OBRA-1990 is amended by striking "patients" the second place it appears.

(7) Section 1848(e)(1)(C) (42 U.S.C. 1395w-4(e)(1)(C)) is amended by inserting "date of the" after "since the".

(8) Section 4118(f)(1)(D) of OBRA-1990 is amended by striking "is amended".

(9) Section 4118(f)(1)(N)(ii) of OBRA-1990 is amended by striking "subsection (f)(5)(A)" and inserting "subsection (f)(5)(A)".

(10) Section 1845(e) (42 U.S.C. 1395w-1(e)) is amended—

(A) by striking paragraph (2); and

(B) by redesignating paragraphs (3), (4), and (5) as paragraphs (2), (3), and (4).

(11) Section 4118(j)(2) of OBRA-1990 is amended by striking "In section" and inserting "Section".

(12)(A) Section 1848(i)(3) (42 U.S.C. 1395w-4(i)(3)) is amended by striking the space before the period at the end.

(B) Section 1834(a)(10)(B) (42 U.S.C. 1395m(a)(10)(B)) is amended—

(i) by striking "apply to" and inserting "would otherwise apply to"; and

(ii) by inserting before the period at the end "but for the application of section 1848(i)(3)".

(j) **EFFECTIVE DATE.**—The amendments made by this section and the provisions of this section shall take effect as if included in the enactment of OBRA-1990.

Subchapter C—Ambulatory Surgical Center Services

SEC. 13451. DESIGNATION OF CERTAIN HOSPITALS AS EYE OR EYE AND EAR HOSPITALS.

(a) **IN GENERAL.**—Section 1833(i) (42 U.S.C. 1395l(i)) is amended—

(1) in subparagraph (B)(ii)—

(A) by striking "the last sentence of this clause" and inserting "paragraph (4)", and

(B) by striking the last sentence; and

(2) by inserting after paragraph (3) the following new paragraph:

"(4)(A) In the case of a hospital that—

"(i) makes application to the Secretary and demonstrates that it specializes in eye services or eye and ear services (as determined by the Secretary),

"(ii) receives more than 30 percent of its total revenues from outpatient services, and

"(iii) on October 1, 1987—

"(I) was an eye specialty hospital or an eye and ear specialty hospital, or

"(II) was operated as an eye or eye and ear unit (as defined in subparagraph (B)) of a general acute care hospital which, on the date of the application described in clause (i), operates less than 20 percent of the beds that the hospital operated on October 1, 1987, and has sold or otherwise disposed of a substantial portion of the hospital's other acute care operations,

the cost proportion and ASC proportion in effect under subclauses (I) and (II) of paragraph (2)(B)(ii) for cost reporting periods beginning in fiscal year 1988 shall remain in effect for cost reporting periods beginning on or after October 1, 1988, and before January 1, 1995.

"(B) For purposes of this subparagraph (A)(iii)(II), the term 'eye or eye and ear unit' means a physically separate or distinct unit containing separate surgical suites devoted solely to eye or eye and ear services."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to portions of cost reporting periods beginning on or after January 1, 1994.

SEC. 13452. TREATMENT OF INTRAOCULAR LENSES.

(a) EXTENSION OF CAP ON PAYMENTS THROUGH 1994.—

(1) IN GENERAL.—Section 4151(c)(3) of OBRA-1990 is amended by striking "December 31, 1992" and inserting "December 31, 1994".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) this subsection shall be effective as if included in the enactment of OBRA-1990.

(b) STUDY OF COSTS OF INTRAOCULAR LENSES.—

(1) STUDY.—The Secretary of Health and Human Services shall conduct a study, based on recent data, of the acquisition costs to providers of intraocular lenses provided to individuals enrolled under part B of the medicare program and shall include in the study an analysis of the impact of the availability of new technology lenses on such costs.

(2) REPORT.—Not later than 1 year after the date of the enactment of this Act, the Secretary shall submit a report on the study conducted under paragraph (1) to the Committee on Finance of the Senate and the Committees on Ways and Means and Energy and Commerce of the House of Representatives, and shall include in the report any recommendations the Secretary considers appropriate regarding the determination of payment amounts for intraocular lenses under part B of the medicare program.

SEC. 13453. TECHNICAL AMENDMENTS.

(a) PAYMENT AMOUNTS FOR SERVICES FURNISHED IN AMBULATORY SURGICAL CENTERS.—

(1) USE OF SURVEY TO DETERMINE INCURRED COSTS.—Section 1833(i)(2)(A)(i) (42 U.S.C. 1395l(i)(2)(A)(i)) is amended by striking the comma at the end and inserting the following: ", as determined in accordance with a survey (based upon a representative sample of procedures and facilities) taken not later than January 1, 1994, and every 5 years thereafter, of the actual audited costs incurred by such centers in providing such services,".

(2) AUTOMATIC APPLICATION OF INFLATION ADJUSTMENT.—Section 1833(i)(2) (42 U.S.C. 1395l(i)(2)) is amended—

(A) in the second sentence of subparagraph (A) and the second sentence of subparagraph (B), by striking "and may be adjusted by the Secretary, when appropriate,"; and

(B) by adding at the end the following new subparagraph:

"(C) Notwithstanding the second sentence of subparagraph (A) or the second sentence of subparagraph (B), if the Secretary has not

updated amounts established under such subparagraphs with respect to facility services furnished during a fiscal year (beginning with fiscal year 1995), such amounts shall be increased by the percentage increase in the consumer price index for all urban consumers (U.S. city average) for the 12-month period ending with March of the preceding fiscal year."

(3) CONSULTATION REQUIREMENT.—The second sentence of section 1833(i)(1) (42 U.S.C. 1395l(i)(1)) is amended by striking the period and inserting the following: ", in consultation with appropriate trade and professional organizations."

(b) ADJUSTMENTS TO PAYMENT AMOUNTS FOR NEW TECHNOLOGY INTRAOCULAR LENSES.—

(1) ESTABLISHMENT OF PROCESS FOR REVIEW OF AMOUNTS.—Not later than 1 year after the date of the enactment of this Act, the Secretary of Health and Human Services (in this subsection referred to as the "Secretary") shall develop and implement a process under which interested parties may request review by the Secretary of the appropriateness of the reimbursement amount provided under section 1833(i)(2)(A)(iii) of the Social Security Act with respect to a class of new technology intraocular lenses. For purposes of the preceding sentence, an intraocular lens may not be treated as a new technology lens unless it has been approved by the Food and Drug Administration.

(2) FACTORS CONSIDERED.—In determining whether to provide an adjustment of payment with respect to a particular lens under paragraph (1), the Secretary shall take into account whether use of the lens is likely to result in reduced risk of intraoperative or postoperative complication or trauma, accelerated postoperative recovery, reduced induced astigmatism, improved postoperative visual acuity, more stable postoperative vision, or other comparable clinical advantages.

(3) NOTICE AND COMMENT.—The Secretary shall publish notice in the Federal Register from time to time (but no less often than once each year) of a list of the requests that the Secretary has received for review under this subsection, and shall provide for a 30-day comment period on the lenses that are the subjects of the requests contained in such notice. The Secretary shall publish a notice of his determinations with respect to intraocular lenses listed in the notice within 90 days after the close of the comment period.

(4) EFFECTIVE DATE OF ADJUSTMENT.—Any adjustment of a payment amount (or payment limit) made under this subsection shall become effective not later than 30 days after the date on which the notice with respect to the adjustment is published under paragraph (3).

(c) TECHNICAL CORRECTION RELATING TO BLEND AMOUNTS FOR AMBULATORY SURGICAL CENTER PAYMENTS.—

(1) IN GENERAL.—Subclauses (I) and (II) of section 1833(i)(3)(B)(ii) (42 U.S.C. 1395l(i)(3)(B)(ii)) are each amended—

(A) by striking "for reporting" and inserting "for portions of cost reporting"; and

(B) by striking "and on or before" and inserting "and ending on or before".

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall take effect as if included in the enactment of OBRA-1990.

(d) TECHNICAL CORRECTION RELATED TO CATARACT SURGERY.—Effective as if included in the enactment of OBRA-1990, section 4151(c)(3) of such Act is amended by striking "for the insertion of an intraocular lens"

and inserting "for an intraocular lens inserted".

Subchapter D—Durable Medical Equipment SEC. 13461. CERTIFICATION OF SUPPLIERS.

(a) REQUIREMENTS.—

(1) IN GENERAL.—Section 1834 (42 U.S.C. 1395m) is amended by adding at the end the following new subsection:

"(i) REQUIREMENTS FOR SUPPLIERS OF MEDICAL EQUIPMENT AND SUPPLIES.—

"(1) ISSUANCE AND RENEWAL OF SUPPLIER NUMBER.—

"(A) PAYMENT.—Except as provided in subparagraph (C), no payment may be made under this part after October 1, 1993, for items furnished by a supplier of medical equipment and supplies unless such supplier obtains (and renews at such intervals as the Secretary may require) a supplier number.

"(B) STANDARDS FOR POSSESSING A SUPPLIER NUMBER.—A supplier may not obtain a supplier number unless—

"(i) for medical equipment and supplies furnished on or after October 1, 1993, and on or before December 31, 1994, the supplier meets standards prescribed by the Secretary; and

"(ii) for medical equipment and supplies furnished on or after January 1, 1995, the supplier meets revised standards prescribed by the Secretary (in consultation with representatives of suppliers of medical equipment and supplies, carriers, and consumers) that shall include requirements that the supplier—

"(I) comply with all applicable State and Federal licensure and regulatory requirements;

"(II) maintain a physical facility on an appropriate site;

"(III) have proof of appropriate liability insurance; and

"(IV) meet such other requirements as the Secretary may specify.

"(C) EXCEPTION FOR ITEMS FURNISHED AS INCIDENT TO A PHYSICIAN'S SERVICE.—Subparagraph (A) shall not apply with respect to medical equipment and supplies furnished as an incident to a physician's service.

"(D) PROHIBITION AGAINST MULTIPLE SUPPLIER NUMBERS.—The Secretary may not issue more than one supplier number to any supplier of medical equipment and supplies unless the issuance of more than one number is appropriate to identify subsidiary or regional entities under the supplier's ownership or control.

"(E) PROHIBITION AGAINST DELEGATION OF SUPPLIER DETERMINATIONS.—The Secretary may not delegate (other than by contract under section 1842) the responsibility to determine whether suppliers meet the standards necessary to obtain a supplier number.

"(2) CERTIFICATES OF MEDICAL NECESSITY.—

"(A) STANDARDIZED CERTIFICATES.—Not later than October 1, 1993, the Secretary shall, in consultation with carriers under this part, develop one or more standardized certificates of medical necessity (as defined in subparagraph (C)) for medical equipment and supplies for which the Secretary determines that such a certificate is necessary.

"(B) PROHIBITION AGAINST DISTRIBUTION BY SUPPLIERS OF CERTIFICATES OF MEDICAL NECESSITY.—

"(i) IN GENERAL.—Except as provided in clause (ii), a supplier of medical equipment and supplies may not distribute to physicians or to individuals entitled to benefits under this part for commercial purposes any completed or partially completed certificates of medical necessity on or after October 1, 1993.

"(ii) EXCEPTION FOR CERTAIN BILLING INFORMATION.—Clause (i) shall not apply with respect to a certificate of medical necessity for any item that is not contained on the list of potentially overused items developed by the Secretary under subsection (a)(15)(A) to the extent that such certificate contains only information completed by the supplier of medical equipment and supplies identifying such supplier and the beneficiary to whom such medical equipment and supplies are furnished, a description of such medical equipment and supplies, any product code identifying such medical equipment and supplies, and any other administrative information (other than information relating to the beneficiary's medical condition) identified by the Secretary. In the event a supplier provides a certificate of medical necessity containing information permitted under this clause, such certificate shall also contain the fee schedule amount and the supplier's charge for the medical equipment or supplies being furnished prior to distribution of such certificate to the physician.

"(iii) PENALTY.—Any supplier of medical equipment and supplies who knowingly and willfully distributes a certificate of medical necessity in violation of clause (i) is subject to a civil money penalty in an amount not to exceed \$1,000 for each such certificate of medical necessity so distributed. The provisions of section 1128A (other than subsections (a) and (b)) shall apply to civil money penalties under this subparagraph in the same manner as they apply to a penalty or proceeding under section 1128A(a).

"(C) DEFINITION.—For purposes of this paragraph, the term 'certificate of medical necessity' means a form or other document containing information required by the Secretary to be submitted to show that a covered item is reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member.

"(3) COVERAGE AND REVIEW CRITERIA.—

"(A) DEVELOPMENT AND ESTABLISHMENT.—Not later than January 1, 1995, the Secretary, in consultation with representatives of suppliers of medical equipment and supplies, individuals enrolled under this part, and appropriate medical specialty societies, shall develop and establish uniform national coverage and utilization review criteria for 200 items of medical equipment and supplies selected in accordance with the standards described in subparagraph (B). The Secretary shall publish the criteria as part of the instructions provided to fiscal intermediaries and carriers under this part and no further publication, including publication in the Federal Register, shall be required.

"(B) STANDARDS FOR SELECTING ITEMS SUBJECT TO CRITERIA.—The Secretary may select an item for coverage under the criteria developed and established under subparagraph (A) if the Secretary finds that—

"(i) the item is frequently purchased or rented by beneficiaries;

"(ii) the item is frequently subject to a determination that such item is not medically necessary; or

"(iii) the coverage or utilization criteria applied to the item (as of the date of the enactment of this subsection) is not consistent among carriers.

"(C) ANNUAL REVIEW AND EXPANSION OF ITEMS SUBJECT TO CRITERIA.—The Secretary shall annually review the coverage and utilization of items of medical equipment and supplies to determine whether items not included among the items selected under subparagraph (A) should be made subject to uni-

form national coverage and utilization review criteria, and, if appropriate, shall develop and apply such criteria to such additional items.

"(4) DEFINITION.—The term 'medical equipment and supplies' means—

"(A) durable medical equipment (as defined in section 1861(n));

"(B) prosthetic devices (as described in section 1861(s)(8));

"(C) orthotics and prosthetics (as described in section 1861(s)(9));

"(D) surgical dressings (as described in section 1861(s)(5));

"(E) such other items as the Secretary may determine; and

"(F) for purposes of paragraphs (1) and (3)—

"(i) home dialysis supplies and equipment (as described in section 1861(s)(2)(F)), and

"(ii) immunosuppressive drugs (as described in section 1861(s)(2)(J))."

(2) CONFORMING AMENDMENT.—Effective October 1, 1993, paragraph (16) of section 1834(a) (42 U.S.C. 1395m(a)) is repealed.

(b) REPORT ON EFFECT OF UNIFORM CRITERIA ON UTILIZATION OF ITEMS.—Not later than July 1, 1995, the Secretary shall submit a report to the Committee on Ways and Means and the Committee on Energy and Commerce of the House of Representatives and the Committee on Finance of the Senate analyzing the impact of the uniform criteria established under section 1834(i)(3)(A) of the Social Security Act (as added by subsection (a)) on the utilization of items of medical equipment and supplies by individuals enrolled under part B of the medicare program.

(c) USE OF COVERED ITEMS BY DISABLED BENEFICIARIES.—

(1) IN GENERAL.—The Secretary of Health and Human Services in consultation with representatives of suppliers of durable medical equipment under part B of the medicare program and individuals entitled to benefits under such program on the basis of disability, shall conduct a study of the effects of the methodology for determining payments for items of such equipment under such part on the ability of such individuals to obtain items of such equipment, including customized items.

(2) REPORT.—Not later than May 1, 1994, the Secretary shall submit a report to Congress on the study conducted under paragraph (1), and shall include in the report such recommendations as the Secretary considers appropriate to assure that disabled medicare beneficiaries have access to items of durable medical equipment.

(d) CRITERIA FOR TREATMENT OF ITEMS AS PROSTHETIC DEVICES OR ORTHOTICS AND PROSTHETICS.—Not later than July 1, 1994, the Secretary of Health and Human Services shall submit a report to the Committees on Ways and Means and Energy and Commerce of the House of Representatives and the Committee on Finance of the Senate describing prosthetic devices or orthotics and prosthetics covered under part B of the medicare program that do not require individualized or custom fitting and adjustment to be used by a patient. Such report shall include recommendations for an appropriate methodology for determining the amount of payment for such items under such program.

SEC. 13462. PROHIBITION AGAINST CARRIER FORUM SHOPPING.

(a) IN GENERAL.—Section 1834(a)(12) (42 U.S.C. 1395m(a)(12)) is amended to read as follows:

"(12) USE OF CARRIERS TO PROCESS CLAIMS.—

"(A) DESIGNATION OF REGIONAL CARRIERS.—The Secretary may designate, by regulation

under section 1842, one carrier for one or more entire regions to process all claims within the region for covered items under this section.

"(B) PROHIBITION AGAINST CARRIER SHOPPING.—(i) No supplier of a covered item may present or cause to be presented a claim for payment under this part unless such claim is presented to the appropriate regional carrier (as designated by the Secretary).

"(ii) For purposes of clause (i), the term 'appropriate regional carrier' means the carrier having jurisdiction over the geographic area that includes the permanent residence of the patient to whom the item is furnished."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to items furnished on or after October 1, 1993.

(c) CLARIFICATION OF AUTHORITY TO DESIGNATE CARRIERS FOR OTHER ITEMS AND SERVICES.—Nothing in this subsection or the amendment made by this subsection may be construed to restrict the authority of the Secretary of Health and Human Services to designate regional carriers or modify claims jurisdiction rules with respect to items or services under part B of the medicare program that are not covered items under section 1834(a) of the Social Security Act or prosthetic devices or orthotics and prosthetics under section 1834(h) of such Act.

SEC. 13463. RESTRICTIONS ON CERTAIN MARKET-ING AND SALES ACTIVITIES.

(a) PROHIBITING UNSOLICITED TELEPHONE CONTACTS FROM SUPPLIERS OF DURABLE MEDICAL EQUIPMENT TO MEDICARE BENEFICIARIES.—

(1) IN GENERAL.—Section 1834(a) (42 U.S.C. 1395m(a)) is amended by adding at the end the following new paragraph:

"(17) PROHIBITION AGAINST UNSOLICITED TELEPHONE CONTACTS BY SUPPLIERS.—

"(A) IN GENERAL.—A supplier of a covered item under this subsection may not contact an individual enrolled under this part by telephone regarding the furnishing of a covered item to the individual (other than a covered item the supplier has already furnished to the individual) unless—

"(i) the individual gives permission to the supplier to make contact by telephone for such purpose; or

"(ii) the supplier has furnished a covered item under this subsection to the individual during the 15-month period preceding the date on which the supplier contacts the individual for such purpose.

"(B) PROHIBITING PAYMENT FOR ITEMS FURNISHED SUBSEQUENT TO UNSOLICITED CONTACTS.—If a supplier knowingly contacts an individual in violation of subparagraph (A), no payment may be made under this part for any item subsequently furnished to the individual by the supplier.

"(C) EXCLUSION FROM PROGRAM FOR SUPPLIERS ENGAGING IN PATTERN OF UNSOLICITED CONTACTS.—If a supplier knowingly contacts individuals in violation of subparagraph (A) to such an extent that the supplier's conduct establishes a pattern of contacts in violation of such subparagraph, the Secretary shall exclude the supplier from participation in the programs under this Act, in accordance with the procedures set forth in subsections (c), (f), and (g) of section 1128."

(2) REQUIRING REFUND OF AMOUNTS COLLECTED FOR DISALLOWED ITEMS.—Section 1834(a) (42 U.S.C. 1395m(a)), as amended by paragraph (1), is amended by adding at the end the following new paragraph:

"(18) REFUND OF AMOUNTS COLLECTED FOR CERTAIN DISALLOWED ITEMS.—

"(A) IN GENERAL.—If a nonparticipating supplier furnishes to an individual enrolled

under this part a covered item for which no payment may be made under this part by reason of paragraph (17)(B), the supplier shall refund on a timely basis to the patient (and shall be liable to the patient) for any amounts collected from the patient for the item, unless—

"(i) the supplier establishes that the supplier did not know and could not reasonably have been expected to know that payment may not be made for the item by reason of paragraph (17)(B), or

"(ii) before the item was furnished, the patient was informed that payment under this part may not be made for that item and the patient has agreed to pay for that item.

"(B) SANCTIONS.—If a supplier knowingly and willfully fails to make refunds in violation of subparagraph (A), the Secretary may apply sanctions against the supplier in accordance with section 1842(j)(2).

"(C) NOTICE.—Each carrier with a contract in effect under this part with respect to suppliers of covered items shall send any notice of denial of payment for covered items by reason of paragraph (17)(B) and for which payment is not requested on an assignment-related basis to the supplier and the patient involved.

"(D) TIMELY BASIS DEFINED.—A refund under subparagraph (A) is considered to be on a timely basis only if—

"(i) in the case of a supplier who does not request reconsideration or seek appeal on a timely basis, the refund is made within 30 days after the date the supplier receives a denial notice under subparagraph (C), or

"(ii) in the case in which such a reconsideration or appeal is taken, the refund is made within 15 days after the date the supplier receives notice of an adverse determination on reconsideration or appeal."

(b) CONFORMING AMENDMENT.—Section 1834(h)(3) (42 U.S.C. 1395m(h)(3)) is amended by striking "Paragraph (12)" and inserting "Paragraphs (12) and (17)".

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to items furnished after the expiration of the 60-day period that begins on the date of the enactment of this Act.

SEC. 13464. ANTI-KICKBACK CLARIFICATION.

(a) IN GENERAL.—Section 1128B(b)(3)(B) (42 U.S.C. 1320a-7b(b)(3)(B)) is amended by inserting before the semicolon "except that in the case of a contract supply arrangement between any entity and a supplier of medical supplies and equipment (as defined in section 1834(i)(4), but not including items described in subparagraph (F) of such section), such employment shall not be considered bona fide to the extent that it includes tasks of a clerical and cataloging nature in transmitting to suppliers assignment rights of individuals eligible for benefits under part B of title XVIII, or performance of warehousing or stock inventory functions".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to services furnished on or after the first day of the first month that begins after the expiration of the 60-day period beginning on the date of the enactment of this Act.

SEC. 13465. LIMITATIONS ON BENEFICIARY LIABILITY FOR NONCOVERED SERVICES.

(a) IN GENERAL.—Section 1834(i) (42 U.S.C. 1395m(i)), as added by section 13461(a)(1), is amended—

(1) by redesignating paragraph (4) as paragraph (5), and

(2) by inserting after paragraph (3) the following new paragraph:

"(4) LIMITATION ON PATIENT LIABILITY.—If a supplier of medical equipment and supplies (as defined in paragraph (5))—

"(A) furnishes an item or service to a beneficiary for which no payment may be made by reason of paragraph (1);

"(B) furnishes an item or service to a beneficiary for which payment is denied in advance under subsection (a)(15); or

"(C) furnishes an item or service to a beneficiary for which payment is denied under section 1862(a)(1);

any expenses incurred for items and services furnished to an individual by such a supplier not on an assigned basis shall be the responsibility of such supplier. The individual shall have no financial responsibility for such expenses and the supplier shall refund on a timely basis to the individual (and shall be liable to the individual for) any amounts collected from the individual for such items or services. The provisions of subsection (a)(18) shall apply to refunds required under the previous sentence in the same manner as such provisions apply to refunds under such subsection."

(2) CONFORMING AMENDMENT.—Section 1128B(b)(3)(B) (42 U.S.C. 1320a-7b(b)(3)(B)), as amended by section 13464(a), is amended by striking "1834(i)(4)" and inserting "1834(i)(5)".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to items or services furnished on or after October 1, 1993.

SEC. 13466. ADJUSTMENTS FOR INHERENT REASONABLENESS.

(a) ADJUSTMENTS MADE TO FINAL PAYMENT AMOUNTS.—

(1) IN GENERAL.—Section 1834(a)(10)(B) (42 U.S.C. 1395m(a)(10)(B)) is amended by adding at the end the following: "In applying such provisions to payments for an item under this subsection, the Secretary shall make adjustments to the payment basis for the item described in paragraph (1)(B) if the Secretary determines (in accordance with such provisions and on the basis of prices and costs applicable at the time the item is furnished) that such payment basis is not inherently reasonable."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect on the date of the enactment of this Act.

(b) ADJUSTMENT REQUIRED FOR CERTAIN ITEMS.—

(1) IN GENERAL.—In accordance with section 1834(a)(10)(B) of the Social Security Act (as amended by subsection (a)), the Secretary of Health and Human Services shall determine whether the payment amounts for the items described in paragraph (2) are not inherently reasonable, and shall adjust such amounts in accordance with such section if the amounts are not inherently reasonable.

(2) ITEMS DESCRIBED.—The items referred to in paragraph (1) are decubitus care equipment, transcutaneous electrical nerve stimulators, and any other items considered appropriate by the Secretary.

SEC. 13467. TREATMENT OF NEBULIZERS AND ASPIRATORS.

(a) IN GENERAL.—Section 1834(a)(3)(A) (42 U.S.C. 1395m(a)(3)(A)) is amended by striking "ventilators, aspirators, IPPB machines, and nebulizers" and inserting "ventilators and IPPB machines".

(b) PAYMENT FOR ACCESSORIES RELATING TO NEBULIZERS AND ASPIRATORS.—Section 1834(a)(2)(A) (42 U.S.C. 1395m(a)) is amended—

(1) by striking "or" at the end of clause (i), and

(2) by adding "or" at the end of clause (ii), and

(3) by inserting after clause (ii) the following new clause:

"(iii) which is an accessory used in conjunction with a nebulizer or aspirator,"

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to items furnished on or after January 1, 1994.

SEC. 13468. PAYMENT FOR OSTOMY SUPPLIES AND OTHER SUPPLIES.

(a) OSTOMY SUPPLIES, TRACHEOSTOMY SUPPLIES, AND UROLOGICALS.—

(1) IN GENERAL.—Section 1834(h)(1) (42 U.S.C. 1395m(h)(1)) is amended by adding at the end the following new subparagraph:

"(E) EXCEPTION FOR CERTAIN ITEMS.—Payment for ostomy supplies, tracheostomy supplies, and urologicals shall be made in accordance with subparagraphs (B) and (C) of section 1834(a)(2)."

(2) CONFORMING AMENDMENT.—Section 1834(h)(1)(B) (42 U.S.C. 1395m(h)(1)(B)) is amended by striking "subparagraph (C)," and inserting "subparagraphs (C) and (E)."

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to items furnished on or after January 1, 1994.

(b) SURGICAL DRESSINGS.—

(1) IN GENERAL.—Section 1834 (42 U.S.C. 1395m), as amended by section 13461(a), is amended by adding at the end the following new subsection:

"(j) PAYMENT FOR SURGICAL DRESSINGS.—

"(1) IN GENERAL.—Payment under this subsection for surgical dressings (described in section 1861(s)(5)) shall be made in a lump sum amount for the purchase of the item in an amount equal to 80 percent of the lesser of—

"(A) the actual charge for the item; or

"(B) a payment amount determined in accordance with the methodology described in subparagraphs (B) and (C) of subsection (a)(2) (except that in applying such methodology, the national limited payment amount referred to in such subparagraphs shall be initially computed based on local payment amounts using average reasonable charges for the 12-month period ending December 31, 1992, increased by the covered item updates described in such subsection for 1993 and 1994).

"(2) EXCEPTIONS.—Paragraph (1) shall not apply to surgical dressings that are—

"(A) furnished as an incident to a physician's professional service; or

"(B) furnished by a home health agency."

(2) CONFORMING AMENDMENT.—Section 1833(a)(1) (42 U.S.C. 1395(a)(1)), as amended by sections 13478(e)(2) and 13445(e)(1), is amended—

(A) by striking "and" before "(P)", and

(B) by inserting before the semicolon at the end the following: ", and (Q) with respect to surgical dressings, the amounts paid shall be the amounts determined under section 1834(j)";

(c) EFFECTIVE DATE.—The amendments made by this subsection shall apply to items furnished on or after January 1, 1994.

(c) REDUCTION IN PAYMENTS FOR TENS DEVICES.—

(1) IN GENERAL.—Section 1834(a)(1)(D) (42 U.S.C. 1395m(a)(1)(D)) is amended by striking "15 percent" the second place it appears and inserting "45 percent".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to items furnished on or after January 1, 1994.

SEC. 13469. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) UPDATES TO PAYMENT AMOUNTS.—Subparagraph (A) of section 1834(a)(14) (42 U.S.C. 1395m(a)(14)) is amended to read as follows:

"(A) for 1991 and 1992, the percentage increase in the consumer price index for all urban consumers (U.S. city average) for the

12-month period ending with June of the previous year reduced by 1 percentage point; and".

(b) TREATMENT OF POTENTIALLY OVERUSED ITEMS AND ADVANCED DETERMINATIONS OF COVERAGE.—

(1) IN GENERAL.—Effective on the date of the enactment of this Act, section 1834(a)(15) (42 U.S.C. 1395m(a)(15)) is amended to read as follows:

"(15) SPECIAL TREATMENT FOR POTENTIALLY OVERUSED ITEMS.—

"(A) DEVELOPMENT OF LIST OF ITEMS BY SECRETARY.—The Secretary shall develop and periodically update a list of items for which payment may be made under this subsection that are potentially overused, and shall include in such list seat-lift mechanisms, transcutaneous electrical nerve stimulators, motorized scooters, decubitus care mattresses, and any such other item determined by the Secretary to be potentially overused on the basis of any of the following criteria—

"(i) the item is marketed directly to potential patients;

"(ii) the item is marketed with an offer to potential patients to waive the costs of coinsurance associated with the item or is marketed as being available at no cost to policyholders of a medicare supplemental policy (as defined in section 1882(g)(1));

"(iii) the item has been subject to a consistent pattern of overutilization; or

"(iv) a high proportion of claims for payment for such item under this part may not be made because of the application of section 1862(a)(1).

"(B) ITEMS SUBJECT TO SPECIAL CARRIER SCRUTINY.—Payment may not be made under this part for any item contained in the list developed by the Secretary under subparagraph (A) unless the carrier has subjected the claim for payment for the item to special scrutiny or has followed the procedures described in paragraph (11)(C) with respect to the item."

(2) ADVANCE DETERMINATION BY CARRIERS.—Effective January 1, 1994, section 1834(a)(11) (42 U.S.C. 1395m(a)) is amended by adding at the end the following new subparagraph:

"(C) CARRIER DETERMINATIONS FOR CERTAIN ITEMS IN ADVANCE.—A carrier shall determine in advance whether payment for an item may not be made under this subsection because of the application of section 1862(a)(1) if—

"(i) the item is a customized item (other than inexpensive items specified by the Secretary); or

"(ii) the item is a specified covered item under subparagraph (B)."

(3) INCLUSION IN CARRIER PERFORMANCE EVALUATIONS.—Effective for standards applied for contract years beginning after the date of the enactment of this Act, section 1842(c) (42 U.S.C. 1395u(c)), as amended by section 13448(a), is amended by adding at the end the following new paragraph:

"(5) Each contract under this section which provides for the disbursement of funds, as described in subsection (a)(1)(B), shall require the carrier to meet criteria developed by the Secretary to measure the timeliness of carrier responses to requests for payment of items described in section 1834(a)(11)(C)."

(4) APPLICATION TO PROSTHETIC DEVICES AND ORTHOTICS AND PROSTHETICS.—Section 1834(h)(3) (42 U.S.C. 1395m(h)(3)) is amended by striking "paragraph (10) and paragraph (11)" and inserting "paragraphs (10) and (11)".

(c) STUDY OF VARIATIONS IN DURABLE MEDICAL EQUIPMENT SUPPLIER COSTS.—

(1) COLLECTION AND ANALYSIS OF SUPPLIER COST DATA.—The Administration of the Health Care Financing Administration shall, in consultation with appropriate organizations, collect data on supplier costs of durable medical equipment for which payment may be made under part B of the medicare program, and shall analyze such data to determine the proportions of such costs attributable to the service and product components of furnishing such equipment and the extent to which such proportions vary by type of equipment and by the geographic region in which the supplier is located.

(2) DEVELOPMENT OF GEOGRAPHIC ADJUSTMENT INDEX; REPORTS.—Not later than January 1, 1995—

(A) the Administrator shall submit a report to the Committees on Energy and Commerce and Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the data collected and the analysis conducted under paragraph (1), and shall include in such report the Administrator's recommendations for a geographic cost adjustment index for suppliers of durable medical equipment under the medicare program and an analysis of the impact of such proposed index on payments under the medicare program; and

(B) the Comptroller General shall submit a report to the Committees on Energy and Commerce and Ways and Means of the House of Representatives and the Committee on Finance of the Senate analyzing on a geographic basis the supplier costs of durable medical equipment under the medicare program.

(d) OXYGEN RETESTING.—Section 1834(a)(5)(E) (42 U.S.C. 1395m(a)(5)(E)) is amended by striking "55" and inserting "56".

(e) OTHER MISCELLANEOUS AND TECHNICAL AMENDMENTS.—(1) Section 4152(a)(3) of OBRA-1990 is amended by striking "amendment made by subsection (a)" and inserting "amendments made by this subsection".

(2) Section 4152(c)(2) of OBRA-1990 is amended by striking "1395m(a)(7)(A)" and inserting "1395m(a)(7)".

(3) Section 1834(a)(7)(A)(iii)(II) (42 U.S.C. 1395m(a)(7)(A)(iii)(II)) is amended by striking "clause (v)" and inserting "clause (vi)".

(4) Section 1834(a)(7)(C)(i) (42 U.S.C. 1395m(a)(7)(C)(i)) is amended by striking "or paragraph (3)".

(5) Section 1834(a)(3) (42 U.S.C. 1395m(a)(3)) is amended by striking subparagraph (D).

(6) Section 4153(c)(1) of OBRA-1990 is amended by striking "1834(a)" and inserting "1834(h)".

(7) Section 4153(d)(2) of OBRA-1990 is amended by striking "Reconciliation" and inserting "Reconciliation".

(8)(A) Section 1834(a) (42 U.S.C. 1395m(a)) is amended by striking paragraph (6).

(B) Section 1834(a) (42 U.S.C. 1395m(a)) is amended—

(i) in subparagraphs (A) and (B) of paragraph (1), by striking "(2) through (7)" each place it appears and inserting "(2) through (5) and (7)";

(ii) in paragraph (7), by striking "(2) through (6)" and inserting "(2) through (5)";

(iii) in paragraph (8), by striking "paragraphs (6) and (7)" each place it appears in the matter preceding subparagraph (A) and in subparagraph (C) and inserting "paragraph (7)"; and

(iv) in paragraph (8)(A)(i), by striking "described—" and all that follows and inserting "described in paragraph (7) equal to the average of the purchase prices on the claims submitted on an assignment-related basis for the unused item supplied during the 6-month period ending with December 1986."

(9) The amendments made by this subsection shall take effect as if included in the enactment of OBRA-1990.

Subchapter E—Other Provisions

SEC. 13471. CLARIFYING PAYMENTS FOR MEDICALLY DIRECTED CERTIFIED REGISTERED NURSE ANESTHETIST SERVICES.

(a) IN GENERAL.—Section 1833(1)(4)(B) (42 U.S.C. 1395l(1)(4)(B)) is amended to read as follows:

"(B) Except as provided in subparagraph (D), the conversion factor used to determine the amount paid under the fee schedule under this subsection for services furnished by a certified registered nurse anesthetist who is medically directed—

"(i) in a year after 1993 and before 1997, shall be \$10.75, or

"(ii) in a subsequent calendar year, shall be the previous year's conversion factor increased by the update determined under section 1848(d)(3) for physician anesthesia services for that year."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to services furnished on or after January 1, 1994.

SEC. 13472. EXTENSION OF ALZHEIMER'S DISEASE DEMONSTRATION PROJECTS.

Section 9342 of OBRA-1986, as amended by section 4164(a)(2) of OBRA-1990, is amended—

(1) in subsection (c)(1), by striking "4 years" and inserting "5 years"; and

(2) in subsection (f), —

(A) by striking "\$55,000,000" and inserting "\$58,000,000"; and

(B) by striking "\$3,000,000" and inserting "\$5,000,000".

SEC. 13473. ORAL CANCER DRUGS.

(a) NEW COVERAGE OF CERTAIN SELF-ADMINISTERED ANTICANCER DRUGS.—Section 1861(s)(2) (42 U.S.C. 1395s(2)), as amended by section 13478(f)(8)(B), is amended—

(1) by striking "and" at the end of subparagraph (N);

(2) by adding "and" at the end of subparagraph (O); and

(3) by adding at the end the following new subparagraph:

"(P) an oral drug (which is approved by the Federal Food and Drug Administration) prescribed for use as an anticancer chemotherapeutic agent for a given indication, and containing an active ingredient (or ingredients), which is the same indication and active ingredient (or ingredients) as a drug which the carrier determines would be covered pursuant to subparagraph (A) or (B) if the drug could not be self-administered."

(b) UNIFORM COVERAGE OF "OFF-LABEL" ANTICANCER DRUGS.—Section 1861(t) (42 U.S.C. 1395x(t)) is amended—

(1) by inserting "(1)" after "(t)";

(2) by striking "(m)(5) of this section" and inserting "(m)(5) and paragraph (2)"; and

(3) by adding at the end the following new paragraph:

"(2)(A) For purposes of paragraph (1), the term 'drugs' also includes any drugs or biologicals used in an anticancer chemotherapeutic regimen for a medically accepted indication (as described in subparagraph (B)).

"(B) In subparagraph (A), the term 'medically accepted indication', with respect to the use of a drug, includes any use which has been approved by the Food and Drug Administration for the drug, and includes another use of the drug if—

"(i) the drug has been approved by the Food and Drug Administration, and

"(ii) the carrier involved determines, based upon guidance provided by the Secretary to carriers for determining medically accepted

uses of drugs, that the use is medically accepted taking into account the uses of such drug which are—

“(I) included (or approved for inclusion) in one or more of the following compendia: the American Hospital Formulary Service-Drug Information, the American Medical Association Drug Evaluations, and the United States Pharmacopoeia-Drug Information; or

“(II) supported by clinical evidence in peer reviewed medical literature appearing in publications which have been specifically approved for purposes of this paragraph by the Secretary.”

(c) STUDY OF MEDICARE COVERAGE OF PATIENT CARE COSTS ASSOCIATED WITH CLINICAL TRIALS OF NEW CANCER THERAPIES.—

(1) STUDY.—The Secretary of Health and Human Services shall conduct a study of the effects of expressly covering under the medicare program the patient care costs for beneficiaries enrolled in clinical trials of new cancer therapies, where the protocol for the trial has been approved by the National Cancer Institute or meets similar scientific and ethical standards, including approval by an institutional review board. The study shall include—

(A) an estimate of the cost of such coverage, taking into account the extent to which medicare currently pays for such patient care costs in practice;

(B) an assessment of the extent to which such clinical trials represent the best available treatment for the patients involved and of the effects of participation in the trials on the health of such patients;

(C) an assessment of whether progress in developing new anticancer therapies would be assisted by medicare coverage of such patient care costs; and

(D) an evaluation of whether there should be special criteria for the admission of medicare beneficiaries (on account of their age or physical condition) to clinical trials for which medicare would pay the patient care costs.

(2) REPORT.—Not later than 2 years after the date of the enactment of this Act, the Secretary of Health and Human Services shall submit a report on the study conducted under paragraph (1) to the Committee on Ways and Means and the Committee on Energy and Commerce of the House of Representatives and the Committee on Finance of the Senate. Such report shall include recommendations as to the coverage under the medicare program of patient care costs of beneficiaries enrolled in clinical trials of new cancer therapies.

(d) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to items furnished on or after January 1, 1994.

SEC. 13474. PART B PREMIUM PAYMENTS FOR LATE ENROLLMENT.

(a) LIMITATION ON MEDICARE PART B LATE ENROLLMENT PENALTY.—

(1) IN GENERAL.—Section 1839 (42 U.S.C. 1395r) is amended by adding at the end the following new subsection:

“(g) The percent increase in premiums under subsection (b) due to late enrollment under this part shall not exceed 25 percent in the case of an individual who is an annuitant described in subparagraph (A) or (B) of section 8901(3) of title 5, United States Code (including an individual or survivor described in section 8906(g)(2)(A) of such title) for a month if—

“(1) during the individual's initial enrollment period under section 1837(d)—

“(A) the individual was enrolled in a group health plan (as defined in section

1862(b)(1)(A)(v)) that provided coverage of items and services for which payment may be made under this part, and

“(B) the individual elected not to enroll (or to be deemed enrolled) under this section; and

“(2) due to a change of coverage under such plan, there is no coverage during the month under such plan with respect to items and services for which payment may be made under this part unless the individual is enrolled under this part.”

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to premiums for months beginning with January 1992.

(b) PAYMENT OF PART B PREMIUM LATE ENROLLMENT PENALTIES BY STATES.—Section 1839 (42 U.S.C. 1395r), as amended by subsection (a), is further amended by adding at the end the following new subsection:

“(h)(1) Upon the request of a State, the Secretary may enter into an agreement with the State under which the State agrees to pay on a quarterly or other periodic basis to the Secretary (to be deposited in the Treasury to the credit of the Federal Supplementary Medical Insurance Trust Fund) an amount equal to the amount of the part B late enrollment premium increases with respect to the premiums for eligible individuals (as defined in paragraph (3)(A)).

“(2) No part B late enrollment premium increase shall apply to an eligible individual for premiums for months for which the amount of such an increase is payable under an agreement under paragraph (1).

“(3) In this subsection:“(A) The term ‘eligible individual’ means an individual who is enrolled under this part B and who is within a class of individuals specified in the agreement under paragraph (1).

“(B) The term ‘part B late enrollment premium increase’ means any increase in a premium as a result of the application of subsection (b).”

SEC. 13475. COVERAGE OF SERVICES OF SPEECH-LANGUAGE PATHOLOGISTS AND AUDIOLOGISTS.

(a) SERVICES DEFINED.—Section 1861 (42 U.S.C. 1395x), as amended by section 13478(f)(8)(E), is amended by inserting after subsection (kk) the following new subsection:

“Speech-Language Pathology Services; Audiology Services

“(1)(1) The term ‘speech-language pathology services’ means such speech, language, and related function assessment and rehabilitation services furnished by a qualified speech-language pathologist as the speech-language pathologist is legally authorized to perform under State law (or the State regulatory mechanism provided by State law) as would otherwise be covered if furnished by a physician.

“(2) The term ‘audiology services’ means such hearing and balance assessment services furnished by a qualified audiologist as the audiologist is legally authorized to perform under State law (or the State regulatory mechanism provided by State law).

“(3) In this subsection:“(A) The term ‘qualified speech-language pathologist’ means an individual with a master's or doctoral degree in speech-language pathology who has performed not less than 9 months of supervised full-time speech-language pathology services after obtaining such degree and who—

“(1) is licensed (or is otherwise certified) as a speech-language pathologist by the State in which the individual furnishes such services, or

“(ii) in the case of an individual who furnishes services in a State which does not provide for the licensing (or other form of certification) of speech-language pathologists, has successfully completed a national clinical competency examination in speech-language pathology approved by the Secretary.

“(B) The term ‘qualified audiologist’ means an individual with a master's or doctoral degree in audiology who has performed not less than 9 months of supervised full-time audiology services after obtaining such degree and who—

“(i) is licensed (or is otherwise certified) as an audiologist by the State in which the individual furnishes such services, or

“(ii) in the case of an individual who furnishes services in a State which does not provide for the licensing (or other form of certification) of audiologists, has successfully completed a national clinical competency examination in audiology approved by the Secretary.”

(b) CONFORMING AMENDMENTS RELATING TO MEDICARE TREATMENT OF SPEECH AND LANGUAGE SERVICES.—

(1) EXTENDED CARE SERVICES.—Section 1861(h)(3) (42 U.S.C. 1395x(h)(3)) is amended by striking “, occupational, or speech therapy” and inserting “or occupational therapy or speech-language pathology services”.

(2) HOME HEALTH SERVICES.—Section 1861(m)(2) (42 U.S.C. 1395x(m)(2)) is amended by striking “, occupational, or speech therapy” and inserting “or occupational therapy or speech-language pathology services”.

(3) OUTPATIENT PHYSICAL THERAPY SERVICES.—The fourth sentence of section 1861(p) (42 U.S.C. 1395x(p)) is amended by striking “speech pathology services” and inserting “speech-language pathology services”.

(4) COMPREHENSIVE OUTPATIENT REHABILITATION FACILITY SERVICES.—Section 1861(cc)(1)(B) (42 U.S.C. 1395x(cc)(1)(B)) is amended by striking “speech pathology services” and inserting “speech-language pathology services”.

(5) HOSPICE CARE.—Section 1861(dd)(1)(B) (42 U.S.C. 1395x(dd)(1)(B)) is amended by striking “therapy or speech-language pathology” and inserting “therapy, or speech-language pathology services”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1994.

SEC. 13476. EXTENSION OF MUNICIPAL HEALTH SERVICE DEMONSTRATION PROJECTS.

Section 9215 of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended by section 6135 of OBRA-1989, is amended—

(1) by striking “December 31, 1993” and inserting “December 31, 1997”, and

(2) in the second sentence, by inserting after “beneficiary costs,” the following: “costs to the medicaid program and other payers, access to care, outcomes, beneficiary satisfaction, utilization differences among the different populations served by the projects.”

SEC. 13477. TREATMENT OF CERTAIN INDIAN HEALTH PROGRAMS AND FACILITIES AS FEDERALLY-QUALIFIED HEALTH CENTERS.

(a) IN GENERAL.—Section 1861(aa)(4) (42 U.S.C. 1395x(aa)(4)) is amended—

(1) by striking “or” at the end of subparagraph (B);

(2) by striking the period at the end of subparagraph (C) and inserting “; or”; and

(3) by adding at the end the following new subparagraph:

"(D) is an outpatient health program or facility operated by a tribe or tribal organization under the Indian Self-Determination Act or by an urban Indian organization receiving funds under title V of the Indian Health Care Improvement Act."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to services furnished on or after January 1, 1994.

SEC. 13478. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) REVISION OF INFORMATION ON PART B CLAIMS FORMS.—Section 1833(q)(1) (42 U.S.C. 1395l(q)(1)) is amended—

(1) by striking "provider number" and inserting "unique physician identification number"; and

(2) by striking "and indicate whether or not the referring physician is an interested investor (within the meaning of section 1877(h)(5))."

(b) CONSULTATION FOR SOCIAL WORKERS.—Effective with respect to services furnished on or after January 1, 1991, section 6113(c) of OBRA-1989 is amended—

(1) by inserting "and clinical social worker services" after "psychologist services"; and

(2) by striking "psychologist" the second and third place it appears and inserting "psychologist or clinical social worker".

(c) REPORTS ON HOSPITAL OUTPATIENT PAYMENT.—(1) OBRA-1989 is amended by striking section 6137.

(2) Section 1135(d) (42 U.S.C. 1320b-5(d)) is amended—

(A) by striking paragraph (6); and

(B) in paragraph (7)—

(i) by striking "systems" each place it appears and inserting "system"; and

(ii) by striking "paragraphs (1) and (6)" and inserting "paragraph (1)".

(d) RADIOLOGY AND DIAGNOSTIC SERVICES PROVIDED IN HOSPITAL OUTPATIENT DEPARTMENTS.—(1) Effective as if included in the enactment of OBRA-1989, section 1833(n)(1)(B)(i)(II) (42 U.S.C. 1395l(n)(1)(B)(i)(II)) is amended—

(A) by inserting "and for services described in subsection (a)(2)(E)(ii) furnished on or after January 1, 1992" after "1989"; and

(B) by striking "1842(b)" and inserting "1842(b) (or, in the case of services furnished on or after January 1, 1992, under section 1848)".

(2) Effective as if included in the enactment of OBRA-1989, section 1833(n)(1)(B)(i)(II) (42 U.S.C. 1395l(n)(1)(B)(i)(II)) is amended by striking "January 1, 1989" and inserting "April 1, 1989".

(e) PAYMENTS TO NURSE PRACTITIONERS IN RURAL AREAS (SECTION 4155 OF OBRA-1990).—

(1) Section 1861(s)(2)(K)(iii) (42 U.S.C. 1395x(s)(2)(K)(iii)) is amended—

(A) by striking "subsection (aa)(3)" and inserting "subsection (aa)(5)"; and

(B) by striking "subsection (aa)(4)" and inserting "subsection (aa)(6)".

(2) Section 1833(a)(1) (42 U.S.C. 1395l(a)(1)) is amended—

(A) by striking "and" before "(N)"; and

(B) with respect to the matter inserted by section 4155(b)(2)(B) of OBRA-1990—

(i) by striking "(M)" and inserting ", and (O)", and

(ii) by transferring and inserting it (as amended) immediately before the semicolon at the end.

(3) Section 1833(r)(1) (42 U.S.C. 1395l(r)(1)) is amended—

(A) by striking "ambulatory" each place it appears and inserting "or ambulatory"; and

(B) by striking "center," and inserting "center".

(4) Section 1833(r)(2)(A) (42 U.S.C. 1395l(r)(2)(A)) is amended by striking "subsection (a)(1)(M)" and inserting "subsection (a)(1)(O)".

(5) Section 1861(b)(4) (42 U.S.C. 1395x(b)(4)) is amended by striking "subsection (s)(2)(K)(i)" and inserting "clauses (i) or (iii) of subsection (s)(2)(K)".

(6) Section 1861(aa)(5) (42 U.S.C. 1395x(aa)(5)) is amended by striking "this Act" and inserting "this title".

(7) Section 1862(a)(14) (42 U.S.C. 1395y(a)(14)) is amended by striking "1861(s)(2)(K)(i)" and inserting "1861(s)(2)(K)(i) or 1861(s)(2)(K)(iii)".

(8) Section 1866(a)(1)(H) (42 U.S.C. 1395cc(a)(1)(H)) is amended by striking "1861(s)(2)(K)(i)" and inserting "1861(s)(2)(K)(i) or 1861(s)(2)(K)(iii)".

(f) OTHER MISCELLANEOUS AND TECHNICAL AMENDMENTS.—

(1) IMMEDIATE ENROLLMENT IN PART B BY INDIVIDUALS COVERED BY AN EMPLOYMENT-BASED PLAN.—(A) Subparagraphs (A) and (B) of section 1837(i)(3) (42 U.S.C. 1395p(i)(3)) are each amended—

(i) by striking "beginning with the first day of the first month in which the individual is no longer enrolled" and inserting "including each month during any part of which the individual is enrolled"; and

(ii) by striking "and ending seven months later" and inserting "ending with the last day of the eighth consecutive month in which the individual is at no time so enrolled".

(B) Paragraphs (1) and (2) of section 1838(e) (42 U.S.C. 1395q(e)) are amended to read as follows:

"(1) in any month of the special enrollment period in which the individual is at any time enrolled in a plan (specified in subparagraph (A) or (B), as applicable, of section 1837(i)(3)) or in the first month following such a month, the coverage period shall begin on the first day of the month in which the individual so enrolls (or, at the option of the individual, on the first day of any of the following three months), or

"(2) in any other month of the special enrollment period, the coverage period shall begin on the first day of the month following the month in which the individual so enrolls."

(C) The amendments made by subparagraphs (A) and (B) shall take effect on the first day of the first month that begins after the expiration of the 120-day period that begins on the date of the enactment of this Act.

(2) BLEND AMOUNTS FOR AMBULATORY SURGICAL CENTER PAYMENTS.—Subclauses (I) and (II) of section 1833(i)(3)(B)(ii) (42 U.S.C. 1395l(i)(3)(B)(ii)) are each amended—

(A) by striking "for reporting" and inserting "for portions of cost reporting"; and

(B) by striking "and on or before" and inserting "and ending on or before".

(3) CLINICAL DIAGNOSTIC LABORATORY TESTS (SECTION 4154 OF OBRA-1990).—Section 4154(e)(5) of OBRA-1990 is amended by striking "(1)(A)" and inserting "(1)(A)".

(4) SEPARATE PAYMENT UNDER PART B FOR CERTAIN SERVICES (SECTION 4157 OF OBRA-1990).—Section 4157(a) of OBRA-1990 is amended by striking "(a) SERVICES OF" and all that follows through "Section" and inserting "(a) TREATMENT OF SERVICES OF CERTAIN HEALTH PRACTITIONERS.—Section".

(5) CERTIFIED REGISTERED NURSE ANESTHETISTS (SECTION 4160 OF OBRA-1990).—Section 1833(l)(4)(B)(ii)(VII) (42 U.S.C. 1395l(l)(4)(B)(ii)(VII)) is amended by striking "1997" and inserting "1996".

(6) COMMUNITY HEALTH CENTERS AND RURAL HEALTH CLINICS (SECTION 4161 OF OBRA-1990).—(A) The fourth sentence of section 1861(aa)(2) (42 U.S.C. 1395x(aa)(2)) is amended—

(i) by striking "certification" the first place it appears and inserting "approval"; and

(ii) by striking "the Secretary's approval or disapproval of the certification" and inserting "Secretary's approval or disapproval".

(B) Section 4161(a)(7)(B) of OBRA-1990 is amended by inserting "and to the Committee on Finance of the Senate" after "Representatives".

(7) SCREENING MAMMOGRAPHY (SECTION 4163 OF OBRA-1990).—Section 4163 of OBRA-1990 is amended—

(A) by adding at the end of subsection (d) the following new paragraph:

"(3) The amendment made by paragraph (2)(A)(iv) shall apply to screening pap smears performed on or after July 1, 1990."; and

(B) in subsection (e), by striking "The amendments" and inserting "Except as provided in subsection (d)(3), the amendments".

(8) INJECTABLE DRUGS FOR TREATMENT OF OSTEOPOROSIS.—

(A) CLARIFICATION OF DRUGS COVERED.—The section 1861(jj) (42 U.S.C. 1395x(jj)) inserted by section 4156(a)(2) of OBRA-1990 is amended—

(i) in the matter preceding paragraph (1), by striking "a bone fracture related to"; and

(ii) in paragraph (1), by striking "patient" and inserting "individual has suffered a bone fracture related to post-menopausal osteoporosis and that the individual".

(B) LIMITING COVERAGE TO DRUGS PROVIDED BY HOME HEALTH AGENCIES.—(i) The section 1861(jj) (42 U.S.C. 1395x(jj)) inserted by section 4156(a)(2) of OBRA-1990 is amended by striking "if" and inserting "by a home health agency if".

(ii) Section 1861(m)(5) (42 U.S.C. 1395x(m)(5)) is amended by striking "but excluding" and inserting "and a covered osteoporosis drug (as defined in subsection (kk), but excluding other)".

(iii) Section 1861(s)(2) (42 U.S.C. 1395x(s)(2)) is amended—

(I) by adding "and" at the end of subparagraph (N), and

(II) by striking subparagraph (O) and redesignating subparagraph (P) as subparagraph (O).

(C) PAYMENT BASED ON REASONABLE COST.—Section 1833(a)(2) (42 U.S.C. 1395l(a)(2)) is amended—

(i) in subparagraph (A), by striking "health services" and inserting "health services (other than covered osteoporosis drug (as defined in section 1861(kk)))";

(ii) by striking "and" at the end of subparagraph (D);

(iii) by striking the semicolon at the end and inserting "; and"; and

(iv) by adding at the end the following new subparagraph:

"(F) with respect to covered osteoporosis drug (as defined in section 1861(kk)) furnished by a home health agency, 80 percent of the reasonable cost of such service, as determined under section 1861(v)."

(D) APPLICATION OF PART B DEDUCTIBLE.—Section 1833(b)(2) (42 U.S.C. 1395l(b)(2)) is amended by striking "services" and inserting "services (other than covered osteoporosis drug (as defined in section 1861(kk)))".

(E) COVERED OSTEOPOROSIS DRUG (SECTION 4156 OF OBRA-1990).—Section 1861 (42 U.S.C. 1395x) is amended, in the subsection (jj) inserted by section 4156(a)(2) of OBRA-1990, by

striking "(jj) The term" and inserting "(kk) The term".

(9) OTHER MISCELLANEOUS AND TECHNICAL CORRECTIONS (SECTION 4164 OF OBRA-1990).—

(A) OWNERSHIP DISCLOSURE REQUIREMENTS.—(i) Section 1124(a)(2)(A) (42 U.S.C. 1320a-3a(a)(2)(A)) is amended by striking "of the Social Security Act".

(ii) Section 4164(b)(4) of OBRA-1990 is amended by striking "paragraph" and inserting "paragraphs".

(B) DIRECTORY OF UNIQUE PHYSICIAN IDENTIFIER NUMBERS.—Section 4164(c) of OBRA-1990 is amended by striking "publish" and inserting "publish, and shall periodically update,".

(g) EFFECTIVE DATE.—Except as otherwise provided in this section, the amendments made by this section shall take effect as if included in the enactment of OBRA-1990.

Subchapter F—Part B Premium

SEC. 13481. PART B PREMIUM.

Section 1839(e) (42 U.S.C. 1395r(e)) is amended—

(1) in paragraph (1)(A), by inserting "and for each month in 1996 and 1997" after "January 1991", and

(2) in paragraph (2), by striking "1991" and inserting "1998".

CHAPTER 3—PROVISIONS RELATING TO PARTS A AND B

Subchapter A—Elimination of Updates

SEC. 13501. ELIMINATION OF COST-OF-LIVING UPDATE IN PER RESIDENT AMOUNTS FOR DIRECT MEDICAL EDUCATION.

Section 1886(h)(2)(D) (42 U.S.C. 1395ww(h)(2)(D)) is amended by inserting "(other than in the case of cost reporting periods beginning during fiscal year 1994 or fiscal year 1995)" after "updated".

SEC. 13502. ELIMINATION OF INFLATION UPDATE IN COST LIMITS FOR HOME HEALTH SERVICES.

The Secretary of Health and Human Services shall not provide for any increase, on the basis of inflation or changes in the cost of goods and services, in the per visit cost limits for home health services under section 1861(v)(1)(L) of the Social Security Act for cost reporting periods beginning during fiscal year 1994 or fiscal year 1995.

Subchapter B—Medicare Secondary Payer Provisions

SEC. 13511. EXTENSION OF TRANSFER OF DATA.

(a) EXTENSION OF DATA MATCH PROGRAM.—(1) Section 1862(b)(5)(C)(iii) of the Social Security Act (42 U.S.C. 1395y(b)(5)(C)(iii)) is amended by striking "1995" and inserting "1998".

(2) Section 6103(1)(12)(F) of the Internal Revenue Code of 1986 is amended—

(A) in clause (i), by striking "1995" and inserting "1998".

(B) in clause (ii)(I), by striking "1994" and inserting "1997", and

(C) in clause (ii)(II), by striking "1995" and inserting "1998".

(b) SECONDARY PAYER EXEMPTION FOR MEMBERS OF RELIGIOUS ORDERS.—Effective as if included in the enactment of OBRA-1989, section 6202(e)(2) of such Act is amended by adding at the end the following: "Such amendment also shall apply to items and services furnished before such date with respect to secondary payer cases which the Secretary of Health and Human Services had not identified as of such date."

(c) PERMITTING THE USE OF MINIMUM INCOME THRESHOLDS.—

(1) Section 6103(1)(12)(B)(i) of the Internal Revenue Code of 1986 is amended by inserting ", above an amount (if any) specified by the Secretary of Health and Human Services," after "section 3401(a)".

(2) The matter in section 6103(1)(12)(B)(ii) of such Code preceding subclause (I) is amended by inserting ", above an amount (if any) specified by the Secretary of Health and Human Services," after "wages".

(3) The heading to section 6103(1)(12) of such Code is amended by striking "TAXPAYER IDENTITY" and inserting "RETURN".

SEC. 13512. 3-YEAR EXTENSION OF MEDICARE SECONDARY PAYER TO DISABLED BENEFICIARIES.

Section 1862(b)(1)(B)(iii) (42 U.S.C. 1395y(b)(1)(B)(iii)) is amended by striking "1995" and inserting "1998".

SEC. 13513. 3-YEAR EXTENSION OF 18-MONTH RULE FOR ESRD BENEFICIARIES.

Section 1862(b)(1)(C) (42 U.S.C. 1395y(b)(1)(C)) is amended by striking "1996" and inserting "1999".

SEC. 13514. MEDICARE SECONDARY PAYER REFORMS.

(a) IMPROVING IDENTIFICATION OF MEDICARE SECONDARY PAYER SITUATIONS.—

(1) SURVEY OF BENEFICIARIES.—

(A) IN GENERAL.—Section 1862(b)(5) (42 U.S.C. 1395y(b)(5)) is amended by adding at the end the following new subparagraph:

"(D) OBTAINING INFORMATION FROM BENEFICIARIES.—Before an individual applies for benefits under part A or enrolls under part B, the Administrator shall mail the individual a questionnaire to obtain information on whether the individual is covered under a primary plan and the nature of the coverage provided under the plan, including the name, address, and identifying number of the plan."

(B) DISTRIBUTION OF QUESTIONNAIRE BY CONTRACTOR.—The Secretary of Health and Human Services shall enter into an agreement with an entity not later than November 1, 1993, to distribute the questionnaire described in section 1862(b)(5)(D) of the Social Security Act (as added by subparagraph (A)).

(C) NO MEDICARE SECONDARY PAYER DENIAL BASED ON FAILURE TO COMPLETE QUESTIONNAIRE.—Section 1862(b)(2) (42 U.S.C. 1395y(b)(2)) is amended by adding at the end the following new subparagraph:

"(C) TREATMENT OF QUESTIONNAIRES.—The Secretary may not fail to make payment under subparagraph (A) solely on the ground that an individual failed to complete a questionnaire concerning the existence of a primary plan."

(2) MANDATORY SCREENING BY PROVIDERS AND SUPPLIERS UNDER PART B.—

(A) IN GENERAL.—Section 1862(b) (42 U.S.C. 1395y(b)) is amended by adding at the end the following new paragraph:

"(6) SCREENING REQUIREMENTS FOR PROVIDERS AND SUPPLIERS.—

"(A) IN GENERAL.—Notwithstanding any other provision of this title, no payment may be made for any item or service furnished under part B unless the entity furnishing such item or service completes (to the best of its knowledge and on the basis of information obtained from the individual to whom the item or service is furnished) the portion of the claim form relating to the availability of other health benefit plans.

"(B) PENALTIES.—An entity that knowingly, willfully, and repeatedly fails to complete a claim form in accordance with subparagraph (A) or provides inaccurate information relating to the availability of other health benefit plans on a claim form under such subparagraph shall be subject to a civil money penalty of not to exceed \$2,000 for each such incident. The provisions of section 1128A (other than subsections (a) and (b)) shall apply to a civil money penalty under

the previous sentence in the same manner as such provisions apply to a penalty or proceeding under section 1128A(a)."

(B) EFFECTIVE DATE.—The amendment made by subparagraph (A) shall apply with respect to items and services furnished on or after January 1, 1994.

(b) IMPROVEMENTS IN RECOVERY OF PAYMENTS FROM PRIMARY PAYERS.—

(1) SUBMISSION OF REPORTS ON EFFORTS TO RECOVER ERRONEOUS PAYMENTS.—

(A) FISCAL INTERMEDIARIES UNDER PART A.—Section 1816 (42 U.S.C. 1396h) is amended by adding at the end the following new subsection:

"(k) An agreement with an agency or organization under this section shall require that such agency or organization submit an annual report to the Secretary describing the steps taken to recover payments made for items or services for which payment has been or could be made under a primary plan (as defined in section 1862(b)(2)(A))."

(B) CARRIERS UNDER PART B.—Section 1842(b)(3) (42 U.S.C. 1395u(b)(3)) is amended—

(i) by striking "and" at the end of subparagraph (H); and

(ii) by inserting after subparagraph (H) the following new subparagraph:

"(I) will submit annual reports to the Secretary describing the steps taken to recover payments made under this part for items or services for which payment has been or could be made under a primary plan (as defined in section 1862(b)(2)(A))."

(2) REQUIREMENTS UNDER CARRIER PERFORMANCE EVALUATION PROGRAM.—

(A) FISCAL INTERMEDIARIES UNDER PART A.—Section 1816(f)(1)(A) (42 U.S.C. 1396h(f)(1)(A)) is amended by striking "processing" and inserting "processing (including the agency's or organization's success in recovering payments made under this title for services for which payment has been or could be made under a primary plan (as defined in section 1862(b)(2)(A)))".

(B) CARRIERS UNDER PART B.—Section 1842(b)(2) (42 U.S.C. 1395u(b)(2)) is amended by adding at the end the following new subparagraph:

"(D) In addition to any other standards and criteria established by the Secretary for evaluating carrier performance under this paragraph relating to avoiding erroneous payments, the Secretary shall establish standards and criteria relating to the carrier's success in recovering payments made under this part for items or services for which payment has been or could be made under a primary plan (as defined in section 1862(b)(2)(A))."

(3) DEADLINE FOR REIMBURSEMENT BY PRIMARY PLANS.—

(A) IN GENERAL.—Section 1862(b)(2)(B)(i) (42 U.S.C. 1395y(b)(2)(B)(i)) is amended by adding at the end the following sentence: "If reimbursement is not made to the appropriate Trust Fund before the expiration of the 60-day period that begins on the date such notice or other information is received, the Secretary may charge interest (beginning with the date on which the notice or other information is received) on the amount of the reimbursement until reimbursement is made (at a rate determined by the Secretary in accordance with regulations of the Secretary of the Treasury applicable to charges for late payments)."

(B) CONFORMING AMENDMENT.—The heading of clause (i) of section 1862(b)(2)(B) is amended to read as follows: "REPAYMENT REQUIRED.—"

(C) EFFECTIVE DATE.—The amendments made by this paragraph shall apply to pay-

ments for items and services furnished on or after the date of the enactment of this Act.

(4) **EFFECTIVE DATE.**—The amendments made by paragraphs (1) and (2) shall apply to contracts with fiscal intermediaries and carriers under title XVIII of the Social Security Act for years beginning with 1994.

(c) **APPLICATION OF AGGREGATION RULES.**—
(1) **WORKING AGED.**—Section 1862(b)(1)(A) (42 U.S.C. 1395y(b)(1)(A)) is amended by adding at the end the following new clause:

“(vi) **APPLICATION OF AGGREGATION RULES.**—All employers treated as a single employer under subsection (a) or (b) of section 52 of the Internal Revenue Code of 1986 shall be treated as a single employer for purposes of this subparagraph.”

(2) **DISABLED INDIVIDUALS.**—Section 5000(b)(2) of the Internal Revenue Code of 1986 (relating to large group health plans) is amended by adding at the end the following: “All employers treated as a single employer under subsection (a) or (b) of section 52 shall be treated as a single employer for purposes of this paragraph.”

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall take effect 90 days after the date of the enactment of this Act.

(d) **APPLICATION OF EXCISE TAX TO FAILURE TO REIMBURSE FEDERAL GOVERNMENT.**—

(1) **IN GENERAL.**—Section 5000(c) of the Internal Revenue Code of 1986 (relating to non-conforming group health plans) is amended by striking “of section 1862(b)(1)” and inserting “of paragraph (1), or with the requirements of paragraph (2), of section 1862(b)”.

(2) **EFFECTIVE DATE.**—The amendment made by paragraph (1) shall apply to demands for repayment issued after the date of the enactment of this Act.

(e) **MISCELLANEOUS AND TECHNICAL CORRECTIONS.**—

(1) The sentence in section 1862(b)(1)(C) added by section 4203(c)(1)(B) of OBRA-1990 is amended—

(A) by striking “on or before” and inserting “before”, and

(B) by striking “clauses (i) and (ii)” and inserting “this subparagraph”.

(2) Effective as if included in the enactment of OBRA-1989, section 1862(b)(1) is amended—

(A) in subparagraphs (A)(v) and (B)(iv)(II), by inserting “, without regard to section 5000(d) of such Code” before the period at the end of each subparagraph;

(B) in subparagraph (A)(iii), by striking “current calendar year or the preceding calendar year” and inserting “current calendar year and the preceding calendar year”; and

(C) in the matter in subparagraph (C) after clause (ii), by striking “taking into account that” and inserting “paying benefits secondary to this title when”.

(3) Effective as if included in the enactment of OBRA-1989, section 1862(b)(5)(C)(i) (42 U.S.C. 1395y(b)(5)(C)(i)) is amended by striking “6103(1)(12)(D)(iii)” and inserting “6103(1)(12)(E)(iii)”.

(4) Section 4203(c)(2) of OBRA-1990 is amended—

(A) by striking “the application of clause (iii)” and inserting “the second sentence”;

(B) by striking “on individuals” and all that follows through “section 226A of such Act”;

(C) in clause (ii), by striking “clause” and inserting “sentence”;

(D) in clause (v), by adding “and” at the end; and

(E) in clause (vi)—

(i) by inserting “of such Act” after “1862(b)(1)(C)”, and

(ii) by striking the period at the end and inserting the following: “, without regard to the number of employees covered by such plans.”

(5) Section 4203(d) of OBRA-1990 is amended by striking “this subsection” and inserting “this section”.

(6) Except as provided in paragraphs (2) and (3), the amendments made by this subsection shall be effective as if included in the enactment of OBRA-1990.

Subchapter C—Physician Ownership and Referral

SEC. 13521. APPLICATION OF MEDICARE BAN ON SELF-REFERRALS TO ALL PAYERS.

(a) **IN GENERAL.**—Section 1877 (42 U.S.C. 1395nn) is amended—

(1) in subsection (a)—

(A) in paragraph (1)(A), by striking “for which payment otherwise may be made under this title” and inserting “for which a charge is imposed”, and

(B) in paragraph (1)(B), by striking “under this title”;

(2) by amending paragraph (1) of subsection (g) to read as follows:

“(1) **DENIAL OF PAYMENT.**—No payment may be made under this title, under another Federal health care program, or under a State health care program (as defined in section 1128(h)) for a designated health service for which a claim is presented in violation of subsection (a)(1)(B). No individual, third party payer, or other entity is liable for payment for designated health services for which a claim is presented in violation of such subsection.”; and

(3) in subsection (g)(3), by striking “for which payment may not be made under paragraph (1)” and inserting “for which such a claim may not be presented under subsection (a)(1)”.

(b) **CONFORMING AMENDMENT TO REPORTING REQUIREMENT.**—Section 1877(f) (42 U.S.C. 1395nn(f)) is amended—

(1) by striking “for which payment may be made under this title” each place it appears and inserting “for which a charge is imposed”, and

(2) by striking the third sentence.

SEC. 13522. EXTENSION OF SELF-REFERRAL BAN TO ADDITIONAL SPECIFIED SERVICES.

Section 1877 (42 U.S.C. 1395nn) is amended—

(1) by striking “clinical laboratory service”, “clinical laboratory services”, and “CLINICAL LABORATORY SERVICES” and inserting “designated health service”, “designated health services”, and “DESIGNATED HEALTH SERVICES”, respectively, each place each appears in subsections (a)(1), (b)(2)(A)(ii), (b)(4), (d)(1), (d)(2), (d)(3), (f), (g)(1), and (h)(7)(B); and

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

“(1) **DESIGNATED HEALTH SERVICES DEFINED.**—In this section, the term “designated health services” means any of the following items or services:

“(1) clinical laboratory services;

“(2) physical and occupational therapy services;

“(3) radiology services, including magnetic resonance imaging, computerized axial tomography scans, and ultrasound services;

“(4) radiation therapy services;

“(5) durable medical equipment;

“(6) parenteral and enteral nutrition equipment and supplies;

“(7) prosthetic devices and orthotics and prosthetics;

“(8) outpatient prescription drugs;

“(9) home infusion therapy services, home dialysis, and home health services;

“(10) ambulance services;

“(11) inpatient and outpatient hospital services;

“(12) comprehensive outpatient rehabilitation facility services;

“(13) contact lenses and eyeglasses; and

“(14) hearing aids.”

SEC. 13523. EXCEPTIONS FOR BOTH OWNERSHIP AND COMPENSATION ARRANGEMENTS.

(a) **MODIFICATION TO EXCEPTION FOR IN-OFFICE ANCILLARY SERVICES.**—Section 1877(b)(2) (42 U.S.C. 1395nn(b)(2)) is amended—

(1) by inserting “(other than durable medical equipment, parenteral and enteral nutrition equipment and supplies, and ambulance services)” after “services” the first place it appears, and

(2) in subparagraph (A)(ii)(II), by striking “centralized provision” and inserting “provision of some or all”.

(b) **MODIFICATION OF RURAL PROVIDER EXCEPTION.**—

(1) **IN GENERAL.**—Section 1877(b) (42 U.S.C. 1395nn(b)) is amended—

(A) by redesignating paragraph (5) as paragraph (6), and

(B) by inserting after paragraph (4) the following new paragraph:

“(5) **RURAL PROVIDERS.**—In the case of designated health services if—

“(A) the entity furnishing the services is in a rural area (as defined in section 1886(d)(2)(D)), and

“(B) substantially all of the services (as defined by the Secretary) furnished by the entity are furnished to individuals who reside in such a rural area.”

(2) **CONFORMING AMENDMENTS.**—Section 1877(d) (42 U.S.C. 1395nn(d)) is amended—

(A) by striking paragraph (2), and

(B) by redesignating paragraph (3) as paragraph (2).

SEC. 13524. EXCEPTIONS RELATED ONLY TO OWNERSHIP OR INVESTMENT.

(a) **PUBLICLY-TRADED SECURITIES.**—Section 1877(c)(2) (42 U.S.C. 1395nn(c)(2)) is amended by striking “total assets” and inserting “stockholder equity”.

(b) **RURAL PROVIDERS.**—For amendment to exception relation to rural providers, see section 13523(b).

SEC. 13525. EXCEPTIONS RELATED ONLY TO COMPENSATION ARRANGEMENTS.

(a) **RENTAL OF OFFICE SPACE AND EQUIPMENT.**—

(1) **IN GENERAL.**—Paragraph (1) of section 1877(e) (42 U.S.C. 1395nn(e)) is amended to read as follows:

“(1) **RENTAL OF OFFICE SPACE; RENTAL OF EQUIPMENT.**—

“(A) **OFFICE SPACE.**—Payments made by a lessee to a lessor for the use of premises if—

“(i) the lease is set out in writing, signed by the parties, and specifies the premises covered by the lease,

“(ii) the aggregate space rented or leased does not exceed that which is reasonable and necessary for the legitimate business purposes of the lease or rental and is used exclusively by the lessee when being used by the lessee,

“(iii) the lease provides for a term of rental or lease for at least one year,

“(iv) the aggregate rental charges over the term of the lease are set in advance, are consistent with fair market value, and are not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties,

“(v) the lease would be commercially reasonable even if no referrals were made between the parties,

"(vi) the lease covers all of the premises leased between the parties for the period of the lease, and

"(vii) the compensation arrangement meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse.

"(B) EQUIPMENT.—Payments made by a lessee of equipment to the lessor of the equipment for the use of the equipment if—

"(i) the lease is set out in writing, signed by the parties, and specifies the equipment covered by the lease,

"(ii) the equipment rented or leased does not exceed that which is reasonable and necessary for the legitimate business purposes of the lease or rental and is used exclusively by the lessee when being used by the lessee,

"(iii) the lease provides for a term of rental or lease of at least one year,

"(iv) the aggregate rental charges over the term of the lease are set in advance, are consistent with fair market value, and are not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties,

"(v) the lease would be commercially reasonable even if no referrals were made between the parties,

"(vi) the lease covers all of the equipment leased between the parties for the period of the lease, and

"(vii) the compensation arrangement meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse."

(2) CONFORMING AMENDMENT.—Section 1877(h) (42 U.S.C. 1395nn(h)) is amended by striking paragraphs (5) and (6).

(b) BONA FIDE EMPLOYMENT RELATIONSHIPS.—Section 1877(e) (42 U.S.C. 1395nn(e)) is amended—

(1) in paragraph (2)—

(A) by striking "EMPLOYMENT" and all that follows through "if" and inserting "BONA FIDE EMPLOYMENT RELATIONSHIPS.—Any amount paid by an employer to a physician (or immediate family member) who has a bona fide employment relationship with the employer for the provision of services if";

(B) in subparagraphs (A), (B), and (D), by striking "arrangement" and inserting "employment";

(C) in subparagraph (C), by striking "to the hospital"; and

(D) by adding at the end the following:

"Subparagraph (B)(i) shall not be construed as prohibiting the payment of remuneration in the form of shares of overall profits or in the form of a productivity bonus based on services performed personally by the physician or family member, if the amount of the remuneration is not determined in a manner that takes into account directly the volume or value of any referrals by the referring physician."; and

(2) in paragraph (5)(A), by striking "in the same manner as they apply to a hospital";

(c) PERSONAL SERVICE ARRANGEMENTS.—

(1) IN GENERAL.—Paragraph (3) of section 1877(e) (42 U.S.C. 1395nn(e)) is amended to read as follows:

"(3) PERSONAL SERVICE ARRANGEMENTS.—Remuneration from an entity under an arrangement if—

"(A) the arrangement is set out in writing, signed by the parties, and specifies the services covered by the arrangement,

"(B) the arrangement covers all of the services to be provided by the physician (or family member) to the entity,

"(C) the aggregate services contracted for do not exceed those that are reasonable and

necessary for the legitimate business purposes of the arrangement,

"(D) the term of the arrangement is for at least one year,

"(E) the compensation to be paid over the term of the arrangement is set in advance, does not exceed fair market value, and is not determined in a manner that takes into account directly or indirectly the volume or value of any referrals or other business generated between the parties,

"(F) the services to be performed under the arrangement do not involve the counseling or promotion of a business arrangement or other activity that violates any State or Federal law, and

"(G) the arrangement meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse."

(2) HEALTH SERVICES FURNISHED UNDER CERTAIN HOSPITAL ARRANGEMENTS.—Section 1877(e) (42 U.S.C. 1395nn(e)) is amended by adding at the end the following new paragraph:

"(7) CERTAIN GROUP PRACTICE ARRANGEMENTS WITH A HOSPITAL.—

"(A) IN GENERAL.—An arrangement between a hospital and a group for the provision of designated health services by the group but billed in the name of the hospital if—

"(i) the group would be a group practice, but for the fact that it bills for such services in the name of the hospital;

"(ii) with respect to services provided to an inpatient of the hospital, the arrangement is pursuant to the provision of inpatient hospital services under section 1861(b)(3);

"(iii) the arrangement began before December 19, 1989, and has continued in effect without interruption since such date;

"(iv) the group provides substantially all of the designated health services furnished under the arrangement to the hospital's patients;

"(v) the arrangement is pursuant to an agreement that is set out in writing and that specifies the services to be provided by the parties and the compensation for services provided under the agreement;

"(vi) the compensation paid over the term of the agreement is consistent with fair market value and the compensation per unit of services is fixed in advance and is not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties;

"(vii) the compensation is provided pursuant to an agreement which would be commercially reasonable even if no referrals were made to the entity; and

"(viii) the arrangement between the parties meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse."

(d) PHYSICIAN RECRUITMENT.—Section 1877(e)(4) (42 U.S.C. 1395nn(e)(4)) is amended—

(1) by redesignating subparagraphs (A) through (C) as subparagraphs (B) through (D), and

(2) by inserting before subparagraph (B), as so redesignated, the following new subparagraph:

"(A) the remuneration arrangement is set out in writing, signed by the parties, and specifies the benefits provided by the hospital, the terms under which the benefits are to be provided, and the obligations of the parties."

(e) ISOLATED TRANSACTIONS.—Section 1877(e)(5) (42 U.S.C. 1395nn(e)(5)) is amended—

(1) by striking "ISOLATED" and inserting "ONE-TIME",

(2) by striking "isolated" and inserting "one-time", and

(3) by inserting "or practice" after "one-time sale of property".

(f) NEW EXCEPTION FOR PAYMENTS BY PHYSICIAN.—Section 1877(e) (42 U.S.C. 1395nn(e)), as amended by subsection (c)(2), is further amended by adding at the end the following new paragraph:

"(8) PAYMENTS BY A PHYSICIAN FOR ITEMS AND SERVICES.—Payments made by a physician—

"(A) to a laboratory in exchange for the provision of clinical laboratory services, or

"(B) to an entity as compensation for other items or services if the items or services are furnished at a price that is consistent with fair market value."

SEC. 13526. CLARIFICATION CONCERNING CIVIL MONEY PENALTY SANCTIONS.

Section 1877(g)(3) (42 U.S.C. 1395nn(g)(3)) is amended by inserting "(including a referring physician)" after "Any person".

SEC. 13527. REQUIREMENTS FOR GROUP PRACTICE.

(a) ADDITIONAL REQUIREMENTS.—Section 1877(h)(4) (42 U.S.C. 1395nn(h)(4)) is amended—

(1) by striking "and" at the end of subparagraph (C);

(2) by redesignating subparagraphs (A), (B), (C), and (D) as clauses (i), (ii), (iii), and (vii), respectively;

(3) by inserting "(A)" after "—";

(4) by inserting after clause (iii), as so redesignated, the following:

"(iv) subject to subparagraph (B), no physician who is a member of the group receives compensation based on the volume or value of referrals by the physician;

"(v) there are no less than, on average, 5 physicians for each office location (as defined in subparagraph (C)), except where there is only a single office location for the entire group practice;

"(vi) members of the group personally conduct no less than 75 percent of the physician-patient encounters of the group practice; and"; and

(5) by adding at the end the following new subparagraphs:

"(B) A physician in a group practice may be paid a share of overall profits of the group or a productivity bonus (based on services personally performed or personally supervised by the physician or by another physician in the group) so long as the share or bonus is not determined in any manner which is directly related to the volume or value of referrals by that physician.

"(C)(i) Except as provided in clauses (ii) through (iv), the term 'office location' means an office where physician services are offered to patients.

"(ii) Such term does not include a location consisting solely of a diagnostic facility, nursing facility, or treatment facility (such as a physical or occupational therapy center), or administrative services affiliated with the group practice.

"(iii) Any office location which is located immediately adjacent to another office location shall be treated as the same office location.

"(iv) The term 'office location' does not include an office located in a rural area (as defined in section 1886(d)(2)(D)) if at least 85 percent of the physician services at the location are provided to individuals who reside in such a rural area."

(b) USE OF BILLING NUMBERS, ETC.—Section 1877 (42 U.S.C. 1395nn) is amended—

(1) in subsection (b)(2)(B), by inserting "under a billing number assigned to the group practice" after "member",

(2) in subsection (h)(4)(A)(ii), as redesignated by subsection (a)(2), by inserting "and under a billing number assigned to the group" after "in the name of the group", and

(3) in subsection (h)(4)(A)(iii), as redesignated by subsection (a)(2), by striking "by members of the group".

(c) TREATMENT OF CERTAIN FACULTY PRACTICE PLANS.—The last sentence of section 1877(h)(4)(A) (42 U.S.C. 1395nn(h)(4)(A)), as redesignated by subsection (a)(2), is amended by inserting ", institution of higher education, or medical school" after "hospital".

SEC. 13528. NO FEDERAL PREEMPTION OF MORE RESTRICTIVE STATE LAWS.

Section 1877 (42 U.S.C. 1395nn), as amended by section 13522(2), is amended by adding at the end the following new subsection:

"(j) NO FEDERAL PREEMPTION OF MORE RESTRICTIVE STATE LAWS.—Nothing in this section shall preempt provisions of State law—

"(1) that relate to referrals not covered by this section, or

"(2) that relate to referrals covered by this section and are more restrictive with respect to such referrals than the provisions of this section."

SEC. 13529. MISCELLANEOUS PROVISIONS.

(a) INDIRECT FINANCIAL RELATIONSHIPS.—The last sentence of section 1877(a)(2) (42 U.S.C. 1395nn(a)(2)) is amended by inserting before the period the following: "and includes an interest in an entity that holds an ownership or investment in another entity".

(b) MINOR REMUNERATION.—Section 1877(h)(1) (42 U.S.C. 1395nn(h)(1)) is amended—

(1) in subparagraph (A), by inserting before the period at the end the following: "(other than an arrangement involving only remuneration described in subparagraph (C))", and

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

"(C) Remuneration described in this subparagraph is any remuneration consisting of any of the following:

"(i) The forgiveness of amounts owed for inaccurate tests or procedures, mistakenly performed tests or procedures, or the correction of minor billing errors.

"(ii) The provision of items, devices, or supplies that are used solely to—

"(I) collect, transport, process, or store specimens for the entity providing the item, device, or supply, or

"(II) communicate the results of tests or procedures for such entity."

(c) REFERRING PHYSICIAN.—Section 1877(h)(7)(C) (42 U.S.C. 1395nn(h)(7)(C)) is amended—

(1) by inserting "a request by a radiologist for diagnostic radiology services, and a request by a radiation oncologist for radiation therapy," after "examination services," and

(2) by inserting ", radiologist, or radiation oncologist" after "pathologist" the second place it appears.

(d) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—Section 1877 (42 U.S.C. 1395nn) is further amended—

(1) in the next to last sentence of subsection (f)—

(A) by striking "provided" and inserting "furnished", and

(B) by striking "provides" and inserting "furnish";

(2) in the last sentence of subsection (f)—

(A) by striking "providing" each place it appears and inserting "furnishing",

(B) by striking "with respect to the providers" and inserting "with respect to the entities", and

(C) by striking "diagnostic imaging services of any type" and inserting "magnetic

resonance imaging, computerized axial tomography scans, and ultrasound services"; and

(3) in subsection (a)(2)(B), by striking "subsection (h)(1)(A)" and inserting "subsection (h)(1)".

SEC. 13530. EFFECTIVE DATES.

(a) EXPANSION OF PAYERS AND SERVICES.—The amendments made by sections 13521 and 13522 shall apply with respect to a referral by a physician made on or after December 31, 1994.

(b) OTHER PROVISIONS.—

(1) IN GENERAL.—Except as provided in this subsection, the amendments made by sections 13523 through 13529 shall apply to referrals made on or after January 1, 1992.

(2) DELAY IN EFFECTIVENESS FOR MORE RESTRICTIVE PROVISIONS.—The amendments made by the following sections shall apply with respect to a referral by a physician made on or after December 31, 1994:

(A) Section 13523(b) (relating to the rural provider exception).

(B) Section 13524(a) (relating to publicly-traded securities).

(C)(i) Section 13525(a) (relating to an exception for office rental and equipment), other than the exception relating to equipment.

(ii) Section 13525(c)(1) (relating to exception for personal services arrangements).

(iii) Section 13525(d) (relating to physician recruitment).

(D) Section 13526 (relating to civil money penalty).

(E) Section 13527 (relating to requirements for group practices), other than subsection (c) (relating to faculty plans).

(F) Section 13528 (relating to non-preemption).

(G) Section 13529(a) (relating to indirect financial relationships).

Subchapter D—Other Provisions

SEC. 13551. DIRECT GRADUATE MEDICAL EDUCATION.

(a) ADJUSTMENT IN GME BASE-YEAR COSTS OF FEDERAL INSURANCE CONTRIBUTIONS ACT.—

(1) IN GENERAL.—In determining the amount of payment to be made under section 1886(h) of the Social Security Act in the case of a hospital described in paragraph (2) for cost reporting periods beginning on or after October 1, 1992, the Secretary of Health and Human Services shall redetermine the approved FTE resident amount to reflect the amount that would have been paid the hospital if, during the hospital's base cost reporting period, the hospital had been liable for FICA taxes or for contributions to the retirement system of a State, a political subdivision of a State, or an instrumentality of such a State or political subdivision with respect to interns and residents in its medical residency training program.

(2) HOSPITALS AFFECTED.—A hospital described in this paragraph is a hospital that did not pay FICA taxes with respect to interns and residents in its medical residency training program during the hospital's base cost reporting period, but is required to pay FICA taxes or make contributions to a retirement system described in paragraph (1) with respect to such interns and residents because of the amendments made by section 11332(b) of OBRA—1990.

(3) DEFINITIONS.—In this subsection:

(A) The "base cost reporting period" for a hospital is the hospital's cost reporting period that began during fiscal year 1984.

(B) The term "FICA taxes" means, with respect to a hospital, the taxes under section 3111 of the Internal Revenue Code of 1986.

(b) PUBLICLY-FUNDED FAMILY PRACTICE RESIDENCY PROGRAMS.—

(1) IN GENERAL.—Section 1886(h)(5) (42 U.S.C. 1395ww(h)(5)) is amended by adding at the end the following new subparagraph:

"(I) ADJUSTMENTS FOR CERTAIN FAMILY PRACTICE RESIDENCY PROGRAMS.—

"(i) IN GENERAL.—In the case of an approved medical residency training program (meeting the requirements of clause (ii)) of a hospital which received payments from the United States, a State, or a political subdivision of a State or an instrumentality of such a State or political subdivision (other than payments under this title or a State plan under title XIX) for the program during the cost reporting period that began during fiscal year 1984, the Secretary shall—

"(I) provide for an average amount under paragraph (2)(A) that takes into account the Secretary's estimate of the amount that would have been recognized as reasonable under this title if the hospital had not received such payments, and

"(II) reduce the payment amount otherwise provided under this subsection in an amount equal to the proportion of such program payments during the cost reporting period involved that is allocable to this title.

"(ii) ADDITIONAL REQUIREMENTS.—A hospital's approved medical residency program meets the requirements of this clause if—

"(I) the program is limited to training for family and community medicine;

"(II) the program is the only approved medical residency program of the hospital; and

"(III) the average amount determined under paragraph (2)(A) for the hospital (as determined without regard to the increase in such amount described in clause (i)(I)) does not exceed \$10,000."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to payments under section 1886(h) of the Social Security Act for cost reporting periods beginning on or after October 1, 1990.

(c) PREVENTIVE CARE RESIDENCIES.—

(1) ELIGIBILITY OF PREVENTIVE CARE RESIDENCY PROGRAMS FOR EXPANDED INITIAL RESIDENCY PERIODS.—Section 1886(h)(5)(F)(ii) (42 U.S.C. 1395ww(h)(5)(F)(ii)) is amended by inserting after "fellowship program" the following: "or a preventive care residency or fellowship program".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to cost reporting periods beginning on or after October 1, 1993.

SEC. 13552. IMMUNOSUPPRESSIVE DRUG THERAPY.

Section 1861(s)(2)(J) (42 U.S.C. 1395x(s)(2)(J)) is amended by striking "title, within" and all that follows and inserting the following: "title, but only in the case of drugs furnished—

"(i) before 1994, within 12 months after the date of the transplant procedure,

"(ii) during 1994, within 18 months after the date of the transplant procedure,

"(iii) during 1995, within 24 months after the date of the transplant procedure,

"(iv) during 1996, within 30 months after the date of the transplant procedure, and

"(v) during any year after 1997, within 36 months after the date of the transplant procedure;"

SEC. 13553. REDUCTION IN PAYMENTS FOR ERYTHROPOIETIN.

(a) IN GENERAL.—Section 1881(b)(11)(B)(ii)(I) (42 U.S.C. 1395rr(b)(11)(B)(ii)(I)) is amended—

(1) by striking "1991" and inserting "1994"; and

(2) by striking "\$11" and inserting "\$10".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to eryth-

ropoietin furnished on or after January 1, 1994.

SEC. 13554. QUALIFIED MEDICARE BENEFICIARY OUTREACH.

The Secretary of Health and Human Services shall establish and implement a method for obtaining information from newly eligible medicare beneficiaries that may be used to determine whether such beneficiaries may be eligible for medical assistance for medicare cost-sharing under State medicaid plans as qualified medicare beneficiaries, and for transmitting such information to the State in which such a beneficiary resides.

SEC. 13555. EXTENSION OF SOCIAL HEALTH MAINTENANCE ORGANIZATION DEMONSTRATIONS.

(a) EXTENSION OF CURRENT WAIVERS.—Section 4018(b) of OBRA-1987, as amended by section 4207(b)(4)(B) of OBRA-1990, is amended—

(1) in paragraph (1) by striking "December 31, 1995" and inserting "December 31, 1997"; and

(2) in paragraph (4) by striking "March 31, 1996" and inserting "March 31, 1998".

(b) EXPANSION OF DEMONSTRATIONS.—Section 2355 of the Deficit Reduction Act of 1984 is amended—

(1) in the last sentence of subsection (a) by striking "12 months" and inserting "36 months"; and

(2) in subsection (b)(1)(B)—

(A) by striking "or" at the end of clause (iii); and

(B) by redesignating clause (iv) as clause (v) and inserting after clause (iii) the following new clause:

"(iv) integrating acute and chronic care management for patients with end-stage renal disease through expanded community care case management services (and for purposes of a demonstration project conducted under this clause, any requirement under a waiver granted under this section that a project disenroll individuals who develop end-stage renal disease shall not apply); or".

(c) EXPANSION OF NUMBER OF MEMBERS PER SITE.—The Secretary of Health and Human Services may not impose a limit of less than 12,000 on the number of individuals that may participate in a project conducted under section 2355 of the Deficit Reduction Act of 1984.

(d) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—

(1) The section following section 4206 of OBRA-1990 is amended by striking "SEC. 4027." and inserting "Sec. 4207.", and in this subtitle is referred to as section 4207 of OBRA-1990.

(2) Section 2355(b)(1)(B) of the Deficit Reduction Act of 1984, as amended by section 4207(b)(4)(B)(ii) of OBRA-1990, is amended—

(A) by striking "12907(c)(4)(A)" and inserting "4207(b)(4)(B)(i)", and

(B) by striking "feasibility" and inserting "feasibility".

(3) Section 4207(b)(4)(B)(iii)(III) of OBRA-1990 is amended by striking the period at the end and inserting a semicolon.

(4) Subsections (c)(3) and (e) of section 2355 of the Deficit Reduction Act of 1984, as amended by section 4207(b)(4)(B) of OBRA-1990, are each amended by striking "12907(c)(4)(A)" each place it appears and inserting "4207(b)(4)(B)".

(5) Section 4207(c)(2) of OBRA-1990 is amended by striking "the Committee on Ways and Means" each place it appears and inserting "the Committees on Ways and Means and Energy and Commerce".

(6) Section 4207(d) of OBRA-1990 is amended by redesignating the second paragraph (3) (relating to effective date) as paragraph (4).

(7) Section 4207(i)(2) of OBRA-1990 is amended—

(A) by striking the period at the end of clause (iii) and inserting a semicolon, and

(B) in clause (v), by striking "residents" and inserting "patients".

(8) Section 4207(j) of OBRA-1990 is amended by striking "title" each place it appears and inserting "subtitle".

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the enactment of OBRA-90.

SEC. 13556. HOSPICE NOTIFICATION TO HOME HEALTH BENEFICIARIES.

(a) IN GENERAL.—Section 1891(a)(1) (42 U.S.C. 1395bbb(a)(1)) is amended by adding at the end the following new subparagraph:

"(H) The right, in the case of a resident who is entitled to benefits under this title, to be fully informed orally and in writing (at the time of coming under the care of the agency) of the entitlement of individuals to hospice care under section 1812(a)(4) (unless there is no hospice program providing hospice care for which payment may be made under this title within the geographic area of the facility and it is not the common practice of the agency to refer patients to hospice programs located outside such geographic area)."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to services furnished on or after the first day of the first month beginning more than one year after the date of the enactment of this Act.

SEC. 13557. INTEREST PAYMENTS.

(a) IN GENERAL.—Sections 1816(c)(2)(B)(ii)(IV) and 1842(c)(2)(B)(ii)(IV) of the Social Security Act shall be applied with respect to claims received in the 12-month period beginning October 1, 1992, by substituting "30 calendar days" for "24 calendar days" and "17 calendar days".

(b) EFFECTIVE DATE.—Subsection (a) shall be in effect during the period that begins on the date of the enactment of this Act and ends on September 30, 1993.

SEC. 13558. PEER REVIEW ORGANIZATIONS.

(a) REPEAL OF PRO PRECERTIFICATION REQUIREMENT FOR CERTAIN SURGICAL PROCEDURES.—

(1) IN GENERAL.—Section 1164 (42 U.S.C. 1320c-13) is repealed.

(2) CONFORMING AMENDMENTS.—

(A) Section 1154 (42 U.S.C. 1320c-3) is amended—

(i) in subsection (a), by striking paragraph (12), and

(ii) in subsection (d), by striking "(and except as provided in section 1164)".

(B) Section 1833 (42 U.S.C. 1395l) is amended—

(i) in subsection (a)(1)(D)(i), by striking ", or for tests furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion)";

(ii) in subsection (a)(1), by striking clause (G);

(iii) in subsection (a)(2)(A), by striking ", to items and services (other than clinical diagnostic laboratory tests) furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion).";

(iv) in subsection (a)(2)(D)(i)—

(I) by striking "basis," and inserting "basis or", and

(II) by striking ", or for tests furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion)";

(v) in subsection (a)(3), by striking "and for items and services furnished in connection with obtaining a second opinion required under section 1164(c)(2), or a third opinion, if the second opinion was in disagreement with the first opinion"; and

(vi) in the first sentence of subsection (b), by striking "(4)" and all that follows through "and (5)" and inserting "and (4)".

(C) Section 1834(g)(1)(B) (42 U.S.C. 1395m(g)(1)(B)) is amended by striking "and for items and services furnished in connection with obtaining a second opinion required under section 1164(c)(2), or a third opinion, if the second opinion was in disagreement with the first opinion";

(D) Section 1862(a) (42 U.S.C. 1395(a)) is amended—

(i) by adding "or" at the end of paragraph (14),

(ii) by striking "; or" at the end of paragraph (15) and inserting a period, and

(iii) by striking paragraph (16).

(E) The third sentence of section 1866(a)(2)(A) (42 U.S.C. 1395w(a)(2)(A)) is amended by striking ", with respect to items and services furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion)."

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to services provided on or after the date of the enactment of this Act.

(b) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—(1) The third sentence of section 1156(b)(1) (42 U.S.C. 1320c-5(b)(1)) is amended by striking "whether" and inserting "whether".

(2) Section 1154(a)(9)(B) (42 U.S.C. 1320c-3(a)(9)(B)) is amended by striking "this subsection" and inserting "section 1156(a)".

(3) Section 4205(d)(2)(B) of OBRA-1990 is amended by striking "amendments" and inserting "amendment".

(4) Section 1160(d) (42 U.S.C. 1320c-9(d)) is amended by striking "subpena" and inserting "subpoena".

(5) Section 4205(e)(2) of OBRA-1990 is amended by striking "amendments" and inserting "amendment" and by striking "all".

(6)(A) Except as provided in subparagraph (B), the amendments made by this subsection shall take effect as if included in the enactment of OBRA-1990.

(B) The amendment made by paragraph (2) (relating to the requirement on reporting of information to State licensing boards) shall take effect on the date of the enactment of this Act.

SEC. 13559. HEALTH MAINTENANCE ORGANIZATIONS.

(a) ADJUSTMENT IN MEDICARE CAPITATION PAYMENTS TO ACCOUNT FOR REGIONAL VARIATIONS IN APPLICATION OF SECONDARY PAYER PROVISIONS.—

(1) IN GENERAL.—Section 1876(a)(4) (42 U.S.C. 1395mm(a)(4)) is amended by adding at the end the following new sentence: "In establishing the adjusted average per capita cost for a geographic area, the Secretary shall take into account the differences between the proportion of individuals in the area with respect to whom there is a group health plan that is a primary plan (within the meaning of section 1862(b)(2)(A)) compared to the proportion of all such individuals with respect to whom there is such a group health plan."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to contracts entered into for years beginning with 1994.

(b) REVISIONS IN THE PAYMENT METHODOLOGY FOR RISK CONTRACTORS.—Section 4204(b) of OBRA-1990 is amended to read as follows:

“(b) REVISIONS IN THE PAYMENT METHODOLOGY FOR RISK CONTRACTORS.—(1)(A) Not later than October 1, 1993, the Secretary of Health and Human Services (in this subsection referred to as the ‘Secretary’) shall submit a proposal to the Congress that provides for revisions to the payment method to be applied in years beginning with 1995 for organizations with a risk-sharing contract under section 1876(g) of the Social Security Act.

“(B) In proposing the revisions required under subparagraph (A) the Secretary shall consider—

“(i) the difference in costs associated with medicare beneficiaries with differing health status and demographic characteristics; and

“(ii) the effects of using alternative geographic classifications on the determinations of costs associated with beneficiaries residing in different areas.

“(2) Not later than 3 months after the date of submittal of the proposal under paragraph (1), the Comptroller General shall review the proposal and shall report to Congress on the appropriateness of the proposed modifications.”

(c) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—(1) Section 1876(a)(3) (42 U.S.C. 1395mm(a)(3)) is amended by striking “subsection (c)(7)” and inserting “subsections (c)(2)(B)(ii) and (c)(7)”.

(2) Section 4204(c)(3) of OBRA-1990 is amended by striking “for 1991” and inserting “for years beginning with 1991”.

(3) Section 4204(d)(2) of OBRA-1990 is amended by striking “amendment” and inserting “amendments”.

(4) Section 1876(a)(1)(E)(ii)(I) (42 U.S.C. 1395mm(a)(1)(E)(ii)(I)) is amended by striking the comma after “contributed to”.

(5) Section 4204(e)(2) of OBRA-1990 is amended by striking “(which has a risk-sharing contract under section 1876 of the Social Security Act)”.

(6) Section 4204(f)(4) of OBRA-1990 is amended by striking “final”.

(7) Section 1862(b)(3)(C) (42 U.S.C. 1395y(b)(3)(C)) is amended—

(A) in the heading, by striking “PLAN” and inserting “PLAN OR A LARGE GROUP HEALTH PLAN”;

(B) by striking “group health plan” and inserting “group health plan or a large group health plan”;

(C) by striking “, unless such incentive is also offered to all individuals who are eligible for coverage under the plan”; and

(D) by striking “the first sentence of subsection (a) and other than subsection (b)” and inserting “subsections (a) and (b)”.

(8) The amendments made by this subsection shall take effect as if included in the enactment of OBRA-1990.

SEC. 13560. MEDICARE ADMINISTRATION BUDGET PROCESS.

(a) ADJUSTMENTS.—Section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and by inserting after subparagraph (D) the following new subparagraph:

“(E) MEDICARE ADMINISTRATIVE COSTS.—To the extent that appropriations are enacted that provide additional new budget authority (as compared with a base level of \$1,526,000,000 for new budget authority) for the administration of the Medicare program by fiscal intermediaries and carriers pursuant to sections 1816 and 1842(a) of title XVIII of the Social Security Act, the adjustment

for that year shall be that amount, but shall not exceed—

“(i) for fiscal year 1994, \$198,000,000 in new budget authority and \$198,000,000 in outlays; and

“(ii) for fiscal year 1995, \$220,000,000 in new budget authority and \$220,000,000 in outlays; and

the prior-year outlays resulting from these appropriations of budget authority and additional adjustments equal to the sum of the maximum adjustments that could have been made in preceding fiscal years under this subparagraph.”

(b) CONFORMING AMENDMENTS.—

(1) Section 603(a) of the Congressional Budget Act of 1974 is amended by striking “section 251(b)(2)(E)(i)” and inserting “section 251(b)(2)(F)(i)”.

(2) Section 606(d) of the Congressional Budget Act of 1974 is amended—

(A) in paragraph (1)(A) by striking “section 251(b)(2)(E)(i)” and inserting “section 251(b)(2)(F)(i)”;

(B) in paragraph (2), by inserting “‘251(b)(2)(E),’ after ‘‘251(b)(2)(D),’’”.

SEC. 13561. OTHER PROVISIONS.

(a) SURVEY AND CERTIFICATION REQUIREMENTS.—(1) Section 1864 (42 U.S.C. 1395aa) is amended—

(A) in subsection (e), by striking “title” and inserting “title (other than any fee relating to section 353 of the Public Health Service Act)”;

(B) in the first sentence of subsection (a), by striking “1861(s) or” and all that follows through “Service Act,” and inserting “1861(s).”

(2) An agreement made by the Secretary of Health and Human Services with a State under section 1864(a) of the Social Security Act may include an agreement that the services of the State health agency or other appropriate State agency (or the appropriate local agencies) will be utilized by the Secretary for the purpose of determining whether a laboratory meets the requirements of section 353 of the Public Health Service Act.

(b) HOME DIALYSIS DEMONSTRATION TECHNICAL CORRECTION.—Section 4202 of OBRA-1990 is amended—

(1) in subsection (b)(1)(A), by striking “home hemodialysis staff assistant” and inserting “qualified home hemodialysis staff assistant (as described in subsection (d))”;

(2) in subsection (b)(2)(B)(ii)(I), by striking “(as adjusted to reflect differences in area wage levels);

(3) in subsection (c)(1)(A), by striking “skilled”;

(4) in subsection (c)(1)(E), by striking “(b)(4)” and inserting “(b)(2)”.

(c) OTHER TECHNICAL AMENDMENTS.—(1) Section 1833 (42 U.S.C. 1395l) is amended by redesignating the subsection (r) added by section 4206(b)(2) of OBRA-1990 as subsection (s).

(2) Section 1866(f)(1) (42 U.S.C. 1395cc(f)(1)) is amended by striking “1833(r)” and inserting “1833(s)”.

(3) Section 1861(s)(2) (42 U.S.C. 1395x(s)(2)) is amended by moving subparagraph (O), as redesignated by section 13478(f)(8)(B)(iii)(II) of this title, two ems to the left.

(4) Section 1881(b)(1)(C) (42 U.S.C. 1395rr(b)(1)(C)) is amended by striking “1861(s)(2)(Q)” and inserting “1861(s)(2)(P)”.

(5) Section 4201(d)(2) of OBRA-1990 is amended by striking “(B) by striking”, “(C) by striking”, and “(3) by adding” and inserting “(i) by striking”, “(ii) by striking”, and “(B) by adding”, respectively.

(6)(A) Section 4207(a)(1) of OBRA-1990 is amended by adding closing quotation marks and a period after “such review.”.

(B) Section 4207(a)(4) of OBRA-1990 is amended by striking “this subsection” and inserting “paragraphs (2) and (3)”.

(C) Section 4207(b)(1) of OBRA-1990 is amended by striking “section 3(7)” and inserting “section 601(a)(1)”.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the enactment of OBRA-1990.

CHAPTER 4—MEDICARE SUPPLEMENTAL INSURANCE POLICIES

SEC. 13571. STANDARDS FOR MEDICARE SUPPLEMENTAL INSURANCE POLICIES.

(a) SIMPLIFICATION OF MEDICARE SUPPLEMENTAL POLICIES.—

(1) Section 4351 of OBRA-1990 is amended by striking “(a) IN GENERAL.—”.

(2) Section 1882(p) (42 U.S.C. 1395ss(p)) is amended—

(A) in paragraph (1)(A)—

(i) by striking “promulgates” and inserting “changes the revised NAIC Model Regulation (described in subsection (m)) to incorporate”;

(ii) by striking “(such limitations, language, definitions, format, and standards referred to collectively in this subsection as ‘NAIC standards’), and

(iii) by striking “included a reference to the NAIC standards” and inserting “were a reference to the revised NAIC Model Regulation as changed under this subparagraph (such changed regulation referred to in this section as the ‘1991 NAIC Model Regulation’)”;

(B) in paragraph (1)(B)—

(i) by striking “promulgate NAIC standards” and inserting “make the changes in the revised NAIC Model Regulation”;

(ii) by striking “limitations, language, definitions, format, and standards described in clauses (i) through (iv) of such subparagraph (in this subsection referred to collectively as ‘Federal standards’) and inserting “a regulation”, and

(iii) by striking “included a reference to the Federal standards” and inserting “were a reference to the revised NAIC Model Regulation as changed by the Secretary under this subparagraph (such changed regulation referred to in this section as the ‘1991 Federal Regulation’)”;

(C) in paragraph (1)(C)(i), by striking “NAIC standards or the Federal standards” and inserting “1991 NAIC Model Regulation or 1991 Federal Regulation”;

(D) in paragraphs (1)(C)(ii)(I), (1)(E), (2), and (9)(B), by striking “NAIC or Federal standards” and inserting “1991 NAIC Model Regulation or 1991 Federal Regulation”;

(E) in paragraph (2)(C), by striking “(5)(B)” and inserting “(4)(B)”;

(F) in paragraph (4)(A)(i), by inserting “or paragraph (6)” after “(B)”;

(G) in paragraph (4), by striking “applicable standards” each place it appears and inserting “applicable 1991 NAIC Model Regulation or 1991 Federal Regulation”;

(H) in paragraph (6), by striking “in regard to the limitation of benefits described in paragraph (4)” and inserting “described in clauses (i) through (iii) of paragraph (1)(A)”;

(I) in paragraph (7), by striking “policyholder” and inserting “policyholders”;

(J) in paragraph (8), by striking “after the effective date of the NAIC or Federal standards with respect to the policy, in violation of the previous requirements of this subsection” and inserting “on and after the effective date specified in paragraph (1)(C) (but subject to paragraph (10)), in violation of the applicable 1991 NAIC Model Regulation or 1991 Federal Regulation insofar as such regulation relates to the requirements of sub-

section (o) or (q) or clause (i), (ii), or (iii) of paragraph (1)(A)";

(K) in paragraph (9), by adding at the end the following new subparagraph:

"(D) Subject to paragraph (10), this paragraph shall apply to sales of policies occurring on or after the effective date specified in paragraph (1)(C)."; and

(L) in paragraph (10), by striking "this subsection" and inserting "paragraph (1)(A)(i)".

(b) GUARANTEED RENEWABILITY.—Section 1882(q) (42 U.S.C. 1395ss(q)) is amended—

(1) in paragraph (2), by striking "paragraph (2)" and inserting "paragraph (4)", and

(2) in paragraph (4), by striking "the succeeding issuer" and inserting "issuer of the replacement policy".

(c) ENFORCEMENT OF STANDARDS.—

(1) Section 1882(a)(2) (42 U.S.C. 1395ss(a)(2)) is amended—

(A) in subparagraph (A), by striking "NAIC standards or the Federal standards" and inserting "1991 NAIC Model Regulation or 1991 Federal Regulation", and

(B) by striking "after the effective date of the NAIC or Federal standards with respect to the policy" and inserting "on and after the effective date specified in subsection (p)(1)(C)".

(2) The sentence in section 1882(b)(1) added by section 4353(c)(5) of OBRA-1990 is amended—

(A) by striking "The report" and inserting "Each report".

(B) by inserting "and requirements" after "standards".

(C) by striking "and" after "compliance", and

(D) by striking the comma after "Commissioners".

(3) Section 1882(g)(2)(B) (42 U.S.C. 1395ss(g)(2)(B)) is amended by striking "Panel" and inserting "Secretary".

(4) Section 1882(b)(1) (42 U.S.C. 1395ss(b)(1)) is amended by striking "the Secretary" and inserting "the Secretary".

(d) PREVENTING DUPLICATION.—

(1) Section 1882(d)(3)(A) (42 U.S.C. 1395ss(d)(3)(A)) is amended—

(A) by amending the first sentence to read as follows:

"(i) It is unlawful for a person to sell or issue to an individual entitled to benefits under part A or enrolled under part B of this title—

"(I) a health insurance policy with knowledge that the policy duplicates health benefits to which the individual is otherwise entitled under this title or title XIX,

"(II) a medicare supplemental policy with knowledge that the individual is entitled to benefits under another medicare supplemental policy, or

"(III) a health insurance policy (other than a medicare supplemental policy) with knowledge that the policy duplicates health benefits to which the individual is otherwise entitled, other than benefits to which the individual is entitled under a requirement of State or Federal law.";

(B) by designating the second sentence as clause (ii) and, in such clause, by striking "the previous sentence" and inserting "clause (i)";

(C) by designating the third sentence as clause (iii) and, in such clause—

(i) by striking "the previous sentence" and inserting "clause (i) with respect to the sale of a medicare supplemental policy", and

(ii) by striking "and the statement" and all that follows up to the period at the end; and

(D) by striking the last sentence.

(2) Section 1882(d)(3)(B) (42 U.S.C. 1395ss(d)(3)(B)) is amended—

(A) in clause (ii)(II), by striking "65 years of age or older",

(B) in clause (iii)(I), by striking "another medicare" and inserting "a medicare",

(C) in clause (iii)(I), by striking "such a policy" and inserting "a medicare supplemental policy",

(D) in clause (iii)(II), by striking "another policy" and inserting "a medicare supplemental policy", and

(E) by amending subclause (III) of clause (iii) to read as follows:

"(III) If the statement required by clause (i) is obtained and indicates that the individual is entitled to any medical assistance under title XIX, the sale of the policy is not in violation of clause (i) (insofar as such clause relates to such medical assistance), if a State medicaid plan under such title pays the premiums for the policy, or, in the case of a qualified medicare beneficiary described in section 1905(p)(1), if the State pays less than the full amount of medicare cost-sharing as described in subparagraphs (B), (C), and (D) of section 1905(p)(3) for such individual."

(3)(A) Section 1882(d)(3)(C) (42 U.S.C. 1395ss(d)(3)(C)) is amended—

(i) by striking "the selling" and inserting "(i) the sale or issuance", and

(ii) by inserting before the period at the end the following: ", (ii) the sale or issuance of a policy or plan described in subparagraph (A)(i)(I) (other than a medicare supplemental policy to an individual entitled to any medical assistance under title XIX) under which all the benefits are fully payable directly to or on behalf of the individual without regard to other health benefit coverage of the individual but only if (for policies sold or issued more than 60 days after the date the statements are published or promulgated under subparagraph (D)) there is disclosed in a prominent manner as part of (or together with) the application the applicable statement (specified under subparagraph (D)) of the extent to which benefits payable under the policy or plan duplicate benefits under this title, or (iii) the sale or issuance of a policy or plan described in subparagraph (A)(i)(III) under which all the benefits are fully payable directly to or on behalf of the individual without regard to other health benefit coverage of the individual".

(B) Section 1882(d)(3) (42 U.S.C. 1395ss(d)(3)) is amended by adding at the end the following:

"(D)(i) If—

"(I) within the 90-day period beginning on the date of the enactment of this subparagraph, the National Association of Insurance Commissioners develops (after consultation with consumer and insurance industry representatives) and submits to the Secretary a statement for each of the types of health insurance policies (other than medicare supplemental policies and including, as separate types of policies, policies paying directly to the beneficiary fixed, cash benefits) which are sold to persons entitled to health benefits under this title, of the extent to which benefits payable under the policy or plan duplicate benefits under this title, and

"(II) the Secretary approves all the statements submitted as meeting the requirements of subclause (I),

each such statement shall be (for purposes of subparagraph (C)) the statement specified under this subparagraph for the type of policy involved. The Secretary shall review and approve (or disapprove) all the statements submitted under subclause (I) within 30 days after the date of their submittal. Upon approval of such statements, the Secretary shall publish such statements.

"(ii) If the Secretary does not approve the statements under clause (i) or the statements are not submitted within the 90-day period specified in such clause, the Secretary shall promulgate (after consultation with consumer and insurance industry representatives and not later than 90 days after the date of disapproval or the end of such 90-day period (as the case may be)) a statement for each of the types of health insurance policies (other than medicare supplemental policies and including, as separate types of policies, policies paying directly to the beneficiary fixed, cash benefits) which are sold to persons entitled to health benefits under this title, of the extent to which benefits payable under the policy or plan duplicate benefits under this title, and each such statement shall be (for purposes of subparagraph (C)) the statement specified under this subparagraph for the type of policy involved."

(C) The requirement of a disclosure under section 1882(d)(3)(C)(ii) of the Social Security Act shall not apply to an application made for a policy or plan before 60 days after the date of the Secretary of Health and Human Services publishes or promulgates all the statements under section 1882(d)(3)(D) of such Act.

(4) Subparagraphs (A) and (B) of section 1882(q)(5) are amended by striking "of the Social Security Act".

(e) LOSS RATIOS AND REFUNDS OF PREMIUMS.—

(1) Section 1882(r) (42 U.S.C. 1395ss(r)) is amended—

(A) in paragraph (1), by striking "or sold" and inserting "or renewed (or otherwise provide coverage after the date described in subsection (p)(1)(C))";

(B) in paragraph (1)(A), by inserting "for periods after the effective date of these provisions" after "the policy can be expected";

(C) in paragraph (1)(A), by striking "Commissioners," and inserting "Commissioners";

(D) in paragraph (1)(B), by inserting before the period at the end the following: ", treating policies of the same type as a single policy for each standard package";

(E) by adding at the end of paragraph (1) the following: "For the purpose of calculating the refund or credit required under paragraph (1)(B) for a policy issued before the date specified in subsection (p)(1)(C), the refund or credit calculation shall be based on the aggregate benefits provided and premiums collected under all such policies issued by an insurer in a State (separated as to individual and group policies) and shall be based only on aggregate benefits provided and premiums collected under such policies after the date specified in section 13571(m)(4) of the Omnibus Budget Reconciliation Act of 1993.";

(F) in the first sentence of paragraph (2)(A), by striking "by policy number" and inserting "by standard package";

(G) by striking the second sentence of paragraph (2)(A) and inserting the following: "Paragraph (1)(B) shall not apply to a policy until 12 months following issue.";

(H) in the last sentence of paragraph (2)(A), by striking "in order" and all that follows through "are effective";

(I) by adding at the end of paragraph (2)(A), the following new sentence: "In the case of a policy issued before the date specified in subsection (p)(1)(C), paragraph (1)(B) shall not apply until 1 year after the date specified in section 13571(m)(4) of the Omnibus Budget Reconciliation Act of 1993.";

(J) in paragraph (2), by striking "policy year" each place it appears and inserting "calendar year";

(K) in paragraph (4), by striking "February", "disallowance", "loss-ratios" each place it appears, and "loss-ratio" and inserting "October", "disallowance", "loss ratios", and "loss ratio", respectively;

(L) in paragraph (6)(A), by striking "issues a policy in violation of the loss ratio requirements of this subsection" and "such violation" and inserting "fails to provide refunds or credits as required in paragraph (1)(B)" and "policy issued for which such failure occurred", respectively; and

(M) in paragraph (6)(B), by striking "to policyholders" and inserting "to the policyholder or, in the case of a group policy, to the certificate holder".

(2) Section 1882(b)(1) (42 U.S.C. 1395ss(b)(1)) is amended, in the matter after subparagraph (H), by striking "subsection (F)" and inserting "subparagraph (F)".

(3) Section 4355(d) of OBRA-1990 is amended by striking "sold or issued" and all that follows and inserting "issued or renewed (or otherwise providing coverage after the date described in section 1882(p)(1)(C) of the Social Security Act) on or after the date specified in section 1882(p)(1)(C) of such Act".

(f) TREATMENT OF HMO'S.—

(1) Section 1882(g)(1) (42 U.S.C. 1395ss(g)(1)) is amended by striking "a health maintenance organization or other direct service organization" and all that follows through "1833" and inserting "an eligible organization (as defined in section 1876(b)) if the policy or plan provides benefits pursuant to a contract under section 1876 or an approved demonstration project described in section 603(c) of the Social Security Amendments of 1983, section 2355 of the Deficit Reduction Act of 1984, or section 9412(b) of the Omnibus Budget Reconciliation Act of 1986 or, during the period beginning on the date specified in subsection (p)(1)(C) and ending on December 31, 1994, a policy or plan of an organization if the policy or plan provides benefits pursuant to an agreement under section 1833(a)(1)(A)".

(2) Section 4356(b) of OBRA-1990 is amended by striking "on the date of the enactment of this Act" and inserting "on the date specified in section 1882(p)(1)(C) of the Social Security Act".

(g) PRE-EXISTING CONDITION LIMITATIONS.—Section 1882(s) (42 U.S.C. 1395ss(s)) is amended—

(1) in paragraph (2)(A), by striking "for which an application is submitted" and inserting "in the case of an individual for whom an application is submitted prior to or";

(2) in paragraph (2)(A), by striking "in which the individual (who is 65 years of age or older) first is enrolled for benefits under part B" and inserting "as of the first day on which the individual is 65 years of age or older and is enrolled for benefits under part B"; and

(3) in paragraph (2)(B), by striking "before it" and inserting "before the policy".

(h) MEDICARE SELECT POLICIES.—

(1) Section 1882(t) (42 U.S.C. 1395ss(t)) is amended—

(A) in paragraph (1), by inserting "medicare supplemental" after "if a";

(B) in paragraph (1), by striking "NAIC Model Standards" and inserting "1991 NAIC Model Regulation or 1991 Federal Regulation";

(C) in paragraph (1)(A), by inserting "or agreements" after "contracts";

(D) in subparagraphs (E)(i) and (F) of paragraph (1), by striking "NAIC standards" and inserting "standards in the 1991 NAIC Model Regulation or 1991 Federal Regulation", and

(E) in paragraph (2), by inserting "the issuer" before "is subject to a civil money penalty".

(2) Section 1154(a)(4)(B) (42 U.S.C. 1320c-3(a)(4)(B)) is amended—

(A) by inserting "that is" after "(or)", and

(B) by striking "1882(t)" and inserting "1882(t)(3)".

(i) HEALTH INSURANCE COUNSELING.—Section 4360 of OBRA-1990 is amended—

(1) in subsection (b)(2)(A)(ii), by striking "Act" and inserting "Act";

(2) in subsection (b)(2)(D), by striking "services" and inserting "counseling";

(3) in subsection (b)(2)(I), by striking "assistance" and inserting "referrals";

(4) in subsection (c)(1), by striking "and that such activities will continue to be maintained at such level";

(5) in subsection (d)(3), by striking "to the rural areas" and inserting "eligible individuals residing in rural areas";

(6) in subsection (e)—

(A) by striking "subsection (c) or (d)" and inserting "this section";

(B) by striking "and annually thereafter, issue an annual report" and inserting "and annually thereafter during the period of the grant, issue a report"; and

(C) in paragraph (1), by striking "State-wide";

(7) in subsection (f), by striking paragraph (2) and by redesignating paragraphs (3) through (5) as paragraphs (2) through (4), respectively; and

(8) by redesignating the second subsection (f) (relating to authorization of appropriations for grants) as subsection (g).

(j) TELEPHONE INFORMATION SYSTEM.—

(1) Section 1804 (42 U.S.C. 1395b-2) is amended—

(A) by adding at the end of the heading the following: "MEDICARE AND MEDIGAP INFORMATION";

(B) by inserting "(a)" after "1804.", and

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

"(b) The Secretary shall provide information via a toll-free telephone number on the programs under this title."

(2) Section 1882(f) (42 U.S.C. 1395ss(f)) is amended by adding at the end the following new paragraph:

"(3) The Secretary shall provide information via a toll-free telephone number on medicare supplemental policies (including the relationship of State programs under title XIX to such policies)."

(3) Section 1889 is repealed.

(k) MAILING OF POLICIES.—Section 1882(d)(4) (42 U.S.C. 1395ss(d)(4)) is amended—

(1) in subparagraph (D), by striking ", if such policy" and all that follows up to the period at the end, and

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

"(E) Subparagraph (A) shall not apply in the case of an issuer who mails or causes to be mailed a policy, certificate, or other matter solely to comply with the requirements of subsection (q)."

(l) EFFECTIVE DATE.—The amendments made by this section shall be effective as if included in the enactment of OBRA-1990; except that—

(1) the amendments made by subsection (d)(1) shall take effect on the date of the enactment of this Act, but no penalty shall be imposed under section 1882(d)(3)(A) of the Social Security Act (for an action occurring after the effective date of the amendments made by section 4354 of OBRA-1990 and before the date of the enactment of this Act) with respect to the sale or issuance of a pol-

icy which is not unlawful under section 1882(d)(3)(A)(i)(II) of the Social Security Act (as amended by this section);

(2) the amendments made by subsection (d)(2)(A) and by subparagraphs (A), (B), and (E) of subsection (e)(1) shall be effective on the date specified in subsection (m)(4); and

(3) the amendment made by subsection (g)(2) shall take effect on January 1, 1994, and shall apply to individuals who attain 65 years of age or older on or after the effective date of section 1882(s)(2) of the Social Security Act (and, in the case of individuals who attained 65 years of age after such effective date and before January 1, 1994, and who were not covered under such section before January 1, 1994, the 6-month period specified in that section shall begin January 1, 1994).

(m) TRANSITION PROVISIONS.—

(1) IN GENERAL.—If the Secretary of Health and Human Services identifies a State as requiring a change to its statutes or regulations to conform its regulatory program to the changes made by this section, the State regulatory program shall not be considered to be out of compliance with the requirements of section 1882 of the Social Security Act due solely to failure to make such change until the date specified in paragraph (4).

(2) NAIC STANDARDS.—If, within 6 months after the date of the enactment of this Act, the National Association of Insurance Commissioners (in this subsection referred to as the "NAIC") modifies its 1991 NAIC Model Regulation (adopted in July 1991) to conform to the amendments made by this section and to delete from section 15C the exception which begins with "unless", such modifications shall be considered to be part of that Regulation for the purposes of section 1882 of the Social Security Act.

(3) SECRETARY STANDARDS.—If the NAIC does not make the modifications described in paragraph (2) within the period specified in such paragraph, the Secretary of Health and Human Services shall make the modifications described in such paragraph and such modifications shall be considered to be part of that Regulation for the purposes of section 1882 of the Social Security Act.

(4) DATE SPECIFIED.—

(A) IN GENERAL.—Subject to subparagraph (B), the date specified in this paragraph for a State is the earlier of—

(i) the date the State changes its statutes or regulations to conform its regulatory program to the changes made by this section, or

(ii) 1 year after the date the NAIC or the Secretary first makes the modifications under paragraph (2) or (3), respectively.

(B) ADDITIONAL LEGISLATIVE ACTION REQUIRED.—In the case of a State which the Secretary identifies as—

(i) requiring State legislation (other than legislation appropriating funds) to conform its regulatory program to the changes made in this section, but

(ii) having a legislature which is not scheduled to meet in 1994 in a legislative session in which such legislation may be considered, the date specified in this paragraph is the first day of the first calendar quarter beginning after the close of the first legislative session of the State legislature that begins on or after January 1, 1994. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

Subtitle D—Customs and Trade Provisions
SEC. 13601. CUSTOMS AND TRADE AGENCY AUTHORIZATIONS FOR FISCAL YEARS 1994 AND 1995.

(a) UNITED STATES INTERNATIONAL TRADE COMMISSION.—Section 330(e)(2) of the Tariff Act of 1930 (19 U.S.C. 1330(e)(2)) is amended to read as follows:

“(2)(A) There are authorized to be appropriated to the Commission for necessary expenses (including the rental of conference rooms in the District of Columbia and elsewhere) not to exceed the following:

“(i) \$45,416,000 for fiscal year 1994.

“(ii) \$45,974,000 for fiscal year 1995.

“(B) Not to exceed \$2,500 of the amount authorized to be appropriated for any fiscal year under subparagraph (A) may be used, subject to the approval of the Chairman of the Commission, for reception and entertainment expenses.

“(C) No part of any sum that is appropriated under the authority of subparagraph (A) may be used by the Commission in the making of any special study, investigation, or report that is requested by any agency of the executive branch unless that agency reimburses the Commission for the cost thereof.”

(b) UNITED STATES CUSTOMS SERVICE.—Section 301(b) of the Customs Procedural Reform and Simplification Act of 1978 (19 U.S.C. 2075(b)) is amended to read as follows:

“(b) AUTHORIZATION OF APPROPRIATIONS.—

“(1) FOR NONCOMMERCIAL OPERATIONS.—There are authorized to be appropriated for the salaries and expenses of the Customs Service that are incurred in noncommercial operations not to exceed the following:

“(A) \$540,783,000 for fiscal year 1994.

“(B) \$527,000,000 for fiscal year 1995.

“(2) FOR COMMERCIAL OPERATIONS.—(A) There are authorized to be appropriated for the salaries and expenses of the Customs Service that are incurred in commercial operations not less than the following:

“(i) \$771,036,000 for fiscal year 1994.

“(ii) \$748,000,000 for fiscal year 1995.

“(B) The monies authorized to be appropriated under subparagraph (A) for any fiscal year, except for such sums as may be necessary for the salaries and expenses of the Customs Service that are incurred in connection with the processing of merchandise that is exempt from the fees imposed under section 13031(a) (9) and (10) of the Consolidated Omnibus Budget Reconciliation Act of 1985, shall be appropriated from the Customs User Fee Account.

“(3) FOR AIR AND MARINE INTERDICTION.—There are authorized to be appropriated for the operation (including salaries and expenses) and maintenance of the air and marine interdiction programs of the Customs Service not to exceed the following:

“(A) \$95,156,000 for fiscal year 1994.

“(B) \$128,000,000 for fiscal year 1995.”

(c) OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE.—Section 141(g)(1) of the Trade Act of 1974 (19 U.S.C. 2171(g)(1)) is amended to read as follows:

“(g)(1)(A) There are authorized to be appropriated to the Office for the purposes of carrying out its functions not to exceed the following:

“(i) \$20,143,000 for fiscal year 1994.

“(ii) \$20,419,000 for fiscal year 1995.

“(B) Of the amounts authorized to be appropriated under subparagraph (A) for any fiscal year—

“(i) not to exceed \$98,000 may be used for entertainment and representation expenses of the Office; and

“(ii) not to exceed \$2,500,000 shall remain available until expended.”

SEC. 13602. EXTENSION OF AUTHORITY TO LEVY CUSTOMS USER FEES.

Section 13031(j)(3) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c(j)(3)) is amended by striking out “1995” and inserting “1998”.

SEC. 13603. GENERALIZED SYSTEM OF PREFERENCES.

(a) TREATMENT OF COUNTRIES FORMERLY WITHIN THE UNION OF SOVIET SOCIALIST REPUBLICS.—The table in section 502(b) of the Trade Act of 1974 (19 U.S.C. 2462(b)) is amended by striking out “Union of Soviet Socialist Republics”.

(b) EXTENSION OF DUTY-FREE TREATMENT UNDER SYSTEM.—

(1) IN GENERAL.—Section 505(a) of the Trade Act of 1974 (19 U.S.C. 2465(a)) is amended by striking out “July 4, 1993” and inserting “September 30, 1994”.

(2) RETROACTIVE APPLICATION FOR CERTAIN LIQUIDATIONS AND RELIQUIDATIONS.—Notwithstanding section 514 of the Tariff Act of 1930 or any other provision of law, upon proper request filed with the appropriate customs officer within 180 days after the date of the enactment of this Act, the entry—

(A) of any article to which duty-free treatment under title V of the Trade Act of 1974 would have applied if the entry had been made on July 4, 1993, and

(B) that was made after July 4, 1993, and before such date of enactment,

shall be liquidated or reliquidated as free of duty, and the Secretary of the Treasury shall refund any duty paid with respect to such entry. As used in this paragraph, the term “entry” includes a withdrawal from warehouse for consumption.

SEC. 13604. EXTENSION OF, AND AUTHORIZATION OF APPROPRIATIONS FOR, THE WORKER TRADE ADJUSTMENT ASSISTANCE PROGRAM.

(a) EXTENSION.—Section 285 of the Trade Act of 1974 (19 U.S.C. note preceding 2271) is amended—

(1) by striking out “No” and all that follows thereafter down through “chapter 2, no” in subsection (b) and inserting “No”; and

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

“(c) No assistance, vouchers, allowances, or other payments may be provided under chapter 2 after September 30, 1996.”

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 245 of the Trade Act of 1974 (19 U.S.C. 2317) is amended by striking out “and 1993,” and inserting “1993, 1994, 1995, and 1996.”

SEC. 13605. EXTENSION OF URUGUAY ROUND TRADE AGREEMENT NEGOTIATING AND PROCLAMATION AUTHORITY AND OF “FAST TRACK” PROCEDURES TO IMPLEMENTING LEGISLATION.

Section 1102 of the Omnibus Trade and Competitiveness Act of 1988 (19 U.S.C. 2902) is amended by inserting at the end the following new subsection:

“(e) SPECIAL PROVISIONS REGARDING URUGUAY ROUND TRADE NEGOTIATIONS.—

“(1) IN GENERAL.—Notwithstanding the time limitations in subsections (a) and (b), if the Uruguay Round of multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade has not resulted in trade agreements by May 31, 1993, the President may, during the period after May 31, 1993, and before April 16, 1994, enter into, under subsections (a) and (b), trade agreements resulting from such negotiations.

“(2) APPLICATION OF TARIFF PROCLAMATION AUTHORITY.—No proclamation under subsection (a) to carry out the provisions regarding tariff barriers of a trade agreement

that is entered into pursuant to paragraph (1) may take effect before the effective date of a bill that implements the provisions regarding nontariff barriers of a trade agreement that is entered into under such paragraph.

“(3) APPLICATION OF IMPLEMENTING AND ‘FAST TRACK’ PROCEDURES.—Section 1103 applies to any trade agreement negotiated under subsection (b) pursuant to paragraph (1), except that—

“(A) in applying subsection (a)(1)(A) of section 1103 to any such agreement, the phrase ‘at least 120 calendar days before the day on which he enters into the trade agreement (but not later than December 15, 1993),’ shall be substituted for the phrase ‘at least 90 calendar days before the day on which he enters into the trade agreement; and

“(B) no provision of subsection (b) of section 1103 other than paragraph (1)(A) applies to any such agreement and in applying such paragraph, ‘April 16, 1994,’ shall be substituted for ‘June 1, 1991.’

“(4) ADVISORY COMMITTEE REPORTS.—The report required under section 135(e)(1) of the Trade Act of 1974 regarding any trade agreement provided for under paragraph (1) shall be provided to the President, the Congress, and the United States Trade Representative not later than 30 days after the date on which the President notifies the Congress under section 1103(a)(1)(A) of his intention to enter into the agreement (but before January 15, 1994).”

SEC. 13606. REPEAL OF EAST-WEST TRADE STATISTICS MONITORING SYSTEM.

(a) REPEAL.—Section 410 of the Trade Act of 1974 (19 U.S.C. 2440) is repealed.

(b) CONFORMING AMENDMENT.—The table of contents for such Act of 1974 is amended by striking out the following:

“Sec. 410. East-West Trade Statistics Monitoring System.”

Subtitle E—Customs Officer Pay Reform

SEC. 13701. OVERTIME AND PREMIUM PAY FOR CUSTOMS OFFICERS.

(a) IN GENERAL.—Section 5 of the Act of February 13, 1911 (19 U.S.C. 261 and 267) is amended to read as follows:

“SEC. 5. OVERTIME AND PREMIUM PAY FOR CUSTOMS OFFICERS.

“(a) OVERTIME PAY.—

“(1) IN GENERAL.—Subject to paragraph (2) and subsection (c), a customs officer who is officially assigned to perform work in excess of 40 hours in the administrative workweek of the officer or in excess of 8 hours in a day shall be compensated for that work at an hourly rate of pay that is equal to 2 times the hourly rate of the basic pay of the officer. For purposes of this paragraph, the hourly rate of basic pay for a customs officer does not include any premium pay provided for under subsection (b).

“(2) SPECIAL PROVISIONS RELATING TO OVERTIME WORK ON CALLBACK BASIS.—

“(A) MINIMUM DURATION.—Any work for which compensation is authorized under paragraph (1) and for which the customs officer is required to return to the officer's place of work shall be treated as being not less than 2 hours in duration; but only if such work begins at least 1 hour after the end of any previous regularly scheduled work assignment and ends at least 1 hour before the beginning of the following regularly scheduled work assignment.

“(B) COMPENSATION FOR COMMUTING TIME.—

“(i) IN GENERAL.—Except as provided in clause (ii), in addition to the compensation authorized under paragraph (1) for work to which subparagraph (A) applies, the customs

officer is entitled to be paid, as compensation for commuting time, an amount equal to 3 times the hourly rate of basic pay of the officer.

"(ii) EXCEPTION.—Compensation for commuting time is not payable under clause (i) if the work for which compensation is authorized under paragraph (1)—

"(I) does not commence within 16 hours of the customs officer's last regularly scheduled work assignment, or

"(II) commences within 2 hours of the next regularly scheduled work assignment of the customs officer.

"(b) PREMIUM PAY FOR CUSTOMS OFFICERS.—

"(1) NIGHT WORK DIFFERENTIAL.—

"(A) 3 P.M. TO MIDNIGHT SHIFTWORK.—If the majority of the hours of regularly scheduled work of a customs officer occur during the period beginning at 3 p.m. and ending at 12 a.m., the officer is entitled to pay for work during such period (except for work to which paragraph (2) or (3) applies) at the officer's hourly rate of basic pay plus premium pay amounting to 15 percent of that basic rate.

"(B) 11 P.M. TO 8 A.M. SHIFTWORK.—If the majority of the hours of regularly scheduled work of a customs officer occur during the period beginning at 11 p.m. and ending at 8 a.m., the officer is entitled to pay for work during such period (except for work to which paragraph (2) or (3) applies) at the officer's hourly rate of basic pay plus premium pay amounting to 20 percent of that basic rate.

"(C) 7:30 P.M. TO 3:30 A.M. SHIFTWORK.—If the regularly scheduled work assignment of a customs officer is 7:30 p.m. to 3:30 a.m., the officer is entitled to pay for work during such period (except for work to which paragraph (2) or (3) applies) at the officer's hourly rate of basic pay plus premium pay amounting to 15 percent of that basic rate for the period from 7:30 p.m. to 11:30 p.m. and at the officer's hourly rate of basic pay plus premium pay amounting to 20 percent of that basic rate for the period from 11:30 p.m. to 3:30 a.m.

"(2) SUNDAY DIFFERENTIAL.—A customs officer who performs any regularly scheduled work on a Sunday that is not a holiday is entitled to pay for that work at the officer's hourly rate of basic pay plus premium pay amounting to 50 percent of that basic rate.

"(3) HOLIDAY DIFFERENTIAL.—A customs officer who performs any regularly scheduled work on a holiday is entitled to pay for that work at the officer's hourly rate of basic pay plus premium pay amounting to 100 percent of that basic rate.

"(4) TREATMENT OF PREMIUM PAY.—Premium pay provided for under this subsection may not be treated as being overtime pay or compensation for any purpose.

"(c) LIMITATIONS.—

"(1) FISCAL YEAR CAP.—The aggregate of overtime pay under subsection (a) (including commuting compensation under subsection (a)(2)(B)) and premium pay under subsection (b) that a customs officer may be paid in any fiscal year may not exceed \$25,000; except that the Commissioner of Customs or his designee may waive this limitation in individual cases in order to prevent excessive costs or to meet emergency requirements of the Customs Service.

"(2) EXCLUSIVITY OF PAY UNDER THIS SECTION.—A customs officer who receives overtime pay under subsection (a) or premium pay under subsection (b) for time worked may not receive pay or other compensation for that work under any other provision of law.

"(d) REGULATIONS.—The Secretary of the Treasury shall prescribe such regulations as

are necessary or appropriate to carry out this section, including regulations—

"(1) to ensure that callback work assignments are commensurate with the overtime pay authorized for such work; and

"(2) to prevent the disproportionate assignment of overtime work to customs officers who are near to retirement.

"(e) DEFINITIONS.—As used in this section:

"(1) The term 'customs officer' means an individual performing those functions specified by regulation by the Secretary of the Treasury for a customs inspector or canine enforcement officer. Such functions shall be consistent with such applicable standards as may be promulgated by the Office of Personnel Management.

"(2) The term 'holiday' means any day designated as a holiday under a Federal statute or Executive order."

(b) CONFORMING AMENDMENTS.—

(1) Section 2 of the Act of June 3, 1944 (19 U.S.C. 1451a), is repealed.

(2) Section 450 of the Tariff Act of 1930 (19 U.S.C. 1450) is amended—

(A) by striking out "at night" in the section heading and inserting "during overtime hours";

(B) by striking out "at night" and inserting "during overtime hours"; and

(C) by inserting "aircraft," immediately before "vessel".

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) apply to customs inspectional services provided on or after October 1, 1993.

SEC. 13702. FOREIGN LANGUAGE PROFICIENCY AWARDS FOR CUSTOMS OFFICERS.

Cash awards for foreign language proficiency may, under regulations prescribed by the Secretary of the Treasury, be paid to customs officers (as referred to in section 5(e)(1) of the Act of February 13, 1911) to the same extent and in the same manner as would be allowable under subchapter III of chapter 45 of title 5, United States Code, with respect to law enforcement officers (as defined by section 4521 of such title).

SEC. 13703. APPROPRIATIONS REIMBURSEMENTS FROM THE CUSTOMS USER FEE ACCOUNT.

Section 13031(f)(3) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c(f)(3)) is amended—

(1) by amending clause (i) of subparagraph (A) to read as follows: "(i) in—

"(I) paying overtime compensation under section 5(a) of the Act of February 13, 1911.

"(II) paying premium pay under section 5(b) of the Act of February 13, 1911, but the amount for which reimbursement may be made under this subclause may not, for any fiscal year, exceed the difference between the cost of the premium pay for that year calculated under such section 5(b) as amended by section 13701 of the Omnibus Budget Reconciliation Act of 1993 and the cost of such pay calculated under subchapter V of chapter 55 of title 5, United States Code.

"(III) paying agency contributions to the Civil Service Retirement and Disability Fund to match deductions from the overtime compensation paid under subclause (I), and

"(IV) providing all preclearance services for which the recipients of such services are not required to reimburse the Secretary of the Treasury, and";

(2) by inserting before the flush sentence appearing after clause (ii) of subparagraph (A) the following sentence: "The transfer of funds required under subparagraph (C)(iii) has priority over reimbursements under this subparagraph to carry out subclauses (II), (III), and (IV) of clause (i).";

(3) by striking out "except for costs described in subparagraph (A)(i) (I) and (II)," in subparagraph (B)(i); and

(4) by amending subparagraph (C)—

(A) by striking out "to fully reimburse inspectional overtime and preclearance costs" in clause (i) and inserting "to reimburse costs described in subparagraph (A)(i)"; and

(B) by inserting after clause (ii) of subparagraph (C) the following:

"(iii) For each fiscal year, the Secretary of the Treasury shall calculate the difference between—

"(I) the estimated cost for overtime compensation that would have been incurred during that fiscal year for inspectional services if section 5 of the Act of February 13, 1911 (19 U.S.C. 261 and 267), as in effect before the enactment of section 13701 of the Omnibus Budget Reconciliation Act of 1993, had governed such costs, and

"(II) the actual cost for overtime compensation, premium pay, and agency retirement contributions that is incurred during that fiscal year in regard to such services under section 5 of the Act of February 13, 1911, as amended by section 13701 of the Omnibus Budget Reconciliation Act of 1993, and under section 8331(3) of title 5, United States Code, as amended by section 13704 of such Act of 1993.

and shall transfer from the Customs User Fee Account to the General Fund of the Treasury an amount equal to the difference calculated under this clause, or \$18,000,000, whichever amount is less. Transfers shall be made under this clause at least quarterly and on the basis of estimates to the same extent as are reimbursements under subparagraph (B)(iii)."

SEC. 13704. TREATMENT OF CERTAIN PAY OF CUSTOMS OFFICERS FOR RETIREMENT PURPOSES.

(a) IN GENERAL.—Section 8331(3) of title 5, United States Code, is amended—

(1) by striking out "and" at the end of subparagraph (C);

(2) by striking out the semicolon at the end of subparagraph (D) and inserting "; and";

(3) by adding after subparagraph (D) the following:

"(E) with respect to a customs officer (referred to in subsection (e)(1) of section 5 of the Act of February 13, 1911), compensation for overtime inspectional services provided for under subsection (a) of such section 5, but not to exceed 50 percent of any statutory maximum in overtime pay for customs officers which is in effect for the year involved"; and

(4) by striking out "subparagraphs (B), (C), and (D) of this paragraph," and inserting "subparagraphs (B), (C), (D), and (E) of this paragraph".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) take effect on the date of the enactment of this Act and apply only with respect to service performed on or after such date.

SEC. 13705. REPORTS.

(a) CUSTOMS USER FEE ACCOUNT REPORTS.—Subparagraph (D) of section 13031(f)(3) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c(f)(3)(D)) is amended to read as follows:

"(D) At the close of each fiscal year, the Secretary of the Treasury shall submit a report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives—

"(i) containing a detailed accounting of all expenditures from the Customs User Fee Ac-

count during such year, including a summary of the expenditures, on a port-by-port basis, for which reimbursement has been provided under subparagraph (A)(ii);

“(ii) containing a listing of all callback assignments of customs officers for which overtime compensation was paid under section 5(a) of the Act of February 13, 1911, and that were less than 1 hour in duration; and

“(iii) containing a listing of all customs officers who were paid \$25,000 or more under subsections 5(a) and 5(b) of the Act of February 13, 1911, including a listing of the total compensation paid to each of those customs officers under all other statutory authority.”.

(b) OTHER REPORTS.—

(1) GAO REPORT.—The Comptroller General of the United States shall undertake—

(A) an evaluation of the appropriateness and efficiency of the customs user fee laws for financing the provision of customs inspectional services; and

(B) a study to determine whether cost savings in the provision of overtime inspectional services could be realized by the United States Customs Service through the use of additional inspectors as opposed to continuing the current practice of relying on overtime pay.

The Comptroller General shall submit a report on the evaluation and study required under this subsection to the Committees by no later than the 1st anniversary of the date of the enactment of this Act.

(2) TREASURY RECOMMENDATION.—On the day that the President submits the budget for the United States Government for fiscal year 1995 to the Congress under section 1105(a) of title 31, United States Code, the Secretary of the Treasury shall submit to the Committees recommended legislative proposals for improving the operation of customs user fee laws in financing the provision of customs inspectional services.

(3) DEFINITION OF COMMITTEES.—For purposes of this subsection, the term “Committees” means the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

TITLE XIV—REVENUE PROVISIONS

SEC. 14001. SHORT TITLE; ETC.

(a) SHORT TITLE.—This title may be cited as the “Revenue Reconciliation Act of 1993”.

(b) AMENDMENT TO 1986 CODE.—Except as otherwise expressly provided, whenever in this title 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.—Except in the case of the amendments made by section 14221 (relating to corporate rate increase), no amendment made by this title shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.

(d) WAIVER OF ESTIMATED TAX PENALTIES.—No addition to tax shall be made under section 6654 or 6655 of the Internal Revenue Code of 1986 for any period before April 16, 1994 (March 16, 1994, in the case of a corporation), with respect to any underpayment to the extent such underpayment was created or increased by any provision of this title.

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Subtitle A—Training and Investment Incentives

PART I—PROVISIONS RELATING TO EDUCATION AND TRAINING

SEC. 14101. EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE.

- (a) PERMANENT EXTENSION OF EXCLUSION.—
- (1) IN GENERAL.—Section 127 (relating to educational assistance programs) is amended by striking subsection (d) and by redesignating subsection (e) as subsection (d).

- (2) CONFORMING AMENDMENT.—Paragraph (2) of section 103(a) of the Tax Extension Act of 1991 is hereby repealed.

- (b) COORDINATION WITH SECTION 132.—Paragraph (8) of section 132(i) is amended to read as follows:

“(8) APPLICATION OF SECTION TO OTHERWISE TAXABLE EDUCATIONAL OR TRAINING BENEFITS.—Amounts paid or expenses incurred by the employer for education or training provided to the employee which are not excludable from gross income under section 127 shall be excluded from gross income under this section if (and only if) such amounts or expenses are a working condition fringe.”

- (c) EFFECTIVE DATES.—
- (1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to taxable years ending after June 30, 1992.

- (2) SUBSECTION (b).—The amendment made by subsection (b) shall apply to taxable years beginning after December 31, 1988.

- (d) TRANSITION RULES.—
- (1) WAIVER OF INTEREST AND PENALTIES.—No interest, penalty, or addition to tax shall be imposed or required to be paid solely by reason of a failure, before the date of the enactment of this Act, to treat educational assistance in a manner consistent with the provisions of section 103(a) of the Tax Extension Act of 1991 (as in effect before the amendments made by subsection (a)).

- (2) SPECIAL RULES FOR 1992.—
- (A) EMPLOYMENT TAXES.—If—
- (i) an employer provided an employee with educational assistance during the period beginning on July 1, 1992, and ending on December 31, 1992,

- (ii) consistent with the provisions of section 103(a) of the Tax Extension Act of 1991 (as so in effect), such employer treated such

assistance as taxable for purposes of any employment tax and as a result of such treatment there was an increase in taxable wages for purposes of such tax,

(iii) on or after the date of the enactment of this Act and before January 1, 1994, such employer pays such employee amounts which are taxable wages for purposes of such tax and which equal or exceed the increase referred to in clause (ii), and

(iv) such employee did not treat such assistance for purposes of such employment tax (or for purposes of chapter 1 of the Internal Revenue Code of 1986 in the case of employment tax imposed by chapter 24 of such Code) in a manner inconsistent with the employer's treatment of such assistance,

the amendments made by subsection (a) shall not apply to such educational assistance for purposes of such employment tax, but, for purposes of applying such employment tax (and for purposes of the reporting requirements imposed by chapter 61 of such Code), the taxable wages of the employee referred to in clause (iii) shall be reduced by the amount of the increase referred to in clause (ii). For purposes of clause (iv), an employer may assume that the employee treated the assistance in a manner consistent with the employer's treatment unless such employer has actual knowledge to the contrary.

(B) REPORTING REQUIREMENT.—An employer shall separately report the amounts of any reduction under subparagraph (A) as non-taxable income on any returns or receipts required under chapter 61 of such Code for calendar year 1993.

(C) DEFINITIONS.—For purposes of this paragraph—

(1) EMPLOYMENT TAX.—The term “employment tax” means any tax imposed by subtitle C of such Code.

(ii) TAXABLE WAGES.—The term “taxable wages” means—

(I) wages (as defined in section 3121(a) of such Code) in the case of the taxes imposed by chapter 21 of such Code,

(II) compensation (as defined in section 3231(e) of such Code) in the case of the taxes imposed by chapter 22 of such Code,

(III) wages (as defined in section 3306(b) of such Code) in the case of the taxes imposed by chapter 23 of such Code, and

(IV) wages (as defined in section 3401(a) of such Code) in the case of the taxes imposed by chapter 24 of such Code.

(3) INCOME TAX TREATMENT.—If—

(A) subparagraph (A) of paragraph (2) applies to any educational assistance referred to in such paragraph provided to any employee, and

(B) such employee included such assistance in his taxable income for purposes of the tax imposed by chapter 1 of such Code,

the amendments made by subsection (a) shall not apply to such assistance for purposes of such chapter 1, but the amount included in the gross income of such employee by reason of wages received from the employer referred to in subparagraph (A) of paragraph (2) during 1993 shall be reduced in the manner provided in such subparagraph (A).

SEC. 14102. TARGETED JOBS CREDIT.

(a) PERMANENT EXTENSION OF CREDIT.—

(1) IN GENERAL.—Subsection (c) of section 51 (relating to amount of targeted jobs credit) is amended by striking paragraph (4).

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to individuals who begin work for the employer after June 30, 1992.

(b) CREDIT FOR PARTICIPANTS IN APPROVED SCHOOL-TO-WORK PROGRAMS.—

(1) IN GENERAL.—Subparagraph (I) of section 51(d)(1) (defining members of targeted group) is amended to read as follows:

“(I) a qualified participant in an approved school-to-work program, or”.

(2) QUALIFIED PARTICIPANT IN AN APPROVED SCHOOL-TO-WORK PROGRAM.—Paragraph (10) of section 51(d) is amended to read as follows:

“(10) QUALIFIED PARTICIPANT IN AN APPROVED SCHOOL-TO-WORK PROGRAM DEFINED.—

“(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term ‘qualified participant in an approved school-to-work program’ means any individual who is certified under an approved school-to-work program as—

“(i) having attained age 16 but not having attained age 21, and

“(ii) being enrolled in and making satisfactory progress in completing such approved school-to-work program.

“(B) LIMITATION ON NUMBER OF PARTICIPANTS.—

“(i) IN GENERAL.—Any individual who begins work for the employer during any calendar year shall not be treated as a qualified participant in an approved school-to-work program unless the individual is certified under such program as an eligible participant with respect to such calendar year.

“(ii) LIMITATION ON CERTIFICATIONS.—The aggregate number of individuals certified under an approved school-to-work program as eligible participants with respect to any calendar year shall not exceed the portion of the national school-to-work program limitation for such calendar year allocated under subsection (1) to such program.

“(C) APPROVED SCHOOL-TO-WORK PROGRAM.—The term ‘approved school-to-work program’ means any program which—

“(i) is a planned program of structured job training designed to integrate academic instruction provided by an educational institution and work-based learning provided by an employer, and

“(ii) is approved by the Secretaries of Labor and Education.

“(D) LIMITATION ON AMOUNT OF WAGES TAKEN INTO ACCOUNT.—For purposes of applying this subpart to wages paid or incurred to any qualified participant in an approved school-to-work program, subsection (b)(3) shall be applied by substituting ‘\$3,000’ for ‘\$6,000’.

“(E) WAGES.—In the case of remuneration attributable to services performed while the individual meets the requirements of subparagraph (A), wages, and unemployment insurance wages, shall be determined without regard to section 3306(c)(10)(C).”

(3) OVERALL LIMITATIONS.—Section 51 is amended by adding at the end thereof the following new subsection:

“(1) OVERALL LIMITATION ON APPROVED SCHOOL-TO-WORK PROGRAM PARTICIPANTS.—

“(1) IN GENERAL.—For purposes of subsection (d)(10), the national school-to-work program limitation—

“(A) for calendar year 1994 is 125,000,

“(B) for calendar year 1995 is 140,000,

“(C) for calendar year 1996 is 160,000,

“(D) for calendar year 1997 is 180,000, and

“(E) for calendar year 1998 and any subsequent calendar year is 200,000.

“(2) ALLOCATION TO STATES.—The national school-to-work program limitation for any calendar year shall be allocated among the States in proportion to the number of their eligible participants that are estimated to be served in approved school-to-work programs for that year. Such estimates shall be pub-

lished by the Secretaries of Labor and Education before the beginning of the calendar year to which the allocation applies.

“(3) ALLOCATION TO APPROVED SCHOOL-TO-WORK PROGRAMS.—The portion of the national school-to-work program limitation for any calendar year which is allocated to any State shall be allocated among the approved school-to-work programs in such State in such manner as the Secretaries of Labor and Education shall prescribe.”

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply in the case of individuals who begin work for the employer after December 31, 1993.

PART II—INVESTMENT INCENTIVES

Subpart A—Research Credit

SEC. 14111. PERMANENT EXTENSION OF RESEARCH CREDIT.

(a) IN GENERAL.—Section 41 (relating to credit for increasing research activities) is amended by striking subsection (h).

(b) CONFORMING AMENDMENT.—Paragraph (1) of section 28(b) is amended by striking subparagraph (D).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after June 30, 1992.

SEC. 14112. MODIFICATION OF FIXED BASE PERCENTAGE FOR STARTUP COMPANIES.

(a) GENERAL RULE.—Clause (ii) of section 41(c)(3)(B) is amended to read as follows:

“(ii) FIXED-BASE PERCENTAGE.—In a case to which this subparagraph applies, the fixed-base percentage is—

“(I) 3 percent for each of the taxpayer's 1st 5 taxable years beginning after December 31, 1993, for which the taxpayer has qualified research expenses,

“(II) in the case of the taxpayer's 6th such taxable year, 1/6 of the percentage which the aggregate qualified research expenses of the taxpayer for the 4th and 5th such taxable years is of the aggregate gross receipts of the taxpayer for such years,

“(III) in the case of the taxpayer's 7th such taxable year, 1/3 of the percentage which the aggregate qualified research expenses of the taxpayer for the 5th and 6th such taxable years is of the aggregate gross receipts of the taxpayer for such years,

“(IV) in the case of the taxpayer's 8th such taxable year, 1/2 of the percentage which the aggregate qualified research expenses of the taxpayer for the 5th, 6th, and 7th such taxable years is of the aggregate gross receipts of the taxpayer for such years,

“(V) in the case of the taxpayer's 9th such taxable year, 2/3 of the percentage which the aggregate qualified research expenses of the taxpayer for the 5th, 6th, 7th, and 8th such taxable years is of the aggregate gross receipts of the taxpayer for such years,

“(VI) in the case of the taxpayer's 10th such taxable year, 5/6 of the percentage which the aggregate qualified research expenses of the taxpayer for the 5th, 6th, 7th, 8th, and 9th such taxable years is of the aggregate gross receipts of the taxpayer for such years, and

“(VII) for taxable years thereafter, the percentage which the aggregate qualified research expenses for any 5 taxable years selected by the taxpayer from among the 5th through the 10th such taxable years is of the aggregate gross receipts of the taxpayer for such selected years.”

(b) CONFORMING AMENDMENTS.—

(1) Clause (iii) of section 41(c)(3)(B) is amended by striking “clause (i)” and inserting “clauses (i) and (ii)”.

(2) Subparagraph (D) of section 41(c)(3) is amended by striking “subparagraph (A)” and inserting “subparagraphs (A) and (B)(ii)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1993.

Subpart B—Capital Gain Provisions

SEC. 14113. 50-PERCENT EXCLUSION FOR GAIN FROM CERTAIN SMALL BUSINESS STOCK.

(a) GENERAL RULE.—Part I of subchapter P of chapter 1 (relating to capital gains and losses) is amended by adding at the end thereof the following new section:

“SEC. 1202. 50-PERCENT EXCLUSION FOR GAIN FROM CERTAIN SMALL BUSINESS STOCK.

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

“(b) PER-ISSUER LIMITATION ON TAXPAYER'S ELIGIBLE GAIN.—

“(1) IN GENERAL.—If the taxpayer has eligible gain for the taxable year from 1 or more dispositions of stock issued by any corporation, the aggregate amount of such gain from dispositions of stock issued by such corporation which may be taken into account under subsection (a) for the taxable year shall not exceed the greater of—

“(A) \$10,000,000 reduced by the aggregate amount of eligible gain taken into account under subsection (a) for prior taxable years and attributable to dispositions of stock issued by such corporation, or

“(B) 10 times the aggregate adjusted bases of qualified small business stock issued by such corporation and disposed of by the taxpayer during the taxable year.

For purposes of subparagraph (B), the adjusted basis of any stock shall be determined without regard to any addition to basis after the date on which such stock was originally issued.

“(2) ELIGIBLE GAIN.—For purposes of this subsection, the term ‘eligible gain’ means any gain from the sale or exchange of qualified small business stock held for more than 5 years.

“(3) TREATMENT OF MARRIED INDIVIDUALS.—

“(A) SEPARATE RETURNS.—In the case of a separate return by a married individual, paragraph (1)(A) shall be applied by substituting ‘\$5,000,000’ for ‘\$10,000,000’.

“(B) ALLOCATION OF EXCLUSION.—In the case of any joint return, the amount of gain taken into account under subsection (a) shall be allocated equally between the spouses for purposes of applying this subsection to subsequent taxable years.

“(C) MARITAL STATUS.—For purposes of this subsection, marital status shall be determined under section 7703.

“(c) QUALIFIED SMALL BUSINESS STOCK.—

“(1) IN GENERAL.—Except as otherwise provided in this section, the term ‘qualified small business stock’ means any stock in a C corporation which is originally issued after December 31, 1992, if—

“(A) as of the date of issuance, such corporation is a qualified small business, and

“(B) except as provided in subsections (f) and (h), such stock is acquired by the taxpayer at its original issue (directly or through an underwriter)—

“(i) in exchange for money or other property (not including stock), or

“(ii) as compensation for services provided to such corporation (other than services performed as an underwriter of such stock).

“(2) ACTIVE BUSINESS REQUIREMENT; ETC.—

“(A) IN GENERAL.—Stock in a corporation shall not be treated as qualified small busi-

ness stock unless, during substantially all of the taxpayer's holding period for such stock, such corporation meets the active business requirements of subsection (e) and such corporation is a C corporation.

"(B) SPECIAL RULE FOR CERTAIN SMALL BUSINESS INVESTMENT COMPANIES.—

"(i) WAIVER OF ACTIVE BUSINESS REQUIREMENT.—Notwithstanding any provision of subsection (e), a corporation shall be treated as meeting the active business requirements of such subsection for any period during which such corporation qualifies as a specialized small business investment company.

"(ii) SPECIALIZED SMALL BUSINESS INVESTMENT COMPANY.—For purposes of clause (i), the term 'specialized small business investment company' means any eligible corporation (as defined in subsection (e)(4)) which is licensed to operate under section 301(d) of the Small Business Investment Act of 1958 (as in effect on May 13, 1993).

"(3) CERTAIN PURCHASES BY CORPORATION OF ITS OWN STOCK.—

"(A) REDEMPTIONS FROM TAXPAYER OR RELATED PERSON.—Stock acquired by the taxpayer shall not be treated as qualified small business stock if, at any time during the 4-year period beginning on the date 2 years before the issuance of such stock, the corporation issuing such stock purchased (directly or indirectly) any of its stock from the taxpayer or from a person related (within the meaning of section 267(b) or 707(b)) to the taxpayer.

"(B) SIGNIFICANT REDEMPTIONS.—Stock issued by a corporation shall not be treated as qualified business stock if, during the 2-year period beginning on the date 1 year before the issuance of such stock, such corporation made 1 or more purchases of its stock with an aggregate value (as of the time of the respective purchases) exceeding 5 percent of the aggregate value of all of its stock as of the beginning of such 2-year period.

"(C) ACQUISITIONS BY RELATED PERSONS.—For purposes of this paragraph, the purchase by any person related (within the meaning of section 267(b) or 707(b)) to the issuing corporation of any stock in the issuing corporation shall be treated as a purchase by the issuing corporation.

"(d) QUALIFIED SMALL BUSINESS.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified small business' means any domestic corporation which is a C corporation if—

"(A) the aggregate capitalization of such corporation (or any predecessor thereof) at all times on or after January 1, 1993, and before the issuance did not exceed \$50,000,000,

"(B) the aggregate capitalization of such corporation immediately after the issuance (determined by taking into account amounts received in the issuance) does not exceed \$50,000,000, and

"(C) such corporation agrees to submit such reports to the Secretary and to shareholders as the Secretary may require to carry out the purposes of this section.

"(2) AGGREGATE CAPITALIZATION.—For purposes of paragraph (1), the term 'aggregate capitalization' means the excess of—

"(A) the amount of cash and the aggregate adjusted bases of other property held by the corporation, over

"(B) the aggregate amount of the short-term indebtedness of the corporation. For purposes of the preceding sentence, the term 'short-term indebtedness' means any indebtedness which, when incurred, did not have a term in excess of 1 year.

"(3) LOOK-THRU IN CASE OF SUBSIDIARIES.—In determining whether a corporation meets the requirements of this subsection—

"(A) stock and debt of any subsidiary (as defined in subsection (e)(5)(C)) held by such corporation shall be disregarded, and

"(B) such corporation shall be treated as holding its ratable share of the assets of such subsidiary and as being liable for its ratable share of the indebtedness of such subsidiary.

"(e) ACTIVE BUSINESS REQUIREMENT.—

"(1) IN GENERAL.—For purposes of subsection (c)(2), the requirements of this subsection are met by a corporation for any period if during such period—

"(A) at least 80 percent (by value) of the assets of such corporation are used by such corporation in the active conduct of a qualified trade or business, and

"(B) such corporation is an eligible corporation.

"(2) SPECIAL RULE FOR CERTAIN ACTIVITIES.—For purposes of paragraph (1), if, in connection with any future qualified trade or business, a corporation is engaged in—

"(A) start-up activities described in section 195(c)(1)(A),

"(B) activities resulting in the payment or incurring of expenditures which may be treated as research and experimental expenditures under section 174, or

"(C) activities with respect to in-house research expenses described in section 41(b)(4), assets used in such activities shall be treated as used in the active conduct of a qualified trade or business. Any determination under this paragraph shall be made without regard to whether a corporation has any gross income from such activities at the time of the determination.

"(3) QUALIFIED TRADE OR BUSINESS.—For purposes of this subsection, the term 'qualified trade or business' means any trade or business other than—

"(A) any trade or business involving the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any other trade or business where the principal asset of such trade or business is the reputation or skill of 1 or more of its employees,

"(B) any banking, insurance, financing, leasing, investing, or similar business,

"(C) any farming business (including the business of raising or harvesting trees),

"(D) any business involving the production or extraction of products of a character with respect to which a deduction is allowable under section 613 or 613A, and

"(E) any business of operating a hotel, motel, restaurant, or similar business.

"(4) ELIGIBLE CORPORATION.—For purposes of this subsection, the term 'eligible corporation' means any domestic corporation; except that such term shall not include—

"(A) a DISC or former DISC,

"(B) a corporation with respect to which an election under section 936 is in effect,

"(C) a regulated investment company, real estate investment trust, or REMIC, and

"(D) a cooperative.

"(5) STOCK IN OTHER CORPORATIONS.—

"(A) LOOK-THRU IN CASE OF SUBSIDIARIES.—For purposes of this subsection, stock and debt in any subsidiary corporation shall be disregarded and the parent corporation shall be deemed to own its ratable share of the subsidiary's assets, and to conduct its ratable share of the subsidiary's activities.

"(B) PORTFOLIO STOCK OR SECURITIES.—A corporation shall be treated as failing to meet the requirements of paragraph (1) for any period during which more than 10 percent of the value of its assets (in excess of liabilities) consists of stock or securities in

other corporations which are not subsidiaries of such corporation (other than assets described in paragraph (6)).

"(C) SUBSIDIARY.—For purposes of this paragraph, a corporation shall be considered a subsidiary if the parent owns more than 50 percent of the combined voting power of all classes of stock entitled to vote, or more than 50 percent in value of all outstanding stock, of such corporation.

"(6) WORKING CAPITAL.—For purposes of paragraph (1)(A), any assets which—

"(A) are held as a part of the reasonably required working capital needs of a qualified trade or business of the corporation, or

"(B) are held for investment and are reasonably expected to be used within 2 years to finance future research and experimentation in a qualified trade or business or increases in working capital needs of a qualified trade or business,

shall be treated as used in the active conduct of a qualified trade or business. For periods after the corporation has been in existence for at least 2 years, in no event may more than 50 percent of the assets of the corporation qualify as used in the active conduct of a qualified trade or business by reason of this paragraph.

"(7) MAXIMUM REAL ESTATE HOLDINGS.—A corporation shall not be treated as meeting the requirements of paragraph (1) for any period during which more than 10 percent of the total value of its assets consists of real property which is not used in the active conduct of a qualified trade or business. For purposes of the preceding sentence, the ownership of, dealing in, or renting of real property shall not be treated as the active conduct of a qualified trade or business.

"(8) COMPUTER SOFTWARE ROYALTIES.—For purposes of paragraph (1), rights to computer software which produces active business computer software royalties (within the meaning of section 543(d)(1)) shall be treated as an asset used in the active conduct of a trade or business.

"(f) STOCK ACQUIRED ON CONVERSION OF PREFERRED STOCK.—If any stock in a corporation is acquired solely through the conversion of other stock in such corporation which is qualified small business stock in the hands of the taxpayer—

"(1) the stock so acquired shall be treated as qualified small business stock in the hands of the taxpayer, and

"(2) the stock so acquired shall be treated as having been held during the period during which the converted stock was held.

"(g) TREATMENT OF PASS-THRU ENTITIES.—

"(1) IN GENERAL.—If any amount included in gross income by reason of holding an interest in a pass-thru entity meets the requirements of paragraph (2)—

"(A) such amount shall be treated as gain described in subsection (a), and

"(B) for purposes of applying subsection (b), such amount shall be treated as gain from a disposition of stock in the corporation issuing the stock disposed of by the pass-thru entity and the taxpayer's proportionate share of the adjusted basis of the pass-thru entity in such stock shall be taken into account.

"(2) REQUIREMENTS.—An amount meets the requirements of this paragraph if—

"(A) such amount is attributable to gain on the sale or exchange by the pass-thru entity of stock which is qualified small business stock in the hands of such entity (determined by treating such entity as an individual) and which was held by such entity for more than 5 years, and

"(B) such amount is includible in the gross income of the taxpayer by reason of the

holding of an interest in such entity which was held by the taxpayer on the date on which such pass-thru entity acquired such stock and at all times thereafter before the disposition of such stock by such pass-thru entity.

“(3) LIMITATION BASED ON INTEREST ORIGINALLY HELD BY TAXPAYER.—Paragraph (1) shall not apply to any amount to the extent such amount exceeds the amount to which paragraph (1) would have applied if such amount were determined by reference to the interest the taxpayer held in the pass-thru entity on the date the qualified small business stock was acquired.

“(4) PASS-THRU ENTITY.—For purposes of this subsection, the term ‘pass-thru entity’ means—

- “(A) any partnership,
- “(B) any S corporation,
- “(C) any regulated investment company, and
- “(D) any common trust fund.

“(h) CERTAIN TAX-FREE AND OTHER TRANSFERS.—For purposes of this section—

“(1) IN GENERAL.—In the case of a transfer described in paragraph (2), the transferee shall be treated as—

- “(A) having acquired such stock in the same manner as the transferor, and
- “(B) having held such stock during any continuous period immediately preceding the transfer during which it was held (or treated as held under this subsection) by the transferor.

“(2) DESCRIPTION OF TRANSFERS.—A transfer is described in this subsection if such transfer is—

- “(A) by gift,
- “(B) at death, or
- “(C) from a partnership to a partner of stock with respect to which requirements similar to the requirements of subsection (g) are met at the time of the transfer (without regard to the 5-year holding period requirement).

“(3) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of section 1244(d)(2) shall apply for purposes of this section.

“(4) INCORPORATIONS AND REORGANIZATIONS INVOLVING NONQUALIFIED STOCK.—

“(A) IN GENERAL.—In the case of a transaction described in section 351 or a reorganization described in section 368, if qualified small business stock is exchanged for other stock which would not qualify as qualified small business stock but for this subparagraph, such other stock shall be treated as qualified small business stock acquired on the date on which the exchanged stock was acquired.

“(B) LIMITATION.—This section shall apply to gain from the sale or exchange of stock treated as qualified small business stock by reason of subparagraph (A) only to the extent of the gain which would have been recognized at the time of the transfer described in subparagraph (A) if section 351 or 368 had not applied at such time.

“(C) SUCCESSIVE APPLICATION.—For purposes of this paragraph, stock treated as qualified small business stock under subparagraph (A) shall be so treated for subsequent transactions or reorganizations, except that the limitation of subparagraph (B) shall be applied as of the time of the first transfer to which subparagraph (A) applied.

“(D) CONTROL TEST.—Except in the case of a transaction described in section 368, this paragraph shall apply only if, immediately after the transaction, the corporation issuing the stock owns directly or indirectly stock representing control (within the mean-

ing of section 368(c)) of the corporation whose stock was exchanged.

“(i) BASIS RULES.—For purposes of this section—

“(1) STOCK EXCHANGED FOR PROPERTY.—In the case where the taxpayer transfers property (other than money or stock) to a corporation in exchange for stock in such corporation—

“(A) such stock shall be treated as having been acquired by the taxpayer on the date of such exchange, and

“(B) the basis of such stock in the hands of the taxpayer shall in no event be less than the fair market value of the property exchanged.

“(2) TREATMENT OF CONTRIBUTIONS TO CAPITAL.—If the adjusted basis of any qualified small business stock is adjusted by reason of any contribution to capital after the date on which such stock was originally issued, in determining the amount of the adjustment by reason of such contribution, the basis of the contributed property shall in no event be treated as less than its fair market value on the date of the contribution.

“(j) TREATMENT OF CERTAIN SHORT POSITIONS.—

“(1) IN GENERAL.—If the taxpayer has an offsetting short position with respect to any qualified small business stock, subsection (a) shall not apply to any gain from the sale or exchange of such stock unless—

- “(A) such stock was held by the taxpayer for more than 5 years as of the first day on which there was such a short position, and
- “(B) the taxpayer elects to recognize gain as if such stock were sold on such first day for its fair market value.

“(2) OFFSETTING SHORT POSITION.—For purposes of paragraph (1), the taxpayer shall be treated as having an offsetting short position with respect to any qualified small business stock if—

- “(A) the taxpayer has made a short sale of substantially identical property,
- “(B) the taxpayer has acquired an option to sell substantially identical property at a fixed price, or
- “(C) to the extent provided in regulations, the taxpayer has entered into any other transaction which substantially reduces the risk of loss from holding such qualified small business stock.

For purposes of the preceding sentence, any reference to the taxpayer shall be treated as including a reference to any person who is related (within the meaning of section 267(b) or 707(b)) to the taxpayer.

“(k) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including regulations to prevent the avoidance of the purposes of this section through split-ups, shell corporations, partnerships, or otherwise.”

(b) ONE-HALF OF EXCLUSION TREATED AS PREFERENCE FOR MINIMUM TAX.—

(1) IN GENERAL.—Subsection (a) of section 57 (relating to items of tax preference) is amended by adding at the end thereof the following new paragraph:

“(8) EXCLUSION FOR GAINS ON SALE OF CERTAIN SMALL BUSINESS STOCK.—An amount equal to one-half of the amount excluded from gross income for the taxable year under section 1202.”

(2) CONFORMING AMENDMENT.—Subclause (II) of section 53(d)(1)(B)(ii) is amended by striking “and (6)” and inserting “(6), and (8)”.

(c) PENALTY FOR FAILURE TO COMPLY WITH REPORTING REQUIREMENTS.—Section 6652 is amended by inserting before the last subsection thereof the following new subsection:

“(k) FAILURE TO MAKE REPORTS REQUIRED UNDER SECTION 1202.—In the case of a failure to make a report required under section 1202(d)(1)(C) which contains the information required by such section on the date prescribed therefor (determined with regard to any extension of time for filing), there shall be paid (on notice and demand by the Secretary and in the same manner as tax) by the person failing to make such report, an amount equal to \$50 for each report with respect to which there was such a failure. In the case of any failure due to negligence or intentional disregard, the preceding sentence shall be applied by substituting ‘\$100’ for ‘\$50’. In the case of a report covering periods in 2 or more years, the penalty determined under preceding provisions of this subsection shall be multiplied by the number of such years.”

(d) CONFORMING AMENDMENTS.—

(1)(A) Section 172(d)(2) (relating to modifications with respect to net operating loss deduction) is amended to read as follows:

“(2) CAPITAL GAINS AND LOSSES OF TAXPAYERS OTHER THAN CORPORATIONS.—In the case of a taxpayer other than a corporation—

“(A) the amount deductible on account of losses from sales or exchanges of capital assets shall not exceed the amount includable on account of gains from sales or exchanges of capital assets; and

“(B) the exclusion provided by section 1202 shall not be allowed.”

(B) Subparagraph (B) of section 172(d)(4) is amended by inserting “(2)(B),” after “paragraph (1)”.

(2) Paragraph (4) of section 642(c) is amended to read as follows:

“(4) ADJUSTMENTS.—To the extent that the amount otherwise allowable as a deduction under this subsection consists of gain described in section 1202(a), proper adjustment shall be made for any exclusion allowable to the estate or trust under section 1202. In the case of a trust, the deduction allowed by this subsection shall be subject to section 681 (relating to unrelated business income).”

(3) Paragraph (3) of section 643(a) is amended by adding at the end thereof the following new sentence: “The exclusion under section 1202 shall not be taken into account.”

(4) Paragraph (4) of section 691(c) is amended by striking “1201, and 1211” and inserting “1201, 1202, and 1211”.

(5) The second sentence of paragraph (2) of section 871(a) is amended by inserting “such gains and losses shall be determined without regard to section 1202 and” after “except that”.

(6) The table of sections for part I of subchapter P of chapter 1 is amended by adding after the item relating to section 1201 the following new item:

“Sec. 1202. 50-percent exclusion for gain from certain small business stock.”

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to stock issued after December 31, 1992.

SEC. 14114. ROLLOVER OF GAIN FROM SALE OF PUBLICLY TRADED SECURITIES INTO SPECIALIZED SMALL BUSINESS INVESTMENT COMPANIES.

(a) IN GENERAL.—Part III of subchapter O of chapter 1 (relating to common nontaxable exchanges) is amended by adding at the end the following new section:

“SEC. 1044. ROLLOVER OF PUBLICLY TRADED SECURITIES GAIN INTO SPECIALIZED SMALL BUSINESS INVESTMENT COMPANIES.

“(a) NONRECOGNITION OF GAIN.—In the case of the sale of any publicly traded securities with respect to which the taxpayer elects the

application of this section, gain from such sale shall be recognized only to the extent that the amount realized on such sale exceeds—

"(1) the cost of any common stock or partnership interest in a specialized small business investment company purchased by the taxpayer during the 60-day period beginning on the date of such sale, reduced by

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

This section shall not apply to any gain which is treated as ordinary income for purposes of this subtitle.

"(b) LIMITATIONS.—

"(1) LIMITATION ON INDIVIDUALS.—In the case of an individual, the amount of gain which may be excluded under subsection (a) for any taxable year shall not exceed the lesser of—

"(A) \$50,000, or

"(B) \$500,000, reduced by the amount of gain excluded under subsection (a) for all preceding taxable years.

"(2) LIMITATION ON C CORPORATIONS.—In the case of a C corporation, the amount of gain which may be excluded under subsection (a) for any taxable year shall not exceed the lesser of—

"(A) \$250,000, or

"(B) \$1,000,000, reduced by the amount of gain excluded under subsection (a) for all preceding taxable years.

"(3) SPECIAL RULES FOR MARRIED INDIVIDUALS.—For purposes of this subsection—

"(A) SEPARATE RETURNS.—In the case of a separate return by a married individual, paragraph (1) shall be applied by substituting '\$25,000' for '\$50,000' and '\$250,000' for '\$500,000'.

"(B) ALLOCATION OF GAIN.—In the case of any joint return, the amount of gain excluded under subsection (a) for any taxable year shall be allocated equally between the spouses for purposes of applying this subsection to subsequent taxable years.

"(C) MARITAL STATUS.—For purposes of this subsection, marital status shall be determined under section 7703.

"(4) SPECIAL RULES FOR C CORPORATION.—For purposes of this subsection—

"(A) all corporations which are members of the same controlled group of corporations (within the meaning of section 52(a)) shall be treated as 1 taxpayer, and

"(B) any gain excluded under subsection (a) by a predecessor of any C corporation shall be treated as having been excluded by such C corporation.

"(C) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) PUBLICLY TRADED SECURITIES.—The term 'publicly traded securities' means securities which are traded on an established securities market.

"(2) PURCHASE.—The term 'purchase' has the meaning given such term by section 1043(b)(4).

"(3) SPECIALIZED SMALL BUSINESS INVESTMENT COMPANY.—The term 'specialized small business investment company' means any partnership or corporation which 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).

"(4) CERTAIN ENTITIES NOT ELIGIBLE.—This section shall not apply to any estate, trust, partnership, or S corporation.

"(d) BASIS ADJUSTMENTS.—If gain from any sale is not recognized by reason of subsection (a), such gain shall be applied to reduce (in the order acquired) the basis for determining gain or loss of any common stock or partner-

ship interest in any specialized small business investment company which is purchased by the taxpayer during the 60-day period described in subsection (a). This subsection shall not apply for purposes of section 1202."

(b) CONFORMING AMENDMENT.—Paragraph (24) of section 1016(a) is amended—

(1) by striking "section 1043" and inserting "section 1043 or 1044", and

(2) by striking "section 1043(c)" and inserting "section 1043(c) or 1044(d), as the case may be".

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

"Sec. 1044. Rollover of publicly traded securities gain into specialized small business investment companies."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to sales on and after the date of the enactment of this Act, in taxable years ending on and after such date.

Subpart C—Modifications to Minimum Tax Depreciation Rules

SEC. 14115. MODIFICATION TO MINIMUM TAX DEPRECIATION RULES.

(a) GENERAL RULE.—Paragraph (1) of section 56(a) (relating to depreciation) is amended by redesignating subparagraphs (B), (C), and (D) as subparagraphs (C), (D), and (E), respectively, and by inserting after subparagraph (A) the following new subparagraph:

"(B) TREATMENT OF CERTAIN PERSONAL PROPERTY PLACED IN SERVICE AFTER 1993.—

"(i) IN GENERAL.—In the case of any property to which this subparagraph applies, the depreciation deduction allowable under section 167 shall be determined as provided in section 168(a), except that the method of depreciation used shall be—

"(I) the 120 percent declining balance method switching to the straight line method for the 1st taxable year for which using the straight line method with respect to the adjusted basis as of the beginning of the year will yield a higher allowance, or

"(II) the straight line method in the case of property for which the applicable depreciation method under section 168(a) is the straight line method.

"(ii) PROPERTY TO WHICH SUBPARAGRAPH APPLIES.—This subparagraph shall apply to any tangible property placed in service after December 31, 1993, except that this subparagraph shall not apply to—

"(I) any residential rental property or non-residential real property (within the meaning of section 168(e)), and

"(II) any other property for which the depreciation deduction provided by section 167(a) for purposes of the regular tax is computed under the alternative depreciation system of section 168(g).

"(iii) COORDINATION WITH SUBPARAGRAPH (A).—Subparagraph (A) shall not apply to any property to which this subparagraph applies."

(b) ELIMINATION OF ACE DEPRECIATION ADJUSTMENT.—Clause (i) of section 56(g)(4)(A) (relating to depreciation adjustments for computing adjusted current earnings) is amended by adding at the end thereof the following new sentence: "The preceding sentence shall not apply to any property to which subsection (a)(1)(B) applies, and the depreciation deduction with respect to such property shall be determined under the rules of subsection (a)(1)(B)."

(c) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 168(b) is amended to read as follows:

"(2) SPECIAL RULE FOR DECLINING BALANCE METHOD IN CERTAIN CASES.—

"(A) 150 PERCENT METHOD FOR CERTAIN PROPERTY.—Paragraph (1) shall be applied by substituting '150 percent' for '200 percent' in the case of—

"(i) any 15-year or 20-year property, or

"(ii) any property used in a farming business (within the meaning of section 263A(e)(4)).

"(B) ELECTION TO USE MINIMUM TAX METHOD.—In the case of any property (other than property described in paragraph (3)) with respect to which the taxpayer elects under paragraph (5) to have the provisions of this subparagraph apply, paragraph (1) shall be applied by substituting '120 percent' for '200 percent' (and subparagraph (A) of this paragraph shall not apply)."

(2) Paragraph (5) of section 168(b) is amended by striking "paragraph (2)(C)" and inserting "paragraph (2)(B)".

(3) Subsection (c) of section 168 is amended—

(A) by striking paragraph (2), and

(B) by striking so much of such subsection as precedes the table contained in paragraph (1) and inserting the following:

"(c) APPLICABLE RECOVERY PERIOD.—For purposes of this section, the applicable recovery period shall be determined in accordance with the following table:"

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to property placed in service after December 31, 1993.

(2) COORDINATION WITH TRANSITIONAL RULES.—The amendments made by this section shall not apply to any property to which paragraph (1) of section 56(a) of the Internal Revenue Code of 1986 does not apply by reason of subparagraph (D)(i) thereof (as redesignated by subsection (a) of this section).

Subpart D—Increase in Expense Treatment for Small Businesses

SEC. 14116. INCREASE IN EXPENSE TREATMENT FOR SMALL BUSINESSES.

(a) GENERAL RULE.—Paragraph (1) of section 179(b) (relating to dollar limitation) is amended by striking "\$10,000" and inserting "\$25,000".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1992.

PART III—TAX-EXEMPT BOND PROVISIONS

SEC. 14121. HIGH-SPEED INTERCITY RAIL FACILITY BONDS EXEMPT FROM STATE VOLUME CAP.

(a) IN GENERAL.—Paragraph (4) of section 146(g) (relating to exemption for certain bonds) is amended by striking "75 percent of".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to bonds issued after December 31, 1993.

SEC. 14122. PERMANENT EXTENSION OF QUALIFIED SMALL ISSUE BONDS.

(a) IN GENERAL.—Subparagraph (B) of section 144(a)(12) is amended to read as follows:

"(B) BONDS ISSUED TO FINANCE MANUFACTURING FACILITIES AND FARM PROPERTY.—Subparagraph (A) shall not apply to any bond issued as part of an issue 95 percent or more of the net proceeds of which are to be used to provide—

"(i) any manufacturing facility, or

"(ii) any land or property in accordance with section 147(c)(2)."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to bonds issued after June 30, 1992.

PART IV—EXPANSION AND SIMPLIFICATION OF EARNED INCOME TAX CREDIT
SEC. 14131. EXPANSION AND SIMPLIFICATION OF EARNED INCOME TAX CREDIT.

(a) GENERAL RULE.—Section 32 (relating to earned income credit) is amended by striking subsections (a) and (b) and inserting the following:

“(a) ALLOWANCE OF CREDIT.—
 “(1) IN GENERAL.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the credit percentage of so much of the taxpayer's earned income for the taxable year as does not exceed the earned income amount.”

“(2) LIMITATION.—The amount of the credit allowable to a taxpayer under paragraph (1) for any taxable year shall not exceed the excess (if any) of—

“(A) the credit percentage of the earned income amount, over
 “(B) the phaseout percentage of so much of the adjusted gross income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds the phaseout amount.”

“(b) PERCENTAGES AND AMOUNTS.—For purposes of subsection (a)—

“(1) PERCENTAGES.—The credit percentage and the phaseout percentage shall be determined as follows:

“(A) IN GENERAL.—In the case of taxable years beginning after 1994:

In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child	34.37	16.16
2 or more qualifying children	39.56	19.83
No qualifying children	7.55	7.65

“(B) TRANSITIONAL PERCENTAGES.—In the case of a taxable year beginning in 1994:

In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child	26.60	16.16
2 or more qualifying children	31.59	15.79
No qualifying children	7.65	7.65

“(2) AMOUNTS.—The earned income amount and the phaseout amount shall be determined as follows:

“(A) IN GENERAL.—In the case of taxable years beginning after 1994:

In the case of an eligible individual with:	The earned income amount is:	The phaseout amount is:
1 qualifying child	\$6,000	\$11,000
2 or more qualifying children	\$8,500	\$11,000
No qualifying children	\$4,000	\$5,000

“(B) TRANSITIONAL AMOUNTS.—In the case of a taxable year beginning in 1994:

In the case of an eligible individual with:	The earned income amount is:	The phaseout amount is:
1 qualifying child	\$7,750	\$11,000
2 or more qualifying children	\$8,500	\$11,000
No qualifying children	\$4,000	\$5,000

(b) ELIGIBLE INDIVIDUAL.—Subparagraph (A) of section 32(c)(1) (defining eligible individual) is amended to read as follows:

“(A) IN GENERAL.—The term ‘eligible individual’ means—

“(i) any individual who has a qualifying child for the taxable year, or

“(ii) any other individual who does not have a qualifying child for the taxable year, if—

“(I) such individual's principal place of abode is in the United States for more than one-half of such taxable year,

“(II) such individual (or, if the individual is married, the individual's spouse) has attained age 22 before the close of the taxable year, and

“(III) such individual (or, if the individual is married, the individual's spouse) is not a dependent for whom a deduction is allowable under section 151 to another taxpayer for any taxable year beginning in the same calendar year as such taxable year.”

(c) INFLATION ADJUSTMENTS.—Section 32(i) (relating to inflation adjustments) is amended—

(1) by striking paragraphs (1) and (2) and inserting the following new paragraph:

“(1) IN GENERAL.—In the case of any taxable year beginning after 1994, each dollar amount contained in subsection (b)(2)(A) shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by
 “(B) the cost-of-living adjustment determined under section 1(f)(3), for the calendar year in which the taxable year begins, by substituting ‘calendar year 1993’ for ‘calendar year 1992.’”, and

(2) by redesignating paragraph (3) as paragraph (2).

(d) CONFORMING AMENDMENTS.—

(1) Subparagraph (D) of section 32(c)(3) is amended—

(A) by striking “clause (i) or (ii)” in clause (iii) and inserting “clause (i)”,

(B) by striking clause (ii), and

(C) by redesignating clause (iii) as clause (ii).

(2) Paragraph (3) of section 162(1) is amended to read as follows:

“(3) COORDINATION WITH MEDICAL DEDUCTION.—Any amount paid by a taxpayer for insurance to which paragraph (1) applies shall not be taken into account in computing the amount allowable to the taxpayer as a deduction under section 213(a).”

(3) Section 213 is amended by striking subsection (f).

(4) Subsection (b) of section 3507 is amended by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by inserting after paragraph (1) the following new paragraph:

“(2) certifies that the employee has 1 or more qualifying children (within the meaning of section 32(c)(3)) for such taxable year.”,

(5) Subparagraph (B) of section 3507(c)(2) is amended by striking clauses (i) and (ii) and inserting the following:

“(i) of not more than the credit percentage in effect under section 32(b)(1) for an eligible individual with 1 qualifying child and with earned income not in excess of the earned income amount in effect under section 32(b)(2) for such an eligible individual, which

“(ii) phases out at the phaseout percentage in effect under section 32(b)(1) for such an eligible individual between the phaseout amount in effect under section 32(b)(2) for such an eligible individual and the amount of earned income at which the credit under section 32(a) phases out for such an eligible individual, or”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1993.

PART V—INCENTIVES FOR INVESTMENT IN REAL ESTATE

Subpart A—Extension of Qualified Mortgage Bonds and Low-Income Housing Credit

SEC. 14141. PERMANENT EXTENSION OF QUALIFIED MORTGAGE BONDS.

(a) IN GENERAL.—Paragraph (1) of section 143(a) (defining qualified mortgage bond) is amended to read as follows:

“(1) QUALIFIED MORTGAGE BOND DEFINED.—For purposes of this title, the term ‘qualified mortgage bond’ means a bond which is issued as part of a qualified mortgage issue.”

(b) MORTGAGE CREDIT CERTIFICATES.—Section 25 is amended by striking subsection (h) and by redesignating subsections (i) and (j) as subsections (h) and (i), respectively.

(c) EFFECTIVE DATES.—

(1) BONDS.—The amendment made by subsection (a) shall apply to bonds issued after June 30, 1992.

(2) CERTIFICATES.—The amendment made by subsection (b) shall apply to elections for periods after June 30, 1992.

SEC. 14142. PERMANENT EXTENSION OF LOW-INCOME HOUSING CREDIT.

(a) IN GENERAL.—Section 42 (relating to low-income housing credit) is amended by striking subsection (o).

(b) HOME ASSISTANCE NOT TO RESULT IN CERTAIN BUILDINGS BEING FEDERALLY SUBSIDIZED.—Paragraph (2) of section 42(i) (relating to determination of whether building is federally subsidized) is amended by adding at the end thereof the following new subparagraph:

“(E) BUILDINGS RECEIVING HOME ASSISTANCE.—Assistance provided under the HOME Investment Partnerships Act (as in effect on the date of the enactment of this subparagraph) with respect to any building shall not be taken under subparagraph (D) if 40 percent or more of the residential units in the building are occupied by individuals whose income is 50 percent or less of area median gross income. Subsection (d)(5)(C) shall not apply to any building to which the preceding sentence applies.”.

(c) EFFECTIVE DATES.—

(1) The amendment made by subsection (a) shall apply to periods after June 30, 1992.

(2) The amendment made by subsection (b) shall apply to periods after the date of the enactment of this Act.

Subpart B—Modification of Passive Loss Rules

SEC. 14143. APPLICATION OF PASSIVE LOSS RULES TO RENTAL REAL ESTATE ACTIVITIES.

(a) RENTAL REAL ESTATE ACTIVITIES OF PERSONS IN REAL PROPERTY BUSINESS NOT AUTOMATICALLY TREATED AS PASSIVE ACTIVITIES.—Subsection (c) of section 469 (defining passive activity) is amended by adding at the end thereof the following new paragraph:

“(7) SPECIAL RULES FOR TAXPAYERS IN REAL PROPERTY BUSINESS—

“(A) IN GENERAL.—If this paragraph applies to any taxpayer for a taxable year—

“(i) paragraph (2) shall not apply to any rental real estate activity of such taxpayer for such taxable year, and

“(ii) this section shall be applied as if each interest of the taxpayer in rental real estate were a separate activity.

Notwithstanding clause (ii), a taxpayer may elect to treat all interests in rental real estate as one activity. Nothing in the preceding provisions of this subparagraph shall be construed as affecting the determination of whether the taxpayer materially participates with respect to any interest in a limited partnership as a limited partner.

“(B) TAXPAYERS TO WHOM PARAGRAPH APPLIES.—This paragraph shall apply to a taxpayer for a taxable year if more than one-half of the personal services performed in trades or businesses by the taxpayer during such taxable year are performed in real property trades or businesses in which the taxpayer materially participates.

“(C) REAL PROPERTY TRADE OR BUSINESS.—For purposes of this paragraph, the term

'real property trade or business' means any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business.

"(D) SPECIAL RULES FOR SUBPARAGRAPH (B).—

"(i) CLOSELY HELD C CORPORATIONS.—In the case of a closely held C corporation, the requirements of subparagraph (B) shall be treated as met for any taxable year if more than 50 percent of the gross receipts of such corporation for such taxable year are derived from real property trades or businesses in which the corporation materially participates.

"(ii) PERSONAL SERVICES AS AN EMPLOYEE.—For purposes of subparagraph (B), personal services performed as an employee shall not be treated as performed in real property trades or businesses. The preceding sentence shall not apply if such employee is a 5-percent owner (as defined in section 416(i)(1)(B)) in the employer."

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 469(c) is amended by striking "The" and inserting "Except as provided in paragraph (7), the".

(2) Clause (iv) of section 469(i)(3)(E) is amended by inserting "(or) any loss allowable by reason of subsection (c)(7)" after "loss".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1993.

Subpart C—Provisions Relating to Real Estate Investments by Pension Funds

SEC. 14144. REAL ESTATE PROPERTY ACQUIRED BY A QUALIFIED ORGANIZATION.

(a) MODIFICATIONS OF EXCEPTIONS.—Paragraph (9) of section 514(c) (relating to real property acquired by a qualified organization) is amended by adding at the end thereof the following new subparagraphs:

"(G) SPECIAL RULES FOR PURPOSES OF THE EXCEPTIONS.—Except as otherwise provided by regulations—

"(i) SMALL LEASES DISREGARDED.—For purposes of clauses (iii) and (iv) of subparagraph (B), a lease to a person described in such clause (iii) or (iv) shall be disregarded if no more than 25 percent of the leasable floor space in a building (or complex of buildings) is covered by the lease and if the lease is on commercially reasonable terms.

"(ii) COMMERCIALLY REASONABLE FINANCING.—Clause (v) of subparagraph (B) shall not apply if the financing is on commercially reasonable terms.

"(H) QUALIFYING SALES BY FINANCIAL INSTITUTIONS.—

"(i) IN GENERAL.—In the case of a qualifying sale by a financial institution, except as provided in regulations, clauses (i) and (ii) of subparagraph (B) shall not apply with respect to financing provided by such institution for such sale.

"(ii) QUALIFYING SALE.—For purposes of this clause, there is a qualifying sale by a financial institution if—

"(I) a qualified organization acquires property described in clause (iii) from a financial institution and any gain recognized by the financial institution with respect to the property is ordinary income,

"(II) the stated principal amount of the financing provided by the financial institution does not exceed the amount of the outstanding indebtedness (including accrued but unpaid interest) of the financial institution with respect to the property described in clause (iii) immediately before the acquisition referred to in clause (iii) or (v), whichever is applicable, and

"(III) the present value (determined as of the time of the sale and by using the applica-

ble Federal rate determined under section 1274(d)) of the maximum amount payable pursuant to the financing that is determined by reference to the revenue, income, or profits derived from the property cannot exceed 30 percent of the total purchase price of the property (including the contingent payments).

"(iii) PROPERTY TO WHICH SUBPARAGRAPH APPLIES.—Property is described in this clause if such property is foreclosure property, or is real property which—

"(I) was acquired by the qualified organization from a financial institution which is in conservatorship or receivership, or from the conservator or receiver of such an institution, and

"(II) was held by the financial institution at the time it entered into conservatorship or receivership.

"(iv) FINANCIAL INSTITUTION.—For purposes of this subparagraph, the term 'financial institution' means—

"(I) any financial institution described in section 581 or 591(a),

"(II) any other corporation which is a direct or indirect subsidiary of an institution referred to in subclause (I) but only if, by virtue of being affiliated with such institution, such other corporation is subject to supervision and examination by a Federal or State agency which regulates institutions referred to in subclause (I), and

"(III) any person acting as a conservator or receiver of an entity referred to in subclause (I) or (II) (or any government agency or corporation succeeding to the rights or interest of such person).

"(v) FORECLOSURE PROPERTY.—For purposes of this subparagraph, the term 'foreclosure property' means any real property acquired by the financial institution as the result of having bid on such property at foreclosure, or by operation of an agreement or process of law, after there was a default (or a default was imminent) on indebtedness which such property secured."

(b) CONFORMING AMENDMENT.—Paragraph (9) of section 514(c) is amended—

(1) by adding the following new sentence at the end of subparagraph (A): "For purposes of this paragraph, an interest in a mortgage shall in no event be treated as real property," and

(2) by striking the last sentence of subparagraph (B).

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to acquisitions on or after January 1, 1994.

(2) SMALL LEASES.—The provisions of section 514(c)(9)(G)(i) of the Internal Revenue Code of 1986 shall, in addition to leases to which the provisions apply by reason of paragraph (1), apply to leases entered into on or after January 1, 1994.

SEC. 14145. REPEAL OF SPECIAL TREATMENT OF PUBLICLY TREATED PARTNERSHIPS.

(a) GENERAL RULE.—Subsection (c) of section 512 is amended—

(1) by striking paragraph (2),

(2) by redesignating paragraph (3) as paragraph (2), and

(3) by striking "paragraph (1) or (2)" in paragraph (2) (as so redesignated) and inserting "paragraph (1)".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to partnership years beginning on or after January 1, 1994.

SEC. 14146. TITLE-HOLDING COMPANIES PERMITTED TO RECEIVE SMALL AMOUNTS OF UNRELATED BUSINESS TAXABLE INCOME.

(a) GENERAL RULE.—Paragraph (25) of section 501(c) is amended by adding at the end thereof the following new subparagraph:

"(G)(i) An organization shall not be treated as failing to be described in this paragraph merely by reason of the receipt of any otherwise disqualifying income which is incidentally derived from the holding of real property.

"(ii) Clause (i) shall not apply if the amount of gross income described in such clause exceeds 10 percent of the organization's gross income for the taxable year unless the organization establishes to the satisfaction of the Secretary that the receipt of gross income described in clause (i) in excess of such limitation was inadvertent and reasonable steps are being taken to correct the circumstances giving rise to such income."

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 501(c) is amended by adding at the end thereof the following new sentence: "Rules similar to the rules of subparagraph (G) of paragraph (25) shall apply for purposes of this paragraph."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning on or after January 1, 1994.

SEC. 14147. EXCLUSION FROM UNRELATED BUSINESS TAX OF GAINS FROM CERTAIN PROPERTY.

(a) GENERAL RULE.—Subsection (b) of section 512 (relating to modifications) is amended by adding at the end thereof the following new paragraph:

"(16)(A) Notwithstanding paragraph (5)(B), there shall be excluded all gains or losses from the sale, exchange, or other disposition of any real property described in subparagraph (B) if—

"(i) such property was acquired by the organization from—

"(I) a financial institution described in section 581 or 591(a) which is in conservatorship or receivership, or

"(II) the conservator or receiver of such an institution (or any government agency or corporation succeeding to the rights or interests of the conservator or receiver),

"(ii) such property is designated by the organization within the 9-month period beginning on the date of its acquisition as property held for sale, except that not more than one-half (by value determined as of such date) of property acquired in a single transaction may be so designated,

"(iii) such sale, exchange, or disposition occurs before the later of—

"(I) the date which is 30 months after the date of the acquisition of such property, or

"(II) the date specified by the Secretary in order to assure an orderly disposition of property held by persons described in subparagraph (A), and

"(iv) while such property was held by the organization, the aggregate expenditures on improvements and development activities included in the basis of the property are (or were) not in excess of 20 percent of the net selling price of such property.

"(B) Property is described in this subparagraph if it is real property which—

"(i) was held by the financial institution at the time it entered into conservatorship or receivership, or

"(ii) was foreclosure property (as defined in section 514(c)(9)(H)(v)) which secured indebtedness held by the financial institution at such time.

For purposes of this subparagraph, real property includes an interest in a mortgage."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to property acquired on or after January 1, 1994.

SEC. 14148. EXCLUSION FROM UNRELATED BUSINESS TAX OF CERTAIN FEES AND OPTION PREMIUMS.

(a) **LOAN COMMITMENT FEES.**—Paragraph (1) of section 512(b) (relating to modifications) is amended by inserting "amounts received or accrued as consideration for entering into agreements to make loans," before "and annuities".

(b) **OPTION PREMIUMS.**—The second sentence of section 512(b)(5) is amended—

(1) by striking "all gains on" and inserting "all gains or losses recognized, in connection with the organization's investment activities, from";

(2) by striking "written by the organization in connection with its investment activities," and

(3) by inserting "or real property and all gains or losses from the forfeiture of good-faith deposits (that are consistent with established business practice) for the purchase, sale, or lease of real property in connection with the organization's investment activities" before the period.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to amounts received on or after January 1, 1994.

SEC. 14149. TREATMENT OF PENSION FUND INVESTMENTS IN REAL ESTATE INVESTMENT TRUSTS.

(a) **GENERAL RULE.**—Subsection (h) of section 856 (relating to closely held determinations) is amended by adding at the end thereof the following new paragraph:

"(3) **TREATMENT OF TRUSTS DESCRIBED IN SECTION 401(a).**—

"(A) **LOOK-THRU TREATMENT.**—

"(i) **IN GENERAL.**—Except as provided in clause (ii), in determining whether the stock ownership requirement of section 542(a)(2) is met for purposes of paragraph (1)(A), any stock held by a qualified trust shall be treated as held directly by its beneficiaries in proportion to their actuarial interests in such trust and shall not be treated as held by such trust.

"(ii) **CERTAIN RELATED TRUSTS NOT ELIGIBLE.**—Clause (i) shall not apply to any qualified trust if one or more disqualified persons (as defined in section 4975(e)(2), without regard to subparagraphs (B) and (I) thereof) with respect to such qualified trust hold in the aggregate 5 percent or more in value of the interests in the real estate investment trust and such real estate investment trust has accumulated earnings and profits attributable to any period for which it did not qualify as a real estate investment trust.

"(B) **COORDINATION WITH PERSONAL HOLDING COMPANY RULES.**—If any entity qualifies as a real estate investment trust for any taxable year by reason of subparagraph (A), such entity shall not be treated as a personal holding company for such taxable year for purposes of part II of subchapter G of this chapter.

"(C) **TREATMENT FOR PURPOSES OF UNRELATED BUSINESS TAX.**—If any qualified trust holds more than 10 percent (by value) of the interests in any pension-held REIT at any time during a taxable year, the trust shall be treated as having for such taxable year gross income from an unrelated trade or business in an amount which bears the same ratio to the aggregate dividends paid (or treated as paid) by the REIT to the trust for the taxable year of the REIT with or within which the taxable year of the trust ends (the 'REIT year') as—

"(i) the gross income (less direct expenses related thereto) of the REIT for the REIT

year from unrelated trades or businesses (determined as if the REIT were a qualified trust), bears to

"(ii) the gross income (less direct expenses related thereto) of the REIT for the REIT year.

This subparagraph shall apply only if the ratio determined under the preceding sentence is at least 5 percent.

"(D) **PENSION-HELD REIT.**—The purposes of subparagraph (C)—

"(i) **IN GENERAL.**—A real estate investment trust is a pension-held REIT if such trust would not have qualified as a real estate investment trust but for the provisions of this paragraph and if such trust is predominantly held by qualified trusts.

"(ii) **PREDOMINANTLY HELD.**—For purposes of clause (i), a real estate investment trust is predominantly held by qualified trusts if—

"(I) at least 1 qualified trust holds more than 25 percent (by value) of the interests in such real estate investment trust, or

"(II) 1 or more qualified trusts (each of whom own more than 10 percent by value of the interests in such real estate investment trust) hold in the aggregate more than 50 percent (by value) of the interests in such real estate investment trust.

"(E) **QUALIFIED TRUST.**—For purposes of this paragraph, the term 'qualified trust' means any trust described in section 401(a) and exempt from tax under section 501(a)."

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years beginning after December 31, 1993.

Subpart D—Discharge of Indebtedness

SEC. 14150. EXCLUSION FROM GROSS INCOME FOR INCOME FROM DISCHARGE OF QUALIFIED REAL PROPERTY BUSINESS INDEBTEDNESS.

(a) **IN GENERAL.**—Paragraph (1) of section 108(a) (relating to income from discharge of indebtedness) is amended by striking "or" at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting ", or", and by adding at the end thereof the following new subparagraph:

"(D) in the case of a taxpayer other than a C corporation, the indebtedness discharged is qualified real property business indebtedness."

(b) **QUALIFIED REAL PROPERTY BUSINESS INDEBTEDNESS.**—Section 108 is amended by inserting after subsection (b) the following new subsection:

"(c) **TREATMENT OF DISCHARGE OF QUALIFIED REAL PROPERTY BUSINESS INDEBTEDNESS.**—

"(1) **BASIS REDUCTION.**—

"(A) **IN GENERAL.**—The amount excluded from gross income under subparagraph (D) of subsection (a)(1) shall be applied to reduce the basis of the depreciable real property of the taxpayer.

"(B) **CROSS REFERENCE.**—For provisions making the reduction described in subparagraph (A), see section 1017.

"(2) **LIMITATIONS.**—

"(A) **INDEBTEDNESS IN EXCESS OF VALUE.**—The amount excluded under subparagraph (D) of subsection (a)(1) with respect to any qualified real property business indebtedness shall not exceed the excess (if any) of—

"(i) the outstanding principal amount of such indebtedness (immediately before the discharge), over

"(ii) the fair market value of the real property described in paragraph (3)(A) (as of such time), reduced by the outstanding principal amount of any other qualified real property business indebtedness secured by such property (as of such time).

"(B) **OVERALL LIMITATION.**—The amount excluded under subparagraph (D) of subsection

(a)(1) shall not exceed the aggregate adjusted bases of depreciable real property (determined after any reductions under subsections (b) and (g)) held by the taxpayer immediately before the discharge (other than depreciable real property acquired in contemplation of such discharge).

"(3) **QUALIFIED REAL PROPERTY BUSINESS INDEBTEDNESS.**—The term 'qualified real property business indebtedness' means indebtedness which—

"(A) was incurred or assumed by the taxpayer in connection with real property used in a trade or business and is secured by such real property,

"(B) was incurred or assumed before January 1, 1993, or if incurred or assumed on or after such date, is qualified acquisition indebtedness, and

"(C) with respect to which such taxpayer makes an election to have this paragraph apply.

Such term shall not include qualified farm indebtedness. Indebtedness under subparagraph (B) shall include indebtedness resulting from the refinancing of indebtedness under subparagraph (B) (or this sentence), but only to the extent it does not exceed the amount of the indebtedness being refinanced.

"(4) **QUALIFIED ACQUISITION INDEBTEDNESS.**—For purposes of paragraph (3)(B), the term 'qualified acquisition indebtedness' means, with respect to any real property described in paragraph (3)(A), indebtedness incurred or assumed to acquire, construct, reconstruct, or substantially improve such property.

"(5) **REGULATIONS.**—The Secretary shall issue such regulations as are necessary to carry out this subsection, including regulations preventing the abuse of this subsection through cross-collateralization or other means."

(c) **TECHNICAL AMENDMENTS.**—

(1) Subparagraph (A) of section 108(a)(2) is amended by striking "and (C)" and inserting ", (C), and (D)".

(2) Subparagraph (B) of section 108(a)(2) is amended to read as follows:

"(B) **INSOLVENCY EXCLUSION TAKES PRECEDENCE OVER QUALIFIED FARM EXCLUSION AND QUALIFIED REAL PROPERTY BUSINESS EXCLUSION.**—Subparagraphs (C) and (D) of paragraph (1) shall not apply to a discharge to the extent the taxpayer is insolvent."

(3) Subsection (d) of section 108 is amended—

(A) by striking "subsections (a), (b), and (g)" in paragraphs (6) and (7)(A) and inserting "subsections (a), (b), (c), and (g)",

(B) by striking "SUBSECTIONS (a), (b), AND (g)" in the subsection heading and inserting "CERTAIN PROVISIONS", and

(C) by striking "SUBSECTIONS (a), (b), AND (g)" in the headings of paragraphs (6) and (7)(A) and inserting "CERTAIN PROVISIONS".

(4) Subparagraph (B) of section 108(d)(7) is amended by adding at the end thereof the following new sentence: "The preceding sentence shall not apply to any discharge to the extent that subsection (a)(1)(D) applies to such discharge."

(5) Subparagraph (A) of section 108(d)(9) is amended by inserting "or under paragraph (3)(B) of subsection (c)" after "subsection (b)".

(6) Paragraph (2) of section 1017(a) is amended by striking "or (b)(5)" and inserting ", (b)(5), or (c)(1)".

(7) Subparagraph (A) of section 1017(b)(3) is amended by inserting "or (c)(1)" after "subsection (b)(5)".

(8) Section 1017(b)(3) is amended by adding at the end thereof the following new subparagraph:

"(F) SPECIAL RULES FOR QUALIFIED REAL PROPERTY BUSINESS INDEBTEDNESS.—In the case of any amount which under section 108(c)(1) is to be applied to reduce basis—

"(i) depreciable property shall only include depreciable real property for purposes of subparagraphs (A) and (C),

"(ii) subparagraph (E) shall not apply, and

"(iii) in the case of property taken into account under section 108(c)(2)(B), the reduction with respect to such property shall be made as of the time immediately before disposition if earlier than the time under subsection (a)."

(9) Paragraph (1) of section 703(b) is amended by striking "subsection (b)(5)" and inserting "subsection (b)(5) or (c)(3)".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to discharges after December 31, 1992, in taxable years ending after such date.

Subpart E—Increase in Recovery Period for Nonresidential Real Property

SEC. 14151. INCREASE IN RECOVERY PERIOD FOR NONRESIDENTIAL REAL PROPERTY.

(a) GENERAL RULE.—Paragraph (1) of section 168(c) (relating to applicable recovery period) is amended by striking the item relating to nonresidential real property and inserting the following:

"Nonresidential real property ...39 years."

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendment made by subsection (a) shall apply to property placed in service by the taxpayer on or after February 25, 1993.

(2) EXCEPTION.—The amendments made by this section shall not apply to property placed in service by the taxpayer before January 1, 1994, if—

(A) the taxpayer or a qualified person entered into a binding written contract to purchase or construct such property before February 25, 1993, or

(B) the construction of such property was commenced by or for the taxpayer or a qualified person before February 25, 1993.

For purposes of this paragraph, the term "qualified person" means any person who transfers his rights in such a contract or such property to the taxpayer but only if the property is not placed in service by such person before such rights are transferred to the taxpayer.

PART VI—LUXURY TAX

SEC. 14161. REPEAL OF LUXURY EXCISE TAXES OTHER THAN ON PASSENGER VEHICLES.

(a) IN GENERAL.—Subchapter A of chapter 31 (relating to retail excise taxes) is amended to read as follows:

"Subchapter A—Luxury Passenger Automobiles

"Sec. 4001. Imposition of tax.

"Sec. 4002. 1st retail sale; uses, etc. treated as sales; determination of price.

"Sec. 4003. Special rules.

"SEC. 4001. IMPOSITION OF TAX.

"(a) IMPOSITION OF TAX.—There is hereby imposed on the 1st retail sale of any passenger vehicle a tax equal to 10 percent of the price for which so sold to the extent such price exceeds \$30,000.

"(b) PASSENGER VEHICLE.—

"(1) IN GENERAL.—For purposes of this subchapter, the term 'passenger vehicle' means any 4-wheeled vehicle—

"(A) which is manufactured primarily for use on public streets, roads, and highways, and

"(B) which is rated at 6,000 pounds unloaded gross vehicle weight or less.

"(2) SPECIAL RULES.—

"(A) TRUCKS AND VANS.—In the case of a truck or van, paragraph (1)(B) shall be applied by substituting 'gross vehicle weight' for 'unloaded gross vehicle weight'.

"(B) LIMOUSINES.—In the case of a limousine, paragraph (1) shall be applied without regard to subparagraph (B) thereof.

"(C) EXCEPTIONS FOR TAXICABS, ETC.—The tax imposed by this section shall not apply to the sale of any passenger vehicle for use by the purchaser exclusively in the active conduct of a trade or business of transporting persons or property for compensation or hire.

"(d) EXEMPTION FOR LAW ENFORCEMENT USES, ETC.—No tax shall be imposed by this section on the sale of any passenger vehicle—

"(1) to the Federal Government, or a State or local government, for use exclusively in police, firefighting, search and rescue, or other law enforcement or public safety activities, or in public works activities, or

"(2) to any person for use exclusively in providing emergency medical services.

"(e) INFLATION ADJUSTMENT.—

"(1) IN GENERAL.—In the case of any calendar year after 1992, the \$30,000 amount in subsection (a) and section 4003(a) shall be increased by an amount equal to—

"(A) \$30,000, multiplied by

"(B) the cost-of-living adjustment under section 1(f)(3) for such calendar year, determined by substituting 'calendar year 1990' for 'calendar year 1992' in subparagraph (B) thereof.

"(2) ROUNDING.—If any amount as adjusted under paragraph (1) is not a multiple of \$100, such amount shall be rounded to the nearest multiple of \$100 (or, if such amount is a multiple of \$50 and not of \$100, such amount shall be rounded to the next highest multiple of \$100).

"(f) TERMINATION.—The tax imposed by this section shall not apply to any sale or use after December 31, 1999.

"SEC. 4002. 1ST RETAIL SALE; USES, ETC. TREATED AS SALES; DETERMINATION OF PRICE.

"(a) 1ST RETAIL SALE.—For purposes of this subchapter, the term '1st retail sale' means the 1st sale, for a purpose other than resale, after manufacture, production, or importation.

"(b) USE TREATED AS SALE.—

"(1) IN GENERAL.—If any person uses a passenger vehicle (including any use after importation) before the 1st retail sale of such vehicle, then such person shall be liable for tax under this subchapter in the same manner as if such vehicle were sold at retail by him.

"(2) EXEMPTION FOR FURTHER MANUFACTURE.—Paragraph (1) shall not apply to use of a vehicle as material in the manufacture or production of, or as a component part of, another vehicle taxable under this subchapter to be manufactured or produced by him.

"(3) EXEMPTION FOR DEMONSTRATION USE.—Paragraph (1) shall not apply to any use of a passenger vehicle as a demonstrator.

"(4) EXCEPTION FOR USE AFTER IMPORTATION OF CERTAIN VEHICLES.—Paragraph (1) shall not apply to the use of a vehicle after importation if the user or importer establishes to the satisfaction of the Secretary that the 1st use of the vehicle occurred before January 1, 1991, outside the United States.

"(5) COMPUTATION OF TAX.—In the case of any person made liable for tax by paragraph (1), the tax shall be computed on the price at which similar vehicles are sold at retail in

the ordinary course of trade, as determined by the Secretary.

"(c) LEASES CONSIDERED AS SALES.—For purposes of this subchapter—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, the lease of a vehicle (including any renewal or any extension of a lease or any subsequent lease of such vehicle) by any person shall be considered a sale of such vehicle at retail.

"(2) SPECIAL RULES FOR LONG-TERM LEASES.—

"(A) TAX NOT IMPOSED ON SALE FOR LEASING IN A QUALIFIED LEASE.—The sale of a passenger vehicle to a person engaged in a passenger vehicle leasing or rental trade or business for leasing by such person in a long-term lease shall not be treated as the 1st retail sale of such vehicle.

"(B) LONG-TERM LEASE.—For purposes of subparagraph (A), the term 'long-term lease' means any long-term lease (as defined in section 4052).

"(C) SPECIAL RULES.—In the case of a long-term lease of a vehicle which is treated as the 1st retail sale of such vehicle—

"(i) DETERMINATION OF PRICE.—The tax under this subchapter shall be computed on the lowest price for which the vehicle is sold by retailers in the ordinary course of trade.

"(ii) PAYMENT OF TAX.—Rules similar to the rules of section 4217(e)(2) shall apply.

"(iii) NO TAX WHERE EXEMPT USE BY LESSEE.—No tax shall be imposed on any lease payment under a long-term lease if the lessee's use of the vehicle under such lease is an exempt use (as defined in section 4003(b)) of such vehicle.

"(d) DETERMINATION OF PRICE.—

"(1) IN GENERAL.—In determining price for purposes of this subchapter—

"(A) there shall be included any charge incident to placing the article in condition ready for use,

"(B) there shall be excluded—

"(i) the amount of the tax imposed by this subchapter,

"(ii) if stated as a separate charge, the amount of any retail sales tax imposed by any State or political subdivision thereof or the District of Columbia, whether the liability for such tax is imposed on the vendor or vendee, and

"(iii) the value of any component of such article if—

"(I) such component is furnished by the 1st user of such article, and

"(II) such component has been used before such furnishing, and

"(C) the price shall be determined without regard to any trade-in.

"(2) OTHER RULES.—Rules similar to the rules of paragraphs (2) and (4) of section 4052(b) shall apply for purposes of this subchapter.

"SEC. 4003. SPECIAL RULES.

"(a) SEPARATE PURCHASE OF VEHICLE AND PARTS AND ACCESSORIES THEREFOR.—Under regulations prescribed by the Secretary—

"(1) IN GENERAL.—Except as provided in paragraph (2), if—

"(A) the owner, lessee, or operator of any passenger vehicle installs (or causes to be installed) any part or accessory on such vehicle, and

"(B) such installation is not later than the date 6 months after the date the vehicle was 1st placed in service,

then there is hereby imposed on such installation a tax equal to 10 percent of the price of such part or accessory and its installation.

"(2) LIMITATION.—The tax imposed by paragraph (1) on the installation of any part or

accessory shall not exceed 10 percent of the excess (if any) of—

“(A) the sum of—

“(i) the price of such part or accessory and its installation,

“(ii) the aggregate price of the parts and accessories (and their installation) installed before such part or accessory, plus

“(iii) the price for which the passenger vehicle was sold, over

“(B) \$30,000.

“(3) EXCEPTIONS.—Paragraph (1) shall not apply if—

“(A) the part or accessory installed is a replacement part or accessory,

“(B) the part or accessory is installed to enable or assist an individual with a disability to operate the vehicle, or to enter or exit the vehicle, by compensating for the effect of such disability, or

“(C) the aggregate price of the parts and accessories (and their installation) described in paragraph (1) with respect to the vehicle does not exceed \$200 (or such other amount or amounts as the Secretary may by regulation prescribe).

The price of any part or accessory (and its installation) to which paragraph (1) does not apply by reason of this paragraph shall not be taken into account under paragraph (2)(A).

“(4) INSTALLERS SECONDARILY LIABLE FOR TAX.—The owners of the trade or business installing the parts or accessories shall be secondarily liable for the tax imposed by this subsection.

“(b) IMPOSITION OF TAX ON SALES, ETC., WITHIN 2 YEARS OF VEHICLES PURCHASED TAX-FREE.—

“(1) IN GENERAL.—If—

“(A) no tax was imposed under this subchapter on the 1st retail sale of any passenger vehicle by reason of its exempt use, and

“(B) within 2 years after the date of such 1st retail sale, such vehicle is resold by the purchaser or such purchaser makes a substantial nonexempt use of such vehicle,

then such sale or use of such vehicle by such purchaser shall be treated as the 1st retail sale of such vehicle for a price equal to its fair market value at the time of such sale or use.

“(2) EXEMPT USE.—For purposes of this subsection, the term ‘exempt use’ means any use of a vehicle if the 1st retail sale of such vehicle is not taxable under this subchapter by reason of such use.

“(c) PARTS AND ACCESSORIES SOLD WITH TAXABLE ARTICLE.—Parts and accessories sold on, in connection with, or with the sale of any passenger vehicle shall be treated as part of the vehicle.

“(d) PARTIAL PAYMENTS, ETC.—In the case of a contract, sale, or arrangement described in paragraph (2), (3), or (4) of section 4216(c), rules similar to the rules of section 4217(e)(2) shall apply for purposes of this subchapter.”

(b) TECHNICAL AMENDMENTS.—

(1) Subsection (c) of section 4221 is amended by striking “4002(b), 4003(c), 4004(a)” and inserting “4001(d)”.

(2) Subsection (d) of section 4222 is amended by striking “4002(b), 4003(c), 4004(a)” and inserting “4001(d)”.

(3) The table of subchapters for chapter 31 is amended by striking the item relating to subchapter A and inserting the following:

“Subchapter A. Luxury passenger vehicles.”

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1993.

SEC. 14162. EXEMPTION FROM LUXURY EXCISE TAX FOR CERTAIN EQUIPMENT INSTALLED ON PASSENGER VEHICLES FOR USE BY DISABLED INDIVIDUALS.

(a) IN GENERAL.—Paragraph (3) of section 4004(b) (relating to separate purchase of article and parts and accessories therefor), as in effect on the day before the date of the enactment of this Act, is amended—

(1) by striking “or” at the end of subparagraph (A),

(2) by redesignating subparagraph (B) as subparagraph (C),

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

“(B) the part or accessory is installed on a passenger vehicle to enable or assist an individual with a disability to operate the vehicle, or to enter or exit the vehicle, by compensating for the effect of such disability, or”, and

(4) by inserting after subparagraph (C) the following flush sentence:

“The price of any part or accessory (and its installation) to which paragraph (1) does not apply by reason of this paragraph shall not be taken into account under paragraph (2)(A).”

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by section 11221(a) of the Omnibus Budget Reconciliation Act of 1990.

(c) PERIOD FOR FILING CLAIMS.—If refund or credit of any overpayment of tax resulting from the application of the amendments made by this section is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res judicata), refund or credit of such overpayment (to the extent attributable to such amendments) may, nevertheless, be made or allowed if claim therefor is filed before the close of such 1-year period.

SEC. 14163. TAX ON DIESEL FUEL USED IN NON-COMMERCIAL BOATS.

(a) GENERAL RULE.—

(1) Paragraph (2) of section 4092(a) (defining diesel fuel) is amended by striking “or a diesel-powered train” and inserting “, a diesel-powered train, or a diesel-powered boat”.

(2) Paragraph (1) of section 4041(a) is amended—

(A) by striking “diesel-powered highway vehicle” each place it appears and inserting “diesel-powered highway vehicle or diesel-powered boat”, and

(B) by striking “such vehicle” and inserting “such vehicle or boat”.

(3) Subparagraph (B) of section 4092(b)(1) is amended by striking “commercial and non-commercial vessels” each place it appears and inserting “vessels for use in an off-highway business use (as defined in section 6421(e)(2)(B))”.

(b) EXEMPTION FOR USE IN FISHERIES OR COMMERCIAL NAVIGATION.—Subparagraph (B) of section 6421(e)(2) is amended to read as follows:

“(B) USES IN BOATS.—The term ‘off-highway business use’ does not include any use in a motorboat; except that such term shall include any use in—

“(i) a vessel employed in the fisheries or in the whaling business, and

“(ii) in the case of diesel fuel, a boat in the active conduct of—

“(I) a trade or business of commercial fishing or transporting persons or property for compensation or hire, or

“(II) any other trade or business unless the boat is used predominantly in any activity which is of a type generally considered to

constitute entertainment, amusement or recreation.”

(c) RETENTION OF TAXES IN GENERAL FUND.—

(1) TAXES IMPOSED AT HIGHWAY TRUST FUND FINANCING RATE.—Paragraph (4) of section 9503(b) (relating to transfers to Highway Trust Fund) is amended—

(A) by striking “and” at the end of subparagraph (A),

(B) by striking the period at the end of subparagraph (B) and inserting “, and”, and

(C) by adding at the end thereof the following new subparagraph:

“(C) there shall not be taken into account the taxes imposed by sections 4041 and 4091 on diesel fuel sold for use or used as fuel in a diesel-powered boat.”

(2) TAXES IMPOSED AT LEAKING UNDERGROUND STORAGE TANK TRUST FUND FINANCING RATE.—Subsection (b) of section 9508 (relating to transfers to Leaking Underground Storage Tank Trust Fund) is amended by adding at the end thereof the following new sentence: “For purposes of this subsection, there shall not be taken into account the taxes imposed by sections 4041 and 4091 on diesel fuel sold for use or used as fuel in a diesel-powered boat.”

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1994.

PART VII—OTHER CHANGES

SEC. 14171. ALTERNATIVE MINIMUM TAX TREATMENT OF CONTRIBUTIONS OF APPRECIATED PROPERTY.

(a) REPEAL OF TAX PREFERENCE.—Subsection (a) of section 57 (as amended by section 14113) is amended by striking paragraph (6) (relating to appreciated property charitable deduction) and by redesignating paragraphs (7) and (8) as paragraphs (6) and (7), respectively.

(b) EFFECT ON ADJUSTED CURRENT EARNINGS.—Paragraph (4) of section 56(g) is amended by adding at the end thereof the following new subparagraph:

“(J) TREATMENT OF CHARITABLE CONTRIBUTIONS.—Notwithstanding subparagraphs (B) and (C), no adjustment related to the earnings and profits effects of any charitable contribution shall be made in computing adjusted current earnings.”

(c) CONFORMING AMENDMENT.—Subclause (II) of section 53(d)(1)(B)(ii) (as amended by section 14113) is amended by striking “(5), (6), and (8)” and inserting “(5), and (7)”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made after June 30, 1992, except that in the case of any contribution of capital gain property which is not tangible personal property, such amendments shall apply only if the contribution is made after December 31, 1992.

(e) REPORT ON ADVANCE DETERMINATION OF VALUE OF CHARITABLE GIFTS.—Not later than 1 year after the date of the enactment of this Act, the Secretary of the Treasury shall report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives on the development of a procedure under which taxpayers may elect to seek an agreement with the Secretary as to the value of tangible personal property prior to the donation of such property to a qualifying charitable organization if the time limits for the donation and other conditions contained in the agreement are satisfied. Such report shall address the setting of possible threshold amounts for claimed value (and the payment of fees) by a taxpayer in order to seek agreement under the procedure, possible limita-

tions on applying the procedure only to items with significant artistic or cultural value, and recommendations for legislative action needed to implement the proposed procedure.

SEC. 14172. CERTAIN TRANSFERS TO RAILROAD RETIREMENT ACCOUNT MADE PERMANENT.

Subsection (c)(1)(A) of section 224 of the Railroad Retirement Solvency Act of 1983 (relating to section 72(r) revenue increase transferred to certain railroad accounts) is amended by striking "with respect to benefits received before October 1, 1992".

SEC. 14173. TEMPORARY EXTENSION OF DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—

(1) EXTENSION.—Paragraph (6) of section 162(l) (relating to special rules for health insurance costs of self-employed individuals) is amended by striking "June 30, 1992" and inserting "December 31, 1993".

(2) CONFORMING AMENDMENT.—Paragraph (2) of section 110(a) of the Tax Extension Act of 1991 is hereby repealed.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after June 30, 1992.

(b) DETERMINATION OF ELIGIBILITY FOR EMPLOYER-SPONSORED HEALTH PLAN.—

(1) IN GENERAL.—Paragraph (2)(B) of section 162(l) is amended to read as follows:

"(B) OTHER COVERAGE.—Paragraph (1) shall not apply to any taxpayer for any calendar month for which the taxpayer is eligible to participate in any subsidized health plan maintained by any employer of the taxpayer or of the spouse of the taxpayer."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to taxable years beginning after December 31, 1992.

Subtitle B—Revenue Increases

PART I—PROVISIONS AFFECTING INDIVIDUALS

Subpart A—Rate Increases

SEC. 14201. INCREASE IN TOP MARGINAL RATE UNDER SECTION 1.

(a) GENERAL RULE.—Section 1 (relating to tax imposed) is amended by striking subsections (a) through (e) and inserting the following:

"(a) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—There is hereby imposed on the taxable income of—

"(1) every married individual (as defined in section 7703) who makes a single return jointly with his spouse under section 6013, and

"(2) every surviving spouse (as defined in section 2(a)), a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over \$36,900	15% of taxable income.
Over \$36,900 but not over \$89,150	\$5,535, plus 28% of the excess over \$36,900.
Over \$89,150 but not over \$140,000	\$20,165, plus 31% of the excess over \$89,150.
Over \$140,000	\$35,928.50, plus 36% of the excess over \$140,000.

"(b) HEADS OF HOUSEHOLDS.—There is hereby imposed on the taxable income of every head of a household (as defined in section 2(b)) a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over \$29,600	15% of taxable income.
Over \$29,600 but not over \$76,400	\$4,440, plus 28% of the excess over \$29,600.
Over \$76,400 but not over \$127,500	\$17,544, plus 31% of the excess over \$76,400.
Over \$127,500	\$33,385, plus 36% of the excess over \$127,500.

"(c) UNMARRIED INDIVIDUALS (OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS).—There is hereby imposed on the taxable income of every individual (other than a surviving spouse as defined in section 2(a) or the head of a household as defined in section 2(b)) who is not a married individual (as defined in section 7703) a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over \$22,100	15% of taxable income.
Over \$22,100 but not over \$53,500	\$3,315, plus 28% of the excess over \$22,100.
Over \$53,500 but not over \$115,000	\$12,107, plus 31% of the excess over \$53,500.
Over \$115,000	\$31,172, plus 36% of the excess over \$115,000.

"(d) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—There is hereby imposed on the taxable income of every married individual (as defined in section 7703) who does not make a single return jointly with his spouse under section 6013, a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over \$18,450	15% of taxable income.
Over \$18,450 but not over \$44,575	\$2,767.50, plus 28% of the excess over \$18,450.
Over \$44,575 but not over \$70,000	\$10,082.50, plus 31% of the excess over \$44,575.
Over \$70,000	\$17,964.25, plus 36% of the excess over \$70,000.

"(e) ESTATES AND TRUSTS.—There is hereby imposed on the taxable income of—

"(1) every estate, and

"(2) every trust,

taxable under this subsection a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over \$1,500	15% of taxable income.
Over \$1,500 but not over \$3,500	\$225, plus 28% of the excess over \$1,500.
Over \$3,500 but not over \$5,500	\$785, plus 31% of the excess over \$3,500.
Over \$5,500	\$1,405, plus 36% of the excess over \$5,500."

(b) CONFORMING AMENDMENTS.—

(1) Section 531 is amended by striking "28 percent" and inserting "36 percent".

(2) Section 541 is amended by striking "28 percent" and inserting "36 percent".

(3)(A) Subsection (f) of section 1 is amended—

(i) by striking "1990" in paragraph (1) and inserting "1993", and

(ii) by striking "1989" in paragraph (3)(B) and inserting "1992".

(B) Subsection (f) of section 1 is amended by adding at the end thereof the following new paragraph:

"(7) SPECIAL RULE FOR CERTAIN BRACKETS.—

"(A) CALENDAR YEAR 1994.—In prescribing the tables under paragraph (1) which apply with respect to taxable years beginning in calendar year 1994, the Secretary shall make no adjustment to the dollar amounts at which the 36 percent rate bracket begins or at which the 39.6 percent rate begins under any table contained in subsection (a), (b), (c), (d), or (e).

"(B) LATER CALENDAR YEARS.—In prescribing tables under paragraph (1) which apply with respect to taxable years beginning in a calendar year after 1994, the cost-of-living adjustment used in making adjustments to the dollar amounts referred to in subparagraph (A) shall be determined under paragraph (3) by substituting '1993' for '1992'."

(C) Subparagraph (C) of section 41(e)(5) is amended by striking "1989" each place it appears and inserting "1992".

(D) Subparagraph (B) of section 63(c)(4) is amended by striking "1989" and inserting "1992".

(E) Subparagraph (B) of section 68(b)(2) is amended by striking "1989" and inserting "1992".

(F) Subparagraph (B) of section 132(f)(6) is amended by striking "determined by substituting" and all that follows down through the period at the end thereof and inserting a period.

(G) Subparagraphs (A)(ii) and (B)(ii) of section 151(d)(4) are each amended by striking "1989" and inserting "1992".

(H) Clause (ii) of section 513(h)(2)(C) is amended by striking "1989" and inserting "1992".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1992.

SEC. 14202. SURTAX ON HIGH-INCOME TAXPAYERS.

(a) GENERAL RULE.—

(1) Subsection (a) of section 1 (as amended by section 14201) is amended by striking the last item in the table contained therein and inserting the following:

Over \$140,000 but not over \$250,000	\$35,928.50, plus 36% of the excess over \$140,000.
Over \$250,000	\$75,528.50, plus 39.6% of the excess over \$250,000."

(2) Subsection (b) of section 1 (as so amended) is amended by striking the last item in the table contained therein and inserting the following:

Over \$127,500 but not over \$250,000	\$33,385, plus 36% of the excess over \$127,500.
Over \$250,000	\$77,485, plus 39.6% of the excess over \$250,000."

(3) Subsection (c) of section 1 (as so amended) is amended by striking the last item in the table contained therein and inserting the following:

Over \$115,000 but not over \$250,000	\$31,172, plus 36% of the excess over \$115,000.
Over \$250,000	\$79,772, plus 39.6% of the excess over \$250,000."

(4) Subsection (d) of section 1 (as so amended) is amended by striking the last item in the table contained therein and inserting the following:

Over \$70,000 but not over \$125,000	\$17,964.25, plus 36% of the excess over \$70,000.
Over \$125,000	\$37,764.25, plus 39.6% of the excess over \$125,000."

(5) Subsection (e) of section 1 (as so amended) is amended by striking the last item in the table contained therein and inserting the following:

Over \$5,500 but not over \$7,500	\$1,405, plus 36% of the excess over \$5,500.
Over \$7,500	\$2,125, plus 39.6% of the excess over \$7,500."

(b) TECHNICAL AMENDMENT.—Sections 531 and 541 (as amended by section 1420) are each amended by striking "36 percent" and inserting "39.6 percent".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1992.

SEC. 14203. MODIFICATIONS TO ALTERNATIVE MINIMUM TAX RATES AND EXEMPTION AMOUNTS.

(a) INCREASE IN RATE.—Paragraph (1) of section 55(b) (defining tentative minimum tax) is amended to read as follows:

"(1) AMOUNT OF TENTATIVE TAX.—

"(A) NONCORPORATE TAXPAYERS.—

"(i) IN GENERAL.—In the case of a taxpayer other than a corporation, the tentative minimum tax for the taxable year is the sum of—

"(I) 26 percent of so much of the taxable excess as does not exceed \$175,000, plus

"(II) 28 percent of so much of the taxable excess as exceeds \$175,000.

The amount determined under the preceding sentence shall be reduced by the alternative minimum tax foreign tax credit for the taxable year.

"(ii) TAXABLE EXCESS.—For purposes of clause (i), the term 'taxable excess' means so

much of the alternative minimum taxable income for the taxable year as exceeds the exemption amount.

"(iii) MARRIED INDIVIDUAL FILING SEPARATE RETURN.—In the case of a married individual filing a separate return, clause (i) shall be applied by substituting '\$87,500' for '\$175,000' each place it appears. For purposes of the preceding sentence, marital status shall be determined under section 7703.

"(B) CORPORATIONS.—In the case of a corporation, the tentative minimum tax for the taxable year is—

"(i) 20 percent of so much of the alternative minimum taxable income for the taxable year as exceeds the exemption amount, reduced by

"(ii) the alternative minimum tax foreign tax credit for the taxable year."

(b) INCREASE IN EXEMPTION AMOUNTS.—Paragraph (1) of section 55(d) (defining exemption amount) is amended—

(1) by striking "\$40,000" in subparagraph (A) and inserting "\$45,000",

(2) by striking "\$30,000" in subparagraph (B) and inserting "\$33,750", and

(3) by striking "\$20,000" in subparagraph (C) and inserting "\$22,500".

(c) CONFORMING AMENDMENTS.—

(1) The last sentence of section 55(d)(3) is amended by striking "\$155,000 or (ii) \$20,000" and inserting "\$165,000 or (ii) \$22,500".

(2)(A) Subparagraph (A) of section 897(a)(2) is amended by striking "the amount determined under section 55(b)(1)(A) shall not be less than 21 percent of" and inserting "the taxable excess for purposes of section 55(b)(1)(A) shall not be less than".

(B) The heading for paragraph (2) of section 897(a) is amended by striking "21-PERCENT".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1992.

SEC. 14204. OVERALL LIMITATION ON ITEMIZED DEDUCTIONS FOR HIGH-INCOME TAXPAYERS MADE PERMANENT.

Subsection (f) of section 68 (relating to overall limitation on itemized deductions) is hereby repealed.

SEC. 14205. PHASEOUT OF PERSONAL EXEMPTION OF HIGH-INCOME TAXPAYERS MADE PERMANENT.

Section 151(d)(3) (relating to phaseout of personal exemption) is amended by striking subparagraph (E).

SEC. 14206. PROVISIONS TO PREVENT CONVERSION OF ORDINARY INCOME TO CAPITAL GAIN.

(a) INTEREST EMBEDDED IN FINANCIAL TRANSACTIONS.—

(1) IN GENERAL.—Part IV of subchapter P of chapter 1 (relating to special rules for determining capital gains and losses) is amended by adding at the end thereof the following new section:

"SEC. 1258. RECHARACTERIZATION OF GAIN FROM CERTAIN FINANCIAL TRANSACTIONS.

"(a) GENERAL RULE.—In the case of any gain—

"(1) which (but for this section) would be treated as gain from the sale or exchange of a capital asset, and

"(2) which is recognized on the disposition of any property which was held as part of a conversion transaction,

such gain (to the extent such gain does not exceed the applicable imputed income amount) shall be treated as ordinary income.

"(b) APPLICABLE IMPUTED INCOME AMOUNT.—For purposes of subsection (a), the term 'applicable imputed income amount' means, with respect to any disposition referred to in subsection (a), an amount equal to—

"(1) the amount of interest which would have accrued on the taxpayer's net investment in the conversion transaction for the period ending on the date of such disposition (or, if earlier, the date on which the requirements of subsection (c) ceased to be satisfied) at a rate equal to 120 percent of the applicable rate, reduced by

"(2) the amount treated as ordinary income under subsection (a) with respect to any prior disposition of property which was held as a part of such transaction.

The Secretary shall by regulations provide for such reductions in the applicable imputed income amount as may be appropriate by reason of amounts capitalized under section 263(g), ordinary income received, or otherwise.

"(c) CONVERSION TRANSACTION.—For purposes of this section, the term 'conversion transaction' means any of the following where substantially all of the taxpayer's expected return from the transaction is attributable to the time value of the taxpayer's net investment in such transaction:

"(1) The holding of any property (whether or not actively traded), and the entering into a contract to sell such property (or substantially identical property) at a price determined in accordance with such contract, but only if such property was acquired and such contract was entered into on a substantially contemporaneous basis.

"(2) Any applicable straddle.

"(3) Any other transaction which is marketed or sold as producing capital gains.

"(4) Any other transaction specified in regulations prescribed by the Secretary.

"(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) APPLICABLE STRADDLE.—The term 'applicable straddle' means any straddle (within the meaning of section 1092(c)); except that the term 'personal property' shall include stock.

"(2) APPLICABLE RATE.—The term 'applicable rate' means—

"(A) the applicable Federal rate determined under section 1274(d) (compounded semiannually) as if the conversion transaction were a debt instrument, or

"(B) if the term of the conversion transaction is indefinite, the Federal short-term rates in effect under section 6621(b) during the period of the conversion transaction (compounded daily).

"(3) TREATMENT OF PROPERTY WITH BUILT-IN LOSS.—

"(A) IN GENERAL.—If any property with a built-in loss becomes part of a conversion transaction—

"(i) for purposes of applying this subtitle to such property for periods after such property becomes part of such transaction, the adjusted basis of such property shall be its fair market value as of the time it became part of such transaction, except that

"(ii) upon the disposition of such property in a transaction in which gain or loss is recognized, such built-in loss shall be recognized and shall have a character determined without regard to this section.

"(B) BUILT-IN LOSS.—For purposes of subparagraph (A), the term 'built-in loss' means the excess (if any) of the adjusted basis of any property over its fair market value (determined as of the date on which such property became part of such transaction).

"(4) PROPERTY TAKEN INTO ACCOUNT AT FAIR MARKET VALUE.—In determining the taxpayer's net investment in any conversion transaction, there shall be included the fair market value of any property which becomes part of such transaction (determined as of

the date on which such property became part of such transaction)."

(2) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter P of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 1258. Recharacterization of gain from certain financial transactions."

(3) EFFECTIVE DATE.—The amendments made by this section shall apply to conversion transactions entered into after April 30, 1993.

(b) REPEAL OF CERTAIN EXCEPTIONS TO MARKET DISCOUNT RULES.—

(1) MARKET DISCOUNT BONDS ISSUED ON OR BEFORE JULY 18, 1984.—The following provisions are hereby repealed:

(A) Section 1276(e).

(B) Section 1277(d).

(2) TAX-EXEMPT OBLIGATIONS.—

(A) IN GENERAL.—Paragraph (1) of section 1278(a) (defining market discount bond) is amended—

(i) by striking clause (ii) of subparagraph (B) and redesignating subclauses (iii) and (iv) of such subparagraph as clauses (ii) and (iii), respectively.

(ii) by redesignating subparagraph (C) as subparagraph (D), and

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

"(C) SECTION 1277 NOT APPLICABLE TO TAX-EXEMPT OBLIGATIONS.—For purposes of section 1277, the term 'market discount bond' shall not include any tax-exempt obligation (as defined in section 1275(a)(3))."

(B) CONFORMING AMENDMENT.—Sections 1276(a)(4) and 1278(b)(1) are each amended by striking "sections 871(a)" and inserting "sections 103, 871(a)".

(3) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations purchased (within the meaning of section 1272(d)(1) of the Internal Revenue Code of 1986) after April 30, 1993.

(c) TREATMENT OF STRIPPED PREFERRED STOCK.—

(1) IN GENERAL.—Section 305 is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

"(e) TREATMENT OF PURCHASER OF STRIPPED PREFERRED STOCK.—

"(1) IN GENERAL.—If any person purchases after April 30, 1993 any stripped preferred stock, then such person, while holding such stock, shall include in gross income amounts equal to the amounts which would have been so includable if such stripped preferred stock were a bond issued on the purchase date and having original issue discount equal to the excess, if any, of—

"(A) the redemption price for such stock, over

"(B) the price at which such person purchased such stock.

The preceding sentence shall also apply in the case of any person whose basis in such stock is determined by reference to the basis in the hands of such purchaser.

"(2) BASIS ADJUSTMENTS.—Appropriate adjustments to basis shall be made for amounts includable in gross income under paragraph (1).

"(3) TAX TREATMENT OF PERSON STRIPPING STOCK.—If any person strips the rights to 1 or more dividends from any stock described in paragraph (5)(B) and after April 30, 1993 disposes of such dividend rights, for purposes of paragraph (1), such person shall be treated as having purchased the stripped preferred stock on the date of such disposition for a purchase price equal to such person's adjusted basis in such stripped preferred stock.

"(4) AMOUNTS TREATED AS ORDINARY INCOME.—Any amount included in gross income under paragraph (1) shall be treated as ordinary income.

"(5) STRIPPED PREFERRED STOCK.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'stripped preferred stock' means any stock described in subparagraph (B) if there has been a separation in ownership between such stock and any dividend on such stock which has not become payable.

"(B) DESCRIPTION OF STOCK.—Stock is described in this subsection if such stock—

"(i) is limited and preferred as to dividends and does not participate in corporate growth to any significant extent, and

"(ii) has a fixed redemption price.

"(6) PURCHASE.—For purposes of this subsection, the term 'purchase' means—

"(A) any acquisition of stock, where

"(B) the basis of such stock is not determined in whole or in part by the reference to the adjusted basis of such stock in the hands of the person from whom acquired."

(2) COORDINATION WITH SECTION 167(e).—Paragraph (2) of section 167(e) is amended to read as follows:

"(2) COORDINATION WITH OTHER PROVISIONS.—

"(A) SECTION 273.—This subsection shall not apply to any term interest to which section 273 applies.

"(B) SECTION 305(e).—This subsection shall not apply to the holder of the dividend rights which were separated from any stripped preferred stock to which section 305(e)(1) applies."

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on April 30, 1993.

(d) TREATMENT OF CAPITAL GAIN UNDER LIMITATION ON INVESTMENT INTEREST.—

(1) IN GENERAL.—Subparagraph (B) of section 163(d)(4) (defining investment income) is amended to read as follows:

"(B) INVESTMENT INCOME.—The term 'investment income' means the sum of—

"(i) gross income from property held for investment (other than any gain taken into account under clause (ii)(I)),

"(ii) the excess (if any) of—

"(I) the net gain attributable to the disposition of property held for investment, over

"(II) the net capital gain determined by only taking into account gains and losses from dispositions of property held for investment, plus

"(iii) so much of the net capital gain referred to in clause (ii)(II) (or, if lesser, the net gain referred to in clause (ii)(I)) as the taxpayer elects to take into account under this clause."

(2) COORDINATION WITH SPECIAL CAPITAL GAINS RATE.—Subsection (h) of section 1 is amended by adding at the end thereof the following new sentence:

"For purposes of the preceding sentence, the net capital gain for any taxable year shall be reduced (but not below zero) by the amount which the taxpayer elects to take into account as investment income for the taxable year under section 163(d)(4)(B)(iii)."

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 1992.

(e) TREATMENT OF CERTAIN APPRECIATED INVENTORY.—

(1) Paragraph (1) of section 751(d) is amended to read as follows:

"(1) SUBSTANTIAL APPRECIATION.—

"(A) IN GENERAL.—Inventory items of the partnership shall be considered to have ap-

preciated substantially in value if their fair market value exceeds 120 percent of the adjusted basis to the partnership of such property.

"(B) CERTAIN PROPERTY EXCLUDED.—For purposes of subparagraph (A), there shall be excluded any inventory property if a principal purpose for acquiring such property was to avoid the provisions of this section relating to inventory items."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to sales, exchanges, and distributions after April 30, 1993.

Subpart B—Other Provisions

SEC. 14207. REPEAL OF LIMITATION ON AMOUNT OF WAGES SUBJECT TO HEALTH INSURANCE EMPLOYMENT TAX.

(a) HOSPITAL INSURANCE TAX.—

(1) Paragraph (1) of section 3121(a) (defining wages) is amended—

(A) by inserting "in the case of the taxes imposed by sections 3101(a) and 3111(a)" after "(1)",

(B) by striking "applicable contribution base (as determined under subsection (x))" each place it appears and inserting "contribution and benefit base (as determined under section 230 of the Social Security Act)", and

(C) by striking "such applicable contribution base" and inserting "such contribution and benefit base".

(2) Section 3121 is amended by striking subsection (x).

(b) SELF-EMPLOYMENT TAX.—

(1) Subsection (b) of section 1402 is amended—

(A) by striking "that part of the net" in paragraph (1) and inserting "in the case of the tax imposed by section 1401(a), that part of the net",

(B) by striking "applicable contribution base (as determined under subsection (k))" in paragraph (1) and inserting "contribution and benefit base (as determined under section 230 of the Social Security Act)",

(C) by inserting "and" after "section 3121(b)", and

(D) by striking "and (C) includes" and all that follows through "3111(b)".

(2) Section 1402 is amended by striking subsection (k).

(c) RAILROAD RETIREMENT TAX.—

(1) Subparagraph (A) of section 3231(e)(2) is amended by adding at the end thereof the following new clause:

"(iii) HOSPITAL INSURANCE TAXES.—Clause

(i) shall not apply to—

"(I) so much of the rate applicable under section 3201(a) or 3221(a) as does not exceed the rate of tax in effect under section 3101(b), and

"(II) so much of the rate applicable under section 3211(a)(1) as does not exceed the rate of tax in effect under section 1402(b)."

(2) Clause (i) of section 3231(e)(2)(B) is amended to read as follows:

"(i) TIER 1 TAXES.—Except as provided in clause (ii), the term 'applicable base' means for any calendar year the contribution and benefit base determined under section 230 of the Social Security Act for such calendar year."

(d) TECHNICAL AMENDMENTS.—

(1) Paragraph (1) of section 6413(c) is amended by striking "section 3101 or section 3201" and inserting "section 3101(a) or section 3201(a) (to the extent the rate applicable under section 3201(a) as does not exceed the rate of tax in effect under section 3101(a))".

(2) Subparagraphs (B) and (C) of section 6413(c)(2) are each amended by striking "section 3101" each place it appears and inserting "section 3101(a)".

(3) Subsection (c) of section 6413 is amended by striking paragraph (3).

(4) Sections 3122 and 3125 of such Code are each amended by striking "applicable contribution base limitation" and inserting "contribution and benefit base limitation".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to 1994 and later calendar years.

SEC. 14208. TOP ESTATE AND GIFT TAX RATES MADE PERMANENT.

(a) GENERAL RULE.—The table contained in paragraph (1) of section 2001(c) is amended by striking the last item and inserting the following new items:

"Over \$2,500,000 but not over \$3,000,000.	\$1,025,800, plus 53% of the excess over \$2,500,000.
Over \$3,000,000	\$1,290,800, plus 55% of the excess over \$3,000,000."

(b) CONFORMING AMENDMENTS.—

(1) Subsection (c) of section 2001 is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

(2) Paragraph (2) of section 2001(c), as redesignated by paragraph (1), is amended by striking "\$18,340,000 in the case of decedents dying, and gifts made, after 1992)".

(3) The last sentence of section 2101(b) is amended by striking "section 2001(c)(3)" and inserting "section 2001(c)(2)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply in the case of decedents dying, and gifts made, after December 31, 1992.

SEC. 14209. REDUCTION IN DEDUCTIBLE PORTION OF BUSINESS MEALS AND ENTERTAINMENT.

(a) GENERAL RULE.—Paragraph (1) of section 274(n) (relating to only 80 percent of meal and entertainment expenses allowed as deduction) is amended by striking "80 percent" and inserting "50 percent".

(b) CONFORMING AMENDMENT.—The subsection heading for section 274(n) is amended by striking "80" and inserting "50".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1993.

SEC. 14210. ELIMINATION OF DEDUCTION FOR CLUB MEMBERSHIP FEES.

(a) IN GENERAL.—Subsection (a) of section 274 (relating to disallowance of certain entertainment, etc., expenses) is amended by adding at the end thereof the following new paragraph:

"(3) DENIAL OF DEDUCTION FOR CLUB DUES.—Notwithstanding the preceding provisions of this subsection, no deduction shall be allowed under this chapter for amounts paid or incurred for membership in any club organized for business, pleasure, recreation, or other social purpose. The preceding sentence shall not apply in the case of an airline or hotel club."

(b) EXCEPTION FOR EMPLOYEE RECREATIONAL EXPENSES NOT TO APPLY.—Paragraph (4) of section 274(e) is amended by adding at the end thereof the following: "This paragraph shall not apply for purposes of subsection (a)(3)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after December 31, 1993.

SEC. 14211. DISALLOWANCE OF DEDUCTION FOR CERTAIN EMPLOYEE REMUNERATION IN EXCESS OF \$1,000,000.

(a) GENERAL RULE.—Section 162 (relating to trade or business expenses) is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

"(m) CERTAIN EXCESSIVE EMPLOYEE REMUNERATION.—

"(1) IN GENERAL.—In the case of any publicly held corporation, no deduction shall be

allowed under this chapter for applicable employee remuneration with respect to any covered employee to the extent that the amount of such remuneration for the taxable year with respect to such employee exceeds \$1,000,000.

"(2) PUBLICLY HELD CORPORATION.—For purposes of this subsection, the term 'publicly held corporation' means any corporation issuing any class of common equity securities required to be registered under section 12 of the Securities Exchange Act of 1934.

"(3) COVERED EMPLOYEE.—For purposes of this subsection, the term 'covered employee' means any employee of the taxpayer if—

"(A) as of the close of the taxable year, such employee is the chief executive officer of the taxpayer or an individual acting in such a capacity, or

"(B) the total compensation for the taxable year of such employee is required to be reported to shareholders under the Securities Exchange Act of 1934 by reason of such employee being among the 4 highest compensated officers for the taxable year (other than the chief executive officer).

"(4) APPLICABLE EMPLOYEE REMUNERATION.—For purposes of this subsection—

"(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term 'applicable employee remuneration' means, with respect to any covered employee for any taxable year, the aggregate amount allowable as a deduction under this chapter for such taxable year (determined without regard to this subsection) for remuneration for services performed by such employee (whether or not during the taxable year).

"(B) EXCEPTION FOR REMUNERATION PAYABLE ON COMMISSION BASIS.—The term 'applicable employee remuneration' shall not include any remuneration payable on a commission basis solely on account of income generated directly by the individual performance of the individual to whom such remuneration is payable.

"(C) OTHER PERFORMANCE-BASED COMPENSATION.—The term 'applicable employee remuneration' shall not include any remuneration payable solely on account of the attainment of one or more performance goals but only if—

"(i) the performance goals are determined by a compensation committee of the board of directors of the taxpayer which is comprised solely of 2 or more independent directors,

"(ii) the material terms under which the remuneration is to be paid, including the performance goals, are disclosed to shareholders and approved by a majority of the vote in a separate shareholder vote before the payment of such remuneration, and

"(iii) before any payment of such remuneration, the compensation committee referred to in clause (i) certifies that the performance goals and any other material terms were in fact satisfied.

"(D) EXCEPTION FOR EXISTING BINDING CONTRACTS.—The term 'applicable employee remuneration' shall not include any remuneration payable under a written binding contract which was in effect on February 17, 1993, and which was not modified thereafter in any material respect before such remuneration is paid.

"(E) REMUNERATION.—For purposes of this paragraph, the term 'remuneration' includes any remuneration (including benefits) in any medium other than cash, but shall not include—

"(i) any payment referred to in so much of section 3121(a)(5) as precedes subparagraph (E) thereof, and

"(ii) any benefit provided to or on behalf of an employee if at the time such benefit is

provided it is reasonable to believe that the employee will be able to exclude such benefit from gross income under this chapter.

For purposes of clause (i), section 3121(a)(5) shall be applied without regard to section 3121(v)(1).

"(F) COORDINATION WITH DISALLOWED GOLD-EN PARACHUTE PAYMENTS.—The dollar limitation contained in paragraph (1) shall be reduced (but not below zero) by the amount (if any) which would have been included in the applicable employee remuneration of the covered employee for the taxable year but for being disallowed under section 280G."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to amounts which would otherwise be deductible for taxable years beginning on or after January 1, 1994.

SEC. 14212. REDUCTION IN COMPENSATION TAKEN INTO ACCOUNT IN DETERMINING CONTRIBUTIONS AND BENEFITS UNDER QUALIFIED RETIREMENT PLANS.

(a) IN GENERAL.—Sections 401(a)(17), 404(l), and 505(b)(7) are each amended—

(1) by striking "\$200,000" in the first sentence and inserting "\$150,000", and

(2) by striking the second sentence and inserting "In the case of years beginning after 1994, the Secretary shall adjust the \$150,000 amount at the same time and in the same manner as under section 415(d), except that the base period for purposes of section 415(d)(1)(A) shall be the calendar quarter beginning October 1, 1994."

(b) SIMPLIFIED EMPLOYEE PENSIONS.—

(1) IN GENERAL.—Paragraphs (3)(C) and (6)(D)(ii) of section 408(k) are each amended by striking "\$200,000" and inserting "\$150,000".

(2) COST-OF-LIVING.—Paragraph (8) of section 408(k) is amended to read as follows:

"(8) COST-OF-LIVING ADJUSTMENT.—The Secretary shall adjust the \$300 amount in paragraph (2)(C) at the same time and in the same manner as under section 415(d) and shall adjust the \$150,000 amount in paragraphs (3)(C) and (6)(D)(ii) at the same time and by the same amount as the adjustment to the \$150,000 amount in section 401(a)(17)."

(c) CONFORMING AMENDMENT.—The heading for section 505(b)(7) is amended by striking "\$200,000".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to benefits accruing in plan years beginning after December 31, 1993.

SEC. 14213. MODIFICATION TO DEDUCTION FOR CERTAIN MOVING EXPENSES.

(a) REPEAL OF DEDUCTION FOR QUALIFIED RESIDENCE SALE, ETC., EXPENSES.—

(1) IN GENERAL.—Paragraph (1) of section 217(b) (defining moving expenses) is amended by inserting "or" at the end of subparagraph (C), by striking ", or" at the end of subparagraph (D) and inserting a period, and by striking subparagraph (E).

(2) CONFORMING AMENDMENTS.—

(A) Subsection (b) of section 217 is amended by striking paragraph (2) and redesignating paragraph (3) as paragraph (2).

(B) Paragraph (2) of section 217(b) (as redesignated by subparagraph (A)) is amended—

(i) by striking the last sentence of subparagraph (A), and

(ii) by striking ", and by" in subparagraph (B) and all that follows down through the period at the end of subparagraph (B) and inserting a period.

(C) Paragraph (1) of section 217(h) is amended by striking subparagraphs (B) and (C) and inserting the following:

"(B) subsection (b)(2)(A) shall be applied by substituting '\$4,500' for '\$1,500', and

"(C) subsection (b)(2)(B) shall be applied as if the last sentence of such subsection read as follows: 'In the case of a husband and wife filing separate returns, subparagraph (A) shall be applied by substituting '\$2,250' for '\$4,500'.'"

(D) Section 217 is amended by striking subsection (e).

(b) DEDUCTION DISALLOWED FOR MEAL EXPENSES.—Paragraph (1) of section 217(b) is amended—

(1) by striking "meals and lodging" in subparagraphs (B), (C) and (D) and inserting "lodging", and

(2) by adding at the end thereof the following new sentence:

"Such term shall not include any expenses for meals."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to expenses incurred after December 31, 1993.

SEC. 14214. SIMPLIFICATION OF INDIVIDUAL ESTIMATED TAX SAFE HARBOR BASED ON LAST YEAR'S TAX.

(a) IN GENERAL.—Paragraph (1) of section 6654(d) (relating to amount of required estimated tax installments) is amended by striking subparagraphs (C), (D), (E), and (F) and by inserting the following new subparagraph:

"(C) LIMITATION ON USE OF PRECEDING YEAR'S TAX.—

"(i) IN GENERAL.—If the adjusted gross income shown on the return of the individual for the preceding taxable year exceeds \$150,000, clause (ii) of subparagraph (B) shall be applied by substituting '110 percent' for '100 percent'.

"(ii) SEPARATE RETURNS.—In the case of a married individual (within the meaning of section 7703) who files a separate return for the taxable year for which the amount of the installment is being determined, clause (i) shall be applied by substituting '\$75,000' for '\$150,000'.

"(iii) SPECIAL RULE.—In the case of an estate or trust, adjusted gross income shall be determined as provided in section 67(e)."

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (A) of section 6654(j)(3) is amended by striking "and subsection (d)(1)(C)(iii) shall not apply".

(2) Paragraph (4) of section 6654(l) is amended by striking "paragraphs (1)(C)(iv) and (2)(B)(i) of subsection (d)" and inserting "subsection (d)(2)(B)(i)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1993.

SEC. 14215. SOCIAL SECURITY AND TIER 1 RAILROAD RETIREMENT BENEFITS.

(a) IN GENERAL.—Subsections (a) (1) and (2) of section 86 (relating to social security and tier 1 railroad retirement benefits) are each amended by striking "one-half" and inserting "85 percent".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1993.

(c) ADDITIONAL RECEIPTS RETAINED IN GENERAL FUND.—

(1) Subsection (e) of section 121 of the Social Security Amendments of 1983 is amended by adding at the end the following new paragraph:

"(5) CERTAIN INCREASED RECEIPTS RETAINED IN GENERAL FUND.—In determining the amount appropriated to any payor fund under paragraph (1), there shall be excluded any increase in tax liability to the extent such increase is attributable to the amendments made to section 86 of the Internal Revenue Code of 1986 by the Revenue Reconciliation Act of 1993."

(2) Paragraph (4) of subsection (e) of such section 121 is amended by redesignating sub-

paragraphs (A) and (B) as subparagraphs (B) and (C) and by inserting before subparagraph (B) (as so redesignated) the following new subparagraph:

"(A) the total aggregate increase in tax liability under chapter 1 of the Internal Revenue Code of 1986 which is attributable to the application of sections 86 and 871(a)(3) of such Code."

PART II—PROVISIONS AFFECTING BUSINESSES

SEC. 14221. INCREASE IN TOP MARGINAL RATE UNDER SECTION 11.

(a) GENERAL RULE.—Paragraph (1) of section 11(b) (relating to amount of tax) is amended—

(1) by striking "and" at the end of subparagraph (B),

(2) by striking subparagraph (C) and inserting the following:

"(C) 34 percent of so much of the taxable income as exceeds \$75,000 but does not exceed \$10,000,000, and

"(D) 35 percent of so much of the taxable income as exceeds \$10,000,000.", and

(3) by adding at the end thereof the following new sentence: "In the case of a corporation which has taxable income in excess of \$15,000,000, the amount of the tax determined under the foregoing provisions of this paragraph shall be increased by an additional amount equal to the lesser of (i) 3 percent of such excess, or (ii) \$100,000."

(b) CERTAIN PERSONAL SERVICE CORPORATIONS.—Paragraph (2) of section 11(b) is amended by striking "34 percent" and inserting "35 percent".

(c) CONFORMING AMENDMENTS.—

(1) Clause (iii) of section 852(b)(3)(D) is amended by striking "66 percent" and inserting "65 percent".

(2) Subsection (a) of section 1201 is amended by striking "34 percent" each place it appears and inserting "35 percent".

(3) Paragraphs (1) and (2) of section 1445(e) are each amended by striking "34 percent" and inserting "35 percent".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning on or after January 1, 1993; except that the amendment made by subsection (c)(3) shall take effect on the date of the enactment of this Act.

SEC. 14222. DENIAL OF DEDUCTION FOR LOBBYING EXPENSES.

(a) DISALLOWANCE OF DEDUCTION.—Section 162(e) (relating to appearances, etc., with respect to legislation) is amended to read as follows:

"(e) DENIAL OF DEDUCTION FOR CERTAIN LOBBYING AND POLITICAL EXPENDITURES.—

"(1) IN GENERAL.—No deduction shall be allowed under subsection (a) for any amount paid or incurred—

"(A) in connection with influencing legislation,

"(B) for participation in, or intervention in, any political campaign on behalf of (or in opposition to) any candidate for public office, or

"(C) in connection with any attempt to influence the general public, or segments thereof, with respect to elections.

"(2) APPLICATION TO DUES.—

"(A) IN GENERAL.—No deduction shall be allowed under subsection (a) for the portion of dues or other similar amounts (paid by the taxpayer with respect to an organization) which is allocable to the expenditures described in paragraph (1).

"(B) ALLOCATION.—

"(i) IN GENERAL.—For purposes of subparagraph (A), expenditures described in paragraph (1) shall be treated as paid out of dues or other similar amounts.

"(ii) CARRYOVER OF LOBBYING EXPENDITURES IN EXCESS OF DUES.—For purposes of this paragraph, if expenditures described in paragraph (1) exceed the dues or other similar amounts for any calendar year, such excess shall be treated as expenditures described in paragraph (1) which are paid or incurred by the organization during the following calendar year.

"(3) INFLUENCING LEGISLATION.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'influencing legislation' means—

"(i) any attempt to influence the general public, or segments thereof, with respect to legislation, and

"(ii) any attempt to influence any legislation through communication with any member or employee of the legislative body, or with any government official or employee who may participate in the formulation of the legislation.

"(B) EXCEPTION FOR CERTAIN TECHNICAL ADVICE.—The term 'influencing legislation' shall not include the providing of technical advice or assistance to a governmental body or to a committee or other subdivision thereof in response to a specific written request by such governmental entity to the taxpayer which specifies the nature of the advice or assistance requested.

"(C) LEGISLATION.—The term 'legislation' has the meaning given such term by section 4911(e)(2).

"(4) EXCEPTION FOR CERTAIN TAXPAYERS.—In the case of any taxpayer engaged in the trade or business of conducting activities described in paragraph (1), paragraph (1) shall not apply to expenditures of the taxpayer in conducting such activities on behalf of another person (but shall apply to payments by such other person to the taxpayer for conducting such activities).

"(5) CROSS REFERENCE.—

"For reporting requirements related to this subsection, see section 60500."

(b) REPORTING REQUIREMENTS.—

(1) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 (relating to information concerning transactions with other persons) is amended by adding at the end the following new section:

"SEC. 60500. RETURNS RELATING TO LOBBYING EXPENDITURES OF CERTAIN ORGANIZATIONS.

"(a) REQUIREMENT OF REPORTING.—Each organization referred to in section 162(e)(2) shall make a return, according to the forms or regulations prescribed by the Secretary, setting forth the names and addresses of persons paying dues to the organization, the amount of the dues paid by such person, and the portion of such dues which is nondeductible under section 162(e)(2).

"(b) STATEMENTS TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS FURNISHED.—Any organization required to make a return under subsection (a) shall furnish to each person whose name is required to be set forth in such return a written statement showing—

"(1) the name and address of the organization, and

"(2) the dues paid by the person during the calendar year and the portion of such dues which is nondeductible under section 162(e)(2).

The written statement required under the preceding sentence shall be furnished (either in person or in a statement mailing by first-class mail which includes adequate notice that the statement is enclosed) to the persons on or before January 31 of the year following the calendar year for which the re-

turn (under subsection (a)) was made and shall be in such form as the Secretary may prescribe by regulations.

"(c) WAIVER.—The Secretary may waive the reporting requirements of this section with respect to any organization or class of organizations if the Secretary determines that such reporting is not necessary to carry out the purposes of section 162(e).

"(d) DUES.—For purposes of this section, the term 'dues' includes other similar amounts."

(2) PENALTIES.—

(A) RETURNS.—Subparagraph (A) of section 6724(d)(1) (defining information return) is amended by striking "or" at the end of clause (xi), by striking the period at the end of the clause (xii) relating to section 4101(d) and inserting a comma, by redesignating the clause (xii) relating to section 338(h)(10) as clause (xiii), by striking the period at the end of clause (xiii) (as so redesignated) and inserting ", or", and by adding at the end the following new clause:

"(xiv) section 60500(a) (relating to information on nondeductible lobbying expenditures)."

(B) PAYEE STATEMENTS.—Paragraph (2) of section 6724(d) (defining payee statement) is amended by striking "or" at the end of subparagraph (R), by striking the period at the end of subparagraph (S) and inserting ", or", and by adding at the end the following new subparagraph:

"(T) section 60500(b) (relating to returns on nondeductible lobbying expenditures)."

(C) EXCESSIVE UNDERREPORTING.—Section 6721 (relating to failure to file correct information returns) is amended by adding at the end the following new subsection:

"(f) PENALTY IN CASE OF EXCESSIVE UNDERREPORTING ON NONDEDUCTIBLE DUES.—If the aggregate amount of nondeductible dues which is reported on the return required to be filed under section 60500(a) for any calendar year is less than 75 percent of the aggregate amount required to be so reported—

"(1) subsections (b), (c), and (d) shall not apply, and

"(2) the penalty imposed under subsection (a) shall be equal to the product of—

"(A) the amount required to be reported which was not so reported, and

"(B) the highest rate of tax imposed by section 11 for taxable years beginning in such calendar year."

(3) CONFORMING AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by adding at the end the following new item:

"Sec. 60500. Returns relating to lobbying expenditures of certain organizations."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after December 31, 1993.

SEC. 14223. MARK TO MARKET ACCOUNTING METHOD FOR SECURITIES DEALERS.

(a) GENERAL RULE.—Subpart D of part II of subchapter E of chapter 1 (relating to inventories) is amended by adding at the end thereof the following new section:

"SEC. 475. MARK TO MARKET ACCOUNTING METHOD FOR DEALERS IN SECURITIES.

"(a) GENERAL RULE.—Notwithstanding any other provision of this subpart, the following rules shall apply to securities held by a dealer in securities:

"(1) Any security which is inventory in the hands of the dealer shall be included in inventory at its fair market value.

"(2) In the case of any security which is not inventory in the hands of the dealer and

which is held at the close of any taxable year—

“(A) the dealer shall recognize gain or loss as if such security were sold for its fair market value on the last business day of such taxable year, and

“(B) any gain or loss shall be taken into account for such taxable year.

Proper adjustment shall be made in the amount of any gain or loss subsequently realized for gain or loss taken into account under the preceding sentence. The Secretary may provide by regulations for the application of this paragraph at times other than the times provided in this paragraph.

“(b) EXCEPTIONS.—

“(1) IN GENERAL.—Subsection (a) shall not apply to—

“(A) any security held for investment,

“(B)(i) any security described in subsection (c)(2)(C) which is acquired (including originated) by the taxpayer in the ordinary course of a trade or business of the taxpayer and which is not held for sale, and (ii) any obligation to acquire a security described in clause (i) if such obligation is entered into in the ordinary course of such trade or business and is not held for sale, and

“(C) any security which is a hedge with respect to—

“(i) a security to which subsection (a) does not apply, or

“(ii) a position, right to income, or a liability which is not a security in the hands of the taxpayer.

To the extent provided in regulations, subparagraph (C) shall not apply to any security held by a person in its capacity as a dealer in securities.

“(2) IDENTIFICATION REQUIRED.—A security shall not be treated as described in subparagraph (A), (B), or (C) of paragraph (1), as the case may be, unless such security is clearly identified in the dealer's records as being described in such subparagraph 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).

“(3) SECURITIES SUBSEQUENTLY NOT EXEMPT.—If a security ceases to be described in paragraph (1) at any time after it was identified as such under paragraph (2), subsection (a) shall apply to any changes in value of the security occurring after the cessation.

“(4) SPECIAL RULE FOR PROPERTY HELD FOR INVESTMENT.—To the extent provided in regulations, subparagraph (A) of paragraph (1) shall not apply to any security described in subparagraph (D) or (E) of subsection (c)(2) which is held by a dealer in such securities.

“(c) DEFINITIONS.—For purposes of this section—

“(1) DEALER IN SECURITIES DEFINED.—The term ‘dealer in securities’ means a taxpayer who—

“(A) regularly purchases securities from or sells securities to customers in the ordinary course of a trade or business; or

“(B) regularly offers to enter into, assume, offset, assign or otherwise terminate positions in securities with customers in the ordinary course of a trade or business.

“(2) SECURITY DEFINED.—The term ‘security’ means any—

“(A) share of stock in a corporation;

“(B) partnership or beneficial ownership interest in a widely held or publicly traded partnership or trust;

“(C) note, bond, debenture, or other evidence of indebtedness;

“(D) interest rate, currency, or equity notional principal contract;

“(E) evidence of an interest in, or a derivative financial instrument in, any security de-

scribed in subparagraph (A), (B), (C), or (D), or any currency, including any option, forward contract, short position, and any similar financial instrument in such a security or currency; and

“(F) position which—

“(i) is not a security described in subparagraph (A), (B), (C), (D), or (E),

“(ii) is a hedge with respect to such a security, and

“(iii) is clearly identified in the dealer's records as being described in this subparagraph before the close of the day on which it was acquired or entered into (or such other time as the Secretary may by regulations prescribe).

Subparagraph (E) shall not include any contract to which section 1256(a) applies.

“(3) HEDGE.—The term ‘hedge’ means any position which reduces the dealer's risk of interest rate or price changes or currency fluctuations, including any position which is reasonably expected to become a hedge within 60 days after the acquisition of the position.

“(d) SPECIAL RULES.—For purposes of this section—

“(1) COORDINATION WITH CERTAIN RULES.—The rules of sections 263(g), 263A, and 1256(a) shall not apply to securities to which subsection (a) applies, and section 1091 shall not apply (and section 1092 shall apply) to any loss recognized under subsection (a).

“(2) IMPROPER IDENTIFICATION.—If a taxpayer—

“(A) identifies any security under subsection (b)(2) as being described in subsection (b)(1) and such security is not so described, or

“(B) fails under subsection (c)(2)(F)(iii) to identify any position which is described in subsection (c)(2)(F) (without regard to clause (iii) thereof) at the time such identification is required,

the provisions of subsection (a) shall apply to such security or position, except that any loss under this section prior to the disposition of the security or position shall be recognized only to the extent of gain previously recognized under this section (and not previously taken into account under this paragraph) with respect to such security or position.

“(3) CHARACTER OF GAIN OR LOSS.—

“(A) IN GENERAL.—Except as provided in subparagraph (B) or section 1236(b)—

“(i) IN GENERAL.—Any gain or loss with respect to a security under subsection (a)(2) shall be treated as ordinary income or loss.

“(ii) SPECIAL RULE FOR DISPOSITIONS.—If—

“(I) gain or loss is recognized with respect to a security before the close of the taxable year, and

“(II) subsection (a)(2) would have applied if the security were held as of the close of the taxable year,

such gain or loss shall be treated as ordinary income or loss.

“(B) EXCEPTION.—Subparagraph (A) shall not apply to any gain or loss which is allocable to a period during which—

“(i) the security is described in subsection (b)(1)(C) (without regard to subsection (b)(2)),

“(ii) the security is held by a person other than in connection with its activities as a dealer in securities, or

“(iii) the security is improperly identified (within the meaning of subparagraph (A) or (B) of paragraph (2)).

“(e) REGULATORY AUTHORITY.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including rules—

“(1) to prevent the use of year-end transfers, related parties, or other arrangements to avoid the provisions of this section, and

“(2) to provide for the application of this section to any security which is a hedge which cannot be identified with a specific security, position, right to income, or liability.”

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 988(d) is amended—

(A) by striking “section 1256” and inserting “section 475 or 1256”, and

(B) by striking “1092 and 1256” and inserting “475, 1092, and 1256”.

(2) The table of sections for subpart D of part II of subchapter E of chapter 1 is amended by adding at the end thereof the following new item:

“Sec. 475. Mark to market accounting method for dealers in securities.”

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to all taxable years ending on or after December 31, 1993.

(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by this section to change its method of accounting for any taxable year—

(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, and

(C) except as provided in paragraph (3), the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account ratably over the 5-taxable year period beginning with the first taxable year ending on or after December 31, 1993.

(3) SPECIAL RULE FOR FLOOR SPECIALISTS AND MARKET MAKERS.—

(A) IN GENERAL.—If—

(i) a taxpayer used the last-in first-out (LIFO) method of accounting with respect to any qualified securities for its last taxable year ending before December 31, 1993, and

(ii) any portion of the net amount described in paragraph (2)(C) is attributable to the use of such method of accounting,

then paragraph (2)(C) shall be applied by taking such portion into account ratably over the 20-taxable year period beginning with the first taxable year ending on or after December 31, 1993 (or, if shorter, the period of taxable years equal to the greater of 5 years or the number of taxable years before such first taxable year for which the taxpayer (or any predecessor) used such method of accounting).

(B) QUALIFIED SECURITY.—For purposes of this paragraph, the term “qualified security” means any security acquired—

(i) by a floor specialist (as defined in section 1236(d)(2) of the Internal Revenue Code of 1986) in connection with the specialist's duties as a specialist on an exchange, but only if the security is one in which the specialist is registered with the exchange, or

(ii) by a taxpayer who is a market maker in connection with the taxpayer's duties as a market maker, but only if—

(I) the security is included on the National Association of Security Dealers Automated Quotation System,

(II) the taxpayer is registered as a market maker in such security with the National Association of Security Dealers, and

(III) as of the last day of the taxable year preceding the taxpayer's first taxable year ending on or after December 31, 1993, the taxpayer (or any predecessor) has been actively

and regularly engaged as a market maker in such security for the 2-year period ending on such date (or, if shorter, the period beginning 61 days after the security was listed in such quotation system and ending on such date).

SEC. 14224. CLARIFICATION OF TREATMENT OF CERTAIN FSLIC FINANCIAL ASSISTANCE.

(a) GENERAL RULE.—For purposes of chapter 1 of the Internal Revenue Code of 1986—

(1) any FSLIC assistance with respect to any loss of principal, capital, or similar amount upon the disposition of any asset shall be taken into account as compensation for such loss for purposes of section 165 of such Code, and

(2) any FSLIC assistance with respect to any debt shall be taken into account for purposes of section 166, 585, or 593 of such Code in determining whether such debt is worthless (or the extent to which such debt is worthless) and in determining the amount of any addition to a reserve for bad debts arising from the worthlessness or partial worthlessness of such debts.

(b) FSLIC ASSISTANCE.—For purposes of this section, the term "FSLIC assistance" means any assistance (or right to assistance) with respect to a domestic building and loan association (as defined in section 7701(a)(19) of such Code without regard to subparagraph (C) thereof) under section 406(f) of the National Housing Act or section 21A of the Federal Home Loan Bank Act (or under any similar provision of law).

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection—

(A) The provisions of this section shall apply to taxable years ending on or after March 4, 1991, but only with respect to FSLIC assistance not credited before March 4, 1991.

(B) If any FSLIC assistance not credited before March 4, 1991, is with respect to a loss sustained or charge-off in a taxable year ending before March 4, 1991, for purposes of determining the amount of any net operating loss carryover to a taxable year ending on or after March 4, 1991, the provisions of this section shall apply to such assistance for purposes of determining the amount of the net operating loss for the taxable year in which such loss was sustained or debt written off. Except as provided in the preceding sentence, this section shall not apply to any FSLIC assistance with respect to a loss sustained or charge-off in a taxable year ending before March 4, 1991.

(2) EXCEPTIONS.—The provisions of this section shall not apply to any assistance to which the amendments made by section 1401(a)(3) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 apply.

SEC. 14225. MODIFICATION OF CORPORATE ESTIMATED TAX RULES.

(a) INCREASE IN REQUIRED INSTALLMENT BASED ON CURRENT YEAR TAX.—

(1) IN GENERAL.—Clause (i) of section 6655(d)(1)(B) (relating to amount of required installment) is amended by striking "91 percent" each place it appears and inserting "100 percent".

(2) CONFORMING AMENDMENTS.—

(A) Subsection (d) of section 6655 is amended—

(i) by striking paragraph (3), and

(ii) by striking "91 PERCENT" in the paragraph heading of paragraph (2) and inserting "100 PERCENT".

(B) Clause (ii) of section 6655(e)(2)(B) is amended by striking the table contained therein and inserting the following:

"In the case of the following required installments:

	The applicable percentage is:
1st	25
2nd	50
3rd	75
4th	100."

(C) Clause (i) of section 6655(e)(3)(A) is amended by striking "91 percent" and inserting "100 percent".

(b) MODIFICATION OF PERIODS FOR APPLYING ANNUALIZATION.—

(1) Clause (i) of section 6655(e)(2)(A) is amended—

(A) by striking "or for the first 5 months" in subclause (II),

(B) by striking "or for the first 8 months" in subclause (III), and

(C) by striking "or for the first 11 months" in subclause (IV).

(2) Paragraph (2) of section 6655(e) is amended by adding at the end thereof the following new subparagraph:

"(C) ELECTION FOR DIFFERENT ANNUALIZATION PERIODS.—

"(i) If the taxpayer makes an election under this clause—

"(I) subclause (I) of subparagraph (A)(i) shall be applied by substituting '2 months' for '3 months',

"(II) subclause (II) of subparagraph (A)(i) shall be applied by substituting '4 months' for '3 months',

"(III) subclause (III) of subparagraph (A)(i) shall be applied by substituting '7 months' for '6 months', and

"(IV) subclause (IV) of subparagraph (A)(i) shall be applied by substituting '10 months' for '9 months'.

"(ii) If the taxpayer makes an election under this clause—

"(I) subclause (II) of subparagraph (A)(i) shall be applied by substituting '5 months' for '3 months',

"(II) subclause (III) of subparagraph (A)(i) shall be applied by substituting '8 months' for '6 months', and

"(III) subclause (IV) of subparagraph (A)(i) shall be applied by substituting '11 months' for '9 months'.

"(iii) An election under clause (i) or (ii) shall apply to the taxable year for which made and such an election shall be effective only if made on or before the date required for the payment of the first required installment for such taxable year."

(3) The last sentence of section 6655(f)(3)(A) is amended by striking "and subsection (e)(2)(A)" and inserting "and, except in the case of an election under subsection (e)(2)(C), subsection (e)(2)(A)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1993.

SEC. 14226. LIMITATION ON SECTION 936 CREDIT.

(a) GENERAL RULE.—Subsection (a) of section 936 (relating to Puerto Rico and possession tax credit) is amended—

(1) by striking "as provided in paragraph (3)" in paragraph (1) and inserting "as otherwise provided in this section";

(2) by adding at the end thereof the following new paragraph:

"(4) LIMITATIONS ON CREDIT.—

"(A) CREDIT FOR ACTIVE BUSINESS INCOME.—The amount of the credit determined under paragraph (1)(A) for any taxable year shall not exceed 60 percent of the aggregate amount of the possession corporation's qualified possession wages for such taxable year.

"(B) CREDIT FOR INVESTMENT INCOME.—

"(i) IN GENERAL.—If—

"(I) the QPSII assets of the possession corporation for any taxable year, exceed

"(II) 80 percent of such possession corporation's qualified tangible business investment for such taxable year, the credit determined under paragraph (1)(B) for such taxable year shall be reduced by the amount determined under clause (ii).

"(ii) AMOUNT OF REDUCTION.—The reduction determined under this clause for any taxable year is an amount which bears the same ratio to the credit determined under paragraph (1)(B) for such taxable year (determined without regard to this subparagraph) as—

"(I) the excess determined under clause (i), bears to

"(II) the QPSII assets of the possession corporation for such taxable year.

"(C) CROSS REFERENCE.—

"For definitions and special rules applicable to this paragraph, see subsection (i)."

(b) DEFINITIONS AND SPECIAL RULES.—Section 936 is amended by adding at the end thereof the following new subsection:

"(i) DEFINITIONS AND SPECIAL RULES RELATING TO LIMITATIONS OF SUBSECTION (a)(4).—

"(1) QUALIFIED POSSESSION WAGES.—For purposes of this section—

"(A) IN GENERAL.—The term 'qualified possession wages' means wages paid or incurred by the possession corporation during the taxable year to any employee for services performed in a possession of the United States, but only if such services are performed while the principal place of employment of such employee is within such possession.

"(B) LIMITATION ON AMOUNT OF WAGES TAKEN INTO ACCOUNT.—

"(i) IN GENERAL.—The amount of wages which may be taken into account under subparagraph (A) with respect to any employee for any taxable year shall not exceed the contribution and benefit base determined under section 230 of the Social Security Act for the calendar year in which such taxable year begins.

"(ii) TREATMENT OF PART-TIME EMPLOYEES, ETC.—If—

"(I) any employee is not employed by the possession corporation on a substantially full-time basis at all times during the taxable year, or

"(II) the principal place of employment of any employee with the possession corporation is not within a possession at all times during the taxable year,

the limitation applicable under clause (i) with respect to such employee shall be the appropriate portion (as determined by the Secretary) of the limitation which would otherwise be in effect under clause (i).

"(C) TREATMENT OF CERTAIN EMPLOYEES.—

The term 'qualified possession wages' shall not include any wages paid to employees who are assigned by the employer to perform services for another person, unless the principal trade or business of the employer is to make employees available for temporary periods to other persons in return for compensation. All possession corporations treated as 1 corporation under paragraph (4) shall be treated as 1 employer for purposes of the preceding sentence.

"(D) WAGES.—

"(i) IN GENERAL.—Except as provided in clause (ii), the term 'wages' has the meaning given to such term by subsection (b) of section 3306 (determined without regard to any dollar limitation contained in such section). For purposes of the preceding sentence, such subsection (b) shall be applied as if the term 'United States' included all possessions of the United States.

"(ii) SPECIAL RULE FOR AGRICULTURAL LABOR AND RAILWAY LABOR.—In any case to which subparagraph (A) or (B) of paragraph (1) of section 51(h) applies, the term 'wages' has the meaning given to such term by section 51(h)(2).

"(2) QPSII ASSETS.—For purposes of this section—

"(A) IN GENERAL.—The QPSII assets of a possession corporation for any taxable year is the average of the amounts of the possession corporation's qualified investment assets as of the close of each quarter of such taxable year.

"(B) QUALIFIED INVESTMENT ASSETS.—The term 'qualified investment assets' means the aggregate adjusted bases of the assets which are held by the possession corporation and the income from which qualifies as qualified possession source investment income. For purposes of the preceding sentence, the adjusted basis of any asset shall be its adjusted basis as determined for purposes of computing earnings and profits.

"(3) QUALIFIED TANGIBLE BUSINESS INVESTMENT.—For purposes of this section—

"(A) IN GENERAL.—The qualified tangible business investment of any possession corporation for any taxable year is the average of the amounts of the possession corporation's qualified possession investments as of the close of each quarter of such taxable year.

"(B) QUALIFIED POSSESSION INVESTMENTS.—The term 'qualified possession investments' means the aggregate adjusted bases of tangible property used by the possession corporation in a possession of the United States in the active conduct of a trade or business within such possession. For purposes of the preceding sentence, the adjusted basis of any property shall be its adjusted basis as determined for purposes of computing earnings and profits.

"(4) RELOCATED BUSINESSES.—

"(A) IN GENERAL.—In determining—

"(i) the possession corporation's qualified possession wages for any taxable year, and

"(ii) the possession corporation's qualified tangible business investment for such taxable year,

there shall be excluded all wages and all qualified possession investments which are allocable to a disqualified relocated business.

"(B) DISQUALIFIED RELOCATED BUSINESS.—For purposes of subparagraph (A), the term 'disqualified relocated business' means any trade or business commenced by the possession corporation after May 13, 1993, or any addition after such date to an existing trade or business of such possession corporation unless—

"(i) the possession corporation certifies that the commencement of such trade or business or such addition will not result in a decrease in employment at an existing business operation located in the United States, and

"(ii) there is no reason to believe that such commencement or addition was done with the intention of closing down operations of an existing business located in the United States.

"(5) ELECTION TO COMPUTE CREDIT ON CONSOLIDATED BASIS.—

"(A) IN GENERAL.—Any affiliated group may elect to treat all possession corporations which would be members of such group but for section 1504(b)(4) as 1 corporation for purposes of this section. The credit determined under this section with respect to such 1 corporation shall be allocated among such possession corporations in such manner as the Secretary may prescribe.

"(B) ELECTION.—An election under subparagraph (A) shall apply to the taxable year for which made and all succeeding taxable years unless revoked with the consent of the Secretary.

"(6) TREATMENT OF CERTAIN TAXES.—Notwithstanding subsection (c), if—

"(A) the credit determined under subsection (a)(1) for any taxable year is limited under subsection (a)(4), and

"(B) the possession corporation has paid or accrued any taxes of a possession of the United States for such taxable year which are treated as not being income, war profits, or excess profits taxes paid or accrued to a possession of the United States by reason of subsection (c),

such possession corporation shall be allowed a deduction for such taxable year equal to the portion of such taxes which are allocable (on a pro rata basis) to taxable income of the possession corporation the tax on which is not offset by reason of the limitations of subsection (a)(4). In determining the credit under subsection (a) and in applying the preceding sentence, taxable income shall be determined without regard to the preceding sentence.

"(7) POSSESSION CORPORATION.—The term 'possession corporation' means a domestic corporation for which the election provided in subsection (a) is in effect.

"(8) TRANSITIONAL RULE.—If any possession corporation elects the benefits of this paragraph for any taxable year beginning in 1994 or 1995—

"(A) subsection (a)(4) shall not apply to such taxable year, and

"(B) the credit determined under subsection (a)(1) for such taxable year shall be the following percentage of the credit which would otherwise have been determined under such subsection:

"(i) 80 percent in the case of a taxable year beginning in 1994.

"(ii) 60 percent in the case of a taxable year beginning in 1995.

A possession corporation which elects the benefits of this paragraph shall be entitled to the benefits of paragraph (6) for taxes allocable to taxable income the tax on which is not offset by reason of this paragraph."

(c) MINIMUM TAX TREATMENT.—

(1) IN GENERAL.—Clause (ii) of section 56(g)(4)(C) (relating to treatment of special rule for certain dividends) is amended by striking "sections 936 and 921" and inserting "sections 936 (including subsection (a)(4) thereof) and 921".

(2) TREATMENT OF FOREIGN TAXES.—Clause (iii) of section 56(g)(4)(C) is amended by adding at the end thereof the following sub-clauses:

"(IV) SEPARATE APPLICATION OF FOREIGN TAX CREDIT LIMITATIONS.—In determining the alternative minimum foreign tax credit, section 904(d) shall be applied as if dividends from a corporation eligible for the credit provided by section 936 were a separate category of income referred to in a subparagraph of section 904(d)(1).

"(V) COORDINATION WITH LIMITATION ON 936 CREDIT.—Any reference in this clause to a dividend received from a corporation eligible for the credit provided by section 936 shall be treated as a reference to the portion of any such dividend for which the dividends received deduction is disallowed under clause (i) after the application of clause (ii)(I)."

(d) CONFORMING AMENDMENT.—Paragraph (4) of section 904(b) is amended by inserting before the period at the end thereof the following: "(without regard to subsection (a)(4) thereof)".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1993.

SEC. 14227. MODIFICATION TO LIMITATION ON DEDUCTION FOR CERTAIN INTEREST.

(a) GENERAL RULE.—Paragraph (3) of section 163(j) (defining disqualified interest) is amended to read as follows:

"(3) DISQUALIFIED INTEREST.—For purposes of this subsection, the term 'disqualified interest' means—

"(A) any interest paid or accrued by the taxpayer (directly or indirectly) to a related person if no tax is imposed by this subtitle with respect to such interest, and

"(B) any interest paid or accrued by the taxpayer with respect to any indebtedness to a person who is not a related person if—

"(i) there is a disqualified guarantee of such indebtedness, and

"(ii) no gross basis tax is imposed by this subtitle with respect to such interest."

(b) DEFINITIONS.—Paragraph (6) of section 163(j) is amended by adding at the end thereof the following new subparagraphs:

"(D) DISQUALIFIED GUARANTEE.—

"(i) IN GENERAL.—Except as provided in clause (ii), the term 'disqualified guarantee' means any guarantee by a related person which is—

"(I) an organization exempt from taxation under this subtitle, or

"(II) a foreign person.

"(ii) EXCEPTIONS.—The term 'disqualified guarantee' shall not include a guarantee—

"(I) in any circumstances identified by the Secretary by regulation, where the interest on the indebtedness would have been subject to a net basis tax if the interest had been paid to the guarantor, or

"(II) if the taxpayer owns a controlling interest in the guarantor.

For purposes of subclause (II), except as provided in regulations, the term 'a controlling interest' means direct or indirect ownership of at least 80 percent of the total voting power and value of all classes of stock of a corporation, or 80 percent of the profit and capital interests in any other entity. For purposes of the preceding sentence, the rules of paragraphs (1) and (5) of section 267(c) shall apply; except that such rules shall also apply to interest in entities other than corporations.

"(iii) GUARANTEE.—Except as provided in regulations, the term 'guarantee' includes any arrangement under which a person (directly or indirectly through an entity or otherwise) assures, on a conditional or unconditional basis, the payment of another person's obligation under any indebtedness.

"(E) GROSS BASIS AND NET BASIS TAXATION.—

"(i) GROSS BASIS TAX.—The term 'gross basis tax' means any tax imposed by this subtitle which is determined by reference to the gross amount of any item of income without any reduction for any deduction allowed by this subtitle.

"(ii) NET BASIS TAX.—The term 'net basis tax' means any tax imposed by this subtitle which is a not a gross basis tax."

(c) CONFORMING AMENDMENT.—Subparagraph (B) of section 163(j)(5) is amended by striking "to a related person".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to interest paid or accrued in taxable years beginning after December 31, 1993.

PART III—FOREIGN TAX PROVISIONS

Subpart A—Current Taxation of Certain Earnings of Controlled Foreign Corporations
SEC. 14231. EARNINGS INVESTED IN EXCESS PASSIVE ASSETS.

(a) GENERAL RULE.—Paragraph (1) of section 951(a) (relating to amounts included in gross income of United States shareholders) 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 thereof the following new subparagraph:

"(C) the amount determined under section 956A with respect to such shareholder for such year (but only to the extent not excluded from gross income under section 959(a)(3))."

(b) AMOUNT OF INCLUSION.—Subpart F of part III of subchapter N of chapter 1 is amended by inserting after section 956 the following new section:

SEC. 956A. EARNINGS INVESTED IN EXCESS PASSIVE ASSETS.

"(a) GENERAL RULE.—In the case of any controlled foreign corporation, the amount determined under this section with respect to any United States shareholder for any taxable year is the lesser of—

"(1) the excess (if any) of—

"(A) such shareholder's pro rata share of the amount of the controlled foreign corporation's excess passive assets for such taxable year, over

"(B) the amount of earnings and profits described in section 959(c)(1)(B) with respect to such shareholder, or

"(2) such shareholder's pro rata share of the applicable earnings of such controlled foreign corporation determined after the application of section 951(a)(1)(B).

"(b) APPLICABLE EARNINGS.—For purposes of this section, the term 'applicable earnings' means, with respect to any controlled foreign corporation, the amounts referred to in sections 316(a)(1) and 316(a)(2) (but reduced by distributions made during the taxable year), reduced by the earnings and profits described in section 959(c)(1).

"(c) EXCESS PASSIVE ASSETS.—For purposes of this section—

"(1) IN GENERAL.—The excess passive assets of any controlled foreign corporation for any taxable year is the excess (if any) of—

"(A) the average of the amounts of passive assets held by such corporation as of the close of each quarter of such taxable year, over

"(B) 25 percent of the average of the amounts of total assets held by such corporation as of the close of each quarter of such taxable year.

For purposes of the preceding sentence, the amount taken into account with respect to any asset shall be its adjusted basis as determined for purposes of computing earnings and profits.

"(2) PASSIVE ASSET.—

"(A) IN GENERAL.—Except as otherwise provided in this section, the term 'passive asset' means any asset held by the controlled foreign corporation which produces passive income (as defined in section 1296(b)) or is held for the production of such income.

"(B) COORDINATION WITH SECTION 956.—The term 'passive asset' shall not include any United States property (as defined in section 956).

"(3) LOOK-THRU RULES MADE APPLICABLE.—For purposes of this subsection, the rules of section 1296(c) shall apply.

"(4) LEASING RULES MADE APPLICABLE.—For purposes of this subsection, the rules of section 1297(d) shall apply.

"(d) SPECIAL RULE WHERE CORPORATION CEASES TO BE CONTROLLED FOREIGN CORPORATION DURING TAXABLE YEAR.—If any foreign corporation ceases to be a controlled foreign corporation during any taxable year—

"(1) the determination of any United States shareholder's pro rata share shall be made on the basis of stock owned (within the meaning of section 958(a)) by such shareholder on the last day during the taxable year on which the foreign corporation is a controlled foreign corporation, and

"(2) the amount of such corporation's excess passive assets for such taxable year shall be determined by only taking into account quarters ending on or before such last day, and

"(3) in determining applicable earnings, the amount taken into account by reason of being described in paragraph (2) of section 316(a) shall be the portion of the amount so described which is allocable (on a pro rata basis) to the part of such year during which the corporation is a controlled foreign corporation.

"(e) TRANSITION RULE.—In the case of any taxable year of a controlled foreign corporation beginning after September 30, 1993, and before October 1, 1997, the amount determined under subsection (a) shall be the applicable percentage (determined under the following table) of the amount which would otherwise be determined under such subsection:

"In the case of a taxable year beginning during the 1-year period beginning on:

The applicable percentage is:	
October 1, 1993	20
October 1, 1994	25
October 1, 1995	35
October 1, 1996	50.

"(f) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section, including regulations to prevent the avoidance of the provisions of this section through reorganizations or otherwise."

(c) PREVIOUSLY TAXED INCOME RULES.—

(1) IN GENERAL.—Subsection (a) of section 959 (relating to exclusion from gross income of previously taxed earnings and profits) is amended by striking "or" at the end of paragraph (1), by adding "or" at the end of paragraph (2), and by inserting after paragraph (2) the following new paragraph:

"(3) such amounts would, but for this subsection, be included under section 951(a)(1)(C) in the gross income of."

(2) ALLOCATION RULES.—

(A) Subsection (a) of section 959 is amended by adding at the end thereof the following new sentence: "The rules of subsection (c) shall apply for purposes of paragraph (1) of this subsection and the rules of subsection (f) shall apply for purposes of paragraphs (2) and (3) of this subsection."

(B) Section 959 is amended by adding at the end thereof the following new subsection:

"(f) ALLOCATION RULES FOR CERTAIN INCLUSIONS.—

"(1) IN GENERAL.—For purposes of this section, amounts that would be included under subparagraph (B) or (C) of section 951(a)(1) (determined without regard to this section) shall be treated as attributable first to earnings described in subsection (c)(2), and then to earnings described in subsection (c)(3).

"(2) TREATMENT OF DISTRIBUTIONS.—In applying this section, actual distributions shall be taken into account before amounts that would be included under subparagraphs (B)

and (C) of section 951(a)(1) (determined without regard to this section)."

(C) Paragraph (1) of section 959(c) is amended to read as follows:

"(1) first to the aggregate of—

"(A) earnings and profits attributable to amounts included in gross income under section 951(a)(1)(B) (or which would have been included except for subsection (a)(2) of this section), and

"(B) earnings and profits attributable to amounts included in gross income under section 951(a)(1)(C) (or which would have been included except for subsection (a)(3) of this section),

with any distribution being allocated between earnings and profits described in subparagraph (A) and earnings and profits described in subparagraph (B) proportionately on the basis of the respective amounts of such earnings and profits."

(3) CONFORMING AMENDMENTS.—

(A) Subsections (a) and (b) of section 959 are each amended by striking "earnings and profits for a taxable year" and inserting "earnings and profits".

(B) Paragraph (2) of section 959(c) is amended to read as follows:

"(2) then to earnings and profits attributable to amounts included in gross income under section 951(a)(1)(A) (but reduced by amounts not included under subparagraph (B) or (C) of section 951(a)(1) because of the exclusions in paragraphs (2) and (3) of subsection (a) of this section), and"

(C) Subsection (b) of section 989 is amended by striking "section 951(a)(1)(B)" and inserting "subparagraph (B) or (C) of section 951(a)(1)".

(d) MODIFICATIONS TO PASSIVE FOREIGN INVESTMENT COMPANY RULES.—

(1) ADJUSTED BASIS USED IN CERTAIN DETERMINATIONS.—Subsection (a) of section 1296 is amended by striking the material following paragraph (2) and inserting the following:

"In the case of a controlled foreign corporation (or any other foreign corporation if such corporation so elects), the determination under paragraph (2) shall be based on the adjusted bases (as determined for purposes of computing earnings and profits) of its assets in lieu of their value. Such an election, once made, may be revoked only with the consent of the Secretary."

(2) TREATMENT OF CERTAIN SUBPART F INCLUSIONS.—Subsection (b) of section 1297 is amended by adding at the end thereof the following new paragraph:

"(9) TREATMENT OF CERTAIN SUBPART F INCLUSIONS.—Any amount included in gross income under subparagraph (B) or (C) of section 951(a)(1) shall be treated as a distribution received with respect to the stock."

(3) TREATMENT OF CERTAIN DEALERS IN SECURITIES.—Subsection (b) of section 1296 is amended by adding at the end thereof the following new paragraph:

"(3) TREATMENT OF CERTAIN DEALERS IN SECURITIES.—

"(A) IN GENERAL.—In the case of any foreign corporation which is a controlled foreign corporation (as defined in section 957(a)), the term 'passive income' does not include any income derived in the active conduct of a securities business by such corporation if such corporation is registered as a securities broker or dealer under section 15(a) of the Securities Exchange Act of 1934 or is registered as a Government securities broker or dealer under section 15C(a) of such Act. To the extent provided in regulations, such term shall not include any income derived in the active conduct of a securities business by a controlled foreign corporation which is not so registered.

“(B) APPLICATION OF LOOK-THRU RULES.—For purposes of paragraph (2)(C), rules similar to the rules of subparagraph (A) shall apply in determining whether any income of a related person (whether or not a corporation) is passive income.

“(C) LIMITATION.—The preceding provisions of this paragraph shall only apply in the case of persons who are United States shareholders (as defined in section 951(b)) in the controlled foreign corporation.”

(4) LEASING RULES.—Section 1297 is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

“(d) TREATMENT OF CERTAIN LEASED PROPERTY.—For purposes of this part:

“(1) IN GENERAL.—Any tangible personal property with respect to which a foreign corporation is the lessee under a lease with a term of at least 12 months shall be treated as an asset actually held by such corporation.

“(2) DETERMINATION OF ADJUSTED BASIS.—

“(A) IN GENERAL.—The adjusted basis of any asset to which paragraph (1) applies shall be the unamortized portion (as determined under regulations prescribed by the Secretary) of the present value of the payments under the lease for the use of such property.

“(B) PRESENT VALUE.—For purposes of subparagraph (A), the present value of payments described in subparagraph (A) shall be determined in the manner provided in regulations prescribed by the Secretary—

“(i) as of the beginning of the lease term, and

“(ii) except as provided in such regulations, by using a discount rate equal to the applicable Federal rate determined under section 1274(d)—

“(I) by substituting the lease term for the term of the debt instrument, and

“(II) without regard to paragraph (2) or (3) thereof.

“(3) EXCEPTIONS.—This subsection shall not apply in any case where—

“(A) the lessor is a related person (as defined in section 954(d)(3)) with respect to the foreign corporation, or

“(B) a principal purpose of leasing the property was to avoid the provisions of this section.”

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after September 30, 1993, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 14232. MODIFICATION TO TAXATION OF INVESTMENT IN UNITED STATES PROPERTY.

(a) GENERAL RULE.—Section 956 (relating to investment of earnings in United States property) is amended—

(1) by redesignating subsections (b) and (c) as subsections (c) and (d), respectively, and

(2) by striking subsection (a) and inserting the following:

“(a) GENERAL RULE.—In the case of any controlled foreign corporation, the amount determined under this section with respect to any United States shareholder for any taxable year is the lesser of—

“(1) the excess (if any) of—

“(A) such shareholder's pro rata share of the average of the amounts of United States property held (directly or indirectly) by the controlled foreign corporation as of the close of each quarter of such taxable year, over

“(B) the amount of earnings and profits described in section 959(c)(1)(A) with respect to such shareholder, or

“(2) such shareholder's pro rata share of the applicable earnings of such controlled foreign corporation.

The amount taken into account under paragraph (1) with respect to any property shall be its adjusted basis as determined for purposes of computing earnings and profits, reduced by any liability to which the property is subject.

“(b) ADJUSTMENTS FOR CERTAIN DISTRIBUTIONS; OTHER SPECIAL RULES.—

(1) APPLICABLE EARNINGS.—For purposes of this section, the term ‘applicable earnings’ has the meaning given to such term by section 956A(b).

(2) SPECIAL RULE WHERE CORPORATION CEASES TO BE CONTROLLED FOREIGN CORPORATION.—Rules similar to the rules of section 956A(d) shall apply for purposes of this section.”

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 951(a)(1) is amended to read as follows:

“(B) the amount determined under section 956 with respect to such shareholder for such year (but only to the extent not excluded from gross income under section 959(a)(2); and”

(2) Subsection (a) of section 951 is amended by striking paragraph (4).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of controlled foreign corporations beginning after September 30, 1993, and to taxable years of United States shareholders in which or with which such taxable years of controlled foreign corporations end.

(d) STUDY OF INVESTMENTS BY CONTROLLED FOREIGN CORPORATIONS IN UNITED STATES PROPERTY.—

(1) IN GENERAL.—The Secretary of the Treasury shall conduct a study of the tax treatment of investments by controlled foreign corporations in obligations of United States persons other than corporations. Such study shall include the Secretary's views as to whether the treatment of such investments should be changed, along with a discussion of the merits and consequences of any such change.

(2) REPORT.—Not later than December 31, 1993, the Secretary of the Treasury shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report on the study conducted under this subsection, together with such recommendations as he may deem advisable.

SEC. 14233. OTHER MODIFICATIONS TO SUBPART F.

(a) SAME COUNTRY EXCEPTION NOT TO APPLY TO CERTAIN DIVIDENDS.—

(1) IN GENERAL.—Paragraph (3) of section 954(c) (relating to certain income received from related persons) is amended by adding at the end thereof the following new subparagraph:

“(C) EXCEPTION FOR CERTAIN DIVIDENDS.—Subparagraph (A)(i) shall not apply to any dividend with respect to any stock which is attributable to earnings and profits of the distributing corporation accumulated during any period during which the person receiving such dividend did not hold such stock.”

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to taxable years of controlled foreign corporations beginning after September 30, 1993, and to taxable years of United States shareholders in which or with which such taxable years of controlled foreign corporations end.

(b) SIMPLIFICATION OF SECTION 960(b).—

(1) IN GENERAL.—Subsection (b) of section 960 is amended—

(A) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively, and

(B) by striking paragraphs (1) and (2) and inserting the following new paragraphs:

“(1) INCREASE IN SECTION 904 LIMITATION.—In the case of any taxpayer who—

“(A) either (i) chose to have the benefits of subpart A of this part for a taxable year beginning after September 30, 1993, in which he was required under section 951(a) to include any amount in his gross income, or (ii) did not pay or accrue for such taxable year any income, war profits, or excess profits taxes to any foreign country or to any possession of the United States,

“(B) chooses to have the benefits of subpart A of this part for any taxable year in which he receives 1 or more distributions or amounts which are excludable from gross income under section 959(a) and which are attributable to amounts included in his gross income for taxable years referred to in subparagraph (A), and

“(C) for the taxable year in which such distributions or amounts are received, pays, or is deemed to have paid, or accrues income, war profits, or excess profits taxes to a foreign country or to any possession of the United States with respect to such distributions or amounts, the limitation under section 904 for the taxable year in which such distributions or amounts are received shall be increased by the lesser of the amount of such taxes paid, or deemed paid, or accrued with respect to such distributions or amounts or the amount in the excess limitation account as of the beginning of such taxable year.

“(2) EXCESS LIMITATION ACCOUNT.—

(A) ESTABLISHMENT OF ACCOUNT.—Each taxpayer meeting the requirements of paragraph (1)(A) shall establish an excess limitation account. The opening balance of such account shall be zero.

(B) INCREASES IN ACCOUNT.—For each taxable year beginning after September 30, 1993, the taxpayer shall increase the amount in the excess limitation account by the excess (if any) of—

(i) the amount by which the limitation under section 904(a) for such taxable year was increased by reason of the total amount of the inclusions in gross income under section 951(a) for such taxable year, over

(ii) the amount of any income, war profits, and excess profits taxes paid, or deemed paid, or accrued to any foreign country or possession of the United States which were allowable as a credit under section 901 for such taxable year and which would not have been allowable but for the inclusions in gross income described in clause (i).

Proper reductions in the amount added to the account under the preceding sentence for any taxable year shall be made for any increase in the credit allowable under section 901 for such taxable year by reason of a carryback if such increase would not have been allowable but for the inclusions in gross income described in clause (i).

(C) DECREASES IN ACCOUNT.—For each taxable year beginning after September 30, 1993, for which the limitation under section 904 was increased under paragraph (1), the taxpayer shall reduce the amount in the excess limitation account by the amount of such increase.

(3) DISTRIBUTIONS OF INCOME PREVIOUSLY TAXED IN YEARS BEGINNING BEFORE OCTOBER 1, 1993.—If the taxpayer receives a distribution or amount in a taxable year beginning after September 30, 1993, which is excluded from gross income under section 959(a) and is attributable to any amount included in gross

income under section 951(a) for a taxable year beginning before October 1, 1993, the limitation under section 904 for the taxable year in which such amount or distribution is received shall be increased by the amount determined under this subsection as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1993."

(2) **EFFECTIVE DATE.**—The amendment made by paragraph (1) shall apply to taxable years beginning after September 30, 1993.

Subpart B—Allocation of Research and Experimental Expenditures

SEC. 14234. ALLOCATION OF RESEARCH AND EXPERIMENTAL EXPENDITURES.

(a) **GENERAL RULE.**—Subparagraph (B) of section 864(f)(1) (relating to allocation of research and experimental expenditures) is amended by striking "64 percent" each place it appears and inserting "50 percent".

(b) **CONFORMING AMENDMENTS.**—

(1) Subsection (f) of section 864 is amended by striking paragraph (5) and inserting the following:

"(5) **REGULATIONS.**—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this subsection, including regulations relating to the determination of whether any expenses are attributable to activities conducted in the United States or outside the United States and regulations providing such adjustments to the provisions of this subsection as may be appropriate in the case of cost-sharing arrangements and contract research."

(2) Subparagraph (D) of section 864(f)(4) is amended by striking "subparagraph (C)" and inserting "subparagraph (B) or (C)".

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act; except that such amendments shall not apply in the case of any taxable year to which Revenue Procedure 92-56 applies or would apply if the taxpayer elected the benefits of such Revenue Procedure.

Subpart C—Other Provisions

SEC. 14235. REPEAL OF CERTAIN EXCEPTIONS FOR WORKING CAPITAL.

(a) **PROVISIONS RELATING TO OIL AND GAS INCOME.**—

(1) **AMENDMENTS TO SECTION 907.**—

(A) Paragraph (1) of section 907(c) is amended by adding at the end thereof the following new flush sentence:

"Such term does not include any dividend or interest income which is passive income (as defined in section 904(d)(2)(A))."

(B) Paragraph (2) of section 907(c) is amended by adding at the end thereof the following new flush sentence:

"Such term does not include any dividend or interest income which is passive income (as defined in section 904(d)(2)(A))."

(2) **SEPARATE APPLICATION OF FOREIGN TAX CREDIT.**—Clause (iii) of section 904(d)(2)(A) is amended by inserting "and" at the end of subclause (II), by striking "and" at the end of subclause (III) and inserting a period, and by striking subclause (IV).

(3) **TREATMENT UNDER SUBPART F.**—

(A) Paragraph (1) of section 954(g) is amended by adding at the end thereof the following new flush sentence: "Such term shall not include any foreign personal holding company income (as defined in subsection (c))."

(B) Paragraph (8) of section 954(b) is amended by striking "(1)".

(b) **TREATMENT OF SHIPPING INCOME.**—Subsection (f) of section 954 is amended by adding at the end thereof the following new sentence: "Such term shall not include any divi-

dend or interest income which is foreign personal holding company income (as defined in subsection (c))."

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 1992.

SEC. 14236. MODIFICATIONS OF ACCURACY-RELATED PENALTY.

(a) **THRESHOLD REQUIREMENT.**—Clause (ii) of section 6662(e)(1)(B) (relating to substantial valuation misstatement under chapter 1) is amended to read as follows:

"(ii) the net section 482 transfer price adjustment for the taxable year exceeds the lesser of \$5,000,000 or 10 percent of the taxpayer's gross receipts."

(b) **CERTAIN ADJUSTMENTS EXCLUDED IN DETERMINING THRESHOLD.**—Subparagraph (B) of section 6662(e)(3) is amended to read as follows:

"(B) **CERTAIN ADJUSTMENTS EXCLUDED IN DETERMINING THRESHOLD.**—For purposes of determining whether the threshold requirements of paragraph (1)(B)(ii) are met, the following shall be excluded:

"(i) Any portion of the net increase in taxable income referred to in subparagraph (A) which is attributable to any redetermination of a price if—

"(I) it is established that the taxpayer determined such price in accordance with a specific pricing method set forth in the regulations prescribed under section 482 and that the taxpayer's use of such method was reasonable,

"(II) the taxpayer has documentation (which was in existence as of the time of filing the return) which sets forth the determination of such price in accordance with such a method and which establishes that the use of such method was reasonable, and

"(III) the taxpayer provides such documentation to the Secretary within 30 days of a request for such documentation.

"(ii) Any portion of the net increase in taxable income referred to in subparagraph (A) which is attributable to a redetermination of price where such price was not determined in accordance with such a specific pricing method if—

"(I) the taxpayer establishes that none of such pricing methods was likely to result in a price that would clearly reflect income, the taxpayer used another pricing method to determine such price, and such other pricing method was likely to result in a price that would clearly reflect income,

"(II) the taxpayer has documentation (which was in existence as of the time of filing the return) which sets forth the determination of such price in accordance with such other method and which establishes that the requirements of subclause (I) were satisfied, and

"(III) the taxpayer provides such documentation to the Secretary within 30 days of request for such documentation.

"(iii) Any portion of such net increase which is attributable to any transaction solely between foreign corporations unless, in the case of any such corporations, the treatment of such transaction affects the determination of income from sources within the United States or taxable income effectively connected with the conduct of a trade or business within the United States."

(b) **COORDINATION WITH REASONABLE CAUSE EXCEPTION.**—Paragraph (3) of section 6662(e) is amended by adding at the end thereof the following new subparagraph:

"(D) **COORDINATION WITH REASONABLE CAUSE EXCEPTION.**—For purposes of section 6662(c) the taxpayer shall not be treated as having reasonable cause for any portion of an under-

payment attributable to a net section 482 transfer price adjustment unless such taxpayer meets the requirements of clause (i), (ii), or (iii) of subparagraph (B) with respect to such portion."

(c) **CONFORMING AMENDMENT.**—Clause (iii) of section 6662(h)(2)(A) is amended to read as follows:

"(iii) in paragraph (1)(B)(ii)—
"(I) '\$20,000,000' for '\$5,000,000', and
"(II) '20 percent' for '10 percent'."

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 1993.

SEC. 14237. DENIAL OF PORTFOLIO INTEREST EXEMPTION FOR CONTINGENT INTEREST.

(a) **GENERAL RULE.**—

(1) Subsection (h) of section 871 (relating to repeal of tax on interest of nonresident alien individuals received from certain portfolio debt investments) is amended by redesignating paragraphs (4), (5), and (6) as paragraphs (5), (6), and (7), respectively, and by inserting after paragraph (3) the following new paragraph:

"(4) **PORTFOLIO INTEREST NOT TO INCLUDE CERTAIN CONTINGENT INTEREST.**—For purposes of this subsection—

"(A) **IN GENERAL.**—Except as otherwise provided in this paragraph, the term 'portfolio interest' shall not include—

"(i) any interest if the amount of such interest is determined by reference to—

"(I) any receipts, sales or other cash flow of the debtor or a related person,

"(II) any income or profits of the debtor or a related person,

"(III) any change in value of any property of the debtor or a related person, or

"(IV) any dividend, partnership distributions, or similar payments made by the debtor or a related person, or

"(ii) any other type of contingent interest that is identified by the Secretary by regulation, where a denial of the portfolio interest exemption is necessary or appropriate to prevent avoidance of Federal income tax.

"(B) **RELATED PERSON.**—The term 'related person' means any person who is related to the debtor within the meaning of section 267(b) or 707(b)(1), or who is a party to any arrangement undertaken for a purpose of avoiding the application of this paragraph.

"(C) **EXCEPTIONS.**—Subparagraph (A)(i) shall not apply to—

"(i) any amount of interest solely by reason of the fact that the timing of any interest or principal payment is subject to a contingency,

"(ii) any amount of interest solely by reason of the fact that the interest is paid with respect to nonrecourse or limited recourse indebtedness,

"(iii) any amount of interest all or substantially all of which is determined by reference to any other amount of interest not described in subparagraph (A) (or by reference to the principal amount of indebtedness on which such other interest is paid),

"(iv) any amount of interest solely by reason of the fact that the debtor or a related person enters into a hedging transaction to reduce the risk of interest rate or currency fluctuations with respect to such interest,

"(v) any amount of interest determined by reference to—

"(I) changes in the value of property (including stock) that is actively traded (within the meaning of section 1092(d)) other than property described in section 897(c)(1) or (g),

"(II) the yield on property described in subclause (I), other than a debt instrument that pays interest described in subparagraph

(A), or stock or other property that represents a beneficial interest in the debtor or a related person, or

“(III) changes in any index of the value of property described in subclause (I) or of the yield on property described in subclause (II), and

“(vi) any other type of interest identified by the Secretary by regulation.

“(D) EXCEPTION FOR CERTAIN EXISTING INDEBTEDNESS.—Subparagraph (A) shall not apply to any interest paid or accrued with respect to any indebtedness with a fixed term—

“(i) which was issued on or before April 7, 1993, or

“(ii) which was issued after such date pursuant to a written binding contract in effect on such date and at all times thereafter before such indebtedness was issued.”

(2) Subsection (c) of section 881 is amended by redesignating paragraphs (4), (5), and (6) as paragraphs (5), (6), and (7), respectively, and by inserting after paragraph (3) the following new paragraph:

“(4) PORTFOLIO INTEREST NOT TO INCLUDE CERTAIN CONTINGENT INTEREST.—For purposes of this subsection, the term ‘portfolio interest’ shall not include any interest which is treated as not being portfolio interest under the rules of section 871(h)(4).”

(b) CONFORMING AMENDMENTS.—

(1) Clause (ii) of section 871(h)(2)(B) is amended by striking “paragraph (4)” and inserting “paragraph (5)”.

(2) Clause (ii) of section 881(c)(2)(B) is amended by striking “section 871(h)(4)” and inserting “section 871(h)(5)”.

(3) Paragraph (6) of section 881(c) (as redesignated by subsection (a)) is amended by striking “section 871(h)(5)” each place it appears and inserting “section 871(h)(6)”.

(4) Paragraph (9) of section 1441(c) is amended by striking “section 871(h)(3)” and inserting “section 871(h)(3) or (4)”.

(5) Subsection (a) of section 1442 is amended—

(A) by striking “871(h)(3)” and inserting “871(h)(3) or (4)”, and

(B) by striking “881(c)(3)” and inserting “881(c)(3) or (4)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to interest received after December 31, 1993.

SEC. 14238. REGULATIONS DEALING WITH CONDUIT ARRANGEMENTS.

Section 7701 is amended by redesignating subsection (l) as subsection (m) and by inserting after subsection (k) the following new subsection:

“(l) REGULATIONS RELATING TO CONDUIT ARRANGEMENTS.—The Secretary may prescribe regulations recharacterizing any multiple-party financing transaction as a transaction directly among any 2 or more of such parties where the Secretary determines that such recharacterization is appropriate to prevent avoidance of any tax imposed by this title.”

PART IV—ENERGY TAX PROVISIONS
Subpart A—Energy Tax Based on Btu Content

SEC. 14241. IMPOSITION OF ENERGY TAX BASED ON BTU CONTENT.

(a) IN GENERAL.—Chapter 36 (relating to other excise taxes) is amended by redesignating subchapters A and B as subchapters B and C, respectively, and by inserting before subchapter B (as so redesignated) the following new subchapter:

“SUBCHAPTER A—ENERGY TAXES

“Part I. Imposition of tax on refined petroleum products.

“Part II. Imposition of taxes on natural gas, coal, and electricity.

“Part III. Tax rates.

“Part IV. Use taxes; floor stocks taxes; administrative provisions; definitions and special rules.

“Part V. Tax on imported products with high embedded energy costs.

“PART I—IMPOSITION OF TAX ON REFINED PETROLEUM PRODUCTS

“Sec. 4411. Taxable refined petroleum products.

“Sec. 4442. Tax-free transfers and uses; refunds for certain sales and uses.

“SEC. 4441. TAXABLE REFINED PETROLEUM PRODUCTS.

“(a) IMPOSITION OF TAX.—

“(1) IN GENERAL.—There is hereby imposed a tax on any taxable refined petroleum product—

“(A) removed from any refinery in the United States,

“(B) removed from any terminal in the United States,

“(C) entered into the United States for consumption, use, or warehousing, and

“(D) sold to any person who is not registered under section 4453(d).

No tax shall be imposed by subparagraph (D) if there was a prior taxable removal or entry under subparagraph (A), (B), or (C).

“(2) EXCEPTION FOR BULK TRANSFERS TO REGISTERED REFINERIES OR TERMINALS.—The tax imposed by paragraph (1) shall not apply to any removal or entry of any taxable refined petroleum product transferred in bulk to a refinery or terminal if the person removing or entering such product and the operator of such refinery or terminal are registered under section 4453(d).

“(b) RATE OF TAX.—

“(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on each barrel of any taxable refined petroleum product shall be the sum of—

“(A) the base rate, and

“(B) the supplemental rate, multiplied by the applicable per unit Btu factor for such product.

“(2) ONLY BASE RATE APPLIES TO QUALIFIED HEATING OIL, DIESEL FUEL USED ON FARMS, AND LIQUEFIED PETROLEUM GASES.—

“(A) IN GENERAL.—Subparagraph (B) of paragraph (1) shall not apply to—

“(i) qualified heating oil,

“(ii) qualified farm diesel fuel, and

“(iii) any liquefied petroleum gas.

“(B) QUALIFIED HEATING OIL.—For purposes of subparagraph (A), the term ‘qualified heating oil’ means No. 2 distillate fuel oil (including any kerosene in a mixture with such oil) which—

“(i) is indelibly dyed (or dyed and marked) in accordance with regulations that the Secretary shall prescribe, and

“(ii) is delivered (or is to be delivered) to any building to heat the building.

“(C) QUALIFIED FARM DIESEL FUEL.—For purposes of subparagraph (A), the term ‘qualified farm diesel fuel’ means any diesel fuel which—

“(i) is indelibly dyed (or dyed and marked) in accordance with regulations that the Secretary shall prescribe, and

“(ii) is used (or to be used) on a farm for farming purposes (determined under section 6420(c)).

“(c) LIABILITY FOR TAX.—The determination of who is liable for the tax imposed by subsection (a) shall be made under the rules applicable in determining liability for the tax imposed by section 4081. Section 4103 shall apply to the tax imposed by subsection (a) in the same manner as it applies to the tax imposed by section 4081.

“(d) TAXABLE REFINED PETROLEUM PRODUCT.—For purposes of this subchapter, the term ‘taxable refined petroleum product’ means—

“(1) aviation gasoline,

“(2) motor gasoline (including blending components of gasoline),

“(3) kerosene-type jet fuel,

“(4) naphtha-type jet fuel,

“(5) distillate fuel oil,

“(6) kerosene,

“(7) residual fuel oil,

“(8) petroleum coke,

“(9) butane,

“(10) propane,

“(11) ethanol,

“(12) methanol, and

“(13) to the extent provided in regulations prescribed by the Secretary, any other refined petroleum product.

“(e) APPLICABLE PER UNIT BTU FACTOR.—For purposes of this subchapter—

“(1) IN GENERAL.—

The applicable per unit Btu factor is the following amount per barrel:

“In the case of:	
Aviation gasoline ..	5.048
Motor gasoline (including blending components of gasoline)	5.267
Kerosene-type jet fuel	5.670
Naphtha-type jet fuel	5.355
Distillate fuel oil ...	5.852
Kerosene	5.670
Residual fuel oil	6.486
Petroleum coke	6.024
Ethanol	3.500
Methanol	3.500
Butane	4.326
Propane	3.836

“(2) MIXTURES.—Any mixture which includes a taxable refined petroleum product shall be treated as specified in paragraph (1) and—

“(A) if more than 1 such product is included in such mixture, the applicable per unit Btu factor shall be the weighted average of the applicable per unit Btu factors for the taxable refined petroleum products included in the mixture, and

“(B) if any substance is included in the mixture which is not a taxable refined petroleum product, the applicable per unit Btu factor for the portion of such mixture's volume which is attributable to such substance shall be zero.

“(3) CROSS REFERENCE.—

“For authority to adjust per unit Btu amounts, see section 4453(e).

“(f) OTHER DEFINITIONS.—For purposes of this subchapter—

“(1) REFINERY.—The term ‘refinery’ means any facility—

“(A) at which crude oil or any petroleum product is refined,

“(B) which is a natural gas processing or fractionation plant, or

“(C) at which ethanol or methanol is produced for use as a fuel.

“(2) BLENDING COMPONENTS.—The term ‘blending components’ does not include ethanol or methanol.

“(3) ETHANOL AND METHANOL.—The terms ‘ethanol’ and ‘methanol’ include ether derivatives of ethanol and methanol, respectively.

“(4) BARREL.—The term ‘barrel’ means 42 United States gallons determined with such temperature adjustments as the Secretary

may prescribe. In the case of a taxable refined petroleum product which is not a liquid, the term 'barrel' means a volume determined under regulations prescribed by the Secretary on the basis of an equivalence to a barrel of oil.

"(g) REFUNDS IN CERTAIN CASES.—Under regulations prescribed by the Secretary, if any person who paid the tax imposed by this section with respect to any taxable refined petroleum product establishes to the satisfaction of the Secretary that a prior tax was paid (and not credited or refunded) with respect to such product, then an amount equal to the tax paid by such person shall be allowed as a refund (without interest) to such person in the same manner as if it were an overpayment of tax imposed by this section.

SEC. 4442. TAX-FREE TRANSFERS AND USES; REFUNDS FOR CERTAIN SALES AND USES.

"(a) TAX-FREE SALES, ETC.—
 "(1) IN GENERAL.—No tax shall be imposed by section 4441—

"(A) on any taxable refined petroleum product which is used in an exempt use by the person otherwise liable for such tax, or

"(B) by reason of a removal, entry, or sale of such product for an exempt use by the person receiving the product.

"(2) EXEMPT USE.—For purposes of this subsection, the term 'exempt use' means—

"(A) export,
 "(B) any use in the generation of electricity,

"(C) any qualified feedstock use, and
 "(D) any use in the manufacture or production of synthetic natural gas or any other synthetic fuel specified in regulations prescribed by the Secretary.

"(3) QUALIFIED FEEDSTOCK USE.—For purposes of this subsection—

"(A) IN GENERAL.—In the case of any qualified feedstock use, only the exempt percentage of any taxable refined petroleum product shall be exempt from tax under paragraph (1).

"(B) QUALIFIED FEEDSTOCK USE.—The term 'qualified feedstock use' means use of any taxable refined petroleum product in the manufacture or production of any substance.

"(C) EXEMPT PERCENTAGE.—For purposes of subparagraph (A), the term 'exempt percentage' means the percentage (determined on the basis of chemical structure) of the taxable refined petroleum product which is incorporated into the substance manufactured or produced.

"(4) REGISTRATION REQUIREMENTS.—To the extent provided by the Secretary, paragraph (1) shall not apply to any taxable event unless—

"(A) such persons with respect to such event as the Secretary may specify are registered under section 4453(d), and

"(B) in the case of a sale, the purchaser's name and address, and the purchaser's registration number for purposes of this subchapter, are provided to the seller.

"(5) REFUNDS OF PRODUCTS PURCHASED TAXPAID.—If tax was imposed under section 4441 with respect to any taxable refined petroleum product and such product is used by any person in an exempt use, the Secretary shall pay to such person an amount equal to the tax so imposed (or, in the case of a qualified feedstock use, the exempt percentage of the tax so imposed).

"(6) CROSS REFERENCE.—

"For tax on fuel used to produce steam at facility which also generates electricity, see section 4451(e).

"(b) REFUNDS TO ULTIMATE VENDORS IN CERTAIN CASES.—Under regulations prescribed by the Secretary—

"(1) HEATING OIL.—If the supplemental rate of tax was imposed under section 4441 with respect to any No. 2 distillate fuel oil (including any kerosene in a mixture with such oil) and such fuel oil is delivered to any building to heat the building, the Secretary shall pay to the ultimate vendor of such fuel oil an amount equal to the product of the supplemental rate and the applicable per unit Btu factor per barrel of the fuel oil (and kerosene) so delivered.

"(2) INTERNATIONAL COMMERCIAL TRANSPORTATION.—

"(A) IN GENERAL.—If tax was imposed under section 4441 with respect to any taxable refined petroleum product and such product is sold for use or used by the purchaser for international commercial transportation, the Secretary shall pay to the ultimate vendor of such product an amount equal to the tax so imposed.

"(B) INTERNATIONAL COMMERCIAL TRANSPORTATION.—For purposes of subparagraph (A), the term 'international commercial transportation' means transportation in the trade or business of transporting persons or property for hire—

"(i) by any vessel actually engaged in foreign trade or trade between the United States and any of its possessions, or

"(ii) by aircraft from a point within the United States to a point outside the United States and outside the 225-mile zone (as defined in section 4262(c)(2)).

"(3) VENDOR REQUIREMENTS.—A payment may be made under this subsection to a vendor only if the vendor establishes that such vendor—

"(A)(i) has not included the tax in the price of the product, and

"(ii) has not collected the tax from the purchaser of such product, or

"(B) has agreed to repay the tax to the purchaser.

"(c) PRODUCTION OF CALCINED COKE.—If tax was imposed under section 4441 with respect to any petroleum product and such product is used by any person to produce calcined coke, the Secretary shall pay to such person an amount equal to the sum of the base rate and the supplemental rate for each million Btu's of the actual Btu content of the coke produced.

"(d) CROSS REFERENCE.—
"For refunds of gasoline and diesel fuel used on farms, see sections 6420(a) and 6427(m).

"PART II—IMPOSITION OF TAXES ON NATURAL GAS, COAL, AND ELECTRICITY

"Sec. 4444. Natural gas.

"Sec. 4445. Coal.

"Sec. 4446. Electricity.

SEC. 4444. NATURAL GAS.

"(a) IMPOSITION OF TAX.—

"(1) IN GENERAL.—There is hereby imposed a tax on natural gas—

"(A) removed from any pipeline in the United States,
 "(B) entered into the United States for consumption, use, or warehousing, and

"(C) entered into any pipeline the operator of which is not registered under section 4453(d).

"(2) EXCEPTION FOR TRANSFERS TO REGISTERED PIPELINES.—

"(A) PIPELINE TO PIPELINE TRANSFERS.—The tax imposed by paragraph (1) shall not apply to any removal from a pipeline to another pipeline if the operators of both pipelines are registered under section 4453(d).

"(B) ENTRY INTO UNITED STATES TO PIPELINE TRANSFERS.—The tax imposed by paragraph (1) shall not apply to any entry into the United States if—

"(i) pursuant to such entry the natural gas is entered into any pipeline, and

"(ii) the operator of such pipeline is registered under section 4453(d).

"(b) RATE OF TAX.—
 "(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on each MCF of natural gas shall be the base rate multiplied by the applicable per unit Btu factor.

"(2) AUTHORITY TO USE ACTUAL BTU CONTENT.—To the extent provided in regulations prescribed by the Secretary, the amount of the tax imposed by subsection (a) shall be the base rate for each million Btu's of the actual Btu content of the natural gas.

"(c) LIABILITY FOR, AND COLLECTION OF, TAX.—

"(1) IN GENERAL.—The tax imposed by subsection (a)(1)(A)—

"(A) shall be paid by the person receiving the natural gas, and

"(B) shall be collected by the operator of the pipeline.

"(2) IMPORTATION.—The tax imposed by subsection (a)(1)(B) shall be paid by the person entering the natural gas into the United States for consumption, use, or warehousing.

"(3) ENTRY INTO UNREGISTERED PIPELINES.—The tax imposed by subsection (a)(1)(C) shall be paid by the person entering the natural gas.

"(4) COLLECTION OF TAX.—

"(A) IN GENERAL.—In the case of natural gas removed from a local distribution system, the operator shall also be liable for any tax imposed by subsection (a) which is not collected from the person receiving the natural gas.

"(B) EXCEPTION FOR LARGE USERS FROM LOCAL DISTRIBUTION SYSTEMS.—Subparagraph (A) shall not apply to natural gas received by any person during any month from a local distribution system if the value (exclusive of taxes) of the natural gas received by such person from such system during the 12-month period ending before such month exceeded \$3,500,000.

"(d) DEFINITIONS.—For purposes of this subchapter—

"(1) APPLICABLE PER UNIT BTU FACTOR.—

"(A) IN GENERAL.—The applicable per unit Btu factor with respect to natural gas is 1.031 per MCF.

"(B) CROSS REFERENCE.—

"For authority to adjust per unit Btu amounts, see section 4453(e).

"(2) PIPELINE.—The term 'pipeline' includes a local distribution system. To the extent provided in regulations prescribed by the Secretary, such term includes a gathering system.

"(3) NATURAL GAS.—The term 'natural gas' includes synthetic natural gas produced from coal or from any petroleum product.

"(4) MCF.—The term 'MCF' means 1,000 cubic feet of natural gas measured at a pressure of 14.73 pounds per square inch (absolute) and a temperature of 60 degrees Fahrenheit.

"(e) EXEMPTION FROM TAX FOR CERTAIN USES.—

"(1) IN GENERAL.—No tax shall be imposed by subparagraph (A) or (B) of subsection (a)(1)—

"(A) on any natural gas which is used in an exempt natural gas use by the person otherwise liable for such tax, or

"(B) by reason of a removal or entry of natural gas for an exempt natural gas use by the person receiving the natural gas.

"(2) EXEMPT NATURAL GAS USE.—For purposes of this subsection, the term 'exempt natural gas use' means—

"(A) use in the generation of electricity,

“(B) any qualified feedstock use, or

“(C) use in enhanced heavy oil recovery.

“(3) QUALIFIED FEEDSTOCK USE.—For purposes of this subsection—

“(A) IN GENERAL.—In the case of any qualified feedstock use, only the exempt percentage of the natural gas shall be exempt from tax under paragraph (1).

“(B) QUALIFIED FEEDSTOCK USE; EXEMPT PERCENTAGE.—The terms ‘qualified feedstock use’ and ‘exempt percentage’ have the respective meanings given such terms by section 4442(a)(3) determined by substituting ‘natural gas’ for ‘taxable refined petroleum product’ each place it appears.

“(4) ENHANCED HEAVY OIL RECOVERY.—For purposes of this subsection—

“(A) IN GENERAL.—Natural gas shall be treated as used in enhanced heavy oil recovery if such gas is used in an enhanced oil recovery project in the United States for the recovery of oil having a weighted average gravity of 20 degrees API or less (corrected to 60 degrees Fahrenheit).

“(B) ENHANCED OIL RECOVERY PROJECT.—For purposes of subparagraph (A), the term ‘enhanced oil recovery project’ means any project which involves the application (in accordance with sound engineering principles) of 1 or more tertiary recovery methods (as defined in section 193(b)(3)) which can reasonably be expected to result in more than an insignificant increase in the amount of crude oil which will ultimately be recovered.

“(5) REGISTRATION REQUIREMENTS.—To the extent provided by the Secretary, paragraph (1) shall not apply to any taxable event unless the requirements of section 4442(a)(4) are met with respect to such event.

“(6) REFUNDS OF NATURAL GAS PURCHASED TAX-PAID.—If tax was imposed by this section with respect to any natural gas and such gas is used by any person in an exempt natural gas use, the Secretary shall pay to such person an amount equal to the tax so imposed (or, in the case of a qualified feedstock use, the exempt percentage of the tax so imposed).

“(7) CROSS REFERENCE.—

“**For tax on fuel used to produce steam at facility which also generates electricity, see section 4451(e).**

“(f) METHANE RECOVERED FROM BIOMASS OR COAL MINING.—

“(1) IN GENERAL.—If—

“(A) methane is recovered from biomass or in conjunction with room and pillar or long wall coal mining operations, and

“(B) such methane is entered into any natural gas pipeline,

the Secretary shall pay to the person so entering such methane an amount equal to the amount of tax which would be imposed under this section on such methane if such entry were a taxable event under such section.

“(2) RECAPTURE OF CREDIT FOR METHANE RECOVERED FROM COAL MINING IN CERTAIN CASES.—

“(A) IN GENERAL.—If—

“(i) the Secretary has made a payment under paragraph (1) to any person with respect to methane recovered from coal mining operations before the date the actual mining commences, and

“(ii) (I) such person disposes of his interest in such coal mining operations, or

“(II) the actual mining commences more than 10 years after the date such methane was first recovered,

then the tax under chapter 1 of such person for the taxable year in which such disposition occurs (or, in a case to which clause (i)(II) applies, such 10th year ends) shall be increased by the aggregate of such payments

to such person plus interest at the underpayment rate under section 6621 for the periods beginning on the dates such payments were made.

“(B) NO FURTHER PAYMENTS UNTIL MINING COMMENCES.—If there is an increase in tax under subparagraph (A) with respect to any payments for methane recovered from any site, no further payments shall be made under this subsection with respect to methane recovered from such site until actual mining commences at such site.

“(C) NO CREDITS AGAINST TAX, ETC.—Any increase in tax under this paragraph shall not be taken into account in determining the amount of any credit allowable under part IV of subchapter A of chapter 1 or in determining the amount of the tax imposed by section 55.

“(D) CHANGES IN FORM OF BUSINESS DISREGARDED.—A person shall not be treated as disposing of an interest in coal mining operations by reason of a mere change in the form of conducting the trade or business so long as the coal mining operations are retained in such trade or business and the taxpayer retains a substantial interest in such trade or business.

“(g) REFUNDS IN CERTAIN CASES.—A rule similar to the rule of section 4441(g) shall apply to the tax imposed by this section.

“**SEC. 4445. COAL.**

“(a) GENERAL RULE.—There is hereby imposed a tax on coal received at any facility in the United States for use as a fuel at such facility.

“(b) RATE OF TAX.—The amount of the tax imposed by subsection (a) shall be the base rate for each million Btu's of the actual Btu content of the coal. For purposes of the preceding sentence, the actual Btu content of any coal shall be determined under procedures prescribed by the Secretary.

“(c) LIABILITY FOR TAX.—

“(1) IN GENERAL.—Except as otherwise provided in this subsection, the tax imposed by subsection (a) shall be paid by the operator of the facility.

“(2) COAL RECEIVED AT SMALL FACILITIES.—If the ultimate vendor of coal received at a facility receives a certificate from the operator of such facility (or otherwise determines) that such facility received less than 1,000 tons of coal during the preceding calendar year, the tax imposed by subsection (a) shall be paid by the ultimate vendor.

“(3) RESIDENTIAL PROPERTY.—

“(A) IN GENERAL.—In the case of coal received at a residential property, the tax imposed by subsection (a) shall be paid by the ultimate vendor.

“(B) RESIDENTIAL PROPERTY.—For purposes of this paragraph, the term ‘residential property’ means any building which contains 1 or more dwelling units used for residential purposes other than on a transient basis.

“(d) EXEMPTION FROM TAX FOR CERTAIN USES.—

“(1) IN GENERAL.—No tax shall be imposed by subsection (a) on coal received for—

“(A) use in the generation of electricity,

“(B) any qualified feedstock use,

“(C) use in enhanced heavy oil recovery (as determined under section 4442(e)(4) by substituting ‘coal’ for ‘natural gas’),

“(D) use in the manufacture or production of synthetic natural gas or any other synthetic fuel specified in regulations prescribed by the Secretary, or

“(E) any use in a vessel used in international commercial transportation (as defined in section 4442(b)(2)(B)(i)).

“(2) QUALIFIED FEEDSTOCK USE.—For purposes of this subsection—

“(A) IN GENERAL.—In the case of any qualified feedstock use, only the exempt percentage of the coal shall be exempt from tax under paragraph (1).

“(B) QUALIFIED FEEDSTOCK USE; EXEMPT PERCENTAGE.—The terms ‘qualified feedstock use’ and ‘exempt percentage’ have the respective meanings given such terms by section 4442(a)(3) determined by substituting ‘coal’ for ‘taxable refined petroleum product’ each place it appears.

“(3) CROSS REFERENCE.—

“**For tax on fuel used to produce steam at facility which also generates electricity, see section 4451(e).**

“(e) PRODUCTION OF COKE FOR STEEL.—If tax was imposed under this subchapter with respect to any coal and such coal is used by any person to produce coke for use in the reduction of iron-bearing ores in the iron and steel process, the Secretary shall pay to such person an amount equal to the base rate for each million Btu's of the actual Btu content of the coke produced.

“**SEC. 4446. ELECTRICITY.**

“(a) GENERAL RULE.—There is hereby imposed a tax on—

“(1) the sale of electricity to ultimate users in the United States, and

“(2) the use of electricity in the United States which was not subject to tax under paragraph (1).

“(b) RATE OF TAX.—The amount of the tax imposed by subsection (a) on each kilowatt hour of electricity sold or used during any month shall be the deemed Btu tax per kilowatt hour applicable for such month—

“(1) to the seller in the case of the tax imposed by subsection (a)(1), and

“(2) to the user in the case of the tax imposed by subsection (a)(2).

“(c) LIABILITY FOR, AND COLLECTION OF, TAX.—

“(1) SALES.—The tax imposed by subsection (a)(1)—

“(A) shall be paid by the person to whom the electricity is sold, and

“(B) shall be collected by the seller.

“(2) USES.—The tax imposed by subsection (a)(2) shall be paid by the person using the electricity.

“(3) COLLECTION OF TAX.—

“(A) IN GENERAL.—The seller shall also be liable for the tax imposed by subsection (a)(1) which is not collected from the person to whom the electricity is sold.

“(B) EXCEPTION FOR LARGE USERS.—Subparagraph (A) shall not apply to electricity sold to any person during any month by the seller if the amount paid by such person for electricity (exclusive of taxes) sold by such seller during the 12-month period ending before such month exceeded \$3,500,000.

“(d) DEEMED BTU TAXES.—For purposes of this section—

“(1) IN GENERAL.—The deemed Btu taxes per kilowatt hour of electricity applicable to any person for any month shall be the weighted average of—

“(A) the deemed Btu taxes per kilowatt hour of electricity generated at each facility of the person during the base period, and

“(B) the deemed Btu taxes per kilowatt hour of electricity purchased by such person during the base period.

For purposes of this paragraph, the term ‘base period’ means, with respect to any month, the 2d month preceding such month.

“(2) DEEMED BTU TAXES PER FACILITY.—The deemed Btu taxes per kilowatt hour of electricity generated at any facility during any month shall be determined by dividing—

“(A) the deemed Btu taxes on fuels used at such facility to generate electricity during such month by

“(B) the aggregate kilowatt hours of electricity generated at such facility during such month.

“(3) DEEMED BTU TAXES.—

“(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term ‘deemed Btu taxes’ means, with respect to electricity, the aggregate taxes which would have been imposed by this subchapter on the fuels used to generate such electricity—

“(i) but for the exemption of such fuels from such taxes, and

“(ii) determined as of the month for which the rate of the tax imposed by subsection (a) is being determined.

“(B) ELECTRICITY GENERATED BY HYDROPOWER OR NUCLEAR POWER.—The deemed Btu taxes per kilowatt hour of electricity generated by hydropower or nuclear power shall be equal to the base rate multiplied by a fraction the numerator of which is 10,335 and the denominator of which is 1,000,000.

“(C) IMPORTED ELECTRICITY.—

“(i) IN GENERAL.—Except as provided in clause (ii), the deemed Btu taxes per kilowatt hour of electricity transmitted into the United States shall be determined as if such electricity were generated by hydropower.

“(ii) LOWER DEEMED BTU TAX MAY BE ESTABLISHED.—If the importer establishes to the satisfaction of the Secretary the amount which would be the deemed Btu taxes per kilowatt hour of the electricity if the electricity were generated in the United States, such amount shall be used in lieu of the amount under clause (i).

“(D) ELECTRICITY GENERATED BY RENEWABLE SOURCES.—The deemed Btu taxes per kilowatt hour of electricity generated from any renewable source shall be zero. For purposes of the preceding sentence, the term ‘renewable source’ means solar energy, wind energy, any geothermal deposit, biomass, municipal solid waste, and tires.

“(4) SELLERS TO SPECIFY DEEMED BTU TAXES.—

“(A) IN GENERAL.—In the case of electricity which is sold other than to the ultimate user, the seller shall certify to the purchaser the deemed Btu taxes per kilowatt hour of the electricity sold.

“(B) FAILURE TO CERTIFY.—If the seller fails to so certify—

“(i) the tax imposed by subsection (a) shall apply to such sale at the rate specified in subparagraph (C).

“(ii) the tax imposed by subsection (a) shall apply to any subsequent sale or use without regard to clause (i), and

“(iii) the rate specified in subparagraph (C) shall be the deemed Btu taxes per kilowatt hour of such electricity for purposes of determining the tax imposed by subsection (a) on any subsequent sale or use of such electricity.

“(C) RATE.—The rate specified in this subparagraph is, for each kilowatt hour, the product of—

“(i) the sum of the base rate and the supplemental rate, multiplied by

“(ii) a fraction the numerator of which is 10,335 and the denominator of which is 1,000,000.

“(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out this subsection, including regulations—

“(A) prescribing a base period to be used by any person not in existence during the base period, and

“(B) prescribing such other modifications to the application of this subsection as are necessary to carry out the purposes of this subsection.

“(e) EXCEPTIONS.—

“(1) ELECTRICITY USED IN CERTAIN ELECTROLYTIC PROCESSES.—

“(A) IN GENERAL.—In the case of electricity used in any electrolytic process, the tax imposed by this section shall not apply to the feedstock portion of such electricity.

“(B) FEEDSTOCK PORTION.—For purposes of subparagraph (A), the feedstock portion of electricity is the portion of the electrical energy which is incorporated into the manufactured product.

“(2) ELECTRICITY USED TO GENERATE PUMPED STORAGE, ETC.—The tax imposed by this section shall not apply to electricity used in the United States to create any hydropower source to generate electricity. The electricity generated by such hydropower source shall be disregarded in determining the deemed Btu taxes of the electricity.

“(3) USE TAX EXCEPTION.—The Secretary may provide by regulations that the tax imposed by subsection (a)(2) shall not apply in cases where the Secretary determines that such an exception is warranted, after taking into account the protection of revenues to the United States from this subchapter and the ease of administration for both taxpayers and the Secretary.

“PART III—TAX RATES

“Sec. 4448. Tax rates.

“SEC. 4448. TAX RATES.

“(a) BASE RATE.—For purposes of this subchapter—

“(1) PHASE-IN RATES.—Effective during—

“(A) the 1-year period beginning on July 1, 1994, the base rate is 8.9 cents, and

“(B) the 1-year period beginning on July 1, 1995, the base rate is 17.9 cents.

“(2) PERMANENT UNINDEXED RATE.—Effective on and after July 1, 1996, the base rate is 26.8 cents.

“(3) INDEXED RATES.—

“(A) IN GENERAL.—Effective during any calendar year after 1997, the base rate under paragraph (2) shall be increased by an amount equal to—

“(i) 26.8 cents, multiplied by

“(ii) the inflation adjustment for such calendar year.

“(B) INFLATION ADJUSTMENT.—For purposes of subparagraph (A), the inflation adjustment for any calendar year is the percentage (if any) by which—

“(i) the GDP deflator for the preceding calendar year, exceeds

“(ii) the GDP deflator for 1996.

“(C) GDP DEFLATOR FOR CALENDAR YEAR.—For purposes of subparagraph (B), the GDP deflator for any calendar year is the GDP deflator for the second calendar quarter of such year.

“(D) GDP DEFLATOR.—For purposes of subparagraph (C), the term ‘GDP deflator’ means the most recent revision of the implicit price deflator for the gross domestic product as computed and published by the Department of Commerce before November 15 of the calendar year referred to in subparagraph (B)(i).

“(b) SUPPLEMENTAL RATE.—For purposes of this subchapter—

“(1) PHASE-IN RATES.—Effective during—

“(A) the 1-year period beginning on July 1, 1994, the supplemental rate is 11.4 cents, and

“(B) the 1-year period beginning on July 1, 1995, the supplemental rate is 22.8 cents.

“(2) PERMANENT UNINDEXED RATE.—Effective on and after July 1, 1996, the supplemental rate is 34.2 cents.

“(3) INDEXED RATES.—Effective during any calendar year after 1997, the supplemental rate under paragraph (2) shall be increased by an amount equal to—

“(A) 34.2 cents, multiplied by

“(B) the inflation adjustment for such calendar year determined under subsection (a)(3)(B).

“(c) ROUNDING.—If any increase determined under subsection (a)(3) or (b)(3) is not a multiple of 0.1 cent, such increase shall be rounded to the nearest multiple of 0.1 cent.

“PART IV—USE TAXES; FLOOR STOCKS TAXES; ADMINISTRATIVE PROVISIONS; DEFINITIONS AND SPECIAL RULES

“Sec. 4451. Tax on certain uses.

“Sec. 4452. Floor stocks taxes.

“Sec. 4453. Administrative provisions.

“Sec. 4454. Definitions and special rules.

“SEC. 4451. TAX ON CERTAIN USES.

“(a) GENERAL RULE.—There is hereby imposed a tax on the use of any fossil fuel—

“(1) in the manufacture or production in the United States of a fuel other than at a refinery, or

“(2) as a fuel.

The preceding sentence shall not apply if tax was imposed under this subchapter before such use and such tax is not credited or refunded.

“(b) RATE OF TAX.—

“(1) IN GENERAL.—Except as otherwise provided in this subsection, the amount of tax imposed by subsection (a) shall be the amount which would be imposed under the appropriate section of part I or II if such use were a taxable event under such section.

“(2) CRUDE OIL AND OTHER PRODUCTS NOT TAXED ON REMOVAL OR IMPORTATION.—The amount of the tax imposed by subsection (a) on crude oil or other product not subject to tax under part I or II shall be the base rate (increased by the supplemental rate in the case of crude oil or any petroleum product other than any liquefied petroleum gas, isopentane, and natural gasoline) for each million Btu's of the Btu content of such oil or product.

“(3) AUTHORITY TO PRESCRIBE APPLICABLE PER UNIT BTU FACTORS.—In the case of crude oil or any other product for which an applicable per unit Btu factor is not prescribed for purposes of part I or II, the Secretary may prescribe such a factor, and, if so prescribed, such factor shall apply for purposes of paragraph (2).

“(c) LIABILITY FOR TAX.—The taxes imposed by subsection (a) shall be paid by the person using the fuel.

“(d) EXCEPTIONS.—

“(1) IN GENERAL.—Except as provided in subsection (e), the tax imposed by this section shall not apply to—

“(A) any use to which section 4442, section 4444(e), or subsection (d) or (e) of section 4445 applies, or

“(B) any use of methane described in section 4444(f)(1)(A).

“(2) USE ON PRODUCTION PREMISES.—The tax imposed by this section shall not apply to any use of crude oil or natural gas for producing crude oil or natural gas if—

“(A) in the case of crude oil, it is used before entry at the lease automatic custody transfer point (or its manual equivalent), and

“(B) in the case of natural gas, it is used before entry into an interstate or intrastate transmission pipeline.

“(3) CRUDE OIL USED AT REFINERY, ETC.—The tax imposed by this section shall not apply to—

“(A) any use of crude oil at a facility at which crude oil is refined or any use at such facility of any product produced at such facility,

“(B) any use of natural gas at a natural gas processing or fractionation plant or any use

at such plant of any product produced at such plant, or

“(C) any use of ethanol at a facility at which ethanol is produced for use as a fuel.

“(4) OTHERWISE TAXABLE EVENT OCCURRING BEFORE EFFECTIVE DATE.—The tax imposed by this section shall not apply to any use if no tax would be imposed by this section on such use were this subchapter in effect for all periods before July 1, 1994.

“(e) GENERATION OF STEAM AND ELECTRICITY.—

“(1) IN GENERAL.—In the case of a facility which uses any taxable refined petroleum product, natural gas, or coal—

“(A) to generate electricity, and

“(B) to produce steam which is used or which is furnished or sold in the trade or business of the furnishing or sale of steam, the tax imposed by subsection (a) shall apply to the use of such product, gas, or coal at such facility to the extent such use is attributable (determined on the basis of the proportionate Btu content of the electricity and the steam) to the production of steam which is so used, furnished, or sold.

“(2) EXCEPTIONS.—Paragraph (1) shall not apply to steam used for any purpose if tax would not be imposed under this subchapter on the fuel used to produce the steam had such fuel been used directly for such purpose.

“(f) TREATMENT OF NATURAL GAS LOST IN TRANSMISSION.—For purposes of this section, natural gas lost in transmission by a pipeline shall be treated as used as a fuel for such pipeline.

“SEC. 4452. FLOOR STOCKS TAXES.

“(a) IMPOSITION OF TAX.—There is hereby imposed a tax on any taxable fuel which on any tax-increase date is held in the United States by any person.

“(b) AMOUNT OF TAX.—The amount of the tax imposed by subsection (a) on any taxable fuel with respect to any tax-increase date shall be equal to the excess (if any) of—

“(1) the amount of tax which would be imposed under part I or II if a taxable event with respect to such fuel had occurred on such date, over

“(2) the prior tax (if any) imposed by this subchapter on such fuel.

“(c) LIABILITY FOR TAX.—The person holding the taxable fuel on any tax-increase date shall pay the tax imposed by subsection (a).

“(d) EXCEPTIONS.—The tax imposed by subsection (a) shall not apply to—

“(1) any taxable fuel held before the point where it would otherwise be subject to tax under part I or II, or

“(2) any taxable fuel held by any person exclusively for any use by such person to the extent a credit or refund (or other payment) of the tax imposed by this section would be allowable or payable if such tax were imposed by part I or II.

“(e) CREDIT AGAINST TAX.—

“(1) IN GENERAL.—Each person shall be allowed \$200 as a credit against the taxes imposed by subsection (a) with respect to each tax-increase date. Such credit shall not exceed the amount of taxes imposed by subsection (a) for which such person is liable with respect to such date.

“(2) CONTROLLED GROUPS.—For purposes of paragraph (1)—

“(A) all persons who are treated as a single employer under subsection (a) or (b) of section 52 shall be treated as 1 taxpayer, and

“(B) the \$200 amount specified in paragraph (1) shall be apportioned among such persons under regulations prescribed by the Secretary.

“(f) DEFINITIONS.—For purposes of this section—

“(1) TAXABLE FUEL.—The term ‘taxable fuel’ means any taxable refined petroleum product, natural gas, or coal.

“(2) TAX-INCREASE DATE.—The term ‘tax-increase date’ means—

“(A) July 1, 1994,

“(B) July 1, 1995,

“(C) July 1, 1996, and

“(D) January 1 of each calendar year for which there is an increase in a rate of tax by reason of subsection (a)(3) or (b)(3) of section 4448 (relating to inflation adjustment).

“(g) DUE DATE.—The tax imposed by subsection (a) shall be paid on or before the close of the 7-month period beginning on the tax-increase date.

“SEC. 4453. ADMINISTRATIVE PROVISIONS.

“(a) RULES RELATING TO REFUNDS FOR EXEMPT AND OTHER USES.—

“(1) PERIOD FOR FILING CLAIMS.—No payment shall be made under section 4442, 4444(f), or 4445(e) unless, within 2 years after the date that the event occurs giving rise to a right to such payment, a claim therefor is filed by the person entitled to such payment.

“(2) DENIAL OF INTEREST.—Except as provided in paragraph (3), no interest shall be paid on claims for payments under section 4442, 4444(f), or 4445(e).

“(3) MINIMUM AMOUNTS AND PERIODS.—In the case of persons who meet such requirements as the Secretary may prescribe, if—

“(A) a claim for payment is filed under section 4442, 4444(f), or 4445(e) for any period for which more than \$1,000 is payable and which is not less than 1 week, and

“(B) the Secretary has not paid such claim within 20 days after the date the claim was filed,

such claim shall be paid with interest from such date using the overpayment rate and method under section 6621. The preceding sentence shall not apply to a claim filed under section 4442(b)(1). Nothing in section 6611(e) shall bar interest payable under this paragraph.

“(4) HEATING OIL.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), not more than 1 claim may be filed under section 4442(b)(1) by any person with respect to fuel oil sold by such person during any calendar year.

“(B) EXCEPTION.—If \$1,000 or more is payable under section 4442(b)(1) to any person with respect to fuel oil sold during any of the 1st 3 quarters of the calendar year, a claim may be filed under section 4442(b)(1) with respect to fuel oil sold during such quarter. No claim filed under this subparagraph shall be allowed unless filed on or before the last day of the 1st quarter following the quarter for which the claim is filed.

“(5) APPLICABLE LAWS.—

“(A) IN GENERAL.—All provisions of law, including penalties, applicable in respect of the tax imposed by this subchapter shall, insofar as applicable and not inconsistent with this subsection and section 4442, 4444(f), or 4445(e), apply in respect of payments provided for in such section to the same extent as if such payments constituted refunds of overpayments of the tax so imposed.

“(B) EXAMINATION OF BOOKS AND WITNESSES.—For the purpose of ascertaining the correctness of any claim made under section 4442, 4444(f), or 4445(e), or the correctness of any payment made in respect of such claim, the Secretary shall have the authority granted by paragraphs (1), (2), and (3) of section 7602(a) (relating to examination of books and witnesses) as if the claimant were the person liable for tax.

“(b) PAYMENT OF TAX TO PERSONS REQUIRED TO COLLECT TAX.—

“(1) PAYMENT WITHIN 30 DAYS.—In the case of the taxes imposed by sections 4444 and 4446 which are required to be collected by another person, the person liable for such tax shall remit the tax to such other person within 30 days after the date of the taxable event.

“(2) RELIEF FROM PENALTY FOR CERTAIN FAILURES TO COLLECT TAX.—No penalty shall be imposed under this title on the failure of any person to collect the taxes referred to in paragraph (1) if—

“(A) during the 30-day period referred to in paragraph (1), such person exercises due diligence in attempting to collect such tax, and

“(B) such person notifies the Secretary, within 15 days after the close of the month in which such 30-day period ends, of the failure to collect such tax and provides such other information as the Secretary may require.

“(3) EXCEPTION FOR PERSONS WITH SECONDARY LIABILITY.—Paragraphs (1) and (2) shall not apply if the person required to collect the tax is required to pay any portion of such tax which is not paid by the person primarily liable for such tax.

“(c) INFORMATION REPORTING.—The Secretary may require—

“(1) information reporting by each remitter of tax imposed by this subchapter, and

“(2) information reporting by, and registration of, such other persons as the Secretary deems necessary to carry out this subchapter.

“(d) REGISTRATION.—

“(1) IN GENERAL.—Every person required by the Secretary to register under this subsection with respect to any tax imposed by this subchapter shall register with the Secretary at such time, in such form and manner, and subject to such terms and conditions, as the Secretary may by regulations prescribe. A registration under this subsection may be used only in accordance with regulations prescribed under this section.

“(2) OTHER RULES.—Rules similar to the rules of section 4101(b) and 4222(c) shall apply for purposes of this subsection.

“(e) ADJUSTMENTS TO PER UNIT BTU FACTORS.—

“(1) IN GENERAL.—If the Secretary determines that the applicable per unit Btu factor then in effect for any taxable refined petroleum product or natural gas does not, when multiplied by 1,000,000, properly reflect the Btu content per unit for such substance (in the circumstances where taxable events under this subchapter occur with respect to such substance), the Secretary may modify the applicable per unit Btu factor for such substance. Any such modification shall be effective as of the date prescribed by the Secretary.

“(2) MODIFICATION OF LIST OF REFINED PETROLEUM PRODUCTS.—The Secretary may modify, as appropriate, the list of refined petroleum products in section 4441 for which applicable per unit Btu factors are separately determined.

“SEC. 4454. DEFINITIONS AND SPECIAL RULES.

“(a) DEFINITIONS.—For purposes of this subchapter—

“(1) FOSSIL FUEL.—The term ‘fossil fuel’ means crude oil, any petroleum product, natural gas, any natural gas product, and coal.

“(2) CRUDE OIL.—The term ‘crude oil’ includes condensates from crude oil.

“(3) COAL.—The term ‘coal’ includes lignite.

“(4) UNITED STATES.—The term ‘United States’ means the 50 States, the District of Columbia, and the foreign trade zones of the United States.

“(5) PERSON.—The term ‘person’ includes the United States, any State or political sub-

division thereof, the District of Columbia, and any agency or instrumentality of any of the foregoing.

“(c) FRACTIONAL PART OF UNIT.—In the case of a fraction of a unit, the tax imposed by this subchapter shall be the same fraction of the amount of such tax imposed on a whole unit.

“(d) SPECIAL RULES RELATING TO PUERTO RICO AND THE VIRGIN ISLANDS.—

“(1) LIKE TAX ON ARTICLES BROUGHT INTO THE UNITED STATES FROM PUERTO RICO OR THE VIRGIN ISLANDS.—For purposes of this subchapter, articles brought into the United States from the Commonwealth of Puerto Rico or the Virgin Islands shall be treated as entered into the United States at the time brought into the United States.

“(2) DISPOSITION OF REVENUES.—The provisions of subsections (a)(3) and (b)(3) of section 7652 shall not apply to any tax imposed by this subchapter.

“(e) NO EXEMPTION FROM TAX.—No person shall be exempt from any tax imposed by this subchapter except to the extent provided in this subchapter or in any provision of law enacted after the date of the enactment of this subchapter which grants a specific exemption, by reference to this subchapter, from a tax imposed by this subchapter.

“PART V—TAX ON IMPORTED HIGH-ENERGY PRODUCTS

“Sec. 4456. Imposition of tax.

“Sec. 4457. Definitions and special rules.

“SEC. 4456. IMPOSITION OF TAX.

“(a) GENERAL RULE.—There is hereby imposed a tax on any taxable high-energy product entered into the United States for consumption, use, or warehousing.

“(b) AMOUNT OF TAX.—The amount of the tax imposed by subsection (a) on any taxable high-energy product shall be the imputed Btu tax with respect to such product.

“(c) LIABILITY FOR TAX.—The tax imposed by subsection (a) shall be paid by the person entering the product for consumption, use, or warehousing.

“SEC. 4457. DEFINITIONS AND SPECIAL RULES.

“(a) TAXABLE HIGH-ENERGY PRODUCT.—For purposes of this part—

“(1) IN GENERAL.—The term ‘taxable high-energy product’ means any product which, at the time entered into the United States for consumption, use, or warehousing, is listed as a taxable high-energy product by the Secretary.

“(2) DETERMINATION OF PRODUCTS ON LIST.—A product shall be listed under paragraph (1) if the product is produced in an industry identified (using 4-digit SIC codes) in the most recent census of manufacturing as producing products which on average have more than 2 percent of their value attributable to direct energy inputs (exclusive of the tax imposed by parts I and II) of taxable energy sources.

“(3) TAXABLE ENERGY SOURCE.—The term ‘taxable energy source’ means any taxable refined petroleum product, natural gas, coal, and electricity.

“(b) IMPUTED BTU TAX.—For purposes of this part—

“(1) IN GENERAL.—Except as otherwise provided in this subsection, the term ‘imputed Btu tax’ means, with respect to any taxable high-energy product, the amount of tax which would have been imposed by parts I and II on taxable energy sources directly used in the manufacture or production of the product if—

“(A) such product were manufactured or produced using the predominant method of

manufacture or production of such product in the United States, and

“(B) such taxable energy sources had been subject to tax under such parts on the date of the entry of the product into the United States for consumption, use, or warehousing.

“(2) TAX WHERE INFORMATION FURNISHED.—If the person liable for the tax imposed by section 4456 with respect to any product furnishes to the Secretary (at such time and in such manner as the Secretary shall prescribe) sufficient information to determine the imputed Btu tax with respect to such product, the imputed Btu tax determined using such information shall apply in lieu of the amount determined under paragraph (1).

“(c) REQUESTS TO CHANGE LIST.—If any importer or producer of any product requests that the Secretary determine whether—

“(1) such product should be listed as a taxable high-energy product under subsection (a)(1) or be removed from such listing, or

“(2) the imputed Btu tax for such product under subsection (b)(1), the Secretary shall make such determination within 180 days after the date the request was filed.”

(b) REFUNDS FOR FARM USE OF GASOLINE AND DIESEL FUEL.—

(1) GASOLINE.—

(A) Subsection (a) of section 6420 is amended by adding at the end thereof the following new flush sentence:

“If the supplemental rate of the tax imposed by section 4441 was imposed on such gasoline, the Secretary shall also pay (without interest) to such ultimate purchaser an amount equal to the product of such supplemental rate and the applicable per unit Btu factor per barrel (determined under section 4441) of the gasoline so used.”

(B) Subsection (h) of section 6420 is amended by inserting “and taxes imposed by section 4441” after “financing rate”.

(2) DIESEL FUEL.—

(A) Section 6427 is amended by redesignating subsections (m) through (r) as subsections (n) through (s), respectively, and by inserting after subsection (l) the following new subsection:

“(m) REFUNDS OF SUPPLEMENTAL RATE OF BTU TAX ON FARM USE OF DIESEL FUEL.—Except as provided in subsection (k), if the supplemental rate of the tax imposed by section 4441 was imposed on diesel fuel used on a farm for farming purposes (within the meaning of section 6420(c)), the Secretary shall pay (without interest) to the ultimate purchaser of such fuel an amount equal to the product of such supplemental rate and the applicable per unit Btu factor per barrel (determined under section 4441) of the diesel fuel so used.”

(B) Paragraph (1) of section 6427(i) is amended by inserting “(m),” after “(l).”

(C) Paragraph (4) of section 6427(i), as amended by subpart B, is amended—

(i) by striking “OR 4091” in the paragraph heading and inserting “, 4091, OR 4441”, and

(ii) by striking “subsection (l)” each place it appears and inserting “subsections (l) and (m)”.

(c) CIVIL PENALTY FOR USING REDUCED-RATE FUEL FOR TAXABLE USE.—

(1) IN GENERAL.—Part I of subchapter B of chapter 68 (relating to assessable penalties) is amended by adding at the end thereof the following new section:

“SEC. 6714. DYED FUEL SOLD FOR USE OR USED IN TAXABLE USE.

“(a) IMPOSITION OF PENALTY.—If any dyed fuel—

“(1) is sold by any person for any use which such person knows or has reason to know is not a reduced-tax use of such fuel, or

“(2) is used by any person for a use other than a reduced-tax use and such person knew, or had reason to know, that such fuel was so dyed,

then, in addition to the tax, such person shall pay a penalty on such sale or use.

“(b) AMOUNT OF PENALTY.—The amount of the penalty under subsection (a) on any sale or use shall be the greater of—

“(1) \$1,000, or

“(2) an amount equal to twice the excess of the aggregate taxes which should have been imposed under section 4441 on the fuel so sold or used over the prior taxes (if any) imposed on such fuel under such section which have not been credited or refunded.

“(c) DEFINITIONS.—For purposes of this section—

“(1) DYED FUEL.—The term ‘dyed fuel’ means—

“(A) qualified heating oil (as defined in section 4441(b)(2)(B)), and

“(B) diesel fuel dyed in accordance with section 4441(b)(2)(C).

“(2) REDUCED-TAX USE.—The term ‘reduced-tax use’ means, with respect to any fuel, the use for which such fuel was dyed.”

(2) CLERICAL AMENDMENT.—The table of sections for such part I is amended by adding at the end thereof the following new item:

“Sec. 6714. Dyed fuel sold for use or used in taxable use.”

(d) TECHNICAL AMENDMENTS.—

(1)(A) Subsection (a) of section 6675 is amended by inserting “section 4442 (relating to refunds of petroleum tax for certain sales and uses), section 4444(f) (relating to methane recovered from biomass or coal mining), section 4445(e) (relating to coal used in production of coke for steel),” before “section 6420”.

(B) Subsection (b) of section 6675 is amended by inserting “4442, 4444(f), 4445(e),” before “6420”.

(2) Section 6206 is amended—

(A) by inserting “(a) FUEL TAXES.—” before “Any portion of”, and

(B) by adding at the end thereof the following new subsection:

“(b) BTU TAXES.—Any portion of a payment made under section 4442, 4444(f), or 4445(e) which constitutes an excessive amount (as defined in section 6675(b)), and any civil penalty provided by section 6675, may be assessed and collected as if it were a tax imposed by subchapter A of chapter 36 and as if the person who made the claim were liable for such tax. The period for assessing any such portion, and for assessing any such penalty, shall be 3 years from the last day prescribed for filing a claim under section 4442, 4444(f), or 4445(e).”

(3)(A) The section heading for section 6206 is amended by striking “UNDER SECTIONS 6420, 6421, and 6427” and inserting “FOR CERTAIN FUELS TAX REFUNDS AND ENERGY TAX REFUNDS”.

(B) The item relating to section 6206 in the table of sections for subchapter A of chapter 63 is amended by striking “under sections 6420, 6421, and 6427” and inserting “for certain fuels tax refunds and energy tax refunds”.

(4) Subparagraph (B) of section 6724(d)(1) is amended—

(A) by striking “or” at the end of clause (xi),

(B) by striking the period at the end of the clause (xii) relating to section 4101(d) and inserting a comma,

(C) by redesignating the clause (xii) relating to section 338(h)(10)(C) as clause (xiii) and by striking the period at the end thereof and inserting “, or”, and

(D) by inserting after clause (xiii), as so redesignated, the following new clause:

"(xiv) section 4453(c) (relating to information reporting with respect to energy taxes)."

(5) Sections 7210, section 7603, subsections (b) and (c)(2) of section 7604, section 7605, and 7610(c) are each amended by inserting "4453(a)(5)(B)," before "6420(e)(2)" each place it appears.

(6) Subparagraph (A) of section 9505(c)(3) is amended by striking "subchapter A" and inserting "subchapter B".

(7) The table of subchapters for chapter 36 is amended by striking the items relating to subchapters A and B and inserting the following:

"Subchapter A. Energy taxes.

"Subchapter B. Harbor maintenance tax.

"Subchapter C. Transportation by water."

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect on July 1, 1994.

Subpart B—Modifications to Tax on Diesel Fuel

SEC. 14242. MODIFICATIONS TO TAX ON DIESEL FUEL.

(a) IN GENERAL.—Subparts A and B of part III of subchapter A of chapter 32 (relating to manufacturers excise taxes) are amended to read as follows:

"Subpart A—Gasoline and Diesel Fuel

"Sec. 4081. Imposition of tax.

"Sec. 4082. Exemptions for diesel fuel.

"Sec. 4083. Definitions and special rule.

"Sec. 4084. Cross references.

"SEC. 4081. IMPOSITION OF TAX.

"(a) TAX IMPOSED.—

"(1) TAX ON REMOVAL, ENTRY, OR SALE.—

"(A) IN GENERAL.—There is hereby imposed a tax at the rate specified in paragraph (2) on—

"(i) the removal of a taxable fuel from any refinery,

"(ii) the removal of a taxable fuel from any terminal,

"(iii) the entry into the United States of any taxable fuel for consumption, use, or warehousing, and

"(iv) the sale of a taxable fuel to any person who is not registered under section 4101 unless there was a prior taxable removal or entry of such fuel under clause (i), (ii), or (iii).

"(B) EXEMPTION FOR BULK TRANSFERS TO REGISTERED TERMINALS.—The tax imposed by this paragraph shall not apply to any removal or entry of a taxable fuel transferred in bulk to a terminal if the person removing or entering the taxable fuel and the operator of such terminal are registered under section 4101.

"(2) RATES OF TAX.—

"(A) IN GENERAL.—The rate of the tax imposed by this section is the sum of—

"(i) the Highway Trust Fund financing rate,

"(ii) the Leaking Underground Storage Tank Trust Fund financing rate, and

"(iii) the deficit reduction rate.

"(B) RATES.—For purposes of subparagraph (A)—

"(i) the Highway Trust Fund financing rate is—

"(I) 11.5 cents per gallon in the case of gasoline, and

"(II) 17.5 cents per gallon in the case of diesel fuel,

"(ii) the Leaking Underground Storage Tank Trust Fund financing rate is 0.1 cent per gallon, and

"(iii) the deficit reduction rate is 2.5 cents per gallon.

"(b) TREATMENT OF REMOVAL OR SUBSEQUENT SALE BY BLENDER.—

"(1) IN GENERAL.—There is hereby imposed a tax at the rate specified in subsection (a) on taxable fuel removed or sold by the blender thereof.

"(2) CREDIT FOR TAX PREVIOUSLY PAID.—If—

"(A) tax is imposed on the removal or sale of a taxable fuel by reason of paragraph (1), and

"(B) the blender establishes the amount of the tax paid with respect to such fuel by reason of subsection (a),

the amount of the tax so paid shall be allowed as a credit against the tax imposed by reason of paragraph (1).

"(c) TAXABLE FUELS MIXED WITH ALCOHOL AT REFINERY, ETC.—

"(1) REDUCED RATES.—

"(A) IN GENERAL.—Under regulations prescribed by the Secretary, subsection (a) shall be applied by substituting rates which are the applicable fraction of the otherwise applicable rates in the case of the removal or entry of any taxable fuel for use in producing at the time of such removal or entry a qualified alcohol mixture. Subject to such terms and conditions as the Secretary may prescribe (including the application of section 4101), the treatment under the preceding sentence also shall apply to use in producing such a mixture after the time of such removal or entry.

"(B) APPLICABLE FRACTION.—For purposes of subparagraph (A), the applicable fraction is—

"(i) in the case of a qualified alcohol mixture which contains gasoline, the fraction the numerator of which is 10 and the denominator of which is—

"(I) 9 in the case of 10 percent gasohol,

"(II) 9.23 in the case of 7.7 percent gasohol, and

"(III) 9.43 in the case of 5.7 percent gasohol, and

"(ii) in the case of a qualified alcohol mixture which does not contain gasoline, 10%.

"(2) LATER SEPARATION OF FUEL FROM QUALIFIED ALCOHOL MIXTURE.—If any person separates the taxable fuel from a qualified alcohol mixture on which tax was imposed under subsection (a) at the otherwise applicable Highway Trust Fund financing rate (or its equivalent) by reason of this subsection (or with respect to which a credit or payment was allowed or made by reason of section 6427(f)(1)), such person shall be treated as the refiner of such taxable fuel. The amount of tax imposed on any removal of such fuel by such person shall be reduced by the amount of tax imposed (and not credited or refunded) on any prior removal or entry of such fuel.

"(3) ALCOHOL; QUALIFIED ALCOHOL MIXTURE.—For purposes of this subsection—

"(A) ALCOHOL.—The term 'alcohol' includes methanol and ethanol but does not include alcohol produced from petroleum, natural gas, or coal (including peat). Such term does not include alcohol with a proof of less than 190 (determined without regard to any added denaturants).

"(B) QUALIFIED ALCOHOL MIXTURE.—The term 'qualified alcohol mixture' means—

"(i) any mixture of gasoline with alcohol if at least 5.7 percent of such mixture is alcohol, and

"(ii) any mixture of diesel fuel with alcohol if at least 10 percent of such mixture is alcohol.

"(4) OTHERWISE APPLICABLE RATES FOR GASOLINE MIXTURES.—For purposes of this subsection—

"(A) IN GENERAL.—In the case of the Highway Trust Fund financing rate, the otherwise applicable rate for gasoline in a qualified alcohol mixture is—

"(i) 6.1 cents a gallon for 10 percent gasohol,

"(ii) 7.342 cents a gallon for 7.7 percent gasohol, and

"(iii) 8.422 cents a gallon for 5.7 percent gasohol.

In the case of a mixture none of the alcohol in which consists of ethanol, clauses (i), (ii), and (iii) shall be applied by substituting '5.5 cents' for '6.1 cents', '6.88 cents' for '7.342 cents', and '8.08 cents' for '8.422 cents'.

"(B) 10 PERCENT GASOHOL.—The term '10 percent gasohol' means any mixture of gasoline with alcohol if at least 10 percent of such mixture is alcohol.

"(C) 7.7 PERCENT GASOHOL.—The term '7.7 percent gasohol' means any mixture of gasoline with alcohol if at least 7.7 percent, but not 10 percent or more, of such mixture is alcohol.

"(D) 5.7 PERCENT GASOHOL.—The term '5.7 percent gasohol' means any mixture of gasoline with alcohol if at least 5.7 percent, but not 7.7 percent or more, of such mixture is alcohol.

"(5) OTHERWISE APPLICABLE RATES FOR DIESEL FUEL MIXTURES.—For purposes of this subsection, in the case of the Highway Trust Fund financing rate, the otherwise applicable rate for diesel fuel in a qualified alcohol mixture is 12.1 cents per gallon (11.5 cents per gallon in the case of a qualified alcohol mixture none of the alcohol in which consists of ethanol).

"(6) TERMINATION.—Paragraph (1) shall not apply to any removal or sale after September 30, 2000.

"(d) TERMINATION.—

"(1) HIGHWAY TRUST FUND FINANCING RATE.—On and after October 1, 1999, the Highway Trust Fund financing rate under subsection (a)(2) shall not apply.

"(2) LEAKING UNDERGROUND STORAGE TANK TRUST FUND FINANCING RATE.—The Leaking Underground Storage Tank Trust Fund financing rate under subsection (a)(2) shall not apply after December 31, 1995.

"(3) DEFICIT REDUCTION RATE.—On and after October 1, 1995, the deficit reduction rate under subsection (a)(2) shall not apply.

"(e) REFUNDS IN CERTAIN CASES.—Under regulations prescribed by the Secretary, if any person who paid the tax imposed by this section with respect to any taxable fuel establishes to the satisfaction of the Secretary that a prior tax was paid (and not credited or refunded) with respect to such taxable fuel, then an amount equal to the tax paid by such person shall be allowed as a refund (without interest) to such person in the same manner as if it were an overpayment of tax imposed by this section.

"SEC. 4082. EXEMPTIONS FOR DIESEL FUEL.

"(a) IN GENERAL.—The tax imposed by section 4081 shall not apply to diesel fuel—

"(1) which the Secretary determines is destined for a nontaxable use,

"(2) which is indelibly dyed in accordance with regulations which the Secretary shall prescribe, and

"(3) which meets such marking requirements (if any) as may be prescribed by the Secretary in regulations.

"(b) NONTAXABLE USE.—For purposes of this section, the term 'nontaxable use' means—

"(1) any use which is exempt from the tax imposed by section 4041(a)(1) other than by reason of the imposition of tax on any sale thereof,

"(2) any use in a train, and

"(3) any use described in section 6427(b)(1).

"(c) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out this section, including regulations requiring the conspicuous labeling of retail diesel fuel pumps and other delivery facilities to assure that persons are aware of which fuel is available only for non-taxable uses.

"(d) CROSS REFERENCE.—

"For tax on train, motorboat, and certain bus uses of fuel purchased tax-free, see section 4041(a)(1).

"SEC. 4083. DEFINITIONS AND SPECIAL RULE.

"(a) TAXABLE FUEL.—For purposes of this subpart—

"(1) IN GENERAL.—The term 'taxable fuel' means—

"(A) gasoline, and

"(B) diesel fuel.

"(2) GASOLINE.—The term 'gasoline' includes, to the extent prescribed in regulations—

"(A) gasoline blend stocks, and

"(B) products commonly used as additives in gasoline.

For purposes of subparagraph (A), the term 'gasoline blend stock' means any petroleum product component of gasoline.

"(3) DIESEL FUEL.—The term 'diesel fuel' means any liquid (other than gasoline) which is suitable for use as a fuel in a diesel-powered highway vehicle, a diesel-powered train, or a diesel-powered boat.

"(b) CERTAIN USES DEFINED AS REMOVAL.—If any person uses taxable fuel (other than in the production of gasoline, diesel fuel, or special fuels referred to in section 4041), such use shall for the purposes of this chapter be considered a removal.

"SEC. 4084. CROSS REFERENCES.

"(1) For provisions to relieve farmers from excise tax in the case of gasoline used on the farm for farming purposes, see section 6420.

"(2) For provisions to relieve purchasers of gasoline from excise tax in the case of gasoline used for certain nonhighway purposes, used by local transit systems, or sold for certain exempt purposes, see section 6421.

"(3) For provisions to relieve purchasers from excise tax in the case of taxable fuel not used for taxable purposes, see section 6427.

"Subpart B—Aviation Fuel

"Sec. 4091. Imposition of tax.

"Sec. 4092. Exemptions.

"Sec. 4093. Definitions.

"SEC. 4091. IMPOSITION OF TAX.

"(a) IN GENERAL.—There is hereby imposed a tax on the sale of aviation fuel by the producer or the importer thereof or by any producer of aviation fuel.

"(b) RATE OF TAX.—

"(1) IN GENERAL.—The rate of the tax imposed by subsection (a) shall be the sum of—

"(A) the Airport and Airway Trust Fund financing rate, and

"(B) the Leaking Underground Storage Tank Trust Fund financing rate.

"(2) AIRPORT AND AIRWAY TRUST FUND FINANCING RATE.—For purposes of paragraph (1), the Airport and Airway Trust Fund financing rate is 17.5 cents per gallon.

"(3) LEAKING UNDERGROUND STORAGE TANK TRUST FUND FINANCING RATE.—For purposes of paragraph (1), the Leaking Underground Storage Tank Trust Fund financing rate is 0.1 cent per gallon.

"(4) TERMINATION OF RATES.—

"(A) The Airport and Airway Trust Fund financing rate shall not apply on and after January 1, 1996.

"(B) The Leaking Underground Storage Tank Trust Fund financing rate shall not apply during any period during which the Leaking Underground Storage Tank Trust Fund financing rate under section 4081 does not apply.

"(c) REDUCED RATE OF TAX FOR AVIATION FUEL IN ALCOHOL MIXTURE, ETC.—

"(1) IN GENERAL.—The Airport and Airway Trust Fund financing rate shall be—

"(A) 4.1 cents per gallon in the case of the sale of any mixture of aviation fuel if—

"(i) at least 10 percent of such mixture consists of alcohol (as defined in section 4081(c)(3)), and

"(ii) the aviation fuel in such mixture was not taxed under subparagraph (B), and

"(B) 4.56 cents per gallon in the case of the sale of aviation fuel for use (at the time of such sale) in producing a mixture described in subparagraph (A).

In the case of a sale described in subparagraph (B), the Leaking Underground Storage Tank Trust Fund financing rate shall be 1/2 cent per gallon.

"(2) LATER SEPARATION.—If any person separates the aviation fuel from a mixture of the aviation fuel and alcohol on which tax was imposed under subsection (a) at the Airport and Airway Trust Fund financing rate equivalent to 4.1 cents per gallon by reason of this subsection (or with respect to which a credit or payment was allowed or made by reason of section 6427(f)(1)), such person shall be treated as the producer of such aviation fuel. The amount of tax imposed on any sale of such aviation fuel by such person shall be reduced by the amount of tax imposed (and not credited or refunded) on any prior sale of such fuel.

"(3) TERMINATION.—Paragraph (1) shall not apply to any sale after September 30, 2000.

"(d) LOWER RATES OF TAX ON ALCOHOL MIXTURES NOT MADE FROM ETHANOL.—In the case of a mixture described in subsection (c)(1)(A)(i) none of the alcohol in which is ethanol—

"(1) subsections (c)(1)(A) and (c)(2) shall each be applied by substituting rates which are 0.6 cents less than the rates contained therein, and

"(2) subsection (c)(1)(B) shall be applied by substituting rates which are 1% of the rates determined under paragraph (1).

"SEC. 4092. EXEMPTIONS.

"(a) NONTAXABLE USES.—The Airport and Airway Trust Fund financing rate under section 4091 shall not apply to aviation fuel sold by a producer or importer for use by the purchaser in a nontaxable use (as defined in section 6427(1)(2)(B)).

"(b) SALES TO PRODUCER.—Under regulations prescribed by the Secretary, the tax imposed by section 4091 shall not apply to aviation fuel sold to a producer of such fuel.

"(c) SUPPLIES FOR VESSELS AND AIRCRAFT.—Under regulations prescribed by the Secretary, the Leaking Underground Storage Tank Trust Fund financing rate under section 4091 shall not apply to aviation fuel sold for use or used as supplies for vessels or aircraft (within the meaning of section 4221(d)(3)).

"SEC. 4093. DEFINITIONS.

"(a) AVIATION FUEL.—For purposes of this subpart, the term 'aviation fuel' means any liquid (other than any product taxable under section 4081) which is suitable for use as a fuel in an aircraft.

"(b) PRODUCER.—For purposes of this subpart—

"(1) CERTAIN PERSONS TREATED AS PRODUCERS.—

"(A) IN GENERAL.—The term 'producer' includes any person described in subparagraph

(B) and registered under section 4101 with respect to the tax imposed by section 4091.

"(B) PERSONS DESCRIBED.—A person is described in this subparagraph if such person is—

"(i) a refiner, blender, or wholesale distributor of aviation fuel, or

"(ii) a dealer selling aviation fuel exclusively to producers of aviation fuel.

"(C) REDUCED RATE PURCHASERS TREATED AS PRODUCERS.—Any person to whom aviation fuel is sold at a reduced rate under this subpart shall be treated as the producer of such fuel.

"(2) WHOLESALE DISTRIBUTOR.—For purposes of paragraph (1), the term 'wholesale distributor' includes any person who sells aviation fuel to producers, retailers, or to users who purchase in bulk quantities and deliver into bulk storage tanks. Such term does not include any person who (excluding the term 'wholesale distributor' from paragraph (1)) is a producer or importer."

(b) CIVIL PENALTY FOR USING REDUCED-RATE FUEL FOR TAXABLE USE.—

(1) Paragraph (1) of section 6714(c), as added by subpart A, 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 thereof the following new subparagraph:

"(C) diesel fuel dyed in accordance with section 4082."

(2) Paragraph (2) of section 6714(b), as added by subpart A, is amended by striking "section 4441" and inserting "sections 4081 and 4441" and by striking "such section" and inserting "such sections".

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Subsection (c) of section 40 is amended by striking "section 4081(c), or section 4091(c)" and inserting "or section 4081(c)".

(2) Subsection (a) of section 4101 is amended by striking "4081" and inserting "4041(a)(1), 4081."

(3) Section 4102 is amended by striking "gasoline" and inserting "any taxable fuel (as defined in section 4083)".

(4) Paragraph (1) of section 4041(a) is amended to read as follows:

"(1) TAX ON DIESEL FUEL IN CERTAIN CASES.—

"(A) IN GENERAL.—There is hereby imposed a tax on any liquid other than gasoline (as defined in section 4083)—

"(i) sold by any person to an owner, lessee, or other operator of a diesel-powered highway vehicle, a diesel-powered train, or a diesel-powered boat for use as a fuel in such vehicle, train, or boat, or

"(ii) used by any person as a fuel in a diesel-powered highway vehicle, a diesel-powered train, or a diesel-powered boat unless there was a taxable sale of such fuel under clause (i).

"(B) EXEMPTION FOR PREVIOUSLY TAXED FUEL.—No tax shall be imposed by this paragraph on the sale or use of diesel fuel if there was a taxable sale of such fuel under section 4081 and the tax thereon was not credited or refunded.

"(C) RATE OF TAX.—

"(i) IN GENERAL.—Except as otherwise provided in this subparagraph, the rate of the tax imposed by this paragraph shall be the sum of the Highway Trust Fund financing rate on diesel fuel and the deficit reduction rate in effect under section 4081 at the time of such sale or use.

"(ii) HIGHWAY RATE NOT TO APPLY TO TRAINS.—The Highway Trust Fund financing rate shall not apply to any sale for use, or use, of fuel in a train.

"(iii) CERTAIN BUS USES.—If the limitation in section 6427(b)(2)(A) applies to fuel sold for use or used in an automobile bus, the Highway Trust Fund financing rate shall be 3 cents per gallon and the deficit reduction rate shall not apply."

(5) Paragraph (2) of section 4041(a) is amended by striking "or paragraph (1) of this subsection" and by inserting "on gasoline" after "Highway Trust Fund financing rate".

(6) Paragraph (2) of section 4041(c) is amended by striking "any product taxable under section 4081" and inserting "gasoline (as defined in section 4083)".

(7) Paragraph (2) of section 4041(d) is amended—

(A) by striking "(other than a product taxable under section 4081)" and inserting "(other than gasoline (as defined in section 4083))", and

(B) by striking "section 4091" and inserting "section 4081".

(8) Paragraph (3) of section 4041(d) is amended by striking "(other than any product taxable under section 4081)" and inserting "(other than gasoline (as defined in section 4083))".

(9) Subparagraph (A) of section 4041(k)(1) is amended by striking "sections 4081(c) and 4091(c), as the case may be" and inserting "section 4081(c)".

(10) Subparagraph (B) of section 4041(m)(1) is amended by striking "section 4091(d)(1)" and inserting "section 4091(c)(1)".

(11) Section 6206 is amended by striking "4041 or 4091" and inserting "4041, 4081, or 4091".

(12) Paragraph (1) of section 6302(f) is amended by inserting "on gasoline" after "section 4081" and after "such tax".

(13) Paragraph (1) of section 6412(a) is amended by striking "gasoline" each place it appears (including the heading) and inserting "taxable fuel".

(14)(A) Subparagraph (A) of section 6416(a)(4) is amended by striking "product" each place it appears and inserting "gasoline".

(B) Subparagraph (B) of section 6416(a)(4) is amended by striking all that follows "substituting" and inserting "any gasoline taxable under section 4081 for 'aviation fuel' therein."

(15) Sections 6420(c)(5) and 6421(e)(1) are each amended by striking "section 4082(b)" and inserting "section 4083(a)".

(16) Subsection (b) of section 6427 is amended—

(A) by striking "if any fuel" in paragraph (1) and inserting "if any diesel fuel (as defined in section 4083(a))", and

(B) by striking "4091" each place it appears and inserting "4081".

(17)(A) Paragraph (1) of section 6427(f) is amended by striking "4091(c)(1)(A), or 4091(d)(1)(A)" and inserting "or 4091(c)(1)(A)".

(B) Paragraph (2) of section 6427(f) is amended to read as follows:

"(2) DEFINITIONS.—For purposes of paragraph (1)—

"(A) REGULAR TAX RATE.—The term 'regular tax rate' means—

"(i) in the case of gasoline or diesel fuel, the aggregate rate of tax imposed by section 4081 determined without regard to subsection (c) thereof, and

"(ii) in the case of aviation fuel, the aggregate rate of tax imposed by section 4091 determined without regard to subsection (c) thereof.

"(B) INCENTIVE TAX RATE.—The term 'incentive tax rate' means—

"(i) in the case of gasoline or diesel fuel, the aggregate rate of tax imposed by section 4081 with respect to fuel described in subsection (c)(1) thereof, and

"(ii) in the case of aviation fuel, the aggregate rate of tax imposed by section 4091 with respect to fuel described in subsection (c)(1)(B) thereof."

(18) Subsection (h) of section 6427 is amended by striking "section 4082(b)" and inserting "section 4083(a)(2)".

(19) Paragraph (3) of section 6427(i) is amended—

(A) by striking "GASOHOL" in the heading and inserting "ALCOHOL MIXTURE", and

(B) by striking "gasoline used to produce gasohol (as defined in section 4081(c)(1))" in subparagraph (A) and inserting "gasoline or diesel fuel used to produce a qualified alcohol mixture (as defined in section 4081(c)(3))".

(20) The heading of paragraph (4) of section 6427(i) is amended by inserting "4081 OR" before "4091".

(21) Subsection (l) of section 6427 is amended to read as follows:

"(1) NONTAXABLE USES OF DIESEL FUEL AND AVIATION FUEL.—

"(1) IN GENERAL.—Except as provided in subsection (k) and in paragraphs (3) and (4) of this subsection, if—

"(A) any diesel fuel on which tax has been imposed by section 4081, or

"(B) any aviation fuel on which tax has been imposed by section 4091,

is used by any person in a nontaxable use, the Secretary shall pay (without interest) to the ultimate purchaser of such fuel an amount equal to the aggregate amount of tax imposed on such fuel under section 4081 or 4091, as the case may be.

"(2) NONTAXABLE USE.—For purposes of this subsection, the term 'nontaxable use' means—

"(A) in the case of diesel fuel, any use which is exempt from the tax imposed by section 4041(a)(1) other than by reason of the imposition of tax on any sale thereof, and

"(B) in the case of aviation fuel, any use which is exempt from the tax imposed by section 4041(c)(1) other than by reason of the imposition of tax on any sale thereof.

"(3) LIMIT ON REFUND OF LEAKING UNDERGROUND STORAGE TANK TRUST FUND FINANCING RATE.—Paragraph (1) shall not apply to so much of the tax imposed by section 4081 or 4091 as is attributable to the Leaking Underground Storage Tank Trust Fund financing rate imposed by such section in the case of—

"(A) fuel used in a diesel-powered train, and

"(B) fuel used in any aircraft (other than as supplies for vessels or aircraft, within the meaning of section 4221(d)(3)).

"(4) NO REFUND OF DEFICIT REDUCTION TAX ON FUEL USED IN TRAINS.—Fuel used in a diesel-powered train shall be treated as a nontaxable use for purposes of this section, except that paragraph (1) shall not apply to so much of the tax imposed by section 4081 as is attributable to the deficit reduction rate imposed by such section unless such fuel was used by a State or any political subdivision thereof."

(22) Paragraph (1) of section 9503(b) is amended—

(A) by striking "gasoline," in subparagraph (E) and inserting "gasoline and diesel fuel), and",

(B) by striking subparagraph (F), and

(C) by redesignating subparagraph (G) as subparagraph (F).

(23)(A) Subparagraph (B) of section 9503(b)(4) is amended by striking "4081, and 4091" and inserting "and 4081".

(B) Subparagraph (C) of section 9503(b)(4), as amended by subtitle A, is amended by striking "4091" and inserting "4081".

(24) Subparagraph (D) of section 9503(c)(6) is amended by striking "4081, and 4091" and inserting "and 4081".

(25) Paragraph (2) of section 9503(e) is amended—

(A) by striking "4081, and 4091" and inserting "and 4081", and

(B) by striking "4081, or 4091" and inserting "or 4081".

(26) Subsection (b) of section 9508 is amended—

(A) by inserting "and diesel fuel" after "gasoline" in paragraph (2),

(B) by striking "diesel fuel and" in paragraph (3), and

(C) by striking "4091" in the last sentence, as added by subtitle A, and inserting "4081".

(27) The table of subparts for part III of subchapter A of chapter 32 is amended by striking the items relating to subparts A and B and inserting the following new items:

"Subpart A. Gasoline and diesel fuel.

"Subpart B. Aviation fuel."

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on April 1, 1994.

SEC. 14243. FLOOR STOCKS TAX.

(a) IN GENERAL.—There is hereby imposed a floor stocks tax on diesel fuel held by any person on April 1, 1994, if—

(1) no tax was imposed on such fuel under section 4041(a) or 4091 of the Internal Revenue Code of 1986 as in effect on the day before the date of the enactment of this Act, and

(2) tax would have been imposed by section 4081 of such Code, as amended by this Act, on any prior removal, entry, or sale of such fuel had such section 4081 applied to all prior removals, entries, and sales of such fuel.

(b) RATE OF TAX.—The rate of the tax imposed by subsection (a) shall be the amount of tax which would be imposed under section 4081 of the Internal Revenue Code of 1986 if there were a taxable sale of such fuel on such date.

(c) LIABILITY AND PAYMENT OF TAX.—

(1) LIABILITY FOR TAX.—A person holding the diesel fuel on April 1, 1994, to which the tax imposed by this section applies shall be liable for such tax.

(2) METHOD OF PAYMENT.—The tax imposed by this section shall be paid in such manner as the Secretary shall prescribe.

(3) TIME FOR PAYMENT.—The tax imposed by this section shall be paid on or before January 31, 1995.

(d) DEFINITIONS.—For purposes of this section—

(1) DIESEL FUEL.—The term "diesel fuel" has the meaning given such term by section 4083(a) of such Code.

(2) SECRETARY.—The term "Secretary" means the Secretary of the Treasury or his delegate.

(e) EXCEPTIONS.—

(1) PERSONS ENTITLED TO CREDIT OR REFUND.—The tax imposed by this section shall not apply to fuel held by any person exclusively for any use to the extent a credit or refund of the tax imposed by section 4081 is allowable for such use.

(2) COMPLIANCE WITH DYEING REQUIRED.—Paragraph (1) shall not apply to the holder of any fuel if the holder of such fuel fails to comply with any requirement imposed by the Secretary with respect to dyeing and marking such fuel.

(f) OTHER LAWS APPLICABLE.—All provisions of law, including penalties, applicable with respect to the taxes imposed by section 4081 of such Code shall, insofar as applicable and not inconsistent with the provisions of this section, apply with respect to the floor stock taxes imposed by this section to the same extent as if such taxes were imposed by such section 4081.

Subpart C—Extension of Motor Fuel Tax Rates; Increased Deposits Into Highway Trust Fund

SEC. 14244. EXTENSION OF MOTOR FUEL TAX RATES; INCREASED DEPOSITS INTO HIGHWAY TRUST FUND.

(a) IN GENERAL.—Clause (i) of section 4081(a)(2)(B), as amended by subpart B, is amended—

(1) by striking "11.5 cents" and inserting "14 cents", and

(2) by striking "17.5 cents" and inserting "20 cents".

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (A) of section 4081(c)(4), as so amended, is amended to read as follows:

"(A) IN GENERAL.—In the case of the Highway Trust Fund financing rate, the otherwise applicable rate for gasoline in a qualified alcohol mixture is—

"(i) 8.6 cents a gallon for 10 percent gasohol,

"(ii) 9.842 cents a gallon for 7.7 percent gasohol, and

"(iii) 10.922 cents a gallon for 5.7 percent gasohol.

In the case of a mixture none of the alcohol in which consists of ethanol, clauses (i), (ii), and (iii) shall be applied by substituting '8.0 cents' for '8.6 cents', '9.38 cents' for '9.842 cents', and '10.58 cents' for '10.922'."

(2) Paragraph (5) of section 4081(c), as so amended, is amended—

(A) by striking "12.1 cents" and inserting "14.6 cents", and

(B) by striking "11.5 cents" and inserting "14.0".

(3) Subparagraph (A) of section 4041(m)(1) is amended to read as follows:

"(A) under subsection (a)(2) the Highway Trust Fund financing shall be 7 cents per gallon, and"

(4) Paragraph (4) of section 6427(l), as amended by subpart B, is amended—

(A) by striking "the deficit reduction rate" and inserting "2.5 cents per gallon of the Highway Trust Fund financing rate", and

(B) by striking "DEFICIT REDUCTION TAX" in the heading and inserting "PORTION OF TAX".

(5) Subsection (b) of section 9503 is amended by adding at the end thereof the following new paragraph:

"(6) RETENTION OF CERTAIN TAXES IN GENERAL FUND.—

"(A) IN GENERAL.—There shall not be taken into account under paragraphs (1) and (2)—

"(i) the tax imposed by section 4081 on diesel fuel used in any train, and

"(ii) so much of the following taxes as are attributable to 2.5 cents of the Highway Trust Fund financing rate:

"(I) Motorboat fuel taxes (as defined in subsection (c)(4)(D)).

"(II) Small-engine fuel taxes (as defined in subsection (c)(5)(B)).

"(III) Nonhighway recreational fuel taxes (as defined in subsection (c)(6)(D)).

"(B) TRANSFERS FROM HIGHWAY TRUST FUND.—For purposes of determining the amount paid from the Highway Trust Fund under paragraphs (4), (5), and (6) of subsection (c), the Highway Trust Fund financing rates shall be treated as being 2.5 cents less than the otherwise applicable rates."

(c) INCREASE IN DEPOSITS IN MASS TRANSIT ACCOUNT.—Paragraph (2) of section 9503(e) is

amended by striking "1.5 cents" and inserting "2 cents".

(d) REPEAL OF EXPIRED PROVISIONS.—

(1) Subparagraph (A) of section 4081(a)(2) (relating to rate of tax), as amended by subpart B, is amended—

(A) by adding "and" at the end of clause (i),

(B) by striking "and" at the end of clause (ii) and inserting a period, and

(C) by striking clause (iii).

(2) Subparagraph (B) of section 4081(a)(2), as so amended, is amended—

(A) by adding "and" at the end of clause (i),

(B) by striking "and" at the end of clause (ii) and inserting a period, and

(C) by striking clause (iii).

(3) Subsection (d) of section 4081, as so amended, is amended by striking paragraph (3).

(4) Paragraphs (1) and (2) of section 4041(a) (as so amended), and paragraph (3) of section 4041(c), are each amended by striking "the sum of the Highway Trust Fund financing rate and the diesel fuel deficit reduction rate" and by inserting "the Highway Trust Fund financing rate".

(5) Clause (ii) of section 4041(a)(1)(C), as so amended, is amended—

(A) by striking "The Highway Trust Fund financing rate" and inserting "So much of the Highway Trust Fund financing rate as exceeds 2.5 cents per gallon", and

(B) by striking "HIGHWAY RATE" in the heading and inserting "PORTION OF HIGHWAY RATE".

(6) Clause (iii) of section 4041(a)(1)(C), as so amended, is amended by striking "and the deficit reduction rate shall not apply".

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect October 1, 1995, but the amendment made by subsection (c) shall apply only to amounts attributable to taxes imposed on or after such date.

PART V—COMPLIANCE PROVISIONS

SEC. 14251. REPORTING REQUIRED FOR CERTAIN PAYMENTS TO CORPORATIONS.

(a) SECTION 6041.—Section 6041 (relating to information at source) is amended by adding at the end thereof the following new subsection:

"(f) SPECIAL RULES FOR PAYMENTS FOR SERVICES.—No payment for the performance of services shall be exempt from the requirements of this section merely because it is a payment to a corporation."

(b) SECTION 6041A.—Subsection (a) of section 6041A is amended by adding at the end thereof the following new sentence: "A payment shall not be exempt from the requirements of this subsection merely because it is a payment to a corporation."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to payments made after December 31, 1993.

SEC. 14252. MODIFICATIONS TO SUBSTANTIAL UNDERSTATEMENT AND RETURN-PREPARER PENALTIES.

(a) REASONABLE BASIS REQUIRED.—

(1) SUBSTANTIAL UNDERSTATEMENT PENALTY.—Clause (ii) of section 6662(d)(2)(B) (relating to reduction for understatement due to position of taxpayer or disclosed item) is amended to read as follows:

"(ii) any item if—

"(I) the relevant facts affecting the item's tax treatment are adequately disclosed in the return or in a statement attached to the return, and

"(II) there is a reasonable basis for the tax treatment of such item by the taxpayer."

(2) RETURN PREPARER PENALTY.—Paragraph (3) of section 6694(a) (relating to understate-

ment of taxpayer's liability by income tax return preparer) is amended to read as follows:

"(3) the requirements of subclauses (I) and (II) of section 6662(d)(2)(B)(i) are not satisfied with respect to such position,".

(b) SPECIAL TAX SHELTER RULE.—Subclause (II) of section 6662(d)(2)(C)(i) (relating to special rules for tax shelters) is amended by inserting before the period at the end thereof the following: "and the reasonably anticipated after-tax benefits from the taxpayer's investment in such shelter do not significantly exceed the reasonably anticipated pre-tax economic profit or loss from such investment".

(c) REASONABLE CAUSE EXCEPTION.—Paragraph (1) of section 6664(c) is revised by striking "this part" and inserting "section 6662".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to returns the due dates for which (determined without regard to extensions) are after December 31, 1993.

SEC. 14253. RETURNS RELATING TO THE CANCELLATION OF INDEBTEDNESS BY CERTAIN FINANCIAL ENTITIES.

(a) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 (relating to information concerning transactions with other persons) is amended by adding at the end thereof the following new section:

"SEC. 6050P. RETURNS RELATING TO THE CANCELLATION OF INDEBTEDNESS BY CERTAIN FINANCIAL ENTITIES.

"(a) IN GENERAL.—Any applicable financial entity which discharges (in whole or in part) the indebtedness of any person during any calendar year shall make a return (at such time and in such form as the Secretary may by regulations prescribe) setting forth—

"(1) the name, address, and TIN of each person whose indebtedness was discharged during such calendar year,

"(2) the date of the discharge and the amount of the indebtedness discharged, and

"(3) such other information as the Secretary may prescribe.

"(b) EXCEPTION.—Subsection (a) shall not apply to any discharge of less than \$600.

"(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) APPLICABLE FINANCIAL ENTITY.—The term 'applicable financial entity' means—

"(A) any financial institution described in section 581 or 591(a) and any credit union,

"(B) the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, and the National Credit Union Administration, and any successor or subunit of any of the foregoing, and

"(C) any other corporation which is a direct or indirect subsidiary of an entity referred to in subparagraph (A) but only if, by virtue of being affiliated with such entity, such other corporation is subject to supervision and examination by a Federal or State agency which regulates entities referred to in subparagraph (A).

"(2) GOVERNMENTAL UNITS.—In the case of an entity described in paragraph (1)(B), any return under this section shall be made by the officer or employee appropriately designated for the purpose of making such return.

"(d) STATEMENTS TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS REQUIRED TO BE FURNISHED.—Every applicable financial entity required to make a return under subsection (a) shall furnish to each person whose name is required to be set forth in such return a written statement showing—

"(1) the name and address of the entity required to make such return, and

"(2) the information required to be shown on the return with respect to such person. The written statement required under the preceding sentence shall be furnished to the person on or before January 31 of the year following the calendar year for which the return under subsection (a) was made."

(b) PENALTIES.—

(1) RETURNS.—Subparagraph (B) of section 6724(d)(1) is amended by redesignating clauses (viii) through (xv) as clauses (ix) through (xvi), respectively, and by inserting after clause (vii) the following new clause:

"(viii) section 6050P (relating to returns relating to the cancellation of indebtedness by certain financial entities)."

(2) STATEMENTS.—Paragraph (2) of section 6724(d) is amended by redesignating subparagraphs (P) through (S) as subparagraphs (Q) through (T), respectively, and by inserting after subparagraph (O) the following new subparagraph:

"(P) section 6050P(d) (relating to returns relating to the cancellation of indebtedness by certain financial entities)."

(c) CLERICAL AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by adding at the end thereof the following new item:

"Sec. 6050P. Returns relating to the cancellation of indebtedness by certain financial entities."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to discharges of indebtedness after the date of the enactment of this Act.

PART VI—TREATMENT OF INTANGIBLES
SEC. 14261. AMORTIZATION OF GOODWILL AND CERTAIN OTHER INTANGIBLES.

(a) GENERAL RULE.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by adding at the end thereof the following new section:

"SEC. 197. AMORTIZATION OF GOODWILL AND CERTAIN OTHER INTANGIBLES.

"(a) GENERAL RULE.—A taxpayer shall be entitled to an amortization deduction with respect to any amortizable section 197 intangible. The amount of such deduction shall be determined by amortizing the adjusted basis (for purposes of determining gain) of such intangible ratably over the 14-year period beginning with the month in which such intangible was acquired.

"(b) NO OTHER DEPRECIATION OR AMORTIZATION DEDUCTION ALLOWABLE.—Except as provided in subsection (a), no depreciation or amortization deduction shall be allowable with respect to any amortizable section 197 intangible.

"(c) AMORTIZABLE SECTION 197 INTANGIBLE.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided in this section, the term 'amortizable section 197 intangible' means any section 197 intangible—

"(A) which is acquired by the taxpayer after the date of the enactment of this section, and

"(B) which is held in connection with the conduct of a trade or business or an activity described in section 212.

"(2) EXCLUSION OF SELF-CREATED INTANGIBLES, ETC.—The term 'amortizable section 197 intangible' shall not include any section 197 intangible—

"(A) which is not described in subparagraph (D), (E), or (F) of subsection (d)(1), and

"(B) which is created by the taxpayer. This paragraph shall not apply if the intangible is created in connection with a trans-

action (or series of related transactions) involving the acquisition of assets constituting a trade or business or substantial portion thereof.

"(3) ANTI-CHURNING RULES.—

"For exclusion of intangibles acquired in certain transactions, see subsection (f)(9).

"(d) SECTION 197 INTANGIBLE.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided in this section, the term 'section 197 intangible' means—

"(A) goodwill,

"(B) going concern value,

"(C) any of the following intangible items:

"(i) workforce in place including its composition and terms and conditions (contractual or otherwise) of its employment,

"(ii) business books and records, operating systems, or any other information base (including lists or other information with respect to current or prospective customers),

"(iii) any patent, copyright, formula, process, design, pattern, knowhow, format, or other similar item,

"(iv) any customer-based intangible,

"(v) any supplier-based intangible, and

"(vi) any other similar item,

"(D) any license, permit, or other right granted by a governmental unit or an agency or instrumentality thereof,

"(E) any covenant not to compete (or other arrangement to the extent such arrangement has substantially the same effect as a covenant not to compete) entered into in connection with an acquisition (directly or indirectly) of an interest in a trade or business or substantial portion thereof, and

"(F) any franchise, trademark, or trade name.

"(2) CUSTOMER-BASED INTANGIBLE.—

"(A) IN GENERAL.—The term 'customer-based intangible' means—

"(i) composition of market,

"(ii) market share, and

"(iii) any other value resulting from future provision of goods or services pursuant to relationships (contractual or otherwise) in the ordinary course of business with customers.

"(B) SPECIAL RULE FOR FINANCIAL INSTITUTIONS.—In the case of a financial institution, the term 'customer-based intangible' includes deposit base and similar items.

"(3) SUPPLIER-BASED INTANGIBLE.—The term 'supplier-based intangible' means any value resulting from future acquisitions of goods or services pursuant to relationships (contractual or otherwise) in the ordinary course of business with suppliers of goods or services to be used or sold by the taxpayer.

"(e) EXCEPTIONS.—For purposes of this section, the term 'section 197 intangible' shall not include any of the following:

"(1) FINANCIAL INTERESTS.—Any interest—

"(A) in a corporation, partnership, trust, or estate, or

"(B) under an existing futures contract, foreign currency contract, notional principal contract, or other similar financial contract.

"(2) LAND.—Any interest in land.

"(3) COMPUTER SOFTWARE.—

"(A) IN GENERAL.—Any—

"(i) computer software which is readily available for purchase by the general public, is subject to a nonexclusive license, and has not been substantially modified, and

"(ii) other computer software which is not acquired in a transaction (or series of related transactions) involving the acquisition of assets constituting a trade or business or substantial portion thereof.

"(B) COMPUTER SOFTWARE DEFINED.—For purposes of subparagraph (A), the term 'computer software' means any program designed

to cause a computer to perform a desired function. Such term shall not include any data base or similar item unless the data base or item is in the public domain and is incidental to the operation of otherwise qualifying computer software.

"(4) CERTAIN INTERESTS OR RIGHTS ACQUIRED SEPARATELY.—Any of the following not acquired in a transaction (or series of related transactions) involving the acquisition of assets constituting a trade business or substantial portion thereof:

"(A) Any interest in a film, sound recording, video tape, book, or similar property.

"(B) Any right to receive tangible property or services under a contract or granted by a governmental unit or agency or instrumentality thereof.

"(C) Any interest in a patent or copyright.

"(D) To the extent provided in regulations, any right under a contract (or granted by a governmental unit or an agency or instrumentality thereof) if such right—

"(i) has a fixed duration of less than 14 years, or

"(ii) is fixed as to amount and, without regard to this section, would be recoverable under a method similar to the unit-of-production method.

"(5) INTERESTS UNDER LEASES AND DEBT INSTRUMENTS.—Any interest under—

"(A) an existing lease of tangible property, or

"(B) except as provided in subsection (d)(2)(B), any existing indebtedness.

"(6) TREATMENT OF SPORTS FRANCHISES.—A franchise to engage in professional football, basketball, baseball, or other professional sport, and any item acquired in connection with such a franchise.

"(7) CERTAIN TRANSACTION COSTS.—Any fees for professional services, and any transaction costs, incurred by parties to a transaction with respect to which any portion of the gain or loss is not recognized under part III of subchapter C.

"(f) SPECIAL RULES.—

"(1) TREATMENT OF CERTAIN DISPOSITIONS, ETC.—If there is a disposition of any amortizable section 197 intangible acquired in a transaction or series of related transactions (or any such intangible becomes worthless) and one or more other amortizable section 197 intangibles acquired in such transaction or series of related transactions are retained—

"(A) no loss shall be recognized by reason of such disposition (or such worthlessness), and

"(B) appropriate adjustments to the adjusted bases of such retained intangibles shall be made for any loss not recognized under subparagraph (A).

All persons treated as a single taxpayer under section 41(f)(1) shall be so treated for purposes of the preceding sentence.

"(2) TREATMENT OF CERTAIN TRANSFERS.—

"(A) IN GENERAL.—In the case of any section 197 intangible transferred in a transaction described in subparagraph (B), the transferee shall be treated as the transferor for purposes of applying this section with respect to so much of the adjusted basis in the hands of the transferee as does not exceed the adjusted basis in the hands of the transferor.

"(B) TRANSACTIONS COVERED.—The transactions described in this subparagraph are—

"(i) any transaction described in section 332, 351, 361, 721, 731, 1031, or 1033, and

"(ii) any transaction between members of the same affiliated group during any taxable year for which a consolidated return is made by such group.

"(3) TREATMENT OF AMOUNTS PAID PURSUANT TO COVENANTS NOT TO COMPETE, ETC.—Any amount paid or incurred pursuant to a covenant or arrangement referred to in subsection (d)(1)(E) shall be treated as an amount chargeable to capital account.

"(4) TREATMENT OF FRANCHISES, ETC.—

"(A) FRANCHISE.—The term 'franchise' has the meaning given to such term by section 1253(b)(1).

"(B) TREATMENT OF RENEWALS.—Any renewal of a franchise, trademark, or trade name (or of a license, a permit, or other right referred to in subsection (d)(1)(D)) shall be treated as an acquisition. The preceding sentence shall only apply with respect to costs incurred in connection with such renewal.

"(C) CERTAIN AMOUNTS NOT TAKEN INTO ACCOUNT.—Any amount to which section 1253(d)(1) applies shall not be taken into account under this section.

"(5) TREATMENT OF CERTAIN REINSURANCE TRANSACTIONS.—In the case of any amortizable section 197 intangible resulting from an assumption reinsurance transaction, the amount taken into account as the adjusted basis of such intangible under this section shall be the excess of—

"(A) the amount paid or incurred by the acquirer under the assumption reinsurance transaction, over

"(B) the amount required to be capitalized under section 848 in connection with such transaction.

Subsection (b) shall not apply to any amount required to be capitalized under section 848.

"(6) TREATMENT OF CERTAIN SUBLEASES.—For purposes of this section, a sublease shall be treated in the same manner as a lease of the underlying property involved.

"(7) TREATMENT AS DEPRECIABLE.—For purposes of this chapter, any amortizable section 197 intangible shall be treated as property which is of a character subject to the allowance for depreciation provided in section 167.

"(8) TREATMENT OF CERTAIN INCREMENTS IN VALUE.—This section shall not apply to any increment in value if, without regard to this section, such increment is properly taken into account in determining the cost of property which is not a section 197 intangible.

"(9) ANTI-CHURNING RULES.—For purposes of this section—

"(A) IN GENERAL.—The term 'amortizable section 197 intangible' shall not include any section 197 intangible which is described in subparagraph (A) or (B) of subsection (d)(1) (or for which depreciation or amortization would not have been allowable but for this section) and which is acquired by the taxpayer after the date of the enactment of this section, if—

"(i) the intangible was held or used at any time on or after July 25, 1991, and on or before such date of enactment by the taxpayer or a related person,

"(ii) the intangible was acquired from a person who held such intangible at any time on or after July 25, 1991, and on or before such date of enactment, and, as part of the transaction, the user of such intangible does not change, or

"(iii) the taxpayer grants the right to use such intangible to a person (or a person related to such person) who held or used such intangible at any time on or after July 25, 1991, and on or before such date of enactment.

For purposes of this subparagraph, the determination of whether the user of property changes as part of a transaction shall be determined in accordance with regulations pre-

scribed by the Secretary. For purposes of this subparagraph, deductions allowable under section 1253(d) shall be treated as deductions allowable for amortization.

"(B) EXCEPTION WHERE GAIN RECOGNIZED.—If—

"(i) subparagraph (A) would not apply to an intangible acquired by the taxpayer but for the last sentence of subparagraph (C)(i), and

"(ii) the person from whom the taxpayer acquired the intangible elects, notwithstanding any other provision of this title—

"(I) to recognize gain on the disposition of the intangible, and

"(II) to pay a tax on such gain which, when added to any other income tax on such gain under this title, equals such gain multiplied by the highest rate of income tax applicable to such person under this title,

then subparagraph (A) shall apply to the intangible only to the extent that the taxpayer's adjusted basis in the intangible exceeds the gain recognized under clause (ii)(I).

"(C) RELATED PERSON DEFINED.—For purposes of this paragraph—

"(i) RELATED PERSON.—A person (hereinafter in this paragraph referred to as the 'related person') is related to any person if—

"(I) the related person bears a relationship to such person specified in section 267(b) or section 707(b)(1), or

"(II) the related person and such person are engaged in trades or businesses under common control (within the meaning of subparagraphs (A) and (B) of section 41(f)(1)).

For purposes of subclause (I), in applying section 267(b) or 707(b)(1), '20 percent' shall be substituted for '50 percent'.

"(ii) TIME FOR MAKING DETERMINATION.—A person shall be treated as related to another person if such relationship exists immediately before or immediately after the acquisition of the intangible involved.

"(D) ACQUISITIONS BY REASON OF DEATH.—Subparagraph (A) shall not apply to the acquisition of any property by the taxpayer if the basis of the property in the hands of the taxpayer is determined under section 1014(a).

"(E) SPECIAL RULE FOR PARTNERSHIPS.—With respect to any increase in the basis of partnership property under section 732, 734, or 743, determinations under this paragraph shall be made at the partner level and each partner shall be treated as having owned and used such partner's proportionate share of the partnership assets.

"(F) ANTI-ABUSE RULES.—The term 'amortizable section 197 intangible' does not include any section 197 intangible acquired in a transaction, one of the principal purposes of which is to avoid the requirement of subsection (c)(1) that the intangible be acquired after the date of the enactment of this section or to avoid the provisions of subparagraph (A).

"(G) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including such regulations as may be appropriate to prevent avoidance of the purposes of this section through related persons or otherwise."

(b) MODIFICATIONS TO DEPRECIATION RULES.—

(1) TREATMENT OF CERTAIN PROPERTY EXCLUDED FROM SECTION 197.—Section 167 (relating to depreciation deduction) is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

"(f) TREATMENT OF CERTAIN PROPERTY EXCLUDED FROM SECTION 197.—

"(1) COMPUTER SOFTWARE.—

"(A) IN GENERAL.—If a depreciation deduction is allowable under subsection (a) with respect to any computer software, such deduction shall be computed by using the straight line method and a useful life of 36 months.

"(B) COMPUTER SOFTWARE.—For purposes of this section, the term 'computer software' has the meaning given to such term by section 197(e)(3)(B); except that such term shall not include any such software which is an amortizable section 197 intangible.

"(2) CERTAIN INTERESTS OR RIGHTS ACQUIRED SEPARATELY.—If a depreciation deduction is allowable under subsection (a) with respect to any property described in subparagraph (B), (C), or (D) of section 197(e)(4), such deduction shall be computed in accordance with regulations prescribed by the Secretary."

(2) ALLOCATION OF BASIS IN CASE OF LEASED PROPERTY.—Subsection (c) of section 167 is amended to read as follows:

"(c) BASIS FOR DEPRECIATION.—

"(1) IN GENERAL.—The basis on which exhaustion, wear and tear, and obsolescence are to be allowed in respect of any property shall be the adjusted basis provided in section 1011, for the purpose of determining the gain on the sale or other disposition of such property.

"(2) SPECIAL RULE FOR PROPERTY SUBJECT TO LEASE.—If any property is acquired subject to a lease—

"(A) no portion of the adjusted basis shall be allocated to the leasehold interest, and

"(B) the entire adjusted basis shall be taken into account in determining the depreciation deduction (if any) with respect to the property subject to the lease."

(c) AMENDMENTS TO SECTION 1253.—Subsection (d) of section 1253 is amended by striking paragraphs (2), (3), (4), and (5) and inserting the following:

"(2) OTHER PAYMENTS.—Any amount paid or incurred on account of a transfer, sale, or other disposition of a franchise, trademark, or trade name to which paragraph (1) does not apply shall be treated as an amount chargeable to capital account.

"(3) RENEWALS, ETC.—For purposes of determining the term of a transfer agreement under this section, there shall be taken into account all renewal options (and any other period for which the parties reasonably expect the agreement to be renewed)."

(d) AMENDMENT TO SECTION 848.—Subsection (g) of section 848 is amended by striking "this section" and inserting "this section or section 197".

(e) AMENDMENTS TO SECTION 1060.—

(1) Paragraph (1) of section 1060(b) is amended by striking "goodwill or going concern value" and inserting "section 197 intangibles".

(2) Paragraph (1) of section 1060(d) is amended by striking "goodwill or going concern value (or similar items)" and inserting "section 197 intangibles".

(f) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Subsection (g) of section 167 (as redesignated by subsection (b)) is amended to read as follows:

"(g) CROSS REFERENCES.—

"(1) For additional rule applicable to depreciation of improvements in the case of mines, oil and gas wells, other natural deposits, and timber, see section 611.

"(2) For amortization of goodwill and certain other intangibles, see section 197."

(2) Subsection (f) of section 642 is amended by striking "section 169" and inserting "sections 169 and 197".

(3) Subsection (a) of section 1016 is amended by striking paragraph (19) and by redesignating the following paragraphs accordingly.

(4) Subparagraph (C) of section 1245(a)(2) is amended by striking "193, or 1253(d) (2) or (3)" and inserting "or 193".

(5) Paragraph (3) of section 1245(a) is amended by striking "section 185 or 1253(d) (2) or (3)".

(6) The table of sections for part VI of subchapter B of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 197. Amortization of goodwill and certain other intangibles."

(g) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply with respect to property acquired after the date of the enactment of this Act.

(2) ELECTION TO HAVE AMENDMENTS APPLY TO PROPERTY ACQUIRED AFTER JULY 25, 1991.—

(A) IN GENERAL.—If an election under this paragraph applies to the taxpayer—

(i) the amendments made by this section shall apply to property acquired by the taxpayer after July 25, 1991,

(ii) subsection (c)(1)(A) of section 197 of the Internal Revenue Code of 1986 (as added by this section) (and so much of subsection (f)(9)(A) of such section 197 as precedes clause (i) thereof) shall be applied with respect to the taxpayer by treating July 25, 1991, as the date of the enactment of such section, and

(iii) in applying subsection (f)(9) of such section, with respect to any property acquired by the taxpayer on or before the date of the enactment of this Act, only holding or use on July 25, 1991, shall be taken into account.

(B) ELECTION.—An election under this paragraph shall be made at such time and in such manner as the Secretary of the Treasury or his delegate may prescribe. Such an election by any taxpayer, once made—

(i) may be revoked only with the consent of the Secretary, and

(ii) shall apply to the taxpayer making such election and any other taxpayer under common control with the taxpayer (within the meaning of subparagraphs (A) and (B) of section 41(f)(1) of such Code) at any time after November 22, 1991, and on or before the date on which such election is made.

(3) ELECTIVE BINDING CONTRACT EXCEPTION.—

(A) IN GENERAL.—The amendments made by this section shall not apply to any acquisition of property by the taxpayer if—

(i) such acquisition is pursuant to a written binding contract in effect on the date of the enactment of this Act and at all times thereafter before such acquisition,

(ii) an election under paragraph (2) does not apply to the taxpayer, and

(iii) the taxpayer makes an election under this paragraph with respect to such contract.

(B) ELECTION.—An election under this paragraph shall be made at such time and in such manner as the Secretary of the Treasury or his delegate shall prescribe. Such an election, once made—

(i) may be revoked only with the consent of the Secretary, and

(ii) shall apply to all property acquired pursuant to the contract with respect to which such election was made.

(h) ANNUAL REPORTS.—The Secretary of the Treasury shall submit annual reports to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the implementation and effects of the amendments made by

this section, including the effects of such amendments on merger and acquisition activities. The first such annual report shall be submitted on or before December 31, 1994.

(i) ANNUAL REPORTS ON OUTSTANDING CASES.—The Secretary of the Treasury shall submit annual reports to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate regarding the volume of cases still outstanding that involve disputes regarding the amortization of intangibles, progress made in resolving such cases, efforts made to coordinate settlement proceedings, and factors inhibiting the resolution of such cases. The report shall also address the impact of the amendments made by this section on the volume of disputes regarding the amortization of intangibles. The first such annual report shall be submitted on or before December 31, 1994.

SEC. 14262. TREATMENT OF CERTAIN PAYMENTS TO RETIRED OR DECEASED PARTNER.

(a) SECTION 736(b) NOT TO APPLY IN CERTAIN CASES.—Subsection (b) of section 736 (relating to payments for interest in partnership) is amended by adding at the end thereof the following new paragraph:

"(3) LIMITATION ON APPLICATION OF PARAGRAPH (2).—Paragraph (2) shall apply only if—

"(A) capital is not a material income-producing factor for the partnership, and

"(B) the retiring or deceased partner was a general partner in the partnership."

(b) LIMITATION ON DEFINITION OF UNREALIZED RECEIVABLES.—

(1) IN GENERAL.—Subsection (c) of section 751 (defining unrealized receivables) is amended—

(A) by striking "sections 731, 736, and 741" each place they appear and inserting "sections 731 and 741 (but not for purposes of section 736)", and

(B) by striking "section 731, 736, or 741" each place it appears and inserting "section 731 or 741".

(2) TECHNICAL AMENDMENTS.—

(A) Subsection (e) of section 751 is amended by striking "sections 731, 736, and 741" and inserting "sections 731 and 741".

(B) Section 736 is amended by striking subsection (c).

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply in the case of partners retiring or dying on or after January 5, 1993.

(2) BINDING CONTRACT EXCEPTION.—The amendments made by this section shall not apply to any partner retiring on or after January 5, 1993, if a written contract to purchase such partner's interest in the partnership was binding on January 4, 1993, and at all times thereafter before such purchase.

PART VII—MISCELLANEOUS PROVISIONS

SEC. 14271. SUBSTANTIATION REQUIREMENT FOR DEDUCTION OF CERTAIN CHARITABLE CONTRIBUTIONS.

(a) SUBSTANTIATION REQUIREMENT.—Section 170(f) (providing special rules relating to the deduction of charitable contributions and gifts) is amended by adding at the end the following new paragraph:

"(8) SUBSTANTIATION REQUIREMENT FOR CERTAIN CONTRIBUTIONS.—

"(A) GENERAL RULE.—No deduction shall be allowed under subsection (a) for any contribution of \$750 or more unless the taxpayer substantiates the contribution by a contemporaneous written acknowledgment of the contribution by the donee organization that meets the requirements of subparagraph (B).

"(B) CONTENT OF ACKNOWLEDGMENT.—An acknowledgment meets the requirements of this subparagraph if it provides information sufficient to substantiate the amount of the deductible contribution. If the contribution was made by means of a payment part of which constituted consideration for goods or services provided by the donee organization, the acknowledgment must provide a good faith estimate of the value of such goods or services.

"(C) CONTEMPORANEOUS.—For purposes of subparagraph (A), an acknowledgment shall be considered to be contemporaneous if the taxpayer obtains the acknowledgment on or before the earlier of—

"(i) the date on which the taxpayer files a return for the taxable year in which the contribution was made, or

"(ii) the due date (including extensions) for filing such return.

"(D) SUBSTANTIATION NOT REQUIRED FOR CONTRIBUTIONS REPORTED BY THE DONEE ORGANIZATION.—Subparagraph (A) shall not apply to a contribution if the donee organization files a return, on such form and in accordance with such regulations as the Secretary may prescribe, which includes the information described in subparagraph (B) with respect to the contribution.

"(E) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations that may provide that some or all of the requirements of this paragraph do not apply in appropriate cases."

(b) EFFECTIVE DATE.—The provisions of this section shall apply to contributions made on or after January 1, 1994.

SEC. 14272. DISCLOSURE RELATED TO QUID PRO QUO CONTRIBUTIONS.

(a) DISCLOSURE REQUIREMENT.—Subchapter B of chapter 61 (relating to information and returns) is amended by redesignating section 6115 as section 6116 and by inserting after section 6114 the following new section:

"SEC. 6115. DISCLOSURE RELATED TO QUID PRO QUO CONTRIBUTIONS.

"(a) DISCLOSURE REQUIREMENT.—If an organization described in section 170(c) (other than paragraph (1) thereof) receives a quid pro quo contribution, the organization shall, in connection with the solicitation or receipt of the contribution—

"(1) inform the donor that the amount of the contribution that is deductible for Federal income tax purposes is limited to the excess of the amount of any money and the value of any property other than money contributed by the donor over the value of the goods or services provided by the organization, and

"(2) provide the donor with a good faith estimate of the value of such goods or services.

"(b) QUID PRO QUO CONTRIBUTION.—For purposes of this section, the term 'quid pro quo contribution' means a payment made partly as a contribution and partly in consideration for goods or services provided to the payor by the donee organization."

(b) PENALTY FOR FAILURE TO DISCLOSE.—Part I of subchapter B of chapter 68 (relating to assessable penalties) is amended by inserting after section 6713 the following new section:

"SEC. 6714. FAILURE TO MEET DISCLOSURE REQUIREMENTS APPLICABLE TO QUID PRO QUO CONTRIBUTIONS.

"(a) IMPOSITION OF PENALTY.—If an organization fails to meet the disclosure requirement of section 6115 with respect to a quid pro quo contribution, such organization shall pay a penalty of \$10 for each contribution in

respect of which the organization fails to make the required disclosure, except that the total penalty imposed by this subsection with respect to a particular fundraising event or mailing shall not exceed \$5,000.

“(b) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed under this section with respect to any failure if it is shown that such failure is due to reasonable cause.”

(c) CLERICAL AMENDMENTS.—

(1) The table for subchapter B of chapter 61 is amended by striking the item relating to section 6115 and inserting the following new item:

“Sec. 6115. Disclosure related to quid pro quo contributions.

“Sec. 6116. Cross reference.”

(2) The table for part I of subchapter B of chapter 68 is amended by inserting after the item for section 6713 the following new item:

“Sec. 6714. Failure to meet disclosure requirements applicable to quid pro quo contributions.”

(d) EFFECTIVE DATE.—The provisions of this section shall apply to quid pro quo contributions made on or after January 1, 1994.

SEC. 14273. DISALLOWANCE OF INTEREST ON CERTAIN OVERPAYMENTS OF TAX.

(a) GENERAL RULE.—Subsection (e) of section 6611 is amended to read as follows:

“(e) DISALLOWANCE OF INTEREST ON CERTAIN OVERPAYMENTS.—

“(1) REFUNDS WITHIN 45 DAYS AFTER RETURN IS FILED.—If any overpayment of tax imposed by this title is refunded within 45 days after the last day prescribed for filing the return of such tax (determined without regard to any extension of time for filing the return) or, in the case of a return filed after such last date, is refunded within 45 days after the date the return is filed, no interest shall be allowed under subsection (a) on such overpayment.

“(2) REFUNDS AFTER CLAIM FOR CREDIT OR REFUND.—If—

“(A) the taxpayer files a claim for a credit or refund for any overpayment of tax imposed by this title, and

“(B) such overpayment is refunded within 45 days after such claim is filed, no interest shall be allowed on such overpayment from the date the claim is filed until the day the refund is made.

“(3) IRS INITIATED ADJUSTMENTS.—If an adjustment initiated by the Secretary, results in a refund or credit of an overpayment, interest on such overpayment shall be computed by subtracting 45 days from the number of days interest would otherwise be allowed with respect to such overpayment.”

(b) EFFECTIVE DATES.—

(1) Paragraph (1) of section 6611(e) of the Internal Revenue Code of 1986 (as amended by subsection (a)) shall apply in the case of returns the due date for which (determined without regard to extensions) is on or after January 1, 1994.

(2) Paragraph (2) of section 6611(e) of such Code (as so amended) shall apply in the case of claims for credit or refund of any overpayment filed on or after January 1, 1995, regardless of the taxable period to which such refund relates.

(3) Paragraph (3) of section 6611(e) of such Code (as so amended) shall apply in the case of any refund paid on or after January 1, 1995, regardless of the taxable period to which such refund relates.

SEC. 14274. DENIAL OF DEDUCTION RELATING TO TRAVEL EXPENSES.

(a) IN GENERAL.—Section 274(m) (relating to additional limitations on travel expenses)

is amended by adding at the end thereof the following new paragraph:

“(3) TRAVEL EXPENSES OF SPOUSE, DEPENDENT, OR OTHERS.—No deduction shall be allowed under this chapter (other than section 217) for travel expenses paid or incurred with respect to a spouse, dependent, or other individual accompanying the taxpayer (or an officer or employee of the taxpayer) on business travel, unless—

“(A) the spouse, dependent, or other individual is an employee of the taxpayer,

“(B) the travel of the spouse, dependent, or other individual is for a bona fide business purpose, and

“(C) such expenses would otherwise be deductible by the spouse, dependent, or other individual.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid or incurred after December 31, 1993.

SEC. 14275. INCREASE IN WITHHOLDING FROM SUPPLEMENTAL WAGE PAYMENTS.

If an employer elects under Treasury Regulation 31.3402 (g)-1 to determine the amount to be deducted and withheld from any supplemental wage payment by using a flat percentage rate, the rate to be used in determining the amount to be so deducted and withheld shall not be less than 28 percent. The preceding sentence shall apply to payments made after December 31, 1993.

Subtitle C—Empowerment Zones and Enterprise Communities, Etc.

PART I—EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES

SEC. 14301. DESIGNATION AND TREATMENT OF EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.

(a) IN GENERAL.—Chapter 1 (relating to normal taxes and surtaxes) is amended by inserting after subchapter T the following new subchapter:

“Subchapter U—Designation and Treatment of Empowerment Zones and Enterprise Communities

“Part I. Designation.

“Part II. Incentives for empowerment zones and enterprise communities.

“Part III. Additional incentives for empowerment zones.

“Part IV. Regulations.

“PART I—DESIGNATION

“Sec. 1391. Designation procedure.

“Sec. 1392. Eligibility criteria.

“Sec. 1393. Definitions and special rules.

“SEC. 1391. DESIGNATION PROCEDURE.

“(a) IN GENERAL.—From among the areas nominated for designation under this section, the appropriate Secretaries may, in consultation with the Enterprise Board, designate empowerment zones and enterprise communities.

“(b) NUMBER OF DESIGNATIONS.—

“(1) ENTERPRISE COMMUNITIES.—The appropriate Secretaries may designate in the aggregate 100 nominated areas as enterprise communities under this section, subject to the availability of eligible nominated areas. Of that number, not more than 65 may be designated in urban areas, not more than 30 may be designated in rural areas, and not more than 5 may be designated by the Secretary of the Interior in Indian reservations.

“(2) EMPOWERMENT ZONES.—The appropriate Secretaries may designate in the aggregate 10 nominated areas as empowerment zones under this section, subject to the availability of eligible nominated areas. Of that number, not more than 6 may be designated in urban areas, not more than 3 may

be designated in rural areas, and not more than 1 may be designated by the Secretary of the Interior in an Indian reservation. If 6 empowerment zones are designated in urban areas, no less than 1 shall be designated in an urban area the most populous city of which has a population of 500,000 or less. The Secretary of Housing and Urban Development shall designate empowerment zones located in urban areas in such a manner that the aggregate population of all such zones does not exceed 750,000.

“(c) PERIOD DESIGNATIONS MAY BE MADE.—A designation may be made under this section only after 1993 and before 1996.

“(d) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—

“(1) IN GENERAL.—Any designation under this section shall remain in effect during the period beginning on the date of the designation and ending on the earliest of—

“(A) the close of the 10th calendar year beginning on or after such date of designation,

“(B) the termination date designated by the State and local governments as provided for in their nomination, or

“(C) the date the appropriate Secretary revokes the designation.

“(2) REVOCATION OF DESIGNATION.—

“(A) IN GENERAL.—The appropriate Secretary, in consultation with the Enterprise Board, may revoke the designation under this section of an area if such Secretary determines that the local government or the State in which it is located—

“(i) has modified the boundaries of the area, or

“(ii) is not complying substantially with, or fails to make progress in achieving the benchmarks set forth in, the strategic plan under subsection (f)(2).

“(B) APPLICABLE PROCEDURES.—A designation may be revoked by the appropriate Secretary under subparagraph (A) only after a hearing on the record involving officials of the State or local government involved.

“(e) LIMITATIONS ON DESIGNATIONS.—An area may be designated under subsection (a) only if—

“(1) the area is nominated by 1 or more local governments and the State or States in which it is located for designation under this section,

“(2) such State or States and the local governments have the authority—

“(A) to nominate the area for designation under this section, and

“(B) to provide the assurances described in paragraph (3),

“(3) such State or States and the local governments provide written assurances satisfactory to the appropriate Secretary that the strategic plan described in the application under subsection (f)(2) for such area will be implemented,

“(4) the appropriate Secretary determines that any information furnished is reasonably accurate, and

“(5) such State or States and local governments certify that no portion of the area nominated is already included in an empowerment zone or in an enterprise community or in an area otherwise nominated to be designated under this section.

“(f) APPLICATION.—An application for designation as an empowerment zone or as an enterprise community shall—

“(1) demonstrate that the nominated area satisfies the eligibility criteria described in section 1392,

“(2) include a strategic plan for accomplishing the purposes of this subchapter that—

“(A) describes the coordinated economic, human, community, and physical develop-

ment plan and related activities proposed for the nominated area.

"(B) describes the process by which the affected community is a full partner in the process of developing and implementing the plan and the extent to which local institutions and organizations have contributed to the planning process.

"(C) identifies the amount of State, local, and private resources that will be available in the nominated area and the private/public partnerships to be used, which may include participation by, and cooperation with, universities, medical centers, and other private and public entities.

"(D) identifies the funding requested under any Federal program in support of the proposed economic, human, community, and physical development and related activities.

"(E) identifies baselines, methods, and benchmarks for measuring the success of carrying out the strategic plan, including the extent to which poor persons and families will be empowered to become economically self-sufficient, and

"(F) does not include any action to assist any establishment in relocating from one area outside the nominated area to the nominated area, except that assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary is permitted if—

"(i) the establishment of the new branch, affiliate, or subsidiary will not result in a decrease in employment in the area of original location or in any other area where the existing business entity conducts business operations, and

"(ii) there is no reason to believe that the new branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where the existing business entity conducts business operation, and

"(3) include such other information as may be required by the appropriate Secretary or the Enterprise Board.

"SEC. 1392. ELIGIBILITY CRITERIA.

"(a) IN GENERAL.—A nominated area shall be eligible for designation under section 1391 only if it meets the following criteria:

"(1) POPULATION.—The nominated area has a maximum population of—

"(A) in the case of an urban area, the lesser of—

"(i) 200,000, or

"(ii) the greater of 50,000 or 10 percent of the population of the most populous city located within the nominated area, and

"(B) in the case of a rural area, 30,000.

"(2) DISTRESS.—The nominated area is one of pervasive poverty, unemployment, and general distress.

"(3) SIZE.—The nominated area—

"(A) does not exceed 20 square miles if an urban area or 1,000 square miles if a rural area or an Indian reservation,

"(B) has a boundary which is continuous, or, except in the case of a rural area located in more than 1 State, consists of not more than 3 noncontiguous parcels,

"(C)(i) in the case of an urban area, is located entirely within no more than 2 contiguous States, and

"(ii) in the case of a rural area, is located entirely within no more than 3 contiguous States, and

"(D) does not include any portion of a central business district (as such term is used for purposes of the most recent Census of Retail Trade) unless the poverty rate for each population census tract in such district is not less than 35 percent (30 percent in the case of an enterprise community).

"(4) POVERTY RATE.—The poverty rate—

"(A) for each population census tract within the nominated area is not less than 20 percent,

"(B) for at least 90 percent of the population census tracts within the nominated area is not less than 25 percent, and

"(C) for at least 50 percent of the population census tracts within the nominated area is not less than 35 percent.

"(b) SPECIAL RULES RELATING TO DETERMINATION OF POVERTY RATE.—For purposes of subsection (a)(4)—

"(1) TREATMENT OF CENSUS TRACTS WITH SMALL POPULATIONS.—

"(A) TRACTS WITH NO POPULATION.—In the case of a population census tract with no population—

"(i) such tract shall be treated as having a poverty rate which meets the requirements of subparagraphs (A) and (B) of subsection (a)(4), but

"(ii) such tract shall be treated as having a zero poverty rate for purposes of applying subparagraph (C) thereof.

"(B) TRACTS WITH POPULATIONS OF LESS THAN 2,000.—A population census tract with a population of less than 2,000 shall be treated as having a poverty rate which meets the requirements of subparagraphs (A) and (B) of subsection (a)(4) if more than 75 percent of such tract is zoned for commercial or industrial use.

"(2) DISCRETION TO ADJUST REQUIREMENTS.—Where necessary to carry out the purposes of this subchapter, the appropriate Secretary may reduce by 5 percentage points one of the following thresholds for not more than 10 percent of the population census tracts (or, if fewer, 5 population census tracts) in the nominated area:

"(A) The 20 percent threshold in subsection (a)(4)(A).

"(B) The 25 percent threshold in subsection (a)(4)(B).

"(C) The 35 percent threshold in subsection (a)(4)(C).

If the appropriate Secretary elects to reduce the threshold under subparagraph (C) for an enterprise community, such Secretary may (in lieu of applying the preceding sentence) reduce by 10 percentage points the threshold under subparagraph (C) for 3 population census tracts.

"(3) EACH NONCONTIGUOUS AREA MUST SATISFY POVERTY RATE RULE.—A nominated area may not include a noncontiguous parcel unless such parcel separately meets (subject to paragraphs (1) and (2)) the criteria set forth in subsection (a)(4).

"(4) AREAS NOT WITHIN CENSUS TRACTS.—In the case of an area which is not tracted for population census tracts, the equivalent county divisions (as defined by the Bureau of the Census for purposes of defining poverty areas) shall be used for purposes of determining poverty rates.

"(c) FACTORS TO CONSIDER.—From among the nominated areas eligible for designation under section 1391 by the appropriate Secretary, such appropriate Secretary shall make designations of empowerment zones and enterprise communities on the basis of—

"(1) the effectiveness of the strategic plan submitted pursuant to section 1391(f)(2) and the assurances made pursuant to section 1391(e)(3), and

"(2) criteria specified by the Enterprise Board.

"SEC. 1393. DEFINITIONS AND SPECIAL RULES.

"(a) IN GENERAL.—For purposes of this subchapter—

"(1) APPROPRIATE SECRETARY.—The term 'appropriate Secretary' means—

"(A) the Secretary of Housing and Urban Development in the case of any nominated area which is located in an urban area,

"(B) the Secretary of Agriculture in the case of any nominated area which is located in a rural area, and

"(C) the Secretary of the Interior in the case of any nominated area which is located in an Indian reservation.

"(2) ENTERPRISE BOARD.—The term 'Enterprise Board' means any board hereafter established and designated for purposes of this subchapter as the 'Enterprise Board'.

"(3) RURAL AREA.—The term 'rural area' means any area which is—

"(A) outside of a metropolitan statistical area (within the meaning of section 143(k)(2)(B)), or

"(B) determined by the Secretary of Agriculture, after consultation with the Secretary of Commerce, to be a rural area.

"(4) URBAN AREA.—The term 'urban area' means an area which is not a rural area.

"(5) INDIAN RESERVATION.—

"(A) IN GENERAL.—The term 'Indian reservation' means a reservation as defined in—

"(i) section 3(d) of the Indian Financing Act of 1974 (25 U.S.C. 1452(d)), or

"(ii) section 4(10) of the Indian Child Welfare Act of 1978 (25 U.S.C. 1903(10)).

"(B) GOVERNMENTS.—In the case of an area in an Indian reservation, the reservation governing body (as determined by the Secretary of the Interior) shall be deemed to be both the State and local governments with respect to such area.

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

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

"(B) any combination of political subdivisions described in subparagraph (A) recognized by the appropriate Secretary.

"(7) NOMINATED AREA.—The term 'nominated area' means an area which is nominated by 1 or more local governments and the State or States in which it is located for designation under section 1391.

"(8) GOVERNMENTS.—If more than 1 State or local government seeks to nominate an area as a tax enterprise zone, any reference to, or requirement of, this subchapter shall apply to all such governments.

"(9) SPECIAL RULE.—An area shall be treated as nominated by a State and a local government if it is nominated by such other entity as may be specified by the Enterprise Board.

"(10) USE OF CENSUS DATA.—Population and poverty rate shall be determined by the most recent decennial census data available.

"(b) EMPOWERMENT ZONE; ENTERPRISE COMMUNITY.—For purposes of this title, the terms 'empowerment zone' and 'enterprise community' mean areas designated as such under section 1391.

"PART II—INCENTIVES FOR EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES

"Sec. 1394. Incentives.

"SEC. 1394. INCENTIVES.

"(a) INCREASE IN LOW INCOME HOUSING CREDIT.—For purposes of section 42(d)(5)(C), a building shall be treated as located in a qualified census tract if—

"(1) such building is located in a census tract having a poverty rate of at least 30 percent (determined in accordance with section 1393(a)(10)), and

"(2) such building is located in an empowerment zone or an enterprise community.

“(b) TAX EXEMPT ENTERPRISE ZONE FACILITY BONDS.—

“(1) IN GENERAL.—For purposes of part IV of subchapter B of chapter 1 (relating to tax exemption requirements for State and local bonds), the term ‘exempt facility bond’ includes any bond issued as part of an issue 95 percent or more of the net proceeds (as defined in section 150(a)(3)) of which are to be used to provide any enterprise zone facility.

“(2) ENTERPRISE ZONE FACILITY.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘enterprise zone facility’ means any qualified zone property the principal user of which is an enterprise zone business (as defined in section 1397D), and any land which is functionally related and subordinate to such property.

“(B) QUALIFIED ZONE PROPERTY.—The term ‘qualified zone property’ has the meaning given such term by section 1397B(c); except that—

“(i) section 1397B(c)(3) shall not apply, and

“(ii) the references to empowerment zones shall be treated as including references to enterprise communities.

“(3) LIMITATION ON AMOUNT OF BONDS.—

“(A) IN GENERAL.—Paragraph (1) shall not apply to any issue if the aggregate amount of outstanding enterprise zone facility bonds allocable to any enterprise zone business (taking into account such issue) exceeds—

“(i) \$3,000,000 with respect to any 1 empowerment zone or enterprise community, or

“(ii) \$20,000,000 with respect to all empowerment zones and enterprise communities.

“(B) AGGREGATE ENTERPRISE ZONE FACILITY BOND BENEFIT.—For purposes of subparagraph (A), the aggregate amount of outstanding enterprise zone facility bonds allocable to any business shall be determined under rules similar to the rules of section 144(a)(10), taking into account only bonds to which paragraph (1) applies.

“(4) ACQUISITION OF LAND AND EXISTING PROPERTY PERMITTED.—The requirements of sections 147(c)(1)(A) and 147(d) shall not apply to any bond described in paragraph (1).

“(5) PARTIAL EXEMPTION FROM VOLUME CAP.—Only for purposes of section 146, the term ‘private activity bond’ shall not include 50 percent of any bond issued as part of an issue described in paragraph (1).

“(6) PENALTY FOR CEASING TO MEET REQUIREMENTS.—

“(A) FAILURES CORRECTED.—An issue which fails to meet 1 or more of the requirements of paragraphs (1) and (2) shall be treated as meeting such requirements if—

“(i) the issuer and any principal user in good faith attempted to meet such requirements, and

“(ii) any failure to meet such requirements is corrected within a reasonable period after such failure is first discovered.

“(B) LOSS OF DEDUCTIONS WHERE FACILITY CEASES TO BE QUALIFIED.—No deduction shall be allowed under this chapter for interest on any financing provided from any bond to which paragraph (1) applies with respect to any facility to the extent such interest accrues during the period beginning on the first day of the calendar year which includes the date on which—

“(i) substantially all of the facility with respect to which the financing was provided ceases to be used in an empowerment zone or enterprise community, or

“(ii) the principal user of such facility ceases to be an enterprise zone business (as defined in section 1397D, but treating references to empowerment zones as including references to enterprise communities).

“(C) EXCEPTION IF ZONE CEASES.—Subparagraphs (A) and (B) shall not apply solely by reason of the termination or revocation of a designation as an empowerment zone or an enterprise community.

“(D) EXCEPTION FOR BANKRUPTCY.—Subparagraphs (A) and (B) shall not apply to any cessation resulting from bankruptcy.

“(c) ENTERPRISE ZONE FACILITY BONDS NOT SUBJECT TO INTEREST DEDUCTION LIMITATIONS ON FINANCIAL INSTITUTIONS.—Any tax-exempt bond described in subsection (b)(1)—

“(1) shall be treated as acquired before August 8, 1986, for purposes of sections 265(b) and 291(e)(1)(B), and

“(2) shall not be taken into account in determining whether any issuer is a qualified small issuer for purposes of section 265(b).

“(d) ADDITIONAL LOW-INCOME HOUSING CREDIT AMOUNT.—

“(1) IN GENERAL.—Each State which includes any empowerment zone or enterprise community shall receive an additional State housing credit ceiling amount for purposes of section 42 of \$818,000 for each such zone or community.

“(2) ADDITIONAL AMOUNT MUST BE ALLOCATED TO BUILDINGS IN DESIGNATED AREAS.—

“(A) IN GENERAL.—The portion of the additional amount received under paragraph (1) by reason of any empowerment zone or enterprise community which may be applied to increase the State housing credit ceiling for any calendar year shall not exceed the lesser of—

“(i) the unused portion of such additional amount with respect to such zone or community, or

“(ii) the aggregate housing credit dollar amount allocated from such ceiling for such year to buildings located in such zone or community.

“(B) UNUSED PORTION.—For purposes of subparagraph (A), the unused portion for any calendar year of the additional amount received under paragraph (1) is the amount equal to the excess of—

“(i) the additional amount received under paragraph (1) by the State by reason of the zone or community, over

“(ii) the aggregate of the increases in the State housing credit ceiling by reason of such amount for all prior calendar years.

“(3) AVAILABILITY OF ADDITIONAL AMOUNT.—None of the additional amount received under paragraph (1) may be applied after 1996.

“(4) AREAS LOCATED IN MORE THAN 1 STATE.—In the case of an empowerment zone or enterprise community which is located in more than 1 State, the \$818,000 amount shall be allocated among such States in proportion to the population of such zone or community which is within each such State.

“(5) ZONES LOCATED IN CONSTITUTIONAL HOME RULE CITIES.—If any empowerment zone or enterprise community is located in a constitutional home rule city (as defined in section 42(h)(4)(E)), the additional amount received under paragraph (1) shall be allocated to such city and shall not be taken into account in determining such city's share of the State housing credit ceiling under section 42(h)(4)(E).

“PART III—ADDITIONAL INCENTIVES FOR EMPOWERMENT ZONES

“SUBPART A. Empowerment zone employment credit.

“SUBPART B. Zone resident empowerment savings credit.

“SUBPART C. Depreciation and other incentives.

“Subpart A—Empowerment Zone Employment Credit

“Sec. 1396. Empowerment zone employment credit.

“Sec. 1397. Other definitions and special rules.

“SEC. 1396. EMPOWERMENT ZONE EMPLOYMENT CREDIT.

“(a) AMOUNT OF CREDIT.—For purposes of section 38, the amount of the empowerment zone employment credit determined under this section with respect to any employer for any taxable year is the applicable percentage of the qualified zone wages paid or incurred during the calendar year which ends with or within such taxable year.

“(b) APPLICABLE PERCENTAGE.—For purposes of this section, the term ‘applicable percentage’ means the percentage determined in accordance with the following table:

In the case of wages paid or incurred during calendar year:	The applicable percentage is:
1994 through 2000	25
2001	20
2002	15
2003	10
2004	5

“(c) QUALIFIED ZONE WAGES.—

“(1) IN GENERAL.—For purposes of this section, the term ‘qualified zone wages’ means any wages paid or incurred by an employer for services performed by an employee while such employee is a qualified zone employee.

“(2) ONLY FIRST \$20,000 OF WAGES PER YEAR TAKEN INTO ACCOUNT.—With respect to each qualified zone employee, the amount of qualified zone wages which may be taken into account for a calendar year shall not exceed \$20,000.

“(3) COORDINATION WITH TARGETED JOBS CREDIT.—

“(A) IN GENERAL.—The term ‘qualified zone wages’ shall not include wages taken into account in determining the credit under section 51.

“(B) COORDINATION WITH PARAGRAPH (2).—The \$20,000 amount in paragraph (2) shall be reduced for any calendar year by the amount of wages paid or incurred during such year which are taken into account in determining the credit under section 51.

“(d) QUALIFIED ZONE EMPLOYEE.—For purposes of this section—

“(1) IN GENERAL.—Except as otherwise provided in this subsection, the term ‘qualified zone employee’ means, with respect to any period, any employee of an employer if—

“(A) substantially all of the services performed during such period by such employee for such employer are performed within an empowerment zone in a trade or business of the employer, and

“(B) the principal place of abode of such employee while performing such services is within such empowerment zone.

“(2) CERTAIN INDIVIDUALS NOT ELIGIBLE.—The term ‘qualified zone employee’ shall not include—

“(A) any individual described in subparagraph (A), (B), or (C) of section 51(i)(1),

“(B) any 5-percent owner (as defined in section 416(i)(1)(B)),

“(C) any individual employed by the employer for less than 90 days,

“(D) any individual employed by the employer at any facility described in section 144(c)(6)(B), and

“(E) any individual employed by the employer in a trade or business the principal activity of which is farming (within the

meaning of subparagraphs (A) or (B) of section 2032A(e)(5), but only if, as of the close of the taxable year, the sum of—

“(i) the aggregate unadjusted bases (or, if greater, the fair market value) of the assets owned by the employer which are used in such a trade or business, and

“(ii) the aggregate value of assets leased by the employer which are used in such a trade or business (as determined under regulations prescribed by the Secretary), exceeds \$500,000.

“(3) SPECIAL RULES RELATED TO TERMINATION OF EMPLOYMENT.—

“(A) IN GENERAL.—Paragraph (2)(C) shall not apply to—

“(i) a termination of employment of an individual who before the close of the period referred to in paragraph (2)(C) becomes disabled to perform the services of such employment unless such disability is removed before the close of such period and the taxpayer fails to offer reemployment to such individual, or

“(ii) a termination of employment of an individual if it is determined under the applicable State unemployment compensation law that the termination was due to the misconduct of such individual.

“(B) CHANGES IN FORM OF BUSINESS.—For purposes of paragraph (2)(C), the employment relationship between the taxpayer and an employee shall not be treated as terminated—

“(i) by a transaction to which section 381(a) applies if the employee continues to be employed by the acquiring corporation, or

“(ii) by reason of a mere change in the form of conducting the trade or business of the taxpayer if the employee continues to be employed in such trade or business and the taxpayer retains a substantial interest in such trade or business.

“SEC. 1397. OTHER DEFINITIONS AND SPECIAL RULES.

“(a) WAGES.—For purposes of this subpart—

“(1) IN GENERAL.—The term ‘wages’ has the same meaning as when used in section 51.

“(2) CERTAIN TRAINING AND EDUCATIONAL BENEFITS.—

“(A) IN GENERAL.—The following amounts shall be treated as wages paid to an employee:

“(i) Any amount paid or incurred by an employer which is excludable from the gross income of an employee under section 127, but only to the extent paid or incurred to a person not related to the employer.

“(ii) In the case of an employee who has not attained the age of 19, any amount paid or incurred by an employer for any youth training program operated by such employer in conjunction with local education officials.

“(B) RELATED PERSON.—A person is related to any other person if the person bears a relationship to such other person specified in section 267(b) or 707(b)(1), or such person and such other person are engaged in trades or businesses under common control (within the meaning of subsections (a) and (b) of section 52). For purposes of the preceding sentence, in applying section 267(b) or 707(b)(1), ‘10 percent’ shall be substituted for ‘50 percent’.

“(b) CONTROLLED GROUPS.—For purposes of this subpart—

“(1) all employers treated as a single employer under subsection (a) or (b) of section 52 shall be treated as a single employer for purposes of this subpart, and

“(2) the credit (if any) determined under section 1396 with respect to each such employer shall be its proportionate share of the wages giving rise to such credit.

“(c) CERTAIN OTHER RULES MADE APPLICABLE.—For purposes of this subpart, rules similar to the rules of section 51(k) and subsections (c), (d), and (e) of section 52 shall apply.

“(d) NOTICE OF AVAILABILITY OF ADVANCE PAYMENT OF EARNED INCOME CREDIT.—Each employer shall take reasonable steps to notify all qualified zone employees of the availability to eligible individuals of receiving advanced payments of the credit under section 32 (relating to the earned income credit).

“Subpart B—Zone Resident Empowerment Savings Credit

“Sec. 1397A. Zone resident empowerment savings credit.

“SEC. 1397A. ZONE RESIDENT EMPOWERMENT SAVINGS CREDIT.

“(a) GENERAL RULE.—For purposes of section 38, the amount of the zone resident empowerment savings credit determined under this section with respect to any employer for any taxable year is 50 percent of the qualified savings contributions for the taxable year.

“(b) QUALIFIED SAVINGS CONTRIBUTIONS.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified savings contribution’ means any contribution by an employer to a defined contribution plan—

“(A) which is made on behalf of an employee in connection with services performed by such employee while such employee is a qualified zone employee, and

“(B) with respect to which the employee has a nonforfeitable right.

“(2) LIMITATION BASED ON COMPENSATION.—

“(A) IN GENERAL.—The qualified savings contributions taken into account with respect to any qualified zone employee for any taxable year shall not exceed an amount equal to 2 percent of so much of the employee’s compensation (as defined in section 414(s)) as does not exceed \$35,000.

“(B) ZONE DESIGNATION IN EFFECT FOR PARTIAL YEAR.—If a designation of an area as an empowerment zone is in effect for less than the entire taxable year, the \$35,000 amount under subparagraph (A) shall be ratably reduced to reflect the portion of the year such designation is not in effect.

“(3) CERTAIN CONTRIBUTIONS EXCLUDED.—The term ‘qualified savings contribution’ shall not include any contribution—

“(A) to a plan subject to the funding requirements of section 412,

“(B) to a tax credit employee stock ownership plan (as defined in section 409(a)) or to an employee stock ownership plan (as defined in section 4975(e)(7)),

“(C) to a stock bonus plan, or

“(D) which is an elective deferral (within the meaning of section 402(g)(3)).

“(4) SIMPLIFIED EMPLOYEE PENSION.—A contribution to an individual savings plan pursuant to a simplified employee pension (as defined in section 408(k)) shall be treated as a contribution to a defined contribution plan.

“(c) EMPLOYER REQUIREMENTS.—This section shall apply to an employer for any taxable year only if—

“(1) the employer elects the application of this section, and

“(2) the plan pursuant to which any qualified savings contribution is made provides that any contribution to such plan (whether or not a qualified savings contribution) may be withdrawn by a qualified zone employee as described in section 72(t)(2) (B) or (D).

“(d) DEFINITIONS.—For purposes of this section—

“(1) QUALIFIED ZONE EMPLOYEE.—The term ‘qualified zone employee’ has the meaning given such term by section 1396(d).

“(2) DEFINED CONTRIBUTION PLAN.—The term ‘defined contribution plan’ means a defined contribution plan (as defined in section 414(i)) which is described in section 401(a) and includes a trust exempt from tax under section 501(a).

“(e) TREATMENT OF PLANS.—A plan shall not be treated as failing to meet any requirement of part I of subchapter D of chapter 1 by reason of permitting withdrawals required to be permitted under subsection (c)(2).

“Subpart C—Depreciation and Other Incentives

“Sec. 1397B. Depreciation benefits.

“Sec. 1397C. Additional exclusion from volume cap for certain enterprise zone facility bonds.

“Sec. 1397D. Enterprise zone business.

“SEC. 1397B. DEPRECIATION BENEFITS.

“(a) INCREASE IN EXPENSING UNDER SECTION 179.—

“(1) IN GENERAL.—In the case of an enterprise zone business, for purposes of section 179—

“(A) qualified zone property shall be treated as section 179 property,

“(B) the limitation under section 179(b)(1) shall be increased by the lesser of—

“(i) \$50,000, or

“(ii) the cost of qualified zone property placed in service during the taxable year, and

“(C) section 179(b)(2) shall be applied by substituting ‘by one-half of the amount by which the cost of qualified zone property (other than real property) and other section 179 property’ for ‘by the amount by which the cost of section 179 property’.

“(b) ACCELERATED DEPRECIATION.—

“(1) IN GENERAL.—For purposes of section 168(a), with respect to qualified zone property of an enterprise zone business, the applicable recovery period shall be determined in accordance with the table contained in paragraph (2) in lieu of the table contained in section 168(c).

“(2) APPLICABLE RECOVERY PERIOD FOR QUALIFIED ZONE PROPERTY.—For purposes of paragraph (1)—

The applicable recovery period is:	
3-year property	2 years
5-year property	3 years
7-year property	4 years
10-year property	6 years
15-year property	9 years
20-year property	12 years
Nonresidential real property	22 years.

“(3) DEDUCTION ALLOWED IN COMPUTING MINIMUM TAX.—Paragraph (1) shall apply for purposes of determining alternative minimum taxable income under section 55.

“(c) QUALIFIED ZONE PROPERTY.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified zone 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 the date on which the designation of the empowerment zone took effect,

“(B) the original use of which in an empowerment zone commences with the taxpayer, and

“(C) substantially all of the use of which is in an empowerment zone and is in the active conduct of a trade or business by the taxpayer in such zone.

"(2) SPECIAL RULE FOR SUBSTANTIAL RENOVATIONS.—In the case of any property which is substantially renovated by the taxpayer, the requirements of subparagraphs (A) and (B) of paragraph (1) shall be treated as satisfied. For purposes of the preceding sentence, property shall be treated as substantially renovated by the taxpayer if, during any 24-month period beginning after the date on which the designation of the empowerment zone took effect, additions to basis with respect to such property in the hands of the taxpayer exceed the greater of (i) an amount equal to the adjusted basis at the beginning of such 24-month period in the hands of the taxpayer, or (ii) \$5,000.

"(3) EXCEPTION FOR ALTERNATIVE DEPRECIATION PROPERTY.—The term 'qualified zone property' does not include any property to which the alternative depreciation system under section 168(g) applies, determined—

"(A) without regard to section 168(g)(7) (relating to election to use alternative depreciation system), and

"(B) after the application of section 280F(b) (relating to listed property with limited business use).

"(d) SPECIAL RULES FOR SALE-LEASEBACKS.—For purposes of subsection (c)(1)(B), if property is sold and leased back by the taxpayer within 3 months after the date such property was originally placed in service, such property shall be treated as originally placed in service not earlier than the date on which such property is used under the lease-back.

"(e) RECAPTURE.—Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified zone property of any business which ceases to be an enterprise zone business.

"SEC. 1397C. ADDITIONAL EXCLUSION FROM VOLUME CAP FOR CERTAIN ENTERPRISE ZONE FACILITY BONDS.

"(a) IN GENERAL.—Section 1394(b)(5) shall be applied by substituting '75 percent' for '50 percent' in the case of any bond described in section 1394(b)(1) issued as part of an issue 95 percent or more of the net proceeds (as defined in section 150(a)(3)) of which are used to provide qualified zone property the principal user of which is any enterprise zone business if the ownership requirements of subsection (b) are met with respect to such business.

"(b) OWNERSHIP REQUIREMENTS.—The ownership requirements of this subsection are met with respect to an enterprise zone business if—

"(1) in the case of a sole proprietorship, the principal place of abode of the proprietor is in an empowerment zone,

"(2) in the case of a corporation, more than 50 percent of the stock (by vote and value) in the corporation is owned (directly or indirectly) by individuals whose principal place of abode is in an empowerment zone, and

"(3) in the case of a partnership, more than 50 percent of the capital and profits interests in the partnership is owned (directly or indirectly) by individuals whose principal place of abode is in an empowerment zone.

"SEC. 1397D. ENTERPRISE ZONE BUSINESS DEFINED.

"(a) IN GENERAL.—For purposes of this subsection, the term 'enterprise zone business' means—

"(1) any qualified business entity, and

"(2) any qualified proprietorship.

"(b) QUALIFIED BUSINESS ENTITY.—For purposes of this section, the term 'qualified business entity' means, with respect to any taxable year, any corporation or partnership if for such year—

"(1) every trade or business of such entity is the active conduct of a qualified business within an empowerment zone,

"(2) at least 80 percent of the total gross income of such entity is derived from the active conduct of such business,

"(3) substantially all of the use of the tangible property of such entity (whether owned or leased) is within an empowerment zone,

"(4) substantially all of the intangible property of such entity is used in, and exclusively related to, the active conduct of any such business,

"(5) substantially all of the services performed for such entity by its employees are performed in an empowerment zone,

"(6) at least 35 percent of its employees are residents of an empowerment zone,

"(7) less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to collectibles (as defined in section 408(m)(2)) other than collectibles that are held primarily for sale to customers in the ordinary course of such business, and

"(8) less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to non-qualified financial property.

"(c) QUALIFIED PROPRIETORSHIP.—For purposes of this section, the term 'qualified proprietorship' means, with respect to any taxable year, any qualified business carried on by an individual as a proprietorship if for such year—

"(1) at least 80 percent of the total gross income of such individual from such business is derived from the active conduct of such business in an empowerment zone,

"(2) substantially all of the use of the tangible property of such individual in such business (whether owned or leased) is within an empowerment zone,

"(3) substantially all of the intangible property of such business is used in, and exclusively related to, the active conduct of such business,

"(4) substantially all of the services performed for such individual in such business by employees of such business are performed in an empowerment zone,

"(5) at least 35 percent of such employees are residents of an empowerment zone,

"(6) less than 5 percent of the average of the aggregate unadjusted bases of the property of such individual which is used in such business is attributable to collectibles (as defined in section 408(m)(2)) other than collectibles that are held primarily for sale to customers in the ordinary course of such business, and

"(7) less than 5 percent of the average of the aggregate unadjusted bases of the property of such individual which is used in such business is attributable to nonqualified financial property.

For purposes of this subsection, the term 'employee' includes the proprietor.

"(d) QUALIFIED BUSINESS.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'qualified business' means any trade or business.

"(2) RENTAL OF REAL PROPERTY.—The rental to others of real property located in an empowerment zone shall be treated as a qualified business if and only if—

"(A) the property is not residential rental property (as defined in section 168(e)(2)), and

"(B) at least 50 percent of the gross rental income from the real property is from enterprise zone businesses.

"(3) RENTAL OF TANGIBLE PERSONAL PROPERTY.—The rental to others of tangible personal property shall be treated as a qualified business if and only if substantially all of the rental of such property is by enterprise

zone businesses or by residents of an empowerment zone.

"(4) TREATMENT OF BUSINESS HOLDING INTANGIBLES.—The term 'qualified business' shall not include any trade or business consisting predominantly of the development or holding of intangibles for sale or license.

"(5) CERTAIN BUSINESSES EXCLUDED.—The term 'qualified business' shall not include—

"(A) any trade or business consisting of the operation of any facility described in section 144(c)(6)(B), and

"(B) any trade or business the principal activity of which is farming (within the meaning of subparagraphs (A) or (B) of section 2032A(e)(5)), but only if, as of the close of the preceding taxable year, the sum of—

"(i) the aggregate unadjusted bases (or, if greater, the fair market value) of the assets owned by the taxpayer which are used in such a trade or business, and

"(ii) the aggregate value of assets leased by the taxpayer which are used in such a trade or business, exceeds \$500,000.

For purposes of subparagraph (B), rules similar to the rules of section 1397(b) shall apply.

"(e) NONQUALIFIED FINANCIAL PROPERTY.—For purposes of this section, the term 'non-qualified financial property' means debt, stock, partnership interests, options, futures contracts, forward contracts, warrants, notional principal contracts, annuities, and other similar property specified in regulations; except that such term shall not include—

"(1) reasonable amounts of working capital held in cash, cash equivalents, or debt instruments with a term of 18 months or less, or

"(2) debt instruments described in section 1221(4).

"PART IV—REGULATIONS

"Sec. 1397E. Regulations.

"SEC. 1397E. REGULATIONS.

"The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of parts II and III, including—

"(1) regulations limiting the benefit of parts II and III in circumstances where such benefits, in combination with benefits provided under other Federal programs, would result in an activity being 100 percent or more subsidized by the Federal Government,

"(2) regulations preventing abuse of the provisions of parts II and III, and

"(3) regulations dealing with inadvertent failures of entities to be enterprise zone businesses."

(b) CLERICAL AMENDMENT.—The table of subchapters for chapter 1 is amended by inserting after the item relating to subchapter T the following new item:

"Subchapter U. Designation and treatment of empowerment zones and enterprise communities."

SEC. 14302. EXPANSION OF TARGETED JOBS CREDIT.

(a) ALLOWANCE OF CREDIT FOR HIRING EMPOWERMENT ZONE RESIDENT.—Paragraph (1) of section 51(d) (defining members of targeted groups) is amended by striking "or" at the end of subparagraph (I), by striking the period at the end of subparagraph (J) and inserting ", or", and by adding at the end the following new subparagraph:

"(K) an economically disadvantaged empowerment zone resident."

(b) ECONOMICALLY DISADVANTAGED EMPOWERMENT ZONE RESIDENT.—Section 51(d) is amended by redesignating paragraphs (13) through (16) as paragraphs (14) through (17), respectively, and by inserting after paragraph (12) the following new paragraph:

"(13) ECONOMICALLY DISADVANTAGED EMPOWERMENT ZONE RESIDENT.—The term 'economically disadvantaged empowerment zone resident' means an individual—

"(A) whose principal place of abode while performing services for the employer is within an empowerment zone, and

"(B) who is certified by the designated local agency as being a member of an economically disadvantaged family (as determined under paragraph (11)). Such term shall not include a qualified zone employee (as defined in section 1396(d) without regard to paragraph (2) thereof)."

(c) CONFORMING AMENDMENT.—Subparagraph (C) of section 51(d)(12) is amended by striking "paragraph (14)" and inserting "paragraph (15)".

SEC. 14303. TECHNICAL AND CONFORMING AMENDMENTS.

(a) CERTAIN CREDITS PART OF GENERAL BUSINESS CREDIT.—

(1) Subsection (b) of section 38 (relating to current year business credit) is amended by striking "plus" at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting a comma, and by adding at the end the following new paragraphs:

"(9) the empowerment zone employment credit determined under section 1396(a), plus

"(10) the zone resident empowerment savings credit determined under section 1397A."

(2) Subsection (d) of section 39 is amended by adding at the end the following new paragraph:

"(4) ENTERPRISE ZONE CREDITS.—No portion of the unused business credit which is attributable to the credit determined under section 1396 (relating to empowerment zone employment credit) or section 1397A (relating to zone resident empowerment savings credit) may be carried to any taxable year ending before January 1, 1994."

(b) DENIAL OF DEDUCTION FOR PORTION OF WAGES EQUAL TO EMPOWERMENT ZONE EMPLOYMENT CREDIT.—

(1) Subsection (a) of section 280C (relating to rule for targeted jobs credit) is amended—

(A) by striking "the amount of the credit determined for the taxable year under section 51(a)" and inserting "the sum of the credits determined for the taxable year under sections 51(a) and 1396(a)", and

(B) by striking "TARGETED JOBS CREDIT" in the subsection heading and inserting "EMPLOYMENT CREDITS".

(2) Subsection (c) of section 196 (relating to deduction for certain unused business credits) is amended by striking "and" at the end of paragraph (4), by striking the period at the end of paragraph (5) and inserting ", and", and by adding at the end the following new paragraph:

"(6) the empowerment zone employment credit determined under section 1396(a)."

(c) EMPLOYMENT AND SAVINGS CREDITS MAY OFFSET 25 PERCENT OF MINIMUM TAX.—

(1) IN GENERAL.—Section 38(c) (relating to limitation based on amount of tax) is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following new paragraph:

"(2) EMPOWERMENT ZONE CREDITS MAY OFFSET 25 PERCENT OF MINIMUM TAX.—

"(A) IN GENERAL.—In the case of the empowerment zone credits—

"(i) this section and section 39 shall be applied separately with respect to such credits, and

"(ii) for purposes of applying paragraph (1) to such credits—

"(I) 75 percent of the tentative minimum tax shall be substituted for the tentative minimum tax under subparagraph (A) thereof, and

"(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the empowerment zone credits).

"(B) EMPOWERMENT ZONE CREDITS.—For purposes of this paragraph, the term 'empowerment zone credits' means the portion of the credit under subsection (a) which is attributable to the credits determined under section 1396 (relating to empowerment zone employment credit) and section 1397A (relating to zone resident empowerment savings credit)."

(d) CHANGES RELATING TO EMPOWERMENT ZONE RESIDENT EMPOWERMENT SAVINGS CREDIT.—

(1) DISALLOWANCE OF DEDUCTION.—Section 404 (relating to deduction for certain employer contributions) is amended by adding at the end the following new subsection:

"(m) COORDINATION WITH EMPOWERMENT ZONE CREDIT.—No deduction shall be allowed under this section for any qualified employer contribution taken into account in computing the credit determined under section 1397A."

(2) PENALTY-FREE DISTRIBUTIONS.—

(A) IN GENERAL.—Paragraph (2) of section 72(t) (relating to exceptions to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end thereof the following new subparagraph:

"(D) DISTRIBUTIONS FROM CERTAIN PLANS FOR FIRST HOME PURCHASES OR EDUCATIONAL EXPENSES.—

"(i) IN GENERAL.—Distributions to an individual from a qualified retirement plan—

"(I) which are qualified first-time homebuyer distributions (as defined in paragraph (6)),

"(II) to the extent such distributions do not exceed the qualified higher education expenses (as defined in paragraph (7)) of the taxpayer for the taxable year, or

"(III) to the extent such distributions do not exceed an amount equal to the aggregate investment made by the taxpayer during the taxable year in any enterprise zone business (as defined in section 1397D) that meets the ownership requirements of section 1397C(b).

"(ii) LIMITATION.—Clause (i) shall not apply to the extent that the aggregate amount of the distributions described in clause (i) is greater than the excess of—

"(I) the qualified savings contributions (as defined in section 1397A(b)) of the taxpayer, and any earnings thereon, over

"(II) the aggregate amounts to which clause (i) and the last sentence of paragraph (3)(A) applied for preceding taxable years."

(B) DEFINITIONS.—Section 72(t) is amended by adding at the end thereof the following new paragraphs:

"(6) QUALIFIED FIRST-TIME HOMEBUYER DISTRIBUTIONS.—For purposes of paragraph (2)(D)(i)(I)—

"(A) IN GENERAL.—The term 'qualified first-time homebuyer distribution' means any payment or distribution received by an individual to the extent such payment or distribution is used by the individual before the close of the 60th day after the day on which such payment or distribution is received to pay qualified acquisition costs with respect to a principal residence of a first-time homebuyer who is such individual or the spouse of such individual.

"(B) QUALIFIED ACQUISITION COSTS.—For purposes of this paragraph, the term 'qualified acquisition costs' means the costs of acquiring, constructing, or reconstructing a residence. Such term includes any usual or

reasonable settlement, financing, or other closing costs.

"(C) FIRST-TIME HOMEBUYER; OTHER DEFINITIONS.—For purposes of this paragraph—

"(i) FIRST-TIME HOMEBUYER.—The term 'first-time homebuyer' means any individual if—

"(I) such individual (and if married, such individual's spouse) had no present ownership interest in a principal residence during the 3-year period ending on the date of acquisition of the principal residence to which this paragraph applies, and

"(II) subsection (a)(6), (h), or (k) of section 1034 did not suspend the running of any period of time specified in section 1034 with respect to such individual on the day before the date the distribution is applied pursuant to subparagraph (A)(ii).

"(ii) PRINCIPAL RESIDENCE.—The term 'principal residence' has the same meaning as when used in section 1034.

"(iii) DATE OF ACQUISITION.—The term 'date of acquisition' means the date—

"(I) on which a binding contract to acquire the principal residence to which subparagraph (A) applies is entered into, or

"(II) on which construction or reconstruction of such a principal residence is commenced.

"(D) SPECIAL RULE WHERE DELAY IN ACQUISITION.—If any distribution from any qualified retirement plan fails to meet the requirements of subparagraph (A) solely by reason of a delay or cancellation of the purchase or construction of the residence, the amount of the distribution may be recontributed to the plan from which it was distributed within 120 days after the date of such distribution.

"(7) QUALIFIED HIGHER EDUCATION EXPENSES.—For purposes of paragraph (2)(D)(ii)(II)—

"(A) IN GENERAL.—The term 'qualified higher education expenses' means tuition, fees, books, supplies, and equipment required for the enrollment or attendance of—

"(i) the taxpayer,

"(ii) the taxpayer's spouse, or

"(iii) the taxpayer's child (as defined in section 151(c)(3)) or grandchild, at an eligible educational institution (as defined in section 135(c)(3)).

"(B) COORDINATION WITH SAVINGS BOND PROVISIONS.—The amount of qualified higher education expenses for any taxable year shall be reduced by any amount excludable from gross income under section 135."

(C) CONFORMING AMENDMENTS.—

(i) Subparagraph (B) of section 72(t)(2) is amended by striking "or (C)" and inserting ", (C), or (D)".

(ii) Section 401(k)(2)(B)(i) is amended by striking "or" at the end of subclause (III), by striking "and" at the end of subclause (IV) and inserting "or", and by inserting after subclause (IV) the following new subclause:

"(V) subject to the limitation of section 72(t)(2)(D)(ii), the date on which qualified first-time homebuyer distributions (as defined in section 72(t)(6)), distributions for qualified higher education expenses (as defined in section 72(t)(7)), or distributions for investments described in section 72(t)(2)(D)(i)(III) are made, and"

(e) AMENDMENT OF TARGETED JOBS CREDIT.—Subparagraph (A) of section 51(i)(1) is amended by inserting ", or, if the taxpayer is an entity other than a corporation, to any individual who owns, directly or indirectly, more than 50 percent of the capital and profits interests in the entity," after "of the corporation".

(f) CARRYOVERS.—Subsection (c) of section 381 (relating to carryovers in certain cor-

porate acquisitions) is amended by adding at the end the following new paragraph:

"(26) ENTERPRISE ZONE PROVISIONS.—The acquiring corporation shall take into account (to the extent proper to carry out the purposes of this section and subchapter U, and under such regulations as may be prescribed by the Secretary) the items required to be taken into account for purposes of subchapter U in respect of the distributor or transferor corporation."

SEC. 14304. EFFECTIVE DATE.

The amendments made by this part shall take effect on the date of the enactment of this Act.

PART II—CREDIT FOR CONTRIBUTIONS TO CERTAIN COMMUNITY DEVELOPMENT CORPORATIONS

SEC. 14311. CREDIT FOR CONTRIBUTIONS TO CERTAIN COMMUNITY DEVELOPMENT CORPORATIONS.

(a) IN GENERAL.—For purposes of section 38 of the Internal Revenue Code of 1986, the current year business credit shall include the credit determined under this section.

(b) DETERMINATION OF CREDIT.—The credit determined under this section for each taxable year in the credit period with respect to any qualified CDC contribution made by the taxpayer is an amount equal to 5 percent of such contribution.

(c) CREDIT PERIOD.—For purposes of this section, the credit period with respect to any qualified CDC contribution is the period of 10 taxable years beginning with the taxable year during which such contribution was made.

(d) QUALIFIED CDC CONTRIBUTION.—For purposes of this section—

(1) IN GENERAL.—The term "qualified CDC contribution" means any transfer of cash—

(A) which is made to a selected community development corporation during the 5-year period beginning on the date such corporation was selected for purposes of this section,

(B) the amount of which is available for use by such corporation for at least 10 years,

(C) which is to be used by such corporation for qualified low-income assistance within its operational area, and

(D) which is designated by such corporation for purposes of this section.

(2) LIMITATIONS ON AMOUNT DESIGNATED.—The aggregate amount of contributions to a selected community development corporation which may be designated by such corporation shall not exceed \$4,000,000.

(e) SELECTED COMMUNITY DEVELOPMENT CORPORATIONS.—

(1) IN GENERAL.—For purposes of this section, the term "selected community development corporation" means any corporation—

(A) which is described in section 501(c)(3) of such Code and exempt from tax under section 501(a) of such Code,

(B) the principal purposes of which include promoting employment of, and business opportunities for, low-income individuals who are residents of the operational area, and

(C) which is selected by the Secretary of Housing and Urban Development for purposes of this section.

(2) ONLY 10 CORPORATIONS MAY BE SELECTED.—

(A) IN GENERAL.—The Secretary of Housing and Urban Development may select 10 corporations for purposes of this section, subject to the availability of eligible corporations. Such selections may be made only before July 1, 1994. At least 4 of the operational areas of the corporations selected must be rural areas (as defined by section 1393(a)(3) of such Code).

(B) PRIORITY OF DESIGNATIONS.—In selecting corporations for purposes of this section,

such Secretary shall give priority to corporations with a demonstrated record of performance in administering community development programs which target at least 75 percent of the jobs emanating from their investment funds to low income or unemployed individuals.

(3) OPERATIONAL AREAS MUST HAVE CERTAIN CHARACTERISTICS.—A corporation may be selected for purposes of this section only if its operational area meets the following criteria:

(A) The area meets the size requirements under section 1392(a)(3).

(B) The unemployment rate (as determined by the appropriate available data) is not less than the national unemployment rate.

(C) The median family income of residents of such area does not exceed 80 percent of the median gross income of residents of the jurisdiction of the local government which includes such area.

(f) QUALIFIED LOW-INCOME ASSISTANCE.—For purposes of this section, the term "qualified low-income assistance" means assistance—

(1) which is designed to provide employment of, and business opportunities for, low-income individuals who are residents of the operational area of the community development corporation, and

(2) which is approved by the Secretary of Housing and Urban Development.

Subtitle D—Other Provisions

PART I—DISCLOSURE PROVISIONS

SEC. 14401. DISCLOSURE OF RETURN INFORMATION FOR ADMINISTRATION OF CERTAIN VETERANS PROGRAMS.

(a) GENERAL RULE.—Subparagraph (D) of section 6103(l)(7) (relating to disclosure of return information to Federal, State, and local agencies administering certain programs) is amended by striking "September 30, 1997" in the second sentence following clause (viii) and inserting "September 30, 1998".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 14402. DISCLOSURE OF RETURN INFORMATION TO CARRY OUT INCOME CONTINGENT REPAYMENT OF STUDENT LOANS.

(a) GENERAL RULE.—Subsection (1) of section 6103 (relating to confidentiality and disclosure of returns and return information) is amended by adding at the end thereof the following new paragraph:

"(13) DISCLOSURE OF RETURN INFORMATION TO CARRY OUT INCOME CONTINGENT REPAYMENT OF STUDENT LOANS.—

"(A) IN GENERAL.—The Secretary may, upon written request from the Secretary of Education, disclose to officers and employees of the Department of Education return information with respect to a taxpayer who has received an applicable student loan and whose loan repayment amounts are based in whole or in part on the taxpayer's income. Such return information shall be limited to—

"(i) taxpayer identity information with respect to such taxpayer,

"(ii) the filing status of such taxpayer, and

"(iii) the adjusted gross income of such taxpayer.

"(B) RESTRICTION ON USE OF DISCLOSED INFORMATION.—Return information disclosed under subparagraph (A) may be used by officers and employees of the Department of Education only for the purposes of, and to the extent necessary in, establishing the appropriate income contingent repayment amount for an applicable student loan.

"(C) APPLICABLE STUDENT LOAN.—For purposes of this paragraph, the term 'applicable student loan' means—

"(i) any loan made under the program authorized under part D of title IV of the Higher Education Act of 1965, and

"(ii) any loan made under part B or E of title IV of the Higher Education Act of 1965 which is in default and has been assigned to the Department of Education.

"(D) TERMINATION.—This paragraph shall not apply to any request made after September 30, 1998."

(b) CONFORMING AMENDMENTS.—

(1) So much of paragraph (4) of section 6103(m) as precedes subparagraph (B) thereof is amended to read as follows:

"(4) INDIVIDUALS WHO OWE AN OVERPAYMENT OF FEDERAL PELL GRANTS OR WHO HAVE DEFAULTED ON STUDENT LOANS ADMINISTERED BY THE DEPARTMENT OF EDUCATION.—

"(A) IN GENERAL.—Upon written request by the Secretary of Education, the Secretary may disclose the mailing address of any taxpayer—

"(i) who owes an overpayment of a grant awarded to such taxpayer under subpart 1 of part A of title IV of the Higher Education Act of 1965, or

"(ii) who has defaulted on a loan—

"(I) made under part B, D, or E of title IV of the Higher Education Act of 1965, or

"(II) made pursuant to section 3(a)(1) of the Migration and Refugee Assistance Act of 1962 to a student at an institution of higher education,

for use only by officers, employees, or agents of the Department of Education for purposes of locating such taxpayer for purposes of collecting such overpayment or loan."

(2) Subparagraph (B) of section 6103(m)(4) is amended—

(A) in clause (i), by striking "under part B" and inserting "under part B or D"; and

(B) in clause (ii), by striking "under part E" and inserting "under subpart 1 of part A, or part D or E";

(3) Section 6103(p) is amended—

(A) in paragraph (3)(A), by striking "(11), or (12), (m)" and inserting "(11), (12), or (13), (m)";

(B) in paragraph (4)—

(i) in the matter preceding subparagraph (A), by striking out "(10, or (11)," and inserting "(10), (11), or (13)," and

(ii) in subparagraph (F)(ii), by striking "(11), or (12)," and inserting "(11), (12), or (13)."

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

(d) STUDY OF INTERNAL REVENUE SERVICE COLLECTION OF STUDENT LOANS.—

(1) GENERAL RULE.—The Secretary of the Treasury, in consultation with the Secretary of Education, shall conduct a study of the feasibility of implementing a system for the repayment of Federal student loans through wage withholding or other means involving the Internal Revenue Service. Such study shall include an examination of—

(A) whether the Internal Revenue Service could implement such a system within its current resources and without adversely affecting the ability of the Internal Revenue Service to collect tax revenues,

(B) the cumulative impact on voluntary compliance with the tax system of increased disclosure of tax return information and increased Internal Revenue Service involvement in nontax collection activities,

(C) the anticipated effect on the management of Federal student loan collections and on borrower repayment of such loans, and

(D) the ability of the Internal Revenue Service to effectively service student loans.

(2) RECOMMENDATIONS.—Not later than the date 6 months after the date of the enactment of this Act, the Secretary of the Treasury shall submit to the Congress a report on the study conducted under paragraph (1) (together with such legislative recommendations as such Secretary may deem advisable).

SEC. 14403. USE OF RETURN INFORMATION FOR INCOME VERIFICATION UNDER CERTAIN HOUSING ASSISTANCE PROGRAMS.

(a) IN GENERAL.—Subparagraph (D) of section 6103(1)(7) (relating to the disclosure of return information to Federal, State, and local agencies administering certain programs) is amended—

(1) in clause (vii), by striking "and" at the end;

(2) in clause (viii), by striking the period at the end and inserting "; and";

(3) by inserting after clause (viii) the following new clause:

"(ix) any housing assistance program administered by the Department of Housing and Urban Development that involves initial and periodic review of an applicant's or participant's income, except that return information may be disclosed under this clause only on written request by the Secretary of Housing and Urban Development and only for use by officers and employees of the Department of Housing and Urban Development with respect to applicants for and participants in such programs."; and

(4) by adding at the end thereof the following: "Clause (ix) shall not apply after September 30, 1998."

(b) CONFORMING AMENDMENT.—The heading of paragraph (7) of section 6103(1) is amended by inserting after "CODE" the following: ", OR CERTAIN HOUSING ASSISTANCE PROGRAMS".

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

(d) STUDY.—The Secretary of the Treasury or his delegate, in consultation with the Secretary of Housing and Urban Development, shall conduct a study on—

(1) whether the information provided under section 6103(1)(7)(D)(ix) of the Internal Revenue Code of 1986 is being used effectively by the Department of Housing and Urban Development,

(2) such Department's compliance with the requirements of section 6103(p) of such Code, and

(3) the impact on the privacy rights of applicants for and participants in housing assistance programs administered by the Department of Housing and Urban Development.

The report of such study shall be submitted before January 1, 1998, to the Congress.

PART II—USER FEE PROVISIONS

SEC. 14411. FEES FOR APPLICATIONS FOR ALCOHOL LABELING AND FORMULA REVIEWS.

(a) IN GENERAL.—The Secretary of the Treasury or his delegate (hereinafter in this section referred to as the "Secretary") shall establish a program requiring the payment of user fees for—

(1) requests for each certificate of alcohol label approval required under the Federal Alcohol Administration Act (27 U.S.C. 201 et seq.) and for each request for exemption from such requirement, and

(2) requests for each formula review, and requests for each statement of process (including laboratory tests and analyses), under such Act or under chapter 51 of the Internal Revenue Code of 1986.

(b) PROGRAM CRITERIA.—

(1) IN GENERAL.—The fees charged under the program required by subsection (a) shall be determined such that the Secretary estimates that the aggregate of such fees received during any fiscal year will be \$5,000,000.

(2) MINIMUM FEES.—The fee charged under the program required by subsection (a) shall not be less than—

(A) \$50 for each request referred to in subsection (a)(1), and

(B) \$250 for each request referred to in subsection (a)(2).

(c) APPLICATION OF SECTION.—Subsection (a) shall apply to requests made on or after the 90th day after the date of the enactment of this Act.

(d) DEPOSIT AND CREDIT AS OFFSETTING RECEIPTS.—The amounts collected by the Secretary under the program required by subsection (a) (to the extent such amounts do not exceed \$5,000,000) shall be deposited into the Treasury as offsetting receipts and ascribed to the alcohol compliance program of the Bureau of Alcohol, Tobacco, and Firearms.

SEC. 14412. USE OF HARBOR MAINTENANCE TRUST FUND AMOUNTS FOR ADMINISTRATIVE EXPENSES.

(a) IN GENERAL.—Paragraph (3) of section 9505(c) (relating to expenditures from Harbor Maintenance Trust Fund) is amended to read as follows:

"(3) for the payment of all expenses of administration incurred by the Department of the Treasury in administering subchapter A of chapter 36 (relating to harbor maintenance tax), but not in excess of \$5,000,000 for any fiscal year."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to fiscal years beginning after the date of the enactment of this Act.

SEC. 14413. INCREASE IN TAX ON FUEL USED IN COMMERCIAL TRANSPORTATION ON INLAND WATERWAYS.

(a) IN GENERAL.—The table contained in section 4042(a)(2)(A) is amended to read as follows:

"If the use occurs during:	The tax per gallon is:
1994	24 cents
1995	40 cents
1996	55 cents
1997 or thereafter	70 cents."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on January 1, 1994.

PART III—PUBLIC DEBT LIMIT

SEC. 14421. INCREASE IN PUBLIC DEBT LIMIT.

(a) GENERAL RULE.—Subsection (b) of section 3101 of title 31, United States Code, is amended by striking out the dollar limitation contained in such subsection and inserting in lieu thereof "\$4,900,000,000,000".

(b) REPEAL OF TEMPORARY INCREASE.—Effective on and after the date of the enactment of this Act, section 1 of Public Law 103-12 is hereby repealed.

PART IV—VACCINE PROVISIONS

SEC. 14431. EXCISE TAX ON CERTAIN VACCINES MADE PERMANENT.

(a) TAX.—Subsection (c) of section 4131 (relating to tax on certain vaccines) is amended to read as follows:

"(c) APPLICATION OF SECTION.—The tax imposed by this section shall apply—

"(1) after December 31, 1987, and before January 1, 1993, and

"(2) during periods after the date of the enactment of this subsection."

(b) TRUST FUND.—Paragraph (1) of section 9510(c) (relating to expenditures from Vac-

cine Injury Compensation Trust Fund) is amended by striking "and before October 1, 1992,".

(c) STUDY.—The Secretary of the Treasury, in consultation with the Secretary of Health and Human Services, shall conduct a study of—

(1) the estimated amount that will be paid from the Vaccine Injury Compensation Trust Fund with respect to vaccines administered after September 30, 1988,

(2) the rates of vaccine-related injury or death with respect to the various types of such vaccines,

(3) new vaccines and immunization practices being developed or used for which amounts may be paid from such Trust Fund,

(4) whether additional vaccines should be included in the vaccine injury compensation program, and

(5) the appropriate treatment of vaccines produced by State governmental entities.

The report of such study shall be submitted not later than 1 year after the date of the enactment of this Act, to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

(d) FLOOR STOCKS TAX.—

(1) IMPOSITION OF TAX.—On any taxable vaccine—

(A) which was sold by the manufacturer, producer, or importer before the date of the enactment of this Act,

(B) on which no tax was imposed by section 4131 of the Internal Revenue Code of 1986 (or, if such tax was imposed, was credited or refunded), and

(C) which is held on such date by any person for sale or use,

there is hereby imposed a tax in the amount determined under section 4131(b) of such Code.

(2) LIABILITY FOR TAX AND METHOD OF PAYMENT.—

(A) LIABILITY FOR TAX.—The person holding any taxable vaccine to which the tax imposed by paragraph (1) applies shall be liable for such tax.

(B) METHOD OF PAYMENT.—The tax imposed by paragraph (1) shall be paid in such manner as the Secretary shall prescribe by regulations.

(C) TIME FOR PAYMENT.—The tax imposed by paragraph (1) shall be paid on or before the last day of the 6th month beginning after the date of the enactment of this Act.

(3) DEFINITIONS.—For purposes of this subsection, terms used in this subsection which are also used in section 4131 of such Code shall have the respective meanings such terms have in such section.

(4) OTHER LAWS APPLICABLE.—All provisions of law, including penalties, applicable with respect to the taxes imposed by section 4131 of such Code shall, insofar as applicable and not inconsistent with the provisions of this subsection, apply to the floor stocks taxes imposed by paragraph (1), to the same extent as if such taxes were imposed by such section 4131.

SEC. 14432. CONTINUATION COVERAGE UNDER GROUP HEALTH PLANS OF COSTS OF PEDIATRIC VACCINES.

(a) IN GENERAL.—Paragraph (1) of section 4980B(f) is amended by inserting "the coverage of the costs of pediatric vaccines (as defined under section 2162 of the Public Health Service Act) is not reduced below the coverage provided by the plan as of May 1, 1993, and only if" after "only if".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to plan years beginning after the date of the enactment of this Act.

SEC. 14433. CHILDHOOD IMMUNIZATION TRUST FUND.

(a) IN GENERAL.—Subchapter A of chapter 98 (relating to trust fund code) is amended by adding at the end thereof the following new section:

"SEC. 9512. CHILDHOOD IMMUNIZATION 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 'Childhood Immunization Trust Fund', consisting of such amounts as may be appropriated or credited to such Trust Fund as provided in this section or section 9602(b).

"(b) TRANSFERS TO TRUST FUND.—There are hereby appropriated to the Childhood Immunization Trust Fund amounts equivalent to the taxes received in the Treasury under any tax hereafter specified by law for purposes of this subsection.

"(c) EXPENDITURES FROM TRUST FUND.—Amounts in the Childhood Immunization Trust Fund shall be available, as provided in appropriation Acts, only for purposes of making expenditures to carry out part A of subtitle 3 of title XXI of the Public Health Service Act."

(b) CLERICAL AMENDMENT.—The table of sections for such subchapter A is amended by adding at the end thereof the following new item:

"Sec. 9512. Childhood Immunization Trust Fund."

TITLE XV—BUDGET PROCESS**SEC. 15001. PURPOSE.**

The purposes of this title are to extend through fiscal year 1998 the enforcement of budget legislation by discretionary caps and the pay-as-you-go requirement; to make simplifications and technical corrections to those methods of budget enforcement; to conform congressional budget enforcement to those methods of budget enforcement to the extent possible; and to make permanent the requirement for 5-year, enforceable budget resolutions.

Subtitle A—Budget Enforcement Act of 1993**SEC. 15100. SHORT TITLE; REFERENCES.**

(a) SHORT TITLE.—This subtitle may be cited as the "Budget Enforcement Act of 1993".

(b) REFERENCES.—Except as otherwise expressly provided, whenever in this subtitle 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 Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 15101. DEFINITIONS.

Section 250 is amended as follows:

(1) Strike "; statement of budget enforcement through sequestration;" in the section heading and insert "and".

(2) Strike subsection (a) and insert the following new subsection:

(a) TABLE OF CONTENTS.—

"Sec. 250. Table of contents and definitions.

"Sec. 251. Discretionary limits.

"Sec. 252. Pay-as-you-go.

"Sec. 253. Enforcing deficit targets.

"Sec. 254. Reports and orders.

"Sec. 255. Exempt programs and activities.

"Sec. 256. General and special sequestration rules.

"Sec. 257. The baseline.

"Sec. 258. Suspension in the event of war or low growth.

"Sec. 258A. Modification of Presidential order.

"Sec. 258B. Alternative defense sequestration.

"Sec. 258C. Special reconciliation process."

(3) Strike subsections (b) and (c) and insert after subsection (a) the following new subsection:

"(b) DEFINITIONS AND TREATMENTS.—

"As used in this Act:

"(1) The terms 'budget authority', 'new budget authority', 'outlays', and 'deficit' have the meanings given to such terms in section 3 of the Congressional Budget and Impoundment Control Act of 1974 and the term 'receipts' shall be treated as a synonym for the term 'revenues' as it is used in that Act.

"(2) The terms 'sequester' and 'sequestration' refer to or mean the cancellation of budget authority provided by discretionary appropriations or direct spending law.

"(3) The term 'breach' means, for any fiscal year, the amount (if any) by which the baseline level of discretionary new budget authority or outlays for that year exceeds the discretionary limit on new budget authority or outlays for that year.

"(4) The term 'baseline' or 'current policy baseline' means the projection (described in section 257) of current-year levels of new budget authority, outlays, receipts, and the surplus or deficit into the budget year and the outyears.

"(5) The term 'discretionary limits' refers to the limits on discretionary new budget authority and outlays set forth in section 601 of the Congressional Budget Act of 1974, as adjusted under section 251(b).

"(6) The term 'discretionary' refers to programs (except direct-spending programs) for which new budget authority is provided in appropriation Acts. If an appropriation Act alters the level of direct spending, that effect shall be treated as a discretionary appropriation.

"(7) The term 'direct spending' means budget authority provided by a law other than an appropriation Act or by a law that determines amounts needed to fund mandatory appropriations (including the food stamp program). If a law other than an appropriation Act alters the level of discretionary appropriations, that effect shall be treated as direct spending.

"(8) As used in this Act, all references to mandatory appropriations shall include the list of mandatory appropriations included in the joint explanatory statement of managers accompanying the conference report on the Omnibus Budget Reconciliation Act of 1993.

"(9) The term 'current' means, with respect to OMB estimates included with a budget submission under section 1105(a) of title 31, United States Code, the estimates consistent with the economic and technical assumptions underlying that budget and with respect to estimates that are not included with a budget submission, estimates consistent with the economic and technical assumptions underlying the most recently submitted President's budget, except to the extent that clerical errors are corrected in the midsession review as required by section 1106 of title 31, United States Code.

"(10) The term 'real economic growth', with respect to any fiscal year, means the growth in the gross domestic product during such fiscal year, adjusted for inflation, consistent with Department of Commerce definitions.

"(11) The term 'account' means an item for which appropriations are made in any appropriation Act and, for items not provided for in appropriation Acts, an item for which there is a designated budget account identification code number in the President's budget.

"(12) The term 'budget year' means, with respect to a session of Congress, the fiscal

year of the Government that starts on October 1 of the calendar year in which that session begins.

"(13) The term 'current year' means, with respect to a budget year, the fiscal year that immediately precedes that budget year.

"(14) The term 'outyear' means, with respect to a budget year, any of the fiscal years that follow the budget year, through fiscal year 1998 in the case of discretionary programs and through 2002 in the case of direct spending and receipts.

"(15) The term 'OMB' means the Director of the Office of Management and Budget.

"(16) The term 'CBO' means the Director of the Congressional Budget Office.

"(17) The term 'deposit insurance' refers to the expenses of the Federal Deposit Insurance Corporation and the funds it incorporates, the Resolution Trust Corporation, the National Credit Union Administration and the funds it incorporates, the Office of Thrift Supervision, the Comptroller of the Currency Assessment Fund, and the RTC Office of Inspector General.

"(18) The term 'composite discretionary outlay rate' means the percent of new budget authority that is converted to outlays in the fiscal year for which the budget authority is provided and subsequent fiscal years, as follows: 60 percent for the first year, 25 percent for the second year, 7 percent for the third year, and 3 percent for the fourth year.

"(19) The term 'asset sale' means the sale by the Government to the public of a nonloan asset.

"(20) Notwithstanding any other provision of law, the receipts and disbursements of the Hospital Insurance Trust Fund shall be included in all calculations required by this Act."

SEC. 15102. DISCRETIONARY LIMITS.

Section 251 is amended to read as follows:

"SEC. 251. DISCRETIONARY LIMITS.

"(a) INITIAL AMOUNTS.—Subject to adjustments under subsection (b), the discretionary limits are as set forth in section 601 of the Congressional Budget Act of 1974.

"(b) ADJUSTMENTS TO LIMITS.—Whenever appropriate, adjustments to the discretionary limits (as they exist at the time of the adjustment) for one or more fiscal years shall be made as follows:

"(1) CHANGES IN ACCOUNTING CONCEPTS.—For any fiscal year, the discretionary limits shall be adjusted to reflect any change in budget accounting concepts (including scorekeeping conventions, budget classifications, and definitions), which change shall equal the baseline levels of new budget authority and outlays using up-to-date concepts minus those levels using the concepts in effect before the change.

"(2) CHANGES IN INFLATION.—(A) For the budget year and each outyear, the discretionary limit on new budget authority for each such year shall be multiplied by the inflation adjustment factor (for the fiscal year immediately preceding the current year) calculated under subparagraph (B). The discretionary limit on outlays for each such year shall be adjusted by applying the composite discretionary outlay rate to the change in the limits on new budget authority under the preceding sentence.

"(B) The inflation adjustment factor shall be the ratio of (i) the level of year-over-year inflation measured for the fiscal year immediately preceding the current year, and (ii) the applicable estimated level for that year set forth below:

For 1993, 1.030

For 1994, 1.027

For 1995, 1.026

For 1996, 1.025.

Inflation shall be measured by the average of the estimated fixed-weight gross domestic product price index for a fiscal year divided by the average index for the prior fiscal year.

“(3) IMF FUNDING.—If for any fiscal year an appropriation is enacted to provide to the International Monetary Fund the dollar equivalent, in terms of Special Drawing Rights, of the increase in the United States quota, the limit on discretionary new budget authority shall be increased by the amount of that appropriation.

“(4) IRS FUNDING.—To the extent discretionary appropriations are enacted for fiscal year 1994 or 1995 that provide new budget authority or result in outlays greater than the amount in the CBO baseline of June 1990 for the IRS compliance initiative, the discretionary limits shall be adjusted upward by those amounts, but not to exceed \$187,000,000 in new budget authority and \$183,000,000 in outlays for fiscal year 1994 and \$188,000,000 in new budget authority and outlays for fiscal year 1995.

“(5) NET GUARANTEE COSTS.—The discretionary limits for each fiscal year shall be adjusted by the net costs for that year of the appropriation made under section 601 of Public Law 102-391.

“(6) EXPIRING HOUSING CONTRACTS.—For any fiscal year, the adjustment shall be the amounts by which the costs of renewing expiring multiyear subsidized housing contracts or providing contracts to replace units lost due to prepayments differ from the amounts in OMB's baseline of February 1993.

“(7) EMERGENCIES.—If for any fiscal year discretionary appropriations are enacted that are designated as emergency requirements by statute, the adjustment shall be the amount of those appropriations that the President also designates in writing as emergency requirements and the outlays estimated to flow therefrom in each fiscal year. If any amount previously designated as an emergency requirement is rescinded, the adjustment shall be the amount of that rescission and the outlays estimated to be saved thereby in each fiscal year.

“(8) TECHNICAL ESTIMATING DIFFERENCES.—“(A) If for any fiscal year the amount of discretionary new budget authority provided in appropriation Acts exceeds the discretionary limit on new budget authority due to technical estimates made by OMB, the adjustment is the amount of the excess, but not to exceed 1/2 of 1 percent of that limit.

“(B) If for any fiscal year discretionary outlays exceed the discretionary limit on outlays but discretionary new budget authority does not exceed its limit (after application of a sequestration under subsection (d)(1)(A), if necessary), the adjustment in outlays is the amount of that excess; but the adjustment in any fiscal year shall not exceed the lesser of (i) \$6,500,000,000 less the outlay adjustments made under section 251(b)(2)(E) of the Balanced Budget and Emergency Deficit Control Act of 1985 as in effect immediately before the enactment of this Act (or that would have been made under that subparagraph if that Act had applied through fiscal year 1998, with adjustments in new budget authority occurring through fiscal year 1995 and in outlays through fiscal year 1998), or (ii) 1 percent of the discretionary limit on outlays for that year.

“(c) DISCRETIONARY SCORECARD: 1994-1998.—

“(1) ESTABLISHMENT OF SCORECARD.—Starting for budget year 1994 and ending for fiscal year 1998, there shall be a scorecard upon which shall be entered the amount of discre-

tionary new budget authority and outlays enacted into law for the budget year and the current year (except current year 1993). Entries shall be made separately for each fiscal year. Discretionary new budget authority and outlays for the budget year resulting from the enactment of a law in a previous session shall be attributed to the corresponding law enacted in the current session. Reductions in new budget authority and outlays through the imposition of a sequestration under this section shall also be entered upon the scorecard. Amounts shall be entered on the scorecard within 5 days after the enactment of each such law or the imposition of any sequestration, shall equal the amounts contained in the bill cost reports under section 254(e), and may not thereafter be altered except to correct clerical errors or errors in the application of this Act. The entry for each such law or sequestration shall be displayed separately.

“(2) LOOKBACK.—(A) If after June 30 any discretionary appropriation is enacted that would breach the discretionary limit on new budget authority or outlays for the current year, then that breach shall be entered on the scorecard as a cost under the column for the budget year.

“(B) If any discretionary appropriation is enacted after June 30, 1993, that would have breached a discretionary spending limit for fiscal year 1993 (under this Act and title VI of the Congressional Budget Act of 1974 as in effect immediately before the date of enactment of the Budget Enforcement Act of 1993), then that breach shall be entered on the scorecard as a cost under the column for the budget year.

“(d) ENFORCING DISCRETIONARY LIMITS.—

“(1) SEQUESTRATION.—Within 15 days after Congress adjourns to end a session there shall be a sequestration to reduce the amount of nonexempt discretionary budget authority in the current policy baseline for the budget year of that session by—

“(A) the amount needed to eliminate a breach of the discretionary limit on new budget authority for that year, and

“(B) if any breach of the discretionary limit on outlays remains, the amount needed to eliminate that breach for that year, as measured under subsection (c), unless the total amount under subparagraphs (A) and (B) is less than \$50,000,000.

“(2) UNIFORM REDUCTION.—Each nonexempt account (or activity within an account) shall be reduced by a dollar amount calculated by multiplying the baseline level of nonexempt gross discretionary budget authority for that account or activity by the uniform percent necessary to reduce net new budget authority by the amount in paragraph (1), except that the health programs set forth in section 256(e) shall not be reduced more than 2 percent and the uniform percent applicable to all other programs shall be increased (if necessary) to a level sufficient to achieve the amount in paragraph (1).

“(3) MILITARY PERSONNEL.—If the President uses the authority under section 255(f) to exempt any amounts appropriated for military personnel from sequestration, all remaining nonexempt discretionary budget authority within subfunction 051 shall be further reduced by the uniform percent needed to fully offset the reduction in the amount sequestered resulting from that exemption.

“(4) PART-YEAR APPROPRIATIONS.—If, on the date of a sequestration under paragraph (1), there is in effect an Act making or continuing appropriations for part of a fiscal year for any budget account, then the dollar reduction calculated for that account under paragraphs (2) and (3) shall be applied to—

“(A) the annualized amount otherwise available by law in that account under that or a subsequent part-year appropriation; and

“(B) when a full-year appropriation for that account is enacted, from the amount otherwise provided by that appropriation.

“(e) WITHIN-SESSION ENFORCEMENT.—If, after Congress adjourns to end the session for a budget year but before July 1 of that fiscal year, an appropriation for that fiscal year is enacted that causes a discretionary limit to be breached, within 15 days after there shall be a sequestration to eliminate that breach, following the rules and procedures set forth in subsection (d).”.

SEC. 15103. PAY-AS-YOU-GO.
Section 252 is amended to read as follows:
“SEC. 252. PAY-AS-YOU-GO.

“(a) PAY-AS-YOU-GO SCORECARD.—

“(1) ESTABLISHMENT OF SCORECARD: 1994-2002.—There shall be a scorecard for each fiscal year through 2002 upon which shall be entered the 5-year estimated increase or decrease in the deficit (relative to the current policy baseline described in section 257) for the budget year and each outyear, as calculated under this subsection, resulting from—

“(A) the enactment, after the date of enactment of this Act and before October 1, 1998, of any direct spending or receipts law, or

“(B) the change in the baseline from the application of section 257(b)(3), which relates to certain expiring provisions of law and to veterans' compensation.

Entries under the preceding sentence shall exclude resulting debt service changes and any incidental changes in intragovernmental receipts of Federal retirement trust funds. Amounts shall be entered on the scorecard within 5 days after the enactment of each such law and may not thereafter be altered except to correct clerical errors or errors in the application of this Act. Each entry shall be displayed separately.

“(2) ROLLING 5-YEAR SCOREKEEPING.—Amounts entered on the scorecard established by paragraph (1) shall equal the amounts contained in the bill cost reports under section 254(e) for the budget year and the 4 subsequent fiscal years (except for budget years after 1998), plus any amount required by the lookback provision of paragraph (3).

“(3) LOOKBACK.—If in any session a law is enacted affecting the current-year level of direct spending or receipts, the amount of that current-year effect shall be entered on the scorecard under the column for the budget year (except for budget years after 1998).

“(4) EMERGENCIES.—If after the enactment of this Act a provision of direct spending or receipts legislation is enacted that is designated as an emergency requirement by statute and that the President also designates, in writing, as an emergency requirement, then no entries related to that provision shall be made on the scorecard.

“(5) DEPOSIT INSURANCE.—Provisions of law that provide full funding of, and continuation of, the deposit insurance commitment in effect on September 30, 1993, shall not have their estimated effects entered on the scorecard.

“(b) ENFORCING PAY-AS-YOU-GO.—

“(1) SEQUESTRATION.—Within 15 calendar days after Congress adjourns to end a session, there shall be a sequestration to offset the amount of any net deficit increase recorded on the pay-as-you-go scorecard under subsection (a) for the budget year, unless that amount is less than \$50,000,000.

“(2) ELIMINATING A DEFICIT INCREASE.—The amount required to be sequestered in a fiscal

year under paragraph (1) shall be obtained from non-exempt direct spending accounts (which are assumed to be at the level in the baseline) by sequestration actions taken in the following order:

“(A) The maximum reductions in automatic spending increases permissible under section 256(b) shall be made.

“(B) If additional reductions in direct spending accounts are required to be made, the maximum reductions permissible under section 256(c) (foster care and adoption assistance) shall be made.

“(C) If additional reductions in direct spending accounts are required to be made, each remaining nonexempt direct spending account shall be reduced by the uniform percent necessary to make the reductions in direct spending required by paragraph (1); except that the medicare programs specified in section 256(d) shall not be reduced by more than 4 percent and the uniform percent applicable to all other direct spending programs under this subparagraph shall be increased (if necessary) to a level sufficient to achieve the required reduction in direct spending.

“(3) UNIFORM PERCENT.—The uniform percent under paragraph (2) shall be calculated so that the total amount estimated to be saved in all fiscal years by the budget-year or other sequestrations under section 256 shall equal the amount required to be saved under paragraph (1). The total amount estimated to be saved shall exclude resulting debt service changes and any incidental changes in intragovernmental receipts of Federal retirement trust funds.”

SEC. 15104. CONFORMING AMENDMENTS TO SECTION 253.

Section 253 is amended as follows:

(1) In subsection (a), strike “(other” and all that follows through “252.”

(2) In subsection (b)(2), strike “252(e)” and insert “252(a)(4)”.

(3) In subsection (d), strike “251(a)(3)” and insert “251(d)(3)”.

(4) In subsection (e)(1), strike “256(a)” and insert “256(b)”.

(5) In subsection (e)(2), strike “sections 256(b) (guaranteed student loans) and” and insert “section”.

(6) In subsection (e)(3), strike “(A)”, strike subparagraph (B), and redesignate clauses (i) and (ii) as subparagraphs (A) and (B).

(7) In subsection (g)(1)(B), strike the last sentence.

(8) In subsection (g)(2)(B)(i), strike “252(b)” and insert “254(e)”.

SEC. 15105. REPORTS AND ORDERS.

Section 254 is amended to read as follows:

“SEC. 254. REPORTS AND ORDERS.

“(a) TIMETABLE.—The timetable with respect to this part for any budget year is as follows:

Date:	Action to be completed:
5 days before the President's budget submission.	CBO sequestration preview report.
The President's budget submission.	OMB sequestration preview report.
August 10	Notification regarding military personnel.
Weekly, starting the 2d Wednesday in September.	Scorecard reports.
10 days after end of session.	CBO final sequestration report.
15 days after end of session.	OMB final sequestration report; Presidential order.
30 days later	GAO compliance report.

“(b) SUBMISSION AND AVAILABILITY OF REPORTS AND ORDERS.—Each report or order required by this section (except bill cost re-

ports under subsection (e) and scorecard reports under subsection (f)) shall be submitted, in the case of CBO, to the House of Representatives, the Senate and OMB and, in the case of OMB, to the House of Representatives, the Senate, and the President on the day it is issued. On the following day a notice of the report shall be printed in the Federal Register.

“(c) SEQUESTRATION PREVIEW REPORTS.—

“(1) REPORTING REQUIREMENT.—On the dates specified in subsection (a), OMB and CBO shall issue a preview report regarding discretionary, pay-as-you-go, and deficit sequestration based on laws enacted through those dates.

“(2) DISCRETIONARY SEQUESTRATION REPORT.—The preview reports shall set forth estimates for the current year and each subsequent year through 1998 of the applicable discretionary limits and an explanation of any adjustments in such limits under section 251. It shall also set forth for the current year and the budget year the estimated discretionary new budget authority and outlays and the amounts remaining under the applicable discretionary limits.

“(3) PAY-AS-YOU-GO SEQUESTRATION REPORTS.—The preview reports shall set forth for the budget year and each outyear estimates for each of the following:

“(A) The amount of net deficit increase or decrease, if any, calculated under subsection 252.

“(B) The pay-as-you-go scorecard as of that date, itemizing the entries that add to the net deficit increase or decrease shown under subparagraph (A).

“(C) The sequestration percentage or (if the required sequestration percentage is greater than the maximum allowable percentage for medicare) percentages necessary to eliminate a deficit increase under section 252 at the end of the budget-year session.

“(4) DEFICIT SEQUESTRATION REPORTS.—The preview reports shall set forth for the budget year estimates for each of the following:

“(A) The maximum deficit amount, the estimated deficit calculated under section 253(b), the excess deficit, and the margin.

“(B) The amount of reductions required under section 252, the excess deficit remaining after those reductions have been made, and the amount of reductions required under section 253 from defense accounts and from nondefense accounts.

“(C) The sequestration percentage necessary to achieve the required reduction in defense accounts under section 253(d).

“(D) The reductions required under sections 253(e)(1) and 253(e)(2).

“(E) The sequestration percentage necessary to achieve the required reduction in nondefense accounts under section 253(e)(3). The CBO report need not set forth the items other than the maximum deficit amount for fiscal year 1992, 1993, or any fiscal year for which the President notifies the House of Representatives and the Senate that he will adjust the maximum deficit amount under the option under section 253(g)(1)(B).

“(5) EXPLANATION OF DIFFERENCES.—The OMB reports shall thoroughly explain the differences between OMB and CBO estimates for each item set forth in this subsection.

“(d) NOTIFICATION REGARDING MILITARY PERSONNEL.—On or before the date specified in subsection (a), the President shall notify the Congress of the manner in which he intends to exercise flexibility with respect to military personnel accounts under section 255(f).

“(e) BILL COST REPORTS.—As soon as practicable after Congress completes action on

any discretionary appropriation or legislation affecting direct spending or receipts, and after consultation with the committees on the Budget of the House and Senate, CBO shall provide OMB with an estimate of the entry or entries to be made on the appropriate scorecard as a result of that legislation. Within 5 calendar days after the enactment of any such legislation (enacted after the date of enactment of this Act) OMB shall transmit a report to the House of Representatives and the Senate containing the CBO estimate of the scorecard entry or entries for that legislation, OMB's estimate for the same legislation, and a thorough explanation of any difference between the 2 estimates. CBO and OMB shall prepare estimates under this subsection in conformance with the baseline rules under subsection 257, the scorecard rules under section 251 or 252 as applicable, and scorekeeping guidelines determined after consultation among the House and Senate Committees on the Budget, CBO, and OMB.

“(f) SCORECARD REPORTS.—On or before the date specified in subsection (a) and weekly thereafter through the adjournment of Congress, OMB shall transmit a report to the House of Representatives and the Senate containing the discretionary and the pay-as-you-go scorecards prepared by CBO and OMB, each updated to reflect all bill cost reports issued under subsection (e).

“(g) FINAL SEQUESTRATION REPORTS.—

“(1) REPORTING REQUIREMENT.—On or before the dates specified in subsection (a), OMB and CBO shall issue a final sequestration report, updated to reflect laws enacted through those dates.

“(2) DISCRETIONARY SEQUESTRATION REPORTS.—The final reports shall set forth estimates for each of the following:

“(A) For the current fiscal year and each subsequent year through 1998 the applicable discretionary limits and an explanation of any adjustments in such limits under section 251(b).

“(B) For the current year and the budget year the estimated discretionary new budget authority and outlays and the budget-year breach, if any.

“(C) The sequestration percentages necessary to achieve the required reduction.

“(D) For the budget year, for each account to be sequestered, estimates of the baseline level of nonexempt budget authority and resulting outlays and the amount of nonexempt budget authority to be sequestered and resulting outlay reductions.

“(3) PAY-AS-YOU-GO AND DEFICIT SEQUESTRATION REPORTS.—The final reports shall contain all the information required in the pay-as-you-go and deficit sequestration preview reports. In addition, these reports shall contain, for the budget year, for each account to be sequestered, estimates of the baseline level of outlays for nonexempt direct spending programs and the amount to be sequestered. The reports shall also contain estimates of the outlay effects in each outyear resulting from the sequestration.

“(4) EXPLANATION OF DIFFERENCES.—The OMB report shall explain any differences between OMB and CBO estimates of the amount of any net deficit change calculated under section 252(a), any excess deficit, any breach, and any required sequestration percentage. The OMB report shall also explain differences in the amount of sequestrable resources for any budget account to be reduced if that difference is greater than \$5,000,000.

“(h) WITHIN-SESSION SEQUESTRATION REPORTS.—If a within-session sequestration is required under section 251(e), 10 days later

CBO shall issue a report containing the information required in subsection (g)(2). Fifteen days after enactment, OMB shall issue a report containing the information required in subsections (g)(2) and (4).

"(i) **PRESIDENTIAL ORDER.**—On the day OMB issues a report under subsection (g) or (h), if in that report OMB estimates that any sequestration is required, the President shall issue an order fully implementing without change all sequestrations required by the OMB calculations set forth in that report. The order shall be effective on issuance.

"(j) **GAO COMPLIANCE REPORT.**—On the date specified in subsection (a), the Comptroller General shall submit to the Congress and the President a report on—

"(1) the extent to which each order issued by the President under this section complies with all of the requirements contained in this Act, either certifying that the order fully and accurately complies with such requirements or indicating the respects in which it does not; and

"(2) the extent to which each report issued by OMB or CBO under this section complies with all of the requirements contained in this Act, either certifying that the report fully and accurately complies with such requirements or indicating the respects in which it does not.

"(k) **LOW-GROWTH REPORT.**—At any time, CBO shall notify the Congress if—

"(1) during the period consisting of the quarter during which such notification is given, the quarter preceding such notification, and the 4 quarters following such notification, CBO or OMB has determined that real economic growth is projected or estimated to be less than zero with respect to each of any 2 consecutive quarters within such period; or

"(2) the most recent of the Department of Commerce's advance preliminary or final reports of actual real economic growth indicate that the rate of real economic growth for each of the most recently reported quarters and the immediately preceding quarter is less than one percent.

"(l) **OMB'S ESTIMATING ASSUMPTIONS.**—In all reports required by this section, OMB shall use current economic and technical assumptions."

SEC. 15106. EXEMPT PROGRAMS AND ACTIVITIES.

Section 255 is amended to read as follows:

"SEC. 255. EXEMPT PROGRAMS AND ACTIVITIES.

"(a) **SOCIAL SECURITY BENEFITS AND TIER I RAILROAD RETIREMENT BENEFITS.**—Benefits payable under the old-age, survivors, and disability insurance program established under title II of the Social Security Act, and benefits payable under section 3(a), 3(f)(3), 4(a), or 4(f) of the Railroad Retirement Act of 1974, shall be exempt from reduction under any order issued under this Act.

"(b) **VETERANS PROGRAMS.**—The following programs shall be exempt from reduction under any order issued under this Act:

"National Service Life Insurance Fund (36-8132-0-7-701);

"Service-Disabled Veterans Insurance Fund (36-4012-0-3-701);

"Veterans Special Life Insurance Fund (36-8455-0-8-701);

"Veterans Reopened Insurance Fund (36-4010-0-3-701);

"United States Government Life Insurance Fund (36-8150-0-7-701);

"Veterans Insurance and Indemnities (36-0120-0-1-701);

"Special Therapeutic and Rehabilitation Activities Fund (36-4048-0-3-703);

"Canteen Service Revolving Fund (36-4014-0-3-705);

"Benefits under chapter 21 of title 38, United States Code, relating to specially adapted housing and mortgage-protection life insurance for certain veterans with service-connected disabilities (36-0120-0-1-701);

"Benefits under section 907 of title 38, United States Code, relating to burial benefits for veterans who die as a result of service-connected disability (36-0155-0-1-701);

"Benefits under chapter 39 of title 38, United States Code, relating to automobiles and adaptive equipment for certain disabled veterans and members of the Armed Forces (36-0137-0-1-702);

"Compensation (36-0153-0-1-701); and

"Pensions (36-0154-0-1-701).

"(c) **NET INTEREST.**—No reduction of payments for net interest (all of major functional category 900) shall be made under any order issued under this Act.

"(d) **EARNED INCOME TAX CREDIT.**—Payments to individuals made pursuant to section 32 of the Internal Revenue Code of 1954 shall be exempt from reduction under any order issued under this Act.

"(e) **NON-DEFENSE UNOBLIGATED BALANCES.**—Unobligated balances of budget authority carried over from prior fiscal years, except balances in the defense function, shall be exempt from reduction under any order issued under this Act.

"(f) **OPTIONAL EXEMPTION OF MILITARY PERSONNEL.**—

"(1) The President may, with respect to any military personnel account, exempt that account from sequestration or provide for a lower uniform percentage reduction than would otherwise apply.

"(2) The President may not use the authority provided by paragraph (1) unless he notifies the Congress of the manner in which such authority will be exercised on or before the date specified in section 254(d) of the budget year.

"(g) **OTHER PROGRAMS AND ACTIVITIES.**—

"(1)(A) The following budget accounts and activities shall be exempt from reduction under any order issued under this Act:

"Activities resulting from private donations, bequests, or voluntary contributions to the Government;

"Administration of Territories, Northern Mariana Islands Covenant grants (14-0412-0-1-808);

"Alaska Power Administration, Operation and maintenance (89-0304-0-1-271);

"Appropriations for the District of Columbia (to the extent they are appropriations of locally raised funds);

"Bonneville Power Administration fund and borrowing authority established pursuant to section 13 of Public Law 93-454 (1974), as amended (89-4045-0-3-271);

"Bureau of Indian Affairs, Indian land and water claim settlements and miscellaneous payments to Indians (14-2303-0-1-452);

"Bureau of Indian Affairs, Miscellaneous trust funds (14-9973-0-7-999);

"Claims, defense (97-0102-0-1-051);

"Claims, judgments, and relief acts (20-1895-0-1-808);

"Coinage profit fund (20-5811-0-2-803);

"Compact of Free Association, (14-0415-0-1-808);

"Compensation of the President (11-0001-0-1-802);

"Conservation Reserve Program (12-3319-0-1-302)

"Credit liquidating and financing accounts;

"Customs Service, miscellaneous permanent appropriations (20-9922-0-2-806);

"Comptroller of the Currency, Assessment funds (20-8413-0-8-373);

"Dual benefits payments account (60-0111-0-1-601);

"Exchange stabilization fund (20-4444-0-3-155);

"Federal Deposit Insurance Corporation, Bank Insurance Fund (51-4064-0-3-373);

"Federal Deposit Insurance Corporation, FSLIC Resolution Fund (51-4065-0-3-373);

"Federal Deposit Insurance Corporation, Savings Association Insurance Fund (51-4066-0-3-373);

"Federal Housing Finance Board (95-4039-0-3-371);

"Federal payment to the railroad retirement accounts (60-0113-0-1-601);

"Foreign military sales trust fund (11-8242-0-7-155);

"Health professions graduate student loan insurance program account (Health Education Assistance Loan Program) (75-0340-0-1-552);

"Higher education facilities loans (91-0240-01-502);

"Internal Revenue collections for Puerto Rico (20-5737-0-2-806);

"Intragovernmental funds, including those from which the outlays are derived primarily from resources paid in from other government accounts, except to the extent such funds are augmented by direct appropriations for the fiscal year during which an order is in effect;

"Panama Canal Commission, Panama Canal Revolving Fund (95-4061-0-3-403);

"Medical facilities guarantee and loan fund, Federal interest subsidies for medical facilities (75-9931-0-3-550);

"National Credit Union Administration operating fund (25-4056-0-3-373);

"National Credit Union Administration, Central liquidity facility (25-4470-0-3-373);

"National Credit Union Administration, Credit union share insurance fund (25-4468-0-3-373);

"Office of Thrift Supervision (20-4108-0-3-373);

"Payment of Vietnam and USS 'Pueblo' prisoner-of-war claims (15-0104-0-1-153);

"Payment to civil service retirement and disability fund (24-0200-0-1-805);

"Payment to Judiciary Trust Funds (10-0941-0-1-752);

"Payments to copyright owners (03-5175-0-2-376);

"Payments to health care trust funds (75-0580-0-1-571);

"Payment to military retirement fund (97-0040-0-1-054);

"Payments to social security trust funds (75-0404-0-1-651);

"Payments to the foreign service retirement and disability fund (11-1036-0-1-153 and 19-0540-0-1-153);

"Payments to trust funds from excise taxes or other receipts properly creditable to such trust funds;

"Payments to the United States territories, fiscal assistance (14-0418-0-1-806);

"Payments to widows and heirs of deceased Members of Congress (00-0215-0-1-801);

"Postal service fund (18-4020-0-3-372);

"Resolution Trust Corporation Revolving Fund (22-4055-0-3-373);

"Salaries of Article III judges;

"Soldiers' and Airmen's Home, payments of claims (84-8930-0-7-705);

"Southeastern Power Administration, Operation and maintenance (89-0302-0-1-271);

"Southwestern Power Administration, Operation and maintenance (89-0303-0-1-271);

"Tennessee Valley Authority fund, except non-power programs and activities (64-4110-0-3-999);

"Thrift Savings Fund;

"United States Enrichment Corporation Fund (95-4054-0-3-271);

"Vaccine Injury Compensation (75-0320-0-1-551);

"Vaccine Injury Compensation Program Trust Fund (20-8175-0-7-551);

"Washington Metropolitan Area Transit Authority, interest payments (46-0300-0-1-401);

"Western Area Power Administration, Construction, rehabilitation, operation, and maintenance (89-5068-0-2-271); and

"Western Area Power Administration, Colorado River basins power marketing fund (89-4452-0-3-271).

"(B) The following Federal retirement and disability accounts and activities shall be exempt from reduction under any order issued under this Act:

"Black Lung Disability Trust Fund (20-8144-0-7-601);

"Central Intelligence Agency retirement and disability system fund (56-3400-0-1-054);

"Civil service retirement and disability fund (24-8135-0-7-602);

"Comptrollers general retirement system (05-0107-0-1-801);

"Foreign service retirement and disability fund (19-8186-0-7-602);

"Judicial survivors' annuities fund (10-8110-0-7-602);

"Judicial Officers' Retirement Fund (10-8122-0-7-602);

"Claims Court Judges' Retirement Fund (10-8124-0-7-602);

"Special workers compensation expenses (Longshoremen's and harborworkers' compensation benefits) (16-9971-0-7-601);

"Military retirement fund (97-8097-0-7-602);

"National Oceanic and Atmospheric Administration retirement (13-1450-0-1-306);

"Pensions for former Presidents (47-0105-0-1-802);

"Rail Industry Pension Fund (60-8011-0-7-601);

"Railroad supplemental annuity pension fund (60-8012-0-7-602);

"Retired pay, Coast Guard (69-0241-0-1-403);

"Retirement pay and medical benefits for commissioned officers, Public Health Service (75-0379-0-1-551);

"Special benefits (Federal Employees' Compensation Act) (16-1521-0-1-600);

"Special benefits for disabled coal miners (75-0409-0-1-601); and

"Tax Court judges survivors annuity fund (23-8115-0-7-602).

"(2) Prior legal obligations of the Government in the following budget accounts and activities shall be exempt from any order issued under this Act:

"Biomass energy development (20-0114-0-1-271);

"United States Treasury check forgery insurance fund (20-4109-0-3-803);

"Employees life insurance fund (24-8424-0-8-602);

"Energy security reserve (Synthetic Fuels Corporation) (20-0112-0-1-271);

"Federal Aviation Administration, Aviation insurance revolving fund (69-4120-0-3-402);

"Federal Crop Insurance Corporation fund (12-4085-0-3-351);

"Federal Emergency Management Agency, National flood insurance fund (58-4236-0-3-453);

"Federal Emergency Management Agency, National insurance development fund (58-4235-0-3-451);

"Geothermal resources development fund (89-0206-0-1-271);

"Homeowners assistance fund, Defense (97-4090-0-3-051);

"International Trade Administration, Operations and administration (13-1250-0-1-376);

"Low-rent public housing, Loans and other expenses (86-4098-0-3-604);

"Maritime Administration, War-risk insurance revolving fund (69-4302-0-3-403);

"Overseas Private Investment Corporation (71-4030-0-3-151);

"Pension Benefit Guaranty Corporation fund (16-4204-0-3-601);

"Rail service assistance (69-0122-0-1-401);

"Department of Veterans Affairs, Servicemen's group life insurance fund (36-4009-0-3-701).

"(h) LOW-INCOME PROGRAMS.—The following programs shall be exempt from reduction under any order issued under this Act:

"Aid to families with dependent children (75-1501-0-1-609);

"Child nutrition (12-3539-0-1-605);

"Commodity supplemental food program (12-3512-0-1-605);

"Food stamp programs (12-3505-0-1-605 and 12-3550-0-1-605);

"Grants to States for Medicaid (75-0512-0-1-551);

"Supplemental Security Income Program (75-0406-0-1-609); and

"Women, infants, and children program (12-3510-0-1-605).

"(i) IDENTIFICATION OF PROGRAMS.—For purposes of subsections (b), (g), and (h), each account is identified by the designated budget account identification code number set forth in the Budget of the United States Government, 1994—Appendix, and an activity within an account is designated by the name of the activity and the identification code number of the account."

SEC. 15107. GENERAL AND SPECIAL SEQUESTRATION RULES.

Section 256 is amended as follows:

(1) Strike the section heading and insert the following new section heading:

"SEC. 256. GENERAL AND SPECIAL SEQUESTRATION RULES."

(2) Subsection (a) is amended by striking "part" and inserting "Act".

(3) Subsection (b) is repealed and subsection (a) is redesignated as subsection (b).

(4) A new subsection (a) is inserted, as follows:

"(a) BUDGET-YEAR SEQUESTRATION.—For each direct spending program subject to sequestration under this Act, a sequestration shall apply for the period starting on the date the sequestration order under section 254 is issued and ending on the last day of the budget year, unless a different period is specified in this section. For purposes of section 253, the amount estimated to be saved in all fiscal years by a budget-year sequestration under section 252 or 253 shall be considered to have been saved in the budget year."

(5) Subsection (e)(1) is amended by striking "be—" and all that follows through "subsequent fiscal year" and inserting "be 2 percent".

(6) Subsection (h)(4) is amended by striking "(D) Office of Thrift Supervision." and "(H) Resolution Funding Corporation." and redesignating the remaining subparagraphs accordingly.

(7) Subsection (j) is amended by striking "joint resolution" and inserting "Act" each place it appears and by amending paragraph (5) to read as follows:

"(5) DAIRY PROGRAM.—Notwithstanding other provisions of this subsection, as the sole means of achieving any reduction in outlays under the milk price support program, the Secretary of Agriculture shall provide for a reduction to be made in the price received by producers for all milk produced

in the United States and marketed by producers for commercial use. That price reduction (measured in cents per hundredweight of milk marketed) shall occur under subparagraph (A) of section 201(d)(2) of the Agricultural Act of 1949 (7 U.S.C. 1446(d)(2)(A)), shall begin on the day any sequestration order is issued under section 254, and shall not exceed the aggregate amount of the reduction in outlays under the milk price support program that otherwise would have been achieved by reducing payments for the purchase of milk or the products of milk under this subsection during the applicable fiscal year."

(8) Subsection (k)(2) is amended by striking the dash the second place it appears and all that follows through "(I)"; and by striking "; or" and all that follows through "(II)" and inserting ";", except that a State may not be allotted an amount under this subparagraph that exceeds".

(9) Subsection (l) is redesignated as subsection (m) and is amended by striking paragraph (4) and by redesignating paragraphs (5) and (6) as paragraphs (4) and (5), respectively."

(12) After subsection (k) add the following new subsection:

"(1) STUDENT LOANS.—For all student loans under part B or D of title IV of the Higher Education Act of 1965 made during the period when a sequestration order under section 254 is in effect, origination fees under sections 438(c)(2) and 456(c) of that Act shall be increased by a uniform percentage sufficient to produce the dollar savings in student loan programs (as a result of that sequestration order) required by section 252 or 253, as applicable."

SEC. 15108. THE BASELINE.

Section 257 is amended as follows:

(1) In subsection (a), insert ", and discretionary regulations promulgated as final by," after "through".

(2) In subsection (b), strike "budget year" and insert "current year, the budget year,".

(3) Amend subsection (b)(1) to read as follows:

"(1) IN GENERAL.—Laws providing or creating direct spending and receipts are assumed to operate in the manner specified in those laws for each such year, funding for mandatory appropriations is assumed to be adequate to make all payments required by those mandates, and regulations over which the President has discretion are assumed to remain in effect as they were at the time the baseline for the budget year was first completed."

(4) Amend subsection (b)(2)(A) to read as follows:

"(A) No program with estimated current-year gross new budget authority greater than \$50,000,000 is assumed to expire in the budget year or outyears. In carrying out the preceding sentence, expiring programs funded by mandatory appropriations or by indefinite budget authority are assumed to continue under the direct spending law in effect just prior to their expiration, and other expiring programs are assumed to continue with new budget authority projected as under subsection (c)(4)."

(5) In subsection (b)(2)(B), insert "percentage" before "increase".

(6) Amend subsection (b)(3) to read as follows:

"(3) CUTOFF DATE.—Programs or taxes that expire on or before December 31 and that have not been reauthorized by the date of the final sequestration report are assumed to expire. If an increase in veterans compensation for the budget year has not been en-

acted by the date of the final sequestration report, it is not assumed."

(7) In subsection (c), strike "budget year" and insert "current year, the budget year," and strike "all amounts other than those covered by subsection (b)" and insert "discretionary programs".

(8) Paragraphs (1) and (2) of subsection (c) are amended to read as follows:

"(1) INFLATION OF CURRENT-YEAR APPROPRIATIONS.—

"(A) Gross new budget authority shall be at the level provided for that fiscal year in appropriation Acts and discretionary offsetting collections shall be at the estimated level required by existing law (assuming the baseline level of gross new budget authority).

"(B) If for any account an appropriation has not yet been enacted, gross new budget authority is assumed to be at the level available in the current year, adjusted for expiring housing contracts as specified in paragraph (2), for social insurance administrative expenses as specified in paragraph (3), for inflation as specified in paragraph (4), and to account for changes required by law in the level of agency payments for personnel benefits other than pay.

"(2) EXPIRING HOUSING CONTRACTS.—New budget authority to renew expiring multiyear subsidized housing contracts or provide contracts to replace units lost due to prepayments shall be adjusted to reflect the difference in the number of such contracts that are estimated to expire or be prepaid in that fiscal year and the number expiring or being prepaid in the current year."

(9) In subsection (c)(3), strike "Budgetary" and insert "New budgetary", insert "or number of claims, as applicable," after "population", and insert "the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund," after the colon.

(10) In subsection (c), strike paragraph (4) and redesignate paragraphs (5) and (6) as (4) and (5), respectively.

(11) Amend the first sentence of subsection (c)(4) to read as follows: "The inflator to adjust new budget authority relating to civilian personnel is the percent by which the average rate of basic pay for the general schedule pay system, calculated as specified in sections 5303(a) and 5304 of title 5, United States Code, for that fiscal year exceeds the average rate of basic pay for the current year. The inflator for military personnel is the percent by which the average rate of basic pay, as specified in section 1009 of title 37, United States Code, for that fiscal year exceeds the average rate of basic pay for the current year."

(12) In the second sentence of subsection (c)(4), strike "used in paragraph (1)" and strike "national" and insert "domestic".

(13) Amend the side heading and first sentence of subsection (c)(5) to read as follows: "PART-YEAR APPROPRIATIONS; PERMISSIVE TRANSFERS.—If, for any account, a continuing appropriation is in effect for less than an entire fiscal year, then the amount available for that fiscal year is assumed to equal the amount that would be available if that continuing appropriation covered the entire fiscal year."

(14) In the second sentence of subsection (c)(5), insert "or mid-session review" after "original budget".

(15) Amend subsection (e) to read as follows:

"(e) ASSET SALES.—Amounts realized from new asset sales shall not be counted for purposes of this section. Asset sales shall not be

considered new if the authority to make those sales was enacted in a prior session of Congress or is a reauthorization of routine, ongoing asset sales at levels consistent with agency operations in fiscal year 1993."

SEC. 15109. FAST-TRACK PROCEDURES.

(a) REPEALER.—The first section 258 (relating to modification of Presidential orders) is repealed.

(b) CONFORMING AMENDMENT.—In the second section 258, strike "254(j)" each time it appears and insert "254(k)"; strike "310(d)" and insert "310(c)"; and in subsection (a)(4)(A) strike "discharged pursuant" and insert "discharged in the Senate pursuant".

(c) CONFORMING AMENDMENT.—In section 258A(b)(6), strike ", IV, and VI" and insert "and IV".

(d) CONFORMING AMENDMENT.—In section 258B(k), strike "306, and 401(b)(1)" and insert "and 306".

(e) CONFORMING AMENDMENT.—In section 258C(a)(1), strike "sequestration update" and insert "scorecard" and strike "or 253".

SEC. 15110. JUDICIAL REVIEW.

Section 274 is amended as follows:

(1) Strike "252" or "252(b)" each place it occurs and insert "254".

(2) In subsection (d)(1)(A), strike "257(1) to the extent that" and insert "256(b) if", strike the parenthetical phrase, and at the end insert "or".

(3) In subsection (d)(1)(B), strike "new budget" and all that follows through "spending authority" and insert "budgetary resources" and strike "or" after the comma.

(4) Strike subsection (d)(1)(C).

(5) Strike subsection (f) and redesignate subsections (g) and (h) as subsections (f) and (g), respectively.

(6) Amend subsection (g) to read as follows:

"(g) ECONOMIC DATA, ASSUMPTIONS, AND METHODOLOGIES.—The economic data and economic assumptions used by the Director of OMB in preparing the budget of the United States Government, or in making calculations under this Act, shall not be subject to review in any judicial or administrative proceeding."

SEC. 15111. EFFECTIVE DATE.

(a) EXPIRATION.—Section 275(b) is amended to read as follows:

"(b) EXPIRATION.—(1) Except as provided by paragraph (2), part C of this Act shall expire on September 30, 2002.

"(2) Sections 251, 257, and 258B of this Act and sections 1105(f) and 1106(c) of title 31, United States Code, shall expire on September 30, 1998, and section 253 of this Act shall expire on September 30, 1995."

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this subtitle shall be effective upon enactment for fiscal year 1994 and subsequent fiscal years.

(2) SPECIAL RULE FOR FISCAL YEAR 1993.—For fiscal year 1993, the Balanced Budget and Emergency Deficit Control Act of 1985 and title VI of the Congressional Budget Act of 1974 shall be applied and administered as if this title had not been enacted.

SEC. 15112. DEFICIT REDUCTION TRUST FUND.

(a) A trust fund known as the "Deficit Reduction Trust Fund" (the "Fund") shall be established for the purposes of guaranteeing that the net deficit reduction required by the Omnibus Budget Reconciliation Act of 1993 is fully achieved.

(b) The Fund shall consist only of amounts equal to the net deficit reduction, calculated pursuant to the procedures set forth in subsection (c), that is estimated to result from the Omnibus Budget Reconciliation Act of

1993. Such amounts shall be transferred to the Fund as specified in subsection (c).

(c) Within 10 days of enactment of the Omnibus Budget Reconciliation Act of 1993—

(1) the Director of the Office of Management and Budget shall determine the sum of the net deficit reduction that results from the enactment of the Omnibus Budget Deficit Reduction Act of 1993; and

(2) there shall be transferred from the general fund to the Fund an amount equal to the sum determined in paragraph (1).

(d) Notwithstanding any other provision of law, the amounts in the Fund shall not be available, in any fiscal year, for appropriation, obligation, expenditure, or transfer.

(e) Amounts in the Fund, as determined by the Director of the Office of Management and Budget, that result from the net total of direct spending and receipts provisions calculated according to the provisions of section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended (the "Act"), shall be excluded from, and shall not be counted for purposes of, the totals under section 252 and sections 254(d)(3) and 254(g)(3) of the Act.

(f) Establishment of and transfers to the Fund as authorized by this section shall not affect trust fund transfers that may be authorized or required by provisions of the Omnibus Reconciliation Act of 1993 other than this section.

(g) Section 1105(a) of title 31, United States Code, is amended by adding at the end thereof:

"(27) information about, and a separate statement of amounts in, the Deficit Reduction Trust Fund."

Subtitle B—Amendments to the Congressional Budget and Impoundment Control Act of 1974; Conforming Amendments

SEC. 15201. DEFINITIONS.

Section 3 of the Congressional Budget and Impoundment Control Act of 1974 is amended as follows:

(1) Repeal the first paragraph (2).

(2) Amend the second paragraph (2) to read as follows:

"(2) BUDGET AUTHORITY AND NEW BUDGET AUTHORITY.—

"(A) IN GENERAL.—The term 'budget authority' means the authority provided by Federal law to incur financial obligations, as follows:

"(i) provisions of law that make funds available for obligation and expenditure (other than borrowing authority), including the authority to obligate and expend the proceeds of offsetting receipts and collections;

"(ii) borrowing authority, which means authority granted to a Federal entity to borrow, obligate, and expend the borrowed funds, including through the issuance of promissory notes or other monetary credits;

"(iii) contract authority, which means the making of funds available for obligation but not for expenditure; or

"(iv) offsetting receipts and collections as negative budget authority, and the reduction thereof as positive budget authority.

"(B) LIMITATIONS ON BUDGET AUTHORITY.—Any amount that is precluded from obligation in a fiscal year by a provision of law (such as a limitation or a benefit formula) shall not be budget authority in that year.

"(C) LOAN COSTS.—The term 'budget authority' includes the cost for direct loan and loan guarantee programs, as those terms are defined by title V.

"(D) DIRECT SPENDING.—The term 'direct spending' means budget authority provided by law other than an appropriation Act or by a law that determines amounts needed to

fund mandatory appropriations (including the food stamp program), but such term does not include salary or basic pay funded through an appropriation Act.

"(E) NEW BUDGET AUTHORITY.—The term 'new budget authority' means, with respect to a fiscal year—

"(i) budget authority that first becomes available for obligation in that year, including budget authority that becomes available in that year as a result of a reappropriation; or

"(ii) a change in any account in the availability of unobligated balances of budget authority carried over from a prior year, resulting from a provision of law first effective in that year.

New budget authority, with respect to a fiscal year, includes a change in the estimated level of the authority to incur obligations in an account that, under existing law, has authority to obligate indefinite amounts, if the change results from a change in law."

(3) Repeal paragraph (9), redesignate paragraphs (3) through (8) as paragraphs (4) through (9), and insert after paragraph (2) the following new paragraph:

"(3) DEFICIT IMPACT NUMBER (OR SURPLUS IMPACT NUMBER).—The term 'deficit impact number' (or 'surplus impact number') means, with respect to a fiscal year, the change in the deficit (or surplus) that may be caused by any combination of increases or decreases in direct spending and revenue assumed by the most recently agreed to concurrent resolution to be enacted in the current session of Congress and allocated to a committee. An impact number greater than zero increases the deficit (or decreases the surplus) and an impact number less than zero decreases the deficit (or increases the surplus)."

(4) Amend paragraph (6) (as redesignated) by inserting before the period the following: ", and the term 'appropriation measure' means a general or supplemental appropriation bill or a joint resolution making continuing appropriations, but not yet enacted into law".

(5) At the end, add the following new paragraph:

"(11) The term 'new credit authority' means credit authority not provided by law as of February 1, 1986, including any increase in or addition to credit authority provided by law on such date."

SEC. 15202. CONGRESSIONAL BUDGET OFFICE.

Title II of the Congressional Budget Act of 1974 is amended as follows:

(1) The first section 201(g) is amended by striking "(g)" and inserting "(f)".

(2) The side heading of section 202(f) is amended by striking "TO BUDGET COMMITTEES".

(3) Section 202(f)(1) is amended by striking "On or before February 15 of each year" and inserting "Within 20 days after the President's budget submission".

(4) Section 202(f) is amended by adding at the end the following new paragraphs:

"(4) As soon as practicable after the beginning of each fiscal year, the Director shall issue a report projecting for the period of 5 fiscal years beginning with such fiscal year—

"(A) total new budget authority and total budget outlays for each fiscal year in such period;

"(B) revenues to be received and the major sources thereof, and the surplus or deficit, if any, for each fiscal year in such period; and

"(C) tax expenditures for each fiscal year in such period.

"(5)(A) The Director shall, to the extent practicable, prepare for each bill or joint resolution reported by any committee of the

House of Representatives or the Senate (except the Committee on Appropriations of each House), and submit to such committee—

"(i) an estimate of the costs which would be incurred in carrying out such bill or joint resolution in the fiscal year in which it is to become effective and in each of the 4 fiscal years following such fiscal year, together with the basis for each such estimate;

"(ii) an estimate of the cost which would be incurred by State and local governments in carrying out or complying with any significant bill or joint resolution in the fiscal year in which it is to become effective and in each of the four fiscal years following such fiscal year, together with the basis for each such estimate; and

"(iii) a comparison of the estimates of costs described in clauses (i) and (ii), with any available estimates of costs made by such committee or by any Federal agency.

The estimates, comparison, and description so submitted shall be included in the report accompanying such bill or joint resolution if timely submitted to such committee before such report is filed.

"(B) For purposes of subparagraph (A)(ii), the term 'local government' has the same meaning as in section 103 of the Intergovernmental Cooperation Act of 1968.

"(C) For purposes of subparagraph (A)(ii), the term 'significant bill or joint resolution' is defined as any bill or joint resolution which in the judgment of the Director of the Congressional Budget Office is likely to result in an annual cost to State and local governments of \$200,000,000 or more, or is likely to have exceptional fiscal consequences for a geographic region or a particular level of government."

(5) Section 202(h) is amended by striking "budget outlays, credit authority," and insert "various forms of spending programs, including grants and loans."

SEC. 15203. CONGRESSIONAL BUDGET PROCESS.

Title III of the Congressional Budget Act of 1974 is amended to read as follows:

"TITLE III—CONGRESSIONAL BUDGET PROCESS

"SEC. 300. TIMETABLE.

"The timetable with respect to the congressional budget process for any fiscal year is as follows:

On or before:	Action to be completed:
First Monday in February.	President submits the budget.
Six weeks after President's budget submission.	Committees submit views and estimates to Budget Committees.
April 1	Senate Budget Committee reports concurrent resolution on the budget.
April 15	Congress completes action on concurrent resolution on the budget.
May 15	House committees report bills authorizing new budget authority.
June 10	House Appropriations Committee reports last annual appropriation bill.
June 30	House completes action on annual appropriation bills and (if required) a reconciliation bill.
October 1	Fiscal year begins.

"SEC. 301. ANNUAL ADOPTION OF CONCURRENT RESOLUTION ON THE BUDGET.

"(a) CONTENT OF CONCURRENT RESOLUTION ON THE BUDGET.—On or before April 15 of each year, the Congress shall complete action on a concurrent resolution on the bud-

et. The concurrent resolution shall set forth appropriate levels for the fiscal year beginning on October 1 of such year and for each of the 4 ensuing fiscal years, for the following—

"(1) totals of new budget authority and budget outlays;

"(2) total Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;

"(3) the surplus or deficit in the budget;

"(4) new budget authority and budget outlays for each major functional category, based on allocations of the total levels set forth pursuant to paragraph (1);

"(5) the public debt;

"(6) for purposes of Senate enforcement under this title, outlays of the old-age, survivors, and disability insurance program established under title II of the Social Security Act for the fiscal year of the resolution and for each of the 4 succeeding fiscal years; and

"(7) for purposes of Senate enforcement under this title, revenues of the old-age, survivors, and disability insurance program established under title II of the Social Security Act (and the related provisions of the Internal Revenue Code of 1986) for the fiscal year of the resolution and for each of the 4 succeeding fiscal years.

Except to the extent required by paragraphs (6) and (7), the concurrent resolution shall not include the outlays and revenue totals of the old age, survivors, and disability insurance program established under title II of the Social Security Act or the related provisions of the Internal Revenue Code of 1986 in the surplus or deficit totals required by this subsection or in any other surplus or deficit totals required by this title. Notwithstanding any other provision of law, the receipts and disbursements of the Hospital Insurance Trust Fund shall be included in the computations required by paragraphs (1) through (5), and no separate display of Hospital Insurance Trust Fund receipts or alternative displays of budget totals excluding Hospital insurance receipts and disbursements are required to be included in any concurrent resolution on the budget.

"(b) ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.—The concurrent resolution on the budget may—

"(1) set forth, if required by subsection (f), the calendar year in which, in the opinion of the Congress, the goals for reducing unemployment set forth in section 4(b) of the Employment Act of 1946 should be achieved;

"(2) include reconciliation directives described in section 310;

"(3) set forth the appropriate level of the public debt for purposes of rule XLIX of the Rules of the House of Representatives; and

"(4) set forth such other matters, and require such other procedures, relating to the budget, as may be appropriate to carry out the purposes of this Act.

"(c) CONSIDERATION OF PROCEDURES OR MATTERS WHICH HAVE THE EFFECT OF CHANGING ANY RULE OF THE HOUSE OF REPRESENTATIVES.—If the Committee on the Budget of the House of Representatives reports any concurrent resolution on the budget which includes any procedure or matter which has the effect of changing any rule of the House of Representatives, such concurrent resolution shall then be referred to the Committee on Rules with instructions to report it within five calendar days (not counting any day on which the House is not in session). The Committee on Rules shall have jurisdiction to report any concurrent resolution referred

to it under this paragraph with an amendment or amendments changing or striking out any such procedure or matter.

"(d) VIEWS AND ESTIMATES OF OTHER COMMITTEES.—Within 6 weeks after the President submits a budget under section 1105(a) of title 31, United States Code, each committee of the House of Representatives having legislative jurisdiction may submit to the Committee on the Budget of the House and each committee of the Senate having legislative jurisdiction may submit to the Committee on the Budget of the Senate its views and estimates (as determined by the committee making such submission) with respect to all matters set forth in subsections (a) and (b) which relate to matters within the jurisdiction or functions of such committee. The Joint Economic Committee shall submit to the Committees on the Budget of both Houses its recommendations as to the fiscal policy appropriate to the goals of the Employment Act of 1946. Any other committee of the House of Representatives or the Senate may submit to the Committee on the Budget of its House, and any joint committee of the Congress may submit to the Committees on the Budget of both Houses, its views and estimates with respect to all matters set forth in subsections (a) and (b) which relate to matters within its jurisdiction or functions.

"(e) HEARINGS AND REPORT.—In developing the concurrent resolution on the budget referred to in subsection (a) for each fiscal year, the Committee on the Budget of each House shall hold hearings and shall receive testimony from Members of Congress and such appropriate representatives of Federal departments and agencies, the general public, and national organizations as the committee deems desirable. Each of the recommendations as to short-term and medium-term goals set forth in the report submitted by the members of the Joint Economic Committee under subsection (d) may be considered by the Committee on the Budget of each House as part of its consideration of such concurrent resolution, and its report may reflect its views thereon, including its views on how the estimates of revenues and total levels of new budget authority and outlays set forth in such concurrent resolution are designed to achieve any economic goals it is recommending. The report accompanying such concurrent resolution shall include, but not be limited to—

"(1) a comparison of revenues estimated by the committee with those estimated in the budget submitted by the President;

"(2) a comparison of the appropriate levels of total budget outlays and total new budget authority as set forth in such concurrent resolution with those estimated or requested in the budget submitted by the President;

"(3) with respect to each major functional category, an estimate of budget outlays and an appropriate level of new budget authority for all proposed programs and for all existing programs (including renewals thereof), with the estimate and level for existing programs being divided between permanent authority and funds provided in appropriation Acts, and with each such division being subdivided between controllable amounts and all other amounts;

"(4) an allocation of the level of Federal revenues recommended in the concurrent resolution among the major sources of such revenues;

"(5) the economic assumptions and objectives which underlie each of the matters set forth in such concurrent resolution and any alternative economic assumptions and objectives which the committee considered;

"(6) the estimated levels of tax expenditures (the tax expenditures budget) by major functional categories;

"(7) a statement of any significant changes in the proposed levels of Federal assistance to State and local governments;

"(8) information, data, and comparisons indicating the manner in which, and the basis on which, the committee determined each of the matters set forth in the concurrent resolution; and

"(9) allocations described in sections 302(a) and 311(a).

"(f) ACHIEVEMENT OF GOALS FOR REDUCING UNEMPLOYMENT.—

"(1) If, pursuant to section 4(c) of the Employment Act of 1946, the President recommends in the Economic Report that the goals for reducing unemployment set forth in section 4(b) of such Act be achieved in a year after the close of the five-year period prescribed by such subsection, the concurrent resolution on the budget for the fiscal year beginning after the date on which such Economic Report is received by the Congress may set forth the year in which, in the opinion of the Congress, such goals can be achieved.

"(2) After the Congress has expressed its opinion pursuant to paragraph (1) as to the year in which the goals for reducing unemployment set forth in section 4(b) of the Employment Act of 1946 can be achieved, if, pursuant to section 4(e) of such Act, the President recommends in the Economic Report that such goals be achieved in a year which is different from the year in which the Congress has expressed its opinion that such goals should be achieved, either in its action pursuant to paragraph (1) or in its most recent action pursuant to this paragraph, the concurrent resolution on the budget for the fiscal year beginning after the date on which such Economic Report is received by the Congress may set forth the year in which, in the opinion of the Congress, such goals can be achieved.

"(g) ECONOMIC ASSUMPTIONS.—

"(1) It shall not be in order in the Senate to consider any concurrent resolution on the budget for a fiscal year, or any amendment thereto, or any conference report thereon, that sets forth amounts and levels that are determined on the basis of more than one set of economic and technical assumptions.

"(2) The joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall set forth the common economic assumptions upon which such joint statement and conference report are based, or upon which any amendment contained in the joint explanatory statement to be proposed by the conferees in the case of technical disagreement, is based.

"(3) Determinations by the Committee on the Budget of the House of Representatives or the Senate, as the case may be, under titles III and IV of the Congressional Budget Act of 1974 shall be based upon such common economic and technical assumptions.

"(h) BUDGET COMMITTEES CONSULTATION WITH COMMITTEES.—The Committee on the Budget of the House of Representatives shall consult with the committees of its House having legislative jurisdiction during the preparation, consideration, and enforcement of the concurrent resolution on the budget with respect to all matters which relate to the jurisdiction or functions of such committees. The Committee on the Budget of the House of Representatives may not report a concurrent resolution on the budget containing the matter referred to in subsection (b)(3) except after consultation with the

Committee on Ways and Means about that matter.

"(i) SOCIAL SECURITY POINT OF ORDER IN THE SENATE.—It shall not be in order in the Senate to consider any concurrent resolution on the budget as reported to the Senate or any amendment thereto that would decrease the excess of social security revenues over social security outlays in any of the fiscal years covered by the concurrent resolution. No change in chapter 1 of the Internal Revenue Code of 1986 shall be treated as affecting the amount of social security revenues unless such provision changes the income tax treatment of social security benefits.

"SEC. 302. APPROPRIATION COMMITTEE ALLOCATIONS AND ENFORCEMENT.

"(a) COMMITTEE SPENDING ALLOCATIONS.—The joint explanatory statement accompanying a conference report on a budget resolution shall include an allocation, consistent with the resolution recommended in the conference report, of the appropriate levels (for the budget year covered by that resolution) of total new budget authority and total outlays for the Committee on Appropriations of each House. The amounts so allocated shall be further divided between discretionary and mandatory amounts, as appropriate.

"(b) SUBDIVISIONS BY APPROPRIATIONS COMMITTEES.—As soon as practicable after a budget resolution is agreed to, the Committee on Appropriations of each House shall subdivide each amount allocated to it for the budget year under subsection (a) among its subcommittees. Each Committee on Appropriations shall promptly report to its House subdivisions made or revised under this subsection.

"(c) POINT OF ORDER.—It shall not be in order in the House of Representatives or the Senate to consider any appropriation measure, or amendment thereto, or motion or conference report thereon, unless and until the Committee on Appropriations of that House reports subdivisions required by subsection (b) consistent with the most recently agreed to concurrent resolution on the budget.

"(d) SUBSEQUENT CONCURRENT RESOLUTIONS.—In the case of a concurrent resolution on the budget referred to in section 304, the allocations under subsection (a) and the subdivisions under subsection (b) shall be required only to the extent necessary to take into account revisions made in the most recently agreed to concurrent resolution on the budget.

"(e) ALTERATION OF SUBDIVISIONS.—At any time after the Committee on Appropriations of either House reports the subdivisions required to be made under subsection (b), that committee may report to its House an alteration of such subdivisions. Any alteration of such subdivisions must be consistent with any actions already taken by its House on measures within that committee's jurisdiction.

"(f) LEGISLATION SUBJECT TO POINT OF ORDER.—(1) It shall not be in order in the House of Representatives or the Senate to consider any appropriation measure or amendment thereto or motion or conference report thereon, if the new budget authority provided in that measure when added to already enacted levels of new budget authority would cause—

"(A) any allocation of new budget authority made pursuant to subsection (a) under the most recently agreed to concurrent resolution on the budget to be exceeded; or

"(B) any subdivision of new budget authority made pursuant to subsection (b) under the most recently agreed to concurrent reso-

lution on the budget to be exceeded except for a supplemental appropriation for the current fiscal year.

"(2) An appropriation measure, amendment, or conference report shall be considered to violate paragraph (1) only if—

"(A) the enactment of such appropriation measure in the form it will be considered as original text for purposes of amendment;

"(B) the amendment is not an amendment considered as original text for purposes of amendment and the adoption of such amendment and enactment of that measure as so amended; or

"(C) the enactment of such measure in the form recommended in such conference report would cause such a violation.

"(g) DETERMINATIONS BY BUDGET COMMITTEES.—For purposes of this section, the levels of new budget authority shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or the Senate, as the case may be.

"(h) ADJUSTMENTS OF ALLOCATIONS OF DISCRETIONARY SPENDING.—(1) If a concurrent resolution on the budget is not adopted by April 30, the chairman of the Committee on the Budget of the House of Representatives shall submit to the House, on the first legislative day following April 30, an allocation under subsection (a) to the Committee on Appropriations consistent with the discretionary spending limits contained in the most recent budget submitted by the President under section 1105(a) of title 31, United States Code.

"(2) As soon as practicable after an allocation under paragraph (1) is submitted to the House, the Committee on Appropriations shall make subdivisions and promptly report those subdivisions to the House of Representatives.

"(3) Allocations and subdivisions made under this subsection shall, for all purposes of this title, be deemed to be allocations and subdivisions made under subsections (a) and (b), until superseded by allocations and subdivisions made under those sections for the same fiscal year.

"SEC. 303. LEGISLATION PROVIDING NEW BUDGET AUTHORITY OR CHANGES IN REVENUES OR THE PUBLIC DEBT LIMIT MAY ONLY DO SO FOR YEARS COVERED BY MOST RECENT BUDGET RESOLUTION.

"(a) IN GENERAL.—(1) It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report which contains a provision that—

"(A) increases new budget authority;

"(B) decreases revenues; or

"(C) increases or decreases the public debt limit,

first effective in the last fiscal year covered by the most recently agreed to concurrent resolution on the budget or any subsequent fiscal year.

"(2) A bill, joint resolution, amendment, or conference report shall be considered to violate paragraph (1) only if—

"(A) the enactment of such bill or resolution in the form it will be considered as original text for purposes of amendment;

"(B) the amendment is not an amendment considered as original text for purposes of amendment and the adoption of such amendment and enactment of the bill or joint resolution as so amended; or

"(C) the enactment of such bill or resolution in the form recommended in such conference report would cause such a violation.

"(b) WAIVER IN THE SENATE.—

"(1) The committee of the Senate which reports any bill or resolution (or amendment thereto) to which subsection (a) applies may at or after the time it reports such bill or resolution (or amendment), report a resolution to the Senate (A) providing for the waiver of subsection (a) with respect to such bill or resolution (or amendment), and (B) stating the reasons why the waiver is necessary. The resolution shall then be referred to the Committee on the Budget of the Senate. That committee shall report the resolution to the Senate within 10 days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred, accompanied by that committee's recommendations and reasons for such recommendations with respect to the resolution. If the committee does not report the resolution within such 10-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar.

"(2) During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and minority leader or their designees, and the time on any debatable motion or appeal shall be limited to twenty minutes, to be equally divided between, and controlled by, the mover and the manager of the resolution. In the event the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal. No amendment to the resolution is in order.

"(3) If, after the Committee on the Budget has reported (or been discharged from further consideration of) the resolution, the Senate agrees to the resolution, then subsection (a) shall not apply with respect to the bill or resolution (or amendment thereto) to which the resolution so agreed to applies.

"SEC. 304. PERMISSIBLE REVISIONS OF CONCURRENT RESOLUTIONS ON THE BUDGET.

"The two Houses may adopt a concurrent resolution on the budget which revises or reaffirms the concurrent resolution on the budget most recently agreed to and which satisfies the requirements of section 301.

"SEC. 305. PROVISIONS RELATING TO THE CONSIDERATION OF CONCURRENT RESOLUTIONS ON THE BUDGET.

"(a) PROCEDURE IN HOUSE OF REPRESENTATIVES AFTER REPORT OF COMMITTEE; DEBATE.—

"(1) When the Committee on the Budget of the House of Representatives has reported any concurrent resolution on the budget, it is in order subject to clause (2)(1)(6) of rule XI of the Rules of the House of Representatives to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the concurrent resolution. The motion is highly privileged and is not debatable. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to. A motion to resolve into the Committee of the Whole may be made even though a previous motion has been disagreed to.

"(2) General debate on any concurrent resolution on the budget in the House of Representatives shall be limited to not more than 10 hours, which shall be divided equally between the majority and minority parties, and such additional hours of debate as are consumed pursuant to paragraph (3). A motion further to limit debate is not debatable.

"(3) Following the presentation of opening statements on the concurrent resolution on the budget for a fiscal year by the chairman and ranking minority member of the Committee on the Budget of the House, there shall be a period of up to four hours for debate on economic goals and policies.

"(4) Only if a concurrent resolution on the budget reported by the Committee on the Budget of the House sets forth the economic goals (as described in sections 3(a)(2) and (4)(b) of the Full Employment Act of 1946) which the estimates, amounts, and levels (as described in section 301(a)) set forth in such resolution are designed to achieve, shall it be in order to offer to such resolution an amendment relating to such goals, and such amendment shall be in order only if it also proposes to alter such estimates, amounts, and levels in germane fashion in order to be consistent with the goals proposed in such amendment.

"(5) Consideration of any concurrent resolution on the budget by the House of Representatives shall be in the Committee of the Whole, and the resolution shall be considered for amendment under the five-minute rule in accordance with the applicable provisions of rule XXIII of the Rules of the House of Representatives. After the Committee rises and finally reports the resolution back to the House, the previous question shall be considered as ordered on the resolution and any amendments thereto to final passage without intervening motion; except that it shall be in order at any time prior to final passage (notwithstanding any other rule or provision of law) to consider an amendment (or a series of amendments) changing any figure or figures in the resolution as so reported to the extent necessary solely to achieve mathematical consistency. The concurrent resolution is not divisible in the House or in the Committee of the Whole. A motion to reconsider the concurrent resolution is not in order, and it is not in order to move to reconsider the vote by which the concurrent resolution is agreed to or disagreed to.

"(6) Debate in the House of Representatives on a conference report on a concurrent resolution on the budget shall be limited to not more than 5 hours, which shall be divided equally between the majority and minority parties. A motion further to limit debate is not debatable. A motion to recommit the conference report is not in order, and it is not in order to move to reconsider the vote by which the conference report is agreed to or disagreed to.

"(7) Appeals from decisions of the Chair relating to the application of the Rules of the House of Representatives to the procedure relating to any concurrent resolution on the budget shall be decided without debate.

"(b) PROCEDURE IN SENATE AFTER REPORT OF COMMITTEE; DEBATE; AMENDMENTS.—

"(1) Debate in the Senate on any concurrent resolution on the budget, and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 50 hours, except that with respect to any concurrent resolution referred to in section 304(a) all such debate shall be limited to not more than 15 hours. The time shall be equally divided between, and controlled by, the majority lead-

er and the minority leader or their designees.

"(2) Debate in the Senate on any amendment to a concurrent resolution on the budget shall be limited to 2 hours, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, and debate on any amendment to an amendment, debatable motion, or appeal shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, except that in the event the manager of the concurrent resolution is in favor of any such amendment, motion, or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. No amendment that is not germane to the provisions of such concurrent resolution shall be received. Such leaders, or either of them, may, from the time under their control on the passage of the concurrent resolution, allot additional time to any Senator during the consideration of any amendment, debatable motion, or appeal.

"(3) Following the presentation of opening statements on the concurrent resolution on the budget for a fiscal year by the chairman and ranking minority member of the Committee on the Budget of the Senate, there shall be a period of up to four hours for debate on economic goals and policies.

"(4) Subject to the other limitations of this Act, only if a concurrent resolution on the budget reported by the Committee on the Budget of the Senate sets forth the economic goals (as described in sections 3(a)(2) and 4(b) of the Employment Act of 1946) which the estimates, amounts, and levels (as described in section 301(a)) set forth in such resolution are designed to achieve, shall it be in order to offer to such resolution an amendment relating to such goals, and such amendment shall be in order only if it also proposes to alter such estimates, amounts, and levels in germane fashion in order to be consistent with the goals proposed in such amendment.

"(5) A motion to further limit debate is not debatable. A motion to recommit (except a motion to recommit with instructions to report back within a specified number of days, not to exceed 3, not counting any day on which the Senate is not in session) is not in order. Debate on any such motion to recommit shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution.

"(6) Notwithstanding any other rule, an amendment or series of amendments to a concurrent resolution on the budget proposed in the Senate shall always be in order if such amendment or series of amendments proposes to change any figure or figures then contained in such concurrent resolution so as to make such concurrent resolution mathematically consistent or so as to maintain such consistency.

"(c) ACTION ON CONFERENCE REPORTS IN THE SENATE.—

"(1) A motion to proceed to the consideration of the conference report on any concurrent resolution on the budget (or a reconciliation bill or resolution) may be made even though a previous motion to the same effect has been disagreed to.

"(2) During the consideration in the Senate of the conference report (or a message between Houses) on any concurrent resolution on the budget, and all amendments in disagreement, and all amendments thereto, and debatable motions and appeals in connection therewith, debate shall be limited to 10 hours, to be equally divided between, and

controlled by, the majority leader and minority leader or their designees. Debate on any debatable motion or appeal related to the conference report (or a message between Houses) shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the conference report (or a message between Houses).

"(3) Should the conference report be defeated, debate on any request for a new conference and the appointment of conferees shall be limited to 1 hour, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee, and should any motion be made to instruct the conferees before the conferees are named, debate on such motion shall be limited to one-half hour, to be equally divided between, and controlled by, the mover and the manager of the conference report. Debate on any amendment to any such instructions shall be limited to 20 minutes, to be equally divided between and controlled by the mover and the manager of the conference report. In all cases when the manager of the conference report is in favor of any motion, appeal, or amendment, the time in opposition shall be under the control of the minority leader or his designee.

"(4) In any case in which there are amendments in disagreement, time on each amendment shall be limited to 30 minutes, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee. No amendment that is not germane to the provisions of such amendments shall be received.

"(d) CONCURRENT RESOLUTION MUST BE CONSISTENT IN THE SENATE.—It shall not be in order in the Senate to vote on the question of agreeing to—

"(1) a concurrent resolution on the budget unless the figures then contained in such resolution are mathematically consistent; or

"(2) a conference report on a concurrent resolution on the budget unless the figures contained in such resolution, as recommended in such conference report, are mathematically consistent.

"SEC. 306. LEGISLATION DEALING WITH CONGRESSIONAL BUDGET MUST BE HANDLED BY BUDGET COMMITTEES.

"No bill, resolution, amendment, motion, or conference report dealing with any matter which is within the jurisdiction of the Committee on the Budget of either House shall be considered in that House unless it is a bill or resolution which has been reported by the Committee on the Budget of that House (or from the consideration of which such committee has been discharged) or unless it is an amendment to such a bill or resolution.

"SEC. 307. HOUSE COMMITTEE ACTION ON ALL APPROPRIATION BILLS TO BE COMPLETED BY JUNE 10.

"On or before June 10 of each year, the Committee on Appropriations of the House of Representatives shall report annual appropriation bills providing new budget authority under the jurisdiction of all of its subcommittees for the fiscal year which begins on October 1 of that year.

"SEC. 308. REPORTS, SUMMARIES, AND PROJECTIONS OF CONGRESSIONAL BUDGET ACTIONS.

"(a) REPORTS ON LEGISLATION PROVIDING NEW BUDGET AUTHORITY OR PROVIDING AN INCREASE OR DECREASE IN REVENUES OR TAX EXPENDITURES.—

"(1) Whenever a committee of either House reports to its House a bill or joint resolution providing new budget authority (other than continuing appropriations) or providing an increase or decrease in revenues or tax ex-

penditures for a fiscal year (or fiscal years), the report accompanying that bill or joint resolution shall contain—

"(A) a cost statement comparing the levels in such measure as recommended by that committee to the appropriate allocations and subdivisions submitted under subsections (a) and (b) of section 302 or the appropriate allocation pursuant to section 311(a) for the most recently agreed to concurrent resolution on the budget; or

"(B) the Congressional Budget Office cost estimate required in section 202(f)(5), if timely submitted before such report is filed.

"(2) Whenever a conference report is filed in either House and such conference report or any amendment reported in disagreement or any motion printed in the joint statement of managers to dispose of such amendment on such bill or resolution provides new budget authority (other than continuing appropriations) or provides an increase or decrease in revenues for a fiscal year (or fiscal years), the statement of managers accompanying such conference report shall contain the information required by paragraph (1), if available on a timely basis. If such information is not available when the conference report is filed, the committee shall make such information available to Members as soon as practicable.

"(b) UP-TO-DATE TABULATIONS OF CONGRESSIONAL BUDGET ACTION.—

"(1) The Director of the Congressional Budget Office shall issue to the committees of the House of Representatives and the Senate reports on at least a monthly basis detailing and tabulating the progress of congressional action on bills and resolutions providing new budget authority or providing an increase or decrease in revenues or tax expenditures for each fiscal year covered by a concurrent resolution on the budget. Such reports shall include but are not limited to an up-to-date tabulation comparing the appropriate aggregate and functional levels (including outlays) included in the most recently adopted concurrent resolution on the budget with the levels provided in bills and resolutions reported by committees or adopted by either House or by the Congress, and with the levels provided by law for the fiscal year preceding the first fiscal year covered by the appropriate concurrent resolution.

"(2) The Committee on the Budget of each House shall make available to Members of its House summary budget scorekeeping reports. Such reports—

"(A) shall be made available on at least a monthly basis, but in any case frequently enough to provide Members of each House an accurate representation of the current status of congressional consideration of revenue and spending measures;

"(B) shall include, but are not limited to summaries of tabulations provided under subsection (b)(1); and

"(C) shall be based on information provided under subsection (b)(1) without substantive revision.

The chairman of the Committee on the Budget of the House of Representatives shall submit such reports to the Speaker and such reports shall be printed in the Congressional Record.

"SEC. 309. HOUSE APPROVAL OF REGULAR APPROPRIATION BILLS.

"In order that all annual appropriation bills may be considered and approved by the House of Representatives by June 30, bills authorizing budget authority contained in those appropriation bills should be reported to the House of Representatives by May 15.

SEC. 310. RECONCILIATION.

“(a) INCLUSION OF RECONCILIATION DIRECTIVES IN CONCURRENT RESOLUTIONS ON THE BUDGET.—A concurrent resolution on the budget for any fiscal year, to the extent necessary to effectuate the provisions and requirements of such resolution, shall—

“(1) specify the total amount by which direct spending contained in laws within the jurisdiction of a committee is to be increased or decreased and direct that committee to determine and recommend changes to accomplish a change of such total amount;

“(2) specify the total amount by which revenues are to be increased or decreased and direct that the committees having jurisdiction to determine and recommend changes in the revenue laws to accomplish a change of such total amount;

“(3) specify the amounts by which the statutory limit on the public debt is to be increased or decreased and direct the committee having jurisdiction to recommend such change; or

“(4) specify and direct any combination of the matters described in paragraphs (1), (2), and (3) (including a direction to achieve deficit reduction).

“(b) LEGISLATIVE PROCEDURE.—If a concurrent resolution containing directives to one or more committees to determine and recommend changes in laws is agreed to in accordance with subsection (a) and—

“(1) only one committee of the House or the Senate is directed to determine and recommend changes, that committee shall promptly make such determination and recommendations and report to its House reconciliation measure containing such recommendations; or

“(2) more than one committee of the House or the Senate is directed to determine and recommend changes, each such committee so directed shall promptly make such determination and recommendations and submit such recommendations to the Committee on the Budget of its House, which upon receiving all such recommendations, shall report to its House a reconciliation measure carrying out all such recommendations without any substantive revision.

“(c) AMENDMENTS TO RECONCILIATION BILLS.—

“(1) It shall not be in order in the House of Representatives to consider any amendment to a reconciliation bill if such amendment would have the effect of increasing direct spending above the level of such direct spending provided in the bill (for the fiscal years covered by the reconciliation instructions set forth in the most recently agreed to concurrent resolution on the budget), or would have the effect of reducing any specific Federal revenues below the level of such revenues provided in the bill (for such fiscal years), unless such amendment makes at least an equivalent reduction in other direct spending, an equivalent increase in other specific Federal revenues, or an equivalent combination thereof (for such fiscal years). A motion to strike a provision providing new budget authority may be in order.

“(2) It shall not be in order in the Senate to consider any amendment to a reconciliation bill if such amendment would have the effect of decreasing any direct spending reductions below the level of such direct spending reductions provided (for the fiscal years covered) in the reconciliation instructions which relate to such bill set forth in a resolution providing for reconciliation, or would have the effect of reducing Federal revenue increases below the level of such revenue increases provided (for such fiscal years) in

such instructions relating to such bill, unless such amendment makes a reduction in other direct spending, an increase in other specific Federal revenues, or a combination thereof (for such fiscal years) at least equivalent to any increase in direct spending or decrease in revenues provided by such amendment, except that a motion to strike a provision shall always be in order.

“(3) Paragraphs (1) and (2) shall not apply if a declaration of war by the Congress is in effect.

“(4) For purposes of this section, the levels of direct spending and Federal revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of either House, as the case may be.

“(5) If a committee or committees of the House fail to meet its directive in recommended changes it has submitted to its Committee on the Budget pursuant to its instruction, the Committee on Rules of the House of Representatives may recommend that the House make in order amendments to achieve changes specified by reconciliation directives contained in a concurrent resolution on the budget.

“(d) PROCEDURE IN THE SENATE.—

“(1) Except as provided in paragraph (2), the provisions of section 305 for the consideration in the Senate of concurrent resolutions on the budget and conference reports thereon shall also apply to the consideration in the Senate of reconciliation bills reported under subsection (b) and conference reports thereon.

“(2) Debate in the Senate on any reconciliation bill reported under subsection (b), and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 20 hours.

“(e) LIMITATION ON CHANGES TO THE SOCIAL SECURITY ACT.—Notwithstanding any other provision of law, it shall not be in order in the Senate or the House of Representatives to consider any reconciliation bill reported pursuant to a concurrent resolution on the budget agreed to under section 301 or 304, or any amendment thereto or conference report thereon, that contains recommendations to reduce benefits under the old-age, survivors, and disability insurance program established under title II of the Social Security Act.

SEC. 311. DIRECT SPENDING AND REVENUE LEGISLATION MUST BE WITHIN APPROPRIATE LEVELS.

“(a) COMMITTEE ALLOCATIONS.—The joint explanatory statement accompanying a conference report on a budget resolution shall include an allocation, consistent with the resolution recommended in the conference report, of the appropriate deficit impact number (or surplus impact number) for the budget year and a total for all fiscal years covered by that resolution for each committee of each House of Congress, except for the Committees on Appropriations. Any item assumed in an allocation to one committee may not be assumed in an allocation to another committee of the same House.

“(b) DISPLAY ALLOCATIONS.—The joint explanatory statement accompanying a conference report on a budget resolution may include an allocation for display purposes only, consistent with the resolution recommended in the conference report, of the total amount of direct spending and revenue under existing law within the jurisdiction of each committee.

“(c) LEGISLATION SUBJECT TO POINT OF ORDER.—(1) It shall not be in order in the House of Representatives or the Senate to consider any bill or joint resolution or amendment increasing the deficit (or lower-

ing the surplus) in any fiscal year covered by the most recently agreed to concurrent resolution on the budget, or any motion or conference report on any such bill or joint resolution, if it would produce a higher deficit (or lower surplus) than an appropriate impact number allocated pursuant to subsection (a).

“(2) A bill, joint resolution, amendment, or conference report shall be considered to exceed an appropriate impact number only if—

“(A) the enactment of such bill or resolution in the form it will be considered as original text for purposes of amendment;

“(B) the amendment is not an amendment considered as original text for purposes of amendment and the adoption of such amendment and enactment of the bill or joint resolution as so amended; or

“(C) the enactment of such bill or resolution in the form recommended in such conference report, would cause an appropriate impact number allocated pursuant to subsection (a) to be exceeded.

“(d) DETERMINATIONS BY BUDGET COMMITTEES.—For purposes of this section, impact numbers shall be determined on the basis of estimates made by the Committee on the Budget of either House, as the case may be.

SEC. 312. EFFECTS OF POINTS OF ORDER.

“(a) POINTS OF ORDER IN THE SENATE AGAINST AMENDMENTS BETWEEN THE HOUSES.—Each provision of this Act that establishes a point of order against an amendment also establishes a point of order in the Senate against an amendment between the Houses. If a point of order under this Act is raised in the Senate against an amendment between the Houses, and the Presiding Officer sustains the point of order, the effect shall be the same as if the Senate had disagreed to the amendment.

“(b) EFFECT OF A POINT OF ORDER ON A BILL IN THE SENATE.—In the Senate, if the Chair sustains a point of order under this Act against a bill, the Chair shall then send the bill to the committee of appropriate jurisdiction for further consideration.

SEC. 313. EXTRANEOUS MATTER IN RECONCILIATION LEGISLATION.

“(a) IN GENERAL.—When the Senate is considering a reconciliation bill or a reconciliation resolution pursuant to section 310 (whether that bill or resolution originated in the Senate or the House) or section 258C of the Balanced Budget and Emergency Deficit Control Act of 1985, upon a point of order being made by any Senator against material extraneous to the instructions to a committee which is contained in any title or provision of the bill or resolution or offered as an amendment to the bill or resolution, and the point of order is sustained by the Chair, any part of said title or provision that contains material extraneous to the instructions to said Committee as defined in subsection (b) shall be deemed stricken from the bill and may not be offered as an amendment from the floor.

“(b) EXTRANEOUS PROVISIONS.—(1)(A) Except as provided in paragraph (2), a provision of a reconciliation bill or reconciliation resolution considered pursuant to section 310 shall be considered extraneous if such provision does not produce a change in outlays or revenue, including changes in outlays and revenues brought about by changes in the terms and conditions under which outlays are made or revenues are required to be collected (but a provision in which outlay decreases or revenue increases exactly offset outlay increases or revenue decreases shall not be considered extraneous by virtue of

this subparagraph); (B) any provision producing an increase in outlays or decrease in revenues shall be considered extraneous if the net effect of provisions reported by the Committee reporting the title containing the provision is that the Committee fails to achieve its reconciliation instructions; (C) a provision that is not in the jurisdiction of the Committee with jurisdiction over said title or provision shall be considered extraneous; (D) a provision shall be considered extraneous if it produces changes in outlays or revenues which are merely incidental to the non-budgetary components of the provision; (E) a provision shall be considered to be extraneous if it increases, or would increase, net outlays, or if it decreases, or would decrease, revenues during a fiscal year after the fiscal years covered by such reconciliation bill or reconciliation resolution, and such increases or decreases are greater than outlay reductions or revenue increases resulting from other provisions in such title in such year; and (F) a provision shall be considered extraneous if it violates section 310(e).

"(2) A Senate-originated provision shall not be considered extraneous under paragraph (1)(A) if the Chairman and Ranking Minority Member of the Committee on the Budget and the Chairman and Ranking Minority Member of the Committee which reported the provision certify that: (A) the provision mitigates direct effects clearly attributable to a provision changing outlays or revenue and both provisions together produce a net reduction in the deficit; (B) the provision will result in a substantial reduction in outlays or a substantial increase in revenues during fiscal years after the fiscal years covered by the reconciliation bill or reconciliation resolution; (C) a reduction of outlays or an increase in revenues is likely to occur as a result of the provision, in the event of new regulations authorized by the provision or likely to be proposed, court rulings on pending litigation, or relationships between economic indices and stipulated statutory triggers pertaining to the provision, other than the regulations, court rulings or relationships currently projected by the Congressional Budget Office for scorekeeping purposes; or (D) such provision will be likely to produce a significant reduction in outlays or increase in revenues but, due to insufficient data, such reduction or increase cannot be reliably estimated.

"(3) A provision reported by a committee shall not be considered extraneous under paragraph (1)(C) if (A) the provision is an integral part of a provision or title, which if introduced as a bill or resolution would be referred to such committee, and the provision sets forth the procedure to carry out or implement the substantive provisions that were reported and which fall within the jurisdiction of such committee; or (B) the provision states an exception to, or a special application of, the general provision or title of which it is a part and such general provision or title if introduced as a bill or resolution would be referred to such committee.

"(c) **EXTRANEUS MATERIALS.**—Upon the reporting or discharge of a reconciliation bill or resolution pursuant to section 310 in the Senate, and again upon the submission of a conference report on such a reconciliation bill or resolution, the Committee on the Budget of the Senate shall submit for the record a list of material considered to be extraneous under subsections (b)(1)(A), (b)(1)(B), and (b)(1)(E) of this section to the instructions of a committee as provided in this section. The inclusion or exclusion of a

provision shall not constitute a determination of extraneousness by the Presiding Officer of the Senate.

"(d) **CONSIDERATION OF CONFERENCE REPORTS.**—When the Senate is considering a conference report on, or an amendment between the Houses in relation to, a reconciliation bill or reconciliation resolution pursuant to section 310, upon—

"(1) a point of order being made by any Senator against extraneous material meeting the definition of subsections (b)(1)(A), (b)(1)(B), (b)(1)(D), (b)(1)(E), or (b)(1)(F), and

"(2) such point of order being sustained, such material contained in such conference report or amendment shall be deemed stricken, and the Senate shall proceed, without intervening action or motion, to consider the question of whether the Senate shall recede from its amendment and concur with a further amendment, or concur in the House amendment with a further amendment, as the case may be, which further amendment shall consist of only that portion of the conference report or House amendment, as the case may be, not so stricken. Any such motion in the Senate shall be debatable for two hours. In any case in which such point of order is sustained against a conference report (or Senate amendment derived from such conference report by operation of this subsection), no further amendment shall be in order.

"(e) **GENERAL POINT OF ORDER.**—Notwithstanding any other law or rule of the Senate, it shall be in order for a Senator to raise a single point of order that several provisions of a bill, resolution, amendment, motion, or conference report violate this section. The Presiding Officer may sustain the point of order as to some or all of the provisions against which the Senator raised the point of order. If the Presiding Officer so sustains the point of order as to some of the provisions (including provisions of an amendment, motion, or conference report) against which the Senator raised the point of order, then only those provisions (including provisions of an amendment, motion, or conference report) against which the Presiding Officer sustains the point of order shall be deemed stricken pursuant to this section. Before the Presiding Officer rules on such a point of order, any Senator may move to waive such a point of order as it applies to some or all of the provisions against which the point of order was raised. Such a motion to waive is amendable in accordance with the rules and precedents of the Senate. After the Presiding Officer rules on such a point of order, any Senator may appeal the ruling of the Presiding Officer on such a point of order as it applies to some or all of the provisions on which the Presiding Officer ruled.

"(f) **DETERMINATION OF LEVELS.**—For purposes of this section, the levels of new budget authority, budget outlays, new entitlement authority, and revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the Senate."

SEC. 15204. CONTROL OF BACKDOOR SPENDING.

Title IV of the Congressional Budget Act of 1974 is amended to read as follows:

"TITLE IV—CONTROL OF BACKDOOR SPENDING.

"SEC. 401. BILLS PROVIDING NEW SPENDING AUTHORITY.

"(a) **CONTROLS ON LEGISLATION PROVIDING SPENDING AUTHORITY.**—(1) It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report

which provides contract or borrowing authority, unless that bill, resolution, conference report, or amendment also provides that such contract or borrowing authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in advance in appropriation Acts.

"(2) A bill, joint resolution, amendment, or conference report shall be considered to violate paragraph (1) only if—

"(A) the enactment of such bill or resolution in the form it will be considered as original text for purposes of amendment;

"(B) the amendment is not an amendment considered as original text for purposes of amendment and the adoption of such amendment and enactment of the bill or joint resolution as so amended; or

"(C) the enactment of such bill or resolution in the form recommended in such conference report;

would cause such a violation.

"(b) **EXCEPTIONS.**—

"(1) Subsection (a) shall not apply to contract or borrowing authority if that authority is derived—

"(A) from a trust fund established by the Social Security Act (as in effect on the date of the enactment of this Act); or

"(B) from any other trust fund, 90 percent or more of the noninterest receipts of which consist or will consist of amounts (transferred from the general fund of the Treasury) equivalent to amounts of taxes (related to the purposes for which such outlays are or will be made) received in the Treasury under specified provisions of the Internal Revenue Code of 1954.

"(2) Subsection (a) shall not apply to contract or borrowing authority to the extent that—

"(A) the outlays resulting therefrom are made by an organization which is (i) a mixed-ownership Government corporation (as defined in section 201 of the Government Corporation Control Act), or (ii) a wholly owned Government corporation (as defined in section 101 of such Act) which is specifically exempted by law from compliance with any or all of the provisions of that Act, as of the date of enactment of the Budget Enforcement Act of 1993; or

"(B) the outlays resulting therefrom consist exclusively of the proceeds of gifts or bequests made to the United States for a specific purpose.

"SEC. 402. LEGISLATION PROVIDING NEW CREDIT AUTHORITY.

"(a) **POINT OF ORDER.**—It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report which provides new credit authority, unless that bill, resolution, conference report, or amendment also provides that such new credit authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts in accordance with section 504.

"(b) **APPLICABILITY.**—A bill, joint resolution, amendment, or conference report shall be considered to violate subsection (a) only if—

"(1) the enactment of such bill or resolution in the form it will be considered as original text for purposes of amendment;

"(2) the amendment is not an amendment considered as original text for purposes of amendment and the adoption of such amendment and enactment of the bill or joint resolution as so amended; or

"(3) the enactment of such bill or resolution in the form recommended in such conference report;

would cause such a violation.

SEC. 403. OFF-BUDGET AGENCIES, PROGRAMS, AND ACTIVITIES.

"(a) Notwithstanding any other provision of law, budget authority, credit authority, and estimates of outlays and receipts for activities of the Federal budget which are off-budget immediately prior to the date of enactment of the Balanced Budget and Emergency Deficit Control Act of 1985, not including activities of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds and the United States Postal Service, shall be included in a budget submitted pursuant to section 1105 of title 31, United States Code, and in a concurrent resolution on the budget reported pursuant to section 301 or section 304 of this Act and shall be considered, for purposes of this Act, budget authority, outlays, and spending authority in accordance with definitions set forth in this Act.

"(b) All receipts and disbursements of the Federal Financing Bank with respect to any obligations which are issued, sold, or guaranteed by a Federal agency shall be treated as a means of financing such agency for purposes of section 1105 of title 31, United States Code, and for purposes of this Act.

"(c) Notwithstanding any other provision of law, receipts and disbursements of the Hospital Insurance Trust Fund shall be included in all calculations required by this Act."

SEC. 15205. TITLE V OF THE CONGRESSIONAL BUDGET ACT OF 1974.

(a) SECTION 502.—Section 502 of the Congressional Budget Act of 1974 is amended—

(1) in paragraph (5)(A), by inserting "or a modification thereof" after "loan guarantee";

(2) in paragraph (5)(B), by striking "recoveries," and inserting the following: "recoveries, and routine work-outs of troubled loans or loans in imminent danger of default when those work-outs are to maximize repayments to the Government; and shall include anticipated changes in loan terms resulting from the exercise by the borrower of an option included in the loan contract.";

(3) in paragraph (5)(C), by striking ", and" at the end of clause (i), by striking the period at the end of clause (ii) and inserting "; and" and by inserting at the end the following:

"(iii) routine work-outs of troubled loans or loans in imminent danger of default when those work-outs are to minimize claims against the Government; and shall include anticipated changes in loan terms resulting from the exercise by the borrower of an option included in the loan contract.";

(4) by striking subparagraph (D) and inserting the following new subparagraph:

"(D) The cost of modification of a direct loan, a direct loan obligation, a loan guarantee, or a loan guarantee commitment shall be the net present value, at the time of the modification, of the change in cash flows estimated to occur as a result of that modification.";

(5) in paragraph (8), is amended by inserting at the end the following new sentence: "Transactions between any financing account and any liquidating account shall be considered non-budgetary."; and

(6) by redesignating paragraph (9) as paragraph (10) and by inserting after paragraph (8) the following:

"(9) The term 'modification' means any Government action resulting from new legislation or from the exercise of administrative options under existing law that directly or indirectly alters the expected cash flows as-

sociated with an outstanding direct loan, direct loan obligation, loan guarantee, or loan guarantee commitment. Modifications include the sale (with or without recourse) of loan assets held by the Government and the purchase by the Government of guaranteed loans. Modifications do not include amounts for routine work-outs of troubled loans or loans in imminent danger of default, or changes in loan terms from the exercise by the borrower of an option included in the loan contract."

(b) SECTION 504.—Section 504 of the Congressional Budget Act of 1974 is amended—

(1) in subsection (b)(1), by striking "appropriations of" and inserting "new", by striking "are made" and inserting "is provided", and by inserting "in appropriation Acts" before the semicolon;

(2) in subsection (b)(2), by striking "enacted" and inserting "provided in an appropriation Act";

(3) in subsection (d)(1), by striking "costs of outstanding direct loans and loan guarantees" and inserting "costs of outstanding direct loans (or direct loan obligations) or loan guarantees (or loan guarantee commitments)"; and

(4) in subsection (e), by striking "A direct loan obligation or loan guarantee commitment" and inserting "An outstanding direct loan (or direct loan obligation) or loan guarantee (or loan guarantee commitment)", by inserting "new" before "budget authority", by striking the comma after "appropriated", and by striking "or from other budgetary resources".

(c) SECTION 505.—Section 505 of the Congressional Budget Act of 1974 is amended—

(1) in the side heading of subsection (b), by inserting "AND LIQUIDATING" before "ACCOUNTS";

(2) in subsection (c), by inserting at the end of the second sentence, before the period, the following: ", except that the rate of interest charged by the secretary on lending to financing accounts (including amounts treated as lending to financing accounts by the Federal Financing Bank (the Bank) pursuant to section 403(b) of the Congressional Budget Act of 1974) and the rate of interest paid to financing accounts on uninvested balances in financing accounts shall be the same as the rate determined pursuant to section 502(5)(E). For guaranteed loans financed by the Bank and treated as direct loans by a Federal agency pursuant to section 403(b) of the Congressional Budget Act of 1974, any fee or interest surcharge (the amount by which the interest rate charged exceeds the rate determined pursuant to section 502(5)(E)) that the Bank charges to a private borrower pursuant to section 6(c) of the Federal Financing Bank Act of 1973 shall be considered a cash flow to the Government for the purposes of determining the cost of the direct loan pursuant to section 502(5) of this Act. All such amounts shall be credited to the appropriate financing account. The Bank is authorized to require reimbursement from a Federal agency to cover the administrative expenses of the Bank that are attributable to the direct loans financed for that agency. All such payments by an agency shall be considered administrative expenses subject to section 504(g).";

(3) at the end of subsection (c), by inserting the following: "This subsection shall apply to transactions related to direct loan obligations or loan guarantee commitments made on or after October 1, 1991."; and

(4) in subsection (d), by striking "If funds in liquidating accounts are insufficient to satisfy the obligations and commitments of

said accounts, there" and inserting "There" and by striking "such obligations and commitments" and inserting "the obligations and commitments of liquidating accounts".

(d) SECTION 506.—Section 506 of the Congressional Budget Act of 1974 is repealed.

(e) SECTION 507.—Section 507 of the Congressional Budget Act of 1974 is redesignated as section 506 and is amended to read as follows:

SEC. 506. EFFECT ON OTHER LAWS.

"(a) EFFECT ON OTHER LAWS.—This title shall supersede, modify, or repeal any provision of law enacted prior to the date of enactment of this title to the extent such provision is inconsistent with this title, except that nothing in this title shall be construed (1) to alter the terms or conditions authorized to be included in loan or guarantee contracts or the rights and responsibilities of the Government and the recipients of loans or guarantees under those contracts or the laws that authorize them, or (2) to establish a credit limitation on any Federal loan or loan guarantee program.

"(b) CREDITING OF COLLECTIONS.—Collections resulting from direct loans obligated or loan guarantees committed prior to October 1, 1991, shall be credited to the liquidating accounts of Federal agencies. Periodically and as appropriate, amounts so credited shall be transferred to the Federal Financing Bank to repay those debt obligations held by the Bank that were created to finance the loan being repaid, and all amounts not transferred to the Bank shall be transferred to the general fund of the Treasury. All intragovernmental debt owed to the Treasury by Federal agencies (but not by the public) as a result of loans or guarantees made before October 1, 1991, is hereby canceled and all prepayment penalties are waived. The provisions of this subsection shall not diminish any rights or responsibilities guaranteed by subsection (a)."

SEC. 15206. DISCRETIONARY SPENDING LIMITS.

Title VI of the Congressional Budget Act of 1974 is amended to read as follows:

"TITLE VI—DISCRETIONARY SPENDING LIMITS

SEC. 601. DISCRETIONARY SPENDING LIMITS.

"As used in this title and for purposes of the Budget Enforcement Act of 1993, discretionary spending limits, measured in terms of new budget authority and outlays, are as follows:

Fiscal Year	Limits (in millions of dollars)	
	New budget authority	Outlays
1994	500,964	538,688
1995	506,287	541,137
1996	519,142	547,263
1997	528,079	547,346
1998	530,639	547,870

SEC. 602. EFFECT OF ADJUSTMENTS ON CONSIDERATION OF CERTAIN LEGISLATION IN EITHER HOUSE OF CONGRESS.

"For purposes of congressional consideration of legislation containing any provision subject to any of paragraphs (3) through (7) of section 251(b) or to section 252(a)(4) of the Balanced Budget and Emergency Deficit Control Act of 1985, determinations under titles III and IV shall not take into account any new budget authority, outlays, receipts, or deficit effects in any fiscal year of that provision."

SEC. 15207. CONTINUING STUDY OF BUDGET REFORM PROPOSALS.

Title VII of the Congressional Budget Act of 1974 is amended by repealing sections 701

and 702 and by redesignating section 703 as section 701.

SEC. 15208. SOCIAL SECURITY PROTECTION.

(a) REDESIGNATIONS.—Sections 13301(a) and 13302 of the Budget Enforcement Act of 1990 are redesignated as sections 801 and 802 of the Congressional Budget Act of 1974.

(b) CHANGE OF TITLE VIII'S HEADING.—The heading of title VIII of the Congressional Budget Act of 1974 is amended to read as follows:

"TITLE VIII—SOCIAL SECURITY PROTECTION"

SEC. 15209. RULEMAKING POWER.

(a) SECTION 904.—Section 904(a) of the Congressional Budget Act of 1974 is amended by striking "V, and VI (except section 601(a))" and inserting "V, and VIII" and by striking "701, 703," and inserting "602, 703."

SEC. 15210. CONFORMING AMENDMENTS TO THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974.

(a) TITLE III.—Section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking the items relating to title III and inserting the following new items:

"TITLE III—CONGRESSIONAL BUDGET PROCESS"

"Sec. 300. Timetable.

"Sec. 301. Annual adoption of concurrent resolution on the budget.

"Sec. 302. Appropriation committee allocations and enforcement.

"Sec. 303. Legislation providing new budget authority or changes in revenues or the public debt limit may only do so for years covered by most recent budget resolution.

"Sec. 304. Permissible revisions of concurrent resolutions on the budget.

"Sec. 305. Provisions relating to the consideration of concurrent resolutions on the budget.

"Sec. 306. Legislation dealing with congressional budget must be handled by budget committees.

"Sec. 307. House committee action on all appropriation bills to be completed by June 10.

"Sec. 308. Reports, summaries, and projections of congressional budget actions.

"Sec. 309. House approval of regular appropriation bills.

"Sec. 310. Reconciliation.

"Sec. 311. Direct spending and revenue legislation must be within appropriate levels.

"Sec. 312. Effects of points of order.

"Sec. 313. Extraneous matter in reconciliation legislation.

(b) TITLE IV.—Section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking the items relating to title IV and inserting the following new items:

"TITLE IV—CONTROL OF BACKDOOR SPENDING"

"Sec. 401. Bills providing new spending authority.

"Sec. 402. Legislation providing new credit authority.

"Sec. 403. Off-budget agencies, programs, and activities.

(c) TITLE VI.—Section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking the items relating to title VI and inserting the following new items:

"TITLE VI—DISCRETIONARY SPENDING LIMITS"

"Sec. 601. Discretionary spending limits.

"Sec. 602. Effect of adjustments on consideration of certain legislation in either House of Congress.

(d) TITLE VIII.—Section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking the items relating to title VIII and inserting the following new items:

"TITLE VIII—SOCIAL SECURITY PROTECTION"

"Sec. 801. Off-budget status of OASDI trust funds.

"Sec. 802. Protection of OASDI trust funds in the House of Representatives.

SEC. 15211. CONFORMING AMENDMENTS TO THE RULES OF THE HOUSE OF REPRESENTATIVES.

The Rules of the House of Representatives are amended as follows:

(1) The first sentence of clause 4(g) of rule X is amended by striking "February 25 of each year" and inserting "six weeks after the President's budget submission".

(2) Clause 21(3)(B) of rule XI is amended by striking "section 308(a)(1)" and inserting "section 308(a)(1)(A)".

(3) The first sentence of clause 2(1)(6) of rule XI is amended by striking "or as provided by section 305(a)(1) of the Congressional Budget Act of 1974 in the case of a concurrent resolution on the budget".

(4) Rule XI is amended by adding at the end the following new clause:

"Amendments may not increase deficit"

"7. Before any amendments are offered to a measure under consideration by a standing committee or when a standing committee is adopting written rules governing its procedures, the chairman may entertain a motion requiring that any amendment to a measure or matter before the committee not have the effect of increasing any direct spending above the level of such direct spending provided in such measure or matter or have the effect of reducing any revenues below the level of such revenues provided in the measure or matter, unless such amendment makes at least an equivalent reduction in other direct spending, an equivalent increase in other revenues, or an equivalent combination thereof. A majority of the members of the committee shall be present to adopt such a motion."

(5) Clause 8 of rule XXIII is amended to read as follows:

"8. At the conclusion of general debate in a Committee of the Whole on a concurrent resolution on the budget within the meaning of the Congressional Budget Act of 1974, the concurrent resolution shall be considered as read for amendment. It shall not be in order in the House or in a Committee of the Whole to consider an amendment to a concurrent resolution on the budget, or an amendment to an amendment, unless the concurrent resolution as amended by such amendment or amendments (1) would be mathematically consistent (subject to the third sentence of this clause); and (2) would contain all the matter set forth in paragraphs (1) through (5) of section 301(a) of the Congressional Budget Act of 1974. It shall not be in order in the House or in a Committee of the Whole to consider an amendment to such a concurrent resolution on the budget, or an amendment to an amendment, that would change the amount set forth as the appropriate level of the public debt, except that an amendment to achieve mathematical consistency as permitted under section 305(a)(5) of the Congressional Budget Act of 1974, if offered at the direction of the Committee on the Budget, may include an appropriate adjustment of

that amount to reflect any changes made in other amounts in the resolution."

(6) Rule XLIX is amended—

(A) in clause 2, by striking "a limitation" and inserting "an amount"; by striking "301(a)(5)" and inserting "301(b)(3)"; and by striking "and, if" and all that follows through the period and inserting a period;

(B) in clause 3, by striking "clause 1" and inserting "clause 1"; and

(C) in clause 4, by striking "clause 1" and inserting "clause 1".

SEC. 15212. EFFECTIVE DATE.

The amendments made by this subtitle shall be effective upon enactment for fiscal year 1994 and subsequent fiscal years.

Subtitle C—Deficit Reduction Trust Fund

SEC. 15301. DEFICIT REDUCTION TRUST FUND.

(a) A trust fund known as the "Deficit Reduction Trust Fund" (the "Fund") shall be established for the purposes of guaranteeing that the net deficit reduction required by the Omnibus Budget Reconciliation Act of 1993 is fully achieved.

(b) The Fund shall consist only of amounts equal to the net deficit reduction, calculated pursuant to the procedures set forth in subsection (c), that is estimated to result from the Omnibus Budget Reconciliation Act of 1993. Such amounts shall be transferred to the Fund as specified in subsection (c).

(c) Within 10 days of enactment of the Omnibus Budget Reconciliation Act of 1993—

(1) the Director of the Office of Management and Budget shall determine the sum of the net deficit reduction that results from the enactment of the Omnibus Budget Deficit Reduction Act of 1993; and

(2) there shall be transferred from the general fund to the Fund an amount equal to the sum determined in paragraph (1).

(d) Notwithstanding any other provision of law, the amounts in the Fund shall not be available, in any fiscal year, for appropriation, obligation, expenditure, or transfer, but may be used exclusively to pay Treasury debt obligations when they mature.

(e) Amounts in the Fund, as determined by the Director of the Office of Management and Budget, that result from the net total of direct spending and receipts provisions calculated according to the provisions of section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended (the "Act"), shall be excluded from, and shall not be counted for purposes of, the totals under section 252 and sections 254(d)(3) and 254(g)(3) of the Act.

(f) Establishment of and transfers to the Fund as authorized by this section shall not affect trust fund transfers that may be authorized or required by provisions of the Omnibus Reconciliation Act of 1993 other than this section.

(g) Section 1105(a) of title 31, United States Code, is amended by adding at the end thereof:

"(27) information about, and a separate statement of amounts in, the Deficit Reduction Trust Fund."

TITLE XVI—BUDGET CONTROL

SEC. 16001. SHORT TITLE; PURPOSE.

(a) SHORT TITLE.—This title may be cited as the "Budget Control Act of 1993".

(b) PURPOSE.—The purpose of this title is to create a mechanism to monitor total costs of direct spending programs, and, in the event that actual or projected costs exceed targeted levels, to require the President and Congress to address adjustments in direct spending.

SEC. 16002. ESTABLISHMENT OF DIRECT SPENDING TARGETS.

(a) IN GENERAL.—The initial direct spending targets for each of fiscal years 1994

through 1997 shall equal total outlays for all direct spending except net interest and deposit insurance as determined by the Director of the Office of Management and Budget (hereinafter referred to in this title as the "Director") under subsection (b).

(b) INITIAL REPORT BY DIRECTOR.—

(1) Not later than 30 days after the date of enactment of this Act, the Director shall submit a report to Congress setting forth projected direct spending targets for each of fiscal years 1994 through 1997.

(2) The Director's projections shall be based on legislation enacted as of 5 days before the report is submitted under paragraph (1). To the extent feasible, the Director shall use the same economic and technical assumptions used in preparing the concurrent resolution on the budget for fiscal year 1994 (H.Con.Res. 64).

(c) ADJUSTMENTS.—Direct spending targets shall be subsequently adjusted by the Director under section 16006.

SEC. 16003. ANNUAL REVIEW OF DIRECT SPENDING AND RECEIPTS BY PRESIDENT.

As part of each budget submitted under section 1105(a) of title 31, United States Code, the President shall provide an annual review of direct spending and receipts, which shall include (1) information supporting the adjustment of direct spending targets pursuant to section 16006, (2) information on total outlays for programs covered by the direct spending targets, including actual outlays for the prior fiscal year and projected outlays for the current fiscal year and the 5 succeeding fiscal years, and (3) information on the major categories of Federal receipts, including a comparison between the levels of those receipts and the levels projected as of the date of enactment of this Act.

SEC. 16004. SPECIAL DIRECT SPENDING MESSAGE BY PRESIDENT.

(a) TRIGGER.—In the event that the information submitted by the President under section 16003 indicates —

(1) that actual outlays for direct spending in the prior fiscal year exceeded the applicable direct spending target, or

(2) that outlays for direct spending for the current or budget year are projected to exceed the applicable direct spending targets, the President shall include in his budget a special direct spending message meeting the requirements of subsection (b).

(b) CONTENTS.—(1) The special direct spending message shall include:

(A) An explanation of any adjustments to the direct spending targets pursuant to section 16006.

(B) An analysis of the variance in direct spending over the adjusted direct spending targets.

(C) The President's recommendations for addressing the direct spending overages, if any, in the prior, current, or budget year.

(2) The President's recommendations may consist of any of the following:

(A) Proposed legislative changes to reduce outlays, increase revenues, or both, in order to recoup or eliminate the overage for the prior, current, and budget years in the current year, the budget year, and the 4 out-years.

(B) Proposed legislative changes to reduce outlays, increase revenues, or both, in order to recoup or eliminate part of the overage for the prior, current, and budget year in the current year, the budget year, and the 4 out-years, accompanied by a finding by the President that, because of economic conditions or for other specified reasons, only some of the overage should be recouped or eliminated by outlay reductions or revenue increases, or both.

(C) A proposal to make no legislative changes to recoup or eliminate any overage, accompanied by a finding by the President that, because of economic conditions or for other specified reasons, no legislative changes are warranted.

(3) Any proposed legislative change under paragraph (2) to reduce outlays may include reductions in direct spending or in the discretionary spending limits under section 601 of the Congressional Budget Act of 1974.

(c) PROPOSED SPECIAL DIRECT SPENDING RESOLUTION.—

(1) PRESIDENT'S RECOMMENDATIONS TO BE SUBMITTED AS DRAFT RESOLUTION.—If the President recommends reductions consistent with subsection (b)(2)(A) or (B), the special direct spending message shall include the text of a special direct spending resolution implementing the President's recommendations through reconciliation directives instructing the appropriate committees of the House of Representatives and Senate to determine and recommend changes in laws within their jurisdictions to reduce outlays or increase revenues by specified amounts. If the President recommends no reductions pursuant to (b)(2)(C), the special direct spending message shall include the text of a special resolution concurring in the President's recommendation of no legislative action.

(2) RESOLUTION TO BE INTRODUCED IN HOUSE.—Within 10 days after the President's special direct spending message is submitted, the text required by paragraph (1) shall be introduced as a concurrent resolution in the House of Representatives by the chairman of the Committee on the Budget of the House of Representatives without substantive revision. If the chairman fails to do so, after the tenth day the resolution may be introduced by any Member of the House of Representatives. A concurrent resolution introduced under this paragraph shall be referred to the Committee on the Budget.

SEC. 16005. REQUIRED RESPONSE BY CONGRESS.

(a) REQUIREMENT FOR SPECIAL DIRECT SPENDING RESOLUTION.—Whenever the President submits a special direct spending message under section 16004, the Committee on the Budget of the House of Representatives shall report, not later than April 15, the concurrent resolution on the budget and include in it a separate title that meets the requirements of subsections (b) and (c).

(b) CONTENTS OF SEPARATE TITLE.—The separate title of the concurrent resolution on the budget shall contain reconciliation directives to the appropriate committees of the House of Representatives and Senate to determine and recommend changes in laws within their jurisdictions to reduce outlays or increase revenues by specified amounts (which in total equal or exceed the reductions recommended by the President, up to the amount of the overage). If this separate title recommends that no legislative changes be made to recoup or eliminate an overage, then a statement to that effect shall be set forth in that title.

(c) REQUIREMENT FOR SEPARATE VOTE TO INCREASE TARGETS.—If the separate title of a concurrent resolution on the budget proposes to recoup or eliminate less than the entire overage for the prior, current, and budget years, then the Committee on the Budget of the House of Representatives shall report a resolution directing the Committee on Government Operations to report legislation increasing the direct spending targets for each applicable year by the full amount of the overage not recouped or eliminated. It shall not be in order in the House of Representa-

tives to consider that concurrent resolution on the budget until the House of Representatives has agreed to the resolution directing the increase in direct spending targets.

(d) CONFERENCE REPORTS MUST FULLY ADDRESS OVERAGE.—It shall not be in order in the House of Representatives to consider a conference report on a concurrent resolution on the budget unless that conference report fully addresses the entirety of any overage contained in the applicable report of the President under section 16004 through reconciliation directives requiring spending reductions, revenue increases, or changes in the direct spending targets.

(e) PROCEDURE IF HOUSE BUDGET COMMITTEE FAILS TO REPORT REQUIRED RESOLUTION.—

(1) AUTOMATIC DISCHARGE OF HOUSE BUDGET COMMITTEE.—If a special direct spending resolution is required and the Committee on the Budget of the House of Representatives fails to report a resolution meeting the requirements of subsections (b) and (c) by April 15, then the committee shall be automatically discharged from further consideration of the concurrent resolution reflecting the President's recommendations introduced pursuant to section 16004(c)(2) and the concurrent resolution shall be placed on the appropriate calendar.

(2) CONSIDERATION BY HOUSE.—Ten days after the Committee on the Budget of the House of Representatives has been discharged under paragraph (1), any Member may move that the House proceed to consider the resolution. Such motion shall be highly privileged and not debatable.

(f) APPLICATION OF CONGRESSIONAL BUDGET ACT.—To the extent that they are relevant and not inconsistent with this title, the provisions of title III of the Congressional Budget Act of 1974 shall apply in the House of Representatives and the Senate to special direct spending resolutions, resolutions increasing targets under subsection (c), and reconciliation legislation reported pursuant to directives contained in those resolutions.

SEC. 16006. ADJUSTMENTS TO DIRECT SPENDING TARGETS.

(a) REQUIRED ANNUAL ADJUSTMENTS.—Prior to the submission of the President's budget for each of fiscal years 1995 through 1997, the Director shall adjust the direct spending targets in accordance with this section. Any such adjustments shall be reflected in the targets used in the President's report under section 16003 and message (if any) under section 16004.

(b) ADJUSTMENT FOR INCREASES IN BENEFICIARIES.—(1) The Director shall adjust the direct spending targets for increases (if any) in actual or projected numbers of beneficiaries under direct spending programs for which the number of beneficiaries is a variable in determining costs.

(2) The adjustment shall be made by —

(A) computing, for each program under paragraph (1), the percentage change between (i) the annual average number of beneficiaries under that program (including actual numbers of beneficiaries for the prior fiscal year and projections for the budget and subsequent fiscal years) to be used in the President's budget with which the adjustments will be submitted, and (ii) the annual average number of beneficiaries used in the adjustments made by the Director in the previous year (or, in the case of adjustments made in 1994, the annual average number of beneficiaries used in the Director's initial report under section 16002(b));

(B) applying the percentages computed under subparagraph (A) to the projected lev-

els of outlays for each program consistent with the direct spending targets in effect immediately prior to the adjustment; and

(C) adding the results of the calculations required by subparagraph (B) to the direct spending targets in effect immediately prior to the adjustment.

(3) No adjustment shall be made for any program for a fiscal year in which the percentage increase computed under paragraph (2)(A) is less than or equal to zero.

(c) ADJUSTMENTS FOR REVENUE LEGISLATION.—(1) The Director shall adjust the targets as follows—

(A) they shall be increased by the amount of any increase in receipts; or

(B) they shall be decreased by the amount of any decrease in receipts, resulting from receipts legislation enacted after the date of enactment of this title, except legislation enacted under section 16005.

(d) ADJUSTMENTS TO REFLECT CONGRESSIONAL DECISIONS.—Upon enactment of a reconciliation bill pursuant to instructions under section 16005, the Director shall adjust direct spending targets for the current year, the budget year, and each outyear through 1997 by—

(1) increasing the target for the current year and the budget year by the amount stated for that year in that reconciliation bill (but if a separate vote was required by section 16005(c), only if that vote has occurred); and

(2) decreasing the target for the current, budget, and outyears through 1997 by the amount of reductions in direct spending enacted in that reconciliation bill.

(e) DESIGNATED EMERGENCIES.—The Director shall adjust the targets to reflect the costs of legislation that is designated as an emergency by Congress and the President under section 252(b) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 16007. RELATIONSHIP TO BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT.

Reductions in outlays or increases in receipts resulting from legislation reported pursuant to section 16005 shall not be taken into account for purposes of any budget enforcement procedures under the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 16008. ESTIMATING MARGIN.

For any fiscal year for which the coverage is less than one-half of 1 percent of the direct spending target for that year, the procedures set forth in sections 16004 and 16005 shall not apply.

SEC. 16009. CONSIDERATION OF APPROPRIATION BILLS.

(a) POINT OF ORDER.—It shall not be in order in the House of Representatives to consider any general appropriation bill if the President has submitted a direct spending message under section 16004 until Congress has adopted a concurrent resolution on the budget for the budget year that meets the requirements of section 16005.

(b) WAIVER.—The point of order established by subsection (a) may only be waived for all general appropriation bills for that budget year through the adoption of one resolution waiving that point of order.

SEC. 16010. MEANS-TESTED PROGRAMS.

In making recommendations under sections 16004 and 16005, the President and the Congress should seriously consider all other alternatives before proposing reductions in means-tested programs.

SEC. 16011. EFFECTIVE DATE.

This title shall apply to direct spending targets for fiscal years 1994 through 1997 and shall expire at the end of fiscal year 1997.

The CHAIRMAN. No amendment to the bill is in order except the amendment printed in part 2 of House Report 103-112. Said amendment shall be considered as read and shall not be subject to amendment.

AMENDMENT IN THE NATURE OF A SUBSTITUTE OFFERED BY MR. KASICH

Mr. KASICH. Mr. Chairman, I offer an amendment in the nature of a substitute.

The CHAIRMAN. The Clerk will designate the amendment in the nature of a substitute.

The text of the amendment in the nature of a substitute is as follows:

Amendment in the nature of a substitute offered by Mr. KASICH: Strike out all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Omnibus Budget Reconciliation Act of 1993".

SEC. 2. TABLE OF CONTENTS.

The table of contents is as follows:

TITLE I—COMMITTEE ON AGRICULTURE
 TITLE II—COMMITTEE ON ARMED SERVICES
 TITLE III—COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
 TITLE IV—COMMITTEE ON EDUCATION AND LABOR
 TITLE V—COMMITTEE ON ENERGY AND COMMERCE
 TITLE VI—COMMITTEE ON THE JUDICIARY
 TITLE VII—COMMITTEE ON MERCHANT MARINE AND FISHERIES
 TITLE VIII—COMMITTEE ON NATURAL RESOURCES
 TITLE IX—COMMITTEE ON POST OFFICE AND CIVIL SERVICE
 TITLE X—COMMITTEE ON PUBLIC WORKS
 TITLE XI—COMMITTEE ON VETERANS' AFFAIRS
 TITLE XII—COMMITTEE ON WAYS AND MEANS—SAVINGS
 TITLE XIII—COMMITTEE ON WAYS AND MEANS—REVENUES
 TITLE XIV—BUDGET PROCESS

TITLE I—COMMITTEE ON AGRICULTURE
SEC. 1001. SHORT TITLE AND TABLE OF CONTENTS.

(a) SHORT TITLE.—This title may be cited as the "Agricultural Reconciliation Act of 1993".

(b) TABLE OF CONTENTS.—The table of contents of this title is as follows:

Sec. 1001. Short title and table of contents.
 Subtitle A—Commodity Programs
 Sec. 1101. Wheat program.
 Sec. 1102. Feed grain program.
 Sec. 1103. Upland cotton program.
 Sec. 1104. Rice program.
 Sec. 1105. Dairy program.
 Sec. 1106. Tobacco program.
 Sec. 1107. Sugar program.
 Sec. 1108. Oilseeds program.
 Sec. 1109. Peanut program.
 Sec. 1110. Honey program.
 Sec. 1111. Wool and mohair program.
 Sec. 1112. Conforming amendments to continue deficit reduction activities in crop years after 1995.

Subtitle B—Miscellaneous Provisions

Sec. 1121. Maximum expenditures under market promotion program for fiscal years 1994 through 1998.

Sec. 1122. Admission, entrance, and recreation fees.

Sec. 1123. Additional program changes to meet reconciliation requirements.

Sec. 1124. Environmental conservation acreage reserve program amendments.

Sec. 1125. Exemption of triple base acreage from certain conservation requirements.

Sec. 1126. Elimination of malting barley assessment.

Sec. 1127. Reform of the payment limitation provisions of the Food Security Act of 1985.

Sec. 1128. Uniform food stamps reimbursement rates.

Subtitle A—Commodity Programs

SEC. 1101. WHEAT PROGRAM.

(a) FIVE PERCENT REDUCTION IN PAYMENT ACRES.—

(1) REDUCTION.—Subsection (c)(1)(C)(ii) of section 107B of the Agricultural Act of 1949 (7 U.S.C. 1445b-3a) is amended by striking "85 percent" and inserting "80 percent".

(2) APPLICATION OF AMENDMENT.—The amendment made by paragraph (1) shall apply beginning with the 1994 crop of wheat.

(b) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.—

(1) AGRICULTURAL ACT OF 1949.—Section 107B of the Agricultural Act of 1949 (7 U.S.C. 1445b-3a) is further amended—

(A) in the section heading, by striking "1995" and inserting "1998";

(B) in subsections (a)(1), (a)(4)(C), (b)(1), (c)(1)(A), (c)(1)(B)(iii), (e)(1)(G), (e)(3)(A), (e)(3)(C)(iii), (f)(1), and (q), by striking "1995" each place it appears and inserting "1998";

(C) in the heading of subsection (c)(1)(B)(ii), by striking "AND 1995" and inserting "THROUGH 1998";

(D) in subsection (c)(1)(B)(ii), by striking "and 1995" and inserting "through 1998"; and

(E) in the heading of subsection (e)(1)(G), by striking "1995" and inserting "1998"; and

(F) in subsection (g)(1), by striking "and 1995" and inserting "through 1998".

(2) FOOD, AGRICULTURE, CONSERVATION, AND TRADE ACT OF 1990.—Title III of the Food, Agriculture, Conservation, and Trade Act of 1990 (Public Law 101-624; 104 Stat. 3382) is amended—

(A) in section 302 (7 U.S.C. 1379d note), by striking "May 31, 1996" and inserting "May 31, 1999";

(B) in section 303 (7 U.S.C. 1331 note), by striking "1995" and inserting "1998";

(C) in section 304 (7 U.S.C. 1340 note), by striking "1995" and inserting "1998"; and

(D) in section 305 (7 U.S.C. 1445a note)—

(i) in the section heading, by striking "1995" and inserting "1998"; and

(ii) by striking "1995" and inserting "1998".

(3) FOOD SECURITY WHEAT RESERVE.—Section 302(i) of the Food Security Wheat Reserve Act of 1980 (7 U.S.C. 1736f-1(i)) is amended by striking "1995" both places it appears and inserting "1998".

SEC. 1102. FEED GRAIN PROGRAM.

(a) FIVE PERCENT REDUCTION IN PAYMENT ACRES.—

(1) REDUCTION.—Subsection (c)(1)(C)(ii) of section 105B of the Agricultural Act of 1949 (7 U.S.C. 1444f) is amended by striking "85 percent" and inserting "80 percent".

(2) APPLICATION OF AMENDMENT.—The amendment made by paragraph (1) shall apply beginning with the 1994 crop of feed grains.

(b) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.—

(1) AGRICULTURAL ACT OF 1949.—Section 105B of the Agricultural Act of 1949 (7 U.S.C. 1444f) is further amended—

(A) in the section heading, by striking "1995" and inserting "1998";

(B) in subsections (a)(1), (a)(4)(C), (a)(6), (b)(1), (c)(1)(A), (c)(1)(B)(iii)(I), (c)(1)(B)(iii)(III), (e)(1)(G), (e)(1)(H), (e)(2)(H), (e)(3)(A), (e)(3)(C)(iii), (f)(1), (p)(1), (q)(1), and (r), by striking "1995" each place it appears and inserting "1998";

(C) in the heading of subsection (c)(1)(B)(ii), by striking "AND 1995" and inserting "THROUGH 1998";

(D) in subsection (c)(1)(B)(ii), by striking "and 1995" and inserting "through 1998";

(E) in the headings of subsections (e)(1)(G) and (e)(1)(H), by striking "1995" both places it appears and inserting "1998"; and

(F) in subsection (g)(1), by striking "and 1995" and inserting "through 1998".

(2) FOOD, AGRICULTURE, CONSERVATION, AND TRADE ACT OF 1990.—Section 402 of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 1444b note) is amended—

(A) in the section heading, by striking "1995" and inserting "1998"; and

(B) by striking "1995" and inserting "1998".

(3) RECOURSE LOAN PROGRAM FOR SILAGE.—Section 403 of the Food Security Act of 1985 (7 U.S.C. 1444e-1) is amended by striking "1996" and inserting "1999".

SEC. 1103. UPLAND COTTON PROGRAM.

(a) FIVE PERCENT REDUCTION IN PAYMENT ACRES.—

(1) REDUCTION.—Subsection (c)(1)(C)(ii) of section 103B of the Agricultural Act of 1949 (7 U.S.C. 1444-2) is amended by striking "85 percent" and inserting "80 percent".

(2) APPLICATION OF AMENDMENT.—The amendment made by paragraph (1) shall apply beginning with the 1994 crop of upland cotton.

(b) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.—

(1) AGRICULTURAL ACT OF 1949.—(A) Section 103(h)(16) of the Agricultural Act of 1949 (7 U.S.C. 1444(h)(16)) is amended by striking "1996" and inserting "1999".

(B) Section 103B of such Act (7 U.S.C. 1444-2) is further amended—

(i) in the section heading, by striking "1995" and inserting "1998";

(ii) in subsections (a)(1), (b)(1), (c)(1)(A), (c)(1)(B)(ii), (e)(3)(A), (f)(1), and (o), by striking "1995" each place it appears and inserting "1998"; and

(iii) in subparagraphs (B)(i), (D)(i), (E)(i), and (F)(i) of subsection (a)(5), by striking "1996" each place it appears and inserting "1999".

(C) Section 203(b) of such Act (7 U.S.C. 1446d(b)) is amended by striking "1995" and inserting "1998".

(2) AGRICULTURAL ADJUSTMENT ACT OF 1938.—Section 374(a) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1374(a)) is amended by striking "1995" each place it appears and inserting "1998".

(3) FOOD, AGRICULTURE, CONSERVATION, AND TRADE ACT OF 1990.—Title V of the Food, Agriculture, Conservation, and Trade Act of 1990 (Public Law 101-624; 104 Stat. 3421) is amended—

(A) in section 502 (7 U.S.C. 1342 note), by striking "1995" and inserting "1998";

(B) in section 503 (7 U.S.C. 1444 note), by striking "1995" and inserting "1998"; and

(C) in section 505 (7 U.S.C. 1342 note)—

(i) in the section heading, by striking "1996" and inserting "1999"; and

(ii) by striking "1996" and inserting "1999".

SEC. 1104. RICE PROGRAM.

(a) FIVE PERCENT REDUCTION IN PAYMENT ACRES.—

(1) REDUCTION.—Subsection (c)(1)(C)(ii) of section 101B of the Agricultural Act of 1949 (7 U.S.C. 1441-2) is amended by striking "85 percent" and inserting "80 percent".

(2) APPLICATION OF AMENDMENT.—The amendment made by paragraph (1) shall apply beginning with the 1994 crop of rice.

(b) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.—Such section is further amended—

(1) in the section heading, by striking "1995" and inserting "1998";

(2) in subsections (a)(1), (a)(3), (b)(1), (c)(1)(A), (c)(1)(B)(iii), (e)(3)(A), (f)(1), and (n), by striking "1995" each place it appears and inserting "1998";

(3) in subsection (a)(5)(D)(i), by striking "1996" and inserting "1999";

(4) in the heading of subsection (c)(1)(B)(ii), by striking "AND 1995" and inserting "THROUGH 1998"; and

(5) in subsection (c)(1)(B)(ii), by striking "and 1995" and inserting "through 1998".

SEC. 1105. DAIRY PROGRAM.

(a) ALLOCATION OF PURCHASE PRICES FOR BUTTER AND NONFAT DRY MILK.—

(1) IN GENERAL.—Subsection (c)(3) of section 204 of the Agricultural Act of 1949 (7 U.S.C. 1446e) is amended—

(A) in the first sentence of subparagraph (A), by striking "The Secretary" and inserting "Subject to subparagraph (B), the Secretary";

(B) by redesignating subparagraph (B) as subparagraph (C); and

(C) by inserting after subparagraph (A) the following new subparagraph:

"(B) GUIDELINES.—In allocating the rate of price support between the purchase prices of butter and nonfat dry milk under this paragraph, the Secretary may not—

"(i) offer to purchase butter for more than \$0.65 per pound; or

"(ii) offer to purchase nonfat dry milk for less than \$1.034 per pound."

(2) APPLICATION OF AMENDMENTS.—The amendments made by paragraph (1) shall apply with respect to purchases of butter and nonfat dry milk that are made by the Secretary of Agriculture under section 204 of the Agricultural Act of 1949 (7 U.S.C. 1446e) on or after the date of the enactment of this Act.

(b) REDUCTION IN PRICE RECEIVED.—Subsection (h)(2) of such section is amended—

(1) by striking "and" at the end of subparagraph (A);

(2) by striking the period at the end of subparagraph (B) and inserting "; and"; and

(3) by adding at the end the following new subparagraph:

"(C) during each of the calendar years 1996 through 1998, 10 cents per hundredweight of milk marketed, which rate shall be adjusted on or before May 1 of each of the calendar years 1996 through 1998 in the manner provided in subparagraph (B)."

(c) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN FISCAL YEARS AFTER 1995.—

(1) IN GENERAL.—Section 204 of the Agricultural Act of 1949 (7 U.S.C. 1446e) is further amended—

(A) in the section heading, by striking "1995" and inserting "1998";

(B) in subsections (a), (b), (d)(1)(A), (d)(2)(A), (d)(3), (f), (g)(1), and (k), by striking "1995" each place it appears and inserting "1998"; and

(C) in subsection (g)(2), by striking "1994" and inserting "1997".

(2) TRANSFER TO MILITARY AND VETERANS HOSPITALS.—Subsections (a) and (b) of section 202 of such Act (7 U.S.C. 1446a) are amended by striking "1995" both places it appears and inserting "1998".

(3) FEDERAL MILK MARKETING ORDERS.—Section 101(b) of the Agriculture and Food Act of 1981 (7 U.S.C. 608c note) is amended by striking "1995" and inserting "1998".

(4) DAIRY INDEMNITY PROGRAM.—Section 3 of Public Law 90-484 (7 U.S.C. 450f) is amended by striking "1995" and inserting "1998".

(5) FOOD SECURITY ACT OF 1985.—The Food Security Act of 1985 is amended—

(A) in section 153 (15 U.S.C. 713a-14), by striking "1995" and inserting "1998"; and

(B) in section 1163 (7 U.S.C. 1731 note), by striking "1995" each place it appears and inserting "1998".

SEC. 1106. TOBACCO PROGRAM.

(a) TEN PERCENT INCREASE IN MARKETING ASSESSMENT.—Subsection (g)(1) of section 106 of the Agricultural Act of 1949 (7 U.S.C. 1445) is amended by striking "equal to" and all that follows through the period and inserting the following: "equal to—

"(A) in the case of the 1991 through 1993 crops of tobacco, .5 percent of the national average price support level for each such crop as otherwise provided for in this section; and

"(B) in the case of the 1994 through 1998 crops of tobacco, .55 percent of the national average price support level for each such crop as otherwise provided for in this section."

(b) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN FISCAL YEARS AFTER 1995.—Such subsection is further amended by striking "1995" and inserting "1998".

(c) ACREAGE-POUNDRAGE QUOTAS FOR TOBACCO.—

(1) DEFINITIONS.—Subsection (a) of section 317 of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1314c) is amended—

(A) by inserting "DEFINITIONS.—" after "(a)"; and

(B) by striking paragraphs (2), (3), (4), (5), (6), (7), and (8) and inserting the following new paragraphs:

"(2) FARM ACREAGE ALLOTMENT.—The term 'farm acreage allotment' for a tobacco farm, other than a new tobacco farm, means the acreage allotment determined by dividing the farm marketing quota by the farm yield.

"(3) FARM YIELD.—The term 'farm yield' means the yield per acre for a farm determined according to regulations issued by the Secretary and which would be expected to result in a quality of tobacco acceptable to the tobacco trade.

"(4) FARM MARKETING QUOTA.—

"(A) IN GENERAL.—The term 'farm marketing quota' for a farm for a marketing year means a number that is equal to the number of pounds of tobacco determined by multiplying—

"(i) the farm marketing quota for the farm for the previous marketing year (prior to any adjustment for undermarketing or overmarketing); by

"(ii) the national factor.

"(B) ADJUSTMENT.—The farm marketing quota determined under subparagraph (A) for a marketing year shall be increased for undermarketing or decreased for overmarketing by the number of pounds by which marketings of tobacco from the farm during the immediate preceding marketing year (if marketing quotas were in effect for that year under the program established by this section) is less than or exceeds the farm marketing quota for such year. Notwithstanding the preceding sentence, the farm marketing quota for a marketing year shall not be increased under this subparagraph for undermarketing by an amount in excess of the farm marketing quota determined for the farm for the immediately preceding year

prior to any increase for undermarketing or decrease for overmarketing. If due to excess marketing in the preceding marketing year the farm marketing quota for the marketing year is reduced to zero pounds without reflecting the entire reduction required, the additional reduction shall be made for the subsequent marketing year or years.

"(5) NATIONAL FACTOR.—The term 'national factor' for a marketing year means a number obtained by dividing—

"(A) the national marketing quota (less the reserve provided for under subsection (e)); by

"(B) the sum of the farm marketing quotas (prior to any adjustments for undermarketing or overmarketing) for the immediate preceding marketing year for all farms for which marketing quotas for the kind of tobacco involved will be determined for such succeeding marketing year."

(2) CONFORMING AMENDMENTS.—Such section is further amended—

(A) in the first sentence of subsection (b), by striking "and the national acreage allotment and national average yield goal for the 1965 crop of Flue-cured tobacco,";

(B) in the first sentence of subsection (c), by striking "and at the same time announce the national acreage allotment and national average yield goal";

(C) in subsection (d)—

(i) in the sixth sentence, by striking "national acreage allotment, and national average yield goal";

(ii) in the eighth sentence, by striking "national acreage allotment and national average yield goal"; and

(iii) in the ninth sentence, by striking "national acreage allotment, and national average goal are" and inserting "is";

(D) in subsection (e)—

(i) in the first sentence, by striking "No farm acreage allotment or farm yield shall be established" and inserting "A farm marketing quota and farm yield shall not be established";

(ii) in the second sentence, by striking "acreage allotment" both places it appears and inserting "marketing quota";

(iii) in the second sentence, by striking "acreage allotments" both places it appears and inserting "marketing quotas"; and

(iv) in the last sentence, by striking "acreage allotment" and inserting "marketing quota"; and

(E) in subsection (g)—

(i) in paragraph (1), by striking "paragraph (a)(8)" and inserting "subsection (a)(4)"; and

(ii) in paragraph (3), by striking "subsection (a)(8)" and inserting "subsection (a)(4)".

(3) FARM MARKETING QUOTA REDUCTIONS.—Subsection (f) of such section is amended to read as follows:

"(f) CAUSES FOR FARM MARKETING QUOTA REDUCTIONS.—(1) When an acreage-poundage program is in effect for any kind of tobacco under this section, the farm marketing quota next established for a farm shall be reduced by the amount of such kind of tobacco produced on the farm—

"(A) which was marketed as having been produced on a different farm;

"(B) for which proof of disposition is not furnished as required by the Secretary;

"(C) on acreage equal to the difference between the acreage reported by the farm operator or a duly authorized representative and the determined acreage for the farm; and

"(D) as to which any producer on the farm files, or aids, or acquiesces, in the filing of any false report with respect to the production or marketing of tobacco.

"(2) If the Secretary, through the local committee, finds that no person connected with a farm caused, aided, or acquiesced in any irregularity described in paragraph (1), the next established farm marketing quota shall not be reduced under this subsection.

"(3) The reduction required under this subsection shall be in addition to any other adjustments made pursuant to this section.

"(4) In establishing farm marketing quotas for other farms owned by the owner displaced by acquisition of the owner's land by any agency, as provided in section 378 of this Act, increases or decreases in such farm marketing quotas as provided in this section shall be made on account of marketings below or in excess of the farm marketing quota for the farm acquired by the agency.

"(5) Acreage allotments and farm marketing quotas determined under this section may (except in the case of kinds of tobacco not subject to section 316) be leased and sold under the terms and conditions in section 316 of this Act, except that any credit for undermarketing or charge for overmarketing shall be attributed to the farm to which transferred."

SEC. 1107. SUGAR PROGRAM.

(a) TEN PERCENT INCREASE IN MARKETING ASSESSMENT.—Subsection (i) of section 206 of the Agricultural Act of 1949 (7 U.S.C. 1446g) is amended—

(1) in paragraph (1), by striking "equal to" and all that follows through the period and inserting the following: "equal to—

"(A) in the case of marketings during fiscal years 1992 and 1993, .18 cents per pound of raw cane sugar, processed by the processor from domestically produced sugarcane or sugarcane molasses, that has been marketed (including the transfer or delivery of the sugar to a refinery for further processing or marketing); and

"(B) in the case of marketings during fiscal years 1994 through 1999, .198 cents per pound of raw cane sugar, processed by the processor from domestically produced sugarcane or sugarcane molasses, that has been marketed (including the transfer or delivery of the sugar to a refinery for further processing or marketing)."; and

(2) in paragraph (2), by striking "equal to" and all that follows through the period and inserting the following: "equal to—

"(A) in the case of marketings during fiscal years 1992 and 1993, .193 cents per pound of beet sugar, processed by the processor from domestically produced sugar beets or sugar beet molasses, that has been marketed; and

"(B) in the case of marketings during fiscal years 1994 through 1999, .2123 cents per pound of beet sugar, processed by the processor from domestically produced sugar beets or sugar beet molasses, that has been marketed."

(b) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.—

(1) AGRICULTURAL ACT OF 1949.—Section 206 of the Agricultural Act of 1949 (7 U.S.C. 1446g) is further amended—

(A) in the section heading, by striking "1995" and inserting "1998";

(B) in subsections (a), (c), (d)(1), and (j), by striking "1995" each place it appears and inserting "1998"; and

(C) in paragraphs (1) and (2) of subsection (i), as amended by subsection (a), by striking "1996" both places it appears and inserting "1999".

(2) AGRICULTURAL ADJUSTMENT ACT OF 1938.—Section 359b(a)(1) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359bb(a)(1)) is amended by striking "1996" and inserting "1999".

SEC. 1108. OILSEEDS PROGRAM.

(a) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.—Section 205 of the Agricultural Act of 1949 (7 U.S.C. 1446f) is amended—

(1) in the section heading, by striking "1995" and inserting "1998"; and

(2) in subsections (b), (c), (e)(1), and (n), by striking "1995" each place it appears and inserting "1998".

SEC. 1109. PEANUT PROGRAM.

(a) ASSESSMENT TO COVER UNANTICIPATED LOSSES IN ADMINISTERING THE PROGRAM.—

(1) ADDITIONAL ASSESSMENT.—Section 108B of the Agricultural Act of 1949 (7 U.S.C. 1445c-3) is amended—

(A) by redesignating subsection (h) as subsection (i); and

(B) by inserting after subsection (g) the following new subsection:

"(h) ADDITIONAL MARKETING ASSESSMENT.—

"(1) TWO PERCENT ASSESSMENT.—In addition to the marketing assessment required by subsection (g), the Secretary shall also provide for a nonrefundable marketing assessment applicable to each of the 1993 through 1998 crops of peanuts and collected and paid in accordance with this subsection. The assessment shall be on a per pound basis in an amount equal to 2 percent of the national average quota or additional peanut support rate per pound, as applicable, for the applicable crop. No peanuts shall be assessed more than 2 percent of the applicable support rate under this subsection.

"(2) FIRST PURCHASERS.—Except as provided under paragraphs (3) and (4), the first purchaser of peanuts shall—

"(A) collect from the producer a marketing assessment equal to 1 percent of the applicable national average support rate times the quantity of peanuts acquired;

"(B) pay, in addition to the amount collected under subparagraph (A), a marketing assessment in an amount equal to 1 percent of the applicable national average support rate times the quantity of peanuts acquired; and

"(C) remit the amounts required under subparagraphs (A) and (B) to the Commodity Credit Corporation in a manner specified by the Secretary.

"(3) OTHER PRIVATE MARKETINGS.—In the case of a private marketing by a producer directly to a consumer through a retail or wholesale outlet or in the case of a marketing by the producer outside of the continental United States, the producer shall be responsible for the full amount of the assessment under this subsection and shall remit the assessment by such time as is specified by the Secretary.

"(4) LOAN PEANUTS.—In the case of peanuts that are pledged as collateral for a price support loan made under this section, 1/2 of the assessment under this subsection shall be deducted from the proceeds of the loan. The remainder of the assessment shall be paid by the first purchaser of the peanuts as provided in subparagraph (B) of paragraph (2). For purposes of computing net gains on peanuts under this section, the reduction in loan proceeds under this subsection shall be treated as having been paid to the producer.

"(5) RESERVE ACCOUNT.—

"(A) ESTABLISHMENT.—The Secretary shall establish in the Commodity Credit Corporation a reserve account to be administered by the Secretary for purposes of this section. There shall be deposited in the reserve account for each crop of peanuts an amount equal to—

"(i) the total amount remitted to the Commodity Credit Corporation under paragraphs

(2) and (3) as the payment of the marketing assessment applicable to that crop of peanuts under this subsection; and

"(ii) the total amount deducted from the proceeds of a price support loan or paid by first purchasers under paragraph (4) as the payment of the marketing assessment applicable to that crop of peanuts under this subsection.

"(B) USE OF RESERVE ACCOUNT.—The Secretary shall use amounts in the reserve account established in this paragraph to cover losses incurred by the Commodity Credit Corporation on the sale or disposal of peanuts.

"(6) APPLICATION OF OTHER PROVISIONS.—Paragraphs (2)(B), (5), and (6) of subsection (g) shall apply with respect to the marketing assessment required by this subsection."

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall take effect 15 days after the date of the enactment of this Act.

(b) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.—

(1) AGRICULTURAL ACT OF 1949.—Section 108B of the Agricultural Act of 1949 (7 U.S.C. 1445c-3) is further amended—

(A) in the section heading, by striking "1995" and inserting "1998";

(B) in subsections (a)(1), (a)(2), (b)(1), and (g)(1), by striking "1995" each place it appears and inserting "1998"; and

(C) in subsection (i) (as redesignated by subsection (a)(1)(A)), by striking "1995" and inserting "1998".

(2) AGRICULTURAL ADJUSTMENT ACT OF 1938.—Part VI of subtitle B of title III of the Agricultural Adjustment Act of 1938 is amended—

(A) in section 358-1 (7 U.S.C. 1358-1)—

(i) in the section heading, by striking "1995" and inserting "1998"; and

(ii) in subsections (a)(1), (b)(1)(A), (b)(1)(B), (b)(2)(A), (b)(2)(C), (b)(3), and (f), by striking "1995" each place it appears and inserting "1998";

(B) in section 358b (7 U.S.C. 1358b)—

(i) in the section heading, by striking "1995" and inserting "1998"; and

(ii) in subsection (c), by striking "1995" and inserting "1998";

(C) in section 358c(d) (7 U.S.C. 1358c(d)), by striking "1995" and inserting "1998"; and

(D) in section 358e (7 U.S.C. 1359a)—

(i) in the section heading, by striking "1995" and inserting "1998"; and

(ii) in subsection (i), by striking "1995" and inserting "1998".

(3) FOOD, AGRICULTURE, CONSERVATION, AND TRADE ACT OF 1990.—Title VIII of the Food, Agriculture, Conservation, and Trade Act of 1990 (Public Law 101-624; 104 Stat. 3459) is amended—

(A) in section 801 (104 Stat. 3459), by striking "1995" and inserting "1998";

(B) in section 807 (104 Stat. 3478), by striking "1995" and inserting "1998"; and

(C) in section 808 (7 U.S.C. 1441 note), by striking "1995" and inserting "1998".

(c) ASSESSMENT UNDER PEANUT MARKETING AGREEMENT.—Section 8b(b)(1) of the Agricultural Adjustment Act (7 U.S.C. 608b(b)(1)), re-enacted with amendments by the Agricultural Marketing Agreement Act of 1937, is amended—

(1) by striking "and" at the end of subparagraph (A);

(2) by striking the period at the end of subparagraph (B) and inserting "; and"; and

(3) by adding at the end the following new subparagraph:

"(C) any assessment imposed under such agreement shall apply to peanut handlers (as

that term is defined by the Secretary) who have not entered into such an agreement with the Secretary in addition to those handlers who have entered into such agreement."

(d) CUSTOMS TREATMENT OF CERTAIN PEANUT PRODUCTS.—

(1) TEMPORARY ADDITIONAL DUTIES.—Subchapter I of chapter 99 of the Harmonized Tariff Schedule of the United States is amended by inserting in numerical order the following new headings:

9901.11.10	Peanut paste (provided for in subheading 2007.99.65)	55¢/kg	No change	55¢/kg	On or before 7/31/96
9901.11.12	Peanut butter (provided for in subheading 2008.11.00)	55¢/kg	No change	55¢/kg	On or be- fore 7/31/ 96".

(2) INCLUSION OF PEANUT BUTTER IN QUOTA.—Heading 9904.20.20 of the Harmonized Tariff Schedule of the United States is amended by striking out "(except peanut butter)".

(3) EFFECTIVE DATES.—

(A) TEMPORARY ADDITIONAL DUTIES.—The amendment made by paragraph (1) applies with respect to entries and withdrawals from warehouse for consumption made on or after the 15th day after the date of the enactment of this Act.

(B) QUOTA AMENDMENT.—The amendment made by paragraph (2) applies with respect to entries and withdrawals from warehouse for consumption made after July 31, 1996.

SEC. 1110. HONEY PROGRAM.

(a) REDUCED SUPPORT RATE.—Subsection (a) of section 207 of the Agricultural Act of 1949 (7 U.S.C. 1446h) is amended by striking "53.8 cents" and inserting "50 cents".

(b) PAYMENT LIMITATIONS.—Subsection (e)(1) of such section is amended—

(1) by striking "and" at the end of subparagraph (C);

(2) by striking subparagraph (D); and

(3) by adding at the end the following new subparagraphs:

"(D) \$125,000 in the 1994 crop year;

"(E) \$100,000 in the 1995 crop year;

"(F) \$75,000 in the 1996 crop year; and

"(G) \$50,000 in each of the 1997 and subsequent crop years."

(c) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES.—Subsections (a), (c)(1), and (j) of such section are amended by striking "1995" each place it appears and inserting "1998".

(d) TERMINATION OF ASSESSMENT.—Subsection (i)(1) of such section is amended by striking "1995" and inserting "1993".

SEC. 1111. WOOL AND MOHAIR PROGRAM.

(a) PAYMENT LIMITATIONS.—Section 704(b)(1) of the National Wool Act of 1954 (7 U.S.C. 1783(b)(1)) is amended—

(1) by striking "and" at the end of subparagraph (C);

(2) by striking subparagraph (D); and

(3) by adding at the end the following new subparagraphs:

"(D) \$125,000 for the 1994 marketing year;

"(E) \$100,000 for the 1995 marketing year;

"(F) \$75,000 for 1996 marketing year; and

"(G) \$50,000 for each of the 1997 and subsequent marketing years."

(b) MARKETING CHARGES.—Section 706 of National Wool Act of 1954 (7 U.S.C. 1785) is amended by inserting after the second sentence the following new sentence: "In determining the net sales proceeds and national payment rates for shorn wool and shorn mo-

hair the Secretary shall not deduct marketing charges for commissions, coring, or grading."

(c) CONTINUATION OF DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.—Subsections (a) and (b)(2) of section 703 of the National Wool Act of 1954 (7 U.S.C. 1782) are amended by striking "1995" both places it appears and inserting "1998".

(d) TERMINATION OF MARKETING ASSESSMENT.—Section 704(c) of the National Wool Act of 1954 (7 U.S.C. 1783(c)) is amended by striking "1995" and inserting "1992".

(e) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) POLICY OF CONGRESS.—Section 702 of the National Wool Act of 1954 (7 U.S.C. 1781) is amended—

(A) by striking " , strategic," in the first sentence; and

(B) by striking "as a measure of national security and to promote" and inserting "that as a method to promote".

(2) ELIMINATION OF OBSOLETE PROVISION.—Section 703(b) of the National Wool Act of 1954 (7 U.S.C. 1782(b)) is amended—

(A) in paragraph (1), by striking "paragraphs (2) and (3)" and inserting "paragraph (2)";

(B) in paragraph (2), by striking "Except as provided in paragraph (3), for" and inserting "For"; and

(C) by striking paragraph (3).

(3) ADVERTISING AND SALES PROMOTION PROGRAMS.—Section 708 of the National Wool Act of 1954 (7 U.S.C. 1787) is amended—

(A) by inserting "(a)" after "SEC. 708."; and

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

"(b)(1) Except as provided in paragraph (2), to the extent that the Secretary determines that the amount of funds that would otherwise be made available under subsection (a) in any marketing year for agreements entered into under such subsection is less than the amount made available under such subsection in the previous marketing year, the difference in such amounts shall be provided from amounts available to support the prices of wool and mohair under section 703 of this title. Any amount provided under this subsection shall be considered to be an expenditure made in connection with payments to producers under this title for purposes of section 705 of this title.

"(2) Paragraph (1) shall not apply if the Secretary determines that any portion of the difference between the amounts made available under subsection (a) between two consecutive marketing years is the result of a per unit reduction in the amount of the assessment imposed under the agreements entered into under such subsection."

SEC. 1112. CONFORMING AMENDMENTS TO CONTINUE DEFICIT REDUCTION ACTIVITIES IN CROP YEARS AFTER 1995.

(a) SUPPLEMENTAL SET-ASIDE AND ACREAGE LIMITATION AUTHORITY.—Section 113 of the Agricultural Act of 1949 (7 U.S.C. 1445h) is amended by striking "1995" and inserting "1998".

(b) DEFICIENCY AND LAND DIVERSION PAYMENTS.—Subsections (a)(1), (b), and (c) of section 114 of the Agricultural Act of 1949 (7 U.S.C. 1445j) are amended by striking "1995" each place it appears and inserting "1998".

(c) DISASTER PAYMENTS.—Section 208 of the Agricultural Act of 1949 (7 U.S.C. 1446i) is amended—

(1) in the section heading, by striking "1995" and inserting "1998";

(2) in subsection (d), by striking "1995" and inserting "1998".

(d) MISCELLANEOUS.—Title IV of the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.) is amended—

(1) in section 402(b) (7 U.S.C. 1422(b)), by striking "1995" and inserting "1998";
 (2) in section 403(c) (7 U.S.C. 1423(c)), by striking "1995" and inserting "1998";
 (3) in section 406(b) (7 U.S.C. 1426(b))—
 (A) by striking "1995" each place it appears and inserting "1998"; and
 (B) by striking "1996" each place it appears and inserting "1999"; and
 (4) in section 408(k)(3) (7 U.S.C. 1428(k)(3)), by striking "1995" and inserting "1998".

(e) ACREAGE BASE AND YIELD SYSTEM.—Title V of the Agricultural Act of 1949 (7 U.S.C. 1461 et seq.) is amended—
 (1) in subsections (c)(3) and (h)(2)(A) of section 503 (7 U.S.C. 1463), by striking "1995" each place it appears and inserting "1998";
 (2) in subsections (b)(1) and (b)(2) of section 505 (7 U.S.C. 1465), by striking "1995" each place it appears and inserting "1998"; and
 (3) in section 509 (7 U.S.C. 1469), by striking "1995" and inserting "1998".

(f) NORMALLY PLANTED ACREAGE.—Section 1001 of the Food and Agriculture Act of 1977 (7 U.S.C. 1309) is amended in subsections (a), (b)(1), and (c) by striking "1995" each place it appears and inserting "1998".

(g) AGRICULTURE AND FOOD ACT OF 1981.—Section 1014 of the Agriculture and Food Act of 1981 (7 U.S.C. 4110) is amended by striking "1995" and inserting "1998".

(h) FOOD SECURITY ACT OF 1985.—The Food Security Act of 1985 (Public Law 99-198; 99 Stat. 1354) is amended—
 (1) in section 902(c)(2)(A) (7 U.S.C. 1446 note), by striking "1995" and inserting "1998";
 (2) in paragraphs (1)(A), (1)(B), and (2)(A) of section 1001 (7 U.S.C. 1308), by striking "1995" each place it appears and inserting "1998";
 (3) in section 1001C(a) (7 U.S.C. 1308-3(a)), by striking "1995" both places it appears and inserting "1998";
 (4) in section 1017(b) (7 U.S.C. 1385 note), by striking "1995" and inserting "1998"; and
 (5) in section 1019 (7 U.S.C. 1310a), by striking "1995" and inserting "1998".

(i) OPTIONS PILOT PROGRAM.—The Options Pilot Program Act of 1990 (subtitle E of title XI of Public Law 101-624; 104 Stat. 3518; 7 U.S.C. 1421 note) is amended—
 (1) in subsections (a) and (b) of section 1153, by striking "1995" each place it appears and inserting "1998"; and
 (2) in section 1154(b)(1)(A), by striking "1995" both places it appears and inserting "1998".

(j) READJUSTMENT OF SUPPORT LEVELS.—Section 1302 of the Agricultural Reconciliation Act of 1990 (7 U.S.C. 1421 note) is amended in subsections (b)(1), (b)(3), and (d)(1)(C) by striking "1995" each place it appears and inserting "1998".

Subtitle B—Miscellaneous Provisions

SEC. 1121. MAXIMUM EXPENDITURES UNDER MARKET PROMOTION PROGRAM FOR FISCAL YEARS 1994 THROUGH 1998.

(a) LIMITATION.—Section 211(c)(1) of the Agricultural Trade Act of 1978 (7 U.S.C. 5641(c)) is amended by striking "not less than \$200,000,000 for each of the fiscal years 1991 through 1995" and inserting "an amount equal to \$147,734,000 for each of the fiscal years 1991 through 1998".

(b) APPLICATION OF AMENDMENTS.—The amendment made by this section shall apply with respect to fiscal years beginning after September 30, 1993.

SEC. 1122. ADMISSION, ENTRANCE, AND RECREATION FEES.

(a) AUTHORITY TO IMPOSE FEES.—
 (1) ENTRANCE AND ADMISSION FEES.—The Secretary of Agriculture may charge admis-

sion or entrance fees at National Monuments, National Volcanic Monuments, National Scenic Areas, and areas of concentrated public use administered by the Secretary.

(2) RECREATION USE FEES.—The Secretary may charge recreation use fees at lands administered by the Secretary in connection with the use of specialized outdoor recreation sites, equipment, services, or facilities, including visitors' centers, picnic tables, boat launching facilities, or campgrounds.

(b) AMOUNT OF FEES.—The amount of the admission, entrance, and recreation fees authorized to be imposed under this section shall be determined by the Secretary.

(c) DEFINITIONS.—For purposes of this section:

(1) The term "area of concentrated public use" means an area administered by the Secretary that meets each of the following criteria:

(A) The area is managed primarily for outdoor recreation purposes.

(B) Facilities and services necessary to accommodate heavy public use are provided in the area.

(C) The area contains at least one major recreation attraction.

(D) Public access to the area is provided in such a manner that admission fees can be efficiently collected at one or more centralized locations.

(2) The term "boat launching facility" includes any boat launching facility regardless of whether specialized facilities or services, such as mechanical or hydraulic boat lifts or facilities, are provided.

(3) The term "campground" means any campground where a majority of the following amenities are provided, as determined by the Secretary:

- (A) Tent or trailer spaces.
- (B) Drinking water.
- (C) An access road.
- (D) Refuse containers.
- (E) Toilet facilities.
- (F) The personal collection of recreation use fees by an employee or agent of the Secretary.

(G) Reasonable visitor protection.

(H) If campfires are permitted in the campground, simple devices for containing the fires.

(4) The term "Secretary" means the Secretary of Agriculture.

SEC. 1123. ADDITIONAL PROGRAM CHANGES TO MEET RECONCILIATION REQUIREMENTS.

The Secretary of Agriculture shall consolidate personnel and field, regional, and national offices of agencies within the Department of Agriculture in order to reduce personnel and duplicative overhead expenses as a result of the consolidation such that Department expenditures are reduced by—

- (1) \$90,000,000 in fiscal year 1995;
- (2) \$97,000,000 in fiscal year 1996;
- (3) \$135,000,000 in fiscal year 1997; and
- (4) \$178,000,000 in fiscal year 1998.

SEC. 1124. ENVIRONMENTAL CONSERVATION ACREAGE RESERVE PROGRAM AMENDMENTS.

(a) ENROLLMENT REQUIREMENT.—

(1) CONSERVATION RESERVE PROGRAM.—

(A) IN GENERAL.—Section 1231(d) of the Food Security Act of 1985 (16 U.S.C. 3831(d)) is amended—

(i) by striking "the amount of acres specified in section 1230(b)" and inserting "a total of not more than 38,000,000 acres during the 1986 through 1995 calendar years"; and
 (ii) by striking "each of calendar years 1994 and 1995" and inserting "the 1995 calendar year".

(B) CONFORMING AMENDMENT.—Section 1230(b) of such Act (16 U.S.C. 3830(b)) is amended by striking "to place in" and all that follows through "acres".

(2) WETLANDS RESERVE PROGRAM.—

(A) IN GENERAL.—Section 1237(b) of such Act (16 U.S.C. 3837(b)) is amended to read as follows:

"(b) MINIMUM ENROLLMENT.—The Secretary shall enroll into the wetlands reserve program—

"(1) a total of not less than 330,000 acres by the end of the 1995 calendar year; and

"(2) a total of not less than 975,000 acres during the 1991 through 2000 calendar years."

(B) CONFORMING AMENDMENT.—Section 1237(c) of such Act (16 U.S.C. 3837(c)) is amended by striking "1995" and inserting "2000".

(b) USE OF COMMODITY CREDIT CORPORATION.—Section 1241 of such Act (16 U.S.C. 3841) is amended—

(1) in subsection (a)—

(A) by striking "(a)(1) During each of the fiscal years ending September 30, 1986, and September 30, 1987" and inserting "(a) During each of the fiscal years 1994 through 2000"; and
 (B) by striking paragraph (2); and
 (2) in subsection (b), by striking "(A) through (E)" and inserting "A through E".

SEC. 1125. EXEMPTION OF TRIPLE BASE ACREAGE FROM CERTAIN CONSERVATION REQUIREMENTS.

(a) HIGHLY ERODIBLE LAND CONSERVATION.—Section 1212 of the Food Security Act of 1985 (16 U.S.C. 3812) is amended by adding at the end the following new subsection:

"(i) Notwithstanding any other provision of law, the producers on a farm—

"(1) may designate the specific acres on the farm that are in a quantity equal to the crop acreage base for a crop on the farm less the quantity of payment acres for the crop under section 107B(c)(1)(C)(ii), 105B(c)(1)(C)(ii), 103B(c)(1)(C)(ii), or 101B(c)(1)(C)(ii) of the Agricultural Act of 1949 (7 U.S.C. 1445b-3a(c)(1)(C)(ii), 1444f(c)(1)(C)(ii), 1444-2(c)(1)(C)(ii), or 1441-2(c)(1)(C)(ii)); and

"(2) shall be exempt from the requirements of this subtitle with respect to the specific acres that are designated under paragraph (1)."

(b) WETLAND CONSERVATION.—Section 1222 of such Act (16 U.S.C. 3822) is amended by adding at the end the following new subsection:

"(k) PRODUCTION ON TRIPLE BASE ACREAGE.—Notwithstanding any other provision of law, the producers on a farm—

"(1) may designate the specific acres on the farm that are in a quantity equal to the crop acreage base for a crop on the farm less the quantity of payment acres for the crop under section 107B(c)(1)(C)(ii), 105B(c)(1)(C)(ii), 103(c)(1)(C)(ii), or 101B(c)(1)(C)(ii) of the Agricultural Act of 1949 (7 U.S.C. 1445b-3a(c)(1)(C)(ii), or 1444f(c)(1)(C)(ii), 1444-2(c)(1)(C)(ii), or 1441-2(c)(1)(C)(ii)); and

"(2) shall be exempt from the requirements of this subtitle with respect to the specific acres that are designated under paragraph (1)."

(c) CROPS.—The amendments made by this section shall be effective only for the 1994 through 1998 crops of wheat, feed grains, upland cotton, and rice.

SEC. 1126. ELIMINATION OF MALTING BARLEY ASSESSMENT.

(a) ELIMINATION OF ASSESSMENT.—Section 105B of the Agricultural Act of 1949 (7 U.S.C. 1444f) is amended by striking subsection (p).

(b) EFFECT ON CALCULATION OF TARGET PRICE FOR BARLEY.—Subsection (c)(1)(B)(iii)(IV)(bb) of such section is amended—

- (1) by striking "clause (i)(I)" and inserting "clause (ii)(I);
- (2) by striking "primarily"; and
- (3) by inserting before the period the following: "or malting purposes".

(c) APPLICATION OF AMENDMENTS.—The amendments made by this section shall apply beginning with the 1994 crop year for barley.

SEC. 1127. REFORM OF THE PAYMENT LIMITATION PROVISIONS OF THE FOOD SECURITY ACT OF 1985.

(a) REPEAL OF THREE-ENTITY RULE.—Section 1001A(a)(1) of the Food Security Act of 1985 (7 U.S.C. 1308-1(a)(1)) is amended—

- (1) in the first sentence by—
 - (A) striking "substantial beneficial interests in more than two entities" and inserting "a substantial beneficial interest in any other entity"; and
 - (B) striking "receive such payments as separate persons" and insert "receives such payments as a separate person"; and
- (2) by striking the second sentence.

(b) ATTRIBUTION OF PAYMENTS MADE TO CORPORATIONS AND OTHER ENTITIES.—(1) Section 1001(5)(C) of the Food Security Act of 1985 (7 U.S.C. 1308(5)(C)) is amended to read as follows:

"(C) In the case of corporations and other entities included in subparagraph (B), and partnerships, the Secretary shall attribute payments to individuals in proportion to their ownership interests in an entity and in any other entity, or partnership, which owns or controls the entity, or partnership, receiving such payment."

(2) Section 609 of the Agricultural Act of 1949 (7 U.S.C. 1471g) is amended by striking subsections (c) and (d) and inserting the following:

"(c) In the case of corporations and other entities included in section 1001(5)(B) of the Food Security Act of 1985, and partnerships, the Secretary shall attribute payments to individuals in proportion to their ownership interests in such entities and partnerships."

(c) TRACKING PAYMENTS USING SOCIAL SECURITY NUMBERS.—Section 1001(5)(A) of the Food Security Act of 1985 (7 U.S.C. 1308(5)(A)) is amended—

- (1) by striking "and" at the end of subparagraph (i);
- (2) by redesignating subparagraph (ii) as subparagraph (iii); and
- (3) by inserting after subparagraph (i) the following new subparagraph:

"(ii) providing for the tracking of payments made or attributed to an individual on the basis of the Social Security number of the individual; and"

SEC. 1128. UNIFORM FOOD STAMPS REIMBURSEMENT RATES.

(a) AMENDMENTS.—Section 16 of the Food Stamp Act of 1977 (7 U.S.C. 2025) is amended—

- (1) in subsection (a)—
 - (A) by striking "and (5)" and inserting "(5)";

(B) by inserting before the colon the following—

"(6) automated data processing and information retrieval systems subject to the conditions set forth in subsection (g), (7) food stamp program investigations and prosecutions, and (8) implementing and operating the immigration status verification system under section 1137(d) of the Social Security Act (42 U.S.C. 1320b-7(d)); and

(C) in the proviso by inserting after "75 percent" the following:

"through June 30, 1994, 70 percent for the 1-year period beginning July 1, 1994, 60 percent for the 1-year period beginning July 1, 1995, and 50 percent for any subsequent period,";

- (2) in subsection (g)—
 - (A) by inserting "through June 30, 1995, equal to 60 percent for the 1-year period beginning July 1, 1995, and 50 percent effective July 1, 1996," after "1991,"; and
 - (B) by striking "automatic" and inserting "automated"; and
- (3) in subsection (j) by inserting after "100 percent" the following:

"through June 30, 1994, 70 percent for the 1-year period beginning July 1, 1994, 60 percent for the 1-year period beginning July 1, 1995, and 50 percent for any subsequent period,".

(b) APPLICATION OF AMENDMENTS.—The reductions in enhanced Federal match rates for administration resulting from the amendments made by subsection (a) shall apply to payments to States for expenditures incurred only after—

(A) the end of the State fiscal year that ends during 1994; or

(B) in the case of a State with a State legislature which is not scheduled to have a regular legislative session in 1994, the end of the State fiscal year that ends during 1995; without regard to whether or not final regulations to carry out such amendments have been promulgated by the Secretary before the end of either of such State fiscal years.

TITLE II—COMMITTEE ON ARMED SERVICES

SEC. 2001. DEFERRAL OF COST-OF-LIVING ADJUSTMENTS FOR MILITARY RETIREES UNTIL AGE 62.

Section 1401a(b)(1) of title 10, United States Code, is amended by adding at the end the following new sentence: "In the case of a member or former member under age 62 (other than a member retired under chapter 61 of this title), such increase shall not become payable as part of the retired pay of the member or former member until the month in which the member or former member becomes 62 years of age."

TITLE III—COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

SEC. 3001. NATIONAL DEPOSITOR PREFERENCE.

(a) IN GENERAL.—Section 11(d)(11) of the Federal Deposit Insurance Act (12 U.S.C. 1821(d)(11)) is amended to read as follows:

"(1) DEPOSITOR PREFERENCE.—
 "(A) IN GENERAL.—Subject to section 5(e)(2)(C), amounts realized from the liquidation or other resolution of any insured depository institution by any receiver appointed for such institution shall be distributed to pay claims (other than secured claims to the extent of any such security) in the following order of priority:

"(i) Administrative expenses of the receiver.

"(ii) Any deposit liability of the institution.

"(iii) Any claim of an employee of the institution, other than a senior executive officer (as defined by the Corporation pursuant to section 32(f)), for pay accrued but unpaid as of the date the receiver was appointed for the institution.

"(iv) Any other general or senior liability of the institution (which is not a liability described in clause (v) or (vi)).

"(v) Any obligation subordinated to depositors or other general creditors (which is not an obligation described in clause (vi)).

"(vi) Any obligation to shareholders arising as a result of their status as shareholders (including any depository institution holding company or any shareholder or creditor of such company).

"(B) EFFECT ON STATE LAW.—

"(i) IN GENERAL.—The provisions of subparagraph (A) shall not supersede the law of any State except to the extent such law is inconsistent with the provisions of such subparagraph, and then only to the extent of the inconsistency.

"(ii) PROCEDURE FOR DETERMINATION OF INCONSISTENCY.—Upon the Corporation's own motion or upon the request of any person with a claim described in subparagraph (A)(i) or any State which is submitted to the Corporation in accordance with procedures which the Corporation shall prescribe, the Corporation shall determine whether any provision of the law of any State is inconsistent with any provision of subparagraph (A) and the extent of any such inconsistency.

"(iii) JUDICIAL REVIEW.—The final determination of the Corporation under clause (ii) shall be subject to judicial review under chapter 7 of title 5, United States Code.

"(C) ACCOUNTING REPORT.—Any distribution by the Corporation in connection with any claim described in subparagraph (A)(vi) shall be accompanied by the accounting report required under paragraph (15)(B)."

(b) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 11(c)(13) of the Federal Deposit Insurance Act (12 U.S.C. 1821(c)(13)) is amended—

(A) in subparagraph (A), by striking "subject to subparagraph (B)";

(B) by inserting "and" after the semicolon at the end of subparagraph (A);

(C) by striking subparagraph (B); and

(D) by redesignating subparagraph (C) as subparagraph (B).

(2) Section 11(g)(4) of the Federal Deposit Insurance Act (12 U.S.C. 1921(g)(4)) is amended by striking "If the Corporation" and inserting "Subject to subsection (d)(11), if the Corporation".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to insured depository institutions for which a receiver is appointed after the date of the enactment of this Act.

SEC. 3002. TRANSFER OF FEDERAL RESERVE SURPLUSES.

(a) IN GENERAL.—The 1st undesignated paragraph of section 7 of the Federal Reserve Act (12 U.S.C. 289) is amended to read as follows:

"(a) DIVIDENDS AND SURPLUS FUNDS OF RESERVE BANKS.—

"(1) STOCKHOLDER DIVIDENDS.—

"(A) IN GENERAL.—After all necessary expenses of a Federal reserve bank have been paid or provided for, the stockholders of the bank shall be entitled to receive an annual dividend of 6 percent on paid-in capital stock.

"(B) DIVIDEND CUMULATIVE.—The entitlement to dividends under subparagraph shall be cumulative.

"(2) DEPOSIT OF NET EARNINGS IN SURPLUS FUND.—That portion of net earnings of each Federal reserve bank which remains after dividend claims under subparagraph (A) have been fully met shall be deposited in the surplus fund of the bank.

"(3) PAYMENT TO TREASURY.—During fiscal years 1994 through 1998, any amount in the surplus fund of any Federal reserve bank in excess of the amount equal to 3 percent of the total paid-in capital and surplus of the member banks of such bank shall be transferred to the Board for transfer to the Secretary of the Treasury for deposit in the general fund of the Treasury."

(b) ADDITIONAL TRANSFERS FOR FISCAL YEARS 1997 AND 1998.—

(1) IN GENERAL.—In addition to the amounts required to be transferred from the surplus funds of the Federal reserve banks pursuant to section 7(a)(3) of the Federal Reserve Act, the Federal reserve banks shall transfer from such surplus funds to the Board of Governors of the Federal Reserve System for transfer to the Secretary of the Treasury for deposit in the general fund of the Treasury, a total amount of \$106,000,000 in fiscal year 1997 and a total amount of \$107,000,000 in fiscal year 1998.

(2) ALLOCATION BY FED.—Of the total amount required to be paid by the Federal reserve banks under paragraph (1) for fiscal year 1997 or 1998, the Board of Governors of the Federal Reserve System shall determine the amount each such bank shall pay in such fiscal year.

(3) REPLENISHMENT OF SURPLUS FUND PROHIBITED.—No Federal reserve bank may replenish such bank's surplus fund by the amount of any transfer by such bank under paragraph (1) during the fiscal year for which such transfer is made.

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) The penultimate undesignated paragraph of section 7 of the Federal Reserve Act (12 U.S.C. 290) is amended by striking "The net earnings derived" and inserting "(b) USE OF EARNINGS TRANSFERRED TO THE TREASURY.—The net earnings derived".

(2) The last undesignated paragraph of section 7 of the Federal Reserve Act (12 U.S.C. 531) is amended by striking "Federal reserve banks" and inserting "(c) EXEMPTION FROM TAXATION.—Federal reserve banks".

SEC. 3003. USE OF RETURN DATA FOR INCOME VERIFICATION UNDER CERTAIN HOUSING ASSISTANCE PROGRAMS.

Section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 (42 U.S.C. 3544) is amended as follows:

(1) CONSENT FORMS.—In subsection (b)—
(A) in the matter preceding paragraph (1), by inserting "(including the Indian housing program under title II of the United States Housing Act of 1937)" before the 1st comma;
(B) in paragraph (1), by striking "and" at the end;

(C) in paragraph (2), by striking the period at the end and inserting "; and";

(D) by inserting after paragraph (2) the following new paragraph:

"(3) sign a consent form approved by the Secretary authorizing the Secretary to request the Commissioner of Social Security and the Secretary of the Treasury to release information pursuant to section 6103(l)(7)(D)(ix) of the Internal Revenue Code of 1986 with respect to such applicant or participant for the sole purpose of the Secretary verifying income information pertinent to the applicant's or participant's eligibility or level of benefits."; and

(E) in the last sentence, by striking "This" and inserting the following: "Except as provided in this subsection, this".

(2) APPLICANT AND PARTICIPANT PROTECTIONS.—In subsection (c)(2)—

(A) in subparagraph (A)—

(i) in the matter preceding clause (i)—
(I) by inserting after "compensation law" the following: "or pursuant to section 6103(l)(7)(D)(ix) of the Internal Revenue Code of 1986 from the Commissioner of Social Security or the Secretary of the Treasury"; and

(II) by inserting "(in the case of information obtained pursuant to such section 303(i))" before "representatives"; and

(ii) in clause (ii), by inserting "or public housing agency" after "owner" each place it appears;

(B) in subparagraph (B), by inserting after "wages" each place it appears the following: ", other earnings or income."; and

(C) in subparagraph (C), by inserting before the second comma the following: "at a hearing that provides the basic elements of due process".

(3) PENALTY.—In subsection (c)(3)—

(A) in subparagraph (A), by inserting "or section 6103(l)(7)(D)(ix) of the Internal Revenue Code of 1986" after "Social Security Act"; and

(B) in the first sentence of subparagraph (B)—

(i) by striking clause (i) and inserting the following: "(i) a negligent or knowing disclosure of information referred to in this section, section 303(i) of the Social Security Act, or section 6103(l)(7)(D)(ix) of the Internal Revenue Code of 1986 about such person by an officer or employee of any public housing agency or owner (or employee thereof), which disclosure is not authorized by this section, such section 303(i), such section 6103(l)(7)(D)(ix), or any regulation implementing this section, such section 303(i), or such section 6103(l)(7)(D)(ix), or"; and
(ii) in clause (ii), by inserting "such section 6103(l)(7)(D)(ix)." after "303(i)."

(4) CONFORMING AMENDMENT.—The heading of subsection (c) of section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 is amended by striking "STATE EMPLOYMENT".

SEC. 3004. GNMA REMIC GUARANTEE FEES.

Section 306(g)(3) of the National Housing Act (12 U.S.C. 1721(g)(3)) is amended by adding at the end the following new subparagraph:

"(E)(i) Notwithstanding subparagraphs (A) through (D), fees charged for the guaranty of, or commitment to guaranty, multiclass securities backed by a trust or pool of securities or notes guaranteed by the Association under this subsection and other related fees shall be charged by the Association in an amount not to exceed the value, as determined by the Association, of the guaranty or commitment to guarantee. The Association shall take such action as may be necessary to reasonably assure that such portion of the value of the guaranties or commitments to guaranty as the Association determines is appropriate accrues to the benefit of mortgagors under mortgages executed after the date of the enactment of this subparagraph by or upon which such securities or notes are backed.
(ii) For each Federal fiscal year, the Association shall submit a report to the Congress describing any activities of the Association with respect to guarantying and making commitments to guaranty multiclass securities described in clause (i). The report shall be submitted not later than 90 days after the end of the fiscal year for which the report is made and shall identify the extent of such activities during the fiscal year, the size of each transaction closed during the fiscal year involving such securities, the number of mortgages involved in each such transaction, the amount of the fees charged and earned by the Association for such transactions, and any persons receiving payments for any services provided with respect to any such transactions and the amounts of such payments, and shall include an estimate of the portion of the value of the guaranty or commitment to guarantee accruing to the benefit of mortgagors and a description of any action taken by the Association to ensure such accrual.

(iii) The Association shall provide for the initial implementation of the program for which fees are charged under the first sen-

tence of clause (i) by notice published in the Federal Register. The notice shall be effective upon publication and shall provide an opportunity for public comment. Not later than 12 months after publication of the notice, the Association shall issue regulations for such program based on the notice, comments received, and the experience of the Association in carrying out the program during such period."

SEC. 3005. MUTUAL MORTGAGE INSURANCE FUND PREMIUMS.

To improve the actuarial soundness of the Mutual Mortgage Insurance Fund under the National Housing Act, the Secretary of Housing and Urban Development shall increase the rate at which the Secretary earns the single premium payment collected at the time of insurance of a mortgage that is an obligation of such Fund (with respect to the rate in effect on the date of the enactment of this Act). In establishing such increased rate, the Secretary shall consider any current audit findings and reserve analyses and information regarding the expected average duration of mortgages that are obligations of such Fund and may consider any other information that the Secretary determines to be appropriate.

SEC. 3006. ADMINISTRATIVE FEES FOR SECTION 8 CERTIFICATE AND VOUCHER PROGRAMS.

(a) IN GENERAL.—Section 8(q)(1) of the United States Housing Act of 1937 (42 U.S.C. 1437f(q)(1)) is amended—

(1) by striking the 2d sentence and inserting the following new sentences: "In fiscal year 1994, the amount of the fee for each month for which a dwelling unit is covered by an assistance contract shall be 7.25 percent of the fair market rental established under subsection (c)(1) for a 2-bedroom existing rental dwelling unit in the market area of the public housing agency. After fiscal year 1994, the Secretary may decrease the amount of the fee at such times and in such amounts as the Secretary considers appropriate, except that (A) the fee may not be less than 6.0 percent of such fair market rental at any time, and (B) in fiscal year 1998 and in each fiscal year thereafter, the fee shall be 6.0 percent of such fair market rental."; and
(2) in the last sentence, by striking "fee" and inserting "amount of the fee established under this paragraph, for certain programs."

(b) EFFECTIVE DATE AND APPLICABILITY.—
(1) EFFECTIVE DATE.—The amendments under subsection (a) shall be made and shall take effect on October 1, 1993.

(2) APPLICABILITY.—The amendments made by this section shall apply to any dwelling units covered by an assistance contract under section 8 of the United States Housing Act of 1937 in effect on October 1, 1993, and any units covered by such a contract entered into or renewed on or after such date.

TITLE IV—EDUCATION AND LABOR

SEC. 4000. TABLE OF CONTENTS.

The table of contents of this title is as follows:

TITLE IV—EDUCATION AND LABOR

SEC. 4000. Table of contents.

Subtitle A—Higher Education Programs

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- Sec. 4003. Federal interest subsidies.
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- Sec. 4101. Cost sharing by States.
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Subtitle A—Higher Education Programs

SEC. 4001. SHORT TITLE; REFERENCE.

(a) SHORT TITLE.—This subtitle may be cited as the "Student Loan Reconciliation Amendments of 1993".

(b) REFERENCE.—References in this subtitle to "the Act" are references to the Higher Education Act of 1965.

SEC. 4002. SIMPLIFIED FEDERALLY GUARANTEED STUDENT LOAN PROGRAM.

(a) IN GENERAL.—Part B of title IV of the Act is amended—

(1) by redesignating section 427, and all references thereto, as section 426A; and

(2) by inserting after section 426A (as redesignated by paragraph (1)), the following new section:

"SEC. 427. FEDERALLY GUARANTEED STUDENT AND PARENT LOANS.

"(a) FEDERALLY GUARANTEED STUDENT LOAN PROGRAM AUTHORIZED.—The Secretary shall, in accordance with the provisions of this part, carry out a federally guaranteed student loan program for—

"(1) insured loans for eligible students, as required by section 484, who qualify on the basis of need under part F for interest subsidies in accordance with section 428 or who qualify under subsection (c) of this section; and

"(2) insured loans for eligible students, as required by section 484, who do not qualify for interest subsidies under section 428, in accordance with the provisions of this section.

"(b) TERMS, CONDITIONS, AND BENEFITS.—

"(1) IN GENERAL.—Loans made to students described in paragraph (1) of subsection (a) shall have the terms, conditions, and benefits as described in this section and section 428 of this title. Loans made to students described in paragraph (2) of subsection (a) shall have the terms, conditions, and benefits described in paragraph (3) of this subsection.

"(2) APPLICABLE RATES OF INTEREST.—Interest on loans made pursuant to subsection (a) shall be at the applicable rate of interest provided in section 427A(e).

"(3) SPECIAL RULES FOR UNSUBSIDIZED LOANS FOR STUDENT BORROWERS.—

"(A) ELIGIBLE BORROWER.—Any student meeting the requirements for student eligibility under section 484 shall be entitled to borrow an unsubsidized Stafford Loan. Such

student shall provide to the lender a statement from the eligible institution at which the student has been accepted for enrollment, or at which the student is in attendance, which—

"(i) sets forth such student's estimated cost of attendance (as determined under section 472);

"(ii) sets forth such student's estimated financial assistance, including a loan which qualifies for subsidy payments under section 428; and

"(iii) certifies the eligibility of the student to receive a loan under this section and the amount of the loan for which such student is eligible, in accordance with subparagraph (B).

"(B) DETERMINATION OF AMOUNT OF LOAN.—The determination of the amount of a loan by an eligible institution under subparagraph (A) shall be calculated by subtracting from the estimated cost of attendance at the eligible institution any estimated financial assistance reasonably available to such student. An eligible institution may not, in carrying out the provisions of subparagraph (A) of this paragraph, provide a statement which certifies the eligibility of any student to receive any loan under this section in excess of the amount calculated under the preceding sentence.

"(C) LOAN LIMITS.—The annual and aggregate limits for loans under this section shall be the same as those established under section 428(b)(1), less any amount received by such student pursuant to the subsidized loan program established under section 428.

"(D) PAYMENT OF PRINCIPAL AND INTEREST.—

"(i) COMMENCEMENT OF REPAYMENT.—Repayment of principal on loans made under this section shall commence 6 months after the month in which the student ceases to carry at least one-half the normal full-time workload as determined by the institution.

"(ii) CAPITALIZATION OF INTEREST.—Interest on loans made under this section for which payments of principal are not required during the in-school and grace periods or for which payments are deferred under sections 427(a)(2)(C) and 428(b)(1)(M) shall, if agreed upon by the borrower and the lender (I) be paid monthly or quarterly, or (II) be added to the principal amount of the loan not more frequently than quarterly by the lender. Such capitalization of interest shall not be deemed to exceed the annual insurable limit on account of the student.

"(E) SUBSIDIES PROHIBITED.—No payments to reduce interest costs shall be paid pursuant to section 428(a) of this part on loans made pursuant to this section.

"(F) APPLICABLE RATE OF INTEREST.—Interest on loans made pursuant to this paragraph shall be at the applicable rate of interest provided in section 427A(a).

"(G) INSURANCE PREMIUM.—

"(i) AMOUNT OF ORIGINATION FEE/INSURANCE PREMIUM.—The lender shall charge the borrower a combined origination fee and insurance premium in the amount of 6.5 percent of the principal amount of the loan, to be deducted proportionately from each installment payment of the proceeds of the loan prior to payment to the borrower. A guaranty agency may not charge an insurance premium on any loan made under this paragraph.

"(ii) RELATION TO APPLICABLE INTEREST.—Such combined fee and premium shall not be taken into account for purposes of determining compliance with section 427A.

"(iii) DISCLOSURE REQUIRED.—The lender shall disclose to the borrower the amount

and method of calculating the combined origination fee and insurance premium.

"(iv) USE OF INSURANCE PREMIUM TO OFFSET DEFAULT COSTS.—Each lender making loans under this paragraph shall transmit all combined origination fee and insurance premiums authorized to be collected from borrowers to the Secretary, who shall use such fees and premiums to pay the Federal costs of default claims paid for loans under this paragraph and to reduce the cost of special allowances paid thereon, if any, under section 438(b).

"(v) REVIEW OF INSURANCE PREMIUM.—In fiscal year 1995, the Secretary is directed to analyze the risk rates of borrowers who have participated in this program in the 2 previous fiscal years. If the Secretary finds, that as a result of this review, the projected defaults and special allowance costs of the unsubsidized program do not exceed the 6.5 percent insurance premium, the Secretary is directed to lower the insurance premium accordingly.

"(H) SINGLE APPLICATION FORM.—A guaranty agency shall use a single application form prescribed by the Secretary for subsidized Federal Stafford loans made pursuant to section 428 and for unsubsidized Federal Stafford Loans made pursuant to this paragraph. The Secretary shall take such steps as may be necessary to incorporate such application form into the single form required by section 483(a).

"(I) SINGLE PROMISSORY NOTE FORM.—A lender of any loan under this section shall use a single standard promissory note prescribed by the Secretary by regulation.

"(c) ADDITIONAL RULES AND LOAN LIMITS FOR GRADUATE, PROFESSIONAL, AND CERTAIN UNDERGRADUATE INDEPENDENT STUDENTS.—

"(1) STUDENT ELIGIBILITY.—Graduate and professional students (as defined by regulations of the Secretary) and undergraduate independent students shall be eligible to borrow funds under this subsection in amounts specified in paragraphs (3) through (6) and, unless otherwise specified in paragraphs (7) and (8) under this subsection, shall have the same terms, conditions, and benefits as all other loans made under this part. In addition, undergraduate dependent students shall be eligible to borrow funds under this subsection if the financial aid administrator determines, after review of the financial information submitted by the student and considering the debt burden of the student, that exceptional circumstances will likely preclude the student's parents from borrowing under subsection (d) for purposes of the expected family contribution and that the student's family is otherwise unable to provide such expected family contribution. If the financial aid administrator makes such a determination, appropriate documentation of such determination shall be maintained in the institution's records to support such determination. No student shall be eligible to borrow funds under this subsection until such student has obtained a certificate of graduation from a school providing secondary education, or the recognized equivalent of such certificate.

"(2) INSTITUTIONAL ELIGIBILITY.—Funds may not be borrowed under this subsection by any undergraduate student who is enrolled at any institution during any fiscal year if the cohort default rate for such institution, for the most recent fiscal year for which such rates are available, equals or exceeds 30 percent. The Secretary shall notify institutions to which such restriction applies annually, and specify the fiscal year covered by the restriction. The Secretary shall afford

any institution to which such restriction applies an opportunity to present evidence contesting the accuracy of the calculation of the cohort default rate for such institution.

“(3) ANNUAL LIMIT.—Subject to paragraphs (4) and (5), the maximum amount a student may borrow in any academic year is:

“(A) In the case of student at an eligible institution who has not successfully completed the first year of a program of undergraduate education—

“(i) \$4,000, if such student is enrolled in a program whose length is at least one academic year in length (as determined under section 481);

“(ii) \$2,500, if such student is enrolled in a program whose length is less than one academic year, but at least $\frac{2}{3}$ of such an academic year; and

“(iii) \$1,500, if such student is enrolled in a program whose length is less than $\frac{2}{3}$, but at least $\frac{1}{4}$, of such an academic year.

“(B) In the case of a student at an eligible institution who has successfully completed such first year but has not successfully completed the remainder of a program of undergraduate study, \$4,000.

“(C) In the case of a student at an eligible institution who has successfully completed the first and second year of such a program but has not successfully completed the remainder of such a program, \$5,000.

“(D) In the case of a graduate or profession student (as defined in regulations of the Secretary) at an eligible institution, \$10,000.

“(4) AGGREGATE LIMIT.—The aggregate insured principal amount of insured loans made to any student under this subsection, minus any interest capitalized under paragraphs (7) and (8) shall not exceed—

“(A) \$23,000, in the case of any student who has not successfully completed a program of undergraduate education; and

“(B) \$73,000, in the case of any graduate or professional student, as such terms are defined by regulations issued by the Secretary, including any loans which are insured by the Secretary under this section, or by a guaranty agency, made to such student before the student became a graduate or professional student.

“(5) LIMITATION BASED ON NEED.—Any loan under this subsection may be counted as part of the expected family contribution in the determination of need under this title, but no loan may be made to any student under this section for any academic year in excess of (A) the student's estimated cost of attendance, minus (B) the total of (i) any loan for which the student is eligible under section 428, and (ii) other financial aid is certified by the eligible institution under section 428(a)(2)(A). The annual insurable limit on account of the student shall not be deemed to be exceeded by a line of credit under which actual payments to the borrower will not be made in any year in excess of the annual limit.

“(6) DISBURSEMENT.—A loan under this subsection shall be disbursed in the manner required by section 428G.

“(7) COMMENCEMENT OF REPAYMENT.—Repayment of principal on loans made under this subsection shall commence not later than 60 days after the date such loan is disbursed by the lender or, if the loan is disbursed in multiple installments, not later than 60 days after the disbursement of the last such installment, subject to deferral pursuant to sections 427(a)(2)(C) and 428(b)(1)(M). In the case of a borrower under this subsection who is also a borrower under a program of student loan insurance covered by an agreement under section 428(b), the

lender shall notify the borrower of the option to defer the commencement of the repayment for 6 months after the student ceases to carry at an eligible institution at least one-half the normal full-time academic workload, as determined by the institution, except that interest shall begin to accrue, and shall be paid in accordance with paragraph (8), notwithstanding such delay in the commencement of repayment. The lender shall also notify the borrower of the borrower's option to commence repayment earlier than the beginning of such repayment period and the difference in total cost to the borrower.

“(8) CAPITALIZATION OF INTEREST.—(A) Interest on loans made under this subsection—

“(i) which are disbursed in installments,

“(ii) for which payments of principal are deferred under sections 427(a)(2)(C)(i) and 428(b)(1)(M)(i), or

“(iii) for which the commencement of the repayment period is delayed in accordance with paragraph (1) to coincide with the commencement of the repayment period of a loan made under section 427 or 428,

shall, if agreed upon by the borrower and the lender—

“(I) be paid monthly or quarterly, or

“(II) be added to the principal amount of the loan not more frequently than quarterly by the lender.

“(B) Such capitalization of interest shall not be deemed to exceed the annual insurable limit on account of the student.

“(9) SUBSIDIES PROHIBITED.—No payments to reduce interest costs shall be paid pursuant to section 428(a) of this part on loans made pursuant to this subsection.

“(10) APPLICABLE RATES OF INTEREST.—Interest on loans made pursuant to this subsection shall be at the applicable rate of interest provided in section 427(e).

“(11) AMORTIZATION.—The amount of the periodic payment and the repayment scheduled for any loan made pursuant to this subsection shall be established by assuming an interest rate equal to the applicable rate of interest at the time the repayment of the principal amount of the loan commences. At the option of the lender, the note or other written evidence of the loan may require that—

“(A) the amount of the periodic payment will be adjusted annually, or

“(B) the period of repayment of principal will be lengthened or shortened,

in order to reflect adjustments in interest rates occurring as a consequence of section 427A.

“(12) REPAYMENT PERIOD.—For purposes of calculating the 10-year repayment period under section 428(b)(1)(D), such period shall commence at the time the first payment of principal is due from the borrower.

“(d) FEDERAL PARENT LOANS.—

“(1) AUTHORITY TO BORROW.—Parents of a dependent student, who do not have an adverse credit history as determined pursuant to regulations of the Secretary, shall be eligible to borrow funds under this subsection in amounts specified in paragraph (2), an unless otherwise specified in paragraphs (3), (4), and (5), such loans shall have the same terms, conditions and benefits as all other loans made under this part. Whenever necessary to carry out the provisions of this subsection, the terms ‘student’ and ‘borrower’ as used in this part shall include a parent borrower under this subsection.

“(2) LIMITATION BASED ON NEED.—Any loan under this subsection may be counted as part of the expected family contribution in the determination of need under this title, but

no loan may be made to any parent under this subsection for any academic year in excess of (A) the student's estimated cost of attendance, minus (B) other financial aid as certified by the eligible institution under section 428(a)(2)(A). The annual insurable limit on account of any student shall not be deemed to be exceeded by the line of credit under which actual payments to the borrower will not be made in any year in excess of the annual limit.

“(3) PARENT LOAN DISBURSEMENT.—All loans made under this subsection shall be disbursed in accordance with section 428G.

“(4) PAYMENT OF PRINCIPAL AND INTEREST.—

“(A) COMMENCEMENT OF REPAYMENT.—Repayment of principal on loans made under this subsection shall commence not later than 60 days after the date such loan is disbursed by the lender, or if the loan is disbursed in multiple installments not later than 60 days after the disbursement of the last such installment, subject to deferral during any period during which the parent meets the conditions required for a deferral under section 427(a)(2)(C) or 428(b)(1)(M).

“(B) CAPITALIZATION OF INTEREST.—Interest on loans made under this subsection for which payments of principal are deferred pursuant to paragraph (1) of this subsection shall, if agreed upon by the borrower and the lender (A) be paid monthly or quarterly, or (B) be added to the principal amount of the loan not more frequently than quarterly by the lender. Such capitalization of interest shall not be deemed to exceed the annual insurable limit on account of the borrower.

“(C) SUBSIDIES PROHIBITED.—No payments to reduce interest costs shall be paid pursuant to section 428(a) of this part on loans made pursuant to this subsection.

“(D) AMORTIZATION.—The amount of the periodic payment and the repayment schedule for any loan made pursuant to this subsection shall be established by assuming an interest rate equal to the applicable rate of interest at the time the repayment of the principal amount of the loan commences. At the option of the lender, the note or other written evidence of the loan may require that—

“(i) the amount of the periodic payment will be adjusted annually, or

“(ii) the period of repayment of principal will be lengthened or shortened,

in order to reflect adjustments in interest rates occurring as a consequence of section 427A.”

(b) TERMINATION OF AUTHORITY.—

(1) TERMINATION OF THE FDSL PROGRAM.—(A) Section 424 of the Act is amended by adding at the end thereof the following new subsection:

“(c) TERMINATION OF AUTHORITY.—

“(1) IN GENERAL.—Except as provided in paragraph (2), the Secretary may not exercise the authority contained in the provisions of this section after September 30, 2000.

“(2) EXCEPTION.—Whenever the Secretary determines that the objectives of this part require it, the Secretary may extend the termination date contained in paragraph (1) for 5 years.”

(B) Section 426A of the Act (as redesignated by subsection (a)(1) of this section) is amended by adding at the end thereof the following new subsection:

“(d) The Secretary may not exercise the authority contained in the provisions of this section after September 30, 1998.”

(2) TERMINATION OF AUTHORITY TO GUARANTEE LOANS UNDER SECTION 428A.—Section 428A of the Act is amended by adding at the end thereof the following new subsection:

"(e) TERMINATION OF AUTHORITY.—The Secretary may not issue loan guarantees for loans made or insured under this section after September 30, 1998."

(3) TERMINATION OF AUTHORITY TO GUARANTEE LOANS UNDER SECTION 428B.—Section 428B of the Act is amended by adding at the end thereof the following new subsection:

"(f) TERMINATION OF AUTHORITY.—The Secretary may not issue loan guarantees for loans made or insured under this section after September 30, 1998."

(4) TERMINATION OF AUTHORITY TO GUARANTEE LOANS UNDER SECTION 428H.—Section 428H of the Act is amended by adding at the end thereof the following new subsection:

"(h) TERMINATION OF AUTHORITY.—The Secretary may not issue loan guarantees for loans made or insured under this section after September 30, 1998."

(c) SINGLE APPLICATION TO CONFORM TO NEW SECTION 427.—Section 432(m)(1)(B) of the Act is amended by adding at the end thereof the new flush sentence: "The form prescribed by the Secretary shall conform to the provisions of section 427 of this part as amended by the Student Loan Reconciliation Amendments of 1993."

(d) LINE OF CREDIT PROVISION TO AVOID REAPPLICATION.—Section 438B(1) of the Act is amended—

(1) by inserting "(A)" after the paragraph designation; and

(2) by adding after paragraph (1) the following new subparagraph:

"(B) In order to carry out the objective of subparagraph (A), the Secretary shall, within 240 days after the date of enactment of the Student Assistance Reform and Savings Amendments of 1993, develop and promulgate regulations to authorize eligible lenders to establish a line of credit for student borrowers after the applicable eligible institution has determined the continued eligibility of the student borrower under this part. The determination described in the previous sentence shall be considered a reapplication on the part of the student borrower for any purpose under this part."

(e) CONFORMING AMENDMENTS.—(1) Section 433(e) of the Act is amended by striking out "section" and inserting "sections 427(b)(3), 427(c), 427(d)."

(2) Section 435(d)(1)(G) of the Act is amended by striking out "428A(d), and 428B(d)."

(3) Section 435(m)(2)(D) of the Act is amended by inserting "section 427(c) or" before "section 428A" each time it appears in subparagraph (D).

(4)(A) Section 437(b) of the Act is amended by inserting "section 427," before "subparagraph".

(5) Section 437(d) of the Act is amended by inserting "427(d) or" before "428B".

(6) Section 437A of the Act is amended by inserting "427(d) or" before "428B".

(7)(A) Section 438(b)(2)(C)(ii) of the Act is amended by inserting "section 427(c) or 427(d), or" before "section 428A".

(B) Section 438(b)(5)(A)(ii) of the Act is amended by inserting "427," before "428A".

(8)(A) Section 438(c)(2) of the Act is amended by inserting "427(c), 427(d)," before "428A".

(B) Section 438(c)(6) of the Act is amended by inserting "427(c), 427(d)," before "428A".

(C) Section 438(c)(7) of the Act is amended by inserting "427(c), 427(d)," before "428A".

(f) EFFECTIVE DATE.—The amendments made by this section shall take effect with respect to loans for which the first disbursement is made after September 30, 1993.

SEC. 4003. FEDERAL INTEREST SUBSIDIES.

Section 427A of the Higher Education Act of 1965 (20 U.S.C. 1077a), hereinafter in this

subtitle referred to as "the Act", is amended—

(1) by redesignating subsection (h) as subsection (i); and

(2) by inserting after subsection (g) the following new subsection:

"(i) IN-SCHOOL AND GRACE PERIOD INTEREST RATES.—

"(1) APPLICABLE RATE.—Notwithstanding any other provision of this section, with respect to any loan for which the first disbursement is made on or after October 1, 1993, the applicable rate of interest for interest which accrues—

"(A) prior to the beginning of the repayment period of the loan, or

"(B) during the period in which principal need not be paid (whether or not such principal is in fact paid) by reason of a provision described in subsection (b)(1)(M) of this section or in section 427(a)(2)(C), shall not exceed the rate determined under paragraph (2).

"(2) METHOD OF CALCULATION.—For purposes of paragraph (1) the rate determined under this paragraph shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

"(A) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction prior to such June 1; plus

"(B) 2.6 percent."

"(C) 2.6 percent."

SEC. 4004. GUARANTY AGENCY AND LENDER RISK SHARING.

(a) AMENDMENTS.—

(1) LENDER INSURANCE PERCENTAGE.—Section 428(b)(1)(G) of the Act (20 U.S.C. 1087(b)(1)(G)) is amended—

(A) by striking "not less than 100 percent" and inserting "95 percent"; and

(B) by inserting before the semicolon at the end the following: "except that in the case of loans to students attending institutions whose cohort default rate exceeds 20 percent, such program insures 100 percent of the unpaid principal amount".

(2) GUARANTY AGENCY REINSURANCE PERCENTAGE.—Section 428(c)(1) of the Act is amended—

(A) in subparagraph (A), by striking "100 percent" and inserting "95 percent";

(B) in subparagraph (B)(i), by striking "90 percent" and inserting "85 percent";

(C) in subparagraph (B)(ii), by striking "80 percent" and inserting "75 percent"; and

(D) by adding at the end the following new subparagraph:

"(E) For the purposes of calculating the amount of reimbursement and the amount of loans insured under clauses (i) and (ii) of subparagraph (A), the Secretary shall exclude reimbursements and amounts of loans attributable to loans made to students for attendance at institutions of higher education with cohort default rates that exceed 20 percent."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) of this section shall apply with respect to any loan for which the first disbursement is made on or after October 1, 1993.

SEC. 4005. MASTER CHECKS.

Section 428(b)(1)(N) of the Act (20 U.S.C. 1078) is amended by inserting "(including a consolidated check combining the funds of more than one student)" after "to the institution by check".

SEC. 4006. LOAN TRANSFER FEES.

Section 428(b)(2) of the Act (20 U.S.C. 1078(b)(2)) is amended—

(1) by striking "and" at the end of subparagraph (E);

(2) by striking the period at the end of subparagraph (F) and inserting "; and"; and

(3) by adding at the end thereof the following new subparagraph:

"(G) provide that, if a lender or holder, on or after October 1, 1993, sells, transfers, or assigns a loan under this part, then the transferee shall pay to the Secretary a transfer fee in an amount equal to 0.25 percent the principle and accrued unpaid interest of the loan."

SEC. 4007. SECRETARY'S EQUITABLE SHARE.

(a) AMENDMENT.—Section 428(c)(6)(A)(ii) of the Act (20 U.S.C. 1078(c)(6)(A)(ii)) is amended by striking out "30 percent" and inserting "25 percent".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) of this section shall apply with respect to determinations of the Secretary's equitable share of payments made by borrowers on or after October 1, 1993.

SEC. 4008. ADMINISTRATIVE COST ALLOWANCE.

Section 428(f) of the Act is repealed.

SEC. 4009. SUPPLEMENTAL PRECLAIMS ASSISTANCE.

Section 428(l)(2) of the Act (20 U.S.C. 1078(l)(2)) is amended by striking the second sentence and inserting the following: "For each loan on which such assistance is performed and for which a default claim is not presented to the guaranty agency by the lender on or before the 150th day after the loan becomes 120 days delinquent, such payment shall be equal to one percent of the total of the unpaid principle and the accrued unpaid interest of the loan."

SEC. 4010. PLUS LOAN AMOUNTS AND DISBURSEMENTS.

(a) LOAN AMOUNTS.—Section 428B(b) of the Act (20 U.S.C. 1078-2(b)) is amended to read as follows:

"(b) LIMITATIONS ON AMOUNTS OF LOANS.—

"(1) ANNUAL LIMIT.—Subject to paragraph (2), the maximum amount parents may borrow for one student in any academic year or its equivalent (as defined by regulation of the Secretary) is \$10,000.

"(2) LIMITATION BASED ON NEED.—Any loan under this section may be counted as part of the expected family contribution in the determination of need under this title, but no loan may be made to any parent under this section for any academic year in excess of (A) the student's estimated cost of attendance, minus (B) other financial aid as certified by the eligible institution under section 428(a)(2)(A). The annual insurable limit on account of any student shall not be deemed to be exceeded by a line of credit under which actual payments to the borrower will not be made in any year in excess of the annual limit."

(b) MULTIPLE DISBURSEMENT REQUIRED.—

(1) AMENDMENT.—Section 428B(c) of the Act is amended by inserting after "under this section" the following: "shall be disbursed in accordance with the requirements of section 428G and".

(2) CONFORMING AMENDMENTS.—Section 428G(e) of the Act (20 U.S.C. 1078-7(e)) is amended—

(A) by striking "PLUS, CONSOLIDATION," and inserting "CONSOLIDATION"; and

(B) by striking "section 428B or 428C" and inserting "section 428C".

(3) FISL AMENDMENT.—Section 427(b)(2) of the Act (20 U.S.C. 1077(b)(2)) is amended by striking "section 428B or 428C" and inserting "section 428B".

SEC. 4011. CONSOLIDATION LOAN INTEREST RATES AND FEES.

(a) AMENDMENTS.—Section 428C(c) of the Act (20 U.S.C. 1078-3(c)) is amended—

(1) by striking subparagraph (B) of paragraph (1) and inserting the following:

"(B) Except as provided in subparagraph (C), a consolidation loan shall bear interest at annual rate that, during any 12-month period beginning on July 1 and ending on June 30, shall be determined on the preceding June 1 and be equal to—

"(i) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1; plus

"(ii) 3.1 percent."; and

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

"(6) **INSURANCE FEE FROM LENDERS.**—Each lender shall pay to the Secretary, by monthly installments, an annual amount equal to 0.5 percent of the average principal amount outstanding on loans under this section held by the lender, as determined in accordance with such regulations as the Secretary shall prescribe."

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply with respect to loans made pursuant to section 428C on or after October 1, 1993.

SEC. 4012. SPECIAL ALLOWANCE PAYMENTS WITH RESPECT TO TAX-EXEMPT LOAN FUNDS.

(a) **AMENDMENT.**—Section 438(b)(2)(B) of the Act (20 U.S.C. 1087-1(b)(2)(B)) is amended—

(1) by striking out division (ii); and

(2) by redesignating division (iii) as division (ii).

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) of this section shall apply with respect to the determination of the quarterly rate of the special allowance for holders of loans which were made or purchased with funds obtained by the holder from the issuance of obligations on or after May 1, 1993.

SEC. 4013. LENDER ORIGINATION FEES.

Section 438 of the Act (20 U.S.C. 1087-1) is amended—

(1) in the heading of subsection (c) by inserting "FROM STUDENTS" after "ORIGINATION FEES";

(2) by redesignating subsections (d) and (e) as subsections (e) and (f), respectively; and

(3) by inserting after subsection (c) the following new subsection:

"(d) **ORIGINATION FEES FROM LENDERS.**—

"(1) **DEDUCTION FROM INTEREST AND SPECIAL ALLOWANCE SUBSIDIES.**—Notwithstanding subsection (b), the total amount of interest and special allowance payable under section 428(a)(3)(A) and subsection (b) of this section, respectively, to any holder shall be reduced by the Secretary by an origination fee in an amount determined in accordance with paragraph (2) of this subsection. If the total amount of interest and special allowance payable under section 428(a)(3)(A) and subsection (b) of this section, respectively, is less than the amount of such origination fee, the Secretary shall deduct such excess amount from subsequent quarters' payments until the total amount has been deducted.

"(2) **AMOUNT OF ORIGINATION FEES.**—Subject to paragraph (3) of this subsection,] with respect to any loan (other than loans made under sections 428A, 428B, 428C, and 439(o)) for which a completed note or other written evidence of the loan was sent or delivered to the borrower for signing on or after October 1, 1993, the amount of the origination fee which shall be deducted under paragraph (1) shall be equal to 1 percent of the principal amount of the loan.

"(3) **SLS AND PLUS LOANS.**—With respect to any loans made under section 428A or 428B on or after October 1, 1993, each eligible lender under this part shall pay to the Secretary an origination fee of 1 percent of the principal amount of the loan.

"(4) **DISTRIBUTION OF ORIGINATION FEES.**—All origination fees collected pursuant to this section on loans authorized under section 428A or 428B shall be paid to the Secretary by the lender and deposited in the fund authorized under section 431 of this part."

SEC. 4014. LENDER-OF-LAST-RESORT REQUIREMENT.

Section 439(q)(1)(A) of the Act (20 U.S.C. 1087-2) is amended by "may begin" and inserting "shall begin".

SEC. 4015. INCOME CONTINGENT REPAYMENT OPTION.

(a) **RULEMAKING REQUIRED.**—Not later than 120 days after the date of enactment of this Act, the Secretary shall, pursuant to section 428(b)(1)(E) of the Act, promulgate one or more income contingent repayment schedules for use in connection with loans made under part B of title IV of the Act (including loans made pursuant to sections 428A, 428B, 428C, 428H, and 439(o)). Such schedule or schedule shall—

(1) result in no increase in Federal costs associated with the payment of interest or special allowance benefits to holders of loans under this part;

(2) not include negative amortization;

(3) allow for the use of data received from the Internal Revenue Service; and

(4) include provisions to apply in cases where the borrowers income data is either not provided by the borrower or is otherwise unavailable.

(b) **LENDERS TO OFFER OPTIONS.**—Not later than 270 days after the publication of an income contingent repayment schedule or schedule pursuant to subsection (a), all eligible lenders shall offer eligible borrowers the option to repay loans under the income contingent repayment schedules prescribed under subsection (a).

(c) **AVAILABILITY.**—The income contingent repayment option available under the regulations required by this section shall apply to loans made to borrowers after the publication of a schedule or schedule under subsection (b) and may, at the option of the lender, be offered on any outstanding loan.

(d) **FORMS AND PROCEDURES.**—The Secretary shall promulgate and publish all necessary forms and procedures necessary under this section.

(e) **WAIVER OF REPAYMENT PERIOD LIMITS.**—Subject to the requirement of subsection (a)(1), the Secretary may waive the 10-year limit on the repayment period for loans made under part B of title IV of the Act.

Subtitle B—Cost Sharing by States

SEC. 4101. COST SHARING BY STATES.

(a) **AMENDMENT.**—Section 428 of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.) is amended by adding at the end thereof the following new subsection:

"(n) **STATE SHARE OF DEFAULT COSTS.**—(1) In the case of any State in which there are located any institutions of higher education with cohort default rates that exceed 20 percent, such State shall pay to the Secretary an amount equal to—

"(A) the new loan volume attributable to all institutions in the State for the current fiscal year, multiplied by

"(B) the percentage specified in paragraph (2), multiplied by

"(C) the quotient of—

"(i) the sum of the amounts calculated under paragraph (3) for each such institution in the State; divided by

"(ii) the total amount of loan volume attributable to current and former students of institutions located in that State entering repayment in the period used to calculate the cohort default rate.

"(2) For purposes of paragraph (1)(B), the percentage used shall be—

"(A) 12.5 percent for fiscal year 1995;

"(B) 20 percent for fiscal year 1996; and

"(C) 50 percent for fiscal year 1997 and succeeding fiscal years.

"(3) For purposes of paragraph (1)(C)(i), the amount shall be determined by calculating for each institution the amount by which—

"(A) the amount of the loans received for attendance by its current and former students who (i) enter repayment during the fiscal year used for the calculation of the cohort default rate, and (ii) default before the end of the following fiscal year; exceeds

"(B) 20 percent of the loans received for attendance by all the current and former students who enter repayment during the fiscal year used for the calculation of the cohort default rate.

"(4) A State may charge a fee to an institution of higher education that participates in the program under this part and is located in that State according to a fee structure, approved by the Secretary, that is based on the institution's cohort default rate and the State's risk of loss under this subsection. Such fee structure shall include a process by which an institution with a high cohort default rate is exempt from any fees under this paragraph if such institution demonstrates to the satisfaction of the State that exceptional mitigating circumstances, as determined by the State and approved by the Secretary, contributed to its cohort default rate."

(b) **EFFECTIVE DATE.**—The amendment made by this section shall be effective on October 1, 1994.

Subtitle C—ERISA Amendments Relating to Group Health Plans

SEC. 4201. COORDINATION OF ERISA PREEMPTION RULES WITH TITLE XIX PROVISIONS PROVIDING FOR LIABILITY OF THIRD PARTIES.

(a) **IN GENERAL.**—Paragraph (8) of section 514(b) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1144(b)(8)) is amended to read as follows:

"(8)(A) Subsection (a) of this section shall not apply to any State law to the extent necessary to permit the State to comply with the following requirements for the receipt of Federal financial assistance under title XIX of the Social Security Act:

"(i) subparagraphs (A), (B), and (H) of section 1902(a)(25) of such Act (relating to third-party liability) and section 1903(o) of such Act (relating to Medicaid as secondary payor), as in effect on October 1, 1993; and

"(ii) sections 1902(a)(45) and 1912 of such Act (relating to assignment of rights of payment), as in effect on May 12, 1993.

"(B) Paragraph (2)(B) shall not apply to any State law to the extent necessary to permit the compliance of the State with any of the requirements described in subparagraph (A)."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect October 1, 1993.

SEC. 4202. CONTINUED COVERAGE OF COSTS OF A PEDIATRIC VACCINE UNDER GROUP HEALTH PLANS.

(a) **IN GENERAL.**—Part 6 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1161 et seq.) is amended by adding at the end the following new section:

"SEC. 609. CONTINUED COVERAGE OF COSTS OF A PEDIATRIC VACCINE UNDER GROUP HEALTH PLANS.

"A group health plan may not reduce its coverage of the costs of pediatric vaccines

(as defined under section 2162 of the Public Health Service Act) below the coverage it provided as of May 1, 1993."

(b) CONFORMING AMENDMENT.—The table of contents in section 1 of such Act is amended by adding after the item relating to section 608 the following new item:

"Sec. 609. Continued coverage of costs of a pediatric vaccine under group health plans."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to plan years beginning after the date of the enactment of this Act.

SEC. 4203. TEMPORARY RULES GOVERNING PRE-EMPTION OF CERTAIN STATE LAWS.

Paragraph (5) of section 514(b) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1144(b)(5)) is amended to read as follows:

"(5)(A)(i) Except as provided in clauses (ii) and (iii), subsection (a) shall not apply to the Hawaii Prepaid Health Care Act (Haw. Rev. Stat. §§ 393-1 through 393-51).

"(ii) Nothing in clause (i) shall be construed to exempt from subsection (a) any State tax law relating to employee benefit plans.

"(iii) Notwithstanding clause (i), parts 1 and 4 of this subtitle, and the preceding sections of this part to the extent they govern matters which are governed by the provisions of such parts 1 and 4, shall supersede the Hawaii Prepaid Health Care Act (as in effect on or after January 14, 1983), but the Secretary may enter into cooperative arrangements under this subparagraph and section 506 with officials of the State of Hawaii to assist them in effectuating the policies of provisions of such Act which are superseded by such parts 1 and 4 and the preceding sections of this part.

"(B)(i) Except as provided in clauses (ii) and (iii), subsection (a) shall not apply to subtitle 2 of title 19 of the Annotated Code of Maryland (relating to the Health Services Cost Review Commission).

"(ii) Nothing in clause (i) shall be construed to exempt from subsection (a)—

"(I) any State tax law relating to employee benefit plans, or

"(II) any amendment of the provision referred to in clause (i) enacted on or after May 12, 1993, to the extent it provides for more than the effective administration of such Act as in effect on such date.

"(iii) Notwithstanding clause (i), parts 1 and 4 of this subtitle, and the preceding sections of this part to the extent they govern matters which are governed by the provisions of such parts 1 and 4, shall supersede the provision referred to in clause (i) (as in effect on or after May 12, 1993), but the Secretary may enter into cooperative arrangements under this subparagraph and section 506 with officials of the State of Maryland to assist them in effectuating the policies of such provision which are superseded by such parts 1 and 4 and the preceding sections of this part.

"(C)(i) Except as provided in clauses (ii) and (iii), subsection (a) shall not apply to the following provisions of the law of the State of Minnesota:

"(I) section 295.52, Minnesota Statutes, as amended in May 1993 by House File 1178 (relating to receipts tax on providers);

"(II) section 19 of article 9 of the Minnesota Health Right Act, as amended in May 1993 by House File 1178 (relating to pass-through of 2 percent gross receipts tax on providers); and

"(III) subdivision 2 of section 3 of article 1 of such Act, article 7 of such Act, and section

1 of article 3 of Minnesota House File 1178 and section 4 and all that follows through the end of such article 3, as enacted in May 1993 (relating to data collection).

"(ii) Nothing in clause (i) shall be construed to exempt from subsection (a)—

"(I) any State tax law relating to employee benefit plans (other than a provision described in clause (i)), and

"(II) any amendment of any provision referred to in clause (i) enacted on or after May 12, 1993, to the extent it provides for more than the effective administration of such provision as in effect on such date.

"(iii) Notwithstanding clause (i), parts 1 and 4 of this subtitle, and the preceding sections of this part to the extent they govern matters which are governed by the provisions of such parts 1 and 4, shall supersede the provisions described in clause (i) (as in effect on or after May 12, 1993), but the Secretary may enter into cooperative arrangements under this subparagraph and section 506 with officials of the State of Minnesota to assist them in effectuating the policies of such provisions which are superseded by such parts 1 and 4 and the preceding sections of this part.

"(D)(i) Except as provided in clauses (ii), (iv), (v), and (vii), subsection (a) shall not apply to the following provisions of the law of the State of New York:

"(I) subdivisions 1(b) and 4(e) of section 2807-c of the Public Health Law (relating to 13 percent surcharge);

"(II) subdivision 1(c) of section 2807-c of the Public Health Law (relating to uniform hospital charges);

"(III) subdivision 2-a of section 2807-c of the Public Health Law (relating to the variable surcharge for HMOs);

"(IV) subdivision 14 of section 2807-c of the Public Health Law (relating to basic percentage allowances for bad debt and charity care);

"(V) subdivision 14-b of section 2807-c of the Public Health Law (relating to health care services allowances);

"(VI) subdivision 14-c of section 2807-c of the Public Health Law (relating to further allowances for financially distressed hospitals); and

"(VII) section 18 of chapter 266 of the laws of 1986, as amended (relating to excess malpractice insurance adjustments).

"(ii) Except as provided in clause (iii), nothing in clause (i) shall be construed to exempt from subsection (a)—

"(I) any State tax law relating to employee benefit plans, or

"(II) any provision referred to in clause (i) to the extent that any law of the State of New York appropriates amounts based on amounts collected by the State under such provision for any purpose other than carrying out the programs established under the provisions described in clause (i).

"(iii) Notwithstanding clause (ii), subsection (a) shall not apply to any provision of the law of the State of New York to the extent that such provision constitutes—

"(I) an HMO surcharge of the type provided for under subdivision 2-a of such section 2807-c (as in effect on February 2, 1993), or

"(II) an allowance, of the type provided for under the provisions referred to in clause (i) (as so in effect), for bad debts, charity care, health care services, or excess malpractice insurance,

but only if the law of such State appropriates amounts based on and equivalent to amounts collected by the State under such provision solely for the purpose of carrying out one or more programs established under the provisions described in clause (i).

"(iv) Subsection (a) shall apply to any provision of the law of the State of New York to the extent that such provision constitutes a surcharge of the type provided for under subdivisions 1(b) and 4(e) of section 2807-c of the Public Health Law of the State of New York (as in effect on February 2, 1993) unless such provision provides for use of amounts collected under such provision solely for the purpose of carrying out one or more programs established under the provisions described in clause (i).

"(v) Nothing in clause (i) shall be construed to exempt from subsection (a) any amendment of any provision referred to in clause (i) enacted on or after February 2, 1993, to the extent it provides for more than the effective administration of such provisions as in effect on such date, unless such amendment constitutes only a change in the methodology of determining payments to hospitals and would result in—

"(I) a surcharge described in clause (iii)(I) of not more than 9 percent with respect to which the requirements of clause (iii) are met,

"(II) an allowance described in clause (iii)(II) which does not exceed in the aggregate a Statewide average of not more than 10 percent and with respect to which the requirements of clause (iii) are met, or

"(III) a surcharge described in clause (iv) of not more than 13 percent with respect to which the requirements of clause (iv) are met.

"(vi) Subsection (a) shall not apply to any amendment to chapter 2 of the laws of 1988 of the State of New York, as amended, to the extent that such amendment extends the period for which the provisions referred to in clause (i) are in effect.

"(vii) Notwithstanding clause (i), parts 1 and 4 of this subtitle, and the preceding sections of this part to the extent they govern matters which are governed by the provisions of such parts 1 and 4, shall supersede the provisions described in clause (i) (as in effect on or after February 2, 1993), but the Secretary may enter into cooperative arrangements under this subparagraph and section 506 with officials of the State of New York to assist them in effectuating the policies of such provisions which are superseded by such parts 1 and 4 and the preceding sections of this part.

"(viii) The provisions of this subparagraph shall be effective as of February 2, 1993.

"(E) This paragraph shall cease to be effective as of May 12, 1995."

TITLE V—COMMITTEE ON ENERGY AND COMMERCE

Subtitle A—Medicare Program

SEC. 5000. REFERENCES IN SUBTITLE; TABLE OF CONTENTS OF SUBTITLE.

(a) AMENDMENTS TO SOCIAL SECURITY ACT.—Except as otherwise specifically provided, whenever in this subtitle an amendment 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 that section or other provision of the Social Security Act.

(b) REFERENCES TO OBRA.—In this subtitle, the terms "OBRA-1986", "OBRA-1987", "OBRA-1989", and "OBRA-1990" refer to the Omnibus Budget Reconciliation Act of 1986 (Public Law 99-509), the Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203), the Omnibus Budget Reconciliation Act of 1989 (Public Law 101-239), and the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508), respectively.

(c) TABLE OF CONTENTS OF SUBTITLE.—The table of contents of this subtitle is as follows:

TITLE V—COMMITTEE ON ENERGY AND COMMERCE

Subtitle A—Medicare Program

Sec. 5000. References in subtitle; table of contents of subtitle.

CHAPTER 1—PROVISIONS RELATING TO PART B
SUBCHAPTER A—PHYSICIANS' SERVICES

Sec. 5001. Reduction in performance standard rate of increase and increase in maximum reduction permitted in default update.

Sec. 5002. Classification of primary care services as a separate category of services.

Sec. 5003. Phased-in reduction in practice expense relative value units for certain services.

Sec. 5004. Limitation on payment for the anesthesia care team.

Sec. 5005. Basing payments for anesthesia services on actual time.

Sec. 5006. Separate payment for interpretation of electrocardiograms.

Sec. 5007. Payments for new physicians and practitioners.

Sec. 5008. Extra-billing limits.

Sec. 5009. Relative values for pediatric services.

Sec. 5010. Antigen under physician fee schedule.

Sec. 5011. Administration of claims relating to physicians' services.

Sec. 5012. Miscellaneous and technical corrections.

SUBCHAPTER B—OUTPATIENT HOSPITAL SERVICES AND AMBULATORY SURGICAL SERVICES

Sec. 5021. Extension of 10 percent reduction in payments for capital-related costs of outpatient hospital services.

Sec. 5022. Extension of cap on payments for intraocular lenses.

Sec. 5023. Miscellaneous and technical corrections.

SUBCHAPTER C—DURABLE MEDICAL EQUIPMENT

Sec. 5031. Revisions to payment rules for durable medical equipment.

Sec. 5032. Payment for parenteral and enteral nutrients, supplies, and equipment during 1994.

Sec. 5033. Treatment of nebulizers and aspirators.

Sec. 5034. Certification of suppliers.

Sec. 5035. Prohibition against carrier forum shopping.

Sec. 5036. Restrictions on certain marketing and sales activities.

Sec. 5037. Kickback clarification.

Sec. 5038. Beneficiary liability for noncovered services.

Sec. 5039. Adjustments for inherent reasonableness.

Sec. 5040. Payment for surgical dressings.

Sec. 5041. Payments for tens devices.

Sec. 5042. Miscellaneous and technical corrections.

SUBCHAPTER D—PART B PREMIUM

Sec. 5051. Part B premium.

SUBCHAPTER E—OTHER PROVISIONS

Sec. 5061. Treatment of inpatients and provision of diagnostic and therapeutic X-ray services by rural health clinics and Federally qualified health centers.

Sec. 5062. Application of mammography certification requirements.

Sec. 5063. Oral cancer drugs.

Sec. 5064. Miscellaneous and technical corrections.

Sec. 5072. Study and report on medicare GME payments.

Sec. 5073. Medicare as secondary payer.

Sec. 5074. Medicare hospital agreements with organ procurement organizations.

Sec. 5075. Extension of waiver for Watts Health Foundation.

Sec. 5076. Improved outreach for qualified medicare beneficiaries.

Sec. 5077. Peer review organizations.

Sec. 5078. Hospice information to home health beneficiaries.

Sec. 5079. Health maintenance organizations.

Sec. 5080. Miscellaneous and technical corrections.

CHAPTER 1—PROVISIONS RELATING TO PART B

Subchapter A—Physicians' Services

SEC. 5001. REDUCTION IN PERFORMANCE STANDARD RATE OF INCREASE AND INCREASE IN MAXIMUM REDUCTION PERMITTED IN DEFAULT UPDATE.

(a) REDUCTION IN PERFORMANCE STANDARD FACTOR.—Section 1848(f)(2)(B) (42 U.S.C. 1395w-4(f)(2)(B)) is amended—

(1) by striking "and" at the end of clause (ii), and

(2) by striking clause (iii) and inserting the following:

"(iii) for 1993 is 2 percentage points,

"(iv) for 1994 is 3½ percentage points, and

"(v) for each succeeding year is 4 percentage points."

(b) INCREASE IN MAXIMUM REDUCTION PERMITTED IN DEFAULT UPDATE.—Section 1848(d)(3)(B)(ii) (42 U.S.C. 1395w-4(d)(3)(B)(ii)) is amended—

(1) in subclause (II), by striking "or 1995", and

(2) in subclause (III), by striking "3" and inserting "5".

SEC. 5002. CLASSIFICATION OF PRIMARY CARE SERVICES AS A SEPARATE CATEGORY OF SERVICES.

(a) IN GENERAL.—Section 1848(j)(1) (42 U.S.C. 1395w-4(j)(1)) is amended by inserting ", primary care services (as defined in section 1842(i)(4)), after "Secretary)".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply—

(1) to volume performance standard rates of increase established under section 1848(f) of the Social Security Act for fiscal years beginning with fiscal year 1994, and

(2) to updates in the conversion factors for physicians' services established under section 1848(d) of such Act for physicians' services to be furnished in calendar years beginning with 1996.

SEC. 5003. PHASED-IN REDUCTION IN PRACTICE EXPENSE RELATIVE VALUE UNITS FOR CERTAIN SERVICES.

(a) IN GENERAL.—Section 1848(c)(2) (42 U.S.C. 1395w-4(c)(2)) is amended by adding at the end the following new subparagraph:

"(E) REDUCTION IN PRACTICE EXPENSE RELATIVE VALUE UNITS FOR CERTAIN SERVICES.—

"(i) IN GENERAL.—Subject to clause (ii), the Secretary shall reduce the practice expense relative value units applied to services described in clause (iii) furnished in—

"(I) 1994, by 25 percent of the number by which the number of practice expense relative value units (determined for 1994 without regard to this subparagraph) exceeds the number of work relative value units determined for 1994,

"(II) 1995, by an additional 25 percent of such excess, and

"(III) 1996 and subsequent years, by an additional 25 percent of such excess.

"(ii) FLOOR ON REDUCTIONS.—The practice expense relative value units for a physicians'

service shall not be reduced under this subparagraph to a number less than 110 percent of the number of work relative value units.

"(iii) SERVICES COVERED.—For purposes of clause (i), the services described in this clause are physicians' services that are not described in clause (iv) and for which—

"(I) there are work relative value units, and

"(II) the number of practice expense relative value units (determined for 1994) exceeds 110 percent of the number of work relative value units (determined for such year).

"(iv) EXCLUDED SERVICES.—For purposes of clause (ii), the services described in this clause are—

"(I) anesthesia services,

"(II) radiology services, and

"(III) services which the Secretary determines at least 75 percent of which are provided under this title in an office setting."

(b) DEVELOPMENT OF RESOURCE-BASED METHODOLOGY FOR PRACTICE EXPENSES.—

(1) The Secretary of Health and Human Services shall develop a methodology for implementing in 1997 a resource-based system for determining practice expense relative value units for each physician's service.

(2) The Secretary shall transmit a report by June 30, 1996, on the methodology developed under paragraph (1) to the Committees on Ways and Means and Energy and Commerce of the House of Representatives and the Committee on Finance of the Senate. The report shall include a presentation of data utilized in developing the methodology and an explanation of the methodology.

SEC. 5004. LIMITATION ON PAYMENT FOR THE ANESTHESIA CARE TEAM.

(a) LIMIT ON PAYMENT TO A PHYSICIAN FOR MEDICAL DIRECTION.—

(1) IN GENERAL.—Section 1848(a) (42 U.S.C. 1395w-4(a)) is amended by adding at the end the following new paragraph:

"(5) SPECIAL RULE FOR MEDICAL DIRECTION.—

"(A) IN GENERAL.—With respect to physicians' services furnished on or after January 1, 1994, and consisting of medical direction of two, three, or four concurrent anesthesia cases, the fee schedule amount to be applied shall not exceed one-half of the amount described in subparagraph (B).

"(B) AMOUNT.—The amount described in this subparagraph, for a physician's medical direction of the performance of anesthesia services, is the following percentage of the fee schedule amount otherwise applicable under this section if the anesthesia services were personally performed by the physician alone:

"(i) For services furnished during 1994, 120 percent.

"(ii) For services furnished during 1995, 115 percent.

"(iii) For services furnished during 1996, 110 percent.

"(iv) For services furnished during 1997, 105 percent.

"(v) For services furnished after 1997, 100 percent."

(2) ELIMINATION OF REDUCTION FOR MEDICAL DIRECTION OF MULTIPLE NURSE ANESTHETISTS.—Section 1842(b) (42 U.S.C. 1395u(b)) is amended by striking paragraph (13).

(b) PAYMENT TO A CERTIFIED REGISTERED NURSE ANESTHETIST FOR MEDICALLY DIRECTED SERVICES.—Subparagraph (B) of section 1833(1)(4) (42 U.S.C. 1395l(1)(4)) is amended—

(1) in clause (i), by inserting "and before January 1, 1994," after "1991";

(2) in clause (ii)—

(A) by adding "and" at the end of subclause (II),

(B) by striking the comma at the end of subclause (III) and inserting a period, and

(C) by striking subclauses (IV) through (VII); and

(3) by adding at the end the following new clause:

"(iii) In the case of services of a certified registered nurse anesthetist who is medically directed by a physician and that are furnished on or after January 1, 1994, the fee schedule amount shall be one-half of the amount described in section 1848(a)(5)(B) with respect to the physician."

SEC. 5005. BASING PAYMENTS FOR ANESTHESIA SERVICES ON ACTUAL TIME.

(a) **PHYSICIANS' SERVICES.**—Section 1848(b)(2)(B) (42 U.S.C. 1395w-4(b)(2)(B)) is amended by adding at the end the following: "For anesthesia services furnished on or after January 1, 1994, the Secretary may not modify the methodology in effect as of January 1, 1993, for determining the amount of time that may be billed for such services under this section."

(b) **SERVICES OF CERTIFIED REGISTERED NURSE ANESTHETISTS.**—Section 1833(1)(1)(B) (42 U.S.C. 13951(1)(1)(B)) is amended by adding at the end the following: "For anesthesia services furnished on or after January 1, 1994, the Secretary may not modify the methodology in effect as of January 1, 1993, for determining the amount of time that may be billed for such services under this section."

SEC. 5006. SEPARATE PAYMENT FOR INTERPRETATION OF ELECTROCARDIOGRAMS.

(a) **IN GENERAL.**—Paragraph (3) of section 1848(b) (42 U.S.C. 1395w-4(b)) is amended to read as follows:

"(3) **TREATMENT OF INTERPRETATION OF ELECTROCARDIOGRAMS.**—The Secretary—

"(A) shall make separate payment under this section for the interpretation of electrocardiograms performed or ordered to be performed as part of or in conjunction with a visit to or a consultation with a physician, and

"(B) shall adjust the relative values established for visits and consultations under subsection (c) so as not to include relative value units for interpretations of electrocardiograms in the relative value for visits and consultations."

(b) **ASSURING BUDGET NEUTRALITY.**—Section 1848(c)(2) (42 U.S.C. 1395w-4(c)(2)) is amended by adding at the end the following new subparagraph:

"(E) **BUDGET NEUTRALITY ADJUSTMENTS.**—The Secretary—

"(i) shall reduce the relative values for all services (other than anesthesia services) established under this paragraph (and, in the case of anesthesia services, the conversion factor established by the Secretary for such services) by such percentage as the Secretary determines to be necessary so that, beginning in 1996, the amendment made by section 5007(a) of the Omnibus Budget Reconciliation Act of 1993 would not result in expenditures under this section that exceed the amount of such expenditures that would have been made if such amendment had not been made, and

"(ii) shall reduce the amounts determined under subsection (a)(2)(B)(i)(I) by such percentage as the Secretary determines to be required to assure that, taking into account the reductions made under clause (i), the amendment made by section 5007(a) of the Omnibus Budget Reconciliation Act of 1993 would not result in expenditures under this section in 1994 that exceed the amount of such expenditures that would have been made if such amendment had not been made."

(c) **CONFORMING AMENDMENTS.**—Section 1848 (42 U.S.C. 1395w-4) is amended—

(1) in subsection (a)(2)(B)(ii)(I), by inserting "and as adjusted under subsection (c)(2)(E)(ii)" after "for 1994";

(2) in subsection (c)(2)(A)(i), by adding at the end the following: "Such relative values are subject to adjustment under subparagraph (E)(i)."; and

(3) in subsection (i)(1)(B), by adding at the end "including adjustments under subsection (c)(2)(E)."

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to services furnished on or after January 1, 1994.

SEC. 5007. PAYMENTS FOR NEW PHYSICIANS AND PRACTITIONERS.

(a) **EQUAL TREATMENT OF NEW PHYSICIANS AND PRACTITIONERS.**—(1) Section 1848(a) (42 U.S.C. 1395w-4(a)) is amended by striking paragraph (4).

(2) Section 1842(b)(4) (42 U.S.C. 1395u(b)(4)) is amended by striking subparagraph (F).

(b) **BUDGET NEUTRALITY ADJUSTMENT.**—Notwithstanding any other provision of law, the Secretary of Health and Human Services shall reduce the following values and amounts for 1994 (to be applied for that year and subsequent years) by such uniform percentage as the Secretary determines to be required to assure that the amendments made by subsection (a) will not result in expenditures under part B of title XVIII of the Social Security Act in 1994 that exceed the amount of such expenditures that would have been made if such amendments had not been made:

(1) The relative values established under section 1848(c) of such Act for services (other than anesthesia services) and, in the case of anesthesia services, the conversion factor established under section 1848 of such Act for such services.

(2) The amounts determined under section 1848(a)(2)(B)(ii)(I) of such Act.

(3) The prevailing charges or fee schedule amounts to be applied under such part for services of a health care practitioner (as defined in section 1842(b)(4)(F)(ii)(I) of such Act, as in effect before the date of the enactment of this Act).

(c) **CONFORMING AMENDMENTS.**—Section 1848 (42 U.S.C. 1395w-4), as amended by section 5006(c), is amended—

(1) in subsection (a)(2)(B)(ii)(I), by inserting "and section 5008(b) of the Omnibus Budget Reconciliation Act of 1993" after "for 1994";

(2) in subsection (c)(2)(A)(i), by inserting "and section 5008(b) of the Omnibus Budget Reconciliation Act of 1993" after "under subparagraph (E)(i)"; and

(3) in subsection (i)(1)(B), by inserting "and section 5008(b) of the Omnibus Budget Reconciliation Act of 1993" after "under subsection (c)(2)(E)".

(d) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply to services furnished on or after January 1, 1994.

SEC. 5008. EXTRA-BILLING LIMITS.

(a) **ENFORCEMENT AND UNIFORM APPLICATION.**—

(1) **ENFORCEMENT.**—Paragraph (1) of section 1848(g) (42 U.S.C. 1395w-4(g)) is amended to read as follows:

"(1) **LIMITATION ON ACTUAL CHARGES.**—

"(A) **IN GENERAL.**—In the case of a nonparticipating physician or nonparticipating supplier or other person (as defined in section 1842(i)(2)) who does not accept payment on an assignment-related basis for a physician's service furnished with respect to an individual enrolled under this part, the following rules apply:

"(i) **APPLICATION OF LIMITING CHARGE.**—No person may bill or collect an actual charge for the service in excess of the limiting charge described in paragraph (2) for such service.

"(ii) **NO LIABILITY FOR EXCESS CHARGES.**—No person is liable for payment of any amounts billed for the service in excess of such limiting charge.

"(iii) **CORRECTION OF EXCESS CHARGES.**—If such a physician, supplier, or other person bills, but does not collect, an actual charge for a service in violation of clause (i), the physician, supplier, or other person shall reduce on a timely basis the actual charge billed for the service to an amount not to exceed the limiting charge for the service.

"(iv) **REFUND OF EXCESS COLLECTIONS.**—If such a physician, supplier, or other person collects an actual charge for a service in violation of clause (i), the physician, supplier, or other person shall provide on a timely basis a refund to the individual charged in the amount by which the amount collected exceeded the limiting charge for the service. The amount of such a refund shall be reduced to the extent the individual has an outstanding balance owed by the individual to the physician.

"(B) **SANCTIONS.**—If a physician, supplier, or other person—

"(i) knowingly and willfully bills or collects for services in violation of subparagraph (A)(i) on a repeated basis, or

"(ii) fails to comply with clause (iii) or (iv) of subparagraph (A) on a timely basis, the Secretary may apply sanctions against the physician, supplier, or other person in accordance with paragraph (2) of section 1842(j). In applying this subparagraph, paragraph (4) of such section applies in the same manner as such paragraph applies to such section and any reference in such section to a physician is deemed also to include a reference to a supplier or other person under this subparagraph.

"(C) **TIMELY BASIS.**—For purposes of this paragraph, a correction of a bill for an excess charge or refund of an amount with respect to a violation of subparagraph (A)(i) in the case of a service is considered to be provided 'on a timely basis', if the reduction or refund is made not later than 30 days after the date the physician, supplier, or other person is notified by the carrier under this part of such violation and of the requirements of subparagraph (A)."

(2) **UNIFORM APPLICATION OF EXTRA-BILLING LIMITS TO PHYSICIANS' SERVICES.**—

(A) **IN GENERAL.**—Section 1848(g)(2)(C) (42 U.S.C. 1395w-4(g)(2)(C)) is amended by inserting "or for nonparticipating suppliers or other persons" after "nonparticipating physicians".

(B) **CONFORMING DEFINITION.**—Section 1842(i)(2) (42 U.S.C. 1395u(i)(2)) is amended—

(i) by striking "and the term" and inserting "and the term"; and

(ii) by inserting before the period at the end the following: "and the term 'nonparticipating supplier or other person' means a supplier or other person (excluding a provider of services) that is not a participating physician or supplier (as defined in subsection (h)(1))".

(3) **ADDITIONAL CONFORMING AMENDMENTS.**—Section 1848 (42 U.S.C. 1395w-4) is amended—

(A) in subsection (a)(3)—

(i) by inserting "AND SUPPLIERS" after "PHYSICIANS";

(ii) by inserting "or a nonparticipating supplier or other person" after "nonparticipating physician"; and

(iii) by adding at the end the following: "In the case of physicians' services (including

services which the Secretary excludes pursuant to subsection (j)(3) of a nonparticipating physician, supplier, or other person for which payment is made under this part on a basis other than the fee schedule amount, the payment shall be based on 95 percent of the payment basis for such services furnished by a participating physician, supplier, or other person."

(B) in subsection (g)(1)(A), as amended by subsection (a), in the matter before clause (i), by inserting "(including services which the Secretary excludes pursuant to subsection (j)(3))" after "a physician's service";

(C) in subsection (g)(2)(D), by inserting "(or, if payment under this part is made on a basis other than the fee schedule under this section, 95 percent of the other payment basis)" after "subsection (a)";

(D) in subsection (g)(3)(B)—

(i) by inserting after the first sentence the following: "No person is liable for payment of any amounts billed for such a service in violation of the previous sentence."; and

(ii) in the last sentence, by striking "previous sentence" and inserting "first sentence";

(E) in subsection (h)—

(i) by inserting "or nonparticipating supplier or other person furnishing physicians' services (as defined in section 1848(j)(3))" after "physician" the first place it appears,

(ii) by inserting ", supplier, or other person" after "physician" the second place it appears, and

(iii) by inserting ", suppliers, and other persons" after "physicians" the second place it appears; and

(F) in subsection (j)(3), by inserting ", except for purposes of subsections (a)(3), (g), and (h)" after "tests and".

(b) CLARIFICATION OF MANDATORY ASSIGNMENT RULES FOR CERTAIN PRACTITIONERS.—

(1) IN GENERAL.—Section 1842(b) (42 U.S.C. 1395u(b)) is amended by adding at the end the following new paragraph:

"(19)(A) Payment for any service furnished by a practitioner described in subparagraph (C) and for which payment may be made under this part on a reasonable charge or fee schedule basis may only be made under this part on an assignment-related basis.

"(B) A practitioner described in subparagraph (C) or other person may not bill (or collect any amount from) the individual or another person for any service described in subparagraph (A), except for deductible and coinsurance amounts applicable under this part. No person is liable for payment of any amounts billed for such a service in violation of the previous sentence. If a practitioner or other person knowingly and willfully bills (or collects an amount) for such a service in violation of such sentence, the Secretary may apply sanctions against the practitioner or other person in the same manner as the Secretary may apply sanctions against a physician in accordance with section 1842(j)(2) in the same manner as such section applies with respect to a physician. Paragraph (4) of section 1842(j) shall apply in this subparagraph in the same manner as such paragraph applies to such section.

"(C) A practitioner described in this subparagraph is any of the following:

"(i) A physician assistant, nurse practitioner, or clinical nurse specialist (as defined in section 1861(aa)(5)).

"(ii) A certified registered nurse anesthetist (as defined in section 1861(bb)(2)).

"(iii) A certified nurse-midwife (as defined in section 1861(gg)(2)).

"(iv) A clinical social worker (as defined in section 1861(hh)(1)).

"(v) A clinical psychologist (as defined by the Secretary for purposes of section 1861(ii)).

"(D) For purposes of this paragraph, a service furnished by a practitioner described in subparagraph (C) includes any services and supplies furnished as incident to the service as would otherwise be covered under this part if furnished by a physician or as incident to a physician's service."

(2) CONFORMING AMENDMENTS.—

(A) Section 1833 (42 U.S.C. 1395l) is amended—

(i) in subsection (1)(5), by striking subparagraph (B) and redesignating subparagraph (C) as subparagraph (B);

(ii) by striking subsection (p); and

(iii) in subsection (r), by striking paragraph (3) and redesignating paragraph (4) as paragraph (3).

(B) Section 1842(b)(12) (42 U.S.C. 1395u(b)(12)) is amended by striking subparagraph (C).

(c) INFORMATION ON EXTRA-BILLING LIMITS.—

(1) PART OF EXPLANATION OF MEDICARE BENEFITS.—Section 1842(h)(7) (42 U.S.C. 1395u(h)(7)) is amended—

(A) by striking "and" at the end of subparagraph (B),

(B) in subparagraph (C), by striking "shall include",

(C) in subparagraph (C), by striking the period at the end and inserting ", and", and

(D) by adding at the end the following new subparagraph:

"(D) in the case of services for which the billed amount exceeds the limiting charge imposed under section 1848(g), information regarding such applicable limiting charge (including information concerning the right to a refund under section 1848(g)(1)(A)(iv))."

(2) DETERMINATIONS BY CARRIERS.—Subparagraph (G) of section 1842(b)(3) (42 U.S.C. 1395u(b)(3)) is amended to read as follows:

"(G) will, for a service that is furnished with respect to an individual enrolled under this part, that is not paid on an assignment-related basis, and that is subject to a limiting charge under section 1848(g)—

"(i) determine, prior to making payment, whether the amount billed for such service exceeds the limiting charge applicable under section 1848(g)(2);

"(ii) notify the physician, supplier, or other person periodically (but not less often than once every 30 days) of determinations that amounts billed exceeded such applicable limiting charges; and

"(iii) provide for prompt response to inquiries of physicians, suppliers, and other persons concerning the accuracy of such limiting charges for their services;"

(d) REPORT ON CHARGES IN EXCESS OF LIMITING CHARGE.—Section 1848(g)(6)(B) (42 U.S.C. 1395w-4(g)(6)(B)) is amended by inserting "the extent to which actual charges exceed limiting charges, the number and types of services involved, and the average amount of excess charges and" after "report to the Congress".

(e) MISCELLANEOUS AND TECHNICAL AMENDMENTS.—Section 1833 (42 U.S.C. 1395l) is amended—

(1) in subsection (a)(1), as amended by section 5064(e)(2)—

(A) by striking "and" before "(O)", and

(B) by inserting before the semicolon at the end the following: ", and (P) with respect to services described in clauses (i), (ii) and (iv) of section 1861(s)(2)(K), the amounts paid are subject to the provisions of section 1842(b)(12)"; and

(2) in subsection (h)(5)(D)—

(A) by striking "paragraphs (2) and (3)" and by inserting "paragraph (2)", and

(B) by adding at the end the following: "Paragraph (4) of such section shall apply in this subparagraph in the same manner as such paragraph applies to such section.".

(f) EFFECTIVE DATES.—

(1) ENFORCEMENT AND UNIFORM APPLICATION; MISCELLANEOUS AND TECHNICAL AMENDMENTS.—The amendments made by subsections (a) and (e) shall apply to services furnished on or after the date of the enactment of this Act; except that the amendments made by subsection (a) shall not apply to services of a nonparticipating supplier or other person furnished before January 1, 1994.

(2) PRACTITIONERS.—The amendments made by subsection (b) shall apply to services furnished on or after January 1, 1994.

(3) EOMBS.—The amendments made by subsection (c)(1) shall apply to explanations of benefits provided on or after January 1, 1994.

(4) CARRIER DETERMINATIONS.—The amendments made by subsection (c)(2) shall apply to contracts as of January 1, 1994.

(5) REPORT.—The amendment made by subsection (d) shall apply to reports for years beginning with 1994.

SEC. 5009. RELATIVE VALUES FOR PEDIATRIC SERVICES.

(a) IN GENERAL.—The Secretary of Health and Human Services shall fully develop, by not later than July 1, 1994, relative values for the full range of pediatric physicians' services which are consistent with the relative values developed for other physicians' services under section 1848(c) of the Social Security Act. In developing such values, the Secretary shall conduct such refinements as may be necessary to produce appropriate estimates for such relative values.

(b) STUDY.—

(1) IN GENERAL.—The Secretary shall conduct a study of the relative values for pediatric and other services to determine whether there are significant variations in the resources used in providing similar services to different populations. In conducting such study, the Secretary shall consult with appropriate organizations representing pediatricians and other physicians and physical and occupational therapists.

(2) REPORT.—Not later than July 1, 1994, the Secretary shall submit to Congress a report on the study conducted under paragraph (1). Such report shall include any appropriate recommendations regarding needed changes in coding or other payment policies to ensure that payments for pediatric services appropriately reflect the resources required to provide these services.

SEC. 5010. ANTIGENS UNDER PHYSICIAN FEE SCHEDULE.

(a) IN GENERAL.—Section 1848(j)(3) (42 U.S.C. 1395w-4(j)(3)) is amended by inserting "(2)(G)," after "(2)(D),".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to services furnished on or after January 1, 1994.

SEC. 5011. ADMINISTRATION OF CLAIMS RELATING TO PHYSICIANS' SERVICES.

(a) LIMITATION ON CARRIER USER FEES.—Section 1842(c) (42 U.S.C. 1395u(c)) is amended by adding at the end the following new paragraph:

"(4) Neither a carrier nor the Secretary may impose a fee under this title—

"(A) for the filing of claims relating to physicians' services,

"(B) for an error in filing a claim relating to physicians' services or for such a claim which is denied,

"(C) for any appeal under this title with respect to physicians' services.

"(D) for applying for (or obtaining) a unique identifier under subsection (r), or

"(E) for responding to inquiries respecting physicians' services or for providing information with respect to medical review of such services."

(b) CLARIFICATION OF PERMISSIBLE SUBSTITUTE BILLING ARRANGEMENTS.—

(1) IN GENERAL.—Clause (D) of section 1842(b)(6) (42 U.S.C. 1395u(b)(6)) is amended to read as follows: "(D) payment may be made to a physician for physicians' services (and services furnished incident to such services) furnished by a second physician to patients of the first physician if (i) the first physician is unavailable to provide the services; (ii) the services are furnished pursuant to an arrangement between the two physicians that (I) is informal and reciprocal, or (II) involves per diem or other fee-for-time compensation for such services; (iii) the services are not provided by the second physician over a continuous period of more than 60 days; and (iv) the claim form submitted to the carrier for such services includes the second physician's unique identifier (provided under the system established under subsection (r)) and indicates that the claim meets the requirements of this clause for payment to the first physician".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to services furnished on or after the first day of the first month beginning more than 60 days after the date of the enactment of this Act.

SEC. 5012. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) OVERVALUED PROCEDURES (SECTION 4101 OF OBRA-1990).—(1) Section 1842(b)(16)(B)(iii) (42 U.S.C. 1395u(b)(16)(B)(iii)) is amended—

(A) by striking "simple and subcutaneous";

(B) by striking "small" and inserting "and small";

(C) by striking "treatments;" the first place it appears and inserting "and";

(D) by striking "lobectomy";

(E) by striking "enterectomy; colectomy; cholecystectomy";

(F) by striking "transurethral resection" and inserting "and resection"; and

(G) by striking "sacral laminectomy";

(2) Section 4101(b)(2) of OBRA-1990 is amended—

(A) in the matter before subparagraph (A), by striking "1842(b)(16)" and inserting "1842(b)(16)(B)", and

(B) in subparagraph (B)—

(i) by striking "simple and subcutaneous";

(ii) by striking "(HCPCS codes 19160 and 19162)" and inserting "(HCPCS code 19160)", and

(iii) by striking all that follows "(HCPCS codes 92250" and inserting "and 92260)".

(b) RADIOLOGY SERVICES (SECTION 4102 OF OBRA-1990).—(1) Section 1834(b)(4) (42 U.S.C. 1395m(b)(4)) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively.

(2) Section 1834(b)(4)(D) (42 U.S.C. 1395m(b)(4)(D)) is amended—

(A) in the matter before clause (i), by striking "shall be determined as follows:" and inserting "shall, subject to clause (vii), be reduced to the adjusted conversion factor for the locality determined as follows:";

(B) in clause (iv), by striking "LOCAL ADJUSTMENT.—Subject to clause (vii), the conversion factor to be applied to" and inserting "ADJUSTED CONVERSION FACTOR.—The adjusted conversion factor for";

(C) in clause (vii), by striking "under this subparagraph"; and

(D) in clause (vii), by inserting "reduced under this subparagraph by" after "shall not be".

(3) Section 4102(c)(2) of OBRA-1990 is amended by striking "radiology services" and all that follows and inserting "nuclear medicine services".

(4) Section 4102(d) of OBRA-1990 is amended by striking "new paragraph" and inserting "new subparagraph".

(5) Section 1834(b)(4)(E) (42 U.S.C. 1395m(b)(4)(E)) is amended by inserting "RULE FOR CERTAIN SCANNING SERVICES.—" after "(E)".

(6) Section 1848(a)(2)(D)(iii) (42 U.S.C. 1395w-4(a)(2)(D)(iii)) is amended by striking "that are subject to section 6105(b) of the Omnibus Budget Reconciliation Act of 1989" and by striking "provided under such section" and inserting "provided under section 6105(b) of the Omnibus Budget Reconciliation Act of 1989".

(c) ANESTHESIA SERVICES (SECTION 4103 OF OBRA-1990).—(1) Section 4103(a) of OBRA-1990 is amended by striking "REDUCTION IN FEE SCHEDULE" and inserting "REDUCTION IN PREVAILING CHARGES".

(2) Section 1842(q)(1)(B) (42 U.S.C. 1395u(q)(1)(B)) is amended—

(A) in the matter before clause (i), by striking "shall be determined as follows:" and inserting "shall, subject to clause (iv), be reduced to the adjusted prevailing charge conversion factor for the locality determined as follows:"; and

(B) in clause (iii), by striking "Subject to clause (iv), the prevailing charge conversion factor to be applied in" and inserting "The adjusted prevailing charge conversion factor for";

(d) ASSISTANTS AT SURGERY (SECTION 4107 OF OBRA-1990).—(1) Section 4107(c) of OBRA-1990 is amended by inserting "(a)(1)" after "subsection".

(2) Section 4107(a)(2) of OBRA-1990 is amended by adding at the end the following: "In applying section 1848(g)(2)(D) of the Social Security Act for services of an assistant-at-surgery furnished during 1991, the recognized payment amount shall not exceed the maximum amount specified under section 1848(i)(2)(A) of such Act (as applied under this paragraph in such year)".

(e) TECHNICAL COMPONENTS OF DIAGNOSTIC SERVICES (SECTION 4108 OF OBRA-1990).—Section 1842(b) (42 U.S.C. 1395u(b)) is amended by redesignating paragraph (18), as added by section 4108(a) of OBRA-1990, as paragraph (17) and, in such paragraph, by inserting "tests specified in paragraph (14)(C)(i)," after "diagnostic laboratory tests".

(f) STATEWIDE FEE SCHEDULES (SECTION 4117 OF OBRA-1990).—Section 4117 of OBRA-1990 is amended—

(1) in subsection (a)—

(A) by striking "IN GENERAL.—", and

(B) by striking "if the" and all that follows through "1991, "; and

(2) by striking subsections (b), (c), and (d).

(g) STUDY OF AGGREGATION RULE FOR CLAIMS OF SIMILAR PHYSICIAN SERVICES (SECTION 4113 OF OBRA-1990).—Section 4113 of OBRA-1990 is amended—

(1) by inserting "of the Social Security Act" after "1869(b)(2)"; and

(2) by striking "December 31, 1992" and inserting "December 31, 1993".

(h) OTHER MISCELLANEOUS AND TECHNICAL AMENDMENTS.—(1) The heading of section 1834(f) (42 U.S.C. 1395m(f)) is amended by striking "FISCAL YEAR".

(2)(A) Section 4105(b) of OBRA-1990 is amended—

(i) in paragraph (2), by striking "amendments" and inserting "amendment"; and

(ii) in paragraph (3), by striking "amendments made by paragraphs (1) and (2)" and inserting "amendment made by paragraph (1)".

(B) Section 1848(f)(2)(C) (42 U.S.C. 1395w-4(f)(2)(C)) is amended by inserting "PERFORMANCE STANDARD RATES OF INCREASE FOR FISCAL YEAR 1991.—" after "(C)".

(C) Section 4105(d) of OBRA-1990 is amended by inserting "PUBLICATION OF PERFORMANCE STANDARD RATES.—" after "(d)".

(3) Section 1842(b)(4)(F) (42 U.S.C. 1395u(b)(4)(F)) is amended—

(A) in clause (i), by striking "prevailing charge" the first place it appears and inserting "customary charge"; and

(B) in clause (ii)(III), by striking "second, third, and fourth" and inserting "first, second, and third".

(4) Section 1842(b)(4)(F)(ii)(I) (42 U.S.C. 1395u(b)(4)(F)(ii)(I)) is amended by striking "respiratory therapist".

(5) Section 4106(c) of OBRA-1990 is amended by inserting "of the Social Security Act" after "1848(d)(1)(B)".

(6) Section 4114 of OBRA-1990 is amended by striking "patients" the second place it appears.

(7) Section 1848(e)(1)(C) (42 U.S.C. 1395w-4(e)(1)(C)) is amended by inserting "date of the" after "since the".

(8) Section 4118(f)(1)(D) of OBRA-1990 is amended by striking "is amended".

(9) Section 4118(f)(1)(N)(ii) of OBRA-1990 is amended by striking "subsection (f)(5)(A)" and inserting "subsection (f)(5)(A))".

(10) Section 1845(e) (42 U.S.C. 1395w-1(e)) is amended—

(A) by striking paragraph (2); and

(B) by redesignating paragraphs (3), (4), and (5) as paragraphs (2), (3), and (4).

(11) Section 4118(j)(2) of OBRA-1990 is amended by striking "In section" and inserting "Section".

(12)(A) Section 1848(i)(3) (42 U.S.C. 1395w-4(i)(3)) is amended by striking the space before the period at the end.

(B) Section 1834(a)(10)(B) (42 U.S.C. 1395m(a)(10)(B)) is amended by striking "as such provisions apply to physicians' services and physicians and a reasonable charge under section 1842(b)".

(i) OTHER CORRECTIONS.—(1) Effective on the date of the enactment of this Act, section 6102(d)(4) of OBRA-1989 is amended by striking all that follows the first sentence.

(2) Effective for payments for fiscal years beginning with fiscal year 1994, section 1842(c)(1) (42 U.S.C. 1395u(c)(1)) is amended—

(A) in subparagraph (A), by striking "(A) Any contract" and inserting "Any contract"; and

(B) by striking subparagraph (B).

(j) EFFECTIVE DATE.—Except as provided in subsection (i), the amendments made by this section and the provisions of this section shall take effect as if included in the enactment of OBRA-1990.

Subchapter B—Outpatient Hospital Services and Ambulatory Surgical Services

SEC. 5021. EXTENSION OF 10 PERCENT REDUCTION IN PAYMENTS FOR CAPITAL-RELATED COSTS OF OUTPATIENT HOSPITAL SERVICES.

Section 1861(v)(1)(S)(ii)(I) (42 U.S.C. 1395x(v)(1)(S)(ii)(I)) is amended by striking "fiscal year 1992, 1993, 1994, or 1995" and inserting "fiscal years 1992 through 1998".

SEC. 5022. EXTENSION OF CAP ON PAYMENTS FOR INTRAOCULAR LENSES.

(a) IN GENERAL.—Section 4151(c)(3) of OBRA-1990 is amended by striking "Decem-

ber 31, 1992" and inserting "December 31, 1994".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be effective as if included in the enactment of OBRA-1990.

SEC. 5023. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) PAYMENT AMOUNTS FOR SERVICES FURNISHED IN AMBULATORY SURGICAL CENTERS.—(1)(A) Section 1833(i)(2)(A)(i) (42 U.S.C. 1395l(i)(2)(A)(i)) is amended by striking the comma at the end and inserting the following: ", as determined in accordance with a survey (based upon a representative sample of procedures and facilities) taken not later than January 1, 1995, and every 5 years thereafter, of the actual audited costs incurred by such centers in providing such services,".

(B) Section 1833(i)(2) (42 U.S.C. 1395l(i)(2)) is amended—

(i) in the second sentence of subparagraph (A) and the second sentence of subparagraph (B), by striking "and may be adjusted by the Secretary, when appropriate,"; and

(ii) by adding at the end the following new subparagraph:

"(C) Notwithstanding the second sentence of subparagraph (A) or the second sentence of subparagraph (B), if the Secretary has not updated amounts established under such subparagraphs with respect to facility services furnished during a fiscal year (beginning with fiscal year 1996), such amounts shall be increased by the percentage increase in the consumer price index for all urban consumers (U.S. city average) as estimated by the Secretary for the 12-month period ending with the midpoint of the fiscal year involved."

(C) The second sentence of section 1833(i)(1) (42 U.S.C. 1395l(i)(1)) is amended by striking the period and inserting the following: ", in consultation with appropriate trade and professional organizations."

(2) Section 4151(c)(3) of OBRA-1990 is amended by striking "for the insertion of an intraocular lens" and inserting "for an intraocular lens inserted".

(b) ADJUSTMENTS TO PAYMENT AMOUNTS FOR NEW TECHNOLOGY INTRAOCULAR LENSES.—(1) Not later than 1 year after the date of the enactment of this Act, the Secretary of Health and Human Services (in this subsection referred to as the "Secretary") shall develop and implement a process under which interested parties may request review by the Secretary of the appropriateness of the reimbursement amount provided under section 1833(i)(2)(A)(iii) of the Social Security Act with respect to a class of new technology intraocular lenses. For purposes of the preceding sentence, an intraocular lens may not be treated as a new technology lens unless it has been approved by the Food and Drug Administration.

(2) In determining whether to provide an adjustment of payment with respect to a particular lens under paragraph (1), the Secretary shall take into account whether use of the lens is likely to result in reduced risk of intraoperative or postoperative complication or trauma, accelerated postoperative recovery, reduced induced astigmatism, improved postoperative visual acuity, more stable postoperative vision, or other comparable clinical advantages.

(3) The Secretary shall publish notice in the Federal Register from time to time (but no less often than once each year) of a list of the requests that the Secretary has received for review under this subsection, and shall provide for a 30-day comment period on the lenses that are the subjects of the requests contained in such notice. The Secretary

shall publish a notice of his determinations with respect to intraocular lenses listed in the notice within 90 days after the close of the comment period.

(4) Any adjustment of a payment amount (or payment limit) made under this subsection shall become effective not later than 30 days after the date on which the notice with respect to the adjustment is published under paragraph (3).

(c) BLEND AMOUNTS FOR AMBULATORY SURGICAL CENTER PAYMENTS.—

(1) IN GENERAL.—Subclauses (I) and (II) of section 1833(i)(3)(B)(ii) (42 U.S.C. 1395l(i)(3)(B)(ii)) are each amended—

(A) by striking "for reporting" and inserting "for portions of cost reporting"; and

(B) by striking "and on or before" and inserting "and ending on or before".

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall take effect as if included in the enactment of OBRA-1990.

Subchapter C—Durable Medical Equipment
SEC. 5031. REVISIONS TO PAYMENT RULES FOR DURABLE MEDICAL EQUIPMENT.

(a) BASING NATIONAL PAYMENT LIMITS ON MEDIAN OF LOCAL PAYMENT AMOUNTS.—

(1) INEXPENSIVE AND ROUTINELY PURCHASED ITEMS; ITEMS REQUIRING FREQUENT AND SUBSTANTIAL SERVICING.—(A) Paragraphs (2)(C)(i)(II) and (3)(C)(i)(II) of section 1834(a) (42 U.S.C. 1395m(a)) are each amended—

(i) by striking "1992" the first place it appears and inserting "1992, 1993, and 1994"; and

(ii) by striking "1992" the second place it appears and inserting "the year".

(B) Paragraphs (2)(C)(ii) and (3)(C)(ii) of section 1834(a) (42 U.S.C. 1395m(a)) are each amended—

(i) by striking "and" at the end of subclause (I);

(ii) by redesignating subclause (II) as (IV); and

(iii) by inserting after subclause (I) the following new subclauses:

"(II) for 1992 and 1993, the amount determined under this clause for the preceding year increased by the covered item update for such subsequent year.

"(III) for 1994, the local payment amount determined under clause (i) for such item or device for that year, except that the national limited payment amount may not exceed 100 percent of the median of all local payment amounts determined under such clause for such item for that year and may not be less than 85 percent of the median of all local payment amounts determined under such clause for such item or device for that year, and"

(2) MISCELLANEOUS DEVICES AND ITEMS.—Section 1834(a)(8) (42 U.S.C. 1395m(a)(8)) is amended—

(A) in subparagraph (A)(ii)(III), by striking "1992" and inserting "1992, 1993, and 1994"; and

(B) in subparagraph (B)—

(i) by striking "and" at the end of clause (i),

(ii) by redesignating clause (ii) as (iv), and

(iii) by inserting after clause (i) the following new clauses:

"(ii) for 1992 and 1993, the amount determined under this subparagraph for the preceding year increased by the covered item update for such subsequent year;

"(iii) for 1994, the local purchase price computed under subparagraph (A)(ii) for the item for the year, except that such national limited purchase price may not exceed 100 percent of the median of all local purchase prices computed for the item under such subparagraph for the year and may not be less than 85 percent of the median of all local

purchase prices computed under such subparagraph for the item for the year; and"

(3) OXYGEN AND OXYGEN EQUIPMENT.—Section 1834(a)(9) (42 U.S.C. 1395m(a)(9)) is amended—

(A) in subparagraph (A)(ii)(II), by striking "1991 and 1992" and inserting "1991, 1992, 1993, and 1994"; and

(B) in subparagraph (B)—

(i) by striking "and" at the end of clause (i),

(ii) by redesignating clause (ii) as (iv), and

(iii) by inserting after clause (i) the following new clauses:

"(i) for 1992 and 1993, the amount determined under this subparagraph for the preceding year increased by the covered item update for such subsequent year;

"(ii) for 1994, the local monthly payment rate computed under subparagraph (A)(ii) for the item for the year, except that such national limited monthly payment rate may not exceed 100 percent of the median of all local monthly payment rates computed for the item under such subparagraph for the year and may not be less than 85 percent of the median of all local monthly payment rates computed for the item under such subparagraph for the year; and"

(b) PAYMENT FOR PROSTHETIC DEVICES AND ORTHOTICS AND PROSTHETICS.—

(1) IN GENERAL.—Section 1834(h)(2) (42 U.S.C. 1395m(h)(2)) is amended—

(A) in subparagraph (A)(i)(II), by striking "1992 or 1993" and inserting "1992, 1993, or 1994";

(B) in subparagraph (B)(ii), by striking "each subsequent year" and inserting "1993";

(C) in subparagraph (C)(iv), by striking "regional purchase price computed under subparagraph (B)" and inserting "national limited purchase price computed under subparagraph (E)";

(D) in subparagraph (D)(ii), by striking "a subsequent year" and inserting "1993"; and

(E) by adding at the end the following new subparagraph:

"(E) COMPUTATION OF NATIONAL LIMITED PURCHASE PRICE.—With respect to the furnishing of a particular item in a year, the Secretary shall compute a national limited purchase price—

"(i) for 1994, equal to the local purchase price computed under subparagraph (A)(i)(II) for the item for the year, except that such national limited purchase price may not exceed 100 percent of the median of all local purchase prices for the item computed under such subparagraph for the year, and may not be less than 85 percent of the median of all local purchase prices for the item computed under such subparagraph for the year; and

"(ii) for each subsequent year, equal to the amount determined under this subparagraph for the preceding year increased by the applicable percentage increase for such subsequent year."

(2) EXCEPTION FOR CERTAIN ITEMS.—Section 1834(h) (42 U.S.C. 1395m(h)), as amended by paragraph (1), is further amended—

(A) in paragraph (1)(B), by striking "subparagraph (C)," and inserting "subparagraphs (C) and (F)"; and

(B) by adding at the end of paragraph (2) the following new subparagraph:

"(F) EXCEPTION FOR CERTAIN ITEMS.—Payment for ostomy supplies, tracheostomy supplies, and urologicals shall be made in accordance with subparagraphs (B) and (C) of section 1834(a)(2)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to items furnished on or after January 1, 1994.

SEC. 5032. PAYMENT FOR PARENTERAL AND ENTERAL NUTRIENTS, SUPPLIES, AND EQUIPMENT DURING 1994.

In determining the amount of payment under part B of title XVIII of the Social Security Act during 1994, the charges determined to be reasonable with respect to parenteral and enteral nutrients, supplies, and equipment may not exceed the charges determined to be reasonable with respect to such nutrients, supplies, and equipment during 1993.

SEC. 5033. TREATMENT OF NEBULIZERS AND ASPIRATORS.

(a) IN GENERAL.—Section 1834(a)(3)(A) (42 U.S.C. 1395m(a)(3)(A)) is amended by striking "ventilators, aspirators, IPPB machines, and nebulizers" and inserting "ventilators and IPPB machines".

(b) PAYMENT FOR ACCESSORIES RELATING TO NEBULIZERS AND ASPIRATORS.—Section 1834(a)(2)(A) (42 U.S.C. 1395m(a)) is amended—

(1) by striking "or" at the end of clause (i),

(2) by adding "or" at the end of clause (ii), and

(3) by inserting after clause (ii) the following new clause:

"(iii) which is an accessory used in conjunction with a nebulizer or aspirator."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to items furnished on or after January 1, 1994.

SEC. 5034. CERTIFICATION OF SUPPLIERS.

(a) REQUIREMENTS.—

(1) IN GENERAL.—Section 1834 (42 U.S.C. 1395m) is amended by adding at the end the following new subsection:

"(i) REQUIREMENTS FOR SUPPLIERS OF MEDICAL EQUIPMENT AND SUPPLIES.—

"(I) ISSUANCE AND RENEWAL OF SUPPLIER NUMBER.—

"(A) PAYMENT.—Except as provided in subparagraph (C), no payment may be made under this part after October 1, 1994, for items furnished by a supplier of medical equipment and supplies unless such supplier obtains (and renews at such intervals as the Secretary may require) a supplier number.

"(B) STANDARDS FOR POSSESSING A SUPPLIER NUMBER.—A supplier may not obtain a supplier number unless—

"(i) for medical equipment and supplies furnished on or after October 1, 1994, and before January 1, 1996, the supplier meets standards prescribed by the Secretary; and

"(ii) for medical equipment and supplies furnished on or after January 1, 1996, the supplier meets revised standards prescribed by the Secretary (in consultation with representatives of suppliers of medical equipment and supplies, carriers, and consumers) that shall include requirements that the supplier—

"(I) comply with all applicable State and Federal licensure and regulatory requirements;

"(II) maintain a physical facility on an appropriate site;

"(III) have proof of appropriate liability insurance; and

"(IV) meet such other requirements as the Secretary may specify.

"(C) EXCEPTION FOR ITEMS FURNISHED AS INCIDENT TO A PHYSICIAN'S SERVICE.—Subparagraph (A) shall not apply with respect to medical equipment and supplies furnished as an incident to a physician's service.

"(D) PROHIBITION AGAINST MULTIPLE SUPPLIER NUMBERS.—The Secretary may not issue more than one supplier number to any supplier of medical equipment and supplies unless the issuance of more than one number is appropriate to identify subsidiary or regional entities under the supplier's ownership or control.

"(E) PROHIBITION AGAINST DELEGATION OF SUPPLIER DETERMINATIONS.—The Secretary may not delegate (other than by contract under section 1842) the responsibility to determine whether suppliers meet the standards necessary to obtain a supplier number.

"(2) CERTIFICATES OF MEDICAL NECESSITY.—

"(A) STANDARDIZED CERTIFICATES.—Not later than October 1, 1994, the Secretary shall, in consultation with carriers under this part, develop one or more standardized certificates of medical necessity (as defined in subparagraph (C)) for medical equipment and supplies for which the Secretary determines that such a certificate is necessary.

"(B) PROHIBITION AGAINST DISTRIBUTION BY SUPPLIERS OF CERTIFICATES OF MEDICAL NECESSITY.—

"(i) IN GENERAL.—Except as provided in clause (ii), a supplier of medical equipment and supplies may not distribute to physicians or to individuals entitled to benefits under this part for commercial purposes any completed or partially completed certificates of medical necessity on or after October 1, 1994.

"(ii) EXCEPTION FOR CERTAIN BILLING INFORMATION.—Clause (i) shall not apply with respect to a certificate of medical necessity for any item that is not contained on the list of potentially overused items developed by the Secretary under subsection (a)(15)(A) to the extent that such certificate contains only information completed by the supplier of medical equipment and supplies identifying such supplier and the beneficiary to whom such medical equipment and supplies are furnished, a description of such medical equipment and supplies, any product code identifying such medical equipment and supplies, and any other administrative information (other than information relating to the beneficiary's medical condition) identified by the Secretary. In the event a supplier provides a certificate of medical necessity containing information permitted under this clause, such certificate shall also contain the fee schedule amount and the supplier's charge for the medical equipment or supplies being furnished prior to distribution of such certificate to the physician.

"(iii) PENALTY.—Any supplier of medical equipment and supplies who knowingly and willfully distributes a certificate of medical necessity in violation of clause (i) is subject to a civil money penalty in an amount not to exceed \$1,000 for each such certificate of medical necessity so distributed. The provisions of section 1128A (other than subsections (a) and (b)) shall apply to civil money penalties under this subparagraph in the same manner as they apply to a penalty or proceeding under section 1128A(a).

"(C) DEFINITION.—For purposes of this paragraph, the term "certificate of medical necessity" means a form or other document containing information required by the Secretary to be submitted to show that a covered item is reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member.

"(3) COVERAGE AND REVIEW CRITERIA.—

"(A) DEVELOPMENT AND ESTABLISHMENT.—Not later than January 1, 1996, the Secretary, in consultation with representatives of suppliers of medical equipment and supplies, individuals enrolled under this part, and appropriate medical specialty societies, shall develop and establish uniform national coverage and utilization review criteria for 200 items of medical equipment and supplies selected in accordance with the standards described in subparagraph (B). The Secretary

shall publish the criteria as part of the instructions provided to fiscal intermediaries and carriers under this part and no further publication, including publication in the Federal Register, shall be required.

"(B) STANDARDS FOR SELECTING ITEMS SUBJECT TO CRITERIA.—The Secretary may select an item for coverage under the criteria developed and established under subparagraph (A) if the Secretary finds that—

"(i) the item is frequently purchased or rented by beneficiaries;

"(ii) the item is frequently subject to a determination that such item is not medically necessary; or

"(iii) the coverage or utilization criteria applied to the item (as of the date of the enactment of this subsection) is not consistent among carriers.

"(C) ANNUAL REVIEW AND EXPANSION OF ITEMS SUBJECT TO CRITERIA.—The Secretary shall annually review the coverage and utilization of items of medical equipment and supplies to determine whether items not included among the items selected under subparagraph (A) should be made subject to uniform national coverage and utilization review criteria, and, if appropriate, shall develop and apply such criteria to such additional items.

"(4) DEFINITION.—The term "medical equipment and supplies" means—

"(A) durable medical equipment (as defined in section 1861(n));

"(B) prosthetic devices (as described in section 1861(s)(8));

"(C) orthotics and prosthetics (as described in section 1861(s)(9));

"(D) surgical dressings (as described in section 1861(s)(5));

"(E) such other items as the Secretary may determine; and

"(F) for purposes of paragraphs (1) and (3)—

"(i) home dialysis supplies and equipment (as described in section 1861(s)(2)(F)), and

"(ii) immunosuppressive drugs (as described in section 1861(s)(2)(J))."

(2) CONFORMING AMENDMENT.—Effective October 1, 1994, paragraph (16) of section 1834(a) (42 U.S.C. 1395m(a)) is repealed.

(b) REPORT ON EFFECT OF UNIFORM CRITERIA ON UTILIZATION OF ITEMS.—Not later than July 1, 1996, the Secretary shall submit a report to the Committee on Ways and Means and the Committee on Energy and Commerce of the House of Representatives and the Committee on Finance of the Senate analyzing the impact of the uniform criteria established under section 1834(i)(3)(A) of the Social Security Act (as added by subsection (a)) on the utilization of items of medical equipment and supplies by individuals enrolled under part B of the Medicare program.

(c) USE OF COVERED ITEMS BY DISABLED BENEFICIARIES.—

(1) IN GENERAL.—The Secretary of Health and Human Services, in consultation with representatives of suppliers of durable medical equipment under part B of the Medicare program and individuals entitled to benefits under such program on the basis of disability, shall conduct a study of the effects of the methodology for determining payments for items of such equipment under such part on the ability of such individuals to obtain items of such equipment, including customized items.

(2) REPORT.—Not later than one year after the date of the enactment of this Act, the Secretary shall submit a report to Congress on the study conducted under paragraph (1), and shall include in the report such recommendations as the Secretary considers appropriate to assure that disabled Medicare

beneficiaries have access to items of durable medical equipment.

(d) **CRITERIA FOR TREATMENT OF ITEMS AS PROSTHETICS DEVICES OR ORTHOTICS AND PROSTHETICS.**—Not later than one year after the date of the enactment of this Act, the Secretary of Health and Human Services shall submit a report to the Committees on Ways and Means and Energy and Commerce of the House of Representatives and the Committee on Finance of the Senate describing prosthetic devices or orthotics and prosthetics covered under part B of the medicare program that do not require individualized or custom fitting and adjustment to be used by a patient. Such report shall include recommendations for an appropriate methodology for determining the amount of payment for such items under such program.

SEC. 5035. PROHIBITION AGAINST CARRIER FORUM SHOPPING.

(a) **IN GENERAL.**—Section 1834(a)(12) (42 U.S.C. 1395m(a)(12)) is amended to read as follows:

“(12) **USE OF CARRIERS TO PROCESS CLAIMS.**—

“(A) **DESIGNATION OF REGIONAL CARRIERS.**—The Secretary may designate, by regulation under section 1842, one carrier for one or more entire regions to process all claims within the region for covered items under this section.

“(B) **PROHIBITION AGAINST CARRIER SHOPPING.**—(i) No supplier of a covered item may present or cause to be presented a claim for payment under this part unless such claim is presented to the appropriate regional carrier (as designated by the Secretary).

“(ii) For purposes of clause (i), the term ‘appropriate regional carrier’ means the carrier having jurisdiction over the geographic area that includes the permanent residence of the patient to whom the item is furnished.”

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to items furnished on or after October 1, 1993.

(c) **CLARIFICATION OF AUTHORITY TO DESIGNATE CARRIERS FOR OTHER ITEMS AND SERVICES.**—Nothing in this subsection or the amendment made by this subsection may be construed to restrict the authority of the Secretary of Health and Human Services to designate regional carriers or modify claims jurisdiction rules with respect to items or services under part B of the medicare program that are not covered items under section 1834(a) of the Social Security Act or prosthetic devices or orthotics and prosthetics under section 1834(h) of such Act.

SEC. 5036. RESTRICTIONS ON CERTAIN MARKET-ING AND SALES ACTIVITIES.

(a) **PROHIBITING UNSOLICITED TELEPHONE CONTACTS FROM SUPPLIERS OF DURABLE MEDICAL EQUIPMENT TO MEDICARE BENEFICIARIES.**—

(1) **IN GENERAL.**—Section 1834(a) (42 U.S.C. 1395m(a)) is amended by adding at the end the following new paragraph:

“(17) **PROHIBITION AGAINST UNSOLICITED TELEPHONE CONTACTS BY SUPPLIERS.**—

“(A) **IN GENERAL.**—A supplier of a covered item under this subsection may not contact an individual enrolled under this part by telephone regarding the furnishing of a covered item to the individual (other than a covered item the supplier has already furnished to the individual) unless—

“(i) the individual gives permission to the supplier to make contact by telephone for such purpose; or

“(ii) the supplier has furnished a covered item under this subsection to the individual during the 15-month period preceding the

date on which the supplier contacts the individual for such purpose.

“(B) **PROHIBITING PAYMENT FOR ITEMS FURNISHED SUBSEQUENT TO UNSOLICITED CONTACTS.**—If a supplier knowingly contacts an individual in violation of subparagraph (A), no payment may be made under this part for any item subsequently furnished to the individual by the supplier.

“(C) **EXCLUSION FROM PROGRAM FOR SUPPLIERS ENGAGING IN PATTERN OF UNSOLICITED CONTACTS.**—If a supplier knowingly contacts individuals in violation of subparagraph (A) to such an extent that the supplier's conduct establishes a pattern of contacts in violation of such subparagraph, the Secretary shall exclude the supplier from participation in the programs under this Act, in accordance with the procedures set forth in subsections (c), (f), and (g) of section 1128.”

(2) **REQUIRING REFUND OF AMOUNTS COLLECTED FOR DISALLOWED ITEMS.**—Section 1834(a) (42 U.S.C. 1395m(a)), as amended by paragraph (1), is amended by adding at the end the following new paragraph:

“(18) **REFUND OF AMOUNTS COLLECTED FOR CERTAIN DISALLOWED ITEMS.**—

“(A) **IN GENERAL.**—If a nonparticipating supplier furnishes to an individual enrolled under this part a covered item for which no payment may be made under this part by reason of paragraph (17)(B), the supplier shall refund on a timely basis to the patient (and shall be liable to the patient for) any amounts collected from the patient for the item, unless—

“(i) the supplier establishes that the supplier did not know and could not reasonably have been expected to know that payment may not be made for the item by reason of paragraph (17)(B), or

“(ii) before the item was furnished, the patient was informed that payment under this part may not be made for that item and the patient has agreed to pay for that item.

“(B) **SANCTIONS.**—If a supplier knowingly and willfully fails to make refunds in violation of subparagraph (A), the Secretary may apply sanctions against the supplier in accordance with section 1842(j)(2).

“(C) **NOTICE.**—Each carrier with a contract in effect under this part with respect to suppliers of covered items shall send any notice of denial of payment for covered items by reason of paragraph (17)(B) and for which payment is not requested on an assignment-related basis to the supplier and the patient involved.

“(D) **TIMELY BASIS DEFINED.**—A refund under subparagraph (A) is considered to be on a timely basis only if—

“(i) in the case of a supplier who does not request reconsideration or seek appeal on a timely basis, the refund is made within 30 days after the date the supplier receives a denial notice under subparagraph (C), or

“(ii) in the case in which such a reconsideration or appeal is taken, the refund is made within 15 days after the date the supplier receives notice of an adverse determination on reconsideration or appeal.”

(b) **CONFORMING AMENDMENT.**—Section 1834(h)(3) (42 U.S.C. 1395m(h)(3)) is amended by striking “Paragraph (12)” and inserting “Paragraphs (12) and (17)”.

(c) **EFFECTIVE DATE.**—The amendments made by subsections (a) and (b) shall apply to items furnished after the expiration of the 60-day period that begins on the date of the enactment of this Act.

SEC. 5037. KICKBACK CLARIFICATION.

(a) **IN GENERAL.**—Section 1128B(b)(3)(B) (42 U.S.C. 1320a-7b(b)(3)(B)) is amended by inserting before the semicolon the following:

“(except that in the case of a contract supply arrangement between any entity and a supplier of medical supplies and equipment (as defined in section 1834(i)(4), but not including items described in subparagraph (F) of such section), such employment shall not be considered bona fide to the extent that it includes tasks of a clerical and cataloging nature in transmitting to suppliers assignment rights of individuals eligible for benefits under part B of title XVIII, or performance of warehousing or stock inventory functions)”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply with respect to services furnished on or after the first day of the first month that begins after the expiration of the 60-day period beginning on the date of the enactment of this Act.

SEC. 5038. BENEFICIARY LIABILITY FOR NONCOVERED SERVICES.

(a) **UNASSIGNED CLAIMS.**—

(1) **IN GENERAL.**—Section 1834(i) (42 U.S.C. 1395m(i)), as added by section 5034(a)(1), is amended—

(A) by redesignating paragraph (4) as paragraph (5), and

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

“(4) **LIMITATION ON PATIENT LIABILITY.**—If a supplier of medical equipment and supplies (as defined in paragraph (5))—

“(A) furnishes an item or service to a beneficiary for which no payment may be made by reason of paragraph (1);

“(B) furnishes an item or service to a beneficiary for which payment is denied in advance under subsection (a)(15); or

“(C) furnishes an item or service to a beneficiary for which payment is denied under section 1862(a)(1);

any expenses incurred for items and services furnished to an individual by such a supplier not on an assigned basis shall be the responsibility of such supplier. The individual shall have no financial responsibility for such expenses and the supplier shall refund on a timely basis to the individual (and shall be liable to the individual for) any amounts collected from the individual for such items or services. The provisions of subsection (a)(18) shall apply to refunds required under the previous sentence in the same manner as such provisions apply to refunds under such subsection.”

(2) **CONFORMING AMENDMENT.**—Section 1128B(b)(3)(B) (42 U.S.C. 1320a-7b(b)(3)(B)), as amended by section 5037(a), is amended by striking “1834(i)(4)” and inserting “1834(i)(5)”.

(b) **ASSIGNED CLAIMS.**—Section 1879 (42 U.S.C. 1395pp) is amended by adding at the end the following new subsection:

“(h) If a supplier of medical equipment and supplies (as defined in section 1834(i)(4))—

“(1) furnishes an item or service to a beneficiary for which no payment may be made by reason of section 1834(i)(1); or

“(2) furnishes an item or service to a beneficiary for which payment is denied in advance under section 1834(a)(15);

any expenses incurred for items and services furnished to an individual by such a supplier on an assignment-related basis shall be the responsibility of such supplier. The individual shall have no financial responsibility for such expenses and the supplier shall refund on a timely basis to the individual (and shall be liable to the individual for) any amounts collected from the individual for such items or services. The provisions of section 1834(a)(18) shall apply to refunds required under the previous sentence in the same manner as such provisions apply to refunds under such section.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to items or services furnished on or after October 1, 1994.

SEC. 5039. ADJUSTMENTS FOR INHERENT REASONABLENESS.

(a) ADJUSTMENTS MADE TO FINAL PAYMENT AMOUNTS.—

(1) IN GENERAL.—Section 1834(a)(10)(B) (42 U.S.C. 1395m(a)(10)(B)) is amended by adding at the end the following: "In applying such provisions to payments for an item under this subsection, the Secretary shall make adjustments to the payment basis for the item described in paragraph (1)(B) if the Secretary determines (in accordance with such provisions and on the basis of prices and costs applicable at the time the item is furnished) that such payment basis is not inherently reasonable."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect on the date of the enactment of this Act.

(b) ADJUSTMENT REQUIRED FOR CERTAIN ITEMS.—

(1) IN GENERAL.—In accordance with section 1834(a)(10)(B) of the Social Security Act (as amended by subsection (a)), the Secretary of Health and Human Services shall determine whether the payment amounts for the items described in paragraph (2) are not inherently reasonable, and shall adjust such amounts in accordance with such section if the amounts are not inherently reasonable.

(2) ITEMS DESCRIBED.—The items referred to in paragraph (1) are decubitus care equipment, transcutaneous electrical nerve stimulators, and any other items considered appropriate by the Secretary.

SEC. 5040. PAYMENT FOR SURGICAL DRESSINGS.

(a) IN GENERAL.—Section 1834 (42 U.S.C. 1395m), as amended by section 5034(a)(1), is amended by adding at the end the following new subsection:

"(j) PAYMENT FOR SURGICAL DRESSINGS.—

"(1) IN GENERAL.—Payment under this subsection for surgical dressings (described in section 1861(s)(5)) shall be made in a lump sum amount for the purchase of the item in an amount equal to 80 percent of the lesser of—

"(A) the actual charge for the item; or
 "(B) a payment amount determined in accordance with the methodology described in subparagraphs (B) and (C) of subsection (a)(2) (except that in applying such methodology, the national limited payment amount referred to in such subparagraphs shall be initially computed based on local payment amounts using average reasonable charges for the 12-month period ending December 31, 1992, increased by the covered item updates described in such subsection for 1993 and 1994)

"(2) EXCEPTIONS.—Paragraph (1) shall not apply to surgical dressings that are—

"(A) furnished as an incident to a physician's professional service; or
 "(B) furnished by a home health agency."

(b) CONFORMING AMENDMENT.—Section 1833(a)(1) (42 U.S.C. 1395l(a)(1)), as amended by sections 5064(e)(2) and 5008(e)(1), is amended—

(1) by striking "and" before "(P)", and
 (2) by inserting before the semicolon at the end the following: ", and (Q) with respect to surgical dressings, the amounts paid shall be the amounts determined under section 1834(j)";

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to items furnished on or after January 1, 1994.

SEC. 5041. PAYMENTS FOR TENS DEVICES.

(a) IN GENERAL.—Section 1834(a)(1)(D) (42 U.S.C. 1395m(a)(1)(D)) is amended by striking

"15 percent" the second place it appears and inserting "45 percent".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to items furnished on or after January 1, 1994.

SEC. 5042. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) UPDATES TO PAYMENT AMOUNTS.—Subparagraph (A) of section 1834(a)(14) (42 U.S.C. 1395m(a)(14)) is amended to read as follows:

"(A) for 1991 and 1992, the percentage increase in the consumer price index for all urban consumers (U.S. city average) for the 12-month period ending with June of the previous year reduced by 1 percentage point; and"

(b) TREATMENT OF POTENTIALLY OVERUSED ITEMS AND ADVANCED DETERMINATIONS OF COVERAGE.—(1) Effective on the date of the enactment of this Act, section 1834(a)(15) (42 U.S.C. 1395m(a)(15)) is amended to read as follows:

"(15) SPECIAL TREATMENT FOR POTENTIALLY OVERUSED ITEMS.—

"(A) DEVELOPMENT OF LIST OF ITEMS BY SECRETARY.—The Secretary shall develop and periodically update a list of items for which payment may be made under this subsection that are potentially overused, and shall include in such list seat-lift mechanisms, transcutaneous electrical nerve stimulators, motorized scooters, decubitus care mattresses, and any such other item determined by the Secretary to be potentially overused on the basis of any of the following criteria—

"(i) the item is marketed directly to potential patients;

"(ii) the item is marketed with an offer to potential patients to waive the costs of coinsurance associated with the item or is marketed as being available at no cost to policyholders of a medicare supplemental policy (as defined in section 1882(g)(1));

"(iii) the item has been subject to a consistent pattern of overutilization; or

"(iv) a high proportion of claims for payment for such item under this part may not be made because of the application of section 1862(a)(1).

"(B) ITEMS SUBJECT TO SPECIAL CARRIER SCRUTINY.—Payment may not be made under this part for any item contained in the list developed by the Secretary under subparagraph (A) unless the carrier has subjected the claim for payment for the item to special scrutiny or has followed the procedures described in paragraph (11)(C) with respect to the item."

(2) Effective January 1, 1994, section 1834(a)(11) (42 U.S.C. 1395m(a)) is amended by adding at the end the following new subparagraph:

"(C) CARRIER DETERMINATIONS FOR CERTAIN ITEMS IN ADVANCE.—A carrier shall determine in advance whether payment for an item may not be made under this subsection because of the application of section 1862(a)(1) if—

"(i) the item is a customized item (other than inexpensive items specified by the Secretary); or

"(ii) the item is a specified covered item under subparagraph (B)."

(3) Effective for standards applied for contract years beginning after the date of the enactment of this Act, section 1842(c) (42 U.S.C. 1395u(c)), as amended by section 5011(a), is amended by adding at the end the following new paragraph:

"(5) Each contract under this section which provides for the disbursement of funds, as described in subsection (a)(1)(B), shall require the carrier to meet criteria de-

veloped by the Secretary to measure the timeliness of carrier responses to requests for payment of items described in section 1834(a)(11)(C)."

(4) Section 1834(h)(3) (42 U.S.C. 1395m(h)(3)) is amended by striking "paragraph (10) and paragraph (11)" and inserting "paragraphs (10) and (11)".

(c) STUDY OF VARIATIONS IN DURABLE MEDICAL EQUIPMENT SUPPLIER COSTS.—

(1) COLLECTION AND ANALYSIS OF SUPPLIER COST DATA.—The Administrator of the Health Care Financing Administration shall, in consultation with appropriate organizations, collect data on supplier costs of durable medical equipment for which payment may be made under part B of the medicare program, and shall analyze such data to determine the proportions of such costs attributable to the service and product components of furnishing such equipment and the extent to which such proportions vary by type of equipment and by the geographic region in which the supplier is located.

(2) DEVELOPMENT OF GEOGRAPHIC ADJUSTMENT INDEX; REPORTS.—Not later than January 1, 1995—

(A) the Administrator shall submit a report to the Committees on Energy and Commerce and Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the data collected and the analysis conducted under paragraph (1), and shall include in such report the Administrator's recommendations for a geographic cost adjustment index for suppliers of durable medical equipment under the medicare program and an analysis of the impact of such proposed index on payments under the medicare program; and

(B) the Comptroller General shall submit a report to the Committees on Energy and Commerce and Ways and Means of the House of Representatives and the Committee on Finance of the Senate analyzing on a geographic basis the supplier costs of durable medical equipment under the medicare program.

(d) OXYGEN RETESTING.—Section 1834(a)(5)(E) (42 U.S.C. 1395m(a)(5)(E)) is amended by striking "55" and inserting "56".

(e) OTHER MISCELLANEOUS AND TECHNICAL AMENDMENTS.—(1) Section 4152(a)(3) of OBRA-1990 is amended by striking "amendment made by subsection (a)" and inserting "amendments made by this subsection".

(2) Section 4152(c)(2) of OBRA-1990 is amended by striking "1395m(a)(7)(A)" and inserting "1395m(a)(7)".

(3) Section 1834(a)(7)(A)(iii)(II) (42 U.S.C. 1395m(a)(7)(A)(iii)(II)) is amended by striking "clause (v)" and inserting "clause (vi)".

(4) Section 1834(a)(7)(C)(i) (42 U.S.C. 1395m(a)(7)(C)(i)) is amended by striking "or paragraph (3)".

(5) Section 1834(a)(3) (42 U.S.C. 1395m(a)(3)) is amended by striking subparagraph (D).

(6) Section 4153(c)(1) of OBRA-1990 is amended by striking "1834(a)" and inserting "1834(h)".

(7) Section 4153(d)(2) of OBRA-1990 is amended by striking "Reconciliation" and inserting "Reconciliation".

(8)(A) Section 1834(a) (42 U.S.C. 1395m(a)) is amended by striking paragraph (6).

(B) Section 1834(a) (42 U.S.C. 1395m(a)) is amended—

(i) in subparagraphs (A) and (B) of paragraph (1), by striking "(2) through (7)" each place it appears and inserting "(2) through (5) and (7)";

(ii) in paragraph (7), by striking "(2) through (6)" and inserting "(2) through (5)";

(iii) in paragraph (8), by striking "paragraphs (6) and (7)" each place it appears in

the matter preceding subparagraph (A) and in subparagraph (C) and inserting "paragraph (7)"; and

(iv) in paragraph (8)(A)(i), by striking "described—" and all that follows and inserting "described in paragraph (7) equal to the average of the purchase prices on the claims submitted on an assignment-related basis for the unused item supplied during the 6-month period ending with December 1986."

(9) The amendments made by this subsection shall take effect as if included in the enactment of OBRA-1990.

Subchapter D—Part B Premium

SEC. 5051. PART B PREMIUM.

Section 1839(e) (42 U.S.C. 1395r(e)) is amended—

(1) in paragraph (1)(A), by inserting "and for each month in 1996 and 1997" after "January 1991", and

(2) in paragraph (2), by striking "1991" and inserting "1998".

Subchapter E—Other Provisions

SEC. 5061. TREATMENT OF INPATIENTS AND PROVISION OF DIAGNOSTIC AND THERAPEUTIC X-RAY SERVICES BY RURAL HEALTH CLINICS AND FEDERALLY QUALIFIED HEALTH CENTERS.

(a) TREATMENT OF INPATIENTS.—Section 1861(aa) (42 U.S.C. 1395x(aa)) is amended—

(1) in paragraph (1), in the matter following subparagraph (C), by striking "as an outpatient" and inserting "as a patient";

(2) in paragraph (2)(A), by striking "furnishing to outpatients" and inserting "furnishing to patients"; and

(3) in paragraph (3), in the matter following subparagraph (B), by striking "as an outpatient" and inserting "as a patient".

(b) TREATMENT OF DIAGNOSTIC AND THERAPEUTIC X-RAY SERVICES.—Section 1861(aa) (42 U.S.C. 1395x(aa)) is further amended—

(1) in paragraph (1)(A), by inserting "(i)" after "(A)" and by adding at the end the following: "and (ii) diagnostic and therapeutic x-ray services.", and

(2) in paragraph (2)(A), by striking "(A)" and inserting "(A)(i)".

(c) CONFORMING AMENDMENT.—Section 1862(a)(14) (42 U.S.C. 1395y(a)(14)) is amended by striking "and services of a certified registered nurse anesthetist" and inserting "services of a certified registered nurse anesthetist, rural health clinic services, and Federally-qualified health center services".

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1994, and shall apply to services furnished on or after such date.

SEC. 5062. APPLICATION OF MAMMOGRAPHY CERTIFICATION REQUIREMENTS.

(a) SCREENING MAMMOGRAPHY.—Section 1834(c) (42 U.S.C. 1395m(c)) is amended—

(1) in paragraph (1)(B), by striking "meets the quality standards established under paragraph (3)" and inserting "is conducted by a facility that has a certificate (or provisional certificate) issued under section 354 of the Public Health Service Act";

(2) in paragraph (1)(C)(iii), by striking "paragraph (4)" and inserting "paragraph (3)";

(3) by striking paragraph (3); and

(4) by redesignating paragraphs (4) and (5) as paragraphs (3) and (4).

(b) DIAGNOSTIC MAMMOGRAPHY.—Section 1861(s)(3) (42 U.S.C. 1395x(s)(3)) is amended by inserting "and including diagnostic mammography if conducted by a facility that has a certificate (or provisional certificate) issued under section 354 of the Public Health Service Act" after "necessary".

(c) CONFORMING AMENDMENTS.—(1) Section 1862(a)(1)(F) (42 U.S.C. 1395y(a)(1)(F)) is

amended by striking "or which does not meet the standards established under section 1834(c)(3)" and inserting "or which is not conducted by a facility described in section 1834(c)(1)(B)".

(2) Section 1863 (42 U.S.C. 1395z) is amended by striking "or whether screening mammography meets the standards established under section 1834(c)(3)".

(3) The first sentence of section 1864(a) (42 U.S.C. 1395aa(a)) is amended by striking ", or whether screening mammography meets the standards established under section 1834(c)(3)".

(4) The third sentence of section 1865(a) (42 U.S.C. 1395bb(a)) is amended by striking "1834(c)(3)".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to mammography furnished by a facility on and after the first date that the certificate requirements of section 354(b) of the Public Health Service Act apply to such mammography conducted by such facility.

SEC. 5063. ORAL CANCER DRUGS.

(a) COVERAGE OF CERTAIN SELF-ADMINISTERED ANTICANCER DRUGS.—Section 1861(s)(2) (42 U.S.C. 1395(s)(2)), as amended by section 5064(f)(7)(B), is amended—

(1) by striking "and" at the end of subparagraph (N);

(2) by adding "and" at the end of subparagraph (O); and

(3) by adding at the end the following new subparagraph:

"(P) an oral drug (which is approved by the Federal Food and Drug Administration prescribed for use as an anticancer chemotherapeutic agent for a given indication, and containing an active ingredient (or ingredients), which is the same indication and active ingredient (or ingredients) as a drug which the carrier determines would be covered pursuant to subparagraph (A) or (B) if the drug could not be self-administered;"

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to items furnished on or after January 1, 1994.

SEC. 5064. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) REVISION OF INFORMATION ON PART B CLAIMS FORMS.—Section 1833(q)(1) (42 U.S.C. 1395i(q)(1)) is amended—

(1) by striking "provider number" and inserting "unique physician identification number"; and

(2) by striking "and indicate whether or not the referring physician is an interested investor (within the meaning of section 1877(h)(5))".

(b) CONSULTATION FOR SOCIAL WORKERS.—Effective with respect to services furnished on or after January 1, 1991, section 6113(c) of OBRA-1989 is amended—

(1) by inserting "and clinical social worker services" after "psychologist services"; and

(2) by striking "psychologist" the second and third place it appears and inserting "psychologist or clinical social worker".

(c) REPORTS ON HOSPITAL OUTPATIENT PAYMENT.—(1) OBRA-1989 is amended by striking section 6137.

(2) Section 1135(d) (42 U.S.C. 1320b-5(d)) is amended—

(A) by striking paragraph (6); and

(B) in paragraph (7)—

(i) by striking "systems" each place it appears and inserting "system"; and

(ii) by striking "paragraphs (1) and (6)" and inserting "paragraph (1)".

(d) RADIOLOGY AND DIAGNOSTIC SERVICES PROVIDED IN HOSPITAL OUTPATIENT DEPARTMENTS.—(1) Effective as if included in the enactment of OBRA-1989, section

1833(n)(1)(B)(i)(II) (42 U.S.C. 1395i(n)(1)(B)(i)(II)) is amended—

(A) by striking "1989" and inserting "1989 and for services described in subsection (a)(2)(E)(ii) furnished on or after January 1, 1992"; and

(B) by striking "1842(b)" and inserting "1842(b) (or, in the case of services furnished on or after January 1, 1992, under section 1848)".

(2) Effective as if included in the enactment of OBRA-1989, section 1833(n)(1)(B)(i)(II) (42 U.S.C. 1395i(n)(1)(B)(i)(II)) is amended by striking "January 1, 1989" and inserting "April 1, 1989".

(e) PAYMENTS TO NURSE PRACTITIONERS IN RURAL AREAS (SECTION 4155 OF OBRA-1990).—(1) Section 1861(s)(2)(K)(iii) (42 U.S.C. 1395x(s)(2)(K)(iii)) is amended—

(A) by striking "subsection (aa)(3)" and inserting "subsection (aa)(5)"; and

(B) by striking "subsection (aa)(4)" and inserting "subsection (aa)(6)".

(2) Section 1833(a)(1) (42 U.S.C. 1395i(a)(1)) is amended—

(A) by striking "and" before "(N)"; and

(B) with respect to the matter inserted by section 4155(b)(2)(B) of OBRA-1990—

(i) by striking "(M)" and inserting ", and (O)", and

(ii) by transferring and inserting it (as amended) immediately before the semicolon at the end.

(3) Section 1833(r)(1) (42 U.S.C. 1395i(r)(1)) is amended—

(A) by striking "ambulatory" each place it appears and inserting "or ambulatory"; and

(B) by striking "center," and inserting "center".

(4) Section 1833(r)(2)(A) (42 U.S.C. 1395i(r)(2)(A)) is amended by striking "subsection (a)(1)(M)" and inserting "subsection (a)(1)(O)".

(5) Section 1861(b)(4) (42 U.S.C. 1395x(b)(4)) is amended by striking "subsection (s)(2)(K)(i)" and inserting "clauses (i) or (iii) of subsection (s)(2)(K)".

(6) Section 1861(aa)(5) (42 U.S.C. 1395x(aa)(5)) is amended by striking "this Act" and inserting "this title".

(7) Section 1862(a)(14) (42 U.S.C. 1395y(a)(14)) is amended by striking "1861(s)(2)(K)(i)" and inserting "1861(s)(2)(K)(i) or 1861(s)(2)(K)(iii)".

(8) Section 1866(a)(1)(H) (42 U.S.C. 1395cc(a)(1)(H)) is amended by striking "1861(s)(2)(K)(i)" and inserting "1861(s)(2)(K)(i) or 1861(s)(2)(K)(iii)".

(f) OTHER MISCELLANEOUS AND TECHNICAL AMENDMENTS.—

(1) IMMEDIATE ENROLLMENT IN PART B BY INDIVIDUALS COVERED BY AN EMPLOYMENT-BASED PLAN.—(A) Subparagraphs (A) and (B) of section 1837(i)(3) (42 U.S.C. 1395p(i)(3)) are each amended—

(i) by striking "beginning with the first day of the first month in which the individual is no longer enrolled" and inserting "including each month during any part of which the individual is enrolled"; and

(ii) by striking "and ending seven months later" and inserting "ending with the last day of the eighth consecutive month in which the individual is at no time so enrolled".

(B) Paragraphs (1) and (2) of section 1838(e) (42 U.S.C. 1395q(e)) are amended to read as follows:

"(1) in any month of the special enrollment period in which the individual is at any time enrolled in a plan (specified in subparagraph (A) or (B), as applicable, of section 1837(i)(3)) or in the first month following such a

month, the coverage period shall begin on the first day of the month in which the individual so enrolls (or, at the option of the individual, on the first day of any of the following three months), or

"(2) in any other month of the special enrollment period, the coverage period shall begin on the first day of the month following the month in which the individual so enrolls."

(C) The amendments made by subparagraphs (A) and (B) shall take effect on the first day of the first month that begins after the expiration of the 120-day period that begins on the date of the enactment of this Act.

(2) BLEND AMOUNTS FOR AMBULATORY SURGICAL CENTER PAYMENTS.—Subclauses (I) and (II) of section 1833(i)(3)(B)(ii) (42 U.S.C. 1395i(i)(3)(B)(ii)) are each amended—

(A) by striking "for reporting" and inserting "for portions of cost reporting"; and

(B) by striking "and on or before" and inserting "and ending on or before".

(3) CLINICAL DIAGNOSTIC LABORATORY TESTS (SECTION 4154 OF OBRA-1990).—Section 4154(e)(5) of OBRA-1990 is amended by striking "(1)(A)" and inserting "(1)(A)".

(4) SEPARATE PAYMENT UNDER PART B FOR CERTAIN SERVICES (SECTION 4157 OF OBRA-1990).—Section 4157(a) of OBRA-1990 is amended by striking "(a) SERVICES OF" and all that follows through "Section" and inserting "(a) TREATMENT OF SERVICES OF CERTAIN HEALTH PRACTITIONERS.—Section".

(5) COMMUNITY HEALTH CENTERS AND RURAL HEALTH CLINICS (SECTION 4161 OF OBRA-1990).—(A) The fourth sentence of section 1861(aa)(2) (42 U.S.C. 1395x(aa)(2)) is amended—

(i) by striking "certification" the first place it appears and inserting "approval"; and

(ii) by striking "the Secretary's approval or disapproval of the certification" and inserting "Secretary's approval or disapproval".

(B) Section 4161(a)(7)(B) of OBRA-1990 is amended by inserting "and to the Committee on Finance of the Senate" after "Representatives".

(6) SCREENING MAMMOGRAPHY (SECTION 4163 OF OBRA-1990).—Section 4163 of OBRA-1990 is amended—

(A) by adding at the end of subsection (d) the following new paragraph:

"(3) The amendment made by paragraph (2)(A)(iv) shall apply to screening pap smears performed on or after July 1, 1990."; and

(B) in subsection (e), by striking "The amendments" and inserting "Except as provided in subsection (d)(3), the amendments."

(7) INJECTABLE DRUGS FOR TREATMENT OF OSTEOPOROSIS.—

(A) CLARIFICATION OF DRUGS COVERED.—The section 1861(jj) (42 U.S.C. 1395x(jj)) inserted by section 4156(a)(2) of OBRA-1990 is amended—

(i) in the matter preceding paragraph (1), by striking "a bone fracture related to"; and

(ii) in paragraph (1), by striking "patient" and inserting "individual has suffered a bone fracture related to post-menopausal osteoporosis and that the individual".

(B) LIMITING COVERAGE TO DRUGS PROVIDED BY HOME HEALTH AGENCIES.—(i) The section 1861(jj) (42 U.S.C. 1395x(jj)) inserted by section 4156(a)(2) of OBRA-1990 is amended by striking "if" and inserting "by a home health agency if".

(ii) Section 1861(m)(5) (42 U.S.C. 1395x(m)(5)) is amended by striking "but excluding" and inserting "and a covered osteoporosis drug (as defined in subsection (kk), but excluding other)".

(iii) Section 1861(s)(2) (42 U.S.C. 1395x(s)(2)) is amended—

(I) by adding "and" at the end of subparagraph (N), and

(II) by striking subparagraph (O) and redesignating subparagraph (P) as subparagraph (O).

(C) PAYMENT BASED ON REASONABLE COST.—Section 1833(a)(2) (42 U.S.C. 1395i(a)(2)) is amended—

(i) in subparagraph (A), by striking "health services" and inserting "health services (other than covered osteoporosis drug (as defined in section 1861(kk)))";

(ii) by striking "and" at the end of subparagraph (D);

(iii) by striking the semicolon at the end and inserting "; and"; and

(iv) by adding at the end the following new subparagraph:

"(F) with respect to covered osteoporosis drug (as defined in section 1861(kk)) furnished by a home health agency, 80 percent of the reasonable cost of such service, as determined under section 1861(v)";

(D) APPLICATION OF PART B DEDUCTIBLE.—Section 1833(b)(2) (42 U.S.C. 1395i(b)(2)) is amended by striking "services" and inserting "services (other than covered osteoporosis drug (as defined in section 1861(kk)))".

(E) COVERED OSTEOPOROSIS DRUG (SECTION 4156 OF OBRA-1990).—Section 1861 (42 U.S.C. 1395x) is amended, in the subsection (jj) inserted by section 4156(a)(2) of OBRA-1990, by striking "(jj) The term" and inserting "(kk) The term".

(8) OTHER MISCELLANEOUS AND TECHNICAL CORRECTIONS (SECTION 4164 OF OBRA-1990).—

(A) OWNERSHIP DISCLOSURE REQUIREMENTS.—(i) Section 1124(a)(2)(A) (42 U.S.C. 1320a-3a(a)(2)(A)) is amended by striking "of the Social Security Act".

(ii) Section 4164(b)(4) of OBRA-1990 is amended by striking "paragraph" and inserting "paragraphs".

(B) DIRECTORY OF UNIQUE PHYSICIAN IDENTIFIER NUMBERS.—Section 4164(c) of OBRA-1990 is amended by striking "publish" and inserting "publish, and shall periodically update,".

(g) EFFECTIVE DATE.—Except as otherwise provided in this section, the amendments made by this section shall take effect as if included in the enactment of OBRA-1990.

CHAPTER 2—PROVISIONS RELATING TO PARTS A AND B

SEC. 5071. ELIMINATION OF ADD-ON FOR OVERHEAD OF HOSPITAL-BASED HOME HEALTH AGENCIES.

(a) GENERAL RULE.—The first sentence of section 1861(v)(1)(L)(ii) (42 U.S.C. 1395x(v)(1)(L)(ii)) is amended by striking "with appropriate adjustment for administrative and general costs of hospital-based agencies".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) applies to cost reporting periods beginning after fiscal year 1993.

SEC. 5072. STUDY AND REPORT ON MEDICARE GME PAYMENTS.

(a) STUDY.—The Secretary of Health and Human Services shall conduct a study of the methodology used to determine payments to hospitals under the medicare program for the costs of medical residency training programs and shall include in the study an analysis of the causes of variation among such programs in the per resident costs of direct graduate medical education, including the extent of support for such programs from non-hospital sources.

(b) REPORT.—Not later than 1 year after the date of the enactment of this Act, the

Secretary shall submit a report to Congress on the study conducted under subsection (a), and shall include in the report any recommendations considered appropriate by the Secretary for modifications to the methodology used to determine payments to hospitals under the medicare program for the costs of medical residency training programs that will encourage greater uniformity among medical residency training programs in the per resident costs of direct graduate medical education.

SEC. 5073. MEDICARE AS SECONDARY PAYER.

(d) UNIFORM RULES FOR SIZE OF EMPLOYER.—Section 1862(b)(1) (42 U.S.C. 1395y(b)(1)) is amended by adding at the end the following:

"(E) GENERAL PROVISIONS.—

"(i) EXCLUSION OF GROUP HEALTH PLAN OF A SMALL EMPLOYER.—Subparagraphs (A) through (C) do not apply to a group health plan unless the plan is a plan of, or contributed to by, an employer or employee organization that has 20 or more individuals in current employment status for each working day in each of 20 or more calendar weeks in the current calendar year or the preceding calendar year.

"(ii) EXCEPTION FOR SMALL EMPLOYERS IN MULTIEMPLOYER OR MULTIPLE EMPLOYER GROUP HEALTH PLANS.—Subparagraphs (A) through (C) also do not apply with respect to individuals enrolled in a multiemployer or multiple employer group health plan if the coverage of the individuals under the plan is by virtue of current employment status with an employer that does not have 20 or more individuals in current employment status for each working day in each of 20 or more calendar weeks in the current calendar year and the preceding calendar year; but the exception provided in this clause applies only if the plan elects treatment under this clause.

"(iii) APPLICATION OF CONTROLLED GROUP RULES.—For purposes of clauses (i) and (ii)—

"(I) all employees of corporations which are members of a controlled group of corporations (within the meaning of section 1563(a) of the Internal Revenue Code of 1986, determined without regard to subsection (a)(4) or (e)(3)(C)), shall be treated as employed by a single employer,

"(II) all employees of trades or businesses (whether or not incorporated) which are under common control (under regulations prescribed by the Secretary of the Treasury under section 414(c) of that Code) shall be treated as employed by a single employer,

"(III) all employees of the members of an affiliated service group (as defined in section 414(m) of that Code) shall be treated as employed by a single employer, and

"(IV) leased employees (as defined in section 414(n)(2) of that Code) shall be treated as employees of the person for whom they perform services to the extent they are so treated under section 414(n) of that Code.

In applying sections of the Internal Revenue Code of 1986 under this clause, the Secretary shall rely upon the regulations and decisions of the Secretary of the Treasury respecting such sections.

"(iv) GROUP HEALTH PLAN DEFINED.—For purposes of this subsection, the term 'group health plan' has the meaning given such term in section 5000(b) of the Internal Revenue Code of 1986, without regard to section 5000(d) of such Code.

"(v) CURRENT EMPLOYMENT STATUS DEFINED.—For purposes of this subsection, an individual has 'current employment status' with an employer if the individual is an employee, is the employer, or is associated with the employer in a business relationship.

"(vi) TREATMENT OF SELF-EMPLOYED PERSONS AS EMPLOYERS.—For purposes of this subsection, the term 'employer' includes a self-employed person."

(b) CONFORMING AMENDMENTS FOR WORKING AGED.—Section 1862(b)(1)(A) (42 U.S.C. 1395y(b)(1)(A)) is amended—

(1) by amending subclauses (I) and (II) of clause (i) to read as follows:

"(I) may not take into account that an individual (or the individual's spouse) who is covered under the plan by virtue of the individual's current employment status with an employer is entitled to benefits under this title under section 226(a), and

"(II) shall provide that any individual age 65 or over (and the individual's spouse age 65 or older) who is covered under the plan by virtue of the individual's current employment status with an employer shall be entitled to the same benefits under the plan under the same conditions as any such individual (or spouse) under age 65."

(2) by striking clauses (ii), (iii), and (v), and

(3) by redesignating clause (iv) as clause (ii).

(c) AMENDMENTS FOR DISABLED INDIVIDUALS.—Section 1862(b) (42 U.S.C. 1395y(b)) is amended—

(1) by amending the heading and clause (i) of paragraph (1)(B) to read as follows:

"(B) DISABLED INDIVIDUALS UNDER GROUP HEALTH PLANS.—

"(i) IN GENERAL.—A group health plan may not take into account that an individual (or a member of the individual's family) who is covered under the plan by virtue of the individual's current employment status with an employer is entitled to benefits under this title under section 226(b)."

(2) by striking clause (iv) of paragraph (1)(B); and

(3) in the second sentence of paragraph (2)(A), by striking "or large group health plan".

(d) AMENDMENTS FOR INDIVIDUALS WITH ESRD.—Section 1862(b)(1)(C) (42 U.S.C. 1395y(b)(1)(C)) is amended—

(1) in the matter preceding clause (i), by striking "(as defined in paragraph (A)(v))";

(2) by striking "solely" each place it appears,

(3) by striking "by reason of" and inserting "under" each place it appears, and

(4) by inserting "or eligible for" after "entitled to" each place it appears.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to items and services furnished on or after January 1, 1994.

SEC. 5074. MEDICARE HOSPITAL AGREEMENTS WITH ORGAN PROCUREMENT ORGANIZATIONS.

(a) IN GENERAL.—Section 1138(a)(1) (42 U.S.C. 1320b-8(a)(1)) is amended—

(1) by striking "and" at the end of subparagraph (A),

(2) by striking the period at the end of subparagraph (B) and inserting "; and", and

(3) by adding at the end the following new subparagraph:

"(C) in the case of a hospital or rural primary care hospital that has in effect an agreement (described in section 371(b)(3)(A) of the Public Health Service Act) with an organ procurement organization, the agreement is with such organization for the service area in which the hospital is located (as established under such section)."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to hospitals participating in the programs under titles XVIII and XIX of the Social Security Act as of January 1, 1994.

SEC. 5075. EXTENSION OF WAIVER FOR WATTS HEALTH FOUNDATION.

Section 9312(c)(3)(D) of OBRA-1986, as added by section 4018(d) of OBRA-1987 and as amended by section 6212(a)(1) of OBRA-1989, is amended by striking "1994" and inserting "1996".

SEC. 5076. IMPROVED OUTREACH FOR QUALIFIED MEDICARE BENEFICIARIES.

The Secretary of Health and Human Services shall establish and implement a method for obtaining information from newly eligible medicare beneficiaries that may be used to determine whether such beneficiaries may be eligible for medical assistance for medicare cost-sharing under State medicaid plans as qualified medicare beneficiaries, and for transmitting such information to the State in which such a beneficiary resides.

SEC. 5077. PEER REVIEW ORGANIZATIONS.

(a) REPEAL OF PRO PRECERTIFICATION REQUIREMENT FOR CERTAIN SURGICAL PROCEDURES.—

(1) IN GENERAL.—Section 1164 (42 U.S.C. 1320c-13) is repealed.

(2) CONFORMING AMENDMENTS.—

(A) Section 1154 (42 U.S.C. 1320c-3) is amended—

(i) in subsection (a), by striking paragraph (12), and

(ii) in subsection (d), by striking "(and except as provided in section 1164)".

(B) Section 1833 (42 U.S.C. 1395l) is amended—

(i) in subsection (a)(1)(D)(i), by striking ", or for tests furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion)";

(ii) in subsection (a)(1), by striking clause (G);

(iii) in subsection (a)(2)(A), by striking "to items and services (other than clinical diagnostic laboratory tests) furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion)";

(iv) in subsection (a)(2)(D)(i)—
(I) by striking "related basis," and inserting "related basis or", and

(II) by striking ", or for tests furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion)";

(v) in subsection (a)(3), by striking "and for items and services furnished in connection with obtaining a second opinion required under section 1164(c)(2), or a third opinion, if the second opinion was in disagreement with the first opinion"; and

(vi) in the first sentence of subsection (b), by striking "(4)" and all that follow through "and (5)" and inserting "and (4)".

(C) Section 1834(g)(1)(B) (42 U.S.C. 1395m(g)(1)(B)) is amended by striking "and for items and services furnished in connection with obtaining a second opinion required under section 1164(c)(2), or a third opinion, if the second opinion was in disagreement with the first opinion".

(D) Section 1862(a) (42 U.S.C. 1395y(a)) is amended—

(i) by adding "or" at the end of paragraph (14),

(ii) by striking "; or" at the end of paragraph (15) and inserting a period, and

(iii) by striking paragraph (16).

(E) The third sentence of section 1866(a)(2)(A) (42 U.S.C. 1395w(a)(2)(A)) is amended by striking ", with respect to items and services furnished in connection with ob-

taining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion)."

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to services provided on or after the date of the enactment of this Act.

(b) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—(1) The third sentence of section 1156(b)(1) (42 U.S.C. 1320c-5(b)(1)) is amended by striking "whehter" and inserting "whether".

(2)(A) Subparagraph (B) of section 1154(a)(9) (42 U.S.C. 1320c-3(a)(9)) is amended to read as follows:

"(B) If the organization finds, after reasonable notice and opportunity for discussion with the physician or practitioner concerned, that the physician or practitioner has furnished services in violation of section 1156(a), the organization shall notify the State board or boards responsible for the licensing or disciplining of the physician or practitioner of its finding and of any action taken as a result of the finding."

(B) Subparagraph (D) of section 1160(b)(1) (42 U.S.C. 1320c-9(b)(1)) is amended to read as follows:

"(D) to provide notice in accordance with section 1154(a)(9)(B)."

(3) Section 4205(d)(2)(B) of OBRA-1990 is amended by striking "amendments" and inserting "amendment".

(4) Section 1160(d) (42 U.S.C. 1320c-9(d)) is amended by striking "subpena" and inserting "subpoena".

(5) Section 4205(e)(2) of OBRA-1990 is amended by striking "amendments" and inserting "amendment" and by striking "all".

(6)(A) Except as provided in subparagraph (B), the amendments made by this subsection shall take effect as if included in the enactment of OBRA-1990.

(B) The amendments made by paragraph (2) (relating to the requirement on reporting of information to State boards) shall take effect on the date of the enactment of this Act.

SEC. 5078. HOSPICE INFORMATION TO HOME HEALTH BENEFICIARIES.

(a) IN GENERAL.—Section 1891(a)(1) (42 U.S.C. 1395bbb(a)(1)) is amended by adding at the end the following new subparagraph:

"(H) The right, in the case of a resident who is entitled to benefits under this title, to be fully informed orally and in writing (at the time of coming under the care of the agency) of the entitlement of individuals to hospice care under section 1812(a)(4) (unless there is no hospice program providing hospice care for which payment may be made under this title within the geographic area of the facility and it is not the common practice of the agency to refer patients to hospice programs located outside such geographic area)."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to services furnished on or after the first day of the first month beginning more than one year after the date of the enactment of this Act.

SEC. 5079. HEALTH MAINTENANCE ORGANIZATIONS.

(a) ADJUSTMENT IN MEDICARE CAPITATION PAYMENTS TO ACCOUNT FOR REGIONAL VARIATIONS IN APPLICATION OF SECONDARY PAYER PROVISIONS.—

(1) IN GENERAL.—Section 1876(a)(4) (42 U.S.C. 1395mm(a)(4)) is amended by adding at the end the following new sentence: "In establishing the adjusted average per capita cost for a geographic area, the Secretary shall take into account the differences between the proportion of individuals in the

area with respect to whom there is a group health plan that is a primary plan (within the meaning of section 1862(b)(2)(A)) compared to the proportion of all such individuals with respect to whom there is such a group health plan."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to contracts entered into for years beginning with 1994.

(b) REVISIONS IN THE PAYMENT METHODOLOGY FOR RISK CONTRACTORS.—Section 4204(b) of OBRA-1990 is amended to read as follows:

"(b) REVISIONS IN THE PAYMENT METHODOLOGY FOR RISK CONTRACTORS.—(1)(A) Not later than January 1, 1995, the Secretary of Health and Human Services (in this subsection referred to as the "Secretary") shall submit a proposal to the Congress that provides for revisions to the payment method to be applied in years beginning with 1996 for organizations with a risk-sharing contract under section 1876(g) of the Social Security Act.

"(B) In proposing the revisions required under subparagraph (A) the Secretary shall consider—

"(i) the difference in costs associated with medicare beneficiaries with differing health status and demographic characteristics; and

"(ii) the effects of using alternative geographic classifications on the determinations of costs associated with beneficiaries residing in different areas.

"(2) Not later than 3 months after the date of submittal of the proposal made pursuant to paragraph (1), the Comptroller General shall review the proposal and shall report to Congress on the appropriateness of the proposed modifications."

(c) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—(1) Section 1876(a)(3) (42 U.S.C. 1395mm(a)(3)) is amended by striking "subsection (c)(7)" and inserting "subsections (c)(2)(B)(ii) and (c)(7)".

(2) Section 4204(c)(3) of OBRA-1990 is amended by striking "for 1991" and inserting "for years beginning with 1991".

(3) Section 4204(d)(2) of OBRA-1990 is amended by striking "amendment" and inserting "amendments".

(4) Section 1876(a)(1)(E)(ii)(I) (42 U.S.C. 1395mm(a)(1)(E)(ii)(I)) is amended by striking the comma after "contributed to".

(5) Section 4204(e)(2) of OBRA-1990 is amended by striking "(which has a risk-sharing contract under section 1876 of the Social Security Act)".

(6) Section 4204(f)(4) of OBRA-1990 is amended by striking "final".

(7) Section 1862(b)(3)(C) (42 U.S.C. 1395y(b)(3)(C)) is amended—

(A) in the heading, by striking "PLAN" and inserting "PLAN OR A LARGE GROUP HEALTH PLAN";

(B) by striking "group health plan" and inserting "group health plan or a large group health plan";

(C) by striking ", unless such incentive is also offered to all individuals who are eligible for coverage under the plan"; and

(D) by striking "the first sentence of subsection (a) and other than subsection (b)" and inserting "subsections (a) and (b)".

(8) The amendments made by this subsection shall take effect as if included in the enactment of OBRA-1990.

SEC. 5080. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) SURVEY AND CERTIFICATION REQUIREMENTS.—(1) Section 1864 (42 U.S.C. 1395aa) is amended—

(A) in subsection (e), by striking "title" and inserting "title (other than any fee relating to section 353 of the Public Health Service Act)"; and

(B) in the first sentence of subsection (a), by striking "1861(s) or" and all that follows through "Service Act," and inserting "1861(s)".

(2) An agreement made by the Secretary of Health and Human Services with a State under section 1864(a) of the Social Security Act may include an agreement that the services of the State health agency or other appropriate State agency (or the appropriate local agencies) will be utilized by the Secretary for the purpose of determining whether a laboratory meets the requirements of section 353 of the Public Health Service Act.

(b) OTHER MISCELLANEOUS AND TECHNICAL PROVISIONS.—(1) Section 1833 (42 U.S.C. 1395l) is amended by redesignating the subsection (r) added by section 4206(b)(2) of OBRA-1990 as subsection (s).

(2) Section 1866(f)(1) (42 U.S.C. 1395cc(f)(1)) is amended by striking "1833(r)" and inserting "1833(s)".

(3) Section 1861(s)(2) (42 U.S.C. 1395x(s)(2)) is amended by moving subparagraph (O), as redesignated by section 5070(f)(7)(B)(iii)(II) of this subtitle, two ems to the left.

(4) Section 1881(b)(1)(C) (42 U.S.C. 1395rr(b)(1)(C)) is amended by striking "1861(s)(2)(Q)" and inserting "1861(s)(2)(P)".

(5) Section 4201(d)(2) of OBRA-1990 is amended by striking "(B) by striking", "(C) by striking", and "(3) by adding" and inserting "(i) by striking", "(ii) by striking", and "(B) by adding", respectively.

(6)(A) Section 4207(a)(1) of OBRA-1990 is amended by adding closing quotation marks and a period after "such review".

(B) Section 4207(a)(4) of OBRA-1990 is amended by striking "this subsection" and inserting "paragraphs (2) and (3)".

(C) Section 4207(b)(1) of OBRA-1990 is amended by striking "section 3(7)" and inserting "section 601(a)(1)".

(7) Section 4202 of OBRA-1990 is amended—

(A) in subsection (b)(1)(A), by striking "home hemodialysis staff assistant" and inserting "qualified home hemodialysis staff assistant (as described in subsection (d))";

(B) in subsection (b)(2)(B)(ii)(I), by striking "(as adjusted to reflect differences in area wage levels)";

(C) in subsection (c)(1)(A), by striking "skilled"; and

(D) in subsection (c)(1)(E), by striking "(b)(4)" and inserting "(b)(2)".

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the enactment of OBRA-1990.

Subtitle B—Medicaid Program and Other Health Care Provisions

SEC. 5100. REFERENCES IN SUBTITLE; TABLE OF CONTENTS OF SUBTITLE.

(a) AMENDMENTS TO SOCIAL SECURITY ACT.—Except as otherwise specifically provided, whenever in this subtitle an amendment 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 that section or other provision of the Social Security Act.

(b) REFERENCES TO OBRA.—In this subtitle, the terms "OBRA-1986", "OBRA-1987", "OBRA-1989", and "OBRA-1990" refer to the Omnibus Budget Reconciliation Act of 1986 (Public Law 99-509), the Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203), the Omnibus Budget Reconciliation Act of 1989 (Public Law 101-239), and the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508), respectively.

(c) TABLE OF CONTENTS OF SUBTITLE.—The table of contents of this subtitle is as follows:

Subtitle B—Medicaid Program and Other Health Care Provisions

Sec. 5100. References in subtitle; table of contents of subtitle.

CHAPTER 1—MEDICAID PROGRAM

SUBCHAPTER A—PROGRAM SAVINGS PROVISIONS

PART I—REPEAL OF MANDATE

Sec. 5101. Personal care services furnished outside the home as optional benefit.

PART II—OUTPATIENT PRESCRIPTION DRUGS

Sec. 5106. Permitting prescription drug formularies under State plans.

Sec. 5107. Elimination of special exemption from prior authorization for new drugs.

Sec. 5108. Technical corrections relating to section 4401 of OBRA-1990.

PART III—RESTRICTIONS ON DIVESTITURE OF ASSETS AND ESTATE RECOVERY

Sec. 5111. Transfer of assets.

Sec. 5112. Medicaid estate recoveries.

Sec. 5113. Closing loophole permitting wealthy individuals to qualify for medicaid.

PART IV—IMPROVEMENT IN IDENTIFICATION AND COLLECTION OF THIRD PARTY PAYMENTS

Sec. 5116. Liability of third parties to pay for care and services.

Sec. 5117. Medical child support.

PART V—ASSURING PROPER PAYMENTS TO DISPROPORTIONATE SHARE HOSPITALS

Sec. 5121. Assuring proper payments to disproportionate share hospitals.

PART VI—ELIMINATION OF ENHANCED FEDERAL MATCHING PAYMENTS

Sec. 5126. Elimination of enhanced Federal matching payments.

SUBCHAPTER B—MISCELLANEOUS PROVISIONS

PART I—ANTI-FRAUD AND ABUSE PROVISIONS

Sec. 5131. Intermediate sanctions for kick-back violations.

Sec. 5132. Requiring maintenance of effort for State medicaid fraud control units.

PART II—MANAGED CARE PROVISIONS

Sec. 5135. Medicaid managed care anti-fraud provisions.

Sec. 5136. Clarification of treatment of HMO enrollees in computing the medicaid inpatient utilization rate in qualifying hospitals as disproportionate share hospitals.

Sec. 5137. Extension of period of applicability of enrollment mix requirement to certain health maintenance organizations providing services under Dayton Area Health Plan.

Sec. 5138. Extension of medicaid waiver for Tennessee Primary Care Network.

Sec. 5139. Waiver of application of medicaid enrollment mix requirement to District of Columbia Chartered Health Plan, Inc.

Sec. 5140. Extension of Minnesota Prepaid Medicaid Demonstration Project.

Sec. 5140A. Conditioning Federal financial participation on enrollment of beneficiaries in staff or group model health maintenance organizations.

PART III—LIMITING FEDERAL MEDICAID MATCHING PAYMENT TO BONA FIDE EMERGENCY SERVICES FOR UNDOCUMENTED ALIENS

Sec. 5141. Limiting Federal medicaid matching payment to bona fide emergency services for undocumented aliens.

PART IV—MISCELLANEOUS PROVISIONS

Sec. 5144. Criteria for making determinations of denial of Federal medicaid matching payments to States.

Sec. 5145. Application of mammography certification requirements under the medicaid program.

Sec. 5146. Removal of sunset on extension of eligibility for working families.

Sec. 5147. Nursing home reform.

SUBCHAPTER C—MISCELLANEOUS AND TECHNICAL CORRECTIONS RELATING TO OBRA—1990

Sec. 5151. Effective date.

Sec. 5152. Corrections relating to section 4402 (enrollment under group health plans).

Sec. 5153. Corrections relating to section 4501 (low-income medicare beneficiaries).

Sec. 5154. Corrections relating to section 4601 (child health).

Sec. 5155. Corrections relating to section 4602 (outreach locations).

Sec. 5156. Corrections relating to section 4604 (payment for hospital services for children under 6 years of age).

Sec. 5157. Corrections relating to section 4703 (payment adjustments for disproportionate share hospitals).

Sec. 5158. Corrections relating to section 4704 (Federally-qualified health centers).

Sec. 5159. Corrections relating to section 4708 (substitute physicians).

Sec. 5160. Corrections relating to section 4711 (home and community care for frail elderly).

Sec. 5161. Corrections relating to section 4712 (community supported living arrangements services).

Sec. 5162. Correction relating to section 4713 (COBRA continuation coverage).

Sec. 5163. Correction relating to section 4716 (medicaid transition for family assistance).

Sec. 5164. Corrections relating to section 4723 (medicaid spenddown option).

Sec. 5165. Corrections relating to section 4724 (optional State disability determinations).

Sec. 5166. Correction relating to section 4732 (special rules for health maintenance organizations).

Sec. 5167. Corrections relating to section 4741 (home and community-based waivers).

Sec. 5168. Corrections relating to section 4744 (frail elderly waivers).

Sec. 5169. Corrections relating to section 4747 (coverage of HIV-positive individuals).

Sec. 5170. Correction relating to section 4751 (advance directives).

Sec. 5171. Corrections relating to section 4752 (physicians' services).

Sec. 5172. Corrections relating to section 4801 (nursing home reform).

Sec. 5173. Other technical corrections.

Sec. 5174. Corrections to designations of new provisions.

CHAPTER 2—OTHER HEALTH CARE PROGRAMS

Sec. 5181. National Vaccine Injury Compensation Program amendments.

Sec. 5182. Availability of medicaid payments for childhood vaccine replacement programs.

Sec. 5183. Miscellaneous technical corrections to Public Health Service Act provisions.

CHAPTER 1—MEDICAID PROGRAM

Subchapter A—Program Savings Provisions

PART I—REPEAL OF MANDATE

SEC. 5101. PERSONAL CARE SERVICES FURNISHED OUTSIDE THE HOME AS OPTIONAL BENEFIT.

(a) IN GENERAL.—Section 1905(a) (42 U.S.C. 1396d(a)), as amended by section 5174(c)(1), is further amended—

(1) in paragraph (7), by striking "including personal care services" and all that follows through "nursing facility";

(2) in paragraph (23), by striking "and" at the end;

(3) by redesignating paragraph (24) as paragraph (25); and

(4) by inserting after paragraph (23) the following new paragraph:

"(24) personal care services furnished to an individual who is not an inpatient or resident of a nursing facility that are (A) authorized by a physician for the individual in accordance with a plan of treatment, (B) provided by an individual who is qualified to provide such services and who is not a member of the individual's family, (C) supervised by a registered nurse, and (D) furnished in a home or other location; and"

(b) CONFORMING AMENDMENTS.—(1) Section 1902(a)(10)(C)(iv) (42 U.S.C. 1396a(a)(10)(C)(iv)), as amended by section 5174(c)(2)(A), is amended by striking "through (23)" and inserting "through (24)".

(2) Section 1902(j) (42 U.S.C. 1396a(j)), as amended by section 5174(c)(2)(B), is amended by striking "through (24)" and inserting "through (25)".

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall take effect as if included in the enactment of section 4721(a) of OBRA—90.

PART II—OUTPATIENT PRESCRIPTION DRUGS

SEC. 5106. PERMITTING PRESCRIPTION DRUG FORMULARIES UNDER STATE PLANS.

(a) ELIMINATION OF PROHIBITION AGAINST USE OF FORMULARIES.—Paragraph (54) of section 1902(a)(54) (42 U.S.C. 1396a(a)(54)) is amended to read as follows:

"(54) in the case of a State plan that provides medical assistance for covered outpatient drugs (as defined in section 1927(k)), comply with the applicable requirements of section 1927;"

(b) STANDARDS FOR FORMULARIES.—Section 1927(d) (42 U.S.C. 1396r-8(d)), as amended by sections 5107(a) and 5108(b)(4)(A)(iii), is amended—

(1) by adding at the end of paragraph (1) the following new subparagraph:

"(C) In the case of a State that establishes a formulary in accordance with paragraph (5), the State may exclude coverage of a covered outpatient drug that is not included in the formulary."; and

(2) by inserting after paragraph (4) the following new paragraph:

"(5) REQUIREMENTS FOR FORMULARIES.—A State may establish a formulary only if the following requirements are met:

"(A) The formulary is established by a committee consisting of physicians, phar-

macists, and other appropriate individuals appointed by the Governor of the State (or, at the option of the State, the State's drug use review board established under subsection (g)(3)).

"(B) Except as provided in subparagraph (C), the formulary includes the covered outpatient drugs of any manufacturer which has entered into and complies with an agreement under subsection (a).

"(C) The committee may exclude a covered outpatient drug with respect to the treatment of a specific disease or condition for an identified population (if any) only if the committee finds, based on the drug's labeling (or, in the case of a drug whose prescribed use is not approved under the Federal Food, Drug, and Cosmetic Act but is a medically accepted indication, based on information from the appropriate compendia described in subsection (k)(6)), that the excluded drug does not have a significant, clinically meaningful therapeutic advantage in terms of safety, effectiveness, or clinical outcome of such treatment for such population over other drugs included in the formulary.

"(D) With respect to a decision to exclude a covered outpatient drug from the formulary or a prescribed use of such a drug, the committee issues a written explanation of its decision that is available to the public, unless the decision was made at a meeting of the committee which was open to the public.

"(E) The manufacturer of the drug, and any person affected by the decision, may obtain a reversal of the committee's decision to exclude a covered outpatient drug from the formulary under subparagraph (C) on the ground that the decision was arbitrary and capricious, in accordance with an appeals process that is established by the State and that provides an opportunity for judicial review of such decision.

"(F) The State plan permits coverage of a drug excluded from the formulary pursuant to a prior authorization program that is consistent with paragraph (4).

"(G) The formulary meets such other requirements as the Secretary may impose."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar quarters beginning on or after October 1, 1993, without regard to whether or not regulations to carry out such amendments have been promulgated by such date.

SEC. 5107. ELIMINATION OF SPECIAL EXEMPTION FROM PRIOR AUTHORIZATION FOR NEW DRUGS.

(a) IN GENERAL.—Section 1927(d) (42 U.S.C. 1396r-8(d)), as amended by section 5108(b)(4)(A)(iii), is amended by striking paragraph (5).

(b) CONFORMING AMENDMENT.—Section 1927(d)(3) (42 U.S.C. 1396r-8(d)(3)) is amended by striking "(except with respect" and all that follows through "of this paragraph)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar quarters beginning on or after October 1, 1993, without regard to whether or not regulations to carry out such amendments have been promulgated by such date.

SEC. 5108. TECHNICAL CORRECTIONS RELATING TO SECTION 4401 OF OBRA—1990.

(a) SECTION 1903, SSA.—Paragraph (10) of section 1903(i), as inserted by section 4401(a)(1)(B) of OBRA—1990, is amended to read as follows:

"(10) with respect to covered outpatient drugs unless there is a rebate agreement in effect under section 1927 with respect to such drugs or unless section 1927(a)(3) applies;"

(b) SECTION 1927, SSA.—(1) Section 1927(a) (42 U.S.C. 1396r-8(a)) is amended—

(A) in paragraph (1)—
 (i) by amending the second sentence to read as follows: "Any such agreement entered into prior to April 1, 1991, shall be deemed to have been entered into on January 1, 1991, and the amount of the rebate under such agreement shall be calculated as if the agreement had been entered into on January 1, 1991."; and

(ii) in the third sentence, by striking "March" and inserting "April";

(B) in paragraph (2)—

(i) by striking "first", and

(ii) by striking the period at the end and inserting the following: ", except that such paragraph (and section 1903(i)(10)(A)) shall not apply to the dispensing of such a drug before April 1, 1991, if the Secretary determines that there were extenuating circumstances with respect to the first calendar quarter of 1991.";

(C) in paragraph (3), by striking "single source" and all that follows and inserting the following: "covered outpatient drugs if—

"(A) based on information provided by a beneficiary's physician, the State has made a determination that the availability of the drug is essential to the health of the beneficiary under the State plan, and the Secretary has reviewed and approved such determination; and

"(B) the drug has been given a rating of 1-A by the Food and Drug Administration.";

(D) in paragraph (4)—

(i) by striking "in compliance with" and inserting "in effect under"; and

(ii) by striking "coverage of the manufacturer's drugs" and inserting "ingredient costs of the manufacturer's covered outpatient drugs covered"; and

(E) by adding at the end the following new paragraph:

"(5) APPLICATION IN CERTAIN STATES AND TERRITORIES.—

"(A) APPLICATION IN STATES OPERATING UNDER DEMONSTRATION PROJECTS.—In the case of any State which is providing medical assistance to its residents under a waiver granted under section 1115, the Secretary shall require the State to meet the requirements of section 1902(a)(54) and of this section in the same manner as the State would be required to meet such requirements if the State had in effect a plan approved under this title.

"(B) NO APPLICATION IN COMMONWEALTHS AND TERRITORIES.—This section, and sections 1902(a)(54) and 1903(i)(10), shall only apply to a State that is one of the 50 States or the District of Columbia."

(2) Section 1927(b) (42 U.S.C. 1396r-8(b)) is amended—

(A) in paragraph (1)(A)—

(i) by striking "(or periodically in accordance with a schedule specified by the Secretary)" and inserting "(or other period specified by the Secretary)", and

(ii) by inserting "after December 31, 1990, for which payment was made" after "dispensed";

(B) in paragraph (2)(A)—

(i) by striking "calendar quarter" and "the quarter" and inserting "rebate period" and "the period", respectively,

(ii) by striking "dosage units" and inserting "units of each dosage form and strength", and

(iii) by inserting "after December 31, 1990, for which payment was made" after "dispensed";

(C) in paragraph (3)(A)—

(i) in clause (i), by striking "quarter" each place it appears and inserting "calendar quarter or other rebate period under the agreement",

(ii) in clause (i), by striking the open parenthesis before "for" and the close parenthesis after "drugs",

(iii) in clause (i), by striking "subsection (c)(2)(B) for covered outpatient drugs" and inserting "subsection (c)(1)(C) for each covered outpatient drug", and

(iv) in clause (ii), by inserting a comma after "this section" and after "1990";

(D) in paragraph (3)(B)—

(i) by striking "\$100,000" and inserting "\$10,000",

(ii) by striking "if the wholesaler" and inserting "for each instance in which the wholesaler",

(iii) by inserting "in response to such a request" after "false information", and

(iv) by striking "(with respect to amounts of penalties or additional assessments)";

(E) in paragraph (3)(C)—

(i) in clause (i), by striking "the penalty" and inserting "the rebate next required to be paid",

(ii) in clause (i), by striking "and such amount shall be paid to the Treasury, and, if" and inserting ". If",

(iii) in clause (ii), by inserting "under subparagraph (A)" after "provides false information", and

(iv) in clause (ii), by striking "Such civil money penalties are" and inserting "Any such civil money penalty shall be";

(F) in paragraph (3)(D), by striking "wholesaler," and inserting "wholesaler or the"; and

(G) in paragraph (4)(B)(iii), by adding at the end the following: "In the case of such a termination, a State may terminate coverage of the drugs affected by such termination as of the effective date of such termination without providing any advance notice otherwise required by regulation."

(3) Section 1927(c) (42 U.S.C. 1396r-8(c)) is amended—

(A) in paragraph (1) in the matter preceding subparagraph (A)—

(i) by striking the first sentence,

(ii) in the second sentence, by striking "Except as otherwise provided" and all that follows through "the Secretary" and inserting the following: "For purposes of this section, the amount of the rebate under this subsection for a rebate period", and

(iii) by inserting "(except as provided in subsection (b)(3)(C) and paragraph (2))" after "drugs shall";

(B) in paragraph (1)(A), by striking "the quarter (or other period)" and inserting "the rebate period";

(C) in subparagraph (C)—

(i) by striking "For purposes of this paragraph" and inserting "BEST PRICE DEFINED.—For purposes of this section",

(ii) by inserting "provider," after "retailer", and

(iii) by striking the semicolon at the end and inserting a period; and

(D) by striking subparagraph (D) and inserting the following:

"(D) USE OF ESTIMATED BEST PRICES DURING INITIAL YEAR OF AVAILABILITY OF DRUG.—If the Secretary determines that a manufacturer cannot determine the best price for rebate periods during the first year in which an agreement is in effect until after the end of the year, as part of the agreement the Secretary may require the manufacturer to estimate the best price for rebate periods during the year and provide an adjustment to the rebate paid to the State to take into account the difference (if any) between the best price and the estimated best price."

(4)(A) Section 1927(d) (42 U.S.C. 1396r-8(d)) is amended—

(i) in paragraph (2)—

(I) in subparagraph (A), by inserting "or loss" after "gain",

(II) by striking subparagraph (I), and

(III) by redesignating subparagraphs (J) and (K) as subparagraphs (I) and (J);

(ii) in paragraph (3)—

(I) by striking "described in paragraph (2)", and

(II) by inserting "described in paragraph (2)" after "classes of drugs";

(iii) by striking paragraph (4) and by redesignating paragraphs (5) through (7) as paragraphs (4) through (6);

(iv) in paragraph (6), as so redesignated, by striking "provided" and inserting "if"; and

(v) by striking the second sentence of paragraph (6), as so redesignated, and paragraph (8) and inserting the following:

"(7) CONSTRUCTION WITH RESPECT TO FRAUD AND ABUSE.—Nothing in this section shall be construed to restrict the authority of a State to apply sanctions under this Act against any person for fraud or abuse."

(B) Section 1927(d)(4) of the Social Security Act, as redesignated by subparagraph (A)(iii), shall first apply to drugs dispensed on or after July 1, 1991.

(5)(A) Section 1927(f) (42 U.S.C. 1396r-8(f)) is amended to read as follows:

"(f) NO REDUCTIONS IN PHARMACY REIMBURSEMENT LIMITS.—

"(1) IN GENERAL.—During the period beginning on November 5, 1990, and ending on December 31, 1994—

"(A) a State may not reduce the amount paid by the State under this title with respect to the ingredient cost of a covered outpatient drug or the dispensing fee for such a drug below the amount in effect as of November 5, 1990, and

"(B) the Secretary may not change the regulations in effect on November 5, 1990, governing the amounts described in subparagraph (A) which are eligible for Federal financial participation, to reduce the reimbursement limits described in such regulations.

"(2) CONSTRUCTION.—If the Secretary notified a State before November 5, 1990, that its payment amounts under this title with respect to the ingredient cost of a covered outpatient drug or the dispensing fee for such a drug were in excess of those permitted under regulations in effect on such date, paragraph (1)(B) shall not be construed as preventing a State from reducing payment amounts or dispensing fee in order to comply with such regulations."

(B) Not later than April 1, 1994, the Secretary of Health and Human Services shall establish an upper limit on the amount of payment which is eligible for Federal financial participation under title XIX of the Social Security Act for each multiple source drug (as defined in section 1927(k)(7)(A)(i) of such Act) for which the Food and Drug Administration has rated at least 3 formulations of such drug as therapeutically and pharmaceutically equivalent, regardless of whether all the formulations of such drug are rated as so equivalent. In establishing such a limit for a drug, the Secretary shall take into account only those formulations of the drug which the Food and Drug Administration has rated as therapeutically and pharmaceutically equivalent.

(6) Section 1927(g) (42 U.S.C. 1396r-8(g)) is amended—

(A) by amending paragraph (1) to read as follows:

"(1) REQUIREMENT FOR DRUG USE REVIEW PROGRAM.—Each State shall provide, by not later than January 1, 1993, for a drug use re-

view program for covered outpatient drugs (other than drugs dispensed to residents of nursing facilities) that—

"(i) meets the requirements of paragraph (2), and

"(ii) is intended to assure that prescriptions for such drugs are appropriate, medically necessary, and not likely to lead to adverse medical results.";

(B) in paragraph (2)—

(i) by amending the matter before subparagraph (A) to read as follows:

"(2) REQUIREMENTS.—"

(ii) by amending subparagraph (A) to read as follows:

"(A) PROSPECTIVE DRUG USE REVIEW.—Each drug use review program shall provide for a review of drug therapy before each prescription is filled or delivered to an individual receiving benefits under this title (including counseling by pharmacists) consistent with standards established by the Secretary. Nothing in this paragraph shall be construed as requiring a pharmacist to provide consultation when an individual receiving benefits under this title or caregiver of such individual refuses such consultation."

(iii) in subparagraph (C)—

(i) by striking "APPLICATION OF STANDARDS.—" and inserting "STANDARDS.—(i)",

(ii) by striking "and literature referred to in subsection (1)(B)" and inserting "described in clause (ii)",

(iii) by striking "including but not limited to" and inserting ". Such assessment shall include",

(iv) by striking "abuse/misuse and, as necessary, introduce remedial strategies," and inserting "abuse or misuse and introduce remedial strategies", and

(v) by adding at the end the following new clause:

"(ii) The compendia described in this clause are the American Hospital Formulary Service Drug Information, the United States Pharmacopeia-Drug Information, and the American Medical Association Drug Evaluations," and

(iv) by amending subparagraph (D) to read as follows:

"(D) EDUCATIONAL PROGRAM.—The program shall educate (directly or by contract) pharmacists, physicians, and other individuals prescribing or dispensing covered outpatient drugs under the State plan on common drug therapy problems in order to improve prescribing or dispensing practices."

(C) in paragraph (3)—

(i) in subparagraph (A), by striking "(hereinafter)" and all that follows and inserting "(in this paragraph referred to as the 'DUR Board')",

(ii) in subparagraph (B), by striking "51 percent" and all that follows and inserting "50 percent licensed and actively practicing physicians and at least 1/3 but not more than 50 percent licensed and actively practicing pharmacists."

(iii) by amending subparagraph (C) to read as follows:

"(C) RESPONSIBILITIES.—The responsibilities of the DUR Board shall include the following:

"(i) Carrying out retrospective drug use review pursuant to paragraph (2)(B).

"(ii) Establishing and applying standards for drug use review described in paragraph (2)(C).

"(iii) Implementing educational programs described in paragraph (2)(D).

"(iv) Conducting ongoing evaluations of the effectiveness of its programs and activities in improving the quality and safety of drug therapy for individuals receiving benefits under the State plan."; and

(D) by amending subparagraph (D) to read as follows:

"(4) ANNUAL REPORT.—Each State shall submit a report each year to the Secretary on the nature and scope of the drug use review program under this subsection. Such report shall include an estimate of cost savings resulting from operation of such program."

(7) Section 1927(h) (42 U.S.C. 1396r-8(h)) is amended to read as follows:

"(h) ENCOURAGING ELECTRONIC CLAIMS MANAGEMENT.—The Secretary shall encourage each single State agency under this title to establish, as its principal means of processing claims for covered outpatient drugs, a point-of-sale electronic claims management system for the purpose of verifying eligibility, transmitting data on claims, and assisting pharmacists and other authorized persons in applying for and receiving payment under the State plan."

(8) Section 1927(i) (42 U.S.C. 1396r-8(i)) is amended to read as follows:

"(i) ANNUAL REPORT ON REBATE PROGRAM.—Not later than May 1 of each year, the Secretary shall submit to the Committee on Finance of the Senate, the Committee on Energy and Commerce of the House of Representatives, and the Committee on Aging of the Senate a report on the operation of the rebate agreements required for covered outpatient drugs under this section in the preceding fiscal year, and shall include in the report such information in addition to the information required to be reported under section 601(d) of the Veterans Health Care Act of 1992 as the Secretary considers appropriate."

(9) Section 1927(j) (42 U.S.C. 1396r-8(j)) is amended to read as follows:

"(j) EXEMPTION FROM CERTAIN REQUIREMENTS FOR CERTAIN HEALTH MAINTENANCE ORGANIZATIONS AND HOSPITALS.—

"(1) CERTAIN HEALTH MAINTENANCE ORGANIZATIONS AND PHARMACIES.—The requirements of subsections (g) and (h) shall not apply with respect to covered outpatient drugs dispensed by—

"(A) an entity which receives payment under a prepaid capitation basis or under any other risk basis in accordance with section 1903(m)(2)(A) for services provided under the State plan; or

"(B) a pharmacy that is owned or operated by a qualified health maintenance organization (as defined in section 1310(d) of the Public Health Service Act) that operates its own prospective drug use review program."

"(2) HOSPITALS WITH INDEPENDENT FORMULARY SYSTEMS.—

"(A) IN GENERAL.—The requirements of subsections (g) and (h) shall not apply with respect to covered outpatient drugs dispensed by a hospital providing medical assistance under the State plan that dispenses such drugs under a drug formulary system."

"(B) APPLICATION OF STATE FORMULARY.—Nothing in subparagraph (A) shall be construed to permit payment to be made under the State plan for a covered outpatient drug that is included in a drug formulary but that is not included in the State formulary under subsection (d)(5).

"(3) CONSTRUCTION IN DETERMINING BEST PRICE.—Nothing in this subsection shall be construed to exclude any covered outpatient drugs subject to the provisions of this subsection from the determination of the best price (as defined in subsection (c)(1)(C)) for such drugs."

(10) Section 1927(k) (42 U.S.C. 1396r-8(k)) is amended—

(A) in paragraph (1), by striking "calendar quarter" and inserting "rebate period";

(B) in paragraph (2)—

(i) in the matter before clause (i) of subparagraph (A), strike "paragraph (5)" and insert "subparagraph (D)",

(ii) by striking "and" at the end of subparagraph (A),

(iii) by striking the period at the end of subparagraph (C) and inserting "; and"; and

(iv) by adding at the end the following new subparagraph:

"(D) a drug which may be sold without a prescription (commonly referred to as an 'over-the-counter drug'), if the drug is prescribed by a physician (or other person authorized to prescribe under State law).";

(C) in paragraph (3)—

(i) in subparagraph (E), by striking "***** emergency room visits",

(ii) in subparagraph (F), by striking "seivices" and inserting "services", and

(iii) in subparagraph (H), by inserting "services" after "dialysis";

(D) by striking paragraph (4);

(E) by amending paragraph (5) to read as follows:

"(5) MANUFACTURER.—The term 'manufacturer' means, with respect to a covered outpatient drug,—

"(A) the entity (if any) that both manufactures and distributes the drug, or

"(B) if no such entity exists, the entity that distributes the drug."

Such term does not include a wholesale distributor of the drug that does not hold a National Drug Code number for the drug or a retail pharmacy licensed under State law."

(F) in paragraph (6), by striking ", which appears" and all that follows and inserting "which is accepted by any of the compendia described in subsection (g)(2)(C)(ii).";

(G) in paragraph (7)—

(i) in subparagraph (A)(i), by striking "calendar quarter" and inserting "rebate period",

(ii) in subparagraph (A)(i), by striking "paragraph (5)" and inserting "paragraph (2)(D)",

(iii) in subparagraph (A)(ii), by inserting "or product licensing application" after "application",

(iv) in subparagraph (C)(i), by striking "pharmaceutically" and inserting "pharmaceutically", and

(v) in subparagraph (C)(iii), by striking ", provided that" and inserting "and"; and

(H) by redesignating paragraph (8) as paragraph (9) and by inserting after paragraph (7) the following new paragraph:

"(8) REBATE PERIOD.—The term 'rebate period' means, with respect to an agreement under subsection (a), a calendar quarter or other period specified with respect to the agreement under subsection (b)(1)(A) for the payment of rebates."

(d) FUNDING.—Section 4401(b)(2) of OBRA-1990 is amended by striking "75 percent," and all that follows and inserting "75 percent."

(e) DEMONSTRATION PROJECTS.—Section 4401(c)(1) of OBRA-1990 is amended—

(A) in subparagraph (A), by striking "10" and inserting "5"; and

(B) in subparagraph (C), by striking "regiment" and inserting "regimen".

(f) STUDIES.—Section 4401(d) of OBRA-1990 is amended—

(1) in paragraph (1)(A), by striking "other institutional facilities, and managed care plans" and inserting "nursing facilities, intermediate care facilities for the mentally retarded, and health maintenance organizations";

(2) in paragraph (1)(B), by striking "under this subsection" and inserting "under this paragraph";

(3) in paragraph (1)(B)(i), by striking "under this section" and inserting "under section 1927 of the Social Security Act";

(4) in paragraph (1)(B)(ii)—

(A) by striking "drug use review" and inserting "the type of drug use review that is", and

(B) by striking "under this section" and inserting "under such section";

(5) in paragraph (1)(B)(iii), by striking "under this title" and inserting "under title XIX of the Social Security Act";

(6) in paragraph (1)(C)—

(A) by striking "May 1, 1991" and inserting "May 1, 1992", and

(B) by striking "hereafter";

(7) in paragraph (2), by striking "the Committees on Aging of the Senate and House of Representatives an annual report and inserting "the Committee on Aging of the Senate a report";

(8) in paragraph (3)—

(A) in subparagraph (A), by striking ", acting in consultation with the Comptroller General,"

(B) by indenting subparagraph (B) an additional 2 ems, and

(C) in subparagraph (B)—

(i) by striking "December 31, 1991, the Secretary and the Comptroller General" and inserting "June 1, 1993, the Secretary", and

(ii) by striking "the Committees on Aging of the Senate and the House of Representatives" and inserting "the Committee on Aging of the Senate";

(9) in paragraph (4)(A), by striking "each" and by striking the semicolon and inserting a comma; and

(10) by striking paragraphs (5) and (6).

PART III—RESTRICTIONS ON DIVESTITURE OF ASSETS AND ESTATE RECOVERY

SEC. 5111. TRANSFER OF ASSETS.

(a) PERIOD OF INELIGIBILITY.—

(1) EXTENDING LOOK-BACK PERIOD TO 36 MONTHS.—Section 1917(c)(1) (42 U.S.C. 1396p(c)(1)) is amended by striking "30-month period" and inserting "36-month period".

(2) ELIMINATING 30-MONTH LIMIT ON PERIOD OF INELIGIBILITY.—The second sentence of such section is amended by striking "equal to" and all that follows and inserting the following: "equal to—

"(A) the total uncompensated value of the resources so transferred; divided by

"(B) the average monthly cost, to a private patient at the time of the application, of nursing facility services in the State or, at State option, in the community in which the individual is institutionalized."

(3) CUMULATIVE PERIODS OF INELIGIBILITY IN THE CASE OF MULTIPLE TRANSFERS.—Such sentence is further amended by inserting "(or, in the case of a transfer which occurs during a period of ineligibility attributable to a previous transfer, the first month after the end of all periods of ineligibility attributable to any previous transfer)" after "shall begin with the month in which such resources were transferred".

(b) CRITERIA FOR UNDUE HARDSHIP EXCEPTION.—Section 1917(c)(2)(D) (42 U.S.C. 1396p(c)(2)(D)) is amended to read as follows:

"(D) the State agency determines, under procedures established by the State (in accordance with standards specified by the Secretary) that the denial of eligibility would work an undue hardship (in accordance with criteria established by the Secretary)."

(c) TREATMENT OF JOINTLY HELD ASSETS.—Section 1917(c) (42 U.S.C. 1396p(c)) is further amended by adding at the end the following new paragraph:

"(6) For purposes of this subsection, in the case of an asset held by an individual in common with another person or persons in a joint tenancy or a similar arrangement, the asset (or the affected portion thereof) shall be considered to be transferred by such individual when any action is taken, either by such individual or by any other person, that reduces or eliminates such individual's ownership or control of such asset."

(d) MEDICAID QUALIFYING TRUSTS.—Section 1902(k) (42 U.S.C. 1396a(k)) is amended to read as follows:

"(k) TREATMENT OF TRUST AMOUNTS.—

"(1) IN GENERAL.—For purposes of determining an individual's eligibility for or amount of benefits under a State plan under this title, subject to paragraph (4), the following rules shall apply to a trust (which term includes, for purposes of this subsection, any similar legal instrument or device, such as an annuity) established by such individual:

"(A) REVOCABLE TRUSTS.—In the case of a revocable trust—

"(i) the corpus of the trust shall be considered resources available to the individual.

"(ii) payments from the trust to or for the benefit of the individual shall be considered income of the individual, and

"(iii) any other payments from the trust shall be considered a transfer of assets by the individual subject to section 1917(c).

"(B) IRREVOCABLE TRUSTS WHICH MAY BENEFIT GRANTOR.—In the case of an irrevocable trust, if there are any circumstances under which payment from the trust could be made to or for the benefit of the individual—

"(i) the corpus of the trust (or that portion of the corpus from which, or from the increase whereof, payment to the individual could be made) shall be considered resources available to the individual, and payments from that portion of the corpus (or increase)—

"(I) to or for the benefit of the individual, shall be considered income of the individual, and

"(II) for any other purpose, shall be considered a transfer of assets by the individual subject to the provisions of section 1917(c); and

"(ii) any portion of the trust from which (or from the income whereof) no payment could under any circumstances be made to the individual shall be considered, as of the date of establishment of the trust (or, if later, the date on which payment to the individual was foreclosed), a transfer of assets by the individual subject to section 1917(c), and payments from such portion of the trust after such date shall be disregarded.

"(C) IRREVOCABLE TRUSTS WHICH CANNOT BENEFIT GRANTOR.—In the case of an irrevocable trust, if no payment may be made from the trust under any circumstances to or for the benefit of the individual—

"(i) the corpus of the trust shall be considered, as of the date of establishment of the trust (or, if later, the date on which payment to the individual was foreclosed), a transfer of assets subject to section 1917(c), and

"(ii) payments from the trust after the date specified in clause (i) shall be disregarded.

"(2) DETERMINATION OF GRANTOR.—

"(A) TREATMENT OF ACTS BY INDIVIDUAL AND OTHERS.—For purposes of this subsection, an individual shall be considered to have established a trust if—

"(i) the individual (or the individual's spouse), or a person (including a court or administrative body) with legal authority to act in place of or on behalf of such individual

(or spouse), or any person (including any court or administrative body) acting at the direction or upon the request of such individual (or spouse), established (other than by will) such a trust, and

"(ii) assets of the individual (as defined in subparagraph (B)) were used to form all or part of the corpus of such trust.

"(B) ASSETS.—For purposes of this paragraph, assets of an individual include all income and resources of the individual and of the individual's spouse, including any income or resources which the individual (or spouse) is entitled to but does not receive because of action by the individual (or spouse), by a person (including a court or administrative body) with legal authority to act in place of or on behalf of such individual (or spouse), or by any person (including any court or administrative body) acting at the direction or upon the request of such individual (or spouse).

"(C) TRUSTS CONTAINING ASSETS OF MORE THAN ONE INDIVIDUAL.—In the case of a trust whose corpus includes assets of an individual (as determined pursuant to subparagraph (A)) and assets of any other person or persons, the provisions of this subsection shall apply to the portion of the trust attributable to the assets of the individual.

"(3) APPLICATION; RELATION TO OTHER PROVISIONS.—Subject to paragraph (4), this subsection shall apply without regard to—

"(A) the purposes for which the trust is established,

"(B) whether the trustees have or exercise any discretion under the trust,

"(C) any restrictions on when or whether distributions may be made from the trust, or

"(D) any restrictions on the use of distributions from the trust.

"(4) EXCEPTIONS AND HARDSHIP WAIVER.—

"(A) EXCEPTION FOR CERTAIN TRUSTS.—This subsection shall not apply to any of the following trusts:

"(i) A trust established for the benefit of a disabled individual (as determined under section 1614(a)(3)) by a parent, grandparent, or other representative payee of the individual.

"(ii) A trust established in a State for the benefit of an individual if—

"(I) the trust is composed only of pension, Social Security, and other income to the individual (and accumulated income in the trust),

"(II) the State will receive any amounts remaining in the trust upon the death of the individual, and

"(III) the State makes medical assistance available to individuals described in section 1902(a)(10)(A)(ii)(V), but does not make such assistance available to any group of individuals under section 1902(a)(10)(C).

"(B) SPECIAL TREATMENT OF ANNUITIES.—In this subsection, the term 'trust' includes an annuity only to such extent and in such manner as the Secretary specifies.

"(C) HARDSHIP WAIVER.—The State agency shall establish procedures (in accordance with standards specified by the Secretary) under which the agency waives the application of this subsection with respect to an individual if the individual establishes (under criteria established by the Secretary) that such application would work an undue hardship on the individual."

(e) EFFECTIVE DATE.—(1) The amendments made by this section shall apply, except as provided in this subsection, to payments under title XIX of the Social Security Act for calendar quarters beginning on or after October 1, 1993, without regard to whether or not final regulations to carry out such amendments have been promulgated by such date.

(2) The amendments made by this section shall not apply—

(A) to medical assistance provided for services furnished before October 1, 1993,

(B) with respect to resources disposed of before May 11, 1993,

(C) with respect to trusts established before May 11, 1993, or

(D) with respect to inter-spousal transfers.

SEC. 5112. MEDICAID ESTATE RECOVERIES.

(a) REQUIRING ESTABLISHMENT OF ESTATE RECOVERY PROGRAMS.—

(1) IN GENERAL.—Section 1902(a)(51) (42 U.S.C. 1396a(a)(51)) is amended by striking “and (B)” and inserting “(B) provide for an estate recovery program that meets the requirements of section 1917(b)(1), and (C)”.

(2) REQUIREMENTS FOR ESTATE RECOVERY PROGRAMS.—Section 1917(b) (42 U.S.C. 1396p(b)) is amended—

(A) in paragraph (1)—

(i) by striking “(b)(1)” and inserting “(2)”, and

(ii) by striking “(a)(1)(B)” and inserting “(a)(1)(B)(i)”;

(B) in paragraph (2), by striking “(2) Any adjustment or recovery under” and inserting “(3) Any adjustment or recovery under an estate recovery program under”; and

(C) by inserting before paragraph (2), as designated by subparagraph (A), the following:

“(b)(1) For purposes of section 1902(a)(51)(B), the requirements for an estate recovery program of a State are as follows:

“(A) The program provides for identifying and tracking (and, at the option of the State, preserving) resources (whether excluded or not) of individuals who are furnished any of the following long-term care services for which medical assistance is provided under this title:

“(i) Nursing facility services.

“(ii) Home and community-based services (as defined in section 1915(d)(5)(C)(i)).

“(iii) Services described in section 1905(a)(14) (relating to services in an institution for mental diseases).

“(iv) Home and community care provided under section 1929.

“(v) Community supported living arrangements services provided under section 1930.

“(B) The program provides for promptly ascertaining—

“(i) when such an individual dies;

“(ii) in the case of such an individual who was married at the time of death, when the surviving spouse dies; and

“(iii) at the option of the State, cases in which adjustment or recovery may not be made at the time of death because of the application of paragraph (3)(A) or paragraph (3)(B).

“(C)(i) The program provides for the collection consistent with paragraph (3) of an amount (not to exceed the amount described in clause (ii)) from—

“(I) the estate of the individual;

“(II) in the case of an individual described in subparagraph (B)(ii), from the estate of the surviving spouse; or

“(III) at the option of the State, in a case described in subparagraph (B)(iii), from the appropriate person.

“(ii) The amount described in this clause is the amount of medical assistance correctly paid under this title for long-term care services described in subparagraph (A) furnished on behalf of the individual.”.

(b) HARDSHIP WAIVER.—Section 1917(b) (42 U.S.C. 1396p(b)) is further amended by adding at the end the following new paragraph:

“(4) The State agency shall establish procedures (in accordance with standards speci-

fied by the Secretary) under which the agency waives the application of this subsection if such application would work an undue hardship (in accordance with criteria established by the Secretary).”.

(c) DEFINITION OF ESTATE.—Section 1917(b) (42 U.S.C. 1396(b)) is further amended by adding at the end the following new paragraph:

“(5) For purposes of this section, the term ‘estate’, with respect to a deceased individual, includes all real and personal property and other assets in which the individual had any legally cognizable title or interest at the time of his death, including such assets conveyed to a survivor, heir, or assign of the deceased individual through joint tenancy, survivorship, life estate, living trust, or other arrangement.”.

(d) EFFECTIVE DATE.—

(1)(A) The amendments made by subsections (a) and (b) apply (except as provided under subparagraph (B)) to payments under title XIX of the Social Security Act for calendar quarters beginning on or after October 1, 1993, without regard to whether or not final regulations or standards to carry out such amendments have been promulgated by such date.

(B) In the case of a State plan for medical assistance under title XIX of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation (other than legislation appropriating funds) in order for the plan to meet the additional requirements imposed by the amendments made by subsections (a) and (b), the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet these additional requirements before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

(2) The amendments made by this section shall not apply to individuals who died before October 1, 1993.

SEC. 5113. CLOSING LOOPHOLE PERMITTING WEALTHY INDIVIDUALS TO QUALIFY FOR MEDICAID.

(a) IN GENERAL.—Section 1902(r)(2) (42 U.S.C. 1396a(r)(2)) is amended by adding at the end the following:

“(C)(i) Notwithstanding subparagraph (A), except as provided in clause (ii), a State plan may not provide pursuant to this paragraph for disregarding any assets—

“(I) to the extent that payments are made under a long-term care insurance policy; or

“(II) because an individual has received (or is entitled to receive) benefits for a specified period of time under a long-term care insurance policy.

“(ii) Clause (i) shall not apply to State plan provisions that are approved as of May 14, 1993.”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

PART IV—IMPROVEMENT IN IDENTIFICATION AND COLLECTION OF THIRD PARTY PAYMENTS

SEC. 5116. LIABILITY OF THIRD PARTIES TO PAY FOR CARE AND SERVICES.

(a) LIABILITY OF ERISA PLANS.—(1) Section 1902(a)(25)(A) (42 U.S.C. 1396a(a)(25)(A)) is amended by striking “insurers” and inserting “insurers and group health plans (as defined in section 607(1) of the Employee Re-

tirement Income Security Act of 1974) and including a service benefit plan and a health maintenance organization”.

(2) Section 1903(o) of such Act (42 U.S.C. 1396b(o)) is amended by striking “regulation)” and inserting “regulation and including a group health plan (as defined in section 607(1) of the Employee Retirement Income Security Act of 1974), a service benefit plan, and a health maintenance organization”.

(b) REQUIRING STATE TO PROHIBIT INSURERS FROM TAKING MEDICAID STATUS INTO ACCOUNT.—Section 1902(a)(25) (42 U.S.C. 1396a(a)(25)) is amended—

(1) by striking “and” at the end of subparagraph (F);

(2) by adding “and” at the end of subparagraph (G); and

(3) by adding after subparagraph (G) the following new subparagraph:

“(H) that the State prohibits any health insurer (including a group health plan, as defined in section 607(1) of the Employee Retirement Income Security Act of 1974, a service benefit plan, and a health maintenance organization), in enrolling an individual or in making any payments for benefits to the individual or on the individual’s behalf, from taking into account that the individual is eligible for or is provided medical assistance under a State plan;”.

(c) STATE RIGHT TO SUBROGATION.—Section 1902(a)(25) (42 U.S.C. 1396a(a)(25)), as amended by subsection (b), is further amended—

(1) by striking “and” at the end of subparagraph (G);

(2) by adding “and” at the end of subparagraph (H); and

(3) by adding after subparagraph (H) the following new subparagraph:

“(I) that to the extent that payment has been made under the State plan for medical assistance in any case where a third party has a legal liability to make payment for such assistance, the State is subrogated to the right of any other party to payment for such assistance;”.

(d) EFFECTIVE DATE.—(1) Except as provided in paragraph (2), the amendments made by subsections (a)(1), (b), and (c) shall apply to calendar quarters beginning on or after October 1, 1993, without regard to whether or not final regulations to carry out such amendments have been promulgated by such date.

(2) In the case of a State plan for medical assistance under title XIX of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation (other than legislation appropriating funds) in order for the plan to meet the additional requirements imposed by the amendments made by subsections (a) and (b), the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet these additional requirements before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

(3) The amendment made by subsection (a)(2) shall apply to items and services furnished on or after October 1, 1993.

SEC. 5117. MEDICAL CHILD SUPPORT.

(a) STATE PLAN REQUIREMENT.—Section 1902(a)(45) (42 U.S.C. 1396a(a)(45)) is amended by striking “owed to recipients” and inserting “and have in effect laws relating to medical child support”.

(b) MEDICAL CHILD SUPPORT LAWS.—Section 1912 of such Act (42 U.S.C. 1396k) is amended—

(1) by adding at the end of the heading the following: “; REQUIRED LAWS RELATING TO MEDICAL CHILD SUPPORT”; and

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

“(c) The laws relating to medical child support, which a State is required to have in effect under section 1902(a)(45), are as follows:

“(1) A law that prohibits an insurer from denying enrollment of a child under the health coverage of the child’s parent on the ground that the child was born out of wedlock, on the ground that the child may not be claimed as a dependent on the parent’s Federal income tax return, or on the ground that the child does not reside with the parent or in the insurer’s service area. In this subsection, the term ‘insurer’ includes a group health plan, as defined in section 607(1) of the Employee Retirement Income Security Act of 1974, a health maintenance organization, and an entity offering a service benefit plan.

“(2) A law that requires an insurer, in any case in which a parent is required by court or administrative order to provide health coverage for a child and the parent is eligible for family health coverage through the insurer—

“(A) to permit such parent, upon application and without regard to any enrollment season restrictions, to enroll the parent and such child under such family coverage;

“(B) if such a parent is enrolled but fails to make application to obtain coverage of such child, to enroll such child under such family coverage upon application by the child’s other parent or by the State agency administering the program under this title or part D of title IV; and

“(C) not to disenroll (or eliminate coverage of) such a child unless the insurer is provided satisfactory written evidence that—

“(i) such court or administrative order is no longer in effect, or

“(ii) the child is or will be enrolled in comparable health coverage through another insurer which will take effect not later than the effective date of such disenrollment.

“(3) A law that requires an employer doing business in the State, in the case of health coverage offered through employment with the employer and providing coverage of a child of an employee pursuant to a court or administrative order, to withhold from such employee’s compensation the employee’s share (if any) of premiums for health coverage (to the maximum amount permitted under section 303(b) of the Consumer Credit Protection Act) and to pay such share of premiums to the insurer.

“(4) A law that prohibits an insurer from imposing requirements upon a State agency, which is acting as an agent or subrogee of an individual eligible for medical assistance under this title and covered for health benefits from the insurer, that are different from requirements applicable to an agent or subrogee of any other individual so covered.

“(5) A law that requires an insurer, in any case in which a child has health coverage through the insurer of a noncustodial parent—

“(A) to provide such information to the custodial parent as may be necessary for the child to obtain benefits through such coverage;

“(B) to permit the custodial parent (or provider, with the custodial parent’s approval) to submit claims for covered services with-

out the approval of the noncustodial parent; and

“(C) to make payment on claims submitted in accordance with subparagraph (B) directly to the custodial parent or the provider.

“(6) A law that requires the State agency under this title to garnish the wages, salary, or other employment income of, and to withhold amounts from State tax refunds to, any person who—

“(A) is required by court or administrative order to provide coverage of the costs of health services to a child who is eligible for medical assistance under this title.

“(B) has received payment from a third party for the costs of such services to such child, but

“(C) has not used such payments to reimburse, as appropriate, either the other parent or guardian of such child or the provider of such services.

to the extent necessary to reimburse the State agency for expenditures for such costs under its plan under this title, but any claims for current or past-due child support shall take priority over any such claims for the costs of such services.”

(c) EFFECTIVE DATE.—(1) Except as provided in paragraph (2), the amendments made by this section apply to calendar quarters beginning on or after April 1, 1994, without regard to whether or not final regulations to carry out such amendments have been promulgated by such date.

(2) In the case of a State plan under title XIX of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation in order for the plan to meet the additional requirements imposed by the amendments made by this section, the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet these additional requirements before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

PART V—ASSURING PROPER PAYMENTS TO DISPROPORTIONATE SHARE HOSPITALS

SEC. 5121. ASSURING PROPER PAYMENTS TO DISPROPORTIONATE SHARE HOSPITALS.

(a) DISPROPORTIONATE SHARE HOSPITALS REQUIRED TO PROVIDE MINIMUM LEVEL OF SERVICES TO MEDICAID PATIENTS.—Section 1923 (42 U.S.C. 1396r-4) is amended—

(1) in subsection (a)(1)(A), by striking “requirement” and inserting “requirements”;

(2) in subsection (b)(1), by striking “requirement” and inserting “requirements”;

(3) in the heading to subsection (d), by striking “REQUIREMENT” and inserting “REQUIREMENTS”;

(4) by adding at the end of subsection (d) the following new paragraph:

“(3) No hospital may be defined or deemed as a disproportionate share hospital under a State plan under this title or under subsection (b) or (e) of this section unless the hospital has a Medicaid inpatient utilization rate (as defined in subsection (b)(2)) of not less than 1 percent.”;

(5) in subsection (e)(1)—

(A) by striking “and” before “(B)”, and

(B) by inserting before the period at the end the following: “, and (C) the plan meets the requirement of subsection (d)(3) and such

payment adjustments are made consistent with the fourth sentence of subsection (c)”;

and

(6) in subsection (e)(2)—

(A) in subparagraph (A), by inserting “(other than the fourth sentence of subsection (c))” after “(c)”,

(B) by striking “and” at the end of subparagraph (A),

(C) by striking the period at the end of subparagraph (B) and inserting “, and”, and

(D) by adding at the end of the following new subparagraph:

“(C) subsection (d)(3) shall apply.”.

(b) LIMITING AMOUNT OF PAYMENT ADJUSTMENTS FOR STATE OR COUNTY HOSPITALS TO UNCOVERED COSTS.—Subsection (c) of such section is amended by adding at the end the following: “A payment adjustment during a year is not considered to be consistent with this subsection with respect to a hospital owned or operated by a State (or by an instrumentality or a unit of government within a State) if the payment adjustment exceeds the costs of furnishing hospital services (as determined by the Secretary and net of payments under this title, other than under this section, and by uninsured patients) by the hospital to individuals who either are eligible for medical assistance under the State plan or have no health insurance (or other source of third party payment) for such services during the year. For purposes of the preceding sentence, payments made to a hospital for services provided to indigent patients made by a State or a unit of local government within a State shall not be considered to be a source of third party payment.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to payments to States under section 1903(a) of the Social Security Act for payments to hospitals made under State plans after—

(1) the end of the State fiscal year that ends during 1994, or

(2) in the case of a State with a State legislature which is not scheduled to have a regular legislative session in 1994, the end of the State fiscal year that ends during 1995;

without regard to whether or not final regulations to carry out such amendments have been promulgated by either such date.

PART VI—ELIMINATION OF ENHANCED FEDERAL MATCHING PAYMENTS

SEC. 5126. ELIMINATION OF ENHANCED FEDERAL MATCHING PAYMENTS.

(a) IN GENERAL.—Section 1903(a) (42 U.S.C. 1396b(a)) is amended to read as follows:

“(a) From the sums appropriated therefor, the Secretary (except as otherwise provided in this section) shall pay to each State that has a plan approved under this title, for each quarter—

“(1) an amount with respect to total expenditures during such quarter under the State plan for medical assistance (as defined in section 1905(a)) equal to the sum of—

“(A) an amount equal to 90 percent of such expenditures for family planning services and supplies, plus

“(B) an amount equal to the Federal medical assistance percentage (as defined in section 1905(b), subject to subsections (g) and (j) of this section), of the remainder of such expenditures; plus

“(2) subject to section 1919(g)(3)(C), an amount equal to 50 percent of the remainder of the expenditures during such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan.”.

(b) CONFORMING AMENDMENTS.—

(1) FRAUD CONTROL UNITS.—Section 1903(b) (42 U.S.C. 1396b(b)) is amended by striking paragraph (3).

(2) MEDICAID MANAGEMENT INFORMATION SYSTEMS.—Section 1903(r) (42 U.S.C. 1396b(r)) is amended—

(A) by amending paragraph (1) to read as follows:

“(1) In order to receive payments under subsection (a)(2) without being subject to per centum reductions set forth in paragraph (2), a State must have in operation mechanized claims processing and information retrieval systems approved by the Secretary (of the type approved since October 7, 1980) which are determined to be likely to provide more efficient, economical, and effective administration of the plan and which—

“(A) are compatible with the claims processing and information retrieval systems used in the administration of title XVIII, and

“(B) include provision for prompt written notice to each individual who is furnished services covered by the plan, or to each individual in a sample group of such individuals, of the specific services (other than confidential services) so covered, the name of the person or persons furnishing the services, the date or dates on which the services were furnished, and the amount of the payment or payments made under the plan on account of the services.”;

(B) by striking paragraphs (2) and (3), and redesignating paragraphs (4) through (8) as paragraphs (2) through (6), respectively;

(C) in paragraph (2), as so redesignated—

(i) in subparagraph (A), by striking “paragraph (6)” and inserting “paragraph (4)”, and

(ii) in subparagraph (B)—

(I) by striking “subsection (a)(3)(B)” and inserting “subsection (a)(2)”; and

(II) by striking “not less than 50 per centum and not more than 70 per centum” and inserting “not less than 25 per centum and not more than 45 per centum”;

(D) in paragraph (3), as so redesignated—

(i) in the matter in subparagraph (A) preceding clause (i), by striking “subsection (a)(3)(B)” and inserting “paragraph (1)”, and

(ii) in subparagraphs (A)(iii) and (B), by striking “paragraph (6)” and inserting “paragraph (4)”; and

(E) in paragraph (4), as so redesignated—

(i) by striking subparagraph (C) and redesignating subparagraphs (D) through (J) as subparagraphs (C) through (I), and

(ii) in subparagraph (H), as redesignated, by striking “subsection (a)(3) of this section” and inserting “subsection (a)(2)”.

(3) NURSING HOME ENFORCEMENT.—Section 1919 (42 U.S.C. 1396r) is amended—

(A) in subsection (g)(3)(C), by striking “section 1903(a)(2)(D)” and inserting “section 1903(a)(2) with respect to amounts expended for State activities under this subsection”, and

(B) in subsection (h)(2), by striking “1903(a)(7)” and inserting “1903(a)(2)” each place it appears in subparagraphs (E) and (F).

(4) PEER REVIEW FUNDING.—Section 1158 (42 U.S.C. 1320c-7) is amended—

(A) by striking “(a)”, and

(B) by striking subsection (b).

(c) EFFECTIVE DATE.—(1) Except as provided in paragraph (2), the amendments made by subsections (a) and (b) shall apply to calendar quarters beginning on or after April 1, 1994, without regard to whether or not final regulations to carry out such amendments have been promulgated by such date.

(2) In the case of a State plan for medical assistance under title XIX of the Social Se-

curity Act which the Secretary of Health and Human Services determines requires State legislation (other than legislation appropriating funds) in order for the plan to meet the additional requirements imposed by the amendments made by subsections (a) and (b), the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet these additional requirements before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

Subchapter B—Miscellaneous Provisions

PART I—ANTI-FRAUD AND ABUSE PROVISIONS

SEC. 5131. INTERMEDIATE SANCTIONS FOR KICKBACK VIOLATIONS.

(a) PENALTY FOR KICKBACKS.—Section 1128A(a) (42 U.S.C. 1320a-7a(a)) is amended—

(1) by striking “or” at the end of paragraphs (1) and (2);

(2) by adding “or” at the end of paragraph (3);

(3) by inserting after paragraph (3) the following new paragraph:

“(4) carries out any activity in violation of paragraph (1) or (2) of section 1128B(b);”;

(4) by striking “given.” at the end of the first sentence and inserting “given or, in cases under paragraph (4), \$50,000 for each such violation.”;

(5) in the second sentence, by inserting “in cases under paragraphs (1), (2), and (3),” after “In addition.”; and

(6) by inserting after the second sentence, the following new sentence: “In cases under paragraph (4), such a person shall be subject to an assessment of not more than twice the total amount of the remuneration offered, paid, solicited, or received in violation of section 1128B(b), determined without regard to whether a portion of such remuneration was offered, paid, solicited, or received for a lawful purpose.”.

(b) AUTHORIZATION TO ACT.—The first sentence of section 1128A(c)(1) (42 U.S.C. 1320a-7a(c)(1)) is amended by striking all that follows “(b)” and inserting the following: “unless, within one year after the date the Secretary presents a case to the Attorney General for consideration, the Attorney General brings an action in a district court of the United States.”.

(c) EFFECTIVE DATES.—

(1) The amendments made by subsection (a) shall apply to remuneration offered, paid, solicited, or received before, on, or after the date of the enactment of this Act.

(2) The amendment made by subsection (b) shall apply to cases presented by the Secretary of Health and Human Services for consideration on or after the date of the enactment of this Act.

SEC. 5132. REQUIRING MAINTENANCE OF EFFORT FOR STATE MEDICAID FRAUD CONTROL UNITS.

(a) IN GENERAL.—Section 1902(a)(49) (42 U.S.C. 1396a(a)(49)) is amended—

(1) by inserting “(A)” after “(49)”, and

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

“(B) provide that the State will expend for its medicaid fraud and abuse control unit (as defined in section 1903(q)), for each State fiscal year, an amount that is not less than the amount expended for such unit in the State fiscal year that ended in 1992 adjusted to re-

fect the percentage increase in total expenditures under the State plan between such State fiscal year and the State fiscal year involved.”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to State fiscal years ending after 1993.

PART II—MANAGED CARE PROVISIONS

SEC. 5135. MEDICAID MANAGED CARE ANTI-FRAUD PROVISIONS.

(a) PROHIBITING AFFILIATIONS WITH INDIVIDUALS DEBARRED BY FEDERAL AGENCIES.—

(1) IN GENERAL.—Section 1903(m) (42 U.S.C. 1396b(m)) is amended—

(A) in paragraph (2)(A)—

(i) by striking “and” at the end of clause (x),

(ii) by striking the period at the end of clause (xi) and inserting “; and”, and

(iii) by adding at the end the following new clause:

“(xii) the entity complies with the requirements of paragraph (3) (relating to certain protections against fraud and abuse).”;

(B) in paragraph (2)(B), as amended by section 5158(b), by striking “clause (ix)” and inserting “clauses (ix) and (xii)”; and

(C) by inserting after paragraph (2) the following new paragraph:

“(3)(A)(i) A health maintenance organization may not have a person described in clause (iv) as a director, officer, partner, or person with beneficial ownership of more than 5 percent of organization’s equity.

“(ii) A health maintenance organization may not have an employment, consulting, or other agreement with a person described in clause (iv) for the provision of goods and services that are significant and material to the organization’s obligations under its contract with the State described in paragraph (2)(A)(iii).

“(iii) If a health maintenance organization is not in compliance with clause (i) or clause (ii)—

“(I) A State may continue an existing agreement with the organization unless the Secretary (in consultation with the Inspector General of the Department of Health and Human Services) directs otherwise; and

“(II) A State may not renew or otherwise extend the duration of an existing agreement with the organization unless the Secretary (in consultation with the Inspector General of the Department of Health and Human Services) provides a written statement describing compelling reasons that exist for renewing or extending the agreement.

“(iv) A person described in this clause is a person that—

“(I) is debarred or suspended by the Federal Government, pursuant to the Federal acquisition regulation, from Government contracting and subcontracting, or

“(II) is an affiliate (within the meaning of the Federal acquisition regulation) of a person described in subclause (I).”.

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply to agreements between a State and an entity under section 1903(m) of the Social Security Act entered into or renewed on or after October 1, 1993, without regard to whether regulations to carry out such amendments are promulgated by such date.

(b) REQUIREMENT FOR STATE CONFLICT-OF-INTEREST SAFEGUARDS IN MEDICAID RISK CONTRACTING.—

(1) IN GENERAL.—Section 1903(m)(2)(A) (42 U.S.C. 1396b(m)(2)(A)), as amended by subsection (a)(1)(C), is amended—

(A) by striking “and” at the end of clause (xi),

(B) by striking the period at the end of clause (xii) and inserting “; and”, and

(C) by adding at the end the following new clause:

"(xiii) The State certifies to the Secretary that it has in effect conflict-of-interest safeguards with respect to officers and employees of the State with responsibility with respect to contracts with organizations under this subsection that are at least as effective as the Federal safeguards, provided under section 27 of the Office of Federal Procurement Policy Act (41 U.S.C. 423), against conflicts of interest that apply with respect to Federal procurement officials with comparable responsibilities with respect to such contracts."

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply as of July 1, 1994, without regard to whether regulations to carry out such amendments are promulgated by such date.

(c) REQUIRING DISCLOSURE OF FINANCIAL INFORMATION.—

(1) IN GENERAL.—Section 1903(m)(3), as inserted by subsection (a)(1)(C), is amended by adding at the end the following new subparagraph:

"(B) The contract between the State and an entity referred to in paragraph (2)(A)(iii) shall provide that—

"(i) the entity agrees to report to the State such financial information as the Secretary or the State may require to demonstrate that the entity has a fiscally sound operation; and

"(ii) the entity agrees to make available to its enrollees upon reasonable request—

"(I) the information reported under paragraph (1),

"(II) the information required to be disclosed under sections 1124 and 1126, and

"(III) a description of each transaction, described in subparagraphs (A) through (C) of section 1318(a)(3) of the Public Health Service Act, between the entity and a party in interest (as defined in section 1318(b) of such Act)."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to contract years beginning on or after October 1, 1993, without regard to whether regulations to carry out such amendments are promulgated by such date, with respect to information reported or required to be disclosed, or transactions occurring, before, on, or after such date.

(d) PROHIBITING MARKETING FRAUD.—

(1) IN GENERAL.—Section 1903(m)(3), as inserted by subsection (a)(1) and as amended by subsection (c)(1), is amended by adding at the end the following new subparagraph:

"(C) The contract between the State and an entity referred to in paragraph (2)(A)(iii) shall provide that the entity agrees to comply with such procedures and conditions as the Secretary prescribes in order to ensure that, before an individual is enrolled with the entity, the individual is provided accurate and sufficient information to make an informed decision whether or not to enroll."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to contract years that begin on or after October 1, 1993, without regard to whether regulations to carry out such amendment are promulgated by such date.

(e) REQUIRING ADEQUATE EQUITY FOR FOR-PROFIT ENTITIES.—

(1) IN GENERAL.—Section 1903(m)(3), as previously amended by this section, is further amended by adding at the end the following new subparagraph:

"(D)(i) The contract between the State and an entity referred to in paragraph (2)(A)(iii) shall require, in the case of a for-profit en-

tity, that the entity shall maintain an average ratio of—

"(I) equity capital to

"(II) payments made by the State to the entity under the contract on a capitation basis or any other risk basis, of not less than such minimum ratio as the Secretary shall specify.

"(ii) The contract between the State and a non-profit entity referred to in paragraph (2)(A)(iii) shall require that no payment shall be made directly or indirectly under an agreement between the non-profit entity and a related for-profit entity (as defined by the Secretary) unless the for-profit entity maintains an average ratio of equity capital to payments under such agreement of not less than such ratio as the Secretary shall specify."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to contract years beginning on or after July 1, 1994, without regard to whether regulations to carry out such amendment are promulgated by such date.

(f) REQUIRING ADEQUATE PROVISION AGAINST RISK OF INSOLVENCY.—

(1) IN GENERAL.—Section 1903(m)(1)(A)(ii) (42 U.S.C. 1396b(m)(1)(A)(ii)) is amended by inserting "which meets such standards as the Secretary shall prescribe" after "satisfactory to the State".

(2) EFFECTIVE DATE AND TRANSITION.—(A) The amendment made by paragraph (1) shall apply to contract years beginning on or after July 1, 1994, without regard to whether regulations to carry out such amendments are promulgated by such date.

(B) If the Secretary of Health and Human Services has not promulgated standards to carry out the amendment made by paragraph (1) by July 1, 1994, until such standards have been promulgated a provision of a health maintenance organization against the risk of insolvency shall not be considered to meet standards prescribed by the Secretary, for purposes of section 1903(m)(1)(A)(ii) of the Social Security Act, unless such provision has been found satisfactory by the Secretary under section 1876(b)(2)(E) of such Act.

(g) REQUIRING REPORT ON NET EARNINGS AND ADDITIONAL BENEFITS.—

(1) IN GENERAL.—Section 1903(m)(3), as previously amended by this section, is amended by adding at the end the following new subparagraph:

"(E) The contract between the State and an entity referred to in paragraph (2)(A)(iii) shall provide that the entity shall submit a report to the State and the Secretary not later than 12 months after the close of a contract year containing—

"(i) a financial statement of the entity's net earnings under the contract during the contract year, which statement has been audited using auditing standards established by the Secretary in consultation with the States; and

"(ii) a description of any benefits that are in addition to the benefits required to be provided under the contract that were provided during the contract year to members enrolled with the entity and entitled to medical assistance under the plan."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to contract years beginning on or after October 1, 1993, without regard to whether regulations to carry out such amendments are promulgated by such date.

(h) REPORT ON NET EARNINGS OF CONTRACTORS.—Not later than 6 months after the date of the enactment of this Act, the Secretary of Health and Human Services shall

submit a report to Congress on the earnings of organizations with contracts to receive payment for providing medical assistance under title XIX of the Social Security Act on a prepaid capitation or any other risk basis. The report shall include the Secretary's recommendations on options for requiring such organizations, as a condition of participation under such title, to dedicate a portion of such earnings to the provision of additional benefits to individuals enrolled with the organization.

SEC. 5136. CLARIFICATION OF TREATMENT OF HMO ENROLLEES IN COMPUTING THE MEDICAID INPATIENT UTILIZATION RATE IN QUALIFYING HOSPITALS AS DISPROPORTIONATE SHARE HOSPITALS.

(a) IN GENERAL.—Section 1923(b)(2) (42 U.S.C. 1396r-4(b)(2)) is amended by inserting before the period at the end the following: "and whether or not the individual is enrolled with an entity contracting with the State on a prepaid capitation basis or other risk basis under section 1903(m)".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to payments to States under section 1903(a) of the Social Security Act for payments to hospitals made under State plans on and after the first day of the first calendar quarter beginning after the date of the enactment of this Act.

SEC. 5137. EXTENSION OF PERIOD OF APPLICABILITY OF ENROLLMENT MIX REQUIREMENT TO CERTAIN HEALTH MAINTENANCE ORGANIZATIONS PROVIDING SERVICES UNDER DAY-TON AREA HEALTH PLAN.

Section 2 of Public Law 102-276 is amended by striking "January 31, 1994" and inserting "December 31, 1995".

SEC. 5138. EXTENSION OF MEDICAID WAIVER FOR TENNESSEE PRIMARY CARE NETWORK.

Section 6411(f) of the Omnibus Budget Reconciliation Act of 1989, as amended by section 1 of Public Law 102-317, is amended by striking "January 31, 1994" and inserting "December 31, 1995".

SEC. 5139. WAIVER OF APPLICATION OF MEDICAID ENROLLMENT MIX REQUIREMENT TO DISTRICT OF COLUMBIA CHARTERED HEALTH PLAN, INC.

(a) IN GENERAL.—The Secretary of Health and Human Services shall waive the application of the requirement described in section 1903(m)(2)(A)(ii) of the Social Security Act to the entity known as the District of Columbia Chartered Health Plan, Inc., for the period described in subsection (b), if the Secretary determines that the entity is making continuous efforts and progress toward achieving compliance with such requirement.

(b) PERIOD OF APPLICABILITY.—The period referred to in subsection (a) is the period that begins on October 1, 1992, and ends on December 31, 1995.

SEC. 5140. EXTENSION OF MINNESOTA PREPAID MEDICAID DEMONSTRATION PROJECT.

(a) IN GENERAL.—Section 507 of the Family Support Act of 1988, as amended by section 6411(j) of OBRA-1989 and by section 4733 of OBRA-1990, is amended by striking "1996" and inserting "1998".

(b) AUTHORITY TO IMPOSE PREMIUM.—

(1) IN GENERAL.—Notwithstanding section 1916 of the Social Security Act and subject to paragraph (2), the State of Minnesota may impose a premium on individuals receiving medical assistance under the Minnesota Prepaid Demonstration Project operated under a waiver granted by the Secretary of Health and Human Services under section 1115(a) of

the Social Security Act and other individuals eligible under the State's plan for medical assistance under title XIX of such Act.

(2) **LIMITATION ON AMOUNT OF PREMIUM.**—In no case may the amount of any premium imposed on an individual receiving medical assistance under the State plan or under the Demonstration Project described in paragraph (1) exceed 10 percent of the amount by which the family income (less expenses for the care of a dependent child) of the individual exceeds 110 percent of the income official poverty line (as defined by the Office of Management and Budget), and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981 applicable to a family of the size involved.

SEC. 5140A. CONDITIONING FEDERAL FINANCIAL PARTICIPATION ON ENROLLMENT OF BENEFICIARIES IN STAFF OR GROUP MODEL HEALTH MAINTENANCE ORGANIZATIONS.

(a) **IN GENERAL.**—Section 1903 (42 U.S.C. 1396b) is amended by inserting after subsection (r) the following new subsection:

“(s)(1) Notwithstanding the preceding provisions of this section or any other provision of this title, except as provided in paragraph (2), no payment may be made to a State under this section for medical assistance (other than nursing facility services, home or community based services described in section 1915(c)(1), and other long-term care services specified by the Secretary) furnished to any individual who does not receive such assistance through enrollment with a staff or group model health maintenance organization.

“(2) Notwithstanding paragraph (1), payment may be made to a State for medical assistance furnished to an individual other than through enrollment with a staff or group model health maintenance organization if the State demonstrates to the satisfaction of the Secretary that, for the geographic area in which the individual resides, no such organization is available with which the individual may enroll.

“(3) In this subsection, a ‘staff or group model health maintenance organization’ is a health maintenance organization (as defined in subsection (m)(1)(A)) for which 90 percent of the services of physicians are provided through members of the staff of the organization or through a medical group (or groups).”

(b) **REPEAL OF ENROLLMENT MIX REQUIREMENT FOR MEDICAID HMO'S.**—

(1) **IN GENERAL.**—Section 1903(m)(2)(A) (42 U.S.C. 1396b(m)(2)(A)) is amended by striking clause (ii).

(2) **CONFORMING AMENDMENTS.**—Section 1903(m)(2) (42 U.S.C. 1396b(m)(2)) is further amended—

(A) by striking subparagraphs (C), (D), and (E); and

(B) in subparagraph (F), by striking “In the case of—” and all that follows through “(ii) a program” and inserting “In the case of a program”.

(c) **EFFECTIVE DATE.**—(1) Except as provided in paragraph (2), the amendments made by subsections (a) and (b) shall apply to calendar quarters beginning on or after October 1, 1994, without regard to whether or not final regulations to carry out such amendments have been promulgated by such date.

(2) In the case of a State plan for medical assistance under title XIX of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation (other than legislation appropriating funds) in order for the plan to meet the additional requirements imposed

by the amendments made by subsections (a) and (b), the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet these additional requirements before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

PART III—LIMITING FEDERAL MEDICAID MATCHING PAYMENT TO BONA FIDE EMERGENCY SERVICES FOR UNDOCUMENTED ALIENS

SEC. 5141. LIMITING FEDERAL MEDICAID MATCHING PAYMENT TO BONA FIDE EMERGENCY SERVICES FOR UNDOCUMENTED ALIENS.

(a) **IN GENERAL.**—Section 1903(v)(2) (42 U.S.C. 1396b(v)(2)) is amended—

(1) by striking “and” at the end of subparagraph (A),

(2) by striking the period at the end of subparagraph (B) and inserting “, and”, and

(3) by adding at the end the following new subparagraph:

“(C) such care and services are not related to an organ transplant procedure.”

(b) **EFFECTIVE DATE.**—(1) Subject to paragraph (2), the amendments made by subsection (a) shall apply as if included in the enactment of OBRA-1986.

(2) The Secretary of Health and Human Services shall not disallow expenditures made for the care and services described in section 1903(v)(2)(C) of the Social Security Act, as added by subsection (a), furnished before the date of the enactment of this Act.

PART IV—MISCELLANEOUS PROVISIONS

SEC. 5144. CRITERIA FOR MAKING DETERMINATIONS OF DENIAL OF FEDERAL MEDICAID MATCHING PAYMENTS TO STATES.

(a) **IN GENERAL.**—Section 1903 (42 U.S.C. 1396b) is amended by adding at the end the following new subsection:

“(x)(1) In any case in which the Secretary proposes to disallow under section 1116(d) a claim by a State under this section and the State exercises its right of reconsideration under section 1116(d), the Departmental Appeals Board established in the Department of Health and Human Services shall, if such Board upholds the basis for the disallowance, determine whether the amount of the disallowance should be reduced. In making this determination, the Board shall take into account (to the extent the State makes a showing) factors which shall include—

“(A) the nature of the basis for the disallowance;

“(B) whether the amount of the disallowance is proportionate to the error or deficiency on which the disallowance is based;

“(C) whether the basis of the disallowance constitutes noncompliance that prevented or materially affected the provision of appropriate services to individuals eligible under this title; or

“(D) whether Federal guidance with respect to the action that is the basis for the proposed disallowance was insufficient and the State made good faith efforts to conform its action to the intent of the applicable Federal statute or regulation.

“(2) No disallowance shall be taken or upheld if the action of the State on which the disallowance would be based is consistent with its approved State plan.”

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to dis-

allowances made after the date of the enactment of this Act and shall take effect without regard to the promulgation of implementing regulations.

SEC. 5145. APPLICATION OF MAMMOGRAPHY CERTIFICATION REQUIREMENTS UNDER THE MEDICAID PROGRAM.

(a) **IN GENERAL.**—Section 1902(a)(9) (42 U.S.C. 1396a(a)(9)) is amended—

(1) by striking “and” at the end of subparagraph (B),

(2) by striking the semicolon at the end of subparagraph (C) and inserting “, and”, and

(3) by adding at the end the following new subparagraph:

“(D) that any mammography paid for under such plan must be conducted by a facility that has a certificate (or provisional certificate) issued under section 354 of the Public Health Service Act;”

(b) **EFFECTIVE DATE.**—(1) Except as provided in paragraph (2), the amendments made by subsection (a) shall apply to mammography furnished by a facility during calendar quarters beginning on or after the first date that the certificate requirements of section 354(b) of the Public Health Service Act apply to such mammography conducted by such facility, without regard to whether or not final regulations to carry out such amendments have been promulgated by such date.

(2) In the case of a State plan for medical assistance under title XIX of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation (other than legislation appropriating funds) in order for the plan to meet the additional requirement imposed by the amendment made by subsection (a)(3), the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet this additional requirement before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

SEC. 5146. REMOVAL OF SUNSET ON EXTENSION OF ELIGIBILITY FOR WORKING FAMILIES.

Subsection (f) of section 1925 (42 U.S.C. 1396r-6) is repealed.

SEC. 5147. NURSING HOME REFORM.

(a) **SUSPENSION OF DECERTIFICATION OF NURSE AIDE TRAINING AND COMPETENCY EVALUATION PROGRAMS BASED ON EXTENDED SURVEYS.**—

(1) **IN GENERAL.**—Section 1919(f)(2)(B)(iii)(I)(b) (42 U.S.C. 1396r(f)(2)(B)(iii)(I)(b)) is amended by striking the semicolon and inserting the following: “, unless the survey shows that the facility is in compliance with the requirements of subsections (b), (c), and (d) of this section;”

(2) **EFFECTIVE DATE.**—The amendment made by paragraph (1) shall take effect as included in the enactment of OBRA-1990.

(b) **REQUIREMENTS FOR CONSULTANTS CONDUCTING REVIEWS OF USE OF DRUGS.**—

(1) **IN GENERAL.**—Section 1919(c)(1)(D) (42 U.S.C. 1396r(c)(1)(D)) is amended by adding at the end the following sentence: “In determining whether such a consultant is qualified to conduct reviews under the previous sentence, the Secretary shall take into account the needs of nursing facilities under this title to have access to the services of such a consultant on a timely basis.”

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as included in the enactment of OBRA-1987.

(c) INCREASE IN MINIMUM AMOUNT REQUIRED FOR SEPARATE DEPOSIT OF PERSONAL FUNDS.—

(1) IN GENERAL.—Section 1919(c)(6)(B)(i) (42 U.S.C. 1396c(c)(6)(B)(i)) is amended by striking "\$50" and inserting "\$100".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect October 1, 1993.

(d) DUE PROCESS PROTECTIONS FOR NURSE AIDES.—

(1) PROHIBITING STATE FROM INCLUDING UNDOCUMENTED ALLEGATIONS IN NURSE AIDE REGISTRY.—Section 1919(e)(2)(B) (42 U.S.C. 1396e(e)(2)(B)) is amended by striking the period at the end of the first sentence and inserting the following: ", but shall not include any allegations of resident abuse or neglect or misappropriation of resident property that are not specifically documented by the State under such subsection."

(2) DUE PROCESS REQUIREMENTS FOR REBUTTING ALLEGATIONS.—Section 1919(g)(1)(C) (42 U.S.C. 1396g(g)(1)(C)) is amended by striking the second sentence and inserting the following: "The State shall, after providing the individual involved with a written notice of the allegations (including a statement of the availability of a hearing for the individual to rebut the allegations) and the opportunity for a hearing on the record, make a written finding as to the accuracy of the allegations."

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect October 1, 1993.

(e) AUTHORIZING WAIVER OF NURSING HOME REFORM REQUIREMENTS.—The Secretary of Health and Human Services may waive specified requirements of subsections (b) through (e) of section 1919 of the Social Security Act with respect to nursing facilities located in a State if the State provides assurances satisfactory to the Secretary (including, if appropriate, the implementation of an alternative State program) that the waiver of such requirements will not adversely affect the quality of life of the residents in such facilities.

Subchapter C—Miscellaneous and Technical Corrections Relating to OBRA-1990

SEC. 5151. EFFECTIVE DATE.

Except as otherwise provided, the amendments made by this subchapter shall take effect as if included in the enactment of OBRA-1990.

SEC. 5152. CORRECTIONS RELATING TO SECTION 4402 (ENROLLMENT UNDER GROUP HEALTH PLANS).

Section 4402(b) of OBRA-1990 is amended by striking "1903(u)(1)(C)(iv)" (42 U.S.C. 1395b(u)(1)(C)(iv)) and inserting "1903(u)(1)(D)(iv)" (42 U.S.C. 1395b(u)(1)(D)(iv)).

SEC. 5153. CORRECTIONS RELATING TO SECTION 4501 (LOW-INCOME MEDICARE BENEFICIARIES).

(a) Section 1902(a)(10)(E)(iii), as added by section 4501(b)(3) of OBRA-1990, is amended by striking "cost sharing" and inserting "cost-sharing".

(b) Section 1905(p)(4)(B), as amended by section 4501(c)(1) of OBRA-1990, is amended by striking "1902(a)(10)(E)(iii)" and inserting "section 1902(a)(10)(E)(iii)".

SEC. 5154. CORRECTIONS RELATING TO SECTION 4601 (CHILD HEALTH).

(a) Section 1902(a)(10)(A)(i)(VII), as added by section 4601(a)(10)(A)(iii) of OBRA-1990, is amended by striking "family;" and inserting "family; and".

(b) Section 1902(1), as amended by section 4601(a)(1)(C) of OBRA-1990, is amended—

(1) in paragraph (1)(C), by striking "children" after "(C)";

(2) in paragraph (3), by striking "(a)(10)(A)(i)(VII)," and inserting "(a)(10)(A)(i)(VII)"; and

(3) in paragraph (4)(B), by inserting a comma before "(a)(10)(A)(i)(VI)".

(c) Subsections (a)(3)(C) and (b)(3)(C)(i) of section 1925, as amended by section 4601(a) of OBRA-1990, are each amended by striking "(i)(VI)" and inserting "(i)(VI)".

SEC. 5155. CORRECTIONS RELATING TO SECTION 4602 (OUTREACH LOCATIONS).

(a) Section 1902(a)(55), as added by section 4602(a)(3) of OBRA-1990, is amended—

(1) in the matter preceding subparagraph (A)—

(A) by striking "subsection" and inserting "paragraph"; and

(B) by striking "(a)" each place it appears; and

(2) in subparagraph (A), by striking "1905(1)(2)(B)" and inserting "1905(1)(2)(B)".

(b) Section 1902(1)(1) is amended by striking "who are not described in any of subsections (I) through (III) of subsection (a)(10)(A)(i) and".

SEC. 5156. CORRECTIONS RELATING TO SECTION 4604 (PAYMENT FOR HOSPITAL SERVICES FOR CHILDREN UNDER 6 YEARS OF AGE).

(a) Section 1902(a)(10) is amended in clause (X) in the matter following subparagraph (F) by striking "under one year of age" and inserting "under 6 years of age".

(b) Section 1902(s), as added by section 4604(a) of OBRA-1990, is amended to read as follows:

"(s) In order to meet the requirements of subsection (a)(56), the State plan must provide that payments to hospitals under the plan for inpatient services furnished to infants who have not attained the age of 1 year (or, in the case of such an individual who is an inpatient on his first birthday, until such individual is discharged) shall—

"(1) if made on a prospective basis (whether per diem, per case, or otherwise) provide for an outlier adjustment in payment amounts for medically necessary inpatient hospital services involving exceptionally high costs or exceptionally long lengths of stay;

"(2) not be limited by the imposition of day limits; and

"(3) not be limited by the imposition of dollar limits (other than dollar limits resulting from prospective payments as adjusted pursuant to paragraph (1))."

(c) Section 1923(a)(2)(C) is amended by striking "provided on or after July 1, 1989," and all that follows and inserting the following: "involving exceptionally high costs or exceptionally long lengths of stay—

"(i) for individuals under 1 year of age, in the case of services provided on or after July 1, 1989, and on or before June 30, 1991; and

"(ii) for individuals under 6 years of age, in the case of services provided on or after July 1, 1991."

SEC. 5157. CORRECTIONS RELATING TO SECTION 4703 (PAYMENT ADJUSTMENTS FOR DISPROPORTIONATE SHARE HOSPITALS).

(a) Section 1923(c) is amended—

(1) in paragraph (2), by striking "paragraph (b)(3)" and inserting "subsection (b)(3)";

(2) by striking the period at the end of paragraph (3)(B) and inserting a comma; and

(3) in the third sentence, by striking "the payment adjustment described in paragraph (2)" and inserting "a payment adjustment described in paragraph (2) or (3)".

(b) Effective December 22, 1987, section 1923(d)(2)(A)(ii) is amended by striking "the

date of the enactment of this Act" and inserting "December 22, 1987".

(c) Section 4703(d) of OBRA-1990 is amended by striking "412(a)(2)" and inserting "4112(a)(2)".

SEC. 5158. CORRECTIONS RELATING TO SECTION 4704 (FEDERALLY-QUALIFIED HEALTH CENTERS).

(a) Clause (ix) of section 1903(m)(2)(A), as added by section 4704(b)(1)(C) of OBRA-1990, is amended—

(1) by striking "of such center" the first place it appears;

(2) by striking "federally qualified" and inserting "Federally-qualified";

(3) by inserting "section" before "1905(a)(2)(C)"; and

(4) by moving such clause 2 ems to the left.

(b) Section 1903(m)(2)(B), as amended by section 4704(b)(2) of OBRA-1990, is amended by striking "except with respect to clause (ix) of subparagraph (A)," and inserting "(except with respect to clause (ix) of such subparagraph)".

(c) Section 1905(1)(2), as amended by section 4704(c) of OBRA-1990, is amended—

(1) in subparagraph (A)—

(A) by striking "Federally-qualified" and inserting "Federally-qualified", and

(B) by striking "an patient" and inserting "a patient"; and

(2) in subparagraph (B)—

(A) in the matter preceding clause (i), by striking "a entity" and inserting "an entity";

(B) by striking "or" at the end of clause (1).

(C) by striking the semicolon at the end of clause (ii)(II) and inserting ", or",

(D) by moving clause (ii) 4 ems to the left, and

(E) in the last sentence, by striking "clause (ii)" and inserting "clause (iii)".

SEC. 5159. CORRECTIONS RELATING TO SECTION 4708 (SUBSTITUTE PHYSICIANS).

Section 1902(a)(32)(C), as added by section 4708(a)(3) of OBRA-1990, is amended to read as follows:

"(C) payment may be made to a physician for physicians' services (and services furnished incident to such services) furnished by a second physician to patients of the first physician if (i) the first physician is unavailable to provide the services; (ii) the services are furnished pursuant to an arrangement between the two physicians that (I) is informal and reciprocal, or (II) involves per diem or other fee-for-time compensation for such services; (iii) the services are not provided by the second physician over a continuous period of more than 60 days; and (iv) the claim form submitted to the carrier for such services includes the second physician's unique identifier (provided under the system established under subsection (x)) and indicates that the claim meets the requirements of this clause for payment to the first physician."

SEC. 5160. CORRECTIONS RELATING TO SECTION 4711 (HOME AND COMMUNITY CARE FOR FRAIL ELDERLY).

(a) Section 1929, as added by section 4711(b) of OBRA-1990, is amended—

(1) in subsection (c)(2)(F), by moving the second sentence 2 ems to the right;

(2) in subsection (d)(2)(F)(ii), by striking "they manage" and inserting "it manages";

(3) in subsection (d)(2)(F)(iii), by inserting "the agency or organization" after "(iii)";

(4) in subsection (e)(2)(B), by striking "fiscal year 1989" and inserting "fiscal year 1990";

(5) in subsection (f)(1), by striking "Community care" and inserting "community care";

(6) in subsection (g)(1)—
 (A) by striking "SETTINGS" and inserting "SETTING", and
 (B) in subparagraph (B), by striking "setting" and inserting "setting in which home and community care under this section is provided.";
 (7) in subsection (g)(2), by striking "community care" the second, third, and fourth places it appears and inserting "home and community care";
 (8) in subsection (h)(1)—
 (A) by striking "more than 8" each place it appears and inserting "8 or more", and
 (B) in subparagraph (B), by inserting "(other than merely board)" after "personal services";
 (9) in subsection (h)(2), by striking "community care" the second and third places it appears and inserting "home and community care";
 (10) in subsection (j)(1)—
 (A) in subparagraph (B)(ii), by striking "1990" and inserting "1991", and
 (B) by adding at the end the following new subparagraph:
 "(C) APPLICABILITY TO COMMUNITY CARE SETTINGS.—Subparagraphs (A) and (B) shall apply to community care settings in the same manner as such subparagraphs apply to providers of home or community care."
 (11) in subsection (j)(2), by adding at the end the following new subparagraph:
 "(D) APPLICABILITY TO COMMUNITY CARE SETTINGS.—Subparagraphs (A), (B), and (C) shall apply to community care settings in the same manner as such subparagraphs apply to providers of home or community care."
 (12) in subsection (k)(1)(A)(i)—
 (A) by striking "(d)(2)(E)" and inserting "(d)(2)", and
 (B) by striking "settings," and inserting "settings";
 (13) in subsection (l), by striking "State wideness" and inserting "Statewideness";
 (14) in subsection (m)—
 (A) in paragraph (2), by striking "Individual Community Care Plan" and inserting "individual community care plan",
 (B) in paragraph (3), by striking "and need for services" and inserting "need for services, and income",
 (C) in the second sentence in paragraph (4), by striking "elderly individuals" and all that follows and inserting "individuals receiving home and community care under this section who reside in such State in relation to the total number of individuals receiving home and community care under this section.", and
 (D) by adding at the end the following new paragraph:
 "(5) NOTICE TO STATES OF AMOUNTS AVAILABLE FOR ASSISTANCE.—
 "(A) NOTICE TO SECRETARY.—In order to receive Federal medical assistance for expenditures for home and community care under this section for a fiscal year (beginning with fiscal year 1994), a State shall submit a notice to the Secretary of its intention to provide such care under this section not later than 3 months before the beginning of the fiscal year.
 "(B) NOTICE TO STATES.—Not later than 2 months before the beginning of each fiscal year (beginning with fiscal year 1994), the Secretary shall notify each State that has submitted a notice to the Secretary under subparagraph (A) for the fiscal year of the amount of Federal medical assistance that will be available to the State for the fiscal year (as established under paragraph (4))."; and

(15) by adding at the end the following new subsection:
 "(n) COMMUNITY CARE SETTING DEFINED.—In this section, the term 'community care setting' means a small community care setting (as defined in subsection (g)(1)) or a large community care setting (as defined in subsection (h)(1))."
 (b) Section 1905(r)(5) is amended by striking "1905(a)" and inserting "subsection (a) (other than services described in paragraph (22) or (23) of such subsection)".
 (c) Section 4711(f) of OBRA-1990 is amended by striking "Act" each place it appears and inserting "section".
SEC. 5161. CORRECTIONS RELATING TO SECTION 4712 (COMMUNITY SUPPORTED LIVING ARRANGEMENTS SERVICES).
 (a) Section 1930, as added by section 4712(b)(2) of OBRA-1990, is amended—
 (1) in subsection (b)—
 (A) by striking "title the term," and inserting "title, the term",
 (B) by striking "guardian" and inserting "guardian or", and
 (C) by striking "3 other" and inserting "3";
 (2) in subsection (d)—
 (A) in the matter preceding paragraph (1), by striking "program," and inserting "program", and
 (B) in the second sentence, by striking "plan" each place it appears and inserting "program"; and
 (3) in subsection (i), by striking "FUNDS" and inserting "FUNDS".
 (b) Section 4712(c) of OBRA-1990 is amended—
 (1) in paragraph (1), by inserting "of section 1930 of the Social Security" after "subsection (h)"; and
 (2) in paragraph (2), by striking "this section" and inserting "such section".
SEC. 5162. CORRECTION RELATING TO SECTION 4713 (COBRA CONTINUATION COVERAGE).
 (a) Section 1902(a)(10) is amended in the matter following subparagraph (F)—
 (1) by striking "; and (XI)" and inserting ", (XI)";
 (2) by striking "individuals, and (XI)" and inserting "individuals, and (XII); and
 (3) by striking "COBRA continuation premiums" and inserting "COBRA premiums".
 (b) Section 1902(u)(3), as added by section 4713(a)(2) of OBRA-1990, is amended by striking "title VI" and inserting "part 6 of subtitle B of title I".
SEC. 5163. CORRECTION RELATING TO SECTION 4716 (MEDICAID TRANSITION FOR FAMILY ASSISTANCE).
 Section 4716(a) of OBRA-1990 is amended by striking "AMENDMENTS.—Subsection (f) of section" and inserting "IN GENERAL.—Section".
SEC. 5164. CORRECTIONS RELATING TO SECTION 4723 (MEDICAID SPENDDOWN OPTION).
 Section 1903(f)(2), as amended by section 4723(a) of OBRA-1990, is amended—
 (1) by striking "(A)" after "(2)";
 (2) by striking "or, (B)" and inserting "There shall also be excluded,";
 (3) by striking "to the State, provided that" and inserting "to the State if"; and
 (4) by striking "pursuant to this subparagraph." and inserting "pursuant to the previous sentence".
SEC. 5165. CORRECTIONS RELATING TO SECTION 4724 (OPTIONAL STATE DISABILITY DETERMINATIONS).
 Section 1902(v), as added by section 4724 of OBRA-1990, is amended—
 (1) by striking "(v)(1)" and inserting "(v)"; and

(2) by striking "of the Social Security Act".
SEC. 5166. CORRECTION RELATING TO SECTION 4732 (SPECIAL RULES FOR HEALTH MAINTENANCE ORGANIZATIONS).
 Section 1903(m)(2)(F)(i), as amended by section 4732(b)(2)(B) of OBRA-1990, is amended by striking "or" before "with an eligible organization".
SEC. 5167. CORRECTIONS RELATING TO SECTION 4741 (HOME AND COMMUNITY-BASED WAIVERS).
 The first sentence of section 1915(d)(3) is amended by striking the period at the end and inserting the following: ", and a waiver of the requirements of section 1902(a)(23) (relating to choice of providers) insofar as such requirements relate to the provision of case management services and the State provides assurances satisfactory to the Secretary that a waiver of such requirements will not substantially limit access to such services)."
SEC. 5168. CORRECTIONS RELATING TO SECTION 4744 (FRAIL ELDERLY WAIVERS).
 (a) Section 1924(a)(5), as added by section 4744(b)(1) of OBRA-1990, is amended by striking "1986." and inserting "1986 or a waiver under section 603(c) of the Social Security Amendments of 1983".
 (b) Section 603(c) of the Social Security Amendments of 1983 is amended—
 (1) by striking "(c)" and inserting "(c)(1)";
 (2) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B); and
 (3) by adding at the end the following new paragraph:
 "(2) Section 1924 of the Social Security Act shall apply to any individual receiving services from an organization receiving a waiver under this subsection."
SEC. 5169. CORRECTIONS RELATING TO SECTION 4747 (COVERAGE OF HIV-POSITIVE INDIVIDUALS).
 Section 4747 of OBRA-1990 is amended—
 (1) in subsection (a), by striking "subsection (c)" and inserting "subsection (b)";
 (2) in subsection (b)(2)—
 (A) by striking "preventative" each place it appears and inserting "preventive", and
 (B) by adding a period at the end of subparagraph (J);
 (3) in subsection (c)(1)—
 (A) by striking "subsection (c)" and inserting "subsection (b)", and
 (B) by striking "paragraphs (1) and (2) of"; and
 (4) in subsection (d)—
 (A) by striking "paragraph (3)" and inserting "subsection (b)", and
 (B) by striking "paragraph (1)" and inserting "subsection (a)".
SEC. 5170. CORRECTION RELATING TO SECTION 4751 (ADVANCE DIRECTIVES).
 Section 1903(m)(1)(A), as amended by section 4751(b)(1) of OBRA-1990, is amended—
 (1) by striking "1902(w)" and inserting "1902(w) and"; and
 (2) by striking "1902(a)" and inserting "1902(w)".
SEC. 5171. CORRECTIONS RELATING TO SECTION 4752 (PHYSICIANS' SERVICES).
 (a) The paragraph (58) of section 1902(a) added by section 4752(c)(1)(C) of OBRA-1990 is amended by striking "subsection (v)" and inserting "subsection (x)".
 (b) Subparagraphs (A) and (B) of the paragraph (14) of section 1903(i) added by section 4752(e)(2) of OBRA-1990 are each amended—
 (1) by striking "or" at the end of clause (v);
 (2) by redesignating clause (vi) as clause (vii); and
 (3) by inserting after clause (v) the following new clause:

"(vi) delivers such services in the emergency department of a hospital participating in the state plan approved under this title, or".

SEC. 5172. CORRECTIONS RELATING TO SECTION 4801 (NURSING HOME REFORM).

(a) Section 1919(b)(3)(C)(i)(I), as amended by section 4801(e)(3) of OBRA-1990, is amended by striking "no later than" before "not to exceed 14 days".

(b) Section 1919(b)(5)(D), as amended by section 4801(a)(4) of OBRA-1990, is amended by striking the comma before "or a new competency evaluation program."

(c) Section 1919(b)(5)(G) is amended by striking "or licensed or certified social worker" and inserting "licensed or certified social worker, registered respiratory therapist, or certified respiratory therapy technician".

(d) Section 1919(f)(2)(B)(i) is amended by striking "facilities," and inserting "facilities (subject to clause (iii))."

(e) Section 1919(f)(2)(B)(iii)(I)(c) is amended by striking "clauses" each place it appears and inserting "clause".

(f) Section 1919(g)(5)(B) is amended by striking "paragraphs" and inserting "paragraph".

(g) Section 4801(a)(6)(B) of OBRA-1990 is amended—

(1) by striking "The amendments" and inserting "(i) The amendments";

(2) by redesignating clauses (i) through (v) as subclauses (I) through (V); and

(3) by adding at the end the following new clause:

"(ii) Notwithstanding clause (i) and subject to section 1919(f)(2)(B)(iii) of the Social Security Act (as amended by subparagraph (A)), a State may approve a training and competency evaluation program or a competency evaluation program offered by or in a nursing facility described in clause (i) if, during the previous 2 years, none of the subclauses of clause (i) applied to the facility."

SEC. 5173. OTHER TECHNICAL CORRECTIONS.

(a) Section 1905(o)(1)(A) is amended—

(1) in the first sentence, by striking "intermediate care facility services" and inserting "for nursing facility services or intermediate care facility services for the mentally retarded"; and

(2) in the second sentence, by striking "or intermediate care facility" and inserting "(for purposes of title XVIII, a nursing facility, or an intermediate care facility for the mentally retarded)".

(b) Section 1915(d) is amended—

(1) by striking "skilled nursing facility or intermediate care facility" each place it appears in paragraphs (1), (2)(B), and (2)(C) and inserting "nursing facility";

(2) in paragraph (2)(B)(i), by striking "skilled nursing or intermediate care facility" and inserting "nursing facility";

(3) in paragraph (5)(A), by striking "under" the second place it appears and inserting "(or, in the case of waiver years beginning on or after October 1, 1990, with respect to nursing facility services and home and community-based services) under"; and

(4) in paragraph (5)(B)—

(A) in clause (i), by striking "furnished" and inserting "(or, with respect to waiver years beginning on or after October 1, 1990, for nursing facility services) furnished"; and

(B) in clause (iii)(I), by striking "(regardless" and inserting "(or, with respect to waiver years beginning on or after October 1, 1990, which comprise nursing facility services) (regardless)".

SEC. 5174. CORRECTIONS TO DESIGNATIONS OF NEW PROVISIONS.

(a) PARAGRAPHS ADDED TO SECTION 1902(a).—Section 1902(a) is amended—

(1) by striking "and" at the end of paragraph (54);

(2) in the paragraph (55) inserted by section 4602(a)(3) of OBRA-1990, by striking the period at the end and inserting a semicolon;

(3) by redesignating the paragraph (55) inserted by section 4604(b)(3) of OBRA-1990 as paragraph (56), by transferring and inserting it after the paragraph (55) inserted by section 4602(a)(3) of such Act, and by striking the period at the end and inserting a semicolon;

(4) by placing paragraphs (57) and (58), inserted by section 4751(a)(1)(C) of OBRA-1990, immediately after paragraph (56), as redesignated by paragraph (3);

(5) in the paragraph (58) inserted by section 4751(a)(1)(C) of OBRA-1990, by striking the period at the end and inserting "; and"; and

(6) by redesignating the paragraph (58) inserted by section 4752(c)(1)(C) of OBRA-1990 as paragraph (59) and by transferring and inserting it after the paragraph (58) inserted by section 4751(a)(1)(C) of such Act.

(b) PARAGRAPHS ADDED TO SECTION 1903(i).—Section 1903(i), as amended by section 2(b)(2) of the Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991, is amended—

(1) in the paragraph (10) inserted by section 4401(a)(1)(B) of OBRA-1990, by striking all that follows "1927(g)" and inserting a semicolon;

(2) by redesignating the paragraph (12) inserted by section 4752(a)(2) of OBRA-1990 as paragraph (11), by transferring and inserting it after the paragraph (10) inserted by section 4401(a)(1)(B) of OBRA-1990, and by striking the period at the end and inserting a semicolon;

(3) by redesignating the paragraph (14) inserted by section 4752(e) of OBRA-1990 as paragraph (12), by transferring and inserting it after paragraph (11), as redesignated by paragraph (2), and by striking the period at the end and inserting "; or"; and

(4) by redesignating the paragraph (11) inserted by section 4801(e)(16)(A) of OBRA-1990 as paragraph (13) and by transferring and inserting it after paragraph (12), as redesignated by paragraph (3).

(c) PARAGRAPHS ADDED TO SECTION 1905(a).—

(1) IN GENERAL.—Section 1905(a) is amended—

(A) by striking "and" at the end of paragraph (21);

(B) in paragraph (24), by striking the comma at the end and inserting "; and"; and

(C) by redesignating paragraphs (22), (23), and (24) as paragraphs (24), (22), and (23), respectively, and by transferring and inserting paragraph (24) after paragraph (23), as so redesignated.

(2) CONFORMING AMENDMENTS.—(A) Effective July 1, 1991, section 1902(a)(10)(C)(iv), as amended by section 4755(c)(1)(A) of OBRA-1990, is amended by striking "through (21)" and inserting "through (23)".

(B) Effective July 1, 1991, section 1902(j), as amended by section 4711(d)(1) of OBRA-1990, is amended by striking "through (22)" and inserting "through (24)".

(d) FINAL SECTIONS.—Section 1928, as redesignated by section 4401(a)(3) of OBRA-1990, is amended—

(1) by transferring such section to the end of title XIX of the Social Security Act; and

(2) by redesignating such section as section 1931.

CHAPTER 2—OTHER HEALTH CARE PROGRAMS

SEC. 5181. NATIONAL VACCINE INJURY COMPENSATION PROGRAM AMENDMENTS.

(a) USE OF VACCINE INJURY COMPENSATION TRUST FUND.—Section 6601(r) of the Omnibus Budget Reconciliation Act of 1989 is amended by striking "\$2,500,000 for each of fiscal years 1991 and 1992" each place it appears and inserting "\$3,000,000 for fiscal year 1994 and each fiscal year thereafter" (in three places).

(b) AMENDMENT OF VACCINE INJURY TABLE.—Section 2116(b) of the Public Health Service Act (42 U.S.C. 300aa-16(b)) is amended by striking "such person may file" and inserting "or to significantly increase the likelihood of obtaining compensation, such person may, notwithstanding section 2111(b)(2), file".

(c) EXTENSION OF TIME FOR DECISION.—Section 2112(d)(3)(D) of such Act (42 U.S.C. 300aa-12(d)(3)(D)) is amended by striking "540 days" and inserting "30 months (but for no more than 6 months at a time)".

(d) SIMPLIFICATION OF VACCINE INFORMATION MATERIALS.—

(1) Section 2126(b) of such Act (42 U.S.C. 300aa-26(b)) is amended—

(A) by striking "by rule" in the matter preceding paragraph (1);

(B) by striking, in paragraph (1), "opportunity for a public hearing, and 90" and inserting "and 30"; and

(C) by striking, in paragraph (2), "appropriate health care providers and parent organizations".

(2) Section 2126(c) of such Act (42 U.S.C. 300aa-26(c)) is amended—

(A) by inserting "shall be based on available data and information," after "such materials" in the matter preceding paragraph (1), and

(B) by striking paragraphs (1) through (10) and inserting the following:

"(1) a concise description of the benefits of the vaccine,

"(2) a concise description of the risks associated with the vaccine,

"(3) a statement of the availability of the National Vaccine Injury Compensation Program, and

"(4) such other relevant information as may be determined by the Secretary."

(3) Subsections (a) and (d) of section 2126 of such Act (42 U.S.C. 300aa-26) are each amended by inserting "or to any other individual" after "to the legal representatives of any child".

(4) Subsection (d) of section 2126 of such Act (42 U.S.C. 300aa-26) is amended—

(A) by striking all after "subsection (a)," the second place it appears in the first sentence and inserting "supplemented with visual presentations or oral explanations, in appropriate cases," and

(B) by striking "or other information" in the last sentence.

SEC. 5182. AVAILABILITY OF MEDICAID PAYMENTS FOR CHILDHOOD VACCINE REPLACEMENT PROGRAMS.

(a) IN GENERAL.—Section 1902(a)(32) (42 U.S.C. 1396a(a)(32)) is amended—

(1) by striking "and" at the end of subparagraph (B),

(2) by striking the period at the end of subparagraph (C) and inserting "; and"; and

(3) by adding at the end the following new subparagraph:

"(D) in the case of payment for a childhood vaccine administered to individuals entitled to medical assistance under the State plan, the State plan may make payment directly to the manufacturer of the vaccine under a

voluntary replacement program agreed to by the State pursuant to which the manufacturer (i) supplies doses of the vaccine to providers administering the vaccine, (ii) periodically replaces the supply of the vaccine, and (iii) charges the State the manufacturer's bid price to the Centers for Disease Control and Prevention for the vaccine so administered plus a reasonable premium to cover shipping and the handling of returns."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 5183. MISCELLANEOUS TECHNICAL CORRECTIONS TO PUBLIC HEALTH SERVICE ACT PROVISIONS.

(a) COMPENSATION FOR MEMBERS OF NATIONAL ADVISORY COUNCIL ON NATIONAL HEALTH SERVICE CORPS.—

(1) IN GENERAL.—Section 337(b)(2) of the Public Health Service Act (42 U.S.C. 254j(b)(2)) is amended—

(A) by inserting after "so serving" the following: "compensation at a rate fixed by the Secretary (but not to exceed)", and

(B) by striking "Schedule;" and inserting "Schedule);";

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall take effect on the date of the enactment of this Act.

(b) LIABILITY PROTECTIONS FOR INDIVIDUALS PROVIDING SERVICES AT CERTAIN CLINICS.—

(1) CLARIFICATION OF VOLUNTARY PARTICIPATION BY CERTAIN ENTITIES.—(A) Section 224(g) of the Public Health Service Act (42 U.S.C. 133(g)(1)), as added by section 2(a) of the Federally Supported Health Centers Assistance Act of 1992, is amended—

(i) in paragraph (4), by striking "An entity" and inserting "Except as provided in paragraph (6), an entity", and

(ii) by adding at the end the following new paragraph:

"(6) An entity may elect not to be treated as being described in paragraph (4) if the entity establishes that on a continuous basis since October 24, 1992, the entity has been a participant in, and partial owner of, a non-profit risk retention group which offers malpractice and other liability coverage to the entity."

(B) Section 224(k)(2) of such Act (42 U.S.C. 233(k)(2)), as added by section 4 of the Federally Supported Health Centers Assistance Act of 1992, is amended by striking "entities receiving funds" and all that follows through "subsection (g)" and inserting the following: "entities described in subsection (g)(4) and receiving funds under each of the grant programs described in such subsection".

(2) CLARIFICATION OF COVERAGE OF OFFICERS AND EMPLOYEES OF CLINICS.—The first sentence of section 224(g)(1) of the Public Health Service Act (42 U.S.C. 233(g)(1)) is amended by striking "officer, employee, or contractor" and inserting the following: "officer or employee of such an entity, and any contractor".

(3) COVERAGE FOR SERVICES FURNISHED TO INDIVIDUALS OTHER THAN PATIENTS OF CLINIC.—Section 224(g) of such Act (42 U.S.C. 233(g)(1)), as amended by paragraph (1), is amended—

(A) in the first sentence of paragraph (1), by inserting after "Service" the following: "with respect to services provided to patients of the entity and (subject to paragraph (7)) to certain other individuals"; and

(B) by adding at the end the following new paragraph:

"(7) For purposes of paragraph (1), an officer, employee, or contractor described in such paragraph may be deemed to be an employee of the Public Health Service with re-

spect to services provided to individuals who are not patients of an entity described in paragraph (4) only if the Secretary determines—

"(A) that the provision of the services to such individuals is necessary to assure the treatment of patients of such an entity; or

"(B) that such services are otherwise required to be provided to such individuals under an employment contract (or other similar arrangement) between the individual and the entity."

(4) DETERMINING COMPLIANCE OF ENTITY WITH REQUIREMENTS FOR COVERAGE.—Section 224(h) of such Act (42 U.S.C. 233(h)), as added by section 2(b) of the Federally Supported Health Centers Assistance Act of 1992, is amended by striking "the entity—" and inserting the following: "the Secretary, after receiving such assurances and conducting such investigation as the Secretary considers necessary, finds that the entity—"

(5) EFFECTIVE DATE.—The amendments made by this subsection shall take effect as if included in the enactment of the Federally Supported Health Centers Assistance Act of 1992.

(c) ELIMINATION OF DUPLICATE WAIVER AUTHORITY FOR PARTICIPANTS IN NATIONAL HEALTH SERVICE CORPS.—Section 338E(c) of the Public Health Service Act (42 U.S.C. 254o(c)) is amended by striking paragraph (3) and redesignating paragraph (4) as paragraph (3).

(d) CLARIFICATION OF PROHIBITION AGAINST RE SALE OF DRUGS UNDER DRUG REBATE AGREEMENTS.—Section 340B(a)(5)(B) of the Public Health Service Act (42 U.S.C. 256b(a)(5)(B)), as added by section 602(a) of the Veterans Health Care of 1992, is amended by striking "entity." and inserting "covered entity."

Subtitle C—Communications Licensing Improvement

SEC. 5200. TABLE OF CONTENTS.

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Subtitle C—Communications Licensing Improvement

Sec. 5200. Table of contents.

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CHAPTER 1—COMPETITIVE BIDDING AUTHORITY

SEC. 5201. SHORT TITLE.

This chapter may be cited as the "Licensing Improvement Act of 1993".

SEC. 5202. FINDINGS.

The Congress finds that—

(1) current licensing procedures often delay delivery of services to the public and can result in the unjust enrichment of applicants on the basis of the value of the public airwaves;

(2) if licensees are engaged in reselling the use of the public airwaves to subscribers for a fee, the licensee should pay reasonable compensation to the public for those public resources;

(3) a carefully designed system to obtain competitive bids from competing qualified applicants can speed delivery of services, promote efficient and intensive use of the electromagnetic spectrum, prevent unjust enrichment, and produce revenues to compensate the public for the use of the public airwaves; and

(4) therefore, the Federal Communications Commission should have the authority to differentiate among multiple qualified applicants for a single license using a system of competitive bids.

SEC. 5203. AUTHORITY TO USE COMPETITIVE BIDDING.

Section 309 of the Communications Act of 1934 (47 U.S.C. 309) is amended by adding at the end the following new subsection:

"(j) USE OF COMPETITIVE BIDDING.—

"(1) GENERAL AUTHORITY.—If mutually exclusive applications are filed for any initial license or construction permit which will involve a use of the electromagnetic spectrum described in paragraph (2), then the Commission shall have the authority to grant such license or permit to a qualified applicant through the use of a system of competitive bidding that meets the requirements of this subsection.

"(2) USES TO WHICH BIDDING MAY APPLY.—A use of the electromagnetic spectrum is described in this paragraph if the Commission determines that—

"(A) the principal use of such spectrum will involve, or is reasonably likely to involve, the licensee receiving compensation from subscribers in return—

"(i) for the licensee enabling those subscribers to receive communications signals that are transmitted utilizing frequencies on which the licensee is licensed to operate; or

"(ii) for the licensee enabling those subscribers to transmit directly communications signals utilizing frequencies on which the licensee is licensed to operate; and

"(B) a system of competitive bidding will promote the objectives described in paragraph (3).

"(3) DESIGN OF SYSTEMS OF COMPETITIVE BIDDING.—For each license or permit, or class of licenses or permits, that the Commission grants through the use of a competitive bidding system, the Commission shall, by rule, establish a competitive bidding methodology. The Commission shall seek to design and test multiple alternative methodologies under appropriate circumstances. In identifying licenses and permits to be issued by competitive bidding, in specifying eligibility and other characteristics of such licenses and permits, and in designing the methodologies for use under this subsection, the Commission shall seek to promote the purposes specified in section 1 of this Act and the following objectives:

"(A) the development and rapid deployment of new technologies, products, and services for the benefit of the public, including those residing in rural areas, without administrative or judicial delays;

"(B) promoting economic opportunity and competition and ensuring that new and inno-

vative technologies are readily accessible to the American people by avoiding excessive concentration of licenses and by disseminating licenses among a wide variety of applicants, including small businesses and businesses owned by members of minority groups and women;

"(C) recovery for the public of a portion of the value of the public spectrum resource made available for commercial use and avoidance of unjust enrichment through the methods employed to award uses of that resource; and

"(D) efficient and intensive use of the electromagnetic spectrum.

"(4) CONTENTS OF REGULATIONS.—In prescribing rules pursuant to paragraph (3), the Commission shall—

"(A) consider alternative payment schedules and methods of calculation, including initial lump sums, installment or royalty payments, guaranteed annual minimum payments, or other schedules or methods that promote the objectives described in paragraph (3)(B), and combinations of such schedules and methods;

"(B) include performance requirements, such as appropriate deadlines and penalties for performance failures, to ensure prompt delivery of service to rural areas, to prevent stockpiling or warehousing of spectrum by licensees or permittees, and to promote investment in and rapid deployment of new technologies and services;

"(C) consistent with the public interest, convenience, and necessity, the purposes of this Act, and the characteristics of the proposed service, prescribe area designations and bandwidth assignments that promote (i) an equitable distribution of licenses and services among geographic areas, (ii) economic opportunity for a wide variety of applicants, including small businesses and businesses owned by members of minority groups and women, and (iii) investment in and rapid deployment of new technologies and services; and

"(D) require such transfer disclosures and antitrafficking restrictions and payment schedules as may be necessary to prevent unjust enrichment as a result of the methods employed to issue licenses and permits.

"(5) BIDDER AND LICENSEE QUALIFICATION.—No person shall be permitted to participate in a system of competitive bidding pursuant to this subsection unless such bidder submits such information and assurances as the Commission may require to demonstrate that such bidder's application is acceptable for filing. No license shall be granted to an applicant selected pursuant to this subsection unless the Commission determines that the applicant is qualified pursuant to subsection (a) and sections 308(b) and 310. Consistent with the objectives described in paragraph (3), the Commission shall, by rule, prescribe expedited procedures consistent with the procedures authorized by subsection (i)(2) for the resolution of any substantial and material issues of fact concerning qualifications.

"(6) RULES OF CONSTRUCTION.—Nothing in this subsection, or in the use of competitive bidding, shall—

"(A) limit or otherwise affect the requirements of subsection (h) of this section, section 301, 304, 307, 310, or 706, or any other provision of this Act (other than subsections (d)(2) and (e) of this section);

"(B) be construed to convey any rights, including any expectation of renewal of a license, that differ from the rights that apply to other licenses within the same service that were not issued pursuant to this subsection; or

"(C) be construed to prohibit the Commission from issuing nationwide licenses or permits.

"(7) LIMITATION OF EFFECT ON ALLOCATION DECISIONS.—In making a decision pursuant to section 303(c) to assign a band of frequencies to a use for which licenses or permits will be issued pursuant to this subsection, and in prescribing regulations pursuant to paragraph (4)(A) and (4)(C) of this subsection, the Commission may not base a finding of public interest, convenience, and necessity solely or predominantly on the expectation of Federal revenues from the use of a system of competitive bidding under this subsection.

"(8) TREATMENT OF REVENUES.—All proceeds from the use of a competitive bidding system under this subsection shall be deposited in the Treasury in accordance with chapter 33 of title 31, United States Code. A license or permit issued by the Commission under this section shall not be treated as the property of the licensee for tax purposes by any State or local government entity.

"(9) TERMINATION; EVALUATION.—The authority of the Commission to grant a license or permit under this subsection shall expire September 30, 1998. Not later than September 30, 1997, the Commission shall conduct a public inquiry and submit to the Congress a report—

"(A) describing the methodologies established by the Commission pursuant to paragraphs (3) and (4);

"(B) comparing the relative advantages and disadvantages of such methodologies in terms of attaining the objectives described in such paragraphs;

"(C) evaluating the extent to which such methodologies have secured prompt delivery of service to rural areas; and

"(D) containing a statement of the revenues obtained, and a projection of the future revenues, from the use of competitive bidding systems under this subsection."

SEC. 5204. CONFORMING AMENDMENTS.

Section 309 of the Communications Act of 1934 is further amended—

(1) by striking subsection (i)(1) and inserting the following:

"(i) RANDOM SELECTION.—

"(1) GENERAL AUTHORITY.—If—

"(A) there is more than one application for any initial license or construction permit which will involve a use of the electromagnetic spectrum; and

"(B) the Commission has determined that the use is not described in subsection (j)(2)(A);

then the Commission shall have the authority to grant such license or permit to a qualified applicant through the use of a system of random selection."

(2) in paragraph (2)—

(A) by indenting paragraph (2), including subparagraphs (A) through (C), by an additional 2 em spaces; and

(B) by inserting "DETERMINATIONS OF QUALIFICATIONS.—" after "(2)";

(3) in paragraph (3)—

(A) by indenting subparagraphs (A) and (B), and so much of subparagraph (C) as precedes clause (i), by an additional 2 em spaces;

(B) by indenting clauses (i) and (ii) of subparagraph (C) by an additional 4 em spaces; and

(C) by inserting "PREFERENCES; DIVERSITY.—" after "(3)";

(4) in paragraph (4)—

(A) by indenting subparagraphs (A) and (B) of such paragraph by an additional 2 em spaces;

(B) by inserting "RULEMAKING SCHEDULE AND AUTHORITY.—" after "(4)"; and

(C) by adding at the end the following new subparagraph:

"(C) Not later than 180 days after the date of enactment of this subparagraph, the Commission shall prescribe such transfer disclosures and antitrafficking restrictions and payment schedules as are necessary to prevent the unjust enrichment of recipients of licenses or permits as a result of the methods employed to issue licenses under this subsection."

SEC. 5205. REGULATORY PARITY.

(a) AMENDMENT.—Section 332 of the Communications Act of 1934 (47 U.S.C. 332) is amended—

(1) by striking "PRIVATE LAND" from the heading of the section; and

(2) by amending striking subsection (c) and inserting the following:

"(c) REGULATORY TREATMENT OF MOBILE SERVICES.—

"(1) COMMON CARRIER TREATMENT OF COMMERCIAL MOBILE SERVICES.—(A) A person engaged in the provision of commercial mobile services shall, insofar as such person is so engaged, be treated as a common carrier for purposes of this Act, except for such provisions of title II as the Commission may, consistent with the public interest, specify as inapplicable by rule. In prescribing any such rule, the Commission may not specify section 201, 202, or 208, or any other provision that the Commission determines to be necessary in order to ensure that the charges, practices, classifications, or regulations for or in connection with commercial mobile services are just and reasonable and are not unjustly or unreasonably discriminatory or is otherwise in the public interest.

"(B) Upon reasonable request of any person providing commercial mobile service, the Commission shall order a common carrier to establish physical connections with such service pursuant to the provisions of section 201 of this Act. Except to the extent that the Commission is required to respond to such a request, this subparagraph shall not be construed as a limitation or expansion of the Commission's authority to order interconnection pursuant to this Act.

"(2) NONCOMMON CARRIER TREATMENT OF PRIVATE LAND MOBILE SERVICES.—A person engaged in private land mobile service shall not, insofar as such person is so engaged, be treated as a common carrier for any purpose under this Act. A common carrier (other than a person that was treated as provider of private land mobile services prior to the enactment of the Licensing Improvement Act of 1993) shall not provide any dispatch service on any frequency allocated for common carrier service, except to the extent such dispatch service is provided on stations licensed in the domestic public land mobile radio service before January 1, 1982. The Commission may by regulation terminate, in whole or in part, the prohibition contained in the preceding sentence if the Commission determines that such termination will serve the public interest.

"(3) STATE AUTHORITY TO REGULATE.—(A) Notwithstanding sections 2(b) and 221(b), no State or local government shall have any authority to impose any rate or entry regulation upon any commercial mobile service or any private land mobile service, except that this paragraph shall not prohibit a State from regulating the other terms and conditions of commercial mobile services.

"(B) Notwithstanding subparagraph (A), a State may petition the Commission for authority to regulate the rates for any com-

mercial mobile service, and the Commission shall grant such petition, if such State demonstrates that (i) such service is a substitute for land line telephone exchange service for a substantial portion of the public within such State, or (ii) market conditions with respect to such services fail to protect subscribers adequately from unjust and unreasonable rates or rates that are unjustly or unreasonably discriminatory. The Commission shall provide reasonable opportunity for public comment in response to such petition, and shall, within 9 months after the date of its submission, grant or deny such petition. If the Commission grants such petition, the Commission shall authorize the State to exercise under State law such authority over rates, for such periods of time, as the Commission deems necessary to ensure that such rates are just and reasonable and not unjustly or unreasonably discriminatory.

"(4) REGULATORY TREATMENT OF COMMUNICATIONS SATELLITE CORPORATION.—Nothing in this subsection shall be construed to alter or affect the regulatory treatment required by title IV of the Communications Satellite Act of 1962 of the corporation authorized by title III of such Act.

"(d) DEFINITIONS.—For purposes of this section—

"(1) the term 'commercial mobile service' means all mobile services (as defined in section 3(n)) that—

"(A) are provided for profit (i) to the public, (ii) on an indiscriminate basis, or (iii) to such broad classes of eligible users as to be effectively available to a substantial portion of the public; and

"(B) are interconnected (or have requested interconnection pursuant to paragraph (1)(B)) with the public switched network (as such terms are defined by regulation by the Commission); and

"(2) the term 'private mobile service' means any mobile service (as defined in section 3(n)) that is not a commercial mobile service."

(b) CONFORMING AMENDMENTS.—

(1) AMENDMENTS TO DEFINITIONS.—Section 3 of the Communications Act of 1934 (47 U.S.C. 153) is amended—

(A) in subsection (n)—

(i) by inserting "(1)" after "and includes"; and

(ii) by inserting before the period at the end the following: ", (2) a mobile service which provides a regularly interacting group of base, mobile, portable, and associated control and relay stations (whether licensed on an individual, cooperative, or multiple basis) for private one-way or two-way land mobile radio communications by eligible users over designated areas of operation, and (3) any service for which a license is required in a personal communications service established pursuant to the proceeding entitled 'Amendment of the Commission's Rules to Establish New Personal Communications Services' (GEN Docket No. 90-314; ET Docket No. 92-100), or any successor proceeding"; and

(B) by striking subsection (gg).

(2) CONFORMING AMENDMENTS TO SECTION 332.—Section 332 of such Act is further amended—

(A) in subsection (a), by inserting after "(a)" the following: "MANAGEMENT OF PRIVATE LAND MOBILE FREQUENCIES.—";

(B) in subsection (b)—

(i) by indenting the margin of paragraphs (2) through (4) by 2 em spaces;

(ii) by striking "(b)(1)" and inserting the following:

"(b) USE OF ADVISORY COMMITTEE.—

"(1) COORDINATION OF FREQUENCY ASSIGNMENT.—";

(iii) by inserting "EXEMPTION.—" after "(2)";

(iv) by inserting "NONEMPLOYEE STATUS.—" after "(3)"; and

(v) by inserting "APPLICATION OF FEDERAL ADVISORY COMMITTEE ACT.—" after "(4).

SEC. 5206. EFFECTIVE DATES; DEADLINES FOR COMMISSION ACTION.

(a) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this chapter are effective on the date of enactment of this Act.

(2) EFFECTIVE DATE OF MOBILE SERVICE AMENDMENTS.—The amendments made by section 5205 shall be effective 1 year after such date of enactment, except that any person that provides private land mobile services before such date of enactment shall continue to be treated as a provider of private land mobile service until 3 years after such date of enactment.

(b) DEADLINES FOR COMMISSION ACTION.—

(1) GENERAL RULEMAKING.—The Federal Communications Commission shall prescribe rules to implement section 309(j) of the Communications Act of 1934 (as added by this chapter) within 210 days after the date of enactment of this Act.

(2) PCS ORDERS AND LICENSING.—The Commission shall—

(A) within 180 days after such date of enactment, issue a final report and order (i) in the matter entitled "Redevelopment of Spectrum to Encourage Innovation in the Use of New Telecommunications Technologies" (ET Docket No. 92-9); and (ii) in the matter entitled "Amendment of the Commission's Rules to Establish New Personal Communications Services" (GEN Docket No. 90-314; ET Docket No. 92-100); and

(B) within 270 days after such date of enactment, commence issuing licenses and permits in the personal communications service.

(3) MOBILE SERVICE RULEMAKING REQUIRED.—Within 1 year after the date of enactment of this Act, the Federal Communications Commission shall—

(A) issue such modifications or terminations of its regulations concerning private land mobile services as are necessary to implement the amendments made by section 5205;

(B) make such other modifications of such regulations as may be necessary to equalize the regulatory treatment of providers of all commercial mobile services that offer services that are substantially similar; and

(C) include in such modifications and terminations such provisions as are necessary to provide for an orderly transition to the regulatory treatment required by such amendments.

(c) SPECIAL RULE.—The Federal Communications Commission shall not issue any license or permit pursuant to section 309(i) of the Communications Act of 1934 after the date of enactment of this Act unless the Commission has made the determination required by paragraph (1)(B) of such section (as added by this chapter).

CHAPTER 2—EMERGING

TELECOMMUNICATIONS TECHNOLOGIES

SEC. 5221. SHORT TITLE.

This chapter may be cited as the "Emerging Telecommunications Technologies Act of 1993".

SEC. 5222. AMENDMENT TO THE NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION ORGANIZATION ACT.

The National Telecommunications and Information Administration Organization Act is amended—

(1) by striking the heading of part B and inserting the following:

"PART D—SPECIAL AND TEMPORARY PROVISIONS";

(3) by redesignating sections 131 through 135 as sections 151 through 155, respectively; and

(2) by inserting after part A the following new part:

"PART B—EMERGING TELECOMMUNICATIONS TECHNOLOGIES

"SEC. 111. FINDINGS.

"The Congress finds that—

"(1) the Federal Government currently reserves for its own use, or has priority of access to, approximately 40 percent of the electromagnetic spectrum that is assigned for use pursuant to the Communications Act of 1934;

"(2) many of such frequencies are underutilized by Federal Government licensees;

"(3) the public interest requires that many of such frequencies be utilized more efficiently by Federal Government and non-Federal licensees;

"(4) additional frequencies are assigned for services that could be obtained more efficiently from commercial carriers or other vendors;

"(5) scarcity of assignable frequencies for licensing by the Commission can and will—

"(A) impede the development and commercialization of new telecommunications products and services;

"(B) limit the capacity and efficiency of the United States telecommunications systems;

"(C) prevent some State and local police, fire, and emergency services from obtaining urgently needed radio channels; and

"(D) adversely affect the productive capacity and international competitiveness of the United States economy;

"(6) a reassignment of these frequencies can produce significant economic returns; and

"(7) the Secretary of Commerce, the President, and the Federal Communications Commission should be directed to take appropriate steps to correct these deficiencies.

"SEC. 112. NATIONAL SPECTRUM PLANNING.

"(a) PLANNING ACTIVITIES.—The Assistant Secretary and the Chairman of the Commission shall meet, at least biannually, to conduct joint spectrum planning with respect to the following issues—

"(1) the future spectrum requirements for public and private uses, including State and local government public safety agencies;

"(2) the spectrum allocation actions necessary to accommodate those uses; and

"(3) actions necessary to promote the efficient use of the spectrum, including spectrum management techniques to promote increased shared use of the spectrum that does not cause harmful interference as a means of increasing commercial access.

"(b) REPORTS.—The Assistant Secretary and the Chairman of the Commission shall submit a joint annual report to the Committee on Energy and Commerce of the House of Representatives, the Committee on Commerce, Science, and Transportation of the Senate, the Secretary, and the Commission on the joint spectrum planning activities conducted under subsection (a) and recommendations for action developed pursuant to such activities.

"(c) REPORTING REQUIREMENTS.—The first annual report submitted after the date of the report by the advisory committee under section 113(d)(4) shall—

"(1) include an analysis of and response to that committee report; and

"(2) include an analysis of the effect on spectrum efficiency and the cost of equipment to Federal spectrum users of maintaining separate allocations for Federal Government and non-Federal Government licensees for the same or similar services.

"SEC. 113. IDENTIFICATION OF REALLOCABLE FREQUENCIES.

"(a) IDENTIFICATION REQUIRED.—The Secretary shall, within 24 months after the date of the enactment of this part, prepare and submit to the President and the Congress a report identifying bands of frequencies that—

"(1) are allocated on a primary basis for Federal Government use and eligible for licensing pursuant to section 305(a) of the Act (47 U.S.C. 305(a));

"(2) are not required for the present or identifiable future needs of the Federal Government;

"(3) can feasibly be made available, as of the date of submission of the report or at any time during the next 15 years, for use under the Act (other than for Federal Government stations under such section 305);

"(4) will not result in costs to the Federal Government, or losses of services or benefits to the public, that are excessive in relation to the benefits that may be obtained by non-Federal licensees; and

"(5) are most likely to have the greatest potential for productive uses and public benefits under the Act.

"(b) MINIMUM AMOUNT OF SPECTRUM RECOMMENDED.—

"(1) IN GENERAL.—Based on the report required by subsection (a), the Secretary shall recommend for reallocation, for use other than by Federal Government stations under section 305 of the Act (47 U.S.C. 305), bands of frequencies that span a total of not less than 200 megahertz, that are located below 6 gigahertz, and that meet the criteria specified in paragraphs (1) through (4) of subsection (a). The Secretary may not include, in such 200 megahertz, bands of frequencies that span more than 20 megahertz and that are located between 5 and 6 gigahertz. If the report identifies (as meeting such criteria) bands of frequencies spanning more than 200 megahertz, the report shall identify and recommend for reallocation those bands (spanning not less than 200 megahertz) that meet the criteria specified in paragraph (5) of such subsection.

"(2) MIXED USES PERMITTED TO BE COUNTED.—Bands of frequencies which the Secretary's report recommends be partially retained for use by Federal Government stations, but which are also recommended to be reallocated to be made available under the Act for use by non-Federal stations, may be counted toward the minimum spectrum required by paragraph (1) of this subsection, except that—

"(A) the bands of frequencies counted under this paragraph may not count toward more than one-half of the minimum required by paragraph (1) of this subsection;

"(B) a band of frequencies may not be counted under this paragraph unless the assignments of the band to Federal Government stations under section 305 of the Act (47 U.S.C. 305) are limited by geographic area, by time, or by other means so as to guarantee that the potential use to be made by such Federal Government stations is substantially less (as measured by geographic area, time, or otherwise) than the potential use to be made by non-Federal stations; and

"(C) the operational sharing permitted under this paragraph shall be subject to coordination procedures which the Commission

shall establish and implement to ensure against harmful interference.

"(c) CRITERIA FOR IDENTIFICATION.—

"(1) NEEDS OF THE FEDERAL GOVERNMENT.—In determining whether a band of frequencies meets the criteria specified in subsection (a)(2), the Secretary shall—

"(A) consider whether the band of frequencies is used to provide a communications service that is or could be available from a commercial carrier or other vendor;

"(B) seek to promote—

"(i) the maximum practicable reliance on commercially available substitutes;

"(ii) the sharing of frequencies (as permitted under subsection (b)(2));

"(iii) the development and use of new communications technologies; and

"(iv) the use of nonradiating communications systems where practicable; and

"(C) seek to avoid—

"(i) serious degradation of Federal Government services and operations; and

"(ii) excessive costs to the Federal Government and users of Federal Government services.

"(2) FEASIBILITY OF USE.—In determining whether a frequency band meets the criteria specified in subsection (a)(3), the Secretary shall—

"(A) assume such frequencies will be assigned by the Commission under section 303 of the Act (47 U.S.C. 303) over the course of not less than 15 years;

"(B) assume reasonable rates of scientific progress and growth of demand for telecommunications services;

"(C) determine the extent to which the reallocation or reassignment will relieve actual or potential scarcity of frequencies available for licensing by the Commission for non-Federal use;

"(D) seek to include frequencies which can be used to stimulate the development of new technologies; and

"(E) consider the immediate and recurring costs to reestablish services displaced by the reallocation of spectrum.

"(3) ANALYSIS OF BENEFITS.—In determining whether a band of frequencies meets the criteria specified in subsection (a)(4), the Secretary shall consider—

"(A) the extent to which equipment is or will be available that is capable of utilizing the band;

"(B) the proximity of frequencies that are already assigned for commercial or other non-Federal use; and

"(C) the activities of foreign governments in making frequencies available for experimentation or commercial assignments in order to support their domestic manufacturers of equipment.

"(4) POWER AGENCY FREQUENCIES.—

"(A) ELIGIBLE FOR MIXED USE ONLY.—The frequencies assigned to any Federal power agency may only be eligible for mixed use under subsection (b)(2) in geographically separate areas and shall not be recommended for the purposes of withdrawing that assignment. In any case where a frequency is to be shared by an affected Federal power agency and a non-Federal user, such use by the non-Federal user shall, consistent with the procedures established under subsection (b)(2)(C), not cause harmful interference to the affected Federal power agency or adversely affect the reliability of its power system.

"(B) DEFINITION.—As used in this paragraph, the term 'Federal power agency' means the Tennessee Valley Authority, the Bonneville Power Administration, the Western Area Power Administration, or the Southwestern Power Administration.

"(d) PROCEDURE FOR IDENTIFICATION OF REALLOCABLE BANDS OF FREQUENCIES.—

"(1) SUBMISSION OF PRELIMINARY IDENTIFICATION TO CONGRESS.—Within 12 months after the date of the enactment of this part, the Secretary shall prepare and submit to the Congress a report which makes a preliminary identification of reallocable bands of frequencies which meet the criteria established by this section.

"(2) CONVENING OF ADVISORY COMMITTEE.—Not later than the date the Secretary submits the report required by paragraph (1), the Secretary shall convene an advisory committee to—

"(A) review the bands of frequencies identified in such report;

"(B) advise the Secretary with respect to (i) the bands of frequencies which should be included in the final report required by subsection (a), and (ii) the effective dates which should be established under subsection (e) with respect to such frequencies;

"(C) receive public comment on the Secretary's report and on the final report; and

"(D) prepare and submit the report required by paragraph (4).

The advisory committee shall meet at least monthly until each of the actions required by section 114(a) have taken place.

"(3) COMPOSITION OF COMMITTEE; CHAIRMAN.—The advisory committee shall include—

"(A) the Chairman of the Commission and the Assistant Secretary, and one other representative of the Federal Government as designated by the Secretary; and

"(B) representatives of—

"(i) United States manufacturers of spectrum-dependent telecommunications equipment;

"(ii) commercial carriers;

"(iii) other users of the electromagnetic spectrum, including radio and television broadcast licensees, State and local public safety agencies, and the aviation industry; and

"(iv) other interested members of the public who are knowledgeable about the uses of the electromagnetic spectrum.

A majority of the members of the committee shall be members described in subparagraph (B), and one of such members shall be designated as chairman by the Secretary.

"(4) RECOMMENDATIONS ON SPECTRUM ALLOCATION PROCEDURES.—The advisory committee shall, not later than 36 months after the date of the enactment of this part, submit to the Secretary, the Commission, the Committee on Energy and Commerce of the House of Representatives, and the Committee on Commerce, Science, and Transportation of the Senate, a report containing such recommendations as the advisory committee considers appropriate for the reform of the process of allocating the electromagnetic spectrum between Federal and non-Federal use, and any dissenting views thereon.

"(e) TIMETABLE FOR REALLOCATION AND LIMITATION.—

"(1) TIMETABLE REQUIRED.—The Secretary shall, as part of the report required by subsection (a), include a timetable that recommends immediate and delayed effective dates by which the President shall withdraw or limit assignments on the frequencies specified in the report.

"(2) EXPEDITED REALLOCATION OF INITIAL 30 MHZ PERMITTED.—The Secretary may prepare and submit to the President a report which specifically identifies an initial 30 megahertz of spectrum that meets the criteria described in subsection (a) and that can be made avail-

able for reallocation immediately upon issuance of the report required by this section.

"(3) DELAYED EFFECTIVE DATE.—The recommended delayed effective dates shall—

"(A) permit the earliest possible reallocation of the frequency bands, taking into account the requirements of section 115(1);

"(B) be based on the useful remaining life of equipment that has been purchased or contracted for to operate on identified frequencies;

"(C) be based on the need to coordinate frequency use with other nations; and

"(D) take into account the relationship between the costs to the Federal Government of changing to different frequencies and the benefits that may be obtained from commercial and other non-Federal uses of the reassigned frequencies.

"SEC. 114. WITHDRAWAL OF ASSIGNMENT TO FEDERAL GOVERNMENT STATIONS.

"(a) IN GENERAL.—The President shall—

"(1) within 6 months after receipt of the Secretary's report under section 113(a), withdraw the assignment to a Federal Government station of any frequency which the report recommends for immediate reallocation;

"(2) within such 6-month period, limit the assignment to a Federal Government station of any frequency which the report recommends be made immediately available for mixed use under section 113(b)(2);

"(3) by the delayed effective date recommended by the Secretary under section 113(e) (except as provided in subsection (b)(4) of this section), withdraw or limit the assignment to a Federal Government station of any frequency which the report recommends be reallocated or made available for mixed use on such delayed effective date;

"(4) assign or reassign other frequencies to Federal Government stations as necessary to adjust to such withdrawal or limitation of assignments; and

"(5) transmit a notice and description to the Commission and each House of Congress of the actions taken under this subsection.

"(b) EXCEPTIONS.—

"(1) AUTHORITY TO SUBSTITUTE.—If the President determines that a circumstance described in paragraph (2) exists, the President—

"(A) may substitute an alternative frequency or band of frequencies for the frequency or band that is subject to such determination and withdraw (or limit) the assignment of that alternative frequency or band in the manner required by subsection (a); and

"(B) shall submit a statement of the reasons for taking the action described in subparagraph (A) to the Committee on Energy and Commerce of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate.

"(2) GROUNDS FOR SUBSTITUTION.—For purposes of paragraph (1), the following circumstances are described in this paragraph:

"(A) the reassignment would seriously jeopardize the national defense interests of the United States;

"(B) the frequency proposed for reassignment is uniquely suited to meeting important governmental needs;

"(C) the reassignment would seriously jeopardize public health or safety; or

"(D) the reassignment will result in costs to the Federal Government that are excessive in relation to the benefits that may be obtained from commercial or other non-Federal uses of the reassigned frequency.

"(3) CRITERIA FOR SUBSTITUTED FREQUENCIES.—For purposes of paragraph (1), a

frequency may not be substituted for a frequency identified by the report of the Secretary under section 113(a) unless the substituted frequency also meets each of the criteria specified by section 113(a).

"(4) DELAYS IN IMPLEMENTATION.—If the President determines that any action cannot be completed by the delayed effective date recommended by the Secretary pursuant to section 113(e), or that such an action by such date would result in a frequency being unused as a consequence of the Commission's plan under section 115, the President may—

"(A) withdraw or limit the assignment to Federal Government stations on a later date that is consistent with such plan, except that the President shall notify each committee specified in paragraph (1)(B) and the Commission of the reason that withdrawal or limitation at a later date is required; or

"(B) substitute alternative frequencies pursuant to the provisions of this subsection.

"(c) LIMITATION ON DELEGATION.—Notwithstanding any other provision of law, the authorities and duties established by this section may not be delegated.

"SEC. 115. DISTRIBUTION OF FREQUENCIES BY THE COMMISSION.

"Not later than 1 year after the President notifies the Commission pursuant to section 114(a)(5), the Commission shall prepare, in consultation with the Assistant Secretary when necessary, and submit to the President and the Congress, a plan for the distribution under the Act of the frequency bands reallocated pursuant to the requirements of this part. Such plan shall—

"(1) not propose the immediate distribution of all such frequencies, but, taking into account the timetable recommended by the Secretary pursuant to section 113(e), shall propose—

"(A) gradually to distribute the frequencies remaining, after making the reservation required by subparagraph (B), over the course of a period of not less than 10 years beginning on the date of submission of such plan; and

"(B) to reserve a significant portion of such frequencies for distribution beginning after the end of such 10-year period;

"(2) contain appropriate provisions to ensure—

"(A) the availability of frequencies for new technologies and services in accordance with the policies of section 7 of the Act (47 U.S.C. 157); and

"(B) the availability of frequencies to stimulate the development of such technologies;

"(3) address (A) the feasibility of reallocating spectrum from current commercial and other non-Federal uses to provide for more efficient use of the spectrum, and (B) innovation and marketplace developments that may affect the relative efficiencies of different spectrum allocations; and

"(4) not prevent the Commission from allocating bands of frequencies for specific uses in future rulemaking proceedings.

"SEC. 116. AUTHORITY TO RECOVER REASSIGNED FREQUENCIES.

"(a) AUTHORITY OF PRESIDENT.—Subsequent to the withdrawal of assignment to Federal Government stations pursuant to section 114, the President may reclaim reassigned frequencies for reassignment to Federal Government stations in accordance with this section.

"(b) PROCEDURE FOR RECLAIMING FREQUENCIES.—

"(1) UNALLOCATED FREQUENCIES.—If the frequencies to be reclaimed have not been allocated or assigned by the Commission pursu-

ant to the Act, the President shall follow the procedures for substitution of frequencies established by section 114(b) of this part.

"(2) ALLOCATED FREQUENCIES.—If the frequencies to be reclaimed have been allocated or assigned by the Commission, the President shall follow the procedures for substitution of frequencies established by section 114(b) of this part, except that the notification required by section 114(b)(1)(A) shall include—

"(A) a timetable to accommodate an orderly transition for licensees to obtain new frequencies and equipment necessary for its utilization; and

"(B) an estimate of the cost of displacing spectrum users licensed by the Commission.

"(c) COSTS OF RECLAIMING FREQUENCIES; APPROPRIATIONS AUTHORIZED.—The Federal Government shall bear all costs of reclaiming frequencies pursuant to this section, including the cost of equipment which is rendered unusable, the cost of relocating operations to a different frequency band, and any other costs that are directly attributable to the reclaiming of the frequency pursuant to this section. There are authorized to be appropriated such sums as may be necessary to carry out the purposes of this section.

"(d) EFFECTIVE DATE OF RECLAIMED FREQUENCIES.—The Commission shall not withdraw licenses for any reclaimed frequencies until the end of the fiscal year following the fiscal year in which the President's notification is received.

"(e) EFFECT ON OTHER LAW.—Nothing in this section shall be construed to limit or otherwise affect the authority of the President under sections 305 and 706 of the Act (47 U.S.C. 305, 606).

"SEC. 117. DEFINITIONS.

"As used in this part:

"(1) The term 'allocation' means an entry in the National Table of Frequency Allocations of a given frequency band for the purpose of its use by one or more radiocommunication services.

"(2) The term 'assignment' means an authorization given to a station licensee to use specific frequencies or channels.

"(3) The term 'commercial carrier' means any entity that uses a facility licensed by the Federal Communications Commission pursuant to the Communications Act of 1934 for hire or for its own use, but does not include Federal Government stations licensed pursuant to section 305 of the Act (47 U.S.C. 305).

"(4) The term 'the Act' means the Communications Act of 1934 (47 U.S.C. 151 et seq.)."

CHAPTER 3—COMMUNICATIONS TECHNICAL AMENDMENTS

SEC. 5241. CLERICAL CORRECTIONS.

(a) AMENDMENTS TO THE COMMUNICATIONS ACT OF 1934.—The Communications Act of 1934 is amended—

(1) in section 4(f)(3), by striking "overtime exceeds beyond" and inserting "overtime extends beyond";

(2) in section 5, by redesignating subsection (f) as subsection (e);

(3) in section 220(b), by striking "classess" and inserting "classes";

(4) in section 223(b)(3), by striking "defendant restrict access" and inserting "defendant restricted access";

(5) in section 226(d), by striking paragraph (2) and redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively;

(6) in section 227(e)(2), by striking "national database" and inserting "national database";

(7) in section 228(c)(6)(D), by striking "conservation" and inserting "conversation";

(8) in section 308(c), by striking "May 24, 1921" and inserting "May 27, 1921";

(9) in section 331, by amending the heading of such section to read as follows:

"VERY HIGH FREQUENCY STATIONS AND AM RADIO STATIONS";

(10) in section 358, by striking "(a)";

(11) in part III of title III—

(A) by inserting before section 381 the following heading:

"VESSELS TRANSPORTING MORE THAN SIX PASSENGERS FOR HIRE REQUIRED TO BE EQUIPPED WITH RADIO TELEPHONE";

(B) by inserting before section 382 the following heading:

"VESSELS EXCEPTED FROM RADIO TELEPHONE REQUIREMENT";

(C) by inserting before section 383 the following heading:

"EXEMPTIONS BY COMMISSION";

(D) by inserting before section 384 the following heading:

"AUTHORITY OF COMMISSION; OPERATIONS, INSTALLATIONS, AND ADDITIONAL EQUIPMENT";

(E) by inserting before section 385 the following heading:

"INSPECTIONS"; and

(F) by inserting before section 386 the following heading:

"FORFEITURES";

(12) in section 410(c), by striking ", as referred to in sections 202(b) and 205(f) of the Interstate Commerce Act,";

(13) in section 705(e)(3)(A), by striking "paragraph (4) of subsection (d)" and inserting "paragraph (4) of this subsection";

(14) in section 705, by redesignating subsections (f) and (g) (as added by Public Law 100-667) as subsections (g) and (h); and

(15) in section 705(h) (as so redesignated), by striking "subsection (f)" and inserting "subsection (g)".

(b) AMENDMENTS TO THE COMMUNICATIONS SATELLITE ACT OF 1962.—The Communications Satellite Act of 1962 is amended—

(1) in section 303(a)—

(A) by striking "section 27(d)" and inserting "section 327(d)";

(B) by striking "sec. 29-911(d)" and inserting "sec. 29-327(d)";

(C) by striking "section 36" and inserting "section 336"; and

(D) by striking "sec. 29-916d" and inserting "sec. 29-336(d)";

(2) in section 304(d), by striking "paragraphs (1), (2), (3), (4), and (5) of section 310(a)" and inserting "subsection (a) and paragraphs (1) through (4) of subsection (b) of section 310"; and

(3) in section 304(e)—

(A) by striking "section 45(b)" and inserting "section 345(b)"; and

(B) by striking "sec. 29-920(b)" and inserting "sec. 29-345(b)"; and

(4) in sections 502(b) and 503(a)(1), by striking "Communications Satellite Corporation" and inserting "communications satellite corporation established pursuant to title III of this Act".

(c) CONFORMING AMENDMENT.—Section 1253 of the Omnibus Budget Reconciliation Act of 1981 is repealed.

SEC. 5242. TRANSFER OF PROVISIONS OF LAW CONCERNING PUBLIC TELECOMMUNICATIONS FACILITIES, CHILDREN'S EDUCATIONAL TELEVISION, AND TELECOMMUNICATIONS DEMONSTRATION PROGRAM.

(a) AMENDMENTS.—The Communications Act of 1934 (hereinafter in this section re-

ferred to as "the 1934 Act") and the National Telecommunications and Information Administration Organization Act (hereinafter in this section referred to as "the NTIAO Act") are amended as follows:

(1) The NTIAO Act is amended by inserting after part B (as added by chapter 2 of this subtitle) a new part C, the heading of which shall be as follows:

"PART C—ASSISTANCE FOR PUBLIC TELECOMMUNICATIONS FACILITIES; CHILDREN'S EDUCATIONAL TELEVISION; TELECOMMUNICATIONS DEMONSTRATIONS";

(2) Sections 390, 391, 392, 393, 393A, 394, and 395 of the 1934 Act are transferred to such new part C of the NTIAO Act and are redesignated as sections 121, 122, 123, 124, 125, 131, and 135, respectively, of the NTIAO Act.

(3) Such new part C of the NTIAO Act is amended—

(A) by inserting before section 121 the following:

"Subpart 1—Assistance for Public Telecommunications Facilities";

(B) by inserting before section 131 the following:

"Subpart 2—National Endowment for Children's Television";

(C) by inserting before section 135 the following:

"Subpart 3—Telecommunications Demonstrations".

(4) Section 125 of the NTIAO Act (as added by paragraph (2) of this subsection) is amended by striking "section 390" and inserting "section 121".

(5) Each of such sections 121 through 135 is amended so that the section designation and section heading of each such shall be in the form and typeface of the section designation and section heading of this section.

(b) CONFORMING AMENDMENT TO COMMUNICATIONS ACT OF 1934.—Part IV of title III of the 1934 Act is amended by striking out subparts A, B, and C.

(c) REFERENCES IN OTHER LAWS AND DOCUMENTS.—Any reference to any section or other provision of subpart A, B, or C of part IV of title III of the 1934 Act in any law, rule, regulation, certificate, directive, instruction, or other official paper in force on the date of enactment of this section shall be deemed to refer to the section or other provision of subpart 1, 2, or 3 of part C of the NTIAO Act to which such section or other provision is transferred by this section.

SEC. 5243. ELIMINATION OF EXPIRED AND OUTDATED PROVISIONS.

(a) AMENDMENTS TO THE COMMUNICATIONS ACT OF 1934.—The Communications Act of 1934 is amended—

(1) in section 7(b), by striking "or twelve months after the date of the enactment of this section, if later" both places it appears;

(2) in section 212, by striking "After sixty days from the enactment of this Act it shall" and inserting "It shall";

(3) in section 213, by striking subsection (g) and redesignating subsection (h) as subsection (g);

(4) in section 214(a), by striking "section 221 or 222" and inserting "section 221";

(5) in section 220(b), by striking ", as soon as practicable,";

(6) in section 222—

(A) by striking paragraph (1) of subsection (a);

(B) by redesignating paragraphs (2) and (3) of such subsection as paragraphs (1) and (2), respectively;

(C) by striking paragraph (2) of subsection (b);

(D) by redesignating subsection (b)(1) as subsection (b); and

(E) by striking subsections (c), (d), and (e);

(7) in section 224(b)(2), by striking "Within 180 days from the date of enactment of this section the Commission" and inserting "The Commission";

(8) in 226(e)(1), by striking ", within 9 months after the date of enactment of this section,";

(9) in section 309(i)(4)(A), by striking "The commission, not later than 180 days after the date of the enactment of the Communications Technical Amendments Act of 1982, shall," and inserting "The Commission shall,";

(10) by striking section 328;

(11) in section 331(b), by striking the last sentence;

(12) in section 413, by striking ", within sixty days after the taking effect of this Act,";

(13) in section 624(d)(2)—

(A) by striking out "(A)";

(B) by inserting "of" after "restrict the viewing"; and

(C) by striking subparagraph (B);

(14) by striking sections 702 and 703;

(15) in section 704—

(A) by striking subsections (b) and (d); and

(B) by redesignating subsection (c) as subsection (b);

(16) in section 705(g) (as redesignated by section 5211(15)), by striking "Within 6 months after the date of enactment of the Satellite Home Viewer Act of 1988, the Federal Communications Commission" and inserting "The Commission";

(16) in section 710(f)—

(A) by striking the first and second sentences; and

(B) in the third sentence, by striking "Thereafter, the Commission" and inserting "The Commission";

(17) in section 712(a), by striking ", within 120 days after the effective date of the Satellite Home Viewer Act of 1988,"; and

(18) by striking section 713.

(b) AMENDMENTS TO THE COMMUNICATIONS SATELLITE ACT OF 1962.—The Communications Satellite Act of 1962 is amended—

(1) in section 201(a)(1), by striking "as expeditiously as possible,";

(2) by striking sections 301 and 302 and inserting the following:

"SEC. 301. CREATION OF CORPORATION.

"There is authorized to be created a communications satellite corporation for profit which will not be an agency or establishment of the United States Government.

"SEC. 302. APPLICABLE LAWS.

"The corporation shall be subject to the provisions of this Act and, to the extent consistent with this Act, to the District of Columbia Business Corporation Act. The right to repeal, alter, or amend this Act at any time is expressly reserved.";

(3) in section 304(a), by striking "at a price not in excess of \$100 for each share and";

(4) in section 404—

(A) by striking subsections (a) and (c); and

(B) by striking "(b)" at the beginning of subsection (b);

(5) in section 503—

(A) by striking paragraph (2) of subsection (a);

(B) by redesignating paragraph (3) of subsection (a) as paragraph (2) of such subsection;

(C) by striking subsection (b);

(D) in subsection (g)—

(i) by striking "subsection (c)(3)" and inserting "subsection (b)(3)"; and

(ii) by striking the last sentence; and

(E) by redesignating subsections (c) through (h) as subsections (b) through (g), respectively;

(5) by striking sections 505, 506, and 507; and

(6) by redesignating section 508 as section 505.

SEC. 5244. STYLISTIC CONSISTENCY.

The Communications Act of 1934 and the Communications Satellite Act of 1962 are amended so that the section designation and section heading of each section of such Acts shall be in the form and typeface of the section designation and heading of this section.

Subtitle D—Energy Programs

SEC. 5301. NUCLEAR REGULATORY COMMISSION ANNUAL CHARGES.

Section 6101(a)(3) of the Omnibus Budget Reconciliation Act of 1990 (42 U.S.C. 2214(a)(3)) is amended by striking "September 30, 1995" and inserting "September 30, 1998".

TITLE VI—COMMITTEE ON THE JUDICIARY

SEC. 6001. PATENT AND TRADEMARK FEES.

Section 10101 of the Omnibus Budget Reconciliation Act of 1990 (35 U.S.C. 41 note) is amended—

(1) in subsection (a) by striking "1995" and inserting "1998";

(2) in subsection (b)(2) by striking "1995" and inserting "1998"; and

(3) in subsection (c)—
(A) by striking "through 1995" and inserting "through 1998"; and

(B) by adding at the end the following:

"(6) \$111,000,000 in fiscal year 1996.

"(7) \$115,000,000 in fiscal year 1997.

"(8) \$119,000,000 in fiscal year 1998."

TITLE VII—COMMITTEE ON MERCHANT MARINE AND FISHERIES

SEC. 7001. EXTENSION OF VESSEL TONNAGE DUTIES.

(a) EXTENSION OF DUTIES.—Section 36 of the Act of August 5, 1909 (36 Stat. 111; 46 App. U.S.C. 121), is amended by—

(1) striking "and 1995," each place it appears and inserting "1995, 1996, 1997, and 1998,";

(2) striking "place," and inserting "place,"; and

(3) striking "port, not, however, to include vessels in distress or not engaged in trade" and inserting "port. However, neither duty shall be imposed on vessels in distress or not engaged in trade".

(b) CONFORMING AMENDMENT.—The Act of March 8, 1910 (36 Stat. 234; 46 App. U.S.C. 132), is amended by striking "and 1995," and inserting "1995, 1996, 1997, and 1998,".

(c) TECHNICAL CORRECTION.—

(1) CORRECTION.—Section 10402(a) of the Omnibus Budget Reconciliation Act of 1990 (104 Stat. 1388-398) is amended by striking "in the second paragraph".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall be effective on and after November 5, 1990.

TITLE VIII—COMMITTEE ON NATURAL RESOURCES

SEC. 8001. ANNUAL DIRECT GRANT ASSISTANCE.

(a) REPEAL.—Sections 3 and 4 of the Act of March 24, 1976 entitled "a Joint Resolution to approve the Covenant To Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America", and for other purposes" (90 Stat. 263 and following; 48 U.S.C. 1681 note) are repealed, effective on October 1, 1993.

(b) DEFINITIONS.—As used in this section:

(1) COMMITTEES.—The term "committees" means the Committee on Natural Resources

of the House of Representatives and the Committee on Energy and Natural Resources of the Senate.

(2) RECOMMENDATIONS.—The term "Recommendations" means the document executed December 17, 1992, between the special representative of the President of the United States and the special representatives of the Governor of the Commonwealth of the Northern Mariana Islands relating to future federal assistance for the Northern Mariana Islands.

(3) REPORTING DATE.—The term "reporting date" means the date on which the budget of the President for the fiscal year 1995 is required to be submitted to the Congress under section 1105 of title 31, United States Code.

(c) ASSISTANCE.—

(1) AMOUNTS.—Except as otherwise provided under this section, enactment of this section shall constitute a commitment and pledge of the full faith and credit of the United States for the payment of the following amounts:

(A) In fulfillment of the United States obligation under P.L. 94-241 and the authorization in P.L. 95-348, \$3,000,000 for fiscal year 1994, which shall be available only for the American Memorial Park, located at Tanapag Harbor Reservation, Saipan, to be expended in accordance with section 5 of the Act entitled "An Act to authorize appropriations for certain insular areas of the United States, and for other purposes", approved August 18, 1978 (92 Stat. 492), for the primary purpose of constructing an appropriate monument honoring the dead in the World War II Mariana Islands campaign.

(B) \$19,000,000 for fiscal year 1994, to be held in trust in a special account by the Secretary of the Interior for American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, the Trust Territory of the Pacific Islands, and the Virgin Islands, and to be disbursed by the Secretary during fiscal year 1994 for essential capital improvement projects. Such disbursements shall be made by the Secretary for projects described in plans submitted to the Secretary by the governments of American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, the Trust Territory of the Pacific Islands, and the Virgin Islands. No such disbursements shall be made pursuant to any such plan until after the expiration of a period of 60 days after such plan has been submitted to the committees. No such disbursements shall be made to the Commonwealth of the Northern Mariana Islands during fiscal year 1994 pursuant to any such plan until the committees have received the reports required under subsection (d)(3) and a Joint Resolution has been adopted expressing the sense of Congress that disbursements are appropriate. The Inspector General of the Department of the Interior shall (i) monitor the expenditure of such funds to determine whether such funds are expended in accordance with applicable law, and (ii) submit a report of the findings to the committees not later than January 1, 1995.

(C) Subject to paragraphs (2), (3), and (4) and subject to subsection (d), not more than \$98,000,000 for the 6-year period beginning October 1, 1994, for the government of the Commonwealth of the Northern Mariana Islands, for capital improvement projects, at annual amounts that shall not exceed those specified for the Federal contribution within the general funding schedule contained in the Recommendations.

(2) MATCHING RATIO AND INTEREST EARNINGS.—Nothing in this section shall be construed to—

(A) modify the matching ratio requirement specified in the funding schedule contained in the Recommendations; or

(B) modify the terms of the Recommendations as to the availability of interest earnings on funds contributed under Public Law 99-396 upon meeting the terms of the grant pledge agreements entered into under Public Law 99-396.

(3) ROTA, TINIAN, AND SAIPAN.—No less than 1/3 share of the funds made available under subsection (c)(1)(C) shall be expended in the islands of Rota and Tinian and no less than 1/4 share shall be expended in Saipan.

(4) APPLICABILITY OF GRANT REGULATIONS.—The Federal assistance provided under this section shall be subject to the applicable Federal grant regulations set forth in the Common Rule (43 C.F.R. 12a, OMB Circular A-102, and OMB Circular A-128).

(d) CONDITION ON MULTI-YEAR ASSISTANCE.—

(1) JOINT RESOLUTION.—Amounts under subsection (c)(1)(C) for fiscal years 1995 through 2000 shall be as determined by the Congress by joint resolution. It is the intent of the Congress that the committees report such a joint resolution after considering the plan referred to in paragraph (2) and reports required by this subsection.

(2) CAPITAL IMPROVEMENT PROJECTS PLAN.—The plan referred to in paragraph (1) is a plan developed and submitted by the Governor of the Commonwealth of the Northern Mariana Islands to the Secretary of the Interior as approved by the legislature of the Commonwealth for new and reconstructed capital infrastructure projects, indicating the order of priority, together with cost estimates for each project and identification of sources of financing for each project. The Secretary of the Interior shall submit the plan, together with his recommendations, to the committees not later than the reporting date.

(3) REPORTS.—Each of the following reports shall be submitted to the committees not later than the reporting date as follows:

(A) REVENUE BURDEN.—The Comptroller General of the United States, after consultation with the government of the Northern Mariana Islands, shall submit a report describing the effective revenue burden (including all taxes and fees) imposed by the government of the Commonwealth of the Northern Mariana Islands. The report shall—

(i) address whether revenues raised are sufficient to meet the infrastructure needs of the Commonwealth; and

(ii) compare the revenue burden of the Commonwealth with that of Guam.

(B) COMPLIANCE WITH AUDIT RECOMMENDATIONS.—The Inspector General of the Department of the Interior shall submit a report on (i) compliance by the government of the Commonwealth of the Northern Mariana Islands with recommendations made by the Inspector General pursuant to audits of the government of the Commonwealth, and (ii) on all unfulfilled commitments made by the government of the Commonwealth in response to those recommendations.

(C) ASSESSMENT OF MINIMUM WAGE.—The Secretary of Labor, after consultation with the government of the Commonwealth of the Northern Mariana Islands, shall submit a report which assesses whether—

(i) the minimum wage policies of the Commonwealth are sufficient for the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers in the Commonwealth;

(ii) the prevailing wages paid in the Commonwealth are effectively reduced by the

immigration policy of the Commonwealth; and

(iii) the wage rate in the Commonwealth gives industries in the Commonwealth a competitive advantage over industries in the United States outside of the Commonwealth.

(D) IMMIGRATION POLICY AND BURDEN ON INFRASTRUCTURE.—(i) The Attorney General of the United States, after consultation with the government of the Commonwealth of the Northern Mariana Islands, shall submit a report which assesses—

(I) whether the immigration laws of the Commonwealth are appropriate in light of the social and economic situation in the Commonwealth;

(II) the extent to which the Commonwealth is relying on temporary alien workers to meet the Commonwealth's permanent labor needs;

(III) whether the Commonwealth has taken steps to reduce its dependence on temporary alien workers; and

(IV) the political and civil rights of the alien population as compared to the resident population.

(ii) The Comptroller General of the United States shall submit a report to the Congress which analyzes the socioeconomic impact of the immigration policy of the Commonwealth of the Northern Mariana Islands, including the financial burden imposed by the alien population on the infrastructure.

(E) ENVIRONMENTAL LAWS.—The Secretary of the Interior and the Administrator of the Environmental Protection Agency shall each submit a report to the Congress on the compliance by the Commonwealth of the Northern Mariana Islands with United States environmental laws, including (but not limited to) the National Environmental Policy Act of 1969, the Endangered Species Act of 1973, and the Federal Water Pollution Control Act.

SEC. 8002. NET RECEIPTS SHARING.

Section 35 of the Mineral Leasing Act is amended as follows:

(1) Strike the last sentence.

(2) Insert "(a) IN GENERAL.—" after "SEC. 35."

(3) Insert "and, subject to subsection (b)," between "United States;" and "50 percentum".

(4) Add the following new subsection at the end thereof:

"(b) ADMINISTRATIVE COSTS.—(1) In calculating the amount to be paid to each State during any fiscal year under this section and under other provisions of law requiring payment to a State of any revenues derived from the leasing of any other onshore lands or interest in land owned by the United States for the production of the same types of minerals as are leaseable under this Act or for the production of geothermal steam, prior to the division and distribution of such leasing receipts between the States and the United States, the Secretary shall deduct 50 percent of the portion of the enacted appropriations of the Department of the Interior and of other departments and agencies of the United States for the preceding fiscal year allocable to the administration and enforcement of this Act and such other provisions of law. Such deduction shall be in approximately equal amounts each month (subject to paragraph (3)).

"(2) The proportion of the deduction required under paragraph (1) which is allocable to each State shall be a percentage of the total deduction allocable to all States. The percentage shall be determined by dividing—

"(A) the monies disbursed to the State during the preceding fiscal year under the provi-

sions of this section and the other provisions of law referred to in paragraph (1), by

"(B) the total money disbursed to all States during that fiscal year under such provisions.

"(3) If the amount otherwise deductible under this subsection in any month from the portion of revenues to be distributed to a State exceeds the amount payable to the State during that month, any amount exceeding the amount payable shall be carried forward and deducted from amounts payable to the State in subsequent months.

"(4) All amounts deducted under this subsection from monies otherwise payable to a State shall be credited to miscellaneous receipts in the Treasury."

SEC. 8003. HARD ROCK MINING CLAIM MAINTENANCE AND LOCATION FEES.

(a) CLAIM MAINTENANCE AND LOCATION FEES.—

(1) CLAIM MAINTENANCE FEES.—The holder of each unpatented mining claim, mill or tunnel site located pursuant to the Mining Laws of the United States (whether located before or after enactment of this Act) shall pay to the Secretary of the Interior or his designee for each assessment year a flat claim maintenance fee of not less than \$100 per claim. Such claim maintenance fee shall be in lieu of the assessment work requirement contained in the Mining Law of 1872 (30 U.S.C. 28-28e) and the related filing requirements contained in section 314(a) and (c) of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1744(a) and (c)).

(2) LOCATION FEE.—For each mining claim, mill or tunnel site located pursuant to the Mining Laws of the United States after the date of enactment of this Act, the claimant shall pay the Secretary a location fee of \$25.

(b) TIME OF PAYMENT.—The claim maintenance fee payable under subsection (a)(1) for any assessment year shall be paid before the commencement of the assessment year, except that for the initial assessment year in which the location is made, the locator shall pay the claim maintenance fee at the time the location notice is recorded with the Bureau of Land Management. The location fee imposed under subsection (a)(2) shall be payable not later than 90 days after the date of location.

(c) DEPOSIT IN TREASURY.—The Secretary shall deposit monies received under this Act as miscellaneous receipts in the Treasury.

(d) CO-OWNERSHIP.—The co-ownership provisions of section 2324 of the Mining Law of 1872 (30 U.S.C. 28) shall remain in effect with respect to mining claims subject to such provisions except that the annual claim maintenance fee, where applicable, shall be paid in lieu of applicable assessment requirements and expenditures.

(e) FORFEITURE.—Failure to make the annual payment of any claim maintenance or location fee required with respect to any unpatented mining claim, mill, or tunnel site required by subsection (a) shall conclusively constitute a forfeiture by the holder of the unpatented mining claim, mill or tunnel site, effective at noon on the date the payment is due.

(f) FLPMA FILING REQUIREMENTS.—Nothing in this Act shall change or modify the requirements of section 314(b) of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1744(b)) or the requirements of section 314(c) of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1744(c)) related to filings required by such section 314(b). Such requirements shall remain in effect with respect to claims, and mill or tunnel sites for which fees are required to be paid under this section.

(g) RULES AND REGULATIONS.—The Secretary of the Interior shall promulgate rules and regulations to carry out the purposes of this section as soon as practicable after the date of enactment of this Act.

(h) PURCHASING POWER ADJUSTMENT.—Every 5 years following the date of enactment of this Act, or more frequently if the Secretary determines a more frequent adjustment to be reasonable, the Secretary of the Interior shall adjust the fees specified in subsection (a) to reflect changes in the purchasing power of the dollar. The Secretary shall use the Consumer Price Index for all urban consumers published by the Department of Labor as the basis for adjustment, rounding according to the adjustment process of conditions of the Federal Civil Penalties Inflation Adjustment Act of 1990 (104 Stat. 890). The Secretary shall provide claimants notice of any adjustment made under this subsection not later than July 1 of any year in which the adjustment is made. A fee adjustment under this paragraph shall begin to apply the first assessment which begins after the adjustment is made.

(i) OIL SHALE CLAIMS SUBJECT TO CLAIM MAINTENANCE FEES UNDER ENERGY POLICY ACT OF 1992.—This section shall not apply to any oil shale claims for which a fee is required to be paid under section 2511(e)(2) of the Energy Policy Act of 1992 (Public Law 102-486; 106 Stat. 3111; 30 U.S.C. 242).

(j) EXCEPTION FOR HOLDERS OF FEWER THAN 50 CLAIMS.—

(1) ELIGIBILITY.—In accordance with paragraph (3), a claimant may be eligible for a waiver or reduction of the claim maintenance fees imposed under this section if the claimant certifies in writing to the Secretary that on the date the payment was due, the claimant and all related parties—

(A) held not more than 50 mining claims, mill sites, or tunnel sites, or any combination thereof, on public lands; and

(B) have performed assessment work sufficient to maintain the mining claims held by the claimant and such related parties for the assessment year ending on noon of September 1 of the calendar year in which payment of the claim maintenance fee was due; except that such performance of assessment work shall not be required by reason of section 5 of Public Law 94-429, commonly known as the Mining in the Parks Act, or such other laws that before the date of the enactment of this Act removed the applicability of the assessment work requirement of the general mining laws for any claim subject to such laws.

(2) HOLDER.—For purposes of paragraph (1), with respect to any claimant, the term "related parties" means—

(A) the spouse and dependent children (as defined in section 152 of the Internal Revenue Code of 1986), of the claimant; and

(B) a person affiliated with the claimant, including—

(i) a person controlled by, controlling, or under common control with the claimant; and

(ii) a subsidiary or parent company or corporation of the claimant.

(3) WAIVED OR REDUCED MAINTENANCE FEES.—

(A) 10 OR FEWER CLAIMS.—The Secretary of the Interior may waive the claim maintenance fee imposed under this section in its entirety for 10 or fewer claims held by a claimant eligible under paragraph (1).

(B) 11 OR MORE CLAIMS.—

(i) IN GENERAL.—Subject to clause (ii), for a claimant eligible under paragraph (1), the Secretary may reduce the claim maintenance fee imposed under this section to \$25 per claim for each claim in excess of 10.

(ii) **LIMITATION.**—The reduction provided for in this subparagraph shall be available for no more than 50 claims held by a claimant who is eligible under paragraph (1).

(4) **PAYMENT IN LIEU OF ANNUAL LABOR REQUIREMENTS.**—The third sentence of section 2324 of the Revised Statutes (30 U.S.C. 28) is amended by inserting after "On each claim located after the tenth day of May, eighteen hundred and seventy-two," the following: "for which a waiver of the maintenance fee, or a reduced maintenance fee, under section 8003 of the Omnibus Budget Reconciliation Act of 1993 has been granted under subsection (j) of that section."

(5) **FILING REQUIREMENTS.**—The holder of any unpatented mining claim for which a waiver of the maintenance fee, or a reduced maintenance fee, has been granted pursuant to this subsection shall continue to be subject to the filing requirements contained in sections 314(a) and (c) of the Federal Land Policy Management Act of 1976 (43 U.S.C. 1744(a) and (c)).

(k) **EFFECTIVE DATE.**—This section shall take effect with respect to assessment years beginning after August 31, 1994.

SEC. 8004. FEDERAL IRRIGATION WATER SURCHARGE.

(a) **FINDINGS AND PURPOSES.**—

(1) **FINDINGS.**—The Congress finds that—

(A) the construction and operation of Federal reclamation projects have contributed to the depletion of streams, the alteration of riparian habitat, and the degradation of water quality;

(B) such impacts have had adverse impacts on fish and wildlife resources; and

(C) the restoration of fish and wildlife and related habitat affected by the construction or operation of Federal reclamation projects is a continuing responsibility of the beneficiaries of such projects.

(2) **PURPOSES.**—The purposes of this section are to—

(A) incorporate the restoration of fish and wildlife resources and related habitat affected by the construction or operation of Federal reclamation projects into the annual operation and maintenance requirements of such projects;

(B) establish a fair and equitable mechanism for securing timely payments from the beneficiaries of such projects for the implementation, operation, and maintenance of fish and wildlife restoration measures;

(C) accelerate the rate of restoration and recovery of depleted populations of indigenous fish and wildlife; and

(D) encourage more efficient use of water resources by the beneficiaries of Federal reclamation projects.

(b) **OPERATIONAL CHARGES.**—

(1) **IN GENERAL.**—Individuals or non-Federal entities that receive delivery of water (including by exchange) which is stored in or transported through Federal reclamation projects or project facilities or projects or project facilities constructed by the Secretary of the Army that meet the conditions specified in paragraph (1) or (2) of section 212(a) of the Reclamation Reform Act of 1982 (Public Law 97-293, 43 U.S.C. 3901), except for facilities of the Central Valley Project, California (as that project is defined by title XXXIV of Public Law 102-575), shall, pursuant to such terms, conditions, and procedures as the Secretary of the Interior may prescribe, pay to the United States an operation and maintenance charge sufficient to yield at least \$10,000,000 (January 1993 price levels) annually in the years 1994, 1995, and 1996 and at least \$15,000,000 (January 1993 price levels) annually in 1997 and each year thereafter.

(2) **PAYMENTS.**—Payments required by paragraph (1) shall be made without reduction or deferral by the Secretary under any provision of reclamation law and without regard to whether an individual or entity has discharged its repayment obligation within the meaning of the first section of the Act of July 2, 1956 (70 Stat. 483; 43 U.S.C. 485h-1), section 213 of the Reclamation Reform Act of 1982 (Public Law 97-293, 43 U.S.C. 390mm), or any other provision of Federal Reclamation law. The payments shall be in addition to any other repayments owed or made to the United States and shall not be applied or credited to an individual's or entity's repayment of project construction costs, payment of other annual project operation and maintenance costs, payment of interest, or reduction of any contractual obligation the individual or entity may have with the United States.

(c) **NATURAL RESOURCES RESTORATION FUND.**—There is hereby established in the Treasury of the United States a fund to be known as the "Natural Resources Restoration Fund" (hereafter in this section referred to as the "Fund"). All payments of the operation and maintenance charges authorized in subsection (b) shall be deposited in the Fund, and shall be available in the fiscal year following deposit and thereafter, to such extent or in such amounts as are provided in advance in appropriation Acts, for expenditures by the Secretary of the Interior for the benefit of fish and wildlife resources, including habitat, affected by construction or operation of the projects referred to in this section.

(d) **INDIAN LAND OWNERS.**—For the purposes of this section, Indian tribes or individual Indian beneficial owners of land held in trust by the United States or subject to a restriction against alienation by the United States shall be considered to be Federal entities.

(e) **FEDERAL RECLAMATION LAW.**—This section shall constitute an amendment of and a supplement to the Federal Reclamation laws (the Reclamation Act of 1902, 32 Stat. 388, and Acts amendatory thereof and supplementary thereto).

SEC. 8005. RECREATION USER FEES.

(a) **LAND AND WATER CONSERVATION FUND ACT OF 1965.**—

(1) **IN GENERAL.**—The first sentence of section 4(b) of the Land and Water Conservation Fund Act of 1965 (relating to recreation use fees) is amended by striking out "picnic tables, or boat ramps" and all that follows down through the period at the end thereof and inserting the following: "or picnic tables, and in no event shall there be any charge for the use of any campground not having a majority of the following: tent or trailer spaces, drinking water, access road, refuse containers, toilet facilities, fee collection by an employee or agent of the Federal agency operating the facility, reasonable visitor protection, and simple devices for containing a campfire (where campfires are permitted). For purposes of this subsection, the term 'specialized outdoor recreation site' includes but shall not be limited to campgrounds, swimming sites, boat launch facilities, and managed parking lots." The second sentence of such section 4(b) is hereby repealed.

(2) **CONFORMING AMENDMENT.**—Section 210 of Public Law 90-483 (82 Stat. 746; 16 U.S.C. 460d-3) is repealed.

(b) **COSTS OF COLLECTION.**—Section 4(i) of the Land and Water Conservation Fund Act of 1965 (relating to special accounts for fees collected) is amended by inserting "(A)" after "(1)" and by adding the following at the end of paragraph (1):

"(B) Notwithstanding subparagraph (A), in any fiscal year, the Secretary of Agriculture and the Secretary of the Interior may withhold from the special account established under subparagraph (A) such portion of all receipts the fees collected in that fiscal year under this section as such Secretary determines to be equal to the additional fee collection costs for that fiscal year. The amounts so withheld shall be retained by the Secretary of Agriculture or the Secretary of the Interior and shall be available, without further appropriation, for expenditure by the Secretary concerned in the fiscal year in which collected to cover such additional fee collection costs. The Secretary concerned shall deposit in the special account established pursuant to subparagraph (A) any amounts so retained which remain unexpended and unobligated at the end of such fiscal year. For the purposes of this subparagraph, for any fiscal year, the term 'additional fee collection costs' means those costs for personnel and infrastructure directly associated with the collection of fees imposed under this section which exceed the costs for personnel and infrastructure directly associated with the collection of such fees during fiscal year 1993."

(c) **GOLDEN AGE PASSPORT.**—The second sentence of section 4(a)(4) of the Land and Water Conservation Fund Act of 1965 (relating to Golden Age Passports) is amended to read as follows: "Such permit shall be non-transferable, shall be issued for a charge of \$10, and shall entitle the permittee and the permittee's spouse accompanying the permittee to general admission into any area designated pursuant to this section."

(d) **USER FEES FOR RIGHTS-OF-WAY.**—In each fiscal year after the enactment of this Act, the Secretary of the Interior shall impose and collect an annual fee for the use and occupancy of any right-of-way through any national park system unit for which a permit has been issued by the Secretary pursuant to any general or specific statutory right-of-way authority (whether issued before or after the enactment of this Act) or for any other right-of-way allowed as of the date of the enactment of this Act. The amount of such annual fee shall be equal to the fair market rental value, as determined by the Secretary, of such use and occupancy for the fiscal year concerned. The fair market value shall be reviewed (and revised if necessary) not less frequently than every 3 years. The Secretary shall deposit all fees collected under this subsection in the special account established under section 4(i) of the Land and Water Conservation Fund Act of 1965.

(e) **COMMERCIAL TOUR USE FEES.**—(1) In the case of each unit of the National Park System for which an admission fee is charged under section 4 of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 4601-4), the Secretary of the Interior shall establish, by October 1, 1993, a commercial tour use fee to be imposed on each vehicle or aircraft entering the unit (or the airspace of the unit) for the purpose of providing commercial tour services within (or within the air space of) the unit. Fee revenue derived from such commercial tour use fees shall be deposited into the special account established under section 4(i) of the Land and Water Conservation Fund Act of 1965.

(2) The Secretary shall establish the amount of fee to be imposed under this subsection per entry. The fee shall not be less than—

(A) \$25 per vehicle or aircraft with a passenger capacity of 25 persons or less,

(B) \$50 per vehicle or aircraft with a passenger capacity of 26 to 99 persons, and

(C) \$100 per vehicle or aircraft with a passenger capacity of 100 to 299 persons.

The Secretary may periodically increase the fee imposed under this subsection as he deems necessary and justifiable.

(3) The commercial tour use fee imposed under this subsection shall not apply to either of the following:

(A) Any vehicle or aircraft transporting organized school groups or outings conducted for educational purposes by schools or other bona fide educational institutions.

(B) Any vehicle or aircraft entering a park system unit pursuant to a contract issued under the Act of October 9, 1965 (16 U.S.C. 20-20g) entitled "An Act relating to the establishment of concession policies in the areas administered by the National Park Service and for other purposes".

(F) FAIR MARKET VALUE FOR COMMUNICATION SITE FEES.—No permit or other authorization for the use of any area of the public lands of the United States for purposes of commercial telephone transmission facilities shall remain in force and effect after January 1, 1994 unless, before that date, and before January 1 of each year thereafter, the holder of such permit or other authorization pays to Secretary of the Department having administrative jurisdiction over such lands an amount equal to the fair market value, as determined by such Secretary, of the right to use and occupy such area for such purposes. For purposes of this subsection, the term "public lands of the United States" means lands owned by the United States and administered by the Secretary of the Interior (other than lands held for the benefit of Indians, Aleuts, and Eskimos) and lands within the National Forest System.

SEC. 8006. NUCLEAR REGULATORY COMMISSION ANNUAL CHARGES.

Section 6101(a)(3) of the Omnibus Budget Reconciliation Act of 1990 (42 U.S.C. 2214(a)(3)) is amended by striking "September 30, 1995" and inserting "September 30, 1998".

SEC. 8007. RECOVERING THE COST FOR GOVERNMENT SERVICES.

(a) REPORT.—Not later than January 1, 1994, the Secretary of the Interior and the Secretary of Energy shall each submit a report identifying fees, penalties, and other charges to the Committee on Natural Resources of the House of Representatives and the Committee on Energy and Natural Resources of the Senate. Each report shall—

(1) identify all fees, penalties, and other charges imposed by the respective Secretary for the provision of services;

(2) include the procedures for adjusting such fees to recover the cost of providing those services; and

(3) identify those services for which no fee is currently charged and make recommendations for a fee appropriate to cover the cost of providing each service.

(b) ADJUSTMENT OF FEES.—Except as provided in subsection (d), for fiscal year 1995 and each fiscal year thereafter, the Secretary of the Interior and the Secretary of Energy shall adjust each fee, penalty, and other charge for the provision of services identified pursuant to subsection (a)(1). Each such fee, penalty, and charge shall be adjusted in accordance with the procedures identified pursuant to subsection (a)(2).

(c) IMPLEMENTATION OF FEES FOR SERVICES NOT COVERED.—Beginning with fiscal year 1995, the Secretary of the Interior and the Secretary of Energy shall charge fees for each of the services identified pursuant to

subsection (a)(3) in an amount sufficient to recover the cost of providing the service. For each fiscal year thereafter, the fee shall be adjusted in the same manner as adjustments are made pursuant to subsection (b), using fiscal year 1995 as the base year.

(d) CERTAIN FEES, PENALTIES AND CHARGES NOT COVERED.—Subsection (b) shall not apply to any fee, penalty, or charge the amount of which is expressly specified in any statute or contract.

SEC. 8008. UNFUNDED LIABILITIES OF THE FEDERAL GOVERNMENT.

Section 1105 of title 31, United States Code, is amended by adding the following subsection at the end thereof:

"(g) The President shall transmit with materials related to each budget an estimate of unfunded future liabilities of the Federal Government that are not accounted for in the budget itself. Such estimate shall include (but not be limited to) liabilities for future remediation of environmental and natural resources damage, and cleaning up waste sites, on Federal lands. Sources of liabilities shall include (but not be limited to) active, inactive, or abandoned mines or oil or gas wells, irrigation waste water impacts, decommissioning of nuclear power plants, and uranium mining and processing activities (without regard to the location of such mining or processing activities) affecting the health of Native Americans and carried out pursuant to a program administered by the United States."

SEC. 8009. HETCH HETCHY DAM.

Section 7 of the Act of December 13, 1913 (38 Stat. 242), is amended—

(1) by striking "\$30,000" in the first sentence and inserting "\$20,000,000", and

(2) by amending the second and third sentences to read as follows: "These funds shall be placed in a separate fund by the United States and, notwithstanding any other provision of law, shall not be available for obligation or expenditure until appropriated by the Congress. The highest priority use of the funds shall be for annual operation of Yosemite National Park, with the remainder of any funds to be used to fund operations of other national parks in the State of California."

TITLE IX—COMMITTEE ON POST OFFICE AND CIVIL SERVICE

Subtitle A—Civil Service

SEC. 9001. PERMANENT ELIMINATION OF THE ALTERNATIVE-FORM-OF-ANNUITY OPTION EXCEPT FOR INDIVIDUALS WITH A CRITICAL MEDICAL CONDITION.

(a) CIVIL SERVICE RETIREMENT SYSTEM; FEDERAL EMPLOYEES' RETIREMENT SYSTEM.—Sections 8343a and 8420a of title 5, United States Code, are each amended—

(1) in subsection (a) by striking "an employee or Member may," and inserting "any employee or Member who has a life-threatening affliction or other critical medical condition may,"; and

(2) by striking subsection (f).

(b) FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM.—Section 807(e)(1) of the Foreign Service Act of 1980 (22 U.S.C. 4047(e)(1)) is amended by striking "a participant may," and inserting "any participant who has a life-threatening affliction or other critical medical condition may,".

(c) CENTRAL INTELLIGENCE AGENCY RETIREMENT AND DISABILITY SYSTEM.—Section 294(a) of the Central Intelligence Agency Retirement Act (50 U.S.C. 2143(a)), as set forth in section 802 of the CIARDS Technical Corrections Act of 1992 (Public Law 102-496; 106 Stat. 3196), is amended by striking "a partic-

ipant may," and inserting "any participant who has a life-threatening affliction or other critical medical condition may,".

(d) EFFECTIVE DATE.—The amendments made by this section shall become effective on January 1, 1994, and shall apply with respect to any annuity commencing on or after that date.

SEC. 9002. APPLICATION OF MEDICARE PART B LIMITS TO PHYSICIANS' SERVICES FURNISHED TO FEDERAL EMPLOYEE HEALTH BENEFITS ENROLLEES AGE 65 OR OLDER.

(a) IN GENERAL.—Section 8904(b) of title 5, United States Code, is amended—

(1) in paragraph (1) by inserting "(A)" after "(b)(1)" and by adding at the end the following:

"(B)(i) A plan, other than a prepayment plan described in section 8903(4), may not provide benefits, in the case of any retired enrolled individual who is age 65 or older and is not entitled to Medicare supplementary medical insurance benefits under part B of title XVIII of the Social Security Act (42 U.S.C. 1395j et seq.), to pay a charge imposed for physicians' services (as defined in section 1848(j) of such Act, 42 U.S.C. 1395w-4(j)) which are covered for purposes of benefit payments under this chapter and under such part, to the extent that such charge exceeds the fee schedule amount under section 1848(a) of such Act (42 U.S.C. 1395w-4(a)).

"(ii) Physicians and suppliers who have in force participation agreements with the Secretary of Health and Human Services consistent with section 1842(h)(1) of such Act (42 U.S.C. 1395u(h)(1)), whereby the participating provider accepts Medicare benefits (including allowable deductible and coinsurance amounts) as full payment for covered items and services shall accept equivalent benefit and enrollee cost-sharing under this chapter as full payment for services described in clause (i). Physicians and suppliers who are nonparticipating physicians and suppliers for purposes of part B of title XVIII of such Act shall not impose charges that exceed the limiting charge under section 1848(g) of such Act (42 U.S.C. 1395w-4(g)) with respect to services described in clause (i) provided to enrollees described in such clause. The Office of Personnel Management shall notify a physician or supplier who is found to have violated this clause and inform them of the requirements of this clause and sanctions for such a violation. The Office of Personnel Management shall notify the Secretary of Health and Human Services if a physician or supplier is found to knowingly and willfully violate this clause on a repeated basis and the Secretary of Health and Human Services may invoke appropriate sanctions in accordance with sections 1128A(a) and section 1848(g)(1) of such Act (42 U.S.C. 1320a-7a(a), 1395w-4(g)(1)) and applicable regulations.

"(C) If the Secretary of Health and Human Services determines that a violation of this subsection warrants excluding a provider from participation for a specified period under title XVIII of the Social Security Act, the Office shall enforce a corresponding exclusion of such provider for purposes of this chapter."

(2) in paragraph (3)(B)—

(A) by inserting "(i)" after "includes"; and

(B) by inserting before the period at the end the following: ", and (ii) the fee schedule amounts and limiting charges for physicians' services established under section 1848 of such Act (42 U.S.C. 1395w-4) and the identity of participating physicians and suppliers who have in force agreements with such Secretary under section 1842(h) of such Act (42 U.S.C. 1395u(h))"; and

(3) by adding at the end the following:
 "(4) The Director of the Office of Personnel Management shall certify, before the first day of the fifth month that begins before each contract year, that there is in effect an arrangement with the Secretary of Health and Human Services under which, before the beginning of the contract year—

"(A) physicians and suppliers (whether or not participating) under the Medicare program will be notified of the requirements of paragraph (1)(B);

"(B) enforcement procedures will be in place to carry out such paragraph (including enforcement of protections against overcharging of beneficiaries); and

"(C) Medicare program information described in paragraph (3)(B)(ii) will be supplied to carriers under paragraph (3)(A)."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply with respect to contract years beginning on or after January 1, 1995.

SEC. 9003. TEMPORARY EXTENSION OF METHOD FOR DETERMINING GOVERNMENT CONTRIBUTIONS UNDER FEHBP IN THE ABSENCE OF A GOVERNMENT-WIDE INDEMNITY BENEFIT PLAN.

(a) IN GENERAL.—Public Law 101-76 (5 U.S.C. 8906 note) is amended in subsection (a)(1) by striking "1993" and inserting "1998".

(b) SENSE OF CONGRESS.—It is the sense of the Congress that nothing in this section should be considered to reflect any view on the appropriateness, merits, or timing, or any other aspect of any comprehensive health care reform legislation.

Subtitle B—Postal Service

SEC. 9011. PAYMENTS TO BE MADE BY THE UNITED STATES POSTAL SERVICE.

(a) RELATING TO CORRECTED CALCULATIONS FOR PAST RETIREMENT COLAS.—In addition to any other payments required under section 8348(m) of title 5, United States Code, or any other provision of law, the United States Postal Service shall pay into the Civil Service Retirement and Disability Fund a total of \$693,000,000, of which—

(1) at least one-third shall be paid not later than September 30, 1995;

(2) at least two-thirds shall be paid not later than September 30, 1996; and

(3) any remaining balance shall be paid not later than September 30, 1997.

(b) RELATING TO CORRECTED CALCULATIONS FOR PAST HEALTH BENEFITS.—In addition to any other payments required under section 8906(g)(2) of title 5, United States Code, or any other provision of law, the United States Postal Service shall pay into the Employees Health Benefits Fund a total of \$348,000,000, of which—

(1) at least one-third shall be paid not later than September 30, 1995;

(2) at least two-thirds shall be paid not later than September 30, 1996; and

(3) any remaining balance shall be paid not later than September 30, 1997.

TITLE X—COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION

SEC. 10001. AVIATION FEES FOR SERVICES.

(a) IN GENERAL.—Section 313(f) of the Federal Aviation Act of 1958 (49 U.S.C. App. 1354(f)) is amended to read as follows:

"(f) FEES FOR SERVICES.—

"(1) IMPOSITION AND COLLECTION.—The following fees are imposed and shall be collected for services rendered:

"(A) AIRCRAFT REGISTRATION FEES.—

"(i) GENERAL RULE.—For registration of an aircraft, the fee to be collected from the owner of the aircraft in each fiscal year beginning after September 30, 1993, shall be determined under the following table:

If the maximum certificated gross weight of the aircraft is:	Amount of fee is:
Not over 3,500 pounds	\$40.00
Over 3,500 lbs but not over 6,500 lbs.	\$175.00
Over 6,500 lbs. but not over 10,000 lbs.	\$500.00
Over 10,000 lbs. but not over 100,000 lbs.	\$1,000.00
Over 100,000 lbs.	\$2,000.00.

If the ownership of the aircraft is also transferred in such fiscal year, the fee to be collected for registration of the aircraft in such fiscal year under this subparagraph, as determined from the table, shall be increased by such amount as the Administrator shall determine so that the average amount of the increase for all aircraft collected under this sentence in such fiscal year will be approximately \$200.00.

"(ii) EXEMPTIONS.—No fee shall be collected under this subparagraph for registration of an aircraft in a fiscal year if the aircraft—

"(I) is owned or operated by an air carrier exclusively to provide air transportation;

"(II) is owned by, or operated exclusively by or for, the United States Government;

"(III) is registered under a dealer's aircraft registration certificate issued under section 505 of this Act;

"(IV) is not originally certificated with an engine driven electrical system or has not subsequently been certified by the Administrator with such a system installed; or

"(V) is a balloon or glider.

"(B) DESIGNATION AS AVIATION MEDICAL EXAMINERS.—For designation of a person as an aviation medical examiner, the fee to be collected from such person in each fiscal year beginning after September 30, 1993, shall be \$500.

"(C) ISSUANCE OF CERTIFICATES TO PILOTS.—After September 30, 1993, the fee to be collected for issuance or renewal of an airman's certificate to a pilot shall be \$12. The fee shall be collected from each pilot at least once every 3 fiscal years.

"(2) CONTINUATION OF FEE FOR PROCESSING OF FORMS FOR MAJOR FUEL TANK ALTERATIONS.—

"(A) ESTABLISHMENT AND COLLECTION.—The Administrator may establish such fees as may be necessary to cover the costs associated with processing of forms for major repairs and alterations of fuel tanks and fuel systems of aircraft.

"(B) MAXIMUM AMOUNT.—The amount of any fee under this subsection with respect to processing of a form for a major repair or alternation of a fuel tank or fuel system of an aircraft may not exceed \$7.50. Such maximum amount shall be adjusted annually by the Administrator for changes in the Consumer Price Index of All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.

"(3) COLLECTION AND DEPOSIT IN TRUST FUND.—The amounts of all fees established by or under this subsection shall be collected by the Administrator, or the Secretary of the Treasury for the Administrator, and shall be deposited in the Airport and Airway Trust Fund."

(b) CONFORMING AMENDMENT.—The portion of the table of contents contained in the first section of such Act relating to section 313 is amended by striking

"(f) Processing fees."

and inserting

"(f) Fees for services."

SEC. 10002. RECREATIONAL USER FEES.

(a) IN GENERAL.—Section 210 of the Flood Control Act of 1968 (16 U.S.C. 460d-3) is amended—

(1) by striking "SEC. 210. No entrance" and inserting the following:

"SEC. 210. RECREATIONAL USER FEES.

"(a) PROHIBITION ON ADMISSIONS FEES.—No entrance";

(2) by striking the second sentence; and

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

"(b) FEES FOR USE OF DEVELOPED RECREATION SITES AND FACILITIES.—

"(1) ESTABLISHMENT AND COLLECTION.—Notwithstanding section 4(b) of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 4601-6a(b)), the Secretary of the Army is authorized, subject to paragraphs (2) and (3), to establish and collect fees for the use of developed recreation sites and facilities, including campsites, swimming beaches, and boat launching ramps.

"(2) EXEMPTION OF CERTAIN FACILITIES.—The Secretary shall not establish or collect fees under this subsection for the use or provision of drinking water, wayside exhibits, general purpose roads, overlook sites, picnic tables, toilet facilities, surface water areas, undeveloped or lightly developed shoreland, or general visitor information.

"(3) PER VEHICLE LIMIT.—The fee under this subsection for use of a site or facility (other than an overnight camping site or facility or any other site or facility at which a fee is charged for use of the site or facility as of the date of the enactment of this paragraph) for persons entering the site or facility by private, noncommercial vehicle shall not exceed \$3 per day per vehicle. Such maximum amount may be adjusted annually by the Secretary for changes in the Consumer Price Index of All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.

"(4) DEPOSIT INTO TREASURY ACCOUNT.—All fees collected under this subsection shall be deposited into the Treasury account for the Corps of Engineers established by section 4(i) of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 4601-6a(i))."

(b) CONFORMING AMENDMENT FOR CAMPSITES.—Section 4(b) of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 4601-6a(b)) is amended by striking the next to the last sentence.

TITLE XI—COMMITTEE ON VETERANS AFFAIRS

SEC. 11001. SHORT TITLE.

This title may be cited as the "Veterans Reconciliation Act of 1993".

SEC. 11002. EXTENSION OF AUTHORITY TO REQUIRE THAT CERTAIN VETERANS AGREE TO MAKE COPAYMENTS IN EXCHANGE FOR RECEIVING HEALTH-CARE BENEFITS.

(a) HOSPITAL AND MEDICAL CARE.—Section 8013(e) of the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508; 38 U.S.C. 1710 note) is amended—

(1) by striking out "September 30, 1992" in the first sentence and inserting in lieu thereof "September 30, 1998"; and

(2) by striking out the second sentence.

(b) OUTPATIENT MEDICATIONS.—Section 1722A(c) of title 38, United States Code, is amended—

(1) by striking out "September 30, 1992" in the first sentence and inserting in lieu thereof "September 30, 1998"; and

(2) by striking out the second sentence.

SEC. 11003. EXTENSION OF AUTHORITY FOR MEDICAL CARE COST RECOVERY.

(a) IN GENERAL.—Section 1729(a) of title 38, United States Code, is amended—

(1) in paragraph (1), by striking out "non-service-connected"; and

(2) in paragraph (2)—

(A) by inserting "disability and, during the period before October 1, 1998, to a service-connected" after "non-service-connected" in the matter preceding subparagraph (A); and

(B) by striking out "before August 1, 1994," in subparagraph (E) and inserting in lieu thereof "before October 1, 1998,".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply with respect to care and services furnished under chapter 17 of title 38, United States Code, after September 30, 1993.

SEC. 11004. EXTENSION OF AUTHORITY FOR CERTAIN INCOME VERIFICATION PROVISIONS UNDER THE OMNIBUS BUDGET RECONCILIATION ACT OF 1990.

(a) AUTHORITY FOR SECRETARY OF VETERANS AFFAIRS TO OBTAIN INFORMATION.—Section 5317(g) of title 38, United States Code, is amended by striking out "September 30, 1997" and inserting in lieu thereof "September 30, 1998".

(b) AUTHORITY FOR SECRETARY OF TREASURY TO PROVIDE INFORMATION.—Subparagraph (D) of section 6103(1)(7) of the Internal Revenue Code of 1986 is amended by striking out "September 30, 1997" in the last sentence and inserting in lieu thereof "September 30, 1998".

SEC. 11005. EXTENSION OF LIMITATION ON PENSION FOR CERTAIN RECIPIENTS OF MEDICAID-COVERED NURSING HOME CARE.

Section 5503(f)(7) of title 38, United States Code, is amended by striking out "September 30, 1997" and inserting in lieu thereof "September 30, 1998".

SEC. 11006. DENIAL OF FISCAL YEAR 1994 COST-OF-LIVING ADJUSTMENT FOR CERTAIN DIC RECIPIENTS.

During fiscal year 1994, no increase may be provided in the rates of dependency and indemnity compensation in effect under section 1311(a)(3) of title 38, United States Code.

SEC. 11007. EXTENSION OF PROCEDURES APPLICABLE TO LIQUIDATION SALES ON DEFAULTED HOME LOANS GUARANTEED BY THE DEPARTMENT OF VETERANS AFFAIRS.

(a) INCLUSION OF LOSSES.—Section 3732(c) of title 38, United States Code, is amended—

(1) in paragraph (1)(C), by striking out "resale," and inserting in lieu thereof "resale (including losses sustained on the resale of the property)."; and

(2) in paragraph (1), by striking out "December 31, 1992" and inserting in lieu thereof "September 30, 1998".

(b) EFFECTIVE DATE.—The amendment made by subsection (a)(1) shall apply to all liquidation sales occurring on or after October 1, 1993.

SEC. 11008. INCREASE IN HOME LOAN FEES.

Paragraph (6) of section 3729(a) of title 38, United States Code, is amended to read as follows:

"(6) With respect to a loan closed after September 30, 1993, and before October 1, 1998, for which a fee is collected under paragraph (1), the amount of such fee, as computed under paragraph (2), shall be increased by 0.75 percent of the total loan amount other than in the case of a loan described in subparagraph (A), (D)(ii), or (E) of paragraph (2)."

SEC. 11009. REDUCTION OF FISCAL YEAR 1994 COST-OF-LIVING ADJUSTMENT FOR MONTGOMERY GI BILL BENEFITS.

(a) BENEFITS PAYABLE UNDER CHAPTER 30.—Section 3015(g)(1) of title 38, United States Code, is amended by inserting "less one percentage point" after "June 30, 1993,".

(b) BENEFITS PAYABLE UNDER SELECTED RESERVE PROGRAM.—Section 2131(b)(2)(A) of title 10, United States Code, is amended by inserting "less one percentage point" after "June 30, 1993,".

(c) TECHNICAL AMENDMENTS.—(1) Section 301(c) of Public Law 102-568 (106 Stat. 4326) is amended by striking out "Section 3015(f)" and inserting in lieu thereof "Section 3015(g) (as redesignated by section 307(a)(1))".

(2) Section 307(a) of such Public Law (106 Stat. 4328) is amended by striking out "(as amended by section 301)".

(3) The amendments made by paragraphs (1) and (2) shall apply as if included in the enactment of Public Law 102-568.

SEC. 11010. LIMITATION ON CHILDREN ELIGIBLE FOR SURVIVORS' AND DEPENDENTS' EDUCATIONAL ASSISTANCE.

(a) REVISION IN DEFINITION OF CHILDREN ELIGIBLE.—Section 3501(a)(2) of title 38, United States Code, is amended by inserting ", but does not include an individual who is not the natural or legally adopted child of the parent from whom eligibility under this chapter is derived" before the period at the end.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) does not apply with respect to any individual who, before October 1, 1993, files an original application for educational assistance under chapter 35 of title 38, United States Code.

TITLE XII—COMMITTEE ON WAYS AND MEANS—SAVINGS

Subtitle A—Old-Age, Survivors, and Disability Insurance Program

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Sec. 12018. Prohibition of misuse of Department of the Treasury names, symbols, etc.

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SEC. 12001. EXPLICIT REQUIREMENTS FOR MAINTENANCE OF TELEPHONE ACCESS TO LOCAL OFFICES OF THE SOCIAL SECURITY ADMINISTRATION.

(a) MAINTENANCE OF SERVICE TO LOCAL OFFICES.—

(1) IN GENERAL.—Section 5110(a) of the Omnibus Budget Reconciliation Act of 1990 (104 Stat. 1388-272) is amended by adding at the end the following new sentence: "In carrying out the requirements of the preceding sentence, the Secretary shall reestablish and maintain in service at least the same number of telephone lines to each such local office as was in place as of such date, including telephone sets for connections to such lines."

(2) EFFECTIVE DATE.—The Secretary of Health and Human Services shall ensure that the requirements of the amendment made by paragraph (1) are carried out no later than 90 days after the date of the enactment of this Act.

(3) GAO REPORT.—The Comptroller General of the United States shall make an independent determination of the number of telephone lines to each local office of the Social Security Administration which are in place as of 90 days after the enactment of this Act and shall report his findings to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate no later than 150 days after the date of the enactment of this Act.

(b) MAINTENANCE OF TOLL-FREE TELEPHONE NUMBER SERVICE.—The Secretary of Health and Human Services shall ensure that toll-free telephone service provided by the Social Security Administration is maintained at a level which is at least equal to that in effect on the date of the enactment of this Act.

SEC. 12002. EXPANSION OF STATE OPTION TO EXCLUDE SERVICE OF ELECTION OFFICIALS OR ELECTION WORKERS FROM COVERAGE.

(a) LIMITATION ON MANDATORY COVERAGE OF STATE ELECTION OFFICIALS AND ELECTION WORKERS WITHOUT STATE RETIREMENT SYSTEM.—

(1) AMENDMENT TO SOCIAL SECURITY ACT.—Section 210(a)(7)(F)(iv) of the Social Security Act (42 U.S.C. 410(a)(7)(F)(iv)) (as amended by section 11332(a) of the Omnibus Budget Reconciliation Act of 1990) is amended by striking "\$100" and inserting "\$1,000 with respect to service performed during 1994, and the adjusted amount determined under section 218(c)(8)(B) for any subsequent year with respect to service performed during such subsequent year".

(2) AMENDMENT TO FICA.—Section 3121(b)(7)(F)(iv) of the Internal Revenue Code of 1986 (as amended by section 11332(b) of the Omnibus Budget Reconciliation Act of 1990) is amended by striking "\$100" and inserting

"\$1,000 with respect to service performed during 1994, and the adjusted amount determined under section 218(c)(8)(B) of the Social Security Act for any subsequent year with respect to service performed during such subsequent year".

(b) CONFORMING AMENDMENTS RELATING TO MEDICARE QUALIFIED GOVERNMENT EMPLOYMENT.—

(1) AMENDMENT TO SOCIAL SECURITY ACT.—Section 210(p)(2)(E) of the Social Security Act (42 U.S.C. 410(p)(2)(E)) is amended by striking "\$100" and inserting "\$1,000 with respect to service performed during 1994, and the adjusted amount determined under section 218(c)(8)(B) for any subsequent year with respect to service performed during such subsequent year".

(2) AMENDMENT TO FICA.—Section 3121(u)(2)(B)(ii)(V) of the Internal Revenue Code of 1986 is amended by striking "\$100" and inserting "\$1,000 with respect to service performed during 1994, and the adjusted amount determined under section 218(c)(8)(B) of the Social Security Act for any subsequent year with respect to service performed during such subsequent year".

(c) AUTHORITY FOR STATES TO MODIFY COVERAGE AGREEMENTS WITH RESPECT TO ELECTION OFFICIALS AND ELECTION WORKERS.—Section 218(c)(8) of the Social Security Act (42 U.S.C. 418(c)(8)) is amended—

(1) by striking "on or after January 1, 1968," and inserting "at any time";

(2) by striking "\$100" and inserting "\$1,000 with respect to service performed during 1994, and the adjusted amount determined under subparagraph (B) for any subsequent year with respect to service performed during such subsequent year"; and

(3) by striking the last sentence and inserting the following new sentence: "Any modification of an agreement pursuant to this paragraph shall be effective with respect to services performed in and after the calendar year in which the modification is mailed or delivered by other means to the Secretary."

(d) INDEXATION OF EXEMPT AMOUNT.—Section 218(c)(8) of such Act (as amended by subsection (c)) is further amended—

(1) by inserting "(A)" after "(8)"; and

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

"(B) For each year after 1994, the Secretary shall adjust the amount referred to in subparagraph (A) at the same time and in the same manner as is provided under section 215(a)(1)(B)(ii) with respect to the amounts referred to in section 215(a)(1)(B)(i), except that—

"(i) for purposes of this subparagraph, 1992 shall be substituted for the calendar year referred to in section 215(a)(1)(B)(ii), and

"(ii) such amount as so adjusted, if not a multiple of \$100, shall be rounded to the next higher multiple of \$100 where such amount is a multiple of \$50 and to the nearest multiple of \$100 in any other case.

The Secretary shall determine and publish in the Federal Register each adjusted amount determined under this subparagraph not later than November 1 preceding the year for which the adjustment is made."

(e) EFFECTIVE DATE.—The amendments made by subsections (a), (b), and (c) shall apply with respect to service performed on or after January 1, 1994.

SEC. 12003. USE OF SOCIAL SECURITY NUMBERS BY STATES AND LOCAL GOVERNMENTS AND FEDERAL DISTRICT COURTS FOR JURY SELECTION PURPOSES.

(a) IN GENERAL.—Section 205(c)(2) of the Social Security Act (42 U.S.C. 405(c)(2)) is amended—

(1) in subparagraph (B)(i), by striking "(E)" in the matter preceding subclause (I) and inserting "(F)";

(2) by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively; and

(3) by inserting after subparagraph (D) the following:

"(E)(i) It is the policy of the United States that—

"(I) any State (or any political subdivision of a State) may utilize the social security account numbers issued by the Secretary for the additional purposes described in clause (i) if such numbers have been collected and are otherwise utilized by such State (or political subdivision) in accordance with applicable law, and

"(II) any district court of the United States may use, for such additional purposes, any such social security account numbers which have been so collected and are so utilized by any State.

"(ii) The additional purposes described in this clause are the following:

"(I) identifying duplicate names of individuals on master lists used for jury selection purposes, and

"(II) identifying on such master lists those individuals who are ineligible to serve on a jury by reason of their conviction of a felony.

"(iii) To the extent that any provision of Federal law enacted before the date of the enactment of this subparagraph is inconsistent with the policy set forth in clause (i), such provision shall, on and after that date, be null, void, and of no effect.

"(iv) For purposes of this subparagraph, the term 'State' has the meaning such term has in subparagraph (D)."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 12004. AUTHORIZATION FOR ALL STATES TO EXTEND COVERAGE TO STATE AND LOCAL POLICEMEN AND FIREMEN UNDER EXISTING COVERAGE AGREEMENTS.

(a) IN GENERAL.—Section 218(1) of the Social Security Act (42 U.S.C. 418(1)) is amended—

(1) in paragraph (1), by striking "(1)" after "(I)", and by striking "the State of" and all that follows through "prior to the date of enactment of this subsection" and inserting "a State entered into pursuant to this section"; and

(2) by striking paragraph (2).

(b) CONFORMING AMENDMENT.—Section 218(d)(8)(D) of such Act (42 U.S.C. 418(d)(8)(D)) is amended by striking "agreements with the States named in" and inserting "State agreements modified as provided in".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to modifications filed by States after the date of the enactment of this Act.

SEC. 12005. LIMITED EXEMPTION FOR CANADIAN MINISTERS FROM CERTAIN SELF-EMPLOYMENT TAX LIABILITY.

(a) IN GENERAL.—Notwithstanding any other provision of law, if—

(1) an individual performed services described in section 1402(c)(4) of the Internal Revenue Code of 1986 which are subject to tax under section 1401 of such Code,

(2) such services were performed in Canada at a time when no agreement between the United States and Canada pursuant to section 233 of the Social Security Act was in effect, and

(3) such individual was required to pay contributions on the earnings from such services under the social insurance system of Canada,

then such individual may file a certificate under this section in such form and manner, and with such official, as may be prescribed in regulations issued under chapter 2 of such Code. Upon the filing of such certificate, notwithstanding any judgment which has been entered to the contrary, such individual shall be exempt from payment of such tax with respect to services described in paragraphs (1) and (2) and from any penalties or interest for failure to pay such tax or to file a self-employment tax return as required under section 6017 of such Code.

(b) PERIOD FOR FILING.—A certificate referred to in subsection (a) may be filed only during the 180-day period commencing with the date on which the regulations referred to in subsection (a) are issued.

(c) TAXABLE YEARS AFFECTED BY CERTIFICATE.—A certificate referred to in subsection (a) shall be effective for taxable years ending after December 31, 1978, and before January 1, 1985.

(d) RESTRICTION ON CREDITING OF EXEMPT SELF-EMPLOYMENT INCOME.—In any case in which an individual is exempt under this section from paying a tax imposed under section 1401 of the Internal Revenue Code of 1986, any income on which such tax would have been imposed but for such exemption shall not constitute self-employment income under section 211(b) of the Social Security Act (42 U.S.C. 411(b)), and, if such individual's primary insurance amount has been determined under section 215 of such Act (42 U.S.C. 415), notwithstanding section 215(f)(1) of such Act, the Secretary of Health and Human Services shall recompute such primary insurance amount so as to take into account the provisions of this subsection. The recomputation under this subsection shall be effective with respect to benefits for months following approval of the certificate of exemption.

SEC. 12006. EXCLUSION OF TOTALIZATION BENEFITS FROM THE APPLICATION OF THE WINDFALL ELIMINATION PROVISION.

(a) IN GENERAL.—Section 215(a)(7) of the Social Security Act (42 U.S.C. 415(a)(7)) is amended—

(1) in subparagraph (A), by striking "but excluding" and all that follows through "1937" and inserting "but excluding (I) a payment under the Railroad Retirement Act of 1974 or 1937, and (II) a payment by a social security system of a foreign country based on an agreement concluded between the United States and such foreign country pursuant to section 233"; and

(2) in subparagraph (E), by inserting after "in the case of an individual" the following: "whose eligibility for old-age or disability insurance benefits is based on an agreement concluded pursuant to section 233 or an individual".

(b) CONFORMING AMENDMENT RELATING TO BENEFITS UNDER 1939 ACT.—Section 215(d)(3) of such Act (42 U.S.C. 415(d)(3)) is amended by striking "but excluding" and all that follows through "1937" and inserting "but excluding (I) a payment under the Railroad Retirement Act of 1974 or 1937, and (II) a payment by a social security system of a foreign country based on an agreement concluded between the United States and such foreign country pursuant to section 233".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply (notwithstanding section 215(f)(1) of the Social Security Act (42 U.S.C. 415(f)(1))) with respect to benefits payable for months after October 1993.

SEC. 12007. EXCLUSION OF MILITARY RESERVISTS FROM APPLICATION OF THE GOVERNMENT PENSION OFFSET AND WINDFALL ELIMINATION PROVISIONS.

(a) EXCLUSION FROM GOVERNMENT PENSION OFFSET PROVISIONS.—Subsections (b)(4), (c)(2), (e)(7), (f)(2), and (g)(4) of section 202 of the Social Security Act (42 U.S.C. 402 (b)(4), (c)(2), (e)(7), (f)(2), and (g)(4)) are each amended—

(1) in subparagraph (A)(i), by striking “unless subparagraph (B) applies.”;

(2) in subparagraph (A), by striking “The” in the matter following clause (ii) and inserting “unless subparagraph (B) applies. The”; and

(3) in subparagraph (B), by redesignating the existing matter as clause (ii), and by inserting before such clause (ii) (as so redesignated) the following:

“(B)(i) Subparagraph (A)(i) shall not apply with respect to monthly periodic benefits based wholly on service as a member of a uniformed service (as defined in section 210(m)).”

(b) EXCLUSION FROM WINDFALL ELIMINATION PROVISIONS.—Section 215(a)(7)(A) of such Act (as amended by section 13006(a) of this Act) and section 215(d)(3) of such Act (as amended by section 13006(b) of this Act) are each further amended—

(1) by striking “and” before “(II)”; and

(2) by striking “section 233” and inserting “section 233, and (III) a payment based wholly on service as a member of a uniformed service (as defined in section 210(m)).”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply (notwithstanding section 215(f) of the Social Security Act) with respect to benefits payable for months after October 1993.

SEC. 12008. REPEAL OF THE FACILITY-OF-PAYMENT PROVISION.

(a) REPEAL OF RULE PRECLUDING REDISTRIBUTION UNDER FAMILY MAXIMUM.—Section 203(i) of the Social Security Act (42 U.S.C. 403(i)) is repealed.

(b) COORDINATION UNDER FAMILY MAXIMUM OF REDUCTION IN BENEFICIARY'S AUXILIARY BENEFITS WITH SUSPENSION OF AUXILIARY BENEFITS OF OTHER BENEFICIARY UNDER EARNINGS TEST.—Section 203(a)(4) of such Act (42 U.S.C. 403(a)(4)) is amended by striking “section 222(b). Whenever” and inserting the following: “section 222(b). Notwithstanding the preceding sentence, any reduction under this subsection in the case of an individual who is entitled to a benefit under subsection (b), (c), (d), (e), (f), (g), or (h) of section 202 for any month on the basis of the same wages and self-employment income as another person—

“(A) who also is entitled to a benefit under subsection (b), (c), (d), (e), (f), (g), or (h) of section 202 for such month,

“(B) who does not live in the same household as such individual, and

“(C) whose benefit for such month is suspended (in whole or in part) pursuant to subsection (h)(3) of this section,

shall be made before the suspension under subsection (h)(3). Whenever”.

(c) CONFORMING AMENDMENT APPLYING EARNINGS REPORTING REQUIREMENT DESPITE SUSPENSION OF BENEFITS.—The third sentence of section 203(h)(1)(A) of such Act (42 U.S.C. 403(h)(1)(A)) is amended by striking “Such report need not be made” and all that follows through “The Secretary may grant” and inserting the following: “Such report need not be made for any taxable year—

“(i) beginning with or after the month in which such individual attained age 70, or

“(ii) if benefit payments for all months (in such taxable year) in which such individual

is under age 70 have been suspended under the provisions of the first sentence of paragraph (3) of this subsection, unless—

“(I) such individual is entitled to benefits under subsection (b), (c), (d), (e), (f), (g), or (h) of section 202,

“(II) such benefits are reduced under subsection (a) of this section for any month in such taxable year, and

“(III) in any such month there is another person who also is entitled to benefits under subsection (b), (c), (d), (e), (f), (g), or (h) of section 202 on the basis of the same wages and self-employment income and who does not live in the same household as such individual.

The Secretary may grant”.

(d) CONFORMING AMENDMENT DELETING SPECIAL INCOME TAX TREATMENT OF BENEFITS NO LONGER REQUIRED BY REASON OF REPEAL.—Section 86(d)(1) of the Internal Revenue Code of 1986 (relating to income tax on social security benefits) is amended by striking the last sentence.

(e) EFFECTIVE DATES.—

(1) The amendments made by subsections (a), (b), and (c) shall apply with respect to benefits payable for months after December 1994.

(2) The amendment made by subsection (d) shall apply with respect to benefits received after December 31, 1994, in taxable years ending after such date.

SEC. 12009. MAXIMUM FAMILY BENEFITS IN GUARANTEE CASES.

(a) IN GENERAL.—Section 203(a) of the Social Security Act (42 U.S.C. 403(a)) is amended by adding at the end the following new paragraph:

“(10)(A) Subject to subparagraphs (B) and (C)—

“(i) the total monthly benefits to which beneficiaries may be entitled under sections 202 and 223 for a month on the basis of the wages and self-employment income of an individual whose primary insurance amount is computed under section 215(a)(2)(B)(i) shall equal the total monthly benefits which were authorized by this section with respect to such individual's primary insurance amount for the last month of his prior entitlement to disability insurance benefits, increased for this purpose by the general benefit increases and other increases under section 215(i) that would have applied to such total monthly benefits had the individual remained entitled to disability insurance benefits until the month in which he became entitled to old-age insurance benefits or reentitled to disability insurance benefits or died, and

“(ii) the total monthly benefits to which beneficiaries may be entitled under sections 202 and 223 for a month on the basis of the wages and self-employment income of an individual whose primary insurance amount is computed under section 215(a)(2)(C) shall equal the total monthly benefits which were authorized by this section with respect to such individual's primary insurance amount for the last month of his prior entitlement to disability insurance benefits.

“(B) In any case in which—

“(i) the total monthly benefits with respect to such individual's primary insurance amount for the last month of his prior entitlement to disability insurance benefits was computed under paragraph (6), and

“(ii) the individual's primary insurance amount is computed under subparagraph (B)(i) or (C) of section 215(a)(2) by reason of the individual's entitlement to old-age insurance benefits or death,

the total monthly benefits shall equal the total monthly benefits that would have been

authorized with respect to the primary insurance amount for the last month of his prior entitlement to disability insurance benefits if such total monthly benefits had been computed without regard to paragraph (6).

“(C) This paragraph shall apply before the application of paragraph (3)(A), and before the application of section 203(a)(1) of this Act as in effect in December 1978.”.

(b) CONFORMING AMENDMENT.—Section 203(a)(8) of such Act (42 U.S.C. 403(a)(8)) is amended by striking “Subject to paragraph (7),” and inserting “Subject to paragraph (7) and except as otherwise provided in paragraph (10)(C).”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply for the purpose of determining the total monthly benefits to which beneficiaries may be entitled under sections 202 and 223 of the Social Security Act based on the wages and self-employment income of an individual who—

(1) becomes entitled to an old-age insurance benefit under section 202(a) of such Act,

(2) becomes reentitled to a disability insurance benefit under section 223 of such Act, or

(3) dies,

after October 1993.

SEC. 12010. AUTHORIZATION FOR DISCLOSURE BY THE SECRETARY OF HEALTH AND HUMAN SERVICES OF INFORMATION FOR PURPOSES OF PUBLIC OR PRIVATE EPIDEMIOLOGICAL AND SIMILAR RESEARCH.

(a) IN GENERAL.—Section 1106 of the Social Security Act (42 U.S.C. 1306) is amended—

(1) by redesignating subsections (d) and (e) as subsections (e) and (f), respectively;

(2) in subsection (f) (as so redesignated), by striking “subsection (d)” and inserting “subsection (e)”; and

(3) by inserting after subsection (c) the following new subsection:

“(d) Notwithstanding any other provision of this section, in any case in which—

“(1) information regarding whether an individual is shown on the records of the Secretary as being alive or deceased is requested from the Secretary for purposes of epidemiological or similar research which the Secretary finds may reasonably be expected to contribute to a national health interest, and

“(2) the requester agrees to reimburse the Secretary for providing such information and to comply with limitations on safeguarding and rerelease or redisclosure of such information as may be specified by the Secretary,

the Secretary shall comply with such request, except to the extent that compliance with such request would constitute a violation of the terms of any contract entered into under section 205(r).”.

(b) AVAILABILITY OF INFORMATION RETURNS REGARDING WAGES PAID EMPLOYEES.—Section 6103(l)(5) of the Internal Revenue Code of 1986 (relating to disclosure of returns and return information to the Department of Health and Human Services for purposes other than tax administration) is amended—

(1) by striking “for the purpose of” and inserting “for the purpose of—”;

(2) by striking “carrying out, in accordance with an agreement” and inserting the following:

“(A) carrying out, in accordance with an agreement”;

(3) by striking “program.” and inserting “program; or”; and

(4) by adding at the end the following new subparagraph:

“(B) providing information regarding the mortality status of individuals for epidemio-

logical and similar research in accordance with section 1106(d) of the Social Security Act."

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply with respect to requests for information made after the date of the enactment of this Act.

SEC. 12011. IMPROVEMENT AND CLARIFICATION OF PROVISIONS PROHIBITING MISUSE OF SYMBOLS, EMBLEMS, OR NAMES IN REFERENCE TO SOCIAL SECURITY PROGRAMS AND AGENCIES.

(a) **PROHIBITION OF UNAUTHORIZED REPRODUCTION, REPRINTING, OR DISTRIBUTION FOR FEE OF CERTAIN OFFICIAL PUBLICATIONS.**—Section 1140(a) of the Social Security Act (42 U.S.C. 1320b-10(a)) is amended—

(1) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively;

(2) by inserting "(1)" after "(a)"; and

(3) by adding at the end the following new paragraph:

"(2) No person may, for a fee, reproduce, reprint, or distribute any item consisting of a form, application, or other publication of the Social Security Administration unless such person has obtained specific, written authorization for such activity in accordance with regulations which the Secretary shall prescribe."

(b) **ADDITION TO PROHIBITED WORDS, LETTERS, SYMBOLS, AND EMBLEMS.**—Paragraph (1) of section 1140(a) of such Act (as redesignated by subsection (a)) is further amended—

(1) in subparagraph (A) (as redesignated), by striking "Administration", the letters "SSA" or "HCFA", and inserting "Administration", "Department of Health and Human Services", "Health and Human Services", "Supplemental Security Income Program", or "Medicaid", the letters "SSA", "HCFA", "DHHS", "HHS", or "SSI"; and

(2) in subparagraph (B) (as redesignated), by striking "Social Security Administration" each place it appears and inserting "Social Security Administration, Health Care Financing Administration, or Department of Health and Human Services", and by striking "or of the Health Care Financing Administration".

(c) **EXEMPTION FOR USE OF WORDS, LETTERS, SYMBOLS, AND EMBLEMS OF STATE AND LOCAL GOVERNMENT AGENCIES BY SUCH AGENCIES.**—Paragraph (1) of section 1140(a) of such Act (as redesignated by subsection (a)) is further amended by adding at the end the following new sentence: "The preceding provisions of this subsection shall not apply with respect to the use by any agency or instrumentality of a State or political subdivision of a State of any words or letters which identify an agency or instrumentality of such State or of a political subdivision of such State or the use by any such agency or instrumentality of any symbol or emblem of an agency or instrumentality of such State or a political subdivision of such State."

(d) **INCLUSION OF REASONABLENESS STANDARD.**—Section 1140(a)(1) of such Act (as amended by the preceding provisions of this section) is further amended, in the matter following subparagraph (B) (as redesignated), by striking "convey" and inserting "convey, or in a manner which reasonably could be interpreted or construed as conveying."

(e) **INEFFECTIVENESS OF DISCLAIMERS.**—Subsection (a) of section 1140 of such Act (as amended by the preceding provisions of this section) is further amended by adding at the end the following new paragraph:

"(3) Any determination of whether the use of one or more words, letters, symbols, or emblems (or any combination or variation thereof) in connection with an item de-

scribed in paragraph (1) or the reproduction, reprinting, or distribution of an item described in paragraph (2) is a violation of this subsection shall be made without regard to any inclusion in such item (or any so reproduced, reprinted, or distributed copy thereof) of a disclaimer of affiliation with the United States Government or any particular agency or instrumentality thereof."

(f) **VIOLATIONS WITH RESPECT TO INDIVIDUAL ITEMS.**—Section 1140(b)(1) of such Act (42 U.S.C. 1320b-10(b)(1)) is amended by adding at the end the following new sentence: "In the case of any items referred to in subsection (a)(1) consisting of pieces of mail, each such piece of mail which contains one or more words, letters, symbols, or emblems in violation of subsection (a) shall represent a separate violation. In the case of any item referred to in subsection (a)(2), the reproduction, reprinting, or distribution of such item shall be treated as a separate violation with respect to each copy thereof so reproduced, reprinted, or distributed."

(g) **ELIMINATION OF CAP ON AGGREGATE LIABILITY AMOUNT.**—

(1) **REPEAL.**—Paragraph (2) of section 1140(b) of such Act (42 U.S.C. 1320b-10(b)(2)) is repealed.

(2) **CONFORMING AMENDMENTS.**—Section 1140(b) of such Act is further amended—

(A) by striking "(1) Subject to paragraph (2), the" and inserting "The";

(B) by redesignating subparagraphs (A) and (B) as paragraphs (1) and (2), respectively; and

(C) in paragraph (1) (as redesignated), by striking "subparagraph (B)" and inserting "paragraph (2)".

(h) **REMOVAL OF FORMAL DECLINATION REQUIREMENT.**—Section 1140(c)(1) of such Act (42 U.S.C. 1320b-10(c)(1)) is amended by inserting "and the first sentence of subsection (c)" after "and (i)".

(i) **PENALTIES RELATING TO SOCIAL SECURITY ADMINISTRATION DEPOSITED IN OASI TRUST FUND.**—Section 1140(c)(2) of such Act (42 U.S.C. 1320b-10(c)(2)) is amended in the second sentence by striking "United States," and inserting "United States, except that, to the extent that such amounts are recovered under this section as penalties imposed for misuse of words, letters, symbols, or emblems relating to the Social Security Administration, such amounts shall be deposited into the Federal Old-Age and Survivor's Insurance Trust Fund."

(j) **ENFORCEMENT.**—Section 1140 of such Act (42 U.S.C. 1320b-10) is amended by adding at the end the following new subsection:

"(d) The preceding provisions of this section shall be enforced through the Office of Inspector General of the Department of Health and Human Services."

(k) **ANNUAL REPORTS.**—Section 1140 of such Act (as amended by the preceding provisions of this section) is further amended by adding at the end the following new subsection:

"(e) The Secretary shall include in the annual report submitted pursuant to section 704 a report on the operation of this section during the year covered by such annual report. Such report shall specify—

"(1) the number of complaints of violations of this section received by the Social Security Administration during the year.

"(2) the number of cases in which a notice of violation of this section was sent by the Social Security Administration during the year requesting that an individual cease activities in violation of this section.

"(3) the number of complaints of violations of this section referred by the Social Security Administration to the Inspector General

of the Department of Health and Human Services during the year.

"(4) the number of investigations of violations of this section undertaken by the Inspector General during the year.

"(5) the number of cases in which a demand letter was sent during the year assessing a civil money penalty under this section.

"(6) the total amount of civil money penalties assessed under this section during the year.

"(7) the number of requests for hearings filed during the year pursuant to subsection (c)(1) of this section and section 1128A(c)(2).

"(8) the disposition during such year of hearings filed pursuant to sections 1140(c)(1) and 1128A(c)(2), and

"(9) the total amount of civil money penalties under this section deposited into the Federal Old-Age and Survivors Insurance Trust Fund during the year."

(l) **EFFECTIVE DATE.**—The amendments made by this section shall apply with respect to violations occurring after the date of the enactment of this Act.

SEC. 12012. INCREASED PENALTIES FOR UNAUTHORIZED DISCLOSURE OF SOCIAL SECURITY INFORMATION.

(a) **UNAUTHORIZED DISCLOSURE.**—Section 1106(a) of the Social Security Act (42 U.S.C. 1306(a)) is amended—

(1) by striking "misdemeanor" and inserting "felony";

(2) by striking "\$1,000" and inserting "\$10,000 for each occurrence of a violation"; and

(3) by striking "one year" and inserting "5 years".

(b) **UNAUTHORIZED DISCLOSURE BY FRAUD.**—Section 1107(b) of such Act (42 U.S.C. 1307(b)) is amended—

(1) by inserting "social security account number," after "information as to the";

(2) by striking "misdemeanor" and inserting "felony";

(3) by striking "\$1,000" and inserting "\$10,000 for each occurrence of a violation"; and

(4) by striking "one year" and inserting "5 years".

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to violations occurring on or after the date of the enactment of this Act.

SEC. 12013. SIMPLIFICATION OF EMPLOYMENT TAXES ON DOMESTIC SERVICES.

(a) **COORDINATION OF COLLECTION OF DOMESTIC SERVICE EMPLOYMENT WITH COLLECTION OF INCOME TAXES.**—

(1) **IN GENERAL.**—Chapter 25 of the Internal Revenue Code of 1986 (relating to general provisions relating to employment taxes) is amended by adding at the end thereof the following new section:

"SEC. 3510. **COORDINATION OF COLLECTION OF DOMESTIC SERVICE EMPLOYMENT TAXES WITH COLLECTION OF INCOME TAXES.**

"(a) **GENERAL RULE.**—Except as otherwise provided in this section—

"(1) returns with respect to domestic service employment taxes shall be made on a calendar year basis.

"(2) any such return for any calendar year shall be filed on or before the 15th day of the fourth month following the close of the employer's taxable year which begins in such calendar year, and

"(3) no requirement to make deposits (or to pay installments under section 6157) shall apply with respect to such taxes.

"(b) **DOMESTIC SERVICE EMPLOYMENT TAXES SUBJECT TO ESTIMATED TAX PROVISIONS.**—

"(1) **IN GENERAL.**—Solely for purposes of section 6654, domestic service employment

taxes imposed with respect to any calendar year shall be treated as a tax imposed by chapter 2 for the taxable year of the employer which begins in such calendar year.

"(2) ANNUALIZATION.—Under regulations prescribed by the Secretary, appropriate adjustments shall be made in the application of section 6654(d)(2) in respect of the amount treated as tax under paragraph (1).

"(3) TRANSITIONAL RULE.—For purposes of applying section 6654 to a taxable year beginning in 1993, the amount referred to in clause (ii) of section 6654(d)(1)(B) shall be increased by 90 percent of the amount treated as tax under paragraph (1) for such taxable year.

"(c) DOMESTIC SERVICE EMPLOYMENT TAXES.—For purposes of this section, the term 'domestic service employment taxes' means—

"(1) any taxes imposed by chapter 21 or 23 on remuneration paid for domestic service in a private home of the employer, and

"(2) any amount withheld from such remuneration pursuant to an agreement under section 3402(p).

For purposes of this subsection, the term 'domestic service in a private home of the employer' does not include service described in section 3121(g)(5).

"(d) EXCEPTION WHERE EMPLOYER LIABLE FOR OTHER EMPLOYMENT TAXES.—To the extent provided in regulations prescribed by the Secretary, this section shall not apply to any employer for any calendar year if such employer is liable for any tax under this subtitle with respect to remuneration for services other than domestic service in a private home of the employer.

"(e) GENERAL REGULATORY AUTHORITY.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section. Such regulations may treat domestic service employment taxes as taxes imposed by chapter 1 for purposes of coordinating the assessment and collection of such employment taxes with the assessment and collection of domestic employers' income taxes.

"(f) AUTHORITY TO ENTER INTO AGREEMENTS TO COLLECT STATE UNEMPLOYMENT TAXES.—

"(1) IN GENERAL.—The Secretary is hereby authorized to enter into an agreement with any State to collect, as the agent of such State, such State's unemployment taxes imposed on remuneration paid for domestic service in a private home of the employer. Any taxes to be collected by the Secretary pursuant to such an agreement shall be treated as domestic service employment taxes for purposes of this section.

"(2) TRANSFERS TO STATE ACCOUNT.—Any amount collected under an agreement referred to in paragraph (1) shall be transferred by the Secretary to the account of the State in the Unemployment Trust Fund.

"(3) SUBTITLE F MADE APPLICABLE.—For purposes of subtitle F, any amount required to be collected under an agreement under paragraph (1) shall be treated as a tax imposed by chapter 23.

"(4) STATE.—For purposes of this subsection, the term 'State' has the meaning given such term by section 3306(j)(1)."

(2) CLERICAL AMENDMENT.—The table of sections for chapter 25 of such Code is amended by adding at the end thereof the following:

"Sec. 3510. Coordination of collection of domestic service employment taxes with collection of income taxes."

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to remuneration paid in calendar years beginning after December 31, 1993.

(4) EXPANDED INFORMATION TO EMPLOYERS.—The Secretary of the Treasury or his delegate shall prepare and make available information on the Federal tax obligations of employers with respect to employees performing domestic service in a private home of the employer. Such information shall also include a statement that such employers may have obligations with respect to such employees under State laws relating to unemployment insurance and workers compensation.

(b) THRESHOLD REQUIREMENT FOR SOCIAL SECURITY TAXES.—

(1) AMENDMENTS OF INTERNAL REVENUE CODE.—

(A) Subparagraph (B) of section 3121(a)(7) of the Internal Revenue Code of 1986 (defining wages) is amended to read as follows:

"(B) cash remuneration paid by an employer in any calendar year to an employee for domestic service in a private home of the employer (within the meaning of subsection (y)), if the cash remuneration paid in such year by the employer to the employee for such service is less than the applicable dollar threshold (as defined in subsection (y)) for such year."

(B) Section 3121 of such Code is amended by adding at the end thereof the following new subsection:

"(y) DOMESTIC SERVICE IN A PRIVATE HOME.—For purposes of subsection (a)(7)(B)—

"(1) EXCLUSION FOR CERTAIN FARM SERVICE.—The term 'domestic service in a private home of the employer' does not include service described in subsection (g)(5).

"(2) APPLICABLE DOLLAR THRESHOLD.—The term 'applicable dollar threshold' means \$1,800. In the case of calendar years after 1994, the Secretary of Health and Human Services shall adjust such \$1,800 amount at the same time and in the same manner as under section 215(a)(1)(B)(ii) of the Social Security Act with respect to the amounts referred to in section 215(a)(1)(B)(i) of such Act, except that, for purposes of this subparagraph, 1992 shall be substituted for the calendar year referred to in section 215(a)(1)(B)(ii) of such Act. If the amount determined under the preceding sentence is not a multiple of \$50, such amount shall be rounded to the nearest multiple of \$50."

(C) The second sentence of section 3102(a) of such Code is amended—

(i) by striking "calendar quarter" each place it appears and inserting "calendar year", and

(ii) by striking "\$50" and inserting "the applicable dollar threshold (as defined in section 3121(y)(2)) for such year".

(2) AMENDMENT OF SOCIAL SECURITY ACT.—Subparagraph (B) of section 209(a)(6) of the Social Security Act (42 U.S.C. 409(a)(6)(B)) is amended to read as follows:

"(B) Cash remuneration paid by an employer in any calendar year to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such year by the employer to the employee for such service is less than the applicable dollar threshold (as defined in section 3121(y)(2) of the Internal Revenue Code of 1986) for such year. As used in this subparagraph, the term 'domestic service in a private home of the employer' does not include service described in section 210(f)(5)."

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to remuneration paid in calendar years beginning after December 31, 1993.

(4) RELIEF FROM LIABILITY FOR CERTAIN UNDERPAYMENT AMOUNTS.—

(A) IN GENERAL.—On and after the date of the enactment of this Act, an underpayment to which this paragraph applies (and any penalty, addition to tax, and interest with respect to such underpayment) shall not be assessed (or, if assessed, shall not be collected).

(B) UNDERPAYMENTS TO WHICH PARAGRAPH APPLIES.—This paragraph shall apply to an underpayment to the extent of the amount thereof which would not be an underpayment if—

(i) the amendments made by paragraph (1) had applied to all calendar years after 1950 and before 1994, and

(ii) the applicable dollar threshold for any such calendar year were the amount determined under the following table:

In the case of calendar year:	The applicable dollar threshold is:
1951, 1952, or 1953	\$ 200
1954, 1955, 1956, or 1957 ..	250
1958, 1959, 1960, 1961, or 1962	300
1963, 1964, 1965, or 1966 ..	350
1967, 1968, 1969	400
1970	450
1971, 1972, or 1973	500
1974 or 1975	600
1976	650
1977	700
1978	750
1979	800
1980	850
1981	900
1982	1,000
1983	1,100
1984	1,200
1985	1,250
1986	1,300
1987	1,350
1988	1,400
1989	1,500
1990	1,550
1991	1,600
1992	1,700
1993	1,750

SEC. 12014. INCREASE IN AUTHORIZED PERIOD FOR EXTENSION OF TIME TO FILE ANNUAL EARNINGS REPORT.

(a) IN GENERAL.—Section 203(h)(1)(A) of the Social Security Act (42 U.S.C. 403(h)(1)(A)) is amended in the last sentence by striking "three months" and inserting "four months".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to reports of earnings for taxable years ending on or after December 31, 1993.

SEC. 12015. ALLOCATIONS TO FEDERAL DISABILITY INSURANCE TRUST FUND.

(a) ALLOCATION WITH RESPECT TO WAGES.—Section 201(b)(1) of the Social Security Act (42 U.S.C. 401(b)(1)) is amended to read as follows:

"(1) 1.75 percent of the wages (as defined in section 3121 of the Internal Revenue Code of 1986) paid after December 31, 1992, and reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1986, which wages shall be certified by the Secretary of Health and Human Services on the basis of the records of wages established and maintained by such Secretary in accordance with such reports; and"

(b) ALLOCATION WITH RESPECT TO SELF-EMPLOYMENT INCOME.—Section 201(b)(2) of such Act (42 U.S.C. 401(b)(2)) is amended to read as follows:

"(2) 1.75 percent of the self-employment income (as defined in section 1402 of the Internal Revenue Code of 1986) reported to the Secretary of the Treasury or his delegate on

tax returns under subtitle F of the Internal Revenue Code of 1986 for any taxable year beginning after December 31, 1992, which self-employment income shall be certified by the Secretary of Health and Human Services on the basis of the records of self-employment income established and maintained by the Secretary of Health and Human Services in accordance with such returns."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to wages paid after December 31, 1992, and self-employment income for taxable years beginning after such date.

(d) STUDY ON RISING COSTS OF DISABILITY BENEFITS.—

(1) IN GENERAL.—As soon as practicable after the date of the enactment of this Act, the Secretary of Health and Human Services shall conduct a comprehensive study of the reasons for rising costs payable from the Federal Disability Insurance Trust Fund.

(2) MATTERS TO BE INCLUDED IN STUDY.—In conducting the study under this subsection, the Secretary shall—

(A) determine the relative importance of the following factors in increasing the costs payable from the Trust Fund:

(i) increased numbers of applications for benefits;

(ii) higher rates of benefit allowances; and

(iii) decreased rates of benefit terminations; and

(B) identify, to the extent possible, underlying social, economic, demographic, programmatic, and other trends responsible for changes in disability benefit applications, allowances, and terminations.

(3) REPORT.—Not later than December 31, 1995, the Secretary shall transmit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate setting forth the results of the study conducted under this subsection, together with any recommendations for legislative changes which the Secretary determines appropriate.

SEC. 12016. TECHNICAL AND CLERICAL AMENDMENTS.

(a) AMENDMENTS TO TITLE II OF THE SOCIAL SECURITY ACT.—

(1) Section 201(a) of the Social Security Act (42 U.S.C. 401(a)) is amended, in the matter following clause (4), by striking "and and" and inserting "and".

(2) Section 202(d)(8)(D)(ii) of such Act (42 U.S.C. 402(d)(8)(D)(ii)) is amended by adding a period at the end and by adjusting the left hand margination thereof so as to align with section 202(d)(8)(D)(i) of such Act.

(3) Section 202(q)(1)(A) of such Act (42 U.S.C. 402(q)(1)(A)) is amended by striking the dash at the end.

(4) Section 202(q)(9) of such Act (42 U.S.C. 402(q)(9)) is amended, in the matter preceding subparagraph (A), by striking "parargraph" and inserting "paragraph".

(5) Section 202(t)(4)(D) of such Act (42 U.S.C. 402(t)(4)(D)) is amended by inserting "if the" before "Secretary" the second and third places it appears.

(6) Clauses (i) and (ii) of section 203(f)(5)(C) of such Act (42 U.S.C. 403(f)(5)(C)) are amended by adjusting the left-hand margination thereof so as to align with clauses (i) and (ii) of section 203(f)(5)(B) of such Act.

(7) Paragraph (3)(A) and paragraph (3)(B) of section 205(b) of such Act (42 U.S.C. 405(b)) are amended by adjusting the left-hand margination thereof so as to align with the matter following section 205(b)(2)(C) of such Act.

(8) Section 205(c)(2)(B)(iii) of such Act (42 U.S.C. 405(c)(2)(B)(iii)) is amended by striking "non-public" and inserting "nonpublic".

(9) Section 205(c)(2)(C) of such Act (42 U.S.C. 405(c)(2)(C)) is amended—

(A) by striking the clause (vii) added by section 2201(c) of Public Law 101-624; and

(B) by redesignating the clause (iii) added by section 2201(b)(3) of Public Law 101-624, clause (iv), clause (v), clause (vi), and the clause (vii) added by section 1735(b) of Public Law 101-624 as clause (iv), clause (v), clause (vi), clause (vii), and clause (viii), respectively;

(C) in clause (v) (as redesignated), by striking "subclause (I) of", and by striking "subclause (II) of clause (i)" and inserting "clause (ii)"; and

(D) in clause (viii)(IV) (as redesignated), by inserting "a social security account number or" before "a request for".

(10) The heading for section 205(j) of such Act (42 U.S.C. 405(j)) is amended to read as follows:

"Representative Payees".

(11) The heading for section 205(s) of such Act (42 U.S.C. 405(s)) is amended to read as follows:

"Notice Requirements".

(12) Section 208(c) of such Act (42 U.S.C. 408(c)) is amended by striking "subsection (g)" and inserting "subsection (a)(7)".

(13) Section 210(a)(5)(B)(i)(V) of such Act (42 U.S.C. 410(a)(5)(B)(i)(V)) is amended by striking "section 105(e)(2)" and inserting "section 104(e)(2)".

(14) Section 211(a) of such Act (42 U.S.C. 411(a)) is amended—

(A) in paragraph (13), by striking "and" at the end; and

(B) in paragraph (14), by striking the period and inserting "; and".

(15) Section 213(c) of such Act (42 U.S.C. 413(c)) is amended by striking "section" the first place it appears and inserting "sections".

(16) Section 215(a)(5)(B)(i) of such Act (42 U.S.C. 415(a)(5)(B)(i)) is amended by striking "subsection" the second place it appears and inserting "subsections".

(17) Section 215(f)(7) of such Act (42 U.S.C. 415(f)(7)) is amended by inserting a period after "1990".

(18) Subparagraph (F) of section 218(c)(6) of such Act (42 U.S.C. 418(c)(6)) is amended by adjusting the left-hand margination thereof so as to align with section 218(c)(6)(E) of such Act.

(19) Section 223(i) of such Act (42 U.S.C. 423(i)) is amended by adding at the beginning the following heading:

"Limitation on Payments to Prisoners".

(b) RELATED AMENDMENTS.—

(1) Section 603(b)(5)(A) of Public Law 101-649 (amending section 202(n)(1) of the Social Security Act) (104 Stat. 5085) is amended by inserting "under" before "paragraph (1)", and by striking "(17), or (18)" and inserting "(17), (18), or (19)", effective as if this paragraph were included in such section 603(b)(5)(A).

(2) Section 10208(b)(1) of Public Law 101-239 (amending section 230(b)(2)(A) of the Social Security Act) (103 Stat. 2477) is amended by striking "230(b)(2)(A)" and "430(b)(2)(A)" and inserting "230(b)(2)" and "430(b)(2)", respectively, effective as if this paragraph were included in such section 10208(b)(1).

(c) CONFORMING, CLERICAL AMENDMENTS UPDATING, WITHOUT SUBSTANTIVE CHANGE, REFERENCES IN TITLE II OF THE SOCIAL SECURITY ACT TO THE INTERNAL REVENUE CODE.—

(1)(A) Section 201(a) of such Act (42 U.S.C. 401(a)) is amended—

(i) by striking clauses (1) and (2);

(ii) in clause (3), by striking "(3) the taxes imposed" and all that follows through "De-

ember 31, 1954," and inserting "(1) the taxes imposed by chapter 21 (other than sections 3101(b) and 3111(b)) of the Internal Revenue Code of 1986 with respect to wages (as defined in section 3121 of such Code) reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of such Code," and by striking "subchapter or";

(iii) in clause (4), by striking "(4) the taxes imposed" and all that follows through "such Code," and inserting "(2) the taxes imposed by chapter 2 (other than section 1401(b)) of the Internal Revenue Code of 1986 with respect to self-employment income (as defined in section 1402 of such Code) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of such Code," and by striking "subchapter or chapter" and inserting "chapter"; and

(iv) in the matter following the clauses amended by this subparagraph, by striking "clauses (3) and (4)" each place it appears and inserting "clauses (1) and (2)".

(B) The amendments made by subparagraph (A) shall apply only with respect to taxes imposed with respect to wages paid on or after January 1, 1993, or with respect to self-employment income for taxable years beginning on or after such date.

(2)(A)(i) Section 201(g)(1) of such Act (42 U.S.C. 401(g)(1)) is amended—

(I) in subparagraph (A)(i), by striking "and subchapter E" and all that follows through "1954" and inserting "and chapters 2 and 21 of the Internal Revenue Code of 1986";

(II) in subparagraph (A)(ii), by striking "1954" and inserting "1986";

(III) in the matter in subparagraph (A) following clause (ii), by striking "subchapter E" and all that follows through "1954," and inserting "chapters 2 and 21 of the Internal Revenue Code of 1986," and by striking "1954 other" and inserting "1986 other"; and

(IV) in subparagraph (B), by striking "1954" each place it appears and inserting "1986".

(i) The amendments made by clause (i) shall apply only with respect to periods beginning on or after the date of the enactment of this Act.

(B)(i) Section 201(g)(2) of such Act (42 U.S.C. 401(g)(2)) is amended by striking "section 3101(a)" and all that follows through "1950." and inserting "section 3101(a) of the Internal Revenue Code of 1986 which are subject to refund under section 6413(c) of such Code with respect to wages (as defined in section 3121 of such Code).", and by striking "wages reported" and all that follows through "1954," and inserting "wages reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of such Code,".

(ii) The amendments made by clause (i) shall apply only with respect to wages paid on or after January 1, 1993.

(C) Section 201(g)(4) of such Act (42 U.S.C. 401(g)(4)) is amended—

(i) by striking "The Board of Trustees shall prescribe before January 1, 1981, the method" and inserting "If at any time or times the Boards of Trustees of such Trust Funds deem such action advisable, they may modify the method prescribed by such Boards";

(ii) by striking "1954" and inserting "1986"; and

(iii) by striking the last sentence.

(3) Section 202(v) of such Act (42 U.S.C. 402(v)) is amended—

(A) in paragraph (1), by striking "1954" and inserting "1986"; and

(B) in paragraph (3)(A), by inserting "of the Internal Revenue Code of 1986" after "3127".

(4) Section 205(c)(5)(F)(i) of such Act (42 U.S.C. 405(c)(5)(F)(i)) is amended by inserting "or the Internal Revenue Code of 1986" after "1954".

(5)(A) Section 208(a)(1) of such Act (42 U.S.C. 408(a)(1)) is amended—

(i) in the matter preceding subparagraph (A), by striking "subchapter E" and all that follows through "1954" and inserting "chapter 2 or 21 or subtitle F of the Internal Revenue Code of 1986";

(ii) in subparagraph (A), by inserting "of 1986" after "Internal Revenue Code"; and

(iii) in subparagraph (B), by inserting "of 1986" after "Internal Revenue Code".

(B) The amendments made by subparagraph (A) shall apply only with respect to violations occurring on or after the date of the enactment of this Act.

(6)(A) Section 209(a)(4)(A) of such Act (42 U.S.C. 409(a)(4)(A)) is amended by inserting "or the Internal Revenue Code of 1986" after "Internal Revenue Code of 1954".

(B) Section 209(a) of such Act (42 U.S.C. 409(a)) is amended—

(i) in subparagraphs (C) and (E) of paragraph (4),

(ii) in paragraph (5)(A),

(iii) in subparagraphs (A) and (B) of paragraph (14),

(iv) in paragraph (15),

(v) in paragraph (16), and

(vi) in paragraph (17),

by striking "1954" each place it appears and inserting "1986".

(C) Subsections (b), (f), (g), (i)(1), and (j) of section 209 of such Act (42 U.S.C. 409) are amended by striking "1954" each place it appears and inserting "1986".

(7) Section 211(a)(15) of such Act (42 U.S.C. 411(a)(15)) is amended by inserting "of the Internal Revenue Code of 1986" after "section 162(m)".

(8) Title II of such Act is further amended—

(A) in subsections (f)(5)(B)(ii) and (k) of section 203 (42 U.S.C. 403),

(B) in section 205(c)(1)(D)(i) (42 U.S.C. 405(c)(1)(D)(i)),

(C) in the matter in section 210(a) (42 U.S.C. 410(a)) preceding paragraph (1) and in paragraphs (8), (9), and (10) of section 210(a),

(D) in subsections (p)(4) and (q) of section 210 (42 U.S.C. 410),

(E) in the matter in section 211(a) (42 U.S.C. 411(a)) preceding paragraph (1) and in paragraphs (3), (4), (6), (10), (11), and (12) and clauses (iii) and (iv) of section 211(a),

(F) in the matter in section 211(c) (42 U.S.C. 411(c)) preceding paragraph (1), in paragraphs (3) and (6) of section 211(c), and in the matter following paragraph (6) of section 211(c),

(G) in subsections (d), (e), and (h)(1)(B) of section 211 (42 U.S.C. 411),

(H) in section 216(j) (42 U.S.C. 416(j)),

(I) in section 218(e)(3) (42 U.S.C. 418(e)(3)),

(J) in section 229(b) (42 U.S.C. 429(b)),

(K) in section 230(c) (42 U.S.C. 430(c)), and

(L) in section 232 (42 U.S.C. 432),

by striking "1954" each place it appears and inserting "1986".

(d) RULES OF CONSTRUCTION.—

(1) The preceding provisions of this section shall be construed only as technical and clerical corrections and as reflecting the original intent of the provisions amended thereby.

(2) Any reference in title II of the Social Security Act to the Internal Revenue Code of 1986 shall be construed to include a reference to the Internal Revenue Code of 1954 to the extent necessary to carry out the provisions of paragraph (1).

(e) UTILIZATION OF NATIONAL AVERAGE WAGE INDEX FOR WAGE-BASED ADJUSTMENTS.—

(1) DEFINITION OF NATIONAL AVERAGE WAGE INDEX.—Section 209(k) of the Social Security Act (42 U.S.C. 409(k)) is amended—

(A) by redesignating paragraph (2) as paragraph (3);

(B) in paragraph (3) (as redesignated), by striking "paragraph (1)" and inserting "this subsection"; and

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

"(k)(1) For purposes of sections 203(f)(8)(B)(ii), 213(d)(2)(B), 215(a)(1)(B)(ii), 215(a)(1)(C)(ii), 215(a)(1)(D), 215(b)(3)(A)(ii), 215(i)(1)(E), 215(i)(2)(C)(ii), 224(f)(2)(B), and 230(b)(2) (and 230(b)(2) as in effect immediately prior to the enactment of the Social Security Amendments of 1977), the term 'national average wage index' for any particular calendar year means, subject to regulations of the Secretary under paragraph (2), the average of the total wages for such particular calendar year.

"(2) The Secretary shall prescribe regulations under which the national average wage index for any calendar year shall be computed—

"(A) on the basis of amounts reported to the Secretary of the Treasury or his delegate for such year.

"(B) by disregarding the limitation on wages specified in subsection (a)(1),

"(C) with respect to calendar years after 1990, by incorporating deferred compensation amounts and factoring in for such years the rate of change from year to year in such amounts, in a manner consistent with the requirements of section 10208 of the Omnibus Budget Reconciliation Act of 1989, and

"(D) with respect to calendar years before 1978, in a manner consistent with the manner in which the average of the total wages for each of such calendar years was determined as provided by applicable law as in effect for such years."

(2) CONFORMING AMENDMENTS.—

(A) Section 203(f)(8)(B)(ii) of such Act (42 U.S.C. 403(f)(8)(B)(ii)) is amended by striking "deemed average total wages" each place it appears and inserting "national average wage index".

(B) Section 213(d)(2)(B) of such Act (42 U.S.C. 413(d)(2)(B)) is amended by striking "deemed average total wages" and inserting "national average wage index", and by striking "the average of the total wages" and all that follows and inserting "the national average wage index (as so defined) for 1976".

(C) Section 215(a)(1)(B)(ii) of such Act (42 U.S.C. 415(a)(1)(B)(ii)) is amended—

(i) in subclause (I), by striking "deemed average total wages" and inserting "national average wage index"; and

(ii) in subclause (II), by striking "the average of the total wages" and all that follows and inserting "the national average wage index (as so defined) for 1977".

(D) Section 215(a)(1)(C)(ii) of such Act (42 U.S.C. 415(a)(1)(C)(ii)) is amended by striking "deemed average total wages" and inserting "national average wage index".

(E) Section 215(a)(1)(D) of such Act (42 U.S.C. 415(a)(1)(D)) is amended—

(i) by striking "after 1978";

(ii) by striking "and the average of the total wages (as described in subparagraph (B)(ii)(I))" and inserting "and the national average wage index (as defined in section 209(k)(1))"; and

(iii) by striking the last sentence.

(F) Section 215(b)(3)(A)(ii) of such Act (42 U.S.C. 415(b)(3)(A)(ii)) is amended by striking

"deemed average total wages" each place it appears and inserting "national average wage index".

(G) Section 215(i)(1) of such Act (42 U.S.C. 415(i)(1)) is amended—

(i) in subparagraph (E), by striking "SSA average wage index" and inserting "national average wage index (as defined in section 209(k)(1))"; and

(ii) by striking subparagraph (G) and redesignating subparagraph (H) as subparagraph (G).

(H) Section 215(i)(2)(C)(ii) of such Act (42 U.S.C. 415(i)(2)(C)(ii)) is amended to read as follows:

"(ii) The Secretary shall determine and promulgate the OASDI fund ratio for the current calendar year on or before November 1 of the current calendar year, based upon the most recent data then available. The Secretary shall include a statement of the fund ratio and the national average wage index (as defined in section 209(k)(1)) and a statement of the effect such ratio and the level of such index may have upon benefit increases under this subsection in any notification made under clause (i) and any determination published under subparagraph (D)."

(I) Section 224(f)(2) of such Act (42 U.S.C. 424a(f)(2)) is amended—

(i) in subparagraph (A), by adding "and" at the end;

(ii) by striking subparagraph (C); and

(iii) by striking subparagraph (B) and inserting the following:

"(B) the ratio of (i) the national average wage index (as defined in section 209(k)(1)) for the calendar year before the year in which such redetermination is made to (ii) the national average wage index (as so defined) for the calendar year before the year in which the reduction was first computed (but not counting any reduction made in benefits for a previous period of disability)."

(J) Section 230(b)(2) of such Act (42 U.S.C. 430(b)(2)) is amended by striking "deemed average total wages" each place it appears and inserting "national average wage index".

(K) Section 230(d) of such Act (42 U.S.C. 430(d)) is amended by striking "deemed average total wage" and inserting "national average wage index".

SEC. 12017. CROSS-MATCHING OF SOCIAL SECURITY ACCOUNT NUMBER INFORMATION AND EMPLOYER IDENTIFICATION NUMBER INFORMATION MAINTAINED BY THE DEPARTMENT OF AGRICULTURE.

(a) SOCIAL SECURITY ACCOUNT NUMBER INFORMATION.—Clause (iii) of section 205(c)(2)(C) of the Social Security Act (42 U.S.C. 405(c)(2)(C)) (as added by section 1735(a)(3) of the Food, Agriculture, Conservation, and Trade Act of 1990 (Public Law 101-624; 104 Stat. 3791)) is amended—

(1) by inserting "(I)" after "(iii)"; and

(2) by striking "The Secretary of Agriculture shall restrict" and all that follows and inserting the following:

"(II) The Secretary of Agriculture may share any information contained in any list referred to in subclause (I) with any other agency or instrumentality of the United States which otherwise has access to social security account numbers in accordance with this subsection or other applicable Federal law, except that the Secretary of Agriculture may share such information only to the extent that such Secretary determines such sharing would assist in verifying and matching such information against information maintained by such other agency or instrumentality. Any such information shared pursuant to this subclause may be used by

such other agency or instrumentality only for the purpose of effective administration and enforcement of the Food Stamp Act of 1977 or for the purpose of investigation of violations of other Federal laws or enforcement of such laws.

"(III) The Secretary of Agriculture, and the head of any other agency or instrumentality referred to in this subclause, shall restrict, to the satisfaction of the Secretary of Health and Human Services, access to social security account numbers obtained pursuant to this clause only to officers and employees of the United States whose duties or responsibilities require access for the purposes described in subclause (II).

"(IV) The Secretary of Agriculture, and the head of any agency or instrumentality with which information is shared pursuant to clause (II), shall provide such other safeguards as the Secretary of Health and Human Services determines to be necessary or appropriate to protect the confidentiality of the social security account numbers."

(b) EMPLOYER IDENTIFICATION NUMBER INFORMATION.—Subsection (f) of section 6109 of the Internal Revenue Code of 1986 (as added by section 1735(c) of the Food, Agriculture, Conservation, and Trade Act of 1990 (Public Law 101-624; 104 Stat. 3792)) (relating to access to employer identification numbers by Secretary of Agriculture for purposes of Food Stamp Act of 1977) is amended—

(1) by striking paragraph (2) and inserting the following:

"(2) SHARING OF INFORMATION AND SAFEGUARDS.—

"(A) SHARING OF INFORMATION.—The Secretary of Agriculture may share any information contained in any list referred to in paragraph (1) with any other agency or instrumentality of the United States which otherwise has access to employer identification numbers in accordance with this section or other applicable Federal law, except that the Secretary of Agriculture may share such information only to the extent that such Secretary determines such sharing would assist in verifying and matching such information against information maintained by such other agency or instrumentality. Any such information shared pursuant to this subparagraph may be used by such other agency or instrumentality only for the purpose of effective administration and enforcement of the Food Stamp Act of 1977 or for the purpose of investigation of violations of other Federal laws or enforcement of such laws.

"(B) SAFEGUARDS.—The Secretary of Agriculture, and the head of any other agency or instrumentality referred to in subparagraph (A), shall restrict, to the satisfaction of the Secretary of the Treasury, access to employer identification numbers obtained pursuant to this subsection only to officers and employees of the United States whose duties or responsibilities require access for the purposes described in subparagraph (A). The Secretary of Agriculture, and the head of any agency or instrumentality with which information is shared pursuant to subparagraph (A), shall provide such other safeguards as the Secretary of the Treasury determines to be necessary or appropriate to protect the confidentiality of the employer identification numbers."

(2) in paragraph (3), by striking "by the Secretary of Agriculture pursuant to this subsection" and inserting "pursuant to this subsection by the Secretary of Agriculture or the head of any agency or instrumentality with which information is shared pursuant to paragraph (2)", and by striking "social security account numbers" and inserting "employer identification numbers"; and

(3) in paragraph (4), by striking "by the Secretary of Agriculture pursuant to this subsection" and inserting "pursuant to this subsection by the Secretary of Agriculture or any agency or instrumentality with which information is shared pursuant to paragraph (2)".

SEC. 12018. PROHIBITION OF MISUSE OF DEPARTMENT OF THE TREASURY NAMES, SYMBOLS, ETC.

(a) GENERAL RULE.—Subchapter II of chapter 3 of title 31, United States Code, is amended by adding at the end thereof the following new section:

"§ 333. Prohibition of misuse of Department of the Treasury names, symbols, etc.

"(a) GENERAL RULE.—No person may use, in connection with, or as a part of, any advertisement, solicitation, business activity, or product, whether alone or with other words, letters, symbols, or emblems—

"(1) the words 'Department of the Treasury', or the name of any service, bureau, office, or other subdivision of the Department of the Treasury,

"(2) the titles 'Secretary of the Treasury' or 'Treasurer of the United States' or the title of any other officer or employee of the Department of the Treasury,

"(3) the abbreviations or initials of any entity referred to in paragraph (1),

"(4) the words 'United States Savings Bond' or the name of any other obligation issued by the Department of the Treasury,

"(5) any symbol or emblem of an entity referred to in paragraph (1) (including the design of any envelope or stationary used by such an entity), and

"(6) any colorable imitation of any such words, titles, abbreviations, initials, symbols, or emblems,

in a manner which could reasonably be interpreted or construed as conveying the false impression that such advertisement, solicitation, business activity, or product is in any manner approved, endorsed, sponsored, or authorized by, or associated with, the Department of the Treasury or any entity referred to in paragraph (1) or any officer or employee thereof.

"(b) TREATMENT OF DISCLAIMERS.—Any determination of whether a person has violated the provisions of subsection (a) shall be made without regard to any use of a disclaimer of affiliation with the United States Government or any particular agency or instrumentality thereof.

"(c) CIVIL PENALTY.—

"(1) IN GENERAL.—The Secretary of the Treasury may impose a civil penalty on any person who violates the provisions of subsection (a).

"(2) AMOUNT OF PENALTY.—The amount of the civil penalty imposed by paragraph (1) shall not exceed \$5,000 for each use of any material in violation of subsection (a). If such use is in a broadcast or telecast, the preceding sentence shall be applied by substituting '\$25,000' for '\$5,000'.

"(3) TIME LIMITATIONS.—

"(A) ASSESSMENTS.—The Secretary of the Treasury may assess any civil penalty under paragraph (1) at any time before the end of the 3-year period beginning on the date of the violation with respect to which such penalty is imposed.

"(B) CIVIL ACTION.—The Secretary of the Treasury may commence a civil action to recover any penalty imposed under this subsection at any time before the end of the 2-year period beginning on the date on which such penalty was assessed.

"(4) COORDINATION WITH SUBSECTION (d).—No penalty may be assessed under this sub-

section with respect to any violation after a criminal proceeding with respect to such violation has been commenced under subsection (d).

"(d) CRIMINAL PENALTY.—

"(1) IN GENERAL.—If any person knowingly violates subsection (a), such person shall, upon conviction thereof, be fined not more than \$10,000 for each such use or imprisoned not more than 1 year, or both. If such use is in a broadcast or telecast, the preceding sentence shall be applied by substituting '\$50,000' for '\$10,000'.

"(2) TIME LIMITATIONS.—No person may be prosecuted, tried, or punished under paragraph (1) for any violation of subsection (a) unless the indictment is found or the information instituted during the 3-year period beginning on the date of the violation.

"(3) COORDINATION WITH SUBSECTION (c).—No criminal proceeding may be commenced under this subsection with respect to any violation if a civil penalty has previously been assessed under subsection (c) with respect to such violation."

(b) CLERICAL AMENDMENT.—The analysis for chapter 3 of title 31, United States Code, is amended by adding after the item relating to section 332 the following new item:

"333. Prohibition of misuse of Department of the Treasury names, symbols, etc."

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

(d) REPORT.—Not later than May 1, 1995, the Secretary of the Treasury shall submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the implementation of the amendments made by this section. Such report shall include the number of cases in which the Secretary has notified persons of violations of section 333 of title 31, United States Code (as added by subsection (a)), the number of prosecutions commenced under such section, and the total amount of the penalties collected in such prosecutions.

SEC. 12019. AVAILABILITY AND USE OF DEATH INFORMATION UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM.

(a) IMPROVEMENTS IN PROGRAM FOR USE OF DEATH CERTIFICATES TO CORRECT PROGRAM INFORMATION.—

(1) ELIMINATION OF STATE RESTRICTIONS ON USE OF INFORMATION.—Section 205(r)(1) of the Social Security Act (42 U.S.C. 405(r)(1)) is amended by adding at the end, after and below subparagraph (B), the following new sentence:

"Any contract entered into pursuant to subparagraph (A) shall not include any restriction on the use of information obtained by the Secretary pursuant to such contract, except to the extent that such use may be restricted under paragraph (6)."

(2) INFORMATION PROVIDED TO STATE AGENCIES FREE OF CHARGE.—

(A) IN GENERAL.—Section 205(r)(4) of such Act (42 U.S.C. 405(r)(4)) is amended to read as follows:

"(4)(A) In the case of individuals with respect to whom federally funded benefits are provided by (or through) a State agency other than under this Act, the Secretary shall to the extent feasible provide such information free of charge through a cooperative arrangement with such agency, for ensuring proper payment of those benefits with respect to such individuals, if such arrangement does not conflict with the duties of the Secretary under paragraph (1).

"(B) The Secretary may enter into similar agreements with States to provide information free of charge for their use in programs wholly funded by the States if such arrangement does not conflict with the duties of the Secretary under paragraph (1)."

(B) CONFORMING AMENDMENT.—Section 205(r)(3) of such Act (42 U.S.C. 405(r)(3)) is amended by striking "or State".

(3) USE BY STATES OF SOCIAL SECURITY ACCOUNT NUMBERS CONTINGENT UPON PARTICIPATION IN PROGRAM.—Section 205(r)(2) of such Act (42 U.S.C. 405(r)(2)) is amended—

(A) by inserting "(A)" after "(2)"; and
(B) by adding at the end the following new subparagraph:

"(B) Notwithstanding section 7(a)(2)(B) of the Privacy Act of 1974 and clauses (i) and (v) of subsection (c)(2)(C) of this section, any State which is not a party to a contract with the Secretary meeting the requirements of paragraph (1) (and any political subdivision thereof) may not utilize an individual's social security account number in the administration of any driver's license or motor vehicle registration law."

(b) STUDY REGARDING IMPROVEMENTS IN GATHERING AND REPORTING OF DEATH INFORMATION.

(1) IN GENERAL.—As soon as practicable after the date of the enactment of this Act, the Secretary of Health and Human Services shall conduct a study of possible improvements in the current methods of gathering and reporting death information by the Federal, State, and local governments which would result in more efficient and expeditious handling of such information.

(2) SPECIFIC MATTERS TO BE STUDIED.—In carrying out the study required under this subsection, the Secretary shall—

(A) ascertain the delays in the receipt of death information which are currently encountered by the Social Security Administration and other agencies in need of such information on a regular basis,

(B) analyze the causes of such delays,

(C) develop alternative options for improving Federal, State, and local agency cooperation in reducing such delays, and

(D) evaluate the costs and benefits associated with the options referred to in subparagraph (C).

(3) REPORT.—Not later than June 1, 1994, the Secretary shall submit a written report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate setting forth the results of the study conducted pursuant to this subsection, together with such administrative and legislative recommendations as the Secretary may consider appropriate.

(c) EFFECTIVE DATE.—
(1) IN GENERAL.—The amendments made by subsection (a) shall take effect 1 year after the date of the enactment of this Act.

(2) PROMOTION OF ENTRY INTO NEW CONTRACTS.—As soon as practicable after the date of the enactment of this Act, the Secretary of Health and Human Services shall take such actions as are necessary and appropriate to promote entry into contracts under section 205(r) of the Social Security Act which are in compliance with the requirements of the amendments made by subsection (a).

Subtitle B—Human Resources Amendments
SEC. 12201. TABLE OF CONTENTS.

The table of contents of this subtitle is as follows:

Subtitle B—Human Resources Amendments
Sec. 12201. Table of contents.
Sec. 12202. References.

CHAPTER 1—CHILD WELFARE

Sec. 12211. Independent living.

CHAPTER 2—CHILD SUPPORT ENFORCEMENT

Sec. 12221. State paternity establishment programs.

Sec. 12222. Enforcement of health insurance support.

Sec. 12223. Reports to credit bureaus on persons delinquent in child support payments.

CHAPTER 3—SUPPLEMENTAL SECURITY INCOME

Sec. 12231. Fees for Federal administration of State supplementary payments.

Sec. 12232. Valuation of certain in-kind support and maintenance when there is a cost of living adjustment in benefits.

CHAPTER 4—AID TO FAMILIES WITH DEPENDENT CHILDREN

Sec. 12241. 50 percent Federal match of State administrative costs.

SEC. 12202. REFERENCES.

Except as otherwise expressly provided, wherever in this subtitle 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 Social Security Act.

CHAPTER 1—CHILD WELFARE

SEC. 12211. INDEPENDENT LIVING.

(a) TREATMENT OF ASSETS OF PARTICIPATING YOUTHS.—Section 477 (42 U.S.C. 677) is amended—

(1) by redesignating subsection (i) as subsection (j); and

(2) by inserting after subsection (h) the following:

"(i) Notwithstanding any other provision of this title, with respect to a child who is included in a program established by a State agency under subsection (a), an amount of the assets of the child which would otherwise be regarded as resources for purposes of determining eligibility for benefits under this title may be disregarded for the purpose of allowing the child to establish a household, pursue education, or otherwise complete the transition to independent living. The amount disregarded may not exceed an amount determined by the State agency to be reasonable for such purposes."

(b) PERMANENT EXTENSION OF PROGRAM.—Section 477 (42 U.S.C. 677) is amended—

(1) in subsection (a)(1), by striking the 3rd sentence;

(2) in subsection (c), by striking "of the fiscal years 1988 through 1992" and inserting "succeeding fiscal year";

(3) in subsection (e)(1)(A), by striking "each of the fiscal years 1987 through 1992" and inserting "fiscal year 1987 and any succeeding fiscal year";

(4) in subsection (e)(1)(B), by striking "fiscal years 1991 and 1992" and inserting "fiscal year 1991 and any succeeding fiscal year"; and

(5) in subsection (e)(1)(C)(ii), by striking "fiscal year 1992" and inserting "any succeeding fiscal year".

(c) EFFECTIVE DATES.—

(1) TREATMENT OF ASSETS OF PARTICIPATING YOUTHS.—The amendments made by subsection (a) shall apply to activities in fiscal years beginning on or after October 1, 1995.

(2) PERMANENT EXTENSION OF PROGRAM.—The amendments made by subsection (b) shall apply to activities engaged in on or after October 1, 1992.

CHAPTER 2—CHILD SUPPORT ENFORCEMENT

SEC. 12221. STATE PATERNITY ESTABLISHMENT PROGRAMS.

(a) PERFORMANCE STANDARDS.—Section 452(g) (42 U.S.C. 652(g)) is amended—

(1) in paragraph (1)—

(A) by striking "1991" and inserting "1994";
(B) by inserting "is based on reliable data and" before "equals or exceeds"; and
(C) by striking subparagraphs (A), (B), and (C) and inserting the following:

"(A) 75 percent;

"(B) for a State with a paternity establishment percentage of not less than 50 percent but less than 75 percent for the fiscal year, the paternity establishment percentage of the State for the immediately preceding year plus 3 percentage points; or

"(C) for a State with a paternity establishment percentage of less than 50 percent for such fiscal year, the paternity establishment percentage of the State for the immediately preceding year plus 6 percentage points.";

and
(2) in paragraph (2)—

(A) by striking "(or under all such plans)" each place such term appears;

(B) by inserting "or part E" after "under part A" each place such term appears;

(C) by amending subparagraph (B) to read as follows:

"(B) the term 'reliable data' means the most recent data available which are found by the Secretary to be reliable for purposes of this section.";

(D) by inserting "unless paternity is established for such child" after "the death of a parent";

(E) by striking "parent or" and inserting "parent,"; and

(F) by inserting "or any child with respect to whom the State agency administering the plan under part E determines (as provided in section 454(4)(B)) that it is against the best interest of such child to do so" after "cooperate under section 402(a)(26)".

(b) STATE PLAN REQUIREMENTS.—

(1) REQUIRED PROCEDURES.—Section 466(a) (42 U.S.C. 666(a)) is amended—

(A) in paragraph (2)—

(i) by striking "at the option of the State,"; and

(ii) by inserting "and paternity establishment" after "support order issuance and enforcement";

(B) in paragraph (5), by adding at the end the following:

"(C) Procedures for a simple civil process for voluntarily acknowledging paternity under which the State must explain the rights and responsibilities of acknowledging paternity, and afford due process safeguards. Such procedures must include (i) a hospital-based program for the voluntary acknowledgment of paternity during the period immediately before or after the birth of a child, and (ii) the inclusion of signature lines on applications for official birth certificates which, once signed by the father and the mother, are considered a voluntary acknowledgment of paternity."

"(D) Procedures under which the voluntary acknowledgment of paternity of a child by an individual in the manner described in subparagraph (C)(ii) creates a rebuttable or, at the option of the State, conclusive presumption that the individual is the father of the child, and under which such a voluntary acknowledgment is admissible as evidence of paternity."

"(E) Procedures under which a voluntary acknowledgment of paternity in the manner described in subparagraph (C)(ii) must be

recognized as a basis for seeking a support order without first requiring any further proceedings to establish paternity.

"(F) Procedures requiring that (i) any objection to genetic testing results be made in writing within a specified number of days before any hearing at which such results may be introduced into evidence, and (ii) if no objection is made, the test results be admissible as evidence of paternity without the need for foundation testimony or other proof of authenticity or accuracy.

"(G) Procedures which create a rebuttable or, at the option of the State, conclusive presumption of paternity of a child, upon genetic testing results indicating a threshold probability of the alleged father being the father of the child.

"(H) Procedures requiring a default order to be entered in a paternity case upon a showing that process has been served on the defendant and any additional showing required by State law.";

(C) by inserting after paragraph (10) the following:

"(11) Procedures under which a State must give full faith and credit to a determination of paternity made by any other State, whether established through voluntary acknowledgment or through administrative or judicial processes."

(2) FURNISHING OF SOCIAL SECURITY NUMBERS.—

(A) IN GENERAL.—Section 466(a) (42 U.S.C. 666(a)), as amended by paragraph (1)(C) of this subsection, is amended by inserting after paragraph (11) the following:

"(12)(A) Procedures under which, in the administration of any law involving the issuance, reissuance, or amendment of a birth certificate, the State shall require each parent to furnish to the State, or any agency or political subdivision thereof having administrative responsibility for the law involved, the social security account number (or numbers, if the parent has more than 1 such number) issued to the parent, unless the State (in accordance with regulations prescribed by the Secretary) finds good cause for not requiring the furnishing of the number.

"(B) Procedures under which any number furnished under subparagraph (A) shall be made available to the agency administering the State plan under this part, in accordance with Federal or State law or regulation.

"(C) Procedures under which—

"(i) any number furnished under subparagraph (A) shall not be recorded on the birth certificate; and

"(ii) any social security account number, obtained with respect to the issuance by the State of any birth certificate, shall not be used for other than child support purposes, unless section 7(a) of the Privacy Act of 1974 does not prohibit the State from requiring the disclosure of the number, by reason of the State having adopted, before January 1, 1975, a statute or regulation requiring such disclosure."

(B) CONFORMING AMENDMENTS.—Section 205(c)(2)(C)(ii) (42 U.S.C. 405(c)(2)(C)(ii)) is amended—

(i) by striking "(i) In the administration of any law involving the issuance" and inserting "(i) In the administration of any law involving the issuance, reissuance, or amendment"; and

(ii) by striking "any purpose other than for the enforcement of child support orders in effect in the State" and inserting "other than child support purposes".

(c) CONFORMING REPEAL.—Section 468 (42 U.S.C. 668) is hereby repealed.

(d) EFFECTIVE DATE.—The amendments and repeal made by this section shall become effective with respect to a State—

(1) on October 1, 1993, or, if later

(2) upon enactment by the legislature of the State of all laws required by such amendments,

but in no event later than the 1st day of the 1st calendar quarter beginning after the close of the 1st regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the preceding sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

SEC. 12222. ENFORCEMENT OF HEALTH INSURANCE SUPPORT.

(a) STATE PLAN REQUIREMENTS.—Section 454(a) (42 U.S.C. 654(a)) is amended—

(1) by striking "and" at the end of paragraph (23);

(2) by striking the period at the end of paragraph (24) and inserting "; and"; and

(3) by inserting after paragraph (24) the following:

"(25) provide assurances satisfactory to the Secretary that the State has in effect laws applicable to health insurers and insurance policies or programs subject to the laws of the State that—

"(A) prohibit insurers' consideration, in determining an individual's eligibility for or coverage under any such policy or program, of such individual's eligibility for or coverage under the plan of any State under title XIX;

"(B) provide that, where an individual assigns rights to any State in accordance with section 1912, that State is subrogated, to the extent of medical assistance furnished, to the individual's rights under any health insurance policy or program;

"(C) prohibit insurers from applying, to State agencies administering programs under title XIX and acting as agents or subrogees (for purposes of insurance policies or programs of such insurers) of individuals receiving medical assistance under such State programs, requirements (with respect to deadlines for filing claims or any other matters) different from requirements applicable to any other applicant, beneficiary, agent, or subrogee;

"(D) prohibit insurers from denying enrollment of a child under the health insurance coverage of the child's parent on grounds that—

"(i) the child does not reside with the parent, or

"(ii) the child was born out of wedlock;

"(E) in any case where a parent is required by court or administrative order to provide health insurance coverage for a child, require insurers, without regard to otherwise applicable enrollment season restrictions—

"(i) to permit such parent, upon application, to enroll in family coverage (if otherwise eligible and not already so enrolled), and to enroll such child under such family coverage, and

"(ii) where such a parent who is enrolled in family coverage fails to make application, to enroll such child under such family coverage upon application by the child's other parent or by the State agency administering the program under this part or title XIX; and

"(F) in any case where a child is covered under the health insurance of a noncustodial parent, require insurers—

"(i) to permit the custodial parent (or service provider, with the custodial parent's approval), or any State agency administering a

program under title XIX, to submit claims for covered services without the approval of the noncustodial parent, and

"(ii) to make payment on claims submitted in accordance with clause (i) directly to the custodial parent, service provider, or State agency submitting such claim;

"(26) provide assurances satisfactory to the Secretary that the State has in effect laws requiring employers doing business in the State—

"(A) upon notice of a court or administrative order requiring an employee to provide health insurance coverage for the employee's child, and upon application by such employee (or, where such employee fails to make application, by the child's other parent or the State agency administering the program under this part or title XIX), to permit enrollment of such child at any time as a dependent of the employee under the employer's group health insurance;

"(B) to permit disenrollment from such group health insurance by such employee, or elimination of coverage of such child, only upon receipt of satisfactory evidence, in writing, that—

"(i) such court or administrative order is no longer in effect, or

"(ii) the employee has enrolled or will enroll in alternative health insurance covering such child which will take effect immediately upon the effective date of such disenrollment; and

"(C) to withhold from such employee's compensation the employee's share (if any) of premiums for such health insurance, and to pay such share of premiums to the insurer;

"(27) provide assurances satisfactory to the Secretary that the State has in effect laws requiring the State agency to garnish the wages, salary, or other employment income of, and to withhold amounts from State tax refunds to, any person who—

"(A) is required by court or administrative order to provide coverage of the costs of medical services to an individual eligible for medical assistance under title XIX,

"(B) has received payment from a third party for the costs of medical services to such individual, and

"(C) has not used such payments to reimburse, as appropriate, either such individual or the provider of such services, to the extent necessary to reimburse the State agency for expenditures for such costs under its plan under title XIX, but any claims for current or past-due child support shall take priority over any such claims for the costs of medical services."

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by subsection (a) apply to calendar quarters beginning on or after April 1, 1994, except as provided in paragraph (2).

(2) EXTENSION FOR STATE LAW AMENDMENT.—In the case of a State plan under part D of title IV of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation in order for the plan to meet the additional requirements imposed by the amendments made by subsection (a), the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet these additional requirements before the 1st day of the 1st calendar quarter beginning after the close of the 1st regular session of the State legislature that begins after the date of enactment of this Act. For purposes of the preceding sentence, in the case of a State that has a 2-year legislative session, each year of

such session shall be deemed to be a separate regular session of the State legislature.

SEC. 12223. REPORTS TO CREDIT BUREAUS ON PERSONS DELINQUENT IN CHILD SUPPORT PAYMENTS.

(a) IN GENERAL.—Section 466(a)(7) (42 U.S.C. 666(a)(7)) is amended—

(1) by striking “upon the request of such agency” and inserting “, and procedures which require the State to periodically report to any such agency the name of any parent who owes overdue support and is at least 2 months delinquent in the payment of such support and the amount of such delinquency unless the agency requests not to receive such information”; and

(2) by striking “(C) a fee” and all that follows through “by the State” and inserting “, and (C) such information shall not be made available to (i) a consumer reporting agency which the State determines does not have sufficient capability to systematically and timely make accurate use of such information, or (ii) an entity which has not furnished evidence satisfactory to the State that the entity is a consumer reporting agency”.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by subsection (a) shall take effect on October 1, 1994.

(2) EXCEPTION.—If the Secretary of Health and Human Services determines that a State is unable to comply with the amendments made by subsection (a), such State shall be exempt from compliance with such amendments until the State establishes an automated data processing and information retrieval system under section 454(24) of the Social Security Act, or October 1, 1995, whichever occurs earlier.

CHAPTER 3—SUPPLEMENTAL SECURITY INCOME

SEC. 12231. FEES FOR FEDERAL ADMINISTRATION OF STATE SUPPLEMENTARY PAYMENTS.

(a) IN GENERAL.—

(1) OPTIONAL STATE SUPPLEMENTARY PAYMENTS.—Section 1616(d) (42 U.S.C. 1382e(d)) is amended—

(A) by inserting “(1)” after “(d)”;

(B) by inserting “, plus an administration fee assessed in accordance with paragraph (2) and any additional services fee charged in accordance with paragraph (3)” before the period; and

(C) by adding after and below the end the following:

“(2)(A) The Secretary shall assess each State an administration fee in an amount equal to—

“(i) the number of supplementary payments made by the Secretary on behalf of the State under this section for any month in a fiscal year; multiplied by

“(ii) the applicable rate for the fiscal year.

“(B) As used in subparagraph (A), the term ‘applicable rate’ means—

“(i) for fiscal year 1994, \$1.67;

“(ii) for fiscal year 1995, \$3.33;

“(iii) for fiscal year 1996, \$5.00; and

“(iv) for fiscal year 1997 and each succeeding fiscal year, \$5.00, or such different rate as the Secretary determines pursuant to criteria established in regulations is appropriate for the State, taking into account the complexity of the State’s supplementary payment program.

“(C) All fees collected pursuant to this paragraph shall be transferred to the United States at the same time that amounts for such supplementary payments are required to be so transferred.

“(3)(A) The Secretary shall charge a State an additional services fee if, at the request of the State, the Secretary provides additional services beyond the level customarily provided, in the administration of State supplementary payments pursuant to this section.

“(B) The additional services fee shall be in an amount that the Secretary determines is necessary to cover all costs (including indirect costs) incurred by the Federal Government in furnishing the additional services referred to in subparagraph (A).

“(C) The additional services fee shall be payable in advance or by way of reimbursement.

“(4) All administration fees and additional services fees collected pursuant to this subsection shall be deposited in the general fund of the Treasury of the United States as miscellaneous receipts.”.

(2) MANDATORY STATE SUPPLEMENTARY PAYMENTS.—Section 212(b)(3) of Public Law 93-66 (42 U.S.C. 1382 note) is amended—

(A) by inserting “(A)” after “(3)”;

(B) by inserting “, plus an administration fee assessed in accordance with subparagraph (B) and any additional services fee charged in accordance with subparagraph (C)” before the period; and

(C) by adding after and below the end the following:

“(B)(1) The Secretary shall assess each State an administration fee in an amount equal to—

“(I) the number of supplementary payments made by the Secretary on behalf of the State under this subsection for any month in a fiscal year; multiplied by

“(II) the applicable rate for the fiscal year.

“(ii) As used in clause (i), the term ‘applicable rate’ means—

“(I) for fiscal year 1994, \$1.67;

“(II) for fiscal year 1995, \$3.33;

“(III) for fiscal year 1996, \$5.00; and

“(IV) for fiscal year 1997 and each succeeding fiscal year, \$5.00, or such different rate as the Secretary determines pursuant to regulations established in regulations is appropriate for the State, taking into account the complexity of the State’s supplementary payment program.

“(iii) All fees collected pursuant to this subparagraph shall be transferred to the United States at the same time that amounts for such supplementary payments are required to be so transferred.

“(C)(1) The Secretary shall charge a State an additional services fee if, at the request of the State, the Secretary provides additional services beyond the level customarily provided, in the administration of State supplementary payments pursuant to this subsection.

“(ii) The additional services fee shall be in an amount that the Secretary determines is necessary to cover all costs (including indirect costs) incurred by the Federal Government in furnishing the additional services referred to in clause (i).

“(iii) The additional services fee shall be payable in advance or by way of reimbursement.

“(D) All administration fees and additional services fees collected pursuant to this paragraph shall be deposited in the general fund of the Treasury of the United States as miscellaneous receipts.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to supplementary payments made pursuant to section 1616(a) of the Social Security Act or section 212(a) of Public Law 93-66 for any calendar month beginning after September 30, 1993, and to services furnished after such date, re-

gardless of whether regulations to implement such amendments have been promulgated by such date, or whether any agreement entered into under such section 1616(a) or such section 212(a) has been modified.

SEC. 12232. VALUATION OF CERTAIN IN-KIND SUPPORT AND MAINTENANCE WHEN THERE IS A COST OF LIVING ADJUSTMENT IN BENEFITS.

(a) IN GENERAL.—Section 1611(c) (42 U.S.C. 1382(c)) is amended—

(1) in paragraph (1), by striking “and (5)” and inserting “(5), and (6)”;

(2) by redesignating paragraphs (6) and (7) as paragraphs (7) and (8), respectively; and

(3) by inserting after paragraph (5) the following:

“(6) The dollar amount in effect under subsection (b) as a result of any increase in benefits under this title by reason of section 1617 shall be used to determine the value of any in-kind support and maintenance required to be taken into account in determining the benefit payable under this title to an individual (and the eligible spouse, if any, of the individual) for the 1st 2 months for which the increase in benefits applies.”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to benefits paid for months after the calendar year 1993.

CHAPTER 4—AID TO FAMILIES WITH DEPENDENT CHILDREN

SEC. 12241. 50 PERCENT FEDERAL MATCH OF STATE ADMINISTRATIVE COSTS.

(a) IN GENERAL.—Section 403(a)(3) (42 U.S.C. 603(a)(3)) is amended by striking “the sum of” and all that follows through the end of subparagraph (D) and inserting “50 percent of the total amounts expended during such quarter as the Secretary has found necessary for the proper and efficient administration of the State plan (including any amounts expended by the State to carry out initial evaluations under section 486(a)).”.

(b) OPTIONAL USE OF CERTAIN PROCEDURES TO VERIFY IMMIGRATION STATUS OF AFDC APPLICANTS.—Section 1137(d) (42 U.S.C. 1320b-7(d)) is amended—

(1) in each of paragraphs (3) and (4)(B)(i), by inserting “(or, in the case of the program specified in subsection (b)(1), may)” after “shall”; and

(2) in paragraph (4), by inserting “(if required)” after “verified”.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to payments made for calendar quarters beginning on or after April 1, 1994.

(2) DELAYED APPLICABILITY TO CERTAIN STATES.—

(A) IN GENERAL.—The Secretary of Health and Human Services may delay the applicability to a qualified State of the amendments made by subsection (a) until the 1st calendar quarter that begins after the close of the 1st regular session of the State legislature that begins after the date of the enactment of this section.

(B) QUALIFIED STATE DEFINED.—As used in subparagraph (A), the term “qualified State” means a State that meets such criteria as the Secretary shall establish and apply uniformly, including whether the State legislature meets biennially and does not have a regular session scheduled in calendar year 1994.

Subtitle C—Medicare Program

SEC. 12400. REFERENCES IN SUBTITLE; TABLE OF CONTENTS OF SUBTITLE.

(a) AMENDMENTS TO SOCIAL SECURITY ACT.—Except as otherwise specifically pro-

vided, whenever in this subtitle an amendment 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 that section or other provision of the Social Security Act.

(b) REFERENCES TO OBRA.—In this subtitle, the terms "OBRA-1986", "OBRA-1987", "OBRA-1989", and "OBRA-1990" refer to the Omnibus Budget Reconciliation Act of 1986 (Public Law 99-509), the Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203), the Omnibus Budget Reconciliation Act of 1989 (Public Law 101-239), and the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508), respectively.

(c) TABLE OF CONTENTS OF SUBTITLE.—The table of contents of this subtitle is as follows:

Sec. 12400. References in subtitle; table of contents of subtitle.

CHAPTER 1—PROVISIONS RELATING TO PART A

SUBCHAPTER A—ELIMINATION OF INFLATION UPDATE FOR SERVICES PROVIDED UNDER PART A

Sec. 12401. Inpatient hospital services and hospice care.

Sec. 12402. Limits on per diem routine service costs for extended care services.

SUBCHAPTER B—OTHER PROVISIONS RELATING TO PART A

Sec. 12411. Wage index provisions.

Sec. 12412. Transition for hospital outlier thresholds.

Sec. 12413. Essential access community hospital (EACH) amendments.

Sec. 12414. Rural health transition grant program extension.

Sec. 12415. Regional referral center extension.

Sec. 12416. Medicare-dependent, small rural hospital payment extension.

Sec. 12417. Extension of rural hospital demonstration.

Sec. 12418. Hemophilia pass-through extension.

Sec. 12419. State hospital payment programs.

Sec. 12420. Psychology services in hospitals.

Sec. 12421. Graduate medical education payments in hospital-owned community health centers.

Sec. 12422. Treatment of certain military facilities.

Sec. 12423. Epilepsy DRG.

Sec. 12424. Skilled nursing facility wage index.

Sec. 12425. Hospice notification to beneficiaries.

Sec. 12426. Reduction in part A premium for certain individuals with 30 or more quarters of Social Security coverage.

Sec. 12427. Periodic updates to salary equivalency guidelines for physical therapy and respiratory therapy services.

Sec. 12428. Extension of deadline for application for geographic classification for certain reclassified hospitals.

Sec. 12429. Elimination of return on equity for proprietary skilled nursing facilities.

Sec. 12430. Clarification of DRG payment window expansion; miscellaneous and technical corrections.

CHAPTER 2—PROVISIONS RELATING TO PART B

SUBCHAPTER A—ELIMINATION OF INFLATION UPDATE

Sec. 12431. Elimination of inflation update for physician and related professional services.

Sec. 12432. Elimination of cost-of-living adjustments for certain items and services.

Sec. 12433. Ambulatory surgical center services.

Sec. 12434. Other items and services under part B.

SUBCHAPTER B—PHYSICIANS' SERVICES

Sec. 12441. Retaining payment for actual anesthesia time.

Sec. 12442. Geographic cost of practice index refinements.

Sec. 12443. Relative values for pediatric services.

Sec. 12444. Antigens under physician fee schedule.

Sec. 12445. Administration of claims relating to physicians' services.

Sec. 12446. Miscellaneous and technical corrections.

SUBCHAPTER C—AMBULATORY SURGICAL CENTER SERVICES

Sec. 12451. Designation of certain hospitals as eye or eye and ear hospitals.

Sec. 12452. Technical amendments.

SUBCHAPTER D—OTHER PROVISIONS

Sec. 12461. Clarifying payments for medically directed certified registered nurse anesthetist services.

Sec. 12462. Extension of Alzheimer's disease demonstration projects.

Sec. 12463. Oral cancer drugs.

Sec. 12464. Payment for ostomy supplies and other supplies.

Sec. 12465. Coverage of services of speech-language pathologists and audiologists.

Sec. 12466. Extension of municipal health service demonstration projects.

Sec. 12467. Imposition of coinsurance on clinical diagnostic laboratory tests.

Sec. 12468. Miscellaneous and technical corrections.

SUBCHAPTER E—PART B PREMIUM

Sec. 12471. Part B premium.

Sec. 12472. Increase in medicare part B premium for individuals with high income.

CHAPTER 3—PROVISIONS RELATING TO PARTS A AND B

SUBCHAPTER A—ELIMINATION OF UPDATES

Sec. 12501. Elimination of cost-of-living update in per resident amounts for direct medical education.

Sec. 12502. Elimination of inflation update in cost limits for home health services.

SUBCHAPTER B—MEDICARE SECONDARY PAYER PROVISIONS

Sec. 12511. Extension of transfer of data.

Sec. 12512. 3-year extension of medicare secondary payer to disabled beneficiaries.

Sec. 12513. 3-year extension of 18-month rule for ESRD beneficiaries.

Sec. 12514. Medicare secondary payer reforms.

SUBCHAPTER C—MODIFICATION OF PROVISIONS RELATING TO PHYSICIAN OWNERSHIP AND REFERRAL

Sec. 12521. Modification of provisions relating to physician ownership and referral.

SUBCHAPTER D—OTHER PROVISIONS

Sec. 12531. Direct graduate medical education.

Sec. 12532. Immunosuppressive drug therapy.

Sec. 12533. Reduction in payments for erythropoietin.

Sec. 12534. Qualified medicare beneficiary outreach.

Sec. 12535. Extension of social health maintenance organization demonstrations.

Sec. 12536. Hospice notification to home health beneficiaries.

Sec. 12537. Interest payments.

Sec. 12538. Peer review organizations.

Sec. 12539. Health maintenance organizations.

Sec. 12540. Medicare administration budget process.

Sec. 12541. Other provisions.

CHAPTER 4—MEDICARE SUPPLEMENTAL INSURANCE POLICIES

Sec. 12551. Standards for medicare supplemental insurance policies.

CHAPTER 5—TREATMENT OF CERTAIN STATE HEALTH CARE PROGRAMS

Sec. 12561. Treatment of certain State health care programs.

CHAPTER 6—THIRD PARTY LIABILITY

Sec. 12571. Access to employment-based health insurance information.

CHAPTER 1—PROVISIONS RELATING TO PART A

Subchapter A—Elimination of Inflation Update for Services Provided Under Part A

SEC. 12401. INPATIENT HOSPITAL SERVICES AND HOSPICE CARE.

Section 1886(b)(3)(B)(iii) (42 U.S.C. 1395ww(b)(3)(B)(iii)) is amended—

(1) by striking "(iii) For purposes of this subparagraph" and inserting "(iii)(I) Except as provided in subclause (II), for purposes of this subparagraph", and

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

"(II) For purposes of this subparagraph and section 1814(i)(1)(C)(ii), the 'market basket percentage increase', with respect to cost reporting periods and discharges occurring in fiscal year 1994 or 1995, is 0 percent."

SEC. 12402. LIMITS ON PER DIEM ROUTINE SERVICE COSTS FOR EXTENDED CARE SERVICES.

The Secretary of Health and Human Services shall not provide for any increase, on the basis of inflation or changes in the cost of goods and services, in the limits on per diem routine service costs for extended care services under section 1888 of the Social Security Act for cost reporting periods beginning during fiscal year 1994 or fiscal year 1995.

Subchapter B—Other Provisions Relating to Part A

SEC. 12411. WAGE INDEX PROVISIONS.

(a) WAGE INDEX HOLD HARMLESS PROTECTION.—

(1) IN GENERAL.—Section 1886(d)(8)(C) (42 U.S.C. 1395ww(d)(8)(C)) is amended by adding at the end the following new clause:

"(iv) The application of subparagraph (B) or a decision of the Medicare Geographic Classification Review Board or the Secretary under paragraph (1) may not result in a reduction in an urban area's wage index if—

"(I) the urban area has a wage index below the wage index for rural areas in the State in which it is located; or

"(II) the urban area is located in a State that is composed of a single urban area."

(2) NO STANDARDIZED AMOUNT ADJUSTMENT.—The Secretary of Health and Human Services shall not revise the fiscal year 1992 or fiscal year 1993 standardized amounts pursuant to subsections (d)(3)(B) and (d)(8)(D) of section 1886 of the Social Security Act to account for the amendment made by paragraph (1).

(3) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to discharges occurring—

(A) on or after October 1, 1991, in the case of hospitals located in an urban area described in section 1886(d)(8)(C)(iv)(I) of the Social Security Act (as added by paragraph (1)); and

(B) on or after the date of the enactment of this Act, in the case of hospitals located in an urban area described in section 1886(d)(8)(C)(iv)(II) of the Social Security Act (as added by paragraph (1)).

(b) UPDATING STANDARDS FOR TREATING RURAL COUNTIES AS URBAN COUNTIES BASED ON RATES OF COMMUTATION.—

(1) IN GENERAL.—Section 1886(d)(8)(B) (42 U.S.C. 1395ww(d)(8)(B)) is amended—

(A) by striking "standards" each place it appears and inserting "standards most recently used", and

(B) by striking "published in the Federal Register on January 3, 1980".

(2) HOLD HARMLESS FOR COUNTIES CURRENTLY TREATED AS URBAN.—Any hospital that is treated as being located in an urban metropolitan statistical area pursuant to section 1886(d)(8)(B) of the Social Security Act as of September 30, 1992, shall continue to be so treated notwithstanding the amendments made by paragraph (1).

(3) EFFECTIVE DATE.—The amendments made by paragraph (1) shall be effective on October 1, 1993.

(c) USE OF OCCUPATIONAL MIX IN GUIDELINES.—

(1) IN GENERAL.—Section 1886(d)(10)(D)(i)(I) (42 U.S.C. 1395ww(d)(10)(D)(i)(I)) is amended by inserting "(to the extent the Secretary determines appropriate)" after "taking into account".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as if included in the enactment of OBRA-1989.

SEC. 12412. TRANSITION FOR HOSPITAL OUTLIER THRESHOLDS.

Section 1886(d)(5)(A) (42 U.S.C. 1395ww(d)(5)(A)) is amended—

(1) in clause (i), by striking "The Secretary" and inserting "For discharges occurring during fiscal years ending on or before September 30, 1997, the Secretary"; and

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

"(v) The Secretary shall provide that—
 "(I) the day outlier percentage for fiscal year 1995 shall be 75 percent of the day outlier percentage for fiscal year 1994;

"(II) the day outlier percentage for fiscal year 1996 shall be 50 percent of the day outlier percentage for fiscal year 1994; and

"(III) the day outlier percentage for fiscal year 1997 shall be 25 percent of the day outlier percentage for fiscal year 1994.

"(vi) For purposes of this subparagraph, the term 'day outlier percentage' means, for a fiscal year, the percentage of the total additional payments made by the Secretary under this subparagraph for discharges in that fiscal year which are additional payments under clause (i)."

SEC. 12413. ESSENTIAL ACCESS COMMUNITY HOSPITAL (EACH) AMENDMENTS.

(a) INCREASING NUMBER OF PARTICIPATING STATES.—Section 1820(a)(1) (42 U.S.C. 1395i-4(a)(1)) is amended by striking "7" and inserting "9".

(b) TREATMENT OF INPATIENT HOSPITAL SERVICES PROVIDED IN RURAL PRIMARY CARE HOSPITALS.—

(1) IN GENERAL.—Section 1820(f)(1)(F) (42 U.S.C. 1395i-4(f)(1)(F)) is amended to read as follows:

"(F) subject to paragraph (4), provides not more than 6 inpatient beds (meeting such conditions as the Secretary may establish) for providing inpatient care to patients re-

quiring stabilization before discharge or transfer to a hospital, except that the facility may not provide any inpatient hospital services—

"(i) to any patient whose attending physician does not certify that the patient may reasonably be expected to be discharged or transferred to a hospital within 72 hours of admission to the facility; or

"(ii) consisting of surgery or any other service requiring the use of general anesthesia (other than surgical procedures specified by the Secretary under section 1833(i)(1)(A)), unless the attending physician certifies that the risk associated with transferring the patient to a hospital for such services outweighs the benefits of transferring the patient to a hospital for such services."

(2) LIMITATION ON AVERAGE LENGTH OF STAY.—Section 1820(f) (42 U.S.C. 1395i-4(f)) is amended by adding at the end the following new paragraph:

"(4) LIMITATION ON AVERAGE LENGTH OF INPATIENT STAYS.—The Secretary may terminate a designation of a rural primary care hospital under paragraph (1) if the Secretary finds that the average length of stay for inpatients at the facility during the previous year in which the designation was in effect exceeded 72 hours. In determining the compliance of a facility with the requirement of the previous sentence, there shall not be taken into account periods of stay of inpatients in excess of 72 hours to the extent such periods exceed 72 hours because transfer to a hospital is precluded because of inclement weather or other emergency conditions."

(3) CONFORMING AMENDMENT.—Section 1814(a)(8) (42 U.S.C. 1395f(a)(8)) is amended by striking "such services" and all that follows and inserting "the individual may reasonably be expected to be discharged or transferred to a hospital within 72 hours after admission to the rural primary care hospital."

(4) GAO REPORTS.—Not later than 2 years after the date of the enactment of this Act, the Comptroller General shall submit reports to Congress on—

(A) the application of the requirements under section 1820(f) of the Social Security Act (as amended by this subsection) that rural primary care hospitals provide inpatient care only to those individuals whose attending physicians certify may reasonably be expected to be discharged within 72 hours after admission and maintain an average length of inpatient stay during a year that does not exceed 72 hours; and

(B) the extent to which such requirements have resulted in such hospitals providing inpatient care beyond their capabilities or have limited the ability of such hospitals to provide needed services.

(c) DESIGNATION OF HOSPITALS.—
 (1) PERMITTING DESIGNATION OF HOSPITALS LOCATED IN URBAN AREAS.—

(A) IN GENERAL.—Section 1820 (42 U.S.C. 1395i-4) is amended—

(i) by striking paragraph (1) of subsection (e) and redesignating paragraphs (2) through (6) as paragraphs (1) through (5); and

(ii) in subsection (e)(1)(A) (as redesignated by subparagraph (A))—

(I) by striking "is located" and inserting "except in the case of a hospital located in an urban area, is located",

(II) by striking "(i)" and inserting "(or (ii))",

(III) by striking "or (iii)" and all that follows through "section.", and

(IV) in subsection (i)(1)(B), by striking "paragraph (3)" and inserting "paragraph (2)".

(B) NO CHANGE IN MEDICARE PROSPECTIVE PAYMENT.—Section 1886(d)(5)(D) (42 U.S.C. 1395ww(d)(5)(D)) is amended—

(i) in clause (iii)(III), by inserting "located in a rural area and" after "that is", and

(ii) in clause (v), by inserting "located in a rural area and" after "in the case of a hospital".

(2) PERMITTING HOSPITALS LOCATED IN ADJOINING STATES TO PARTICIPATE IN STATE PROGRAM.—

(A) IN GENERAL.—Section 1820 (42 U.S.C. 1395i-4) is amended—

(i) by redesignating subsection (k) as subsection (l); and

(ii) by inserting after subsection (j) the following new subsection:

"(k) ELIGIBILITY OF HOSPITALS NOT LOCATED IN PARTICIPATING STATES.—Notwithstanding any other provision of this section—

"(1) for purposes of including a hospital or facility as a member institution of a rural health network, a State may designate a hospital or facility that is not located in the State as an essential access community hospital or a rural primary care hospital if the hospital or facility is located in an adjoining State and is otherwise eligible for designation as such a hospital;

"(2) the Secretary may designate a hospital or facility that is not located in a State receiving a grant under subsection (a)(1) as an essential access community hospital or a rural primary care hospital if the hospital or facility is a member institution of a rural health network of a State receiving a grant under such subsection; and

"(3) a hospital or facility designated pursuant to this subsection shall be eligible to receive a grant under subsection (a)(2)."

(B) CONFORMING AMENDMENTS.—(i) Section 1820(c)(1) (42 U.S.C. 1395i-4(c)(1)) is amended by striking "paragraph (3)" and inserting "paragraph (3) or subsection (k)".

(ii) Paragraphs (1)(A) and (2)(A) of section 1820(i) (42 U.S.C. 1395i-4(i)) are each amended—

(I) in clause (i), by striking "(a)(1)" and inserting "(a)(1) (except as provided in subsection (k))", and

(II) in clause (ii), by striking "subparagraph (B)" and inserting "subparagraph (B) or subsection (k)".

(d) SKILLED NURSING SERVICES IN RURAL PRIMARY CARE HOSPITALS.—Section 1820(f)(3) (42 U.S.C. 1395i-4(f)(3)) is amended by striking "because the facility" and all that follows and inserting the following: "because, at the time the facility applies to the State for designation as a rural primary care hospital, there is in effect an agreement between the facility and the Secretary under section 1883 under which the facility's inpatient hospital facilities are used for the furnishing of extended care services, except that the number of beds used for the furnishing of such services may not exceed the total number of licensed inpatient beds at the time the facility applies to the State for such designation (minus the number of inpatient beds used for providing inpatient care pursuant to paragraph (1)(F)). For purposes of the previous sentence, the number of beds of the facility used for the furnishing of extended care services shall not include any beds of a unit of the facility that is licensed as a distinct-part skilled nursing facility at the time the facility applies to the State for designation as a rural primary care hospital."

(e) PAYMENT FOR OUTPATIENT RURAL PRIMARY CARE HOSPITAL SERVICES.—

(1) IMPLEMENTATION OF PROSPECTIVE PAYMENT SYSTEM.—Section 1834(g) (42 U.S.C. 1395m(g)) is amended—

(A) in paragraph (1), by striking "during a year before 1993" and inserting "during a year before the prospective payment system described in paragraph (2) is in effect"; and

(B) in paragraph (2), by striking "January 1, 1993," and inserting "January 1, 1996."

(2) NO USE OF CUSTOMARY CHARGE IN DETERMINING PAYMENT.—Section 1834(g)(1) (42 U.S.C. 1395m(g)(1)) is amended by adding at the end the following:

"The amount of payment shall be determined under either method without regard to the amount of the customary or other charge."

(F) CLARIFICATION OF PHYSICIAN STAFFING REQUIREMENT FOR RURAL PRIMARY CARE HOSPITALS.—Section 1820(f)(1)(H) (42 U.S.C. 1395i-4(f)(1)(H)) is amended by striking the period and inserting the following: ", except that in determining whether a facility meets the requirements of this subparagraph, subparagraphs (E) and (F) of that paragraph shall be applied as if any reference to a 'physician' is a reference to a physician as defined in section 1861(r)(1)."

(G) TECHNICAL AMENDMENTS RELATING TO PART A DEDUCTIBLE, COINSURANCE, AND SPELL OF ILLNESS.—(1) Section 1812(a)(1) (42 U.S.C. 1395d(a)(1)) is amended—

(A) by striking "inpatient hospital services" the first place it appears and inserting "inpatient hospital services or inpatient rural primary care hospital services";

(B) by striking "inpatient hospital services" the second place it appears and inserting "such services"; and

(C) by striking "and inpatient rural primary care hospital services".

(2) Sections 1813(a) and 1813(b)(3)(A) (42 U.S.C. 1395e(a), 1395e(b)(3)(A)) are each amended by striking "inpatient hospital services" each place it appears and inserting "inpatient hospital services or inpatient rural primary care hospital services".

(3) Section 1813(b)(3)(B) (42 U.S.C. 1395e(b)(3)(B)) is amended by striking "inpatient hospital services" and inserting "inpatient hospital services, inpatient rural primary care hospital services".

(4) Section 1861(a) (42 U.S.C. 1395x(a)) is amended—

(A) in paragraphs (1), by striking "inpatient hospital services" and inserting "inpatient hospital services, inpatient rural primary care hospital services"; and

(B) in paragraph (2), by striking "hospital" and inserting "hospital or rural primary care hospital".

(H) AUTHORIZATION OF APPROPRIATIONS.—Section 1820(k) (42 U.S.C. 1395i-4(k)) is amended by striking "1990, 1991, and 1992" and inserting "1990 through 1995".

(I) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 12414. RURAL HEALTH TRANSITION GRANT PROGRAM EXTENSION.

Section 4005(e)(9) of OBRA-1987 is amended—

(1) by striking "1989 and" and inserting "1989,"; and

(2) by striking "1992" and inserting "1992 and \$30,000,000 for each of fiscal years 1993 through 1997".

SEC. 12415. REGIONAL REFERRAL CENTER EXTENSION.

(A) EXTENSION OF CLASSIFICATION THROUGH FISCAL YEAR 1994.—Effective on the date of the enactment of this Act, section 6003(d) of such Act (42 U.S.C. 1395ww note) is amended by striking "October 1, 1992" and inserting "October 1, 1994".

(B) PERMITTING HOSPITALS TO DECLINE RECLASSIFICATION.—If any hospital fails to qualify as a rural referral center under section 1886(d)(5)(C) of the Social Security Act as a result of a decision by the Medicare Geographic Classification Review Board under section 1886(d)(10) of such Act to reclassify the hospital as being located in an urban area for fiscal year 1993 or fiscal year 1994, the Secretary of Health and Human Services shall—

(1) notify such hospital of such failure to qualify,

(2) provide an opportunity for such hospital to decline such reclassification, and

(3) if the hospital declines such reclassification, administer the Social Security Act (other than section 1886(d)(8)(D)) for such fiscal year as if the decision by the Review Board had not occurred.

(C) REQUIRING LUMP-SUM RETROACTIVE PAYMENT FOR HOSPITALS LOSING CLASSIFICATION.—

(1) IN GENERAL.—In the case of an affected regional referral center (as described in paragraph (2)), the Secretary of Health and Human Services shall make a lump sum payment to the center equal to the difference between the aggregate payment made to the center under section 1886 of such Act (excluding outlier payments under subsection (d)(5)(A) of such section) during the period of applicability described in paragraph (3) and the aggregate payment that would have been made to the center under such section if, during the period of applicability, the center was classified a regional referral center under section 1886(d)(5)(C) of such Act.

(2) AFFECTED CENTERS DESCRIBED.—In paragraph (1), an "affected regional referral center" is a hospital classified as regional referral center under section 1886(d)(5)(C) of the Social Security Act as of September 30, 1992, that was not classified as such a center after such date but would have been so classified if the reference in section 6003(d) of OBRA-1989 to "October 1, 1992," had been deemed a reference to "October 1, 1994".

(3) PERIOD OF APPLICABILITY.—In paragraph (1), the "period of applicability" is the period that begins on October 1, 1992, and ends on the date of the enactment of this Act.

SEC. 12416. MEDICARE-DEPENDENT, SMALL RURAL HOSPITAL PAYMENT EXTENSION.

(A) EXTENSION OF ADDITIONAL PAYMENTS.—Effective on the date of the enactment of this Act, section 1886(d)(5)(G) (42 U.S.C. 1395ww(d)(5)(G)) is amended—

(1) in clause (i) in the matter preceding subclause (I)—

(A) by inserting "(or portion thereof)" after "cost reporting period", and

(B) by striking "March 31, 1993," and all that follows and inserting the following:

"September 30, 1994, in the case of a subsection (d) hospital which is a medicare-dependent, small rural hospital, payment under paragraph (1)(A) shall be equal to the sum of the amount determined under clause (ii) and the amount determined under paragraph (1)(A)(iii).";

(2) by redesignating clauses (ii) and (iii) as clauses (iii) and (iv); and

(3) by inserting after clause (i) the following new clause:

"(i) The amount determined under this clause is

"(I) for discharges occurring during the first 3 12-month cost reporting periods that begin on or after April 1, 1990, the amount by which the hospital's target amount for the cost reporting period (as defined in subsection (b)(3)(D)) exceeds the amount determined under paragraph (1)(A)(iii); and

"(II) for discharges occurring during any subsequent cost reporting period (or portion thereof), 50 percent of the amount by which the hospital's target amount for the cost reporting period (as defined in subsection (b)(3)(D)) exceeds the amount determined under paragraph (1)(A)(iii)."

(B) PERMITTING HOSPITALS TO DECLINE RECLASSIFICATION.—If any hospital fails to qualify as a medicare-dependent, small rural hospital under section 1886(d)(5)(G)(i) of the Social Security Act as a result of a decision by the Medicare Geographic Classification Review Board under section 1886(d)(10) of such Act to reclassify the hospital as being located in an urban area for fiscal year 1993 or fiscal year 1994, the Secretary of Health and Human Services shall—

(1) notify such hospital of such failure to qualify,

(2) provide an opportunity for such hospital to decline such reclassification, and

(3) if the hospital declines such reclassification, administer the Social Security Act (other than section 1886(d)(8)(D)) for such fiscal year as if the decision by the Review Board had not occurred.

(C) REQUIRING LUMP-SUM RETROACTIVE PAYMENT.—

(1) IN GENERAL.—In the case of a hospital treated as a medicare dependent, small rural hospital under section 1886(d)(5)(G) of the Social Security Act, the Secretary of Health and Human Services shall make a lump sum payment to the hospital equal to the difference between the aggregate payment made to the hospital under section 1886 of such Act (excluding outlier payments under subsection (d)(5)(A) of such section) during the period of applicability described in paragraph (2) and the aggregate payment that would have been made to the hospital under such section if, during the period of applicability, section 1886(d)(5)(G) of such Act had been applied as if—

(A) the reference in clause (i) to "March 31, 1993," had been deemed a reference to "September 30, 1994,"; and

(B) the amendments made by subsection (a) had been in effect.

(2) PERIOD OF APPLICABILITY.—In paragraph (1), the "period of applicability" is, with respect to a hospital, the period that begins on the first day of the hospital's first 12-month cost reporting period that begins after April 1, 1992, and ends on the date of the enactment of this Act.

SEC. 12417. EXTENSION OF RURAL HOSPITAL DEMONSTRATION.

Section 4008(i)(1) of OBRA-1990 is amended by adding at the end the following new sentence: "The Secretary shall continue any such demonstration project until at least December 31, 1995."

SEC. 12418. HEMOPHILIA PASS-THROUGH EXTENSION.

Effective as if included in the enactment of OBRA-1989, section 6011(d) of such Act is amended by striking "2 years after the date of enactment of this Act" and inserting "September 30, 1994".

SEC. 12419. STATE HOSPITAL PAYMENT PROGRAMS.

In the case of a State hospital reimbursement system that meets the requirements of section 1814(b)(3) of the Social Security Act, no other provision of law shall be construed as preventing the system from providing that payment for services covered under the system be made on the basis of rates provided for under the system.

SEC. 12420. PSYCHOLOGY SERVICES IN HOSPITALS.

Section 1861(e)(4) (42 U.S.C. 1395x(e)(4)) is amended by striking "physician;" and in-

serting "physician, except that a patient receiving qualified psychologist services (as defined in subsection (ii)) may be under the care of a clinical psychologist with respect to such services to the extent permitted under State law;"

SEC. 12421. GRADUATE MEDICAL EDUCATION PAYMENTS IN HOSPITAL-OWNED COMMUNITY HEALTH CENTERS.

Section 1886(d)(5)(B)(iv) (42 U.S.C. 1395ww(d)(5)(B)(iv)) is amended by inserting after "the hospital" the following: "or providing services at any entity receiving a grant under section 330 of the Public Health Service Act that is under the ownership or control of the hospital (if the hospital incurs all, or substantially all, of the costs of the services furnished to the hospital by such interns and residents)".

SEC. 12422. TREATMENT OF CERTAIN MILITARY FACILITIES.

(a) COVERAGE OF SERVICES PROVIDED IN CERTAIN UNIFORMED SERVICES TREATMENT FACILITIES.—

(1) IN GENERAL.—The Secretary of Health and Human Services may not take any recoupment action to recover amounts that were paid by the United States under title XVIII of the Social Security Act to the facilities described in paragraph (2) (or to other individuals or entities with whom such facilities had entered into agreements to provide services under such title) for services provided during the period beginning October 1, 1986, and ending December 31, 1989, except to the extent that funds were obligated to the Uniformed Services Treatment Facilities program to fulfill such an action pursuant to title VI of the Department of Defense Appropriations Act, 1993.

(2) FACILITIES DESCRIBED.—The facilities referred to in paragraph (1) are the hospitals described in section 248c of title 42, United States Code, that are located in Boston, Massachusetts; Baltimore, Maryland; and Seattle, Washington.

(b) STUDY OF JOINT MEDICAL FACILITIES.—

(1) STUDY.—The Secretary of Health and Human Services, in consultation with the Secretary of Defense and the Secretary of Veterans Affairs, shall conduct a study of the feasibility and desirability of establishing joint medical facilities among the Department of Defense, the Department of Veterans Affairs, and other public and private entities, and shall include in such study an analysis of the need to make changes in the medicare and medicaid programs (including facility certification standards under such programs) in order to facilitate the establishment of such joint medical facilities.

(2) REPORT.—Not later than October 1, 1993, the Secretary of Health and Human Services shall submit a report to Congress on the study conducted under paragraph (1).

SEC. 12423. EPILEPSY DRG.

(a) IN GENERAL.—The Secretary of Health and Human Services shall review the diagnosis-related groups established pursuant to section 1886(d)(4) of the Social Security Act that are assigned to discharges of patients with intractable epilepsy, including patients whose admissions involve intensive neurodiagnostic monitoring, and shall revise, for discharges occurring on or after October 1, 1994, the assignment of discharges to such groups as the Secretary considers appropriate to account for the resource requirements of such patients.

(b) CONSULTATION REQUIREMENTS.—In carrying out subsection (a), the Secretary shall consult with the Prospective Payment Assessment Commission and national organizations representing individuals with epilepsy

or individuals and entities providing specialized medical services to such individuals related to the treatment of epilepsy.

SEC. 12424. SKILLED NURSING FACILITY WAGE INDEX.

(a) IN GENERAL.—Not later than 1 year after the date of the enactment of this Act, the Secretary of Health and Human Services shall begin to collect data on employee compensation and paid hours of employment in skilled nursing facilities for the purpose of constructing a skilled nursing facility wage index adjustment to the routine service cost limits required under section 1888(a)(4) of the Social Security Act.

(b) PROPAC REPORT.—The Prospective Payment Assessment Commission shall, by March 1, 1994, study and report to the Congress on the impact of applying routine per diem cost limits for skilled nursing facilities on a regional basis.

SEC. 12425. HOSPICE NOTIFICATION TO BENEFICIARIES.

(a) HOSPITALS.—Section 1861(ee)(2)(D) (42 U.S.C. 1395x(ee)(2)(D)) is amended by inserting "including hospice services," after "post-hospital services".

(b) NURSING FACILITIES.—Section 1819(c)(1)(B) (42 U.S.C. 1395i-3(c)(1)(B)) is amended—

(1) by striking "and" at the end of clause (ii);

(2) by striking the period at the end of clause (iii) and inserting "; and"; and

(3) by inserting after clause (iii) the following new clause:

"(iv) inform each resident who is entitled to benefits under this title, orally and in writing at the time of admission to the facility, of the entitlement of individuals to hospice care under section 1812(a)(4) (unless there is no hospice program providing hospice care for which payment may be made under this title within the geographic area of the facility and it is not the common practice of the facility to refer patients to hospice programs located outside such geographic area)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to services furnished on or after the first day of the first month beginning more than one year after the date of the enactment of this Act.

SEC. 12426. REDUCTION IN PART A PREMIUM FOR CERTAIN INDIVIDUALS WITH 30 OR MORE QUARTERS OF SOCIAL SECURITY COVERAGE.

(a) IN GENERAL.—Section 1818(d) (42 U.S.C. 1395i-2(d)) is amended—

(1) in the second sentence of paragraph (2), by striking "Such amount" and inserting "Subject to paragraph (4), the amount of an individual's monthly premium under this section"; and

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

"(4)(A) In the case of an individual described in subparagraph (B), the monthly premium for a month shall be reduced by the applicable reduction percent specified in the following table:

	The applicable reduction percent is:
"For a month in:	
1994	25
1995	30
1996	35
1997	40
1998 or subsequent year	45

"(B) An individual described in this subparagraph with respect to a month is an individual who establishes to the satisfaction of the Secretary that, as of the last day of the previous month, the individual—

"(i) had at least 30 quarters of coverage under title II;

"(ii) was married (and had been married for the previous 1 year period) to an individual who had at least 30 quarters of coverage under such title;

"(iii) had been married to an individual for a period of at least 1 year (at the time of the individual's death) if at such time the individual had at least 30 quarters of coverage under such title; and

"(iv) is divorced from an individual and had been married to the individual for a period of at least 10 years (at the time of the divorce) if at such time the individual had at least 30 quarters of coverage under such title."

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to monthly premiums under section 1818 of the Social Security Act for months beginning with January 1, 1994.

SEC. 12427. PERIODIC UPDATES TO SALARY EQUIVALENCY GUIDELINES FOR PHYSICAL THERAPY AND RESPIRATORY THERAPY SERVICES.

(a) IN GENERAL.—Section 1861(v)(5) (42 U.S.C. 1395x(v)(5)) is amended by adding at the end the following new subparagraph:

"(C) Using the most recent available data, the Secretary shall update, not less often than every 3 years, the salary equivalency guidelines used under subparagraph (A) with respect to physical therapy and respiratory therapy services."

(b) EFFECTIVE DATE.—The Secretary of Health and Human Services shall first update the salary equivalency guidelines, under the amendment made by subsection (a), by not later than December 31, 1993. Such updated guidelines shall apply to cost reporting periods beginning on or after July 1, 1993.

SEC. 12428. EXTENSION OF DEADLINE FOR APPLICATION FOR GEOGRAPHIC CLASSIFICATION FOR CERTAIN RECLASSIFIED HOSPITALS.

Notwithstanding section 1886(d)(10)(C)(ii) of the Social Security Act, a hospital may submit an application to the Medicare Geographic Classification Review Board requesting a change in geographic classification for fiscal year 1994 after the first day of fiscal year 1993 if—

(1) the hospital's geographic classification for fiscal year 1994 was changed from urban to rural as a result of the issuance of the Revised Statistical Definitions for Metropolitan Areas established by the Office of Management and Budget on December 28, 1992 (pursuant to OMB Bulletin No. 93-05); and

(2) the hospital submits the application not later than 60 days after the date of the enactment of this Act.

SEC. 12429. ELIMINATION OF RETURN ON EQUITY FOR PROPRIETARY SKILLED NURSING FACILITIES.

(a) REPEAL OF REQUIREMENT FOR RETURN ON EQUITY.—

(1) IN GENERAL.—Section 1861(v)(1)(B) (42 U.S.C. 1395x(v)(1)(B)) is amended to read as follows:

"(B) Such regulations in the case of extended care services shall not include provision for specific recognition of a return on equity capital."

(2) CONFORMING AMENDMENTS.—(A) Section 1878(f)(2) (42 U.S.C. 1395oo(f)(2)) is amended by striking "the rate of return on equity capital established by regulation pursuant to section 1861(v)(1)(B) and in effect at the time" and inserting "the average of the rates of interest on obligations issued for purchase by the Federal Hospital Insurance Trust Fund for each of the months any part of which is included in the cost reporting period in which".

(B) Section 1881(b)(2)(C) (42 U.S.C. 1395rr(b)(2)(C)) is amended by striking “, providing such rate” and all that follows and inserting a period.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) apply to costs incurred after September 1993.

SEC. 12430. CLARIFICATION OF DRG PAYMENT WINDOW EXPANSION; MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) CLARIFICATION OF DRG PAYMENT WINDOW EXPANSION.—The first sentence of section 1886(a)(4) (42 U.S.C. 1395ww(a)(4)) is further amended by striking “and includes” and inserting “and (in the case of a subsection (d) hospital) includes”.

(b) TECHNICAL CORRECTION RELATING TO RESIDENT ASSESSMENT IN NURSING HOMES.—Section 1819(b)(3)(C)(i)(I) (42 U.S.C. 1395i-3(b)(3)(C)(i)(I)) is amended by striking “not later than” before “14 days”.

(c) CLERICAL CORRECTIONS.—(1) Section 1814(i)(1)(C)(i) (42 U.S.C. 1395f(1)(1)(C)(i)) is amended by striking “1990,” and inserting “1990.”

(2) Section 1816(f)(2)(A)(ii) (42 U.S.C. 1396h(f)(2)(A)(ii)) is amended by striking “such agency” and inserting “such agency’s”.

(3) Section 1886(d)(1)(A)(iii) (42 U.S.C. 1395ww(d)(1)(A)(iii)) is amended by striking “, the sum of” and inserting “is equal to the sum of”.

CHAPTER 2—PROVISIONS RELATING TO PART B

Subchapter A—Elimination of Inflation Update

SEC. 12431. ELIMINATION OF INFLATION UPDATE FOR PHYSICIAN AND RELATED PROFESSIONAL SERVICES.

(a) NO INCREASE IN INDEX.—Section 1848(d)(3)(A) (42 U.S.C. 1395w-4(d)(3)(A)) is amended—

(1) in clause (i), by striking “clause (iii)” and inserting “clauses (ii) and (iv)”, and

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

“(iv) NO INCREASE IN INDEX FOR 1994 OR 1995.—In applying clause (i) for services furnished on or after January 1, 1994, the percentage increase in the appropriate update index for each of 1994 and 1995 shall be 0 percent.”

(b) NO INCREASE IN MEI FOR 1994 AND 1995.—Section 1842(b)(4)(E) (42 U.S.C. 1395u(b)(4)(E)) is amended by adding at the end the following new clause:

“(vi) For purposes of this part for items and services furnished in 1994 or 1995, the percentage increase in the MEI is 0 percent.”

SEC. 12432. ELIMINATION OF COST-OF-LIVING ADJUSTMENTS FOR CERTAIN ITEMS AND SERVICES.

(a) CLINICAL LABORATORY SERVICES.—Section 1833(h)(2)(A)(ii) (42 U.S.C. 1395l(h)(2)(A)(ii)) is amended—

(1) by striking “and” at the end of subclause (II),

(2) by striking the period at the end of subclause (III) and inserting “, and”, and

(3) by adding at the end the following new subclause:

“(IV) the annual adjustment in the fee schedules determined under clause (i) for each of the years 1994 and 1995 shall be 0 percent.”

(b) DURABLE MEDICAL EQUIPMENT.—Section 1834(a)(14) (42 U.S.C. 1395m(a)(14)) is amended—

(1) in subparagraph (A), by striking “and” at the end;

(2) in subparagraph (B)—

(A) by striking “a subsequent year” and inserting “1993”, and

(B) by striking “June of the previous year.” and inserting “June 1992.”; and

(3) by adding at the end the following new subparagraphs:

“(C) for 1994 and 1995, no percentage change, and

“(D) for a subsequent year, the percentage increase in the consumer price index for all urban consumers (U.S. city average) for the 12-month period ending with June of the previous year.”

(c) ORTHOTICS AND PROSTHETICS.—Section 1834(h)(4)(A) (42 U.S.C. 1395m(h)(4)(A)) is amended—

(1) in clause (i), by striking “and”;

(2) in clause (ii), by striking “a subsequent year” and inserting “1992 and 1993”; and

(3) by adding at the end the following new clauses:

“(iii) for 1994 and 1995, 0 percent, and

“(iv) for a subsequent year, the percentage increase in the consumer price index for all urban consumers (United States city average) for the 12-month period ending with June of the previous year.”

(d) REASONABLE CHARGE LIMITS FOR ENTERAL AND PARENTERAL NUTRIENTS, SUPPLIES AND EQUIPMENT.—In determining the amount of payment under part B of title XVIII of the Social Security Act during 1994 and 1995, the charges determined to be reasonable with respect to parenteral and enteral nutrients, supplies, and equipment may not exceed the charges determined to be reasonable with respect to such nutrients, supplies, and equipment during 1993.

SEC. 12433. AMBULATORY SURGICAL CENTER SERVICES.

(a) ELIMINATION OF INFLATION UPDATE.—The Secretary of Health and Human Services shall not provide for any inflation update in the payment amounts under subparagraphs (A) and (B) of section 1833(i)(2) of the Social Security Act for fiscal year 1994 or for fiscal year 1995.

(b) CONFORMING AMENDMENT.—Section 1833(i)(2)(C) (42 U.S.C. 1395i(2)(C)), as added by section 12453(a)(2)(B), is amended by striking “fiscal year 1995” and inserting “fiscal year 1996”.

SEC. 12434. OTHER ITEMS AND SERVICES UNDER PART B.

(a) RURAL HEALTH CLINIC SERVICES; FEDERALLY-QUALIFIED HEALTH CENTER SERVICES; COMPREHENSIVE OUTPATIENT REHABILITATION FACILITY SERVICES.—In determining the amount of payment made for rural health clinic services, Federally qualified health center services, or comprehensive outpatient rehabilitation facility services furnished under part B of title XVIII of the Social Security Act for services furnished on or after January 1, 1994, the Secretary of Health and Human Services shall provide that any inflation update, in the applicable limits used to determine the costs which are reasonable and related to the cost of furnishing such services under section 1833(a)(3) of such Act, that would otherwise have applied for 1994 or for 1995 shall be deemed to be 0 percent.

(b) DIALYSIS SERVICES.—In determining the amount of payment made for dialysis services furnished under part B of title XVIII of the Social Security Act on or after January 1, 1994, the Secretary of Health and Human Services shall provide that any inflation update, in the payment amounts determined under section 1881(b)(2)(B) of such Act or the rates determined under section 1881(b)(7) of such Act, that would otherwise have applied for 1994 or for 1995 shall be deemed to be 0 percent.

(c) OTHER PART B ITEMS AND SERVICES.—In determining the amount of payment made

for an item or service furnished under part B of title XVIII of the Social Security Act on or after January 1, 1994, other than an item or service to which a preceding provision of (or amendment made by) this subchapter applies, the Secretary of Health and Human Services shall provide that any inflation update in the fee schedule amount for the item or service established under such part B of such title, or (if applicable) any applicable limit used to determine the actual charge, reasonable charge, or reasonable cost for the item or service under such part, that would otherwise have applied for 1994 or for 1995 shall be deemed to be 0 percent.

Subchapter B—Physicians’ Services

SEC. 12441. RETAINING PAYMENT FOR ACTUAL ANESTHESIA TIME.

(a) PHYSICIANS’ SERVICES.—Section 1848(b)(2)(B) (42 U.S.C. 1395w-4(b)(2)(B)) is amended by adding at the end the following: “The Secretary may not modify the methodology in effect as of January 1, 1992, for determining the amount of time that may be billed for such services under this section.”

(b) SERVICES OF CERTIFIED REGISTERED NURSE ANESTHETISTS.—Section 1833(l)(1)(B) (42 U.S.C. 1395l(1)(1)(B)) is amended by adding at the end the following: “The Secretary may not modify the methodology in effect as of January 1, 1992, for determining the amount of time that may be billed for such services under this section.”

(c) EFFECTIVE DATE.—The amendments made by this section shall take apply to services furnished on or after the date of the enactment of this Act.

SEC. 12442. GEOGRAPHIC COST OF PRACTICE INDEX REFINEMENTS.

(a) REQUIRING CONSULTATION WITH REPRESENTATIVES OF PHYSICIANS IN REVIEWING GEOGRAPHIC ADJUSTMENT FACTORS.—Section 1848(e)(1)(C) (42 U.S.C. 1395w-4(e)(1)(C)) is amended by striking “shall review” and inserting “shall, in consultation with appropriate representatives of physicians, review”.

(b) USE OF MOST RECENT DATA IN GEOGRAPHIC ADJUSTMENT.—Section 1848(e)(1) (42 U.S.C. 1395w-4(e)(1)) is amended by adding at the end the following new subparagraph:

“(D) USE OF RECENT DATA.—In establishing indices and index values under this paragraph, the Secretary shall use the most recent data available relating to practice expenses, malpractice expenses, and physician work effort in different fee schedule areas.”

(c) DEADLINE FOR INITIAL REVIEW AND REVISION.—The Secretary of Health and Human Services shall first review and revise geographic adjustment factors under section 1848(e)(1)(C) of the Social Security Act by not later than January 1, 1995. Not later than April 1, 1994, the Secretary shall study and report to the Committee on Finance of the Senate and the Committee on Energy and Commerce of the House of Representatives on the construction of the geographic cost of practice index under section 1848(e)(1)(A)(i) of such Act.

(d) REPORT ON REVIEW PROCESS.—Not later than 1 year after the date of the enactment of this Act, the Secretary of Health and Human Services shall study and report to the Committee on Finance of the Senate and the Committee on Ways and Means and the Committee on Energy and Commerce of the House of Representatives on—

(1) the data necessary to review and revise the indices established under section 1848(e)(1)(A) of the Social Security Act, including—

(A) the shares allocated to physicians’ work effort, practice expenses (other than

malpractice expenses), and malpractice expenses;

(B) the weights assigned to the input components of such shares; and

(C) the index values assigned to such components;

(2) any limitations on the availability of data necessary to review and revise such indices at least every three years;

(3) ways of addressing such limitations, with particular attention to the development of alternative data sources for input components for which current index values are based on data collected less frequently than every three years; and

(4) the costs of developing more accurate and timely data.

(e) DEVELOPMENT OF CRITERIA FOR USE IN DETERMINING PAYMENT LOCALITIES.—The Physician Payment Review Commission shall conduct a study to develop criteria that would be used to refine the fee schedule areas that are used within States, in applying geographic adjustment factors for computing payment amounts, under section 1848 of the Social Security Act. The Commission shall include a report on such study in its recommendations submitted to the Congress under section 1845(b) of such Act in 1994.

SEC. 12443. RELATIVE VALUES FOR PEDIATRIC SERVICES.

(a) IN GENERAL.—The Secretary of Health and Human Services shall fully develop, by not later than July 1, 1994, relative values for the full range of pediatric physicians' services which are consistent with the relative values developed for other physicians' services under section 1848(c) of the Social Security Act. In developing such values, the Secretary shall conduct such refinements as may be necessary to produce appropriate estimates for such relative values.

(b) STUDY.—

(1) IN GENERAL.—The Secretary shall conduct a study of the relative values for pediatric and other services to determine whether there are significant variations in the resources used in providing similar services to different populations. In conducting such study, the Secretary shall consult with appropriate organizations representing pediatricians and other physicians.

(2) REPORT.—Not later than July 1, 1994, the Secretary shall submit to Congress a report on the study conducted under paragraph (1). Such report shall include any appropriate recommendations regarding needed changes in coding or other payment policies to ensure that payments for pediatric services appropriately reflect the resources required to provide these services.

SEC. 12444. ANTIGENS UNDER PHYSICIAN FEE SCHEDULE.

(a) IN GENERAL.—Section 1848(j)(3) (42 U.S.C. 1395w-4(j)(3)) is amended by inserting "(2)(G)," after "(2)(D)."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to services furnished on or after January 1, 1995.

SEC. 12445. ADMINISTRATION OF CLAIMS RELATING TO PHYSICIANS' SERVICES.

(a) LIMITATION ON CARRIER USER FEES.—Section 1842(c) (42 U.S.C. 1395u(c)) is amended by adding at the end the following new paragraph:

"(4) Neither a carrier nor the Secretary may impose a fee under this title—

"(A) for the filing of claims related to physicians' services,

"(B) for an error in filing a claim relating to physicians' services or for such a claim which is denied,

"(C) for any appeal under this title with respect to physicians' services,

"(D) for applying for (or obtaining) a unique identifier under subsection (r), or

"(E) for responding to inquiries respecting physicians' services or for providing information with respect to medical review of such services."

(b) CLARIFICATION OF PERMISSIBLE SUBSTITUTE BILLING ARRANGEMENTS.—

(1) IN GENERAL.—Clause (D) of section 1842(b)(6) (42 U.S.C. 1395u(b)(6)), as amended by section 12446(f), is amended to read as follows: "(D) payment may be made to a physician for physicians' services (and services furnished incident to such services) furnished by a second physician to patients of the first physician if (i) the first physician is unavailable to provide the services; (ii) the services are furnished pursuant to an arrangement between the two physicians that (I) is informal and reciprocal, or (II) involves per diem or other fee-for-time compensation for such services; (iii) the services are not provided by the second physician over a continuous period of more than 60 days; and (iv) the claim form submitted to the carrier for such services includes the second physician's unique identifier (provided under the system established under subsection (r)) and indicates that the claim meets the requirements of this clause for payment to the first physician."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to services furnished on or after the first day of the first month beginning more than 60 days after the date of the enactment of this Act.

SEC. 12446. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) OVERVALUED PROCEDURES (SECTION 4101 OF OBRA-1990).—(1) Section 1842(b)(16)(B)(iii) (42 U.S.C. 1395u(b)(16)(B)(iii)) is amended—

(A) by striking ", simple and subcutaneous";

(B) by striking "; small" and inserting "and small";

(C) by striking "treatments;" the first place it appears and inserting "and";

(D) by striking "lobectomy";

(E) by striking "enterectomy; colectomy; cholecystectomy";

(F) by striking "; transurethral resection" and inserting "and resection", and

(G) by striking "sacral laminectomy";

(2) Section 4101(b)(2) of OBRA-1990 is amended—

(A) in the matter before subparagraph (A), by striking "1842(b)(16)" and inserting "1842(b)(16)(B)", and

(B) in subparagraph (B)—

(i) by striking ", simple and subcutaneous";

(ii) by striking "(HCPCS codes 19160 and 19162)" and inserting "(HCPCS code 19160)", and

(iii) by striking all that follows "(HCPCS codes 92250" and inserting "and 92260)."

(b) RADIOLOGY SERVICES (SECTION 4102 OF OBRA-1990).—(1) Section 1834(b)(4) (42 U.S.C. 1395m(b)(4)) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively.

(2) Section 1834(b)(4)(D) (42 U.S.C. 1395m(b)(4)(D)) is amended—

(A) in the matter before clause (i), by striking "shall be determined as follows:" and inserting "shall, subject to clause (vii), be reduced to the adjusted conversion factor for the locality determined as follows:"

(B) in clause (iv), by striking "LOCAL ADJUSTMENT.—Subject to clause (vii), the conversion factor to be applied to" and inserting "ADJUSTED CONVERSION FACTOR.—The adjusted conversion factor for"

(C) in clause (vii), by striking "under this subparagraph", and

(D) in clause (vii), by inserting "reduced under this subparagraph by" after "shall not be".

(3) Section 4102(c)(2) of OBRA-1990 is amended by striking "radiology services" and all that follows and inserting "nuclear medicine services".

(4) Section 4102(d) of OBRA-1990 is amended by striking "new paragraph" and inserting "new subparagraph".

(5) Section 1834(b)(4)(E) (42 U.S.C. 1395m(b)(4)(E)) is amended by inserting "RULE FOR CERTAIN SCANNING SERVICES.—" after "(E)".

(6) Section 1848(a)(2)(D)(iii) (42 U.S.C. 1395w-4(a)(2)(D)(iii)) is amended by striking "that are subject to section 6105(b) of the Omnibus Budget Reconciliation Act of 1989" and by striking "provided under such section" and inserting "provided under section 6105(b) of the Omnibus Budget Reconciliation Act of 1989".

(c) ANESTHESIA SERVICES (SECTION 4103 OF OBRA-1990).—(1) Section 4103(a) of OBRA-1990 is amended by striking "REDUCTION IN FEE SCHEDULE" and inserting "REDUCTION IN PREVAILING CHARGES".

(2) Section 1842(q)(1)(B) (42 U.S.C. 1395u(q)(1)(B)) is amended—

(A) in the matter before clause (i), by striking "shall be determined as follows:" and inserting "shall, subject to clause (iv), be reduced to the adjusted prevailing charge conversion factor for the locality determined as follows:", and

(B) in clause (iii), by striking "Subject to clause (iv), the prevailing charge conversion factor to be applied in" and inserting "The adjusted prevailing charge conversion factor for"

(d) ASSISTANTS AT SURGERY (SECTION 4107 OF OBRA-1990).—(1) Section 4107(c) of OBRA-1990 is amended by inserting "(a)(1)" after "subsection".

(2) Section 4107(a)(2) of OBRA-1990 is amended by adding at the end the following: "In applying section 1848(g)(2)(D) of the Social Security Act for services of an assistant-at-surgery furnished during 1991, the recognized payment amount shall not exceed the maximum amount specified under section 1848(i)(2)(A) of such Act (as applied under this paragraph in such year)."

(e) TECHNICAL COMPONENTS OF DIAGNOSTIC SERVICES (SECTION 4108 OF OBRA-1990).—Section 1842(b) (42 U.S.C. 1395u(b)) is amended by redesignating paragraph (18), as added by section 4108(a) of OBRA-1990, as paragraph (17) and, in such paragraph, by inserting ", tests specified in paragraph (14)(C)(i)," after "diagnostic laboratory tests".

(f) RECIPROCAL BILLING ARRANGEMENTS (SECTION 4110 OF OBRA-1990).—Section 1842(b)(6)(D) (42 U.S.C. 1395u(b)(6)(D)) is amended—

(1) by striking "visit services (including emergency visits and related services)" and inserting "physicians' services (and services furnished incident to such services)";

(2) by striking "on an occasional, reciprocal basis" and inserting "under an arrangement that is informal and reciprocal or involves per diem or other fee-for-time compensation for services";

(3) by striking "visit" in subclauses (i), (ii), and (iv); and

(4) in subclause (iii), by striking "the claim" and all that follows through the comma at the end and inserting "the claim meets the requirements of this clause for payment to the first physician".

(g) STUDY OF AGGREGATION RULE FOR CLAIMS OF SIMILAR PHYSICIAN SERVICES (SECTION 4113 OF OBRA-1990).—Section 4113 of OBRA-1990 is amended—

(1) by inserting "of the Social Security Act" after "1869(b)(2)"; and

(2) by striking "December 31, 1992" and inserting "December 31, 1993".

(h) STATEWIDE FEE SCHEDULES (SECTION 4117 OF OBRA-1990).—Section 4117 of OBRA-1990 is amended—

(1) in subsection (a)—
 (A) by striking "IN GENERAL.—", and
 (B) by striking "if the" and all that follows through "1991."; and

(2) by striking subsections (b), (c), and (d).
 (i) OTHER MISCELLANEOUS AND TECHNICAL AMENDMENTS.—(1) The heading of section 1834(f) (42 U.S.C. 1395m(f)) is amended by striking "FISCAL YEAR".

(2)(A) Section 4105(b) of OBRA-1990 is amended—

(i) in paragraph (2), by striking "amendments" and inserting "amendment", and

(ii) in paragraph (3), by striking "amendments made by paragraphs (1) and (2)" and inserting "amendment made by paragraph (1)".

(B) Section 1848(f)(2)(C) (42 U.S.C. 1395w-4(f)(2)(C)) is amended by inserting "PERFORMANCE STANDARD RATES OF INCREASE FOR FISCAL YEAR 1991.—" after "(C)".

(C) Section 4105(d) of OBRA-1990 is amended by inserting "PUBLICATION OF PERFORMANCE STANDARD RATES.—" after "(d)".

(3) Section 1842(b)(4)(F) (42 U.S.C. 1395u(b)(4)(F)) is amended—

(A) in clause (i), by striking "prevailing charge" the first place it appears and inserting "customary charge"; and

(B) in clause (ii)(III), by striking "second, third, and fourth" and inserting "first, second, and third".

(4) Section 1842(b)(4)(F)(ii)(I) (42 U.S.C. 1395u(b)(4)(F)(ii)(I)) is amended by striking "respiratory therapist".

(5) Section 4106(c) of OBRA-1990 is amended by inserting "of the Social Security Act" after "1848(d)(1)(B)".

(6) Section 4114 of OBRA-1990 is amended by striking "patients" the second place it appears.

(7) Section 1848(e)(1)(C) (42 U.S.C. 1395w-4(e)(1)(C)) is amended by inserting "date of the" after "since the".

(8) Section 4118(f)(1)(D) of OBRA-1990 is amended by striking "is amended".

(9) Section 4118(f)(1)(N)(ii) of OBRA-1990 is amended by striking "subsection (f)(5)(A)" and inserting "subsection (f)(5)(A)".

(10) Section 1845(e) (42 U.S.C. 1395w-1(e)) is amended—

(A) by striking paragraph (2); and
 (B) by redesignating paragraphs (3), (4), and (5) as paragraphs (2), (3), and (4).

(11) Section 4118(j)(2) of OBRA-1990 is amended by striking "In section" and inserting "Section".

(12)(A) Section 1848(i)(3) (42 U.S.C. 1395w-4(i)(3)) is amended by striking the space before the period at the end.

(B) Section 1834(a)(10)(B) (42 U.S.C. 1395m(a)(10)(B)) is amended—

(i) by striking "apply to" and inserting "would otherwise apply to", and

(ii) by inserting before the period at the end "but for the application of section 1848(i)(3)".

(j) EFFECTIVE DATE.—The amendments made by this section and the provisions of this section shall take effect as if included in the enactment of OBRA-1990.

Subchapter C—Ambulatory Surgical Center Services

SEC. 12451. DESIGNATION OF CERTAIN HOSPITALS AS EYE OR EYE AND EAR HOSPITALS.

(a) IN GENERAL.—Section 1833(i) (42 U.S.C. 1395i(i)) is amended—

(1) in subparagraph (B)(i)—

(A) by striking "the last sentence of this clause" and inserting "paragraph (4)", and

(B) by striking the last sentence; and
 (2) by inserting after paragraph (3) the following new paragraph:

"(4)(A) In the case of a hospital that—

"(i) makes application to the Secretary and demonstrates that it specializes in eye services or eye and ear services (as determined by the Secretary),

"(ii) receives more than 30 percent of its total revenues from outpatient services, and

"(iii) on October 1, 1987—

"(I) was an eye specialty hospital or an eye and ear specialty hospital, or

"(II) was operated as an eye or ear unit (as defined in subparagraph (B)) of a general acute care hospital which, on the date of the application described in clause (i), operates less than 20 percent of the beds that the hospital operated on October 1, 1987, and has sold or otherwise disposed of a substantial portion of the hospital's other acute care operations,

the cost proportion and ASC proportion in effect under subclauses (I) and (II) of paragraph (2)(B)(ii) for cost reporting periods beginning in fiscal year 1988 shall remain in effect for cost reporting periods beginning on or after October 1, 1988, and before January 1, 1995.

"(B) For purposes of this subparagraph (A)(ii)(II), the term 'eye or eye and ear unit' means a physically separate or distinct unit containing separate surgical suites devoted solely to eye or eye and ear services."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to portions of cost reporting periods beginning on or after January 1, 1994.

SEC. 12452. TECHNICAL AMENDMENTS.

(a) PAYMENT AMOUNTS FOR SERVICES FURNISHED IN AMBULATORY SURGICAL CENTERS.—

(1) USE OF SURVEY TO DETERMINE INCURRED COSTS.—Section 1833(i)(2)(A)(i) (42 U.S.C. 1395i(i)(2)(A)(i)) is amended by striking the comma at the end and inserting the following: ", as determined in accordance with a survey (based upon a representative sample of procedures and facilities) taken not later than January 1, 1994, and every 5 years thereafter, of the actual audited costs incurred by such centers in providing such services."

(2) AUTOMATIC APPLICATION OF INFLATION ADJUSTMENT.—Section 1833(i)(2) (42 U.S.C. 1395i(i)(2)) is amended—

(A) in the second sentence of subparagraph (A) and the second sentence of subparagraph (B), by striking "and may be adjusted by the Secretary, when appropriate,"; and

(B) by adding at the end the following new subparagraph:

"(C) Notwithstanding the second sentence of subparagraph (A) or the second sentence of subparagraph (B), if the Secretary has not updated amounts established under such subparagraphs with respect to facility services furnished during a fiscal year (beginning with fiscal year 1995), such amounts shall be increased by the percentage increase in the consumer price index for all urban consumers (U.S. city average) for the 12-month period ending with March of the preceding fiscal year."

(3) CONSULTATION REQUIREMENT.—The second sentence of section 1833(i)(1) (42 U.S.C. 1395i(i)(1)) is amended by striking the period and inserting the following: ", in consultation with appropriate trade and professional organizations."

(b) ADJUSTMENTS TO PAYMENT AMOUNTS FOR NEW TECHNOLOGY INTRAOCULAR LENSES.—

(1) ESTABLISHMENT OF PROCESS FOR REVIEW OF AMOUNTS.—Not later than 1 year after the date of the enactment of this Act, the Secretary of Health and Human Services (in this subsection referred to as the "Secretary") shall develop and implement a process under which interested parties may request review by the Secretary of the appropriateness of the reimbursement amount provided under section 1833(i)(2)(A)(iii) of the Social Security Act with respect to a class of new technology intraocular lenses. For purposes of the preceding sentence, an intraocular lens may not be treated as a new technology lens unless it has been approved by the Food and Drug Administration.

(2) FACTORS CONSIDERED.—In determining whether to provide an adjustment of payment with respect to a particular lens under paragraph (1), the Secretary shall take into account whether use of the lens is likely to result in reduced risk of intraoperative or postoperative complication or trauma, accelerated postoperative recovery, reduced induced astigmatism, improved postoperative visual acuity, more stable postoperative vision, or other comparable clinical advantages.

(3) NOTICE AND COMMENT.—The Secretary shall publish notice in the Federal Register from time to time (but no less often than once each year) of a list of the requests that the Secretary has received for review under this subsection, and shall provide for a 30-day comment period on the lenses that are the subjects of the requests contained in such notice. The Secretary shall publish a notice of his determinations with respect to intraocular lenses listed in the notice within 90 days after the close of the comment period.

(4) EFFECTIVE DATE OF ADJUSTMENT.—Any adjustment of a payment amount (or payment limit) made under this subsection shall become effective not later than 30 days after the date on which the notice with respect to the adjustment is published under paragraph (3).

(c) TECHNICAL CORRECTION RELATING TO BLEND AMOUNTS FOR AMBULATORY SURGICAL CENTER PAYMENTS.—

(1) IN GENERAL.—Subclauses (I) and (II) of section 1833(i)(3)(B)(ii) (42 U.S.C. 1395i(i)(3)(B)(ii)) are each amended—

(A) by striking "for reporting" and inserting "for portions of cost reporting"; and

(B) by striking "and on or before" and inserting "and ending on or before".

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall take effect as if included in the enactment of OBRA-1990.

(d) TECHNICAL CORRECTION RELATED TO CATARACT SURGERY.—Effective as if included in the enactment of OBRA-1990, section 4151(c)(3) of such Act is amended by striking "for the insertion of an intraocular lens" and inserting "for an intraocular lens inserted".

Subchapter D—Other Provisions

SEC. 12461. CLARIFYING PAYMENTS FOR MEDICALLY DIRECTED CERTIFIED REGISTERED NURSE ANESTHETIST SERVICES.

(a) IN GENERAL.—Section 1833(i)(4)(B) (42 U.S.C. 1395i(i)(4)(B)) is amended to read as follows:

"(B) Except as provided in subparagraph (D), the conversion factor used to determine the amount paid under the fee schedule under this subsection for services furnished by a certified registered nurse anesthetist who is medically directed—

"(i) in a year after 1993 and before 1997, shall be \$10.75, or

"(ii) in a subsequent calendar year, shall be the previous year's conversion factor increased by the update determined under section 1848(d)(3) for physician anesthesia services for that year."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to services furnished on or after January 1, 1994.

SEC. 12462. EXTENSION OF ALZHEIMER'S DISEASE DEMONSTRATION PROJECTS.

Section 9342 of OBRA—1986, as amended by section 4164(a)(2) of OBRA—1990, is amended—

- (1) in subsection (c)(1), by striking "4 years" and inserting "5 years"; and
- (2) in subsection (f), —
- (A) by striking "\$58,000,000" and inserting "\$55,000,000" and inserting "\$58,000,000", and
- (B) by striking "\$3,000,000" and inserting "\$5,000,000".

SEC. 12463. ORAL CANCER DRUGS.

(a) **NEW COVERAGE OF CERTAIN SELF-ADMINISTERED ANTICANCER DRUGS.**—Section 1861(s)(2) (42 U.S.C. 1395(s)(2)), as amended by section 12468(f)(8)(B), is amended—

- (1) by striking "and" at the end of subparagraph (N);
- (2) by adding "and" at the end of subparagraph (O); and
- (3) by adding at the end the following new subparagraph:

"(P) an oral drug (which is approved by the Federal Food and Drug Administration) prescribed for use as an anticancer chemotherapeutic agent for a given indication, and containing an active ingredient (or ingredients), which is the same indication and active ingredient (or ingredients) as a drug which the carrier determines would be covered pursuant to subparagraph (A) or (B) if the drug could not be self-administered;"

(b) **UNIFORM COVERAGE OF "OFF-LABEL" ANTICANCER DRUGS.**—Section 1861(t) (42 U.S.C. 1395x(t)) is amended—

- (1) by inserting "(1)" after "(t)";
- (2) by striking "(m)(5) of this section" and inserting "(m)(5) and paragraph (2)"; and
- (3) by adding at the end the following new paragraph:

"(2)(A) For purposes of paragraph (1), the term 'drugs' also includes any drugs or biologicals used in an anticancer chemotherapeutic regimen for a medically accepted indication (as described in subparagraph (B)).

"(B) In subparagraph (A), the term 'medically accepted indication', with respect to the use of a drug, includes any use which has been approved by the Food and Drug Administration for the drug, and includes another use of the drug if—

"(i) the drug has been approved by the Food and Drug Administration, and

"(ii) the carrier involved determines, based upon guidance provided by the Secretary to carriers for determining medically accepted uses of drugs, that the use is medically accepted taking into account the uses of such drug which are—

"(I) included (or approved for inclusion) in one or more of the following compendia: the American Hospital Formulary Service-Drug Information, the American Medical Association Drug Evaluations, and the United States Pharmacopoeia-Drug Information; or

"(II) supported by clinical evidence in peer reviewed medical literature appearing in publications which have been specifically approved for purposes of this paragraph by the Secretary."

(c) **STUDY OF MEDICARE COVERAGE OF PATIENT CARE COSTS ASSOCIATED WITH CLINICAL TRIALS OF NEW CANCER THERAPIES.**—

(1) **STUDY.**—The Secretary of Health and Human Services shall conduct a study of the

effects of expressly covering under the medicare program the patient care costs for beneficiaries enrolled in clinical trials of new cancer therapies, where the protocol for the trial has been approved by the National Cancer Institute or meets similar scientific and ethical standards, including approval by an institutional review board. The study shall include—

(A) an estimate of the cost of such coverage, taking into account the extent to which medicare currently pays for such patient care costs in practice;

(B) an assessment of the extent to which such clinical trials represent the best available treatment for the patients involved and of the effects of participation in the trials on the health of such patients;

(C) an assessment of whether progress in developing new anticancer therapies would be assisted by medicare coverage of such patient care costs; and

(D) an evaluation of whether there should be special criteria for the admission of medicare beneficiaries (on account of their age or physical condition) to clinical trials for which medicare would pay the patient care costs.

(2) **REPORT.**—Not later than 2 years after the date of the enactment of this Act, the Secretary of Health and Human Services shall submit a report on the study conducted under paragraph (1) to the Committee on Ways and Means and the Committee on Energy and Commerce of the House of Representatives and the Committee on Finance of the Senate. Such report shall include recommendations as to the coverage under the medicare program of patient care costs of beneficiaries enrolled in clinical trials of new cancer therapies.

(d) **EFFECTIVE DATE.**—The amendments made by subsections (a) and (b) shall apply to items furnished on or after January 1, 1994.

SEC. 12464. PAYMENT FOR OSTOMY SUPPLIES AND OTHER SUPPLIES.

(a) **OSTOMY SUPPLIES, TRACHEOSTOMY SUPPLIES, AND UROLOGICALS.**—

(1) **IN GENERAL.**—Section 1834(h)(1) (42 U.S.C. 1395m(h)(1)) is amended by adding at the end the following new subparagraph:

"(E) **EXCEPTION FOR CERTAIN ITEMS.**—Payment for ostomy supplies, tracheostomy supplies, and urologicals shall be made in accordance with subparagraphs (B) and (C) of section 1834(a)(2)."

(2) **CONFORMING AMENDMENT.**—Section 1834(h)(1)(B) (42 U.S.C. 1395m(h)(1)(B)) is amended by striking "subparagraph (C)," and inserting "subparagraphs (C) and (E)."

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to items furnished on or after January 1, 1994.

(b) **SURGICAL DRESSINGS.**—

(1) **IN GENERAL.**—Section 1834 (42 U.S.C. 1395m) is amended by adding at the end the following new subsection:

"(i) **PAYMENT FOR SURGICAL DRESSINGS.**—

"(1) **IN GENERAL.**—Payment under this subsection for surgical dressings (described in section 1861(s)(5)) shall be made in a lump sum amount for the purchase of the item in an amount equal to 80 percent of the lesser of—

"(A) the actual charge for the item; or

"(B) a payment amount determined in accordance with the methodology described in subparagraphs (B) and (C) of subsection (a)(2) (except that in applying such methodology, the national limited payment amount referred to in such subparagraphs shall be initially computed based on local payment amounts using average reasonable charges

for the 12-month period ending December 31, 1992, increased by the covered item updates described in such subsection for 1993 and 1994).

"(2) **EXCEPTIONS.**—Paragraph (1) shall not apply to surgical dressings that are—

"(A) furnished as an incident to a physician's professional service; or

"(B) furnished by a home health agency."

(2) **CONFORMING AMENDMENT.**—Section 1833(a)(1) (42 U.S.C. 1395(a)(1)), as amended by section 12468(e)(2), is amended—

(A) by striking "and" before "(O)", and

(B) by inserting before the semicolon at the end the following: ", and (P) with respect to surgical dressings, the amounts paid shall be the amounts determined under section 1834(j);".

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to items furnished on or after January 1, 1994.

SEC. 12465. COVERAGE OF SERVICES OF SPEECH-LANGUAGE PATHOLOGISTS AND AUDIOLOGISTS.

(a) **SERVICES DEFINED.**—Section 1861 (42 U.S.C. 1395x), as amended by section 12468(f)(8)(E), is amended by inserting after subsection (kk) the following new subsection:

"Speech-Language Pathology Services; Audiology Services

"(ll)(1) The term 'speech-language pathology services' means such speech, language, and related function assessment and rehabilitation services furnished by a qualified speech-language pathologist as the speech-language pathologist is legally authorized to perform under State law (or the State regulatory mechanism provided by State law) as would otherwise be covered if furnished by a physician.

"(2) The term 'audiology services' means such hearing and balance assessment services furnished by a qualified audiologist as the audiologist is legally authorized to perform under State law (or the State regulatory mechanism provided by State law).

"(3) In this subsection:

"(A) The term 'qualified speech-language pathologist' means an individual with a master's or doctoral degree in speech-language pathology who has performed not less than 9 months of supervised full-time speech-language pathology services after obtaining such degree and who—

"(i) is licensed (or is otherwise certified) as a speech-language pathologist by the State in which the individual furnishes such services, or

"(ii) in the case of an individual who furnishes services in a State which does not provide for the licensing (or other form of certification) of speech-language pathologists, has successfully completed a national clinical competency examination in speech-language pathology approved by the Secretary.

"(B) The term 'qualified audiologist' means an individual with a master's or doctoral degree in audiology who has performed not less than 9 months of supervised full-time audiology services after obtaining such degree and who—

"(i) is licensed (or is otherwise certified) as an audiologist by the State in which the individual furnishes such services, or

"(ii) in the case of an individual who furnishes services in a State which does not provide for the licensing (or other form of certification) of audiologists, has successfully completed a national clinical competency examination in audiology approved by the Secretary."

(b) CONFORMING AMENDMENTS RELATING TO MEDICARE TREATMENT OF SPEECH AND LANGUAGE SERVICES.—

(1) EXTENDED CARE SERVICES.—Section 1861(h)(3) (42 U.S.C. 1395x(h)(3)) is amended by striking “, occupational, or speech therapy” and inserting “or occupational therapy or speech-language pathology services”.

(2) HOME HEALTH SERVICES.—Section 1861(m)(2) (42 U.S.C. 1395x(m)(2)) is amended by striking “, occupational, or speech therapy” and inserting “or occupational therapy or speech-language pathology services”.

(3) OUTPATIENT PHYSICAL THERAPY SERVICES.—The fourth sentence of section 1861(p) (42 U.S.C. 1395x(p)) is amended by striking “speech pathology services” and inserting “speech-language pathology services”.

(4) COMPREHENSIVE OUTPATIENT REHABILITATION FACILITY SERVICES.—Section 1861(cc)(1)(B) (42 U.S.C. 1395x(cc)(1)(B)) is amended by striking “speech pathology services” and inserting “speech-language pathology services”.

(5) HOSPICE CARE.—Section 1861(dd)(1)(B) (42 U.S.C. 1395x(dd)(1)(B)) is amended by striking “therapy or speech-language pathology” and inserting “therapy, or speech-language pathology services”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1994.

SEC. 12466. EXTENSION OF MUNICIPAL HEALTH SERVICE DEMONSTRATION PROJECTS.

Section 9215 of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended by section 6135 of OBRA-1989, is amended—

(1) by striking “December 31, 1993” and inserting “December 31, 1997”; and

(2) in the second sentence, by inserting after “beneficiary costs,” the following: “costs to the medicaid program and other payers, access to care, outcomes, beneficiary satisfaction, utilization differences among the different populations served by the projects.”.

SEC. 12467. IMPOSITION OF COINSURANCE ON CLINICAL DIAGNOSTIC LABORATORY TESTS.

(a) IN GENERAL.—Paragraphs (1)(D) and (2)(D) of section 1833(a) (42 U.S.C. 1395l(a)) are each amended—

(1) by striking “(or 100 percent)” and all that follows through “(first opinion)”; and

(2) by striking “100 percent of such negotiated rate” and inserting “80 percent of such negotiated rate”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to tests furnished on or after January 1, 1994.

SEC. 12468. MISCELLANEOUS AND TECHNICAL CORRECTIONS.

(a) REVISION OF INFORMATION ON PART B CLAIMS FORMS.—Section 1833(q)(1) (42 U.S.C. 1395l(q)(1)) is amended—

(1) by striking “provider number” and inserting “unique physician identification number”; and

(2) by striking “and indicate whether or not the referring physician is an interested investor (within the meaning of section 1877(h)(5))”.

(b) CONSULTATION FOR SOCIAL WORKERS.—Effective with respect to services furnished on or after January 1, 1991, section 6113(c) of OBRA-1989 is amended—

(1) by inserting “and clinical social worker services” after “psychologist services”; and

(2) by striking “psychologist” the second and third place it appears and inserting “psychologist or clinical social worker”.

(c) REPORTS ON HOSPITAL OUTPATIENT PAYMENT.—(1) OBRA-1989 is amended by striking section 6137.

(2) Section 1135(d) (42 U.S.C. 1320b-5(d)) is amended—

(A) by striking paragraph (6); and

(B) in paragraph (7)—

(i) by striking “systems” each place it appears and inserting “system”; and

(ii) by striking “paragraphs (1) and (6)” and inserting “paragraph (1)”.

(d) RADIOLOGY AND DIAGNOSTIC SERVICES PROVIDED IN HOSPITAL OUTPATIENT DEPARTMENTS.—(1) Effective as if included in the enactment of OBRA-1989, section 1833(n)(1)(B)(i)(II) (42 U.S.C. 1395l(n)(1)(B)(i)(II)) is amended—

(A) by striking “1989” and inserting “1989 and for services described in subsection (a)(2)(E)(i) furnished on or after January 1, 1992”; and

(B) by striking “1842(b)” and inserting “1842(b) (or, in the case of services furnished on or after January 1, 1992, under section 1848)”.

(2) Effective as if included in the enactment of OBRA-1989, section 1833(n)(1)(B)(i)(II) (42 U.S.C. 1395l(n)(1)(B)(i)(II)) is amended by striking “January 1, 1989” and inserting “April 1, 1989”.

(e) PAYMENTS TO NURSE PRACTITIONERS IN RURAL AREAS (SECTION 4155 OF OBRA-1990).—(1) Section 1861(s)(2)(K)(iii) (42 U.S.C. 1395x(s)(2)(K)(iii)) is amended—

(A) by striking “subsection (aa)(3)” and inserting “subsection (aa)(5)”; and

(B) by striking “subsection (aa)(4)” and inserting “subsection (aa)(6)”.

(2) Section 1833(a)(1) (42 U.S.C. 1395l(a)(1)) is amended—

(A) by striking “and” before “(N)”; and

(B) with respect to the matter inserted by section 4155(b)(2)(B) of OBRA-1990—

(i) by striking “(M)” and inserting “, and (O)”; and

(ii) by transferring and inserting it (as amended) immediately before the semicolon at the end.

(3) Section 1833(r)(1) (42 U.S.C. 1395l(r)(1)) is amended—

(A) by striking “ambulatory” each place it appears and inserting “or ambulatory”; and

(B) by striking “center,” and inserting “center”.

(4) Section 1833(r)(2)(A) (42 U.S.C. 1395l(r)(2)(A)) is amended by striking “subsection (a)(1)(M)” and inserting “subsection (a)(1)(O)”.

(5) Section 1861(b)(4) (42 U.S.C. 1395x(b)(4)) is amended by striking “subsection (s)(2)(K)(i)” and inserting “clauses (i) or (iii) of subsection (s)(2)(K)”.

(6) Section 1861(aa)(5) (42 U.S.C. 1395x(aa)(5)) is amended by striking “this Act” and inserting “this title”.

(7) Section 1862(a)(14) (42 U.S.C. 1395y(a)(14)) is amended by striking “1861(s)(2)(K)(i)” and inserting “1861(s)(2)(K)(i) or 1861(s)(2)(K)(iii)”.

(8) Section 1866(a)(1)(H) (42 U.S.C. 1395cc(a)(1)(H)) is amended by striking “1861(s)(2)(K)(i)” and inserting “1861(s)(2)(K)(i) or 1861(s)(2)(K)(iii)”.

(f) OTHER MISCELLANEOUS AND TECHNICAL AMENDMENTS.—

(1) IMMEDIATE ENROLLMENT IN PART B BY INDIVIDUALS COVERED BY AN EMPLOYMENT-BASED PLAN.—(A) Subparagraphs (A) and (B) of section 1837(i)(3) (42 U.S.C. 1395p(i)(3)) are each amended—

(i) by striking “beginning with the first day of the first month in which the individual is no longer enrolled” and inserting “including each month during any part of which the individual is enrolled”; and

(ii) by striking “and ending seven months later” and inserting “ending with the last

day of the eighth consecutive month in which the individual is at no time so enrolled”.

(B) Paragraphs (1) and (2) of section 1838(e) (42 U.S.C. 1395q(e)) are amended to read as follows:

“(1) in any month of the special enrollment period in which the individual is at any time enrolled in a plan (specified in subparagraph (A) or (B), as applicable, of section 1837(i)(3)) or in the first month following such a month, the coverage period shall begin on the first day of the month in which the individual so enrolls (or, at the option of the individual, on the first day of any of the following three months), or

“(2) in any other month of the special enrollment period, the coverage period shall begin on the first day of the month following the month in which the individual so enrolls.”.

(C) The amendments made by subparagraphs (A) and (B) shall take effect on the first day of the first month that begins after the expiration of the 120-day period that begins on the date of the enactment of this Act.

(2) BLEND AMOUNTS FOR AMBULATORY SURGICAL CENTER PAYMENTS.—Subclauses (I) and (II) of section 1833(i)(3)(B)(ii) (42 U.S.C. 1395l(i)(3)(B)(ii)) are each amended—

(A) by striking “for reporting” and inserting “for portions of cost reporting”; and

(B) by striking “and on or before” and inserting “and ending on or before”.

(3) CLINICAL DIAGNOSTIC LABORATORY TESTS (SECTION 4154 OF OBRA-1990).—Section 4154(e)(5) of OBRA-1990 is amended by striking “(1)(A)” and inserting “(1)(A),”.

(4) SEPARATE PAYMENT UNDER PART B FOR CERTAIN SERVICES (SECTION 4157 OF OBRA-1990).—Section 4157(a) of OBRA-1990 is amended by striking “(a) SERVICES OF” and all that follows through “Section” and inserting “(a) TREATMENT OF SERVICES OF CERTAIN HEALTH PRACTITIONERS.—Section”.

(5) CERTIFIED REGISTERED NURSE ANESTHETISTS (SECTION 4160 OF OBRA-1990).—Section 1833(l)(4)(B)(ii)(VII) (42 U.S.C. 1395l(l)(4)(B)(ii)(VII)) is amended by striking “1997” and inserting “1996”.

(6) COMMUNITY HEALTH CENTERS AND RURAL HEALTH CLINICS (SECTION 4161 OF OBRA-1990).—(A) The fourth sentence of section 1861(aa)(2) (42 U.S.C. 1395x(aa)(2)) is amended—

(i) by striking “certification” the first place it appears and inserting “approval”; and

(ii) by striking “the Secretary’s approval or disapproval of the certification” and inserting “Secretary’s approval or disapproval”.

(B) Section 4161(a)(7)(B) of OBRA-1990 is amended by inserting “and to the Committee on Finance of the Senate” after “Representatives”.

(7) SCREENING MAMMOGRAPHY (SECTION 4163 OF OBRA-1990).—Section 4163 of OBRA-1990 is amended—

(A) by adding at the end of subsection (d) the following new paragraph:

“(3) The amendment made by paragraph (2)(A)(iv) shall apply to screening pap smears performed on or after July 1, 1990.”; and

(B) in subsection (e), by striking “The amendments” and inserting “Except as provided in subsection (d)(3), the amendments.”.

(8) INJECTABLE DRUGS FOR TREATMENT OF OSTEOPOROSIS.—

(A) CLARIFICATION OF DRUGS COVERED.—The section 1861(jj) (42 U.S.C. 1395x(jj)) inserted by section 4156(a)(2) of OBRA-1990 is amended—

(i) in the matter preceding paragraph (1), by striking “a bone fracture related to”; and

(i) in paragraph (1), by striking "patient" and inserting "individual has suffered a bone fracture related to post-menopausal osteoporosis and that the individual".

(B) LIMITING COVERAGE TO DRUGS PROVIDED BY HOME HEALTH AGENCIES.—(i) The section 1861(jj) (42 U.S.C. 1395x(jj)) inserted by section 4156(a)(2) of OBRA-1990 is amended by striking "if" and inserting "by a home health agency if".

(ii) Section 1861(m)(5) (42 U.S.C. 1395x(m)(5)) is amended by striking "but excluding" and inserting "and a covered osteoporosis drug (as defined in subsection (kk), but excluding other)".

(iii) Section 1861(s)(2) (42 U.S.C. 1395x(s)(2)) is amended—

(I) by adding "and" at the end of subparagraph (N), and

(II) by striking subparagraph (O) and redesignating subparagraph (P) as subparagraph (O).

(C) PAYMENT BASED ON REASONABLE COST.—Section 1833(a)(2) (42 U.S.C. 1395l(a)(2)) is amended—

(i) in subparagraph (A), by striking "health services" and inserting "health services (other than covered osteoporosis drug (as defined in section 1861(kk)))";

(ii) by striking "and" at the end of subparagraph (D);

(iii) by striking the semicolon at the end and inserting "; and"; and

(iv) by adding at the end the following new subparagraph:

"(F) with respect to covered osteoporosis drug (as defined in section 1861(kk)) furnished by a home health agency, 80 percent of the reasonable cost of such service, as determined under section 1861(v)."

(D) APPLICATION OF PART B DEDUCTIBLE.—Section 1833(b)(2) (42 U.S.C. 1395l(b)(2)) is amended by striking "services" and inserting "services (other than covered osteoporosis drug (as defined in section 1861(kk)))".

(E) COVERED OSTEOPOROSIS DRUG (SECTION 4156 OF OBRA-1990).—Section 1861 (42 U.S.C. 1395x) is amended, in the subsection (j) inserted by section 4156(a)(2) of OBRA-1990, by striking "(jj) The term" and inserting "(kk) The term".

(9) OTHER MISCELLANEOUS AND TECHNICAL CORRECTIONS (SECTION 4164 OF OBRA-1990).—

(A) OWNERSHIP DISCLOSURE REQUIREMENTS.—(i) Section 1124A(a)(2)(A) (42 U.S.C. 1320a-3a(a)(2)(A)) is amended by striking "of the Social Security Act".

(ii) Section 4164(b)(4) of OBRA-1990 is amended by striking "paragraph" and inserting "paragraphs".

(B) DIRECTORY OF UNIQUE PHYSICIAN IDENTIFIER NUMBERS.—Section 4164(c) of OBRA-1990 is amended by striking "publish" and inserting "publish, and shall periodically update,".

(g) EFFECTIVE DATE.—Except as otherwise provided in this section, the amendments made by this section shall take effect as if included in the enactment of OBRA-1990.

Subchapter E—Part B Premium

SEC. 12471. PART B PREMIUM.

Section 1839(e) (42 U.S.C. 1395r(e)) is amended—

(1) in paragraph (1)(A), by inserting "and for each month in 1996 and 1997" after "January 1991", and

(2) in paragraph (2), by striking "1991" and inserting "1998".

SEC. 12472. INCREASE IN MEDICARE PART B PREMIUM FOR INDIVIDUALS WITH HIGH INCOME.

(a) IN GENERAL.—Subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end thereof the following new part:

"PART VIII—MEDICARE PART B PREMIUMS FOR HIGH-INCOME INDIVIDUALS

"Sec. 59B. Medicare part B premium tax.

"SEC. 59B. MEDICARE PART B PREMIUM TAX.

"(a) IMPOSITION OF TAX.—In the case of an individual to whom this section applies for the taxable year, there is hereby imposed (in addition to any other tax imposed by this subtitle) a tax for such taxable year equal to the aggregate of the Medicare part B premium taxes for each of the months during such year that such individual is covered by Medicare part B.

"(b) INDIVIDUALS TO WHOM SECTION APPLIES.—This section shall apply to any individual for any taxable year if—

"(1) such individual is covered under Medicare part B for any month during such year, and

"(2) the modified adjusted gross income of the taxpayer for such taxable year exceeds the threshold amount.

"(c) MEDICARE PART B PREMIUM TAX FOR MONTH.—

"(1) IN GENERAL.—The Medicare part B premium tax for any month is the amount equal to the excess of—

"(A) 150 percent of the monthly actuarial rate for enrollees age 65 and over determined for that calendar year under section 1839(b) of the Social Security Act, over

"(B) the total monthly premium under section 1839 of the Social Security Act (determined without regard to subsections (b) and (f) of section 1839 of such Act).

"(2) PHASE IN OF TAX.—If the modified adjusted gross income of the taxpayer for any taxable year exceeds the threshold amount by less than \$50,000, the Medicare part B premium tax for any month during such taxable year shall be an amount which bears the same ratio to the amount determined under paragraph (1) (without regard to this paragraph) as such excess bears to \$50,000. The preceding sentence shall not apply to any individual whose threshold amount is zero.

"(d) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) THRESHOLD AMOUNT.—The term 'threshold amount' means—

"(A) except as otherwise provided in this paragraph, \$100,000,

"(B) \$125,000 in the case of a joint return, and

"(C) zero in the case of a taxpayer who—

"(i) is married at the close of the taxable year but does not file a joint return for such year, and

"(ii) does not live apart from his spouse at all times during the taxable year.

"(2) MODIFIED ADJUSTED GROSS INCOME.—The term 'modified adjusted gross income' means adjusted gross income—

"(A) determined without regard to sections 135, 911, 931, and 933, and

"(B) increased by the amount of interest received or accrued by the taxpayer during the taxable year which is exempt from tax.

"(3) MEDICARE PART B COVERAGE.—An individual shall be treated as covered under Medicare part B for any month if a premium is paid under part B of title XVIII of the Social Security Act for the coverage of the individual under such part for the month.

"(4) MARRIED INDIVIDUAL.—The determination of whether an individual is married shall be made in accordance with section 7703."

(b) CLERICAL AMENDMENT.—The table of parts for subchapter A of chapter 1 of such Code is amended by adding at the end thereof the following new item:

"Part VIII. Medicare Part B Premiums For High-Income Individuals."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to months after December 1993 in taxable years ending after December 31, 1993.

CHAPTER 3—PROVISIONS RELATING TO PARTS A AND B

Subchapter A—Elimination of Updates

SEC. 12501. ELIMINATION OF COST-OF-LIVING UPDATE IN PER RESIDENT AMOUNTS FOR DIRECT MEDICAL EDUCATION.

Section 1886(h)(2)(D) (42 U.S.C. 1395ww(h)(2)(D)) is amended by inserting "(other than in the case of cost reporting periods beginning during fiscal year 1994 or fiscal year 1995)" after "updated".

SEC. 12502. ELIMINATION OF INFLATION UPDATE IN COST LIMITS FOR HOME HEALTH SERVICES.

The Secretary of Health and Human Services shall not provide for any increase, on the basis of inflation or changes in the cost of goods and services, in the per visit cost limits for home health services under section 1861(v)(1)(L) of the Social Security Act for cost reporting periods beginning during fiscal year 1994 or fiscal year 1995.

Subchapter B—Medicare Secondary Payer Provisions

SEC. 12511. EXTENSION OF TRANSFER OF DATA.

(a) EXTENSION OF DATA MATCH PROGRAM.—

(1) Section 1862(b)(5)(C)(iii) of the Social Security Act (42 U.S.C. 1395y(b)(5)(C)(iii)) is amended by striking "1995" and inserting "1998".

(2) Section 6103(1)(12)(F) of the Internal Revenue Code of 1986 is amended—

(A) in clause (i), by striking "1995" and inserting "1998",

(B) in clause (ii)(I), by striking "1994" and inserting "1997", and

(C) in clause (ii)(II), by striking "1995" and inserting "1998".

(b) SECONDARY PAYER EXEMPTION FOR MEMBERS OF RELIGIOUS ORDERS.—Effective as if included in the enactment of OBRA-1989, section 6202(e)(2) of such Act is amended by adding at the end the following: "Such amendment also shall apply to items and services furnished before such date with respect to secondary payer cases which the Secretary of Health and Human Services had not identified as of such date."

(c) PERMITTING THE USE OF MINIMUM INCOME THRESHOLDS.—

(1) Section 6103(1)(12)(B)(i) of the Internal Revenue Code of 1986 is amended by inserting ", above an amount (if any) specified by the Secretary of Health and Human Services," after "section 3401(a)".

(2) The matter in section 6103(1)(12)(B)(ii) of such Code preceding subclause (I) is amended by inserting ", above an amount (if any) specified by the Secretary of Health and Human Services," after "wages".

(3) The heading to section 6103(1)(12) of such Code is amended by striking "TAXPAYER IDENTITY" and inserting "RETURN".

SEC. 12512. 3-YEAR EXTENSION OF MEDICARE SECONDARY PAYER TO DISABLED BENEFICIARIES.

Section 1862(b)(1)(B)(iii) (42 U.S.C. 1395y(b)(1)(B)(iii)) is amended by striking "1995" and inserting "1998".

SEC. 12513. 3-YEAR EXTENSION OF 18-MONTH RULE FOR ESRD BENEFICIARIES.

Section 1862(b)(1)(C) (42 U.S.C. 1395y(b)(1)(C)) is amended by striking "1996" and inserting "1999".

SEC. 12514. MEDICARE SECONDARY PAYER REFORMS.

(a) IMPROVING IDENTIFICATION OF MEDICARE SECONDARY PAYER SITUATIONS.—

(1) SURVEY OF BENEFICIARIES.—

(A) IN GENERAL.—Section 1862(b)(5) (42 U.S.C. 1395y(b)(5)) is amended by adding at the end the following new subparagraph:

“(D) OBTAINING INFORMATION FROM BENEFICIARIES.—Before an individual applies for benefits under part A or enrolls under part B, the Administrator shall mail the individual a questionnaire to obtain information on whether the individual is covered under a primary plan and the nature of the coverage provided under the plan, including the name, address, and identifying number of the plan.”

(B) DISTRIBUTION OF QUESTIONNAIRE BY CONTRACTOR.—The Secretary of Health and Human Services shall enter into an agreement with an entity not later than November 1, 1993, to distribute the questionnaire described in section 1862(b)(5)(D) of the Social Security Act (as added by subparagraph (A)).

(C) NO MEDICARE SECONDARY PAYER DENIAL BASED ON FAILURE TO COMPLETE QUESTIONNAIRE.—Section 1862(b)(2) (42 U.S.C. 1395y(b)(2)) is amended by adding at the end the following new subparagraph:

“(C) TREATMENT OF QUESTIONNAIRES.—The Secretary may not fail to make payment under subparagraph (A) solely on the ground that an individual failed to complete a questionnaire concerning the existence of a primary plan.”

(2) MANDATORY SCREENING BY PROVIDERS AND SUPPLIERS UNDER PART B.—

(A) IN GENERAL.—Section 1862(b) (42 U.S.C. 1395y(b)) is amended by adding at the end the following new paragraph:

“(6) SCREENING REQUIREMENTS FOR PROVIDERS AND SUPPLIERS.—

“(A) IN GENERAL.—Notwithstanding any other provision of this title, no payment may be made for any item or service furnished under part B unless the entity furnishing such item or service completes (to the best of its knowledge and on the basis of information obtained from the individual to whom the item or service is furnished) the portion of the claim form relating to the availability of other health benefit plans.

“(B) PENALTIES.—An entity that knowingly, willfully, and repeatedly fails to complete a claim form in accordance with subparagraph (A) or provides inaccurate information relating to the availability of other health benefit plans on a claim form under such subparagraph shall be subject to a civil money penalty of not to exceed \$2,000 for each such incident. The provisions of section 1128A (other than subsections (a) and (b)) shall apply to a civil money penalty under the previous sentence in the same manner as such provisions apply to a penalty or proceeding under section 1128A(a).”

(B) EFFECTIVE DATE.—The amendment made by subparagraph (A) shall apply with respect to items and services furnished on or after January 1, 1994.

(b) IMPROVEMENTS IN RECOVERY OF PAYMENTS FROM PRIMARY PAYERS.—

(1) SUBMISSION OF REPORTS ON EFFORTS TO RECOVER ERRONEOUS PAYMENTS.—

(A) FISCAL INTERMEDIARIES UNDER PART A.—Section 1816 (42 U.S.C. 1396h) is amended by adding at the end the following new subsection:

“(k) An agreement with an agency or organization under this section shall require that such agency or organization submit an annual report to the Secretary describing the steps taken to recover payments made for items or services for which payment has been or could be made under a primary plan (as defined in section 1862(b)(2)(A)).”

(B) CARRIERS UNDER PART B.—Section 1842(b)(3) (42 U.S.C. 1395u(b)(3)) is amended—

(i) by striking “and” at the end of subparagraph (H); and

(ii) by inserting after subparagraph (H) the following new subparagraph:

“(I) I will submit annual reports to the Secretary describing the steps taken to recover payments made under this part for items or services for which payment has been or could be made under a primary plan (as defined in section 1862(b)(2)(A)).”

(2) REQUIREMENTS UNDER CARRIER PERFORMANCE EVALUATION PROGRAM.—

(A) FISCAL INTERMEDIARIES UNDER PART A.—Section 1816(f)(1)(A) (42 U.S.C. 1396h(f)(1)(A)) is amended by striking “processing” and inserting “processing (including the agency’s or organization’s success in recovering payments made under this title for services for which payment has been or could be made under a primary plan (as defined in section 1862(b)(2)(A))).”

(B) CARRIERS UNDER PART B.—Section 1842(b)(2) (42 U.S.C. 1395u(b)(2)) is amended by adding at the end the following new subparagraph:

“(D) In addition to any other standards and criteria established by the Secretary for evaluating carrier performance under this paragraph relating to avoiding erroneous payments, the Secretary shall establish standards and criteria relating to the carrier’s success in recovering payments made under this part for items or services for which payment has been or could be made under a primary plan (as defined in section 1862(b)(2)(A)).”

(3) DEADLINE FOR REIMBURSEMENT BY PRIMARY PLANS.—

(A) IN GENERAL.—Section 1862(b)(2)(B)(i) (42 U.S.C. 1395y(b)(2)(B)(i)) is amended by adding at the end the following sentence: “If reimbursement is not made to the appropriate Trust Fund before the expiration of the 60-day period that begins on the date such notice or other information is received, the Secretary may charge interest (beginning with the date on which the notice or other information is received) on the amount of the reimbursement until reimbursement is made (at a rate determined by the Secretary in accordance with regulations of the Secretary of the Treasury applicable to charges for late payments).”

(B) CONFORMING AMENDMENT.—The heading of clause (i) of section 1862(b)(2)(B) is amended to read as follows: “REPAYMENT REQUIRED.—”

(C) EFFECTIVE DATE.—The amendments made by this paragraph shall apply to payments for items and services furnished on or after the date of the enactment of this Act.

(4) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (2) shall apply to contracts with fiscal intermediaries and carriers under title XVIII of the Social Security Act for years beginning with 1994.

(c) APPLICATION OF AGGREGATION RULES.—

(1) WORKING AGED.—Section 1862(b)(1)(A) (42 U.S.C. 1395y(b)(1)(A)) is amended by adding at the end the following new clause:

“(vi) APPLICATION OF AGGREGATION RULES.—All employers treated as a single employer under subsection (a) or (b) of section 52 of the Internal Revenue Code of 1986 shall be treated as a single employer for purposes of this subparagraph.”

(2) DISABLED INDIVIDUALS.—Section 5000(b)(2) of the Internal Revenue Code of 1986 (relating to large group health plans) is amended by adding at the end the following: “All employers treated as a single employer under subsection (a) or (b) of section 52 shall be treated as a single employer for purposes of this paragraph.”

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect 90 days after the date of the enactment of this Act.

(d) APPLICATION OF EXCISE TAX TO FAILURE TO REIMBURSE FEDERAL GOVERNMENT.—

(1) IN GENERAL.—Section 5000(c) of the Internal Revenue Code of 1986 (relating to non-conforming group health plans) is amended by striking “of section 1862(b)(1)” and inserting “of paragraph (1), or with the requirements of paragraph (2), of section 1862(b)”.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to demands for repayment issued after the date of the enactment of this Act.

(e) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—

(1) The sentence in section 1862(b)(1)(C) added by section 4203(c)(1)(B) of OBRA-1990 is amended—

(A) by striking “on or before” and inserting “before”, and

(B) by striking “clauses (i) and (ii)” and inserting “this subparagraph”.

(2) Effective as if included in the enactment of OBRA-1989, section 1862(b)(1) is amended—

(A) in subparagraphs (A)(v) and (B)(iv)(II), by inserting “, without regard to section 5000(d) of such Code” before the period at the end of each subparagraph;

(B) in subparagraph (A)(iii), by striking “current calendar year or the preceding calendar year” and inserting “current calendar year and the preceding calendar year”; and

(C) in the matter in subparagraph (C) after clause (ii), by striking “taking into account that” and inserting “paying benefits secondary to this title when”.

(3) Effective as if included in the enactment of OBRA-1989, section 1862(b)(5)(C)(i) (42 U.S.C. 1395y(b)(5)(C)(i)) is amended by striking “6103(1)(12)(D)(iii)” and inserting “6103(1)(12)(E)(iii)”.

(4) Section 4203(c)(2) of OBRA-1990 is amended—

(A) by striking “the application of clause (iii)” and inserting “the second sentence”;

(B) by striking “on individuals” and all that follows through “section 226A of such Act”;

(C) in clause (ii), by striking “clause” and inserting “sentence”;

(D) in clause (v), by adding “and” at the end; and

(E) in clause (vi)—

(i) by inserting “of such Act” after “1862(b)(1)(C)”, and

(ii) by striking the period at the end and inserting the following: “, without regard to the number of employees covered by such plans.”

(5) Section 4203(d) of OBRA-1990 is amended by striking “this subsection” and inserting “this section”.

(6) Except as provided in paragraphs (2) and (3), the amendments made by this subsection shall be effective as if included in the enactment of OBRA-1990.

Subchapter C—Modification of Provisions Relating to Physician Ownership and Referral

SEC. 12521. MODIFICATION OF PROVISIONS RELATING TO PHYSICIAN OWNERSHIP AND REFERRAL.

(a) MULTIPLE LOCATIONS FOR GROUP PRACTICES.—Section 1877(b)(2)(A)(ii)(II) (42 U.S.C. 1395nn(b)(2)(A)(ii)(II)) is amended by striking “centralized provision” and inserting “provision of some or all”.

(b) TREATMENT OF COMPENSATION ARRANGEMENTS.—

(1) RENTAL OF OFFICE SPACE AND EQUIPMENT.—Paragraph (1) of section 1877(e) (42

U.S.C. 1395nn(e) is amended to read as follows:

"(1) RENTAL OF OFFICE SPACE; RENTAL OF EQUIPMENT.—

"(A) OFFICE SPACE.—Payments made by a lessee to a lessor for the use of premises if—

"(i) the lease is set out in writing, signed by the parties, and specifies the premises covered by the lease,

"(ii) the aggregate space rented or leased is reasonable and necessary for the legitimate business purposes of the lease or rental,

"(iii) the lease provides for a term of rental or lease for at least one year,

"(iv) in the case of a lease that is intended to provide the lessee with access to the premises for periodic intervals of time, rather than on a full-time basis, the lease specifies exactly the schedule of such intervals, their length, and the rent for such intervals,

"(v) the rental charges over the term of the lease are set in advance, are consistent with fair market value, and are not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties,

"(vi) the lease would be commercially reasonable even if no referrals were made between the parties, and

"(vii) the compensation arrangement meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse.

"(B) EQUIPMENT.—Payments made by a lessee of equipment to the lessor of the equipment for the use of the equipment if—

"(i) the lease is set out in writing, signed by the parties, and specifies the equipment covered by the lease,

"(ii) the equipment rented or leased is reasonable and necessary for the legitimate business purposes of the lease or rental,

"(iii) the lease provides for a term of rental or lease of at least one year,

"(iv) in the case of a lease that is intended to provide the lessee with use of the equipment for periodic intervals of time, rather than on a full-time basis, the lease specifies exactly the schedule of such intervals, their length, and the rent for such intervals,

"(v) the rental charges over the term of the lease are set in advance, are consistent with fair market value, and are not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties,

"(vi) the lease would be commercially reasonable even if no referrals were made between the parties, and

"(vii) the compensation arrangement meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse."

(2) BONA FIDE EMPLOYMENT RELATIONSHIPS.—Paragraph (2) of such section is amended—

(A) by striking "WITH HOSPITALS",

(B) by striking "An arrangement" and all that follows through "if" and inserting "Any amount paid by an employer to an employee who has a bona fide employment relationship with the employer for employment, or paid by a hospital pursuant to an arrangement with a physician (or immediate family member) for the provision of administrative services, if",

(C) in subparagraphs (A), (B), and (D), by striking "arrangement" and inserting "employment relationship or arrangement", and

(D) in subparagraph (C), by striking "to the hospital".

(3) ADDITIONAL EXCEPTIONS.—Such section is further amended by adding at the end the following new paragraphs:

"(7) PAYMENTS TO A PHYSICIAN FOR OTHER ITEMS OR SERVICES.—

"(A) IN GENERAL.—Payments made by an entity to a physician (or family member) who is not employed by the entity as compensation for services specified in subparagraph (B), if—

"(i) the compensation agreement is set out in writing and specifies the services to be provided by the parties, the compensation for each unit of service provided under the agreement, and the schedule for the provision of such services,

"(ii) the compensation paid over the term of the agreement is consistent with fair market value and is not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties,

"(iii) the compensation is provided pursuant to an agreement which would be commercially reasonable even if no referrals were made to the entity, and

"(iv) the compensation arrangement meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse.

"(B) SPECIFIED SERVICES.—For purposes of subparagraph (A), the services specified in this subparagraph are any of the following:

"(i) Consultative services that—
 "(I) relate to test results that have been obtained that are outside established parameters, or are specifically requested by the referring physician on a specified patient,

"(II) are furnished by a physician other than the referring physician (or by another physician who is a member of the same group practice), and

"(III) for which the physician furnishes a written report for that patient.

"(ii) Interpretation of tissue pathology or Pap smear slides or the provision of other cytology services.

"(iii) Phlebotomy services for paternity or toxicology testing where the services are furnished by a physician other than the physician referring the individual for such testing (or by another physician who is a member of the same group practice).

"(iv) Employment-related health care services, including a payment by a self-insured employer for services rendered to employee applicants, employees, or their families under the terms of a health benefit plan.

"(v) Services as a clinical consultant to the entity as required for certification of the provider under section 353 of the Public Health Service Act.

"(vi) Services required by local, State, or Federal licensure, accreditation, or other health and safety provisions.

"(vii) Services billed in the name of a group practice provided by a physician under contract to the group practice for services not otherwise available directly through a physician who is a member of the group.

"(8) PAYMENTS BY A PHYSICIAN FOR ITEMS AND SERVICES.—Payments made by a physician—

"(A) to a laboratory in exchange for the provision of clinical laboratory services, or

"(B) to an entity as compensation for other items or services if the items or services are furnished at a price that is consistent with fair market value and are generally available to referrers and non-referrers alike on similar terms and conditions.

"(9) PAYMENTS FOR PATHOLOGY SERVICES OF A GROUP PRACTICE.—Payments made to a group practice for pathology services under an agreement if—

"(A) the agreement is set out in writing and specifies the services to be provided by

the parties and the compensation for services provided under the agreement;

"(B) the compensation paid over the term of the agreement is consistent with fair market value and is not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties;

"(C) the compensation is provided pursuant to an agreement which would be commercially reasonable even if no referrals were made to the entity; and

"(D) the compensation arrangement between the parties meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse."

(c) TREATMENT OF GROUP PRACTICE LABORATORIES.—

(1) USE OF BILLING NUMBERS, ETC.—Section 1877 is amended—

(A) in subsection (b)(2)(B), by inserting "under a billing number assigned to the group practice" after "member",

(B) in subsection (h)(4)(B), by inserting "and under a billing number assigned to the group" after "in the name of the group", and

(C) in subsection (h)(4)(C), by striking "by members of the group".

(2) TREATMENT OF SERVICES UNDER ARRANGEMENTS BETWEEN HOSPITALS AND GROUP PRACTICES.—

(A) IN GENERAL.—Section 1877(h)(4) is amended—

(i) in subparagraph (B) (as amended by paragraph (1)(B)), by inserting "(or are billed in the name of a hospital for which the group provides clinical laboratory services pursuant to an arrangement that meets the requirements of subparagraph (B))" after "assigned to the group";

(ii) by redesignating subparagraphs (A) through (D) as clauses (i) through (iv), respectively;

(iii) by inserting "(A)" after "—"; and

(iv) by adding at the end the following new subparagraph:
 "(B) The requirements of this subparagraph, with respect to an arrangement for clinical laboratory services provided by the laboratory of a group and billed in the name of a hospital, are that—

"(i) with respect to services provided to an inpatient of the hospital, the arrangement is pursuant to the provision of inpatient hospital services under section 1861(b)(3);

"(ii) the arrangement began before December 19, 1989, and has continued in effect without interruption since such date;

"(iii) the laboratory provides substantially all of the clinical laboratory services to the hospital's patients;

"(iv) the arrangement is pursuant to an agreement that is set out in writing and that specifies the services to be provided by the parties and the compensation for services provided under the agreement;

"(v) the compensation paid over the term of the agreement is consistent with fair market value and the compensation per unit of services is fixed in advance and is not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties;

"(vi) the compensation is provided pursuant to an agreement which would be commercially reasonable even if no referrals were made to the entity; and

"(vii) the arrangement between the parties meets such other requirements as the Secretary may impose by regulation as needed to protect against program or patient abuse."

(B) CONFORMING AMENDMENT.—Section 1877(b)(2)(B) is amended by inserting "(or by

a hospital for which such a group practice provides clinical laboratory services pursuant to an arrangement that meets the requirements of subsection (h)(4)(B)" after "by a group practice of which such physician is a member".

(3) TREATMENT OF CERTAIN FACULTY PRACTICE PLANS.—The last sentence of section 1877(h)(4)(A), as redesignated by paragraph (1)(A), is amended by inserting "institution of higher education, or medical school" after "hospital".

(d) EXPANDING RURAL PROVIDER EXCEPTION TO COVER COMPENSATION ARRANGEMENTS.—

(1) IN GENERAL.—Section 1877(b) is further amended—

(A) by redesignating paragraph (5) as paragraph (7), and

(B) by inserting after paragraph (4) the following new paragraph:

"(5) RURAL PROVIDERS.—In the case of clinical laboratory services if—

"(A) the laboratory furnishing the services is in a rural area (as defined in section 1886(d)(2)(D)), and

"(B) substantially all of the services furnished by the laboratory to individuals entitled to benefits under this title are furnished to such individuals who reside in such a rural area.".

(2) CONFORMING AMENDMENTS.—Section 1877(d) is amended—

(A) by striking paragraph (2), and

(B) by redesignating paragraph (3) as paragraph (2).

(e) EXCEPTION FOR SHARED FACILITY SERVICES.—

(1) IN GENERAL.—Section 1877 is amended—

(A) in subsection (b), as amended by subsection (d)(1), by inserting after paragraph (5) the following new paragraph:

"(6) SHARED FACILITY SERVICES.—

"(A) IN GENERAL.—In the case of shared facility services of a shared facility—

"(i) that are furnished—

"(I) personally by the referring physician who is a shared facility physician or personally by an individual supervised by such a physician or by another shared facility physician and employed under the shared facility arrangement,

"(II) by a shared facility in a building in which the referring physician furnishes physician's services unrelated to the furnishing of shared facility services, and

"(III) to a patient of a shared facility physician; and

"(ii) that are billed by the referring physician or by an entity that is wholly owned by such physician.

"(B) LIMITATION.—The exception under this paragraph shall only apply to a shared facility only if the facility and the shared facility arrangement were established as of June 26, 1992."; and

(B) in subsection (h), by adding at the end the following new paragraph:

"(8) SHARED FACILITY RELATED DEFINITIONS.—

"(A) SHARED FACILITY SERVICES.—The term 'shared facility services' means, with respect to a shared facility, clinical laboratory services furnished by the facility to patients of shared facility physicians.

"(B) SHARED FACILITY.—The term 'shared facility' means an entity that furnishes shared facility services under a shared facility arrangement.

"(C) SHARED FACILITY PHYSICIAN.—The term 'shared facility physician' means, with respect to a shared facility, a physician who has a financial relationship under a shared facility arrangement with the facility.

"(D) SHARED FACILITY ARRANGEMENT.—The term 'shared facility arrangement' means,

with respect to the provision of shared facility services in a building, a financial arrangement—

"(i) which is only between physicians who are providing services (unrelated to shared facility services) in the same building,

"(ii) in which the overhead expenses of the facility are shared, in accordance with methods previously determined by the physicians in the arrangement, among the physicians in the arrangement, and

"(iii) which, in the case of a corporation, is wholly owned and controlled by shared facility physicians.".

(2) GAO STUDY OF SHARED FACILITY ARRANGEMENTS.—

(A) IN GENERAL.—The Comptroller General shall analyze the effect on the utilization of health services of shared facility arrangements for which an exception is provided under the amendments made by paragraph (1). The analysis shall include a review of the effect of the limitation, described in section 1877(b)(6)(B) of the Social Security Act (as added by paragraph (1)), with respect to such exception and on the availability of services (including hematology services).

(B) REPORT.—Not later than January 1, 1994, the Comptroller General shall submit a report to Congress on the analysis conducted under subparagraph (A). The report shall include recommendations with respect to changing the limitation.

(f) EXEMPTION OF COMPENSATION ARRANGEMENTS INVOLVING CERTAIN TYPES OF REMUNERATION.—Section 1877(h)(1) (42 U.S.C. 1395nn(h)(1)) is amended—

(1) by striking subparagraph (B);

(2) in subparagraph (A), by inserting before the period the following: "(other than an arrangement involving only remuneration described in subparagraph (B))"; and

(3) by adding at the end the following new subparagraph:

"(B) Remuneration described in this subparagraph is any remuneration consisting of any of the following:

"(i) The forgiveness of amounts owed for inaccurate tests, mistakenly performed tests, or the correction of minor billing errors.

"(ii) The provision of items, devices, or supplies of minor value that are used to—

"(I) collect, transport, process, or store specimens for the entity providing the item, device, or supply, or

"(II) communicate the results of tests for such entity.

"(iii) The furnishing by an entity of laboratory services to a group practice affiliated with the entity, if the entity provides all or substantially all of the clinical laboratory services of the group practice.".

(g) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—Section 1877 (42 U.S.C. 1395nn) is amended—

(1) in the fourth sentence of subsection (f)—

(A) by striking "provided" and inserting "furnished", and

(B) by striking "provides" and inserting "furnish";

(2) in the fifth sentence of subsection (f)—

(A) by striking "providing" each place it appears and inserting "furnishing",

(B) by striking "with respect to the providers" and inserting "with respect to the entities", and

(C) by striking "diagnostic imaging services of any type" and inserting "magnetic resonance imaging, computerized axial tomography scans, and ultrasound services"; and

(3) in subsection (a)(2)(B), by striking "subsection (h)(1)(A)" and inserting "subsection (h)(1)".

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to referrals made on or after January 1, 1992.

Subchapter D—Other Provisions

SEC. 12531. DIRECT GRADUATE MEDICAL EDUCATION.

(a) ADJUSTMENT IN GME BASE-YEAR COSTS OF FEDERAL INSURANCE CONTRIBUTIONS ACT.—

(1) IN GENERAL.—In determining the amount of payment to be made under section 1886(h) of the Social Security Act in the case of a hospital described in paragraph (2) for cost reporting periods beginning on or after October 1, 1992, the Secretary of Health and Human Services shall redetermine the approved FTE resident amount to reflect the amount that would have been paid the hospital if, during the hospital's base cost reporting period, the hospital had been liable for FICA taxes or for contributions to the retirement system of a State, a political subdivision of a State, or an instrumentality of such a State or political subdivision with respect to interns and residents in its medical residency training program.

(2) HOSPITALS AFFECTED.—A hospital described in this paragraph is a hospital that did not pay FICA taxes with respect to interns and residents in its medical residency training program during the hospital's base cost reporting period, but is required to pay FICA taxes or make contributions to a retirement system described in paragraph (1) with respect to such interns and residents because of the amendments made by section 11332(b) of OBRA-1990.

(3) DEFINITIONS.—In this subsection:

(A) The "base cost reporting period" for a hospital is the hospital's cost reporting period that began during fiscal year 1984.

(B) The term "FICA taxes" means, with respect to a hospital, the taxes under section 3111 of the Internal Revenue Code of 1986.

(b) PUBLICLY-FUNDED FAMILY PRACTICE RESIDENCY PROGRAMS.—

(1) IN GENERAL.—Section 1886(h)(5) (42 U.S.C. 1395ww(h)(5)) is amended by adding at the end the following new subparagraph:

"(I) ADJUSTMENTS FOR CERTAIN FAMILY PRACTICE RESIDENCY PROGRAMS.—

"(i) IN GENERAL.—In the case of an approved medical residency training program (meeting the requirements of clause (ii)) of a hospital which received payments from the United States, a State, or a political subdivision of a State or an instrumentality of such a State or political subdivision (other than payments under this title or a State plan under title XIX) for the program during the cost reporting period that began during fiscal year 1984, the Secretary shall—

"(I) provide for an average amount under paragraph (2)(A) that takes into account the Secretary's estimate of the amount that would have been recognized as reasonable under this title if the hospital had not received such payments, and

"(II) reduce the payment amount otherwise provided under this subsection in an amount equal to the proportion of such program payments during the cost reporting period involved that is allocable to this title.

"(ii) ADDITIONAL REQUIREMENTS.—A hospital's approved medical residency program meets the requirements of this clause if—

"(I) the program is limited to training for family and community medicine;

"(II) the program is the only approved medical residency program of the hospital; and

"(III) the average amount determined under paragraph (2)(A) for the hospital (as

determined without regard to the increase in such amount described in clause (i)(I) does not exceed \$10,000."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to payments under section 1886(h) of the Social Security Act for cost reporting periods beginning on or after October 1, 1990.

(c) PREVENTIVE CARE RESIDENCIES.—

(1) ELIGIBILITY OF PREVENTIVE CARE RESIDENCY PROGRAMS FOR EXPANDED INITIAL RESIDENCY PERIODS.—Section 1886(h)(5)(F)(ii) (42 U.S.C. 1395ww(h)(5)(F)(ii)) is amended by inserting after "fellowship program" the following: "or a preventive care residency or fellowship program".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to cost reporting periods beginning on or after October 1, 1993.

SEC. 12532. IMMUNOSUPPRESSIVE DRUG THERAPY.

Section 1861(s)(2)(J) (42 U.S.C. 1395x(s)(2)(J)) is amended by striking "title, within" and all that follows and inserting the following: "title, but only in the case of drugs furnished—

"(i) before 1994, within 12 months after the date of the transplant procedure,

"(ii) during 1994, within 18 months after the date of the transplant procedure,

"(iii) during 1995, within 24 months after the date of the transplant procedure,

"(iv) during 1996, within 30 months after the date of the transplant procedure, and

"(v) during any year after 1997, within 36 months after the date of the transplant procedure;"

SEC. 12533. REDUCTION IN PAYMENTS FOR ERYTHROPOIETIN.

(a) IN GENERAL.—Section 1881(b)(11)(B)(ii)(I) (42 U.S.C. 1395rr(b)(11)(B)(ii)(I)) is amended—

(1) by striking "1991" and inserting "1994"; and

(2) by striking "\$11" and inserting "\$10".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to erythropoietin furnished on or after January 1, 1994.

SEC. 12534. QUALIFIED MEDICARE BENEFICIARY OUTREACH.

The Secretary of Health and Human Services shall establish and implement a method for obtaining information from newly eligible medicare beneficiaries that may be used to determine whether such beneficiaries may be eligible for medical assistance for medicare cost-sharing under State medicaid plans as qualified medicare beneficiaries, and for transmitting such information to the State in which such a beneficiary resides.

SEC. 12535. EXTENSION OF SOCIAL HEALTH MAINTENANCE ORGANIZATION DEMONSTRATIONS.

(a) EXTENSION OF CURRENT WAIVERS.—Section 4018(b) of OBRA-1987, as amended by section 4207(b)(4)(B) of OBRA-1990, is amended—

(1) in paragraph (1) by striking "December 31, 1995" and inserting "December 31, 1997"; and

(2) in paragraph (4) by striking "March 31, 1996" and inserting "March 31, 1998".

(b) EXPANSION OF DEMONSTRATIONS.—Section 2355 of the Deficit Reduction Act of 1984 is amended—

(1) in the last sentence of subsection (a) by striking "12 months" and inserting "36 months"; and

(2) in subsection (b)(1)(B)—

(A) by striking "or" at the end of clause (iii); and

(B) by redesignating clause (iv) as clause (v) and inserting after clause (iii) the following new clause:

"(iv) integrating acute and chronic care management for patients with end-stage renal disease through expanded community care case management services (and for purposes of a demonstration project conducted under this clause, any requirement under a waiver granted under this section that a project disenroll individuals who develop end-stage renal disease shall not apply); or"

(c) EXPANSION OF NUMBER OF MEMBERS PER SITE.—The Secretary of Health and Human Services may not impose a limit of less than 12,000 on the number of individuals that may participate in a project conducted under section 2355 of the Deficit Reduction Act of 1984.

(d) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—

(1) The section following section 4206 of OBRA-1990 is amended by striking "SEC. 4027." and inserting "Sec. 4207.", and in this subtitle is referred to as section 4207 of OBRA-1990.

(2) Section 2355(b)(1)(B) of the Deficit Reduction Act of 1984, as amended by section 4207(b)(4)(B)(ii) of OBRA-1990, is amended—

(A) by striking "12907(c)(4)(A)" and inserting "4207(b)(4)(B)(i)", and

(B) by striking "feasibility" and inserting "feasibility".

(3) Section 4207(b)(4)(B)(iii)(III) of OBRA-1990 is amended by striking the period at the end and inserting a semicolon.

(4) Subsections (c)(3) and (e) of section 2355 of the Deficit Reduction Act of 1984, as amended by section 4207(b)(4)(B) of OBRA-1990, are each amended by striking "12907(c)(4)(A)" each place it appears and inserting "4207(b)(4)(B)".

(5) Section 4207(c)(2) of OBRA-1990 is amended by striking "the Committee on Ways and Means" each place it appears and inserting "the Committees on Ways and Means and Energy and Commerce".

(6) Section 4207(d) of OBRA-1990 is amended by redesignating the second paragraph (3) (relating to effective date) as paragraph (4).

(7) Section 4207(i)(2) of OBRA-1990 is amended—

(A) by striking the period at the end of clause (iii) and inserting a semicolon, and

(B) in clause (v), by striking "residents" and inserting "patients".

(8) Section 4207(j) of OBRA-1990 is amended by striking "title" each place it appears and inserting "subtitle".

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the enactment of OBRA-90.

SEC. 12536. HOSPICE NOTIFICATION TO HOME HEALTH BENEFICIARIES.

(a) IN GENERAL.—Section 1891(a)(1) (42 U.S.C. 1395bbb(a)(1)) is amended by adding at the end the following new subparagraph:

"(H) The right, in the case of a resident who is entitled to benefits under this title, to be fully informed orally and in writing (at the time of coming under the care of the agency) of the entitlement of individuals to hospice care under section 1812(a)(4) (unless there is no hospice program providing hospice care for which payment may be made under this title within the geographic area of the facility and it is not the common practice of the agency to refer patients to hospice programs located outside such geographic area)."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to services furnished on or after the first day of the first month beginning more than one year after the date of the enactment of this Act.

SEC. 12537. INTEREST PAYMENTS.

(a) IN GENERAL.—Sections 1816(c)(2)(B)(ii)(IV) and 1842(c)(2)(B)(ii)(IV) of the Social Security Act shall be applied with respect to claims received in the 12-month period beginning October 1, 1992, by substituting "30 calendar days" for "24 calendar days" and "17 calendar days".

(b) EFFECTIVE DATE.—Subsection (a) shall be in effect during the period that begins on the date of the enactment of this Act and ends on September 30, 1993.

SEC. 12538. PEER REVIEW ORGANIZATIONS.

(a) REPEAL OF PRO PRECERTIFICATION REQUIREMENT FOR CERTAIN SURGICAL PROCEDURES.—

(1) IN GENERAL.—Section 1164 (42 U.S.C. 1320c-13) is repealed.

(2) CONFORMING AMENDMENTS.—

(A) Section 1154 (42 U.S.C. 1320c-3) is amended—

(i) in subsection (a), by striking paragraph (12), and

(ii) in subsection (d), by striking "(and except as provided in section 1164)".

(B) Section 1833 (42 U.S.C. 1395l) is amended—

(i) in subsection (a)(1)(D)(i), by striking ", or for tests furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion)";

(ii) in subsection (a)(1), by striking clause (G);

(iii) in subsection (a)(2)(A), by striking ", to items and services (other than clinical diagnostic laboratory tests) furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion)";

(iv) in subsection (a)(2)(D)(i)—

(I) by striking "basis," and inserting "basis or", and

(II) by striking ", or for tests furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion)";

(v) in subsection (a)(3), by striking "and for items and services furnished in connection with obtaining a second opinion required under section 1164(c)(2), or a third opinion, if the second opinion was in disagreement with the first opinion"; and

(vi) in the first sentence of subsection (b), by striking "(4)" and all that follows through "and (5)" and inserting and (4)".

(C) Section 1834(g)(1)(B) (42 U.S.C. 1395m(g)(1)(B)) is amended by striking "and for items and services furnished in connection with obtaining a second opinion required under section 1164(c)(2), or a third opinion, if the second opinion was in disagreement with the first opinion".

(D) Section 1862(a) (42 U.S.C. 1395y(a)) is amended—

(i) by adding "or" at the end of paragraph (14),

(ii) by striking "; or" at the end of paragraph (15) and inserting a period, and

(iii) by striking paragraph (16).

(E) The third sentence of section 1866(a)(2)(A) (42 U.S.C. 1395w(a)(2)(A)) is amended by striking ", with respect to items and services furnished in connection with obtaining a second opinion required under section 1164(c)(2) (or a third opinion, if the second opinion was in disagreement with the first opinion)".

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to services provided on or after the date of the enactment of this Act.

(b) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—(1) The third sentence of section 1156(b)(1) (42 U.S.C. 1320c-5(b)(1)) is amended by striking "whether" and inserting "whether".

(2) Section 1154(a)(9)(B) (42 U.S.C. 1320c-3(a)(9)(B)) is amended by striking "this subsection" and inserting "section 1156(a)".

(3) Section 4205(d)(2)(B) of OBRA-1990 is amended by striking "amendments" and inserting "amendment".

(4) Section 1160(d) (42 U.S.C. 1320c-9(d)) is amended by striking "subpena" and inserting "subpoena".

(5) Section 4205(e)(2) of OBRA-1990 is amended by striking "amendments" and inserting "amendment" and by striking "all".

(6)(A) Except as provided in subparagraph (B), the amendments made by this subsection shall take effect as if included in the enactment of OBRA-1990.

(B) The amendment made by paragraph (2) (relating to the requirement on reporting of information to State licensing boards) shall take effect on the date of the enactment of this Act.

SEC. 12539. HEALTH MAINTENANCE ORGANIZATIONS.

(a) ADJUSTMENT IN MEDICARE CAPITATION PAYMENTS TO ACCOUNT FOR REGIONAL VARIATIONS IN APPLICATION OF SECONDARY PAYER PROVISIONS.—

(1) IN GENERAL.—Section 1876(a)(4) (42 U.S.C. 1395mm(a)(4)) is amended by adding at the end the following new sentence: "In establishing the adjusted average per capita cost for a geographic area, the Secretary shall take into account the differences between the proportion of individuals in the area with respect to whom there is a group health plan that is a primary plan (within the meaning of section 1862(b)(2)(A)) compared to the proportion of all such individuals with respect to whom there is such a group health plan."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to contracts entered into for years beginning with 1994.

(b) REVISIONS IN THE PAYMENT METHODOLOGY FOR RISK CONTRACTORS.—Section 4204(b) of OBRA-1990 is amended to read as follows:

"(b) REVISIONS IN THE PAYMENT METHODOLOGY FOR RISK CONTRACTORS.—(1)(A) Not later than October 1, 1993, the Secretary of Health and Human Services (in this subsection referred to as the "Secretary") shall submit a proposal to the Congress that provides for revisions to the payment method to be applied in years beginning with 1995 for organizations with a risk-sharing contract under section 1876(g) of the Social Security Act.

"(B) In proposing the revisions required under subparagraph (A) the Secretary shall consider—

"(i) the difference in costs associated with medicare beneficiaries with differing health status and demographic characteristics; and

"(ii) the effects of using alternative geographic classifications on the determinations of costs associated with beneficiaries residing in different areas.

"(2) Not later than 3 months after the date of submittal of the proposal under paragraph (1), the Comptroller General shall review the proposal and shall report to Congress on the appropriateness of the proposed modifications."

(c) MISCELLANEOUS AND TECHNICAL CORRECTIONS.—(1) Section 1876(a)(3) (42 U.S.C. 1395mm(a)(3)) is amended by striking "subsection (c)(7)" and inserting "subsections (c)(2)(B)(ii) and (c)(7)".

(2) Section 4204(c)(3) of OBRA-1990 is amended by striking "for 1991" and inserting "for years beginning with 1991".

(3) Section 4204(d)(2) of OBRA-1990 is amended by striking "amendment" and inserting "amendments".

(4) Section 1876(a)(1)(E)(ii)(I) (42 U.S.C. 1395mm(a)(1)(E)(ii)(I)) is amended by striking the comma after "contributed to".

(5) Section 4204(e)(2) of OBRA-1990 is amended by striking "(which has a risk-sharing contract under section 1876 of the Social Security Act)".

(6) Section 4204(f)(4) of OBRA-1990 is amended by striking "final".

(7) Section 1862(b)(3)(C) (42 U.S.C. 1395y(b)(3)(C)) is amended—

(A) in the heading, by striking "PLAN" and inserting "PLAN OR A LARGE GROUP HEALTH PLAN";

(B) by striking "group health plan" and inserting "group health plan or a large group health plan";

(C) by striking " , unless such incentive is also offered to all individuals who are eligible for coverage under the plan"; and

(D) by striking "the first sentence of subsection (a) and other than subsection (b)" and inserting "subsections (a) and (b)".

(8) The amendments made by this subsection shall take effect as if included in the enactment of OBRA-1990.

SEC. 12540. MEDICARE ADMINISTRATION BUDGET PROCESS.

(a) ADJUSTMENTS.—Section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and by inserting after subparagraph (D) the following new subparagraph:

"(E) MEDICARE ADMINISTRATIVE COSTS.—To the extent that appropriations are enacted that provide additional new budget authority (as compared with a base level of \$1,526,000,000 for new budget authority) for the administration of the Medicare program by fiscal intermediaries and carriers pursuant to sections 1816 and 1842(a) of title XVIII of the Social Security Act, the adjustment for that year shall be that amount, but shall not exceed—

"(i) for fiscal year 1994, \$198,000,000 in new budget authority and \$198,000,000 in outlays; and

"(ii) for fiscal year 1995, \$220,000,000 in new budget authority and \$220,000,000 in outlays; and the prior-year outlays resulting from these appropriations of budget authority and additional adjustments equal to the sum of the maximum adjustments that could have been made in preceding fiscal years under this subparagraph."

(b) CONFORMING AMENDMENTS.—

(1) Section 603(a) of the Congressional Budget Act of 1974 is amended by striking "section 251(b)(2)(E)(i)" and inserting "section 251(b)(2)(F)(i)".

(2) Section 606(d) of the Congressional Budget Act of 1974 is amended—

(A) in paragraph (1)(A) by striking "section 251(b)(2)(E)(i)" and inserting "section 251(b)(2)(F)(i)"; and

(B) in paragraph (2), by inserting "251(b)(2)(E)," after "251(b)(2)(D),".

SEC. 12541. OTHER PROVISIONS.

(a) SURVEY AND CERTIFICATION REQUIREMENTS.—(1) Section 1864 (42 U.S.C. 1395aa) is amended—

(A) in subsection (e), by striking "title" and inserting "title (other than any fee relating to section 353 of the Public Health Service Act)"; and

(B) in the first sentence of subsection (a), by striking "1861(s) or" and all that follows through "Service Act," and inserting "1861(s),".

(2) An agreement made by the Secretary of Health and Human Services with a State under section 1864(a) of the Social Security Act may include an agreement that the services of the State health agency or other appropriate State agency (or the appropriate local agencies) will be utilized by the Secretary for the purpose of determining whether a laboratory meets the requirements of section 353 of the Public Health Service Act.

(b) HOME DIALYSIS DEMONSTRATION TECHNICAL CORRECTION.—Section 4202 of OBRA-1990 is amended—

(1) in subsection (b)(1)(A), by striking "home hemodialysis staff assistant" and inserting "qualified home hemodialysis staff assistant (as described in subsection (d))";

(2) in subsection (b)(2)(B)(ii)(I), by striking "(as adjusted to reflect differences in area wage levels);

(3) in subsection (c)(1)(A), by striking "skilled"; and

(4) in subsection (c)(1)(E), by striking "(b)(4)" and inserting "(b)(2)".

(c) OTHER TECHNICAL AMENDMENTS.—(1) Section 1833 (42 U.S.C. 1395l) is amended by redesignating the subsection (r) added by section 4206(b)(2) of OBRA-1990 as subsection (s).

(2) Section 1866(f)(1) (42 U.S.C. 1395cc(f)(1)) is amended by striking "1833(r)" and inserting "1833(s)".

(3) Section 1861(s)(2) (42 U.S.C. 1395x(s)(2)) is amended by moving subparagraph (O), as redesignated by section 12479(f)(8)(B)(iii)(II) of this title, two ems to the left.

(4) Section 1881(b)(1)(C) (42 U.S.C. 1395rr(b)(1)(C)) is amended by striking "1861(s)(2)(Q)" and inserting "1861(s)(2)(P)".

(5) Section 4201(d)(2) of OBRA-1990 is amended by striking "(B) by striking", "(C) by striking", and "(3) by adding" and inserting "(i) by striking", "(ii) by striking", and "(B) by adding", respectively.

(6)(A) Section 4207(a)(1) of OBRA-1990 is amended by adding closing quotation marks and a period after "such review".

(B) Section 4207(a)(4) of OBRA-1990 is amended by striking "this subsection" and inserting "paragraphs (2) and (3)".

(C) Section 4207(b)(1) of OBRA-1990 is amended by striking "section 3(7)" and inserting "section 601(a)(1)".

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the enactment of OBRA-1990.

CHAPTER 4—MEDICARE SUPPLEMENTAL INSURANCE POLICIES

SEC. 12551. STANDARDS FOR MEDICARE SUPPLEMENTAL INSURANCE POLICIES.

(a) SIMPLIFICATION OF MEDICARE SUPPLEMENTAL POLICIES.—

(1) Section 4351 of OBRA-1990 is amended by striking "(a) IN GENERAL.—".

(2) Section 1882(p) (42 U.S.C. 1395ss(p)) is amended—

(A) in paragraph (1)(A)—

(i) by striking "promulgates" and inserting "changes the revised NAIC Model Regulation (described in subsection (m)) to incorporate";

(ii) by striking "(such limitations, language, definitions, format, and standards referred to collectively in this subsection as 'NAIC standards')"; and

(iii) by striking "included a reference to the NAIC standards" and inserting "were a reference to the revised NAIC Model Regulation as changed under this subparagraph (such changed regulation referred to in this section as the '1991 NAIC Model Regulation')";

(B) in paragraph (1)(B)—

(i) by striking "promulgate NAIC standards" and inserting "make the changes in the revised NAIC Model Regulation";

(ii) by striking "limitations, language, definitions, format, and standards described in clauses (i) through (iv) of such subparagraph (in this subsection referred to collectively as "Federal standards")" and inserting "a regulation", and

(iii) by striking "included a reference to the Federal standards" and inserting "were a reference to the revised NAIC Model Regulation as changed by the Secretary under this subparagraph (such changed regulation referred to in this section as the '1991 Federal Regulation')";

(C) in paragraph (1)(C)(i), by striking "NAIC standards or the Federal standards" and inserting "1991 NAIC Model Regulation or 1991 Federal Regulation";

(D) in paragraphs (1)(C)(ii)(I), (1)(E), (2), and (9)(B), by striking "NAIC or Federal standards" and inserting "1991 NAIC Model Regulation or 1991 Federal Regulation";

(E) in paragraph (2)(C), by striking "(5)(B)" and inserting "(4)(B)";

(F) in paragraph (4)(A)(i), by inserting "or paragraph (6)" after "(B)";

(G) in paragraph (4), by striking "applicable standards" each place it appears and inserting "applicable 1991 NAIC Model Regulation or 1991 Federal Regulation";

(H) in paragraph (6), by striking "in regard to the limitation of benefits described in paragraph (4)" and inserting "described in clauses (i) through (iii) of paragraph (1)(A)";

(I) in paragraph (7), by striking "policyholder" and inserting "policyholders";

(J) in paragraph (8), by striking "after the effective date of the NAIC or Federal standards with respect to the policy, in violation of the previous requirements of this subsection" and inserting "on and after the effective date specified in paragraph (1)(C) (but subject to paragraph (10)), in violation of the applicable 1991 NAIC Model Regulation or 1991 Federal Regulation insofar as such regulation relates to the requirements of subsection (o) or (q) or clause (i), (ii), or (iii) of paragraph (1)(A)";

(K) in paragraph (9), by adding at the end the following new subparagraph:

"(D) Subject to paragraph (10), this paragraph shall apply to sales of policies occurring on or after the effective date specified in paragraph (1)(C)."; and

(L) in paragraph (10), by striking "this subsection" and inserting "paragraph (1)(A)(i)".

(b) GUARANTEED RENEWABILITY.—Section 1882(q) (42 U.S.C. 1395ss(q)) is amended—

(1) in paragraph (2), by striking "paragraph (2)" and inserting "paragraph (4)", and

(2) in paragraph (4), by striking "the succeeding issuer" and inserting "issuer of the replacement policy".

(c) ENFORCEMENT OF STANDARDS.—

(1) Section 1882(a)(2) (42 U.S.C. 1395ss(a)(2)) is amended—

(A) in subparagraph (A), by striking "NAIC standards or the Federal standards" and inserting "1991 NAIC Model Regulation or 1991 Federal Regulation", and

(B) by striking "after the effective date of the NAIC or Federal standards with respect to the policy" and inserting "on and after the effective date specified in subsection (p)(1)(C)".

(2) The sentence in section 1882(b)(1) added by section 4353(c)(5) of OBRA-1990 is amended—

(A) by striking "The report" and inserting "Each report",

(B) by inserting "and requirements" after "standards",

(C) by striking "and" after "compliance", and

(D) by striking the comma after "Commissioners".

(3) Section 1882(g)(2)(B) (42 U.S.C. 1395ss(g)(2)(B)) is amended by striking "Panel" and inserting "Secretary".

(4) Section 1882(b)(1) (42 U.S.C. 1395ss(b)(1)) is amended by striking "the Secretary" and inserting "the Secretary".

(d) PREVENTING DUPLICATION.—

(1) Section 1882(d)(3)(A) (42 U.S.C. 1395ss(d)(3)(A)) is amended—

(A) by amending the first sentence to read as follows:

"(i) It is unlawful for a person to sell or issue to an individual entitled to benefits under part A or enrolled under part B of this title—

"(I) a health insurance policy with knowledge that the policy duplicates health benefits to which the individual is otherwise entitled under this title or title XIX,

"(II) a medicare supplemental policy with knowledge that the individual is entitled to benefits under another medicare supplemental policy, or

"(III) a health insurance policy (other than a medicare supplemental policy) with knowledge that the policy duplicates health benefits to which the individual is otherwise entitled, other than benefits to which the individual is entitled under a requirement of State or Federal law.";

(B) by designating the second sentence as clause (ii) and, in such clause, by striking "the previous sentence" and inserting "clause (i)";

(C) by designating the third sentence as clause (iii) and, in such clause—

(i) by striking "the previous sentence" and inserting "clause (i) with respect to the sale of a medicare supplemental policy", and

(ii) by striking "and the statement" and all that follows up to the period at the end; and

(D) by striking the last sentence.

(2) Section 1882(d)(3)(B) (42 U.S.C. 1395ss(d)(3)(B)) is amended—

(A) in clause (ii)(I), by striking "65 years of age or older",

(B) in clause (iii)(I), by striking "another medicare" and inserting "a medicare",

(C) in clause (iii)(I), by striking "such a policy" and inserting "a medicare supplemental policy",

(D) in clause (iii)(II), by striking "another policy" and inserting "a medicare supplemental policy", and

(E) by amending subclause (III) of clause (iii) to read as follows:

"(III) If the statement required by clause (i) is obtained and indicates that the individual is entitled to any medical assistance under title XIX, the sale of the policy is not in violation of clause (i) (insofar as such clause relates to such medical assistance), if a State medicaid plan under such title pays the premiums for the policy, or, in the case of a qualified medicare beneficiary described in section 1905(p)(1), if the State pays less than the full amount of medicare cost-sharing as described in subparagraphs (B), (C), and (D) of section 1905(p)(3) for such individual."

(3)(A) Section 1882(d)(3)(C) (42 U.S.C. 1395ss(d)(3)(C)) is amended—

(i) by striking "the selling" and inserting "(i) the sale or issuance", and

(ii) by inserting before the period at the end the following: ", (ii) the sale or issuance of a policy or plan described in subparagraph (A)(i)(I) (other than a medicare supplemental policy to an individual entitled to any medical assistance under title XIX) under which all the benefits are fully payable directly to or on behalf of the individual without regard to other health benefit coverage of the indi-

vidual but only if (for policies sold or issued more than 60 days after the date the statements are published or promulgated under subparagraph (D)) there is disclosed in a prominent manner as part of (or together with) the application the applicable statement (specified under subparagraph (D)) of the extent to which benefits payable under the policy or plan duplicate benefits under this title, or (iii) the sale or issuance of a policy or plan described in subparagraph (A)(i)(III) under which all the benefits are fully payable directly to or on behalf of the individual without regard to other health benefit coverage of the individual".

(B) Section 1882(d)(3) (42 U.S.C. 1395ss(d)(3)) is amended by adding at the end the following:

"(D)(i) If—

"(I) within the 90-day period beginning on the date of the enactment of this subparagraph, the National Association of Insurance Commissioners develops (after consultation with consumer and insurance industry representatives) and submits to the Secretary a statement for each of the types of health insurance policies (other than medicare supplemental policies and including, as separate types of policies, policies paying directly to the beneficiary fixed, cash benefits) which are sold to persons entitled to health benefits under this title, of the extent to which benefits payable under the policy or plan duplicate benefits under this title, and

"(II) the Secretary approves all the statements submitted as meeting the requirements of subclause (I), each such statement shall be (for purposes of subparagraph (C)) the statement specified under this subparagraph for the type of policy involved. The Secretary shall review and approve (or disapprove) all the statements submitted under subclause (I) within 30 days after the date of their submittal. Upon approval of such statements, the Secretary shall publish such statements.

"(if) If the Secretary does not approve the statements under clause (i) or the statements are not submitted within the 90-day period specified in such clause, the Secretary shall promulgate (after consultation with consumer and insurance industry representatives and not later than 90 days after the date of disapproval or the end of such 90-day period (as the case may be)) a statement for each of the types of health insurance policies (other than medicare supplemental policies and including, as separate types of policies, policies paying directly to the beneficiary fixed, cash benefits) which are sold to persons entitled to health benefits under this title, of the extent to which benefits payable under the policy or plan duplicate benefits under this title, and each such statement shall be (for purposes of subparagraph (C)) the statement specified under this subparagraph for the type of policy involved."

(C) The requirement of a disclosure under section 1882(d)(3)(C)(ii) of the Social Security Act shall not apply to an application made for a policy or plan before 60 days after the date of the Secretary of Health and Human Services publishes or promulgates all the statements under section 1882(d)(3)(D) of such Act.

(4) Subparagraphs (A) and (B) of section 1882(q)(5)(A) are amended by striking "of the Social Security Act".

(5) The second subsection (b) of section 4354 of OBRA-1990 (relating to effective date) is amended by redesignating such subsection as subsection (c).

(e) LOSS RATIOS AND REFUNDS OF PREMIUMS.—

(l) Section 1882(r) (42 U.S.C. 1395ss(r)) is amended—

(A) in paragraph (1), by striking "or sold" and inserting "or renewed (or otherwise provide coverage after the date described in subsection (p)(1)(C))";

(B) in paragraph (1)(A), by inserting "for periods after the effective date of these provisions" after "the policy can be expected";

(C) in paragraph (1)(A), by striking "Commissioners," and inserting "Commissioners";

(D) in paragraph (1)(B), by inserting before the period at the end the following: "; treating policies of the same type as a single policy for each standard package";

(E) by adding at the end of paragraph (1) the following: "For the purpose of calculating the refund or credit required under paragraph (1)(B) for a policy issued before the date specified in subsection (p)(1)(C), the refund or credit calculation shall be based on the aggregate benefits provided and premiums collected under all such policies issued by an insurer in a State (separated as to individual and group policies) and shall be based only on aggregate benefits provided and premiums collected under such policies after the date specified in section 12561(m)(4) of the Omnibus Budget Reconciliation Act of 1993.";

(F) in the first sentence of paragraph (2)(A), by striking "by policy number" and inserting "by standard package";

(G) by striking the second sentence of paragraph (2)(A) and inserting the following: "Paragraph (1)(B) shall not apply to a policy until 12 months following issue.";

(H) in the last sentence of paragraph (2)(A), by striking "in order" and all that follows through "are effective";

(I) by adding at the end of paragraph (2)(A), the following new sentence: "In the case of a policy issued before the date specified in subsection (p)(1)(C), paragraph (1)(B) shall not apply until 1 year after the date specified in section 12561(m)(4) of the Omnibus Budget Reconciliation Act of 1993.";

(J) in paragraph (2), by striking "policy year" each place it appears and inserting "calendar year";

(K) in paragraph (4), by striking "February", "disallowance", "loss-ratios" each place it appears, and "loss-ratio" and inserting "October", "disallowance", "loss ratios", and "loss ratio", respectively;

(L) in paragraph (6)(A), by striking "issues a policy in violation of the loss ratio requirements of this subsection" and "such violation" and inserting "fails to provide refunds or credits as required in paragraph (1)(B)" and "policy issued for which such failure occurred", respectively; and

(M) in paragraph (6)(B), by striking "to policyholders" and inserting "to the policyholder or, in the case of a group policy, to the certificate holder".

(2) Section 1882(b)(1) (42 U.S.C. 1395ss(b)(1)) is amended, in the matter after subparagraph (H), by striking "subsection (F)" and inserting "subparagraph (F)".

(3) Section 4355(d) of OBRA-1990 is amended by striking "sold or issued" and all that follows and inserting "issued or renewed (or otherwise providing coverage after the date described in section 1882(p)(1)(C) of the Social Security Act) on or after the date specified in section 1882(p)(1)(C) of such Act."

(f) TREATMENT OF HMO'S.—

(1) Section 1882(g)(1) (42 U.S.C. 1395ss(g)(1)) is amended by striking "a health maintenance organization or other direct service organization" and all that follows through "1833" and inserting "an eligible organiza-

tion (as defined in section 1876(b)) if the policy or plan provides benefits pursuant to a contract under section 1876 or an approved demonstration project described in section 603(c) of the Social Security Amendments of 1983, section 2355 of the Deficit Reduction Act of 1984, or section 9412(b) of the Omnibus Budget Reconciliation Act of 1986 or, during the period beginning on the date specified in subsection (p)(1)(C) and ending on December 31, 1994, a policy or plan of an organization if the policy or plan provides benefits pursuant to an agreement under section 1833(a)(1)(A)".

(2) Section 4356(b) of OBRA-1990 is amended by striking "on the date of the enactment of this Act" and inserting "on the date specified in section 1882(p)(1)(C) of the Social Security Act".

(g) PRE-EXISTING CONDITION LIMITATIONS.—Section 1882(s) (42 U.S.C. 1395ss(s)) is amended—

(1) in paragraph (2)(A), by striking "for which an application is submitted" and inserting "in the case of an individual for whom an application is submitted prior to or";

(2) in paragraph (2)(A), by striking "in which the individual (who is 65 years of age or older) first is enrolled for benefits under part B" and inserting "as of the first day on which the individual is 65 years of age or older and is enrolled for benefits under part B", and

(3) in paragraph (2)(B), by striking "before it" and inserting "before the policy".

(h) MEDICARE SELECT POLICIES.—

(1) Section 1882(t) (42 U.S.C. 1395ss(t)) is amended—

(A) in paragraph (1), by inserting "medicare supplemental" after "If a",

(B) in paragraph (1), by striking "NAIC Model Standards" and inserting "1991 NAIC Model Regulation or 1991 Federal Regulation",

(C) in paragraph (1)(A), by inserting "or agreements" after "contracts",

(D) in subparagraphs (E)(i) and (F) of paragraph (1), by striking "NAIC standards" and inserting "standards in the 1991 NAIC Model Regulation or 1991 Federal Regulation", and

(E) in paragraph (2), by inserting "the issuer" before "is subject to a civil money penalty".

(2) Section 1154(a)(4)(B) (42 U.S.C. 1320c-3(a)(4)(B)) is amended—

(A) by inserting "that is" after "(or)", and (B) by striking "1882(t)" and inserting "1882(t)(3)".

(i) HEALTH INSURANCE COUNSELING.—Section 4360 of OBRA-1990 is amended—

(1) in subsection (b)(2)(A)(ii), by striking "Act" and inserting "Act";

(2) in subsection (b)(2)(D), by striking "services" and inserting "counseling";

(3) in subsection (b)(2)(I), by striking "assistance" and inserting "referrals";

(4) in subsection (c)(1), by striking "and that such activities will continue to be maintained at such level";

(5) in subsection (d)(3), by striking "to the rural areas" and inserting "eligible individuals residing in rural areas";

(6) in subsection (e)—

(A) by striking "subsection (c) or (d)" and inserting "this section",

(B) by striking "and annually thereafter, issue an annual report" and inserting "and annually thereafter during the period of the grant, issue a report",

(C) in paragraph (1), by striking "Statewide", and

(D) in subsection (f), by striking paragraph (2) and by redesignating paragraphs (3) through (5) as paragraphs (2) through (4), respectively; and

(7) by redesignating the second subsection (f) (relating to authorization of appropriations for grants) as subsection (g).

(j) TELEPHONE INFORMATION SYSTEM.—

(1) Section 1804 (42 U.S.C. 1395b-2) is amended—

(A) by adding at the end of the heading the following: "; MEDICARE AND MEDIGAP INFORMATION";

(B) by inserting "(a)" after "1804.", and

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

"(b) The Secretary shall provide information via a toll-free telephone number on the programs under this title."

(2) Section 1882(f) (42 U.S.C. 1395ss(f)) is amended by adding at the end the following new paragraph:

"(3) The Secretary shall provide information via a toll-free telephone number on medicare supplemental policies (including the relationship of State programs under title XIX to such policies)."

(3) Section 1889 is repealed.

(k) MAILING OF POLICIES.—Section 1882(d)(4) (42 U.S.C. 1395ss(d)(4)) is amended—

(1) in subparagraph (D), by striking ", if such policy" and all that follows up to the period at the end, and

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

"(E) Subparagraph (A) shall not apply in the case of an issuer who mails or causes to be mailed a policy, certificate, or other matter solely to comply with the requirements of subsection (q)."

(l) EFFECTIVE DATE.—The amendments made by this section shall be effective as if included in the enactment of OBRA-1990; except that—

(1) the amendments made by subsection (d)(1) shall take effect on the date of the enactment of this Act, but no penalty shall be imposed under section 1882(d)(3)(A) of the Social Security Act (for an action occurring after the effective date of the amendments made by section 4354 of OBRA-1990 and before the date of the enactment of this Act) with respect to the sale or issuance of a policy which is not unlawful under section 1882(d)(3)(A)(i)(II) of the Social Security Act (as amended by this section);

(2) the amendments made by subsection (d)(2)(A) and by subparagraphs (A), (B), and (E) of subsection (e)(1) shall be effective on the date specified in subsection (m)(4); and

(3) the amendment made by subsection (g)(2) shall take effect on January 1, 1994, and shall apply to individuals who attain 65 years of age or older on or after the effective date of section 1882(s)(2) of the Social Security Act (and, in the case of individuals who attained 65 years of age after such effective date and before January 1, 1994, and who were not covered under such section before January 1, 1994, the 6-month period specified in that section shall begin January 1, 1994).

(m) TRANSITION PROVISIONS.—

(1) IN GENERAL.—If the Secretary of Health and Human Services identifies a State as requiring a change to its statutes or regulations to conform its regulatory program to the changes made by this section, the State regulatory program shall not be considered to be out of compliance with the requirements of section 1882 of the Social Security Act due solely to failure to make such change until the date specified in paragraph (4).

(2) NAIC STANDARDS.—If, within 6 months after the date of the enactment of this Act, the National Association of Insurance Commissioners (in this subsection referred to as the "NAIC") modifies its 1991 NAIC Model

Regulation (adopted in July 1991) to conform to the amendments made by this section and to delete from section 15C the exception which begins with "unless", such modifications shall be considered to be part of that Regulation for the purposes of section 1882 of the Social Security Act.

(3) **SECRETARY STANDARDS.**—If the NAIC does not make the modifications described in paragraph (2) within the period specified in such paragraph, the Secretary of Health and Human Services shall make the modifications described in such paragraph and such modifications shall be considered to be part of that Regulation for the purposes of section 1882 of the Social Security Act.

(4) **DATE SPECIFIED.**—

(A) **IN GENERAL.**—Subject to subparagraph (B), the date specified in this paragraph for a State is the earlier of—

(i) the date the State changes its statutes or regulations to conform its regulatory program to the changes made by this section, or

(ii) 1 year after the date the NAIC or the Secretary first makes the modifications under paragraph (2) or (3), respectively.

(B) **ADDITIONAL LEGISLATIVE ACTION REQUIRED.**—In the case of a State which the Secretary identifies as—

(i) requiring State legislation (other than legislation appropriating funds) to conform its regulatory program to the changes made in this section, but

(ii) having a legislature which is not scheduled to meet in 1994 in a legislative session in which such legislation may be considered, the date specified in this paragraph is the first day of the first calendar quarter beginning after the close of the first legislative session of the State legislature that begins on or after January 1, 1994. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

CHAPTER 5—TREATMENT OF CERTAIN STATE HEALTH CARE PROGRAMS

SEC. 12561. TREATMENT OF CERTAIN STATE HEALTH CARE PROGRAMS.

Section 514(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1144(b)(5)) is amended to read as follows:

"(5)(A) Except as provided in subparagraphs (B) and (C), subsection (a) shall not apply to the Hawaii Prepaid Health Care Act (Haw. Rev. Stat. §§393-1 through 393-51).

"(B) Nothing in subparagraph (A) shall be construed to exempt from subsection (a) any State tax law relating to employee benefits plans.

"(C) If the Secretary of Labor notifies the Governor of the State of Hawaii that as the result of an amendment to the Hawaii Prepaid Health Care Act enacted after October 5, 1992—

(i) the proportion of the population with health care coverage under such Act is less than such proportion on such date, or

(ii) the level of benefit coverage provided under such Act is less than the actuarial equivalent of such level of coverage on such date,

subparagraph (A) shall not apply with respect to the application of such amendment to such Act after the date of such notification."

CHAPTER 6—THIRD PARTY LIABILITY

SEC. 12571. ACCESS TO EMPLOYMENT-BASED HEALTH INSURANCE INFORMATION.

(a) **REPORTING OF GROUP HEALTH PLAN INFORMATION.**—Section 6051(a) of the Internal Revenue Code of 1986 is amended—

(1) by striking "and" at the end of paragraph (8).

(2) by striking the period at the end of paragraph (9) and inserting ", and", and

(3) by inserting after paragraph (9) the following new paragraph:

"(10) whether a group health plan (as defined in section 6103(1)(12)(F)(ii)) is available to the employee and the plan coverage (single or family) elected by such employee (if any)."

(b) **DISCLOSURES OF TAX RETURN INFORMATION.**—Section 6103(1)(12) of the Internal Revenue Code of 1986 is amended—

(1) by amending the heading to read as follows: "DISCLOSURE OF CERTAIN TAXPAYER IDENTITY INFORMATION FOR PURPOSES OF IDENTIFYING HEALTH INSURANCE COVERAGE OF CERTAIN INDIVIDUALS AND SPOUSES.—";

(2) in subparagraph (A)—

(A) by striking "Commissioner of Social Security" and inserting "Director of the Third Party Liability Clearinghouse pursuant to section 1144(c) of the Social Security Act",

(B) by striking "Commissioner" the second place it appears and inserting "Commissioner of Social Security",

(C) by striking "medicare beneficiary" and inserting "individual", and

(D) by striking "Commissioner" the third place it appears and inserting "Director";

(3) in subparagraph (B)—

(A) by striking "medicare beneficiary" each place it appears and inserting "individual";

(B) in the matter preceding clause (i)—

(i) by striking "Administrator of the Health Care Financing Administration" and inserting "Director of the Third Party Liability Clearinghouse",

(ii) by striking "Administrator" the second place it appears and inserting "Director", and

(iii) by inserting before the colon the following: "with respect to the individuals (and spouses) specified in subparagraph (A)";

(C) by amending clause (i) to read as follows:

"(i) For each such individual who is identified as having received wages (as defined in section 3401(a)) from, and as having available coverage under a group health plan of, an employer in a previous year—

"(I) the name and TIN of the individual,

"(II) the name, address, and TIN of the employer, and whether such employer is a qualified employer, and

"(III) the information reported under section 6051(a)(10).";

(D) in clause (i)—

(i) in the matter preceding subclause (I), by striking "a qualified employer" and inserting ", and as having available coverage under a group health plan of, an employer",

(ii) by striking "and" at the end of subclause (I),

(iii) by striking the period at the end of subclause (II) and inserting a comma, and

(iv) by inserting after subclause (II) the following:

"(III) the name, address, and TIN of the spouse's employer, and whether such employer is a qualified employer, and

"(IV) the information reported under section 6051(a)(10) with respect to the spouse."; and

(E) by striking clause (iii);

(5) in subparagraph (C)—

(A) in the matter preceding clause (i)—

(i) in the heading, by striking "Health Care Financing Administration" and inserting "Third Party Liability Clearinghouse", and

(ii) by striking "Administrator of the Health Care Financing Administration may

disclose" and inserting "Director of the Third Party Liability Clearinghouse may (subject to the provisions of subparagraph (E)) disclose",

(B) in clause (i), by striking "qualified employer" and inserting "employer",

(C) by amending clause (ii) to read as follows:

"(ii) to the administrator of a program specified in section 1144(b)(2) of the Social Security Act, to the extent provided in such section 1144, and",

(D) by redesignating clause (iii) as clause (iv),

(E) by inserting after clause (ii) the following new clause:

"(iii) to any person specified in section 1144(e)(2), information in the data bank established pursuant to such section 1144(e), for the purposes specified in such section, and", and

(F) in clause (iv), as so redesignated, by striking "Administrator" each place it appears and inserting "Director";

(6) by redesignating subparagraphs (D), (E), and (F) as subparagraphs (E), (F), and (G), respectively, and inserting after subparagraph (C) the following new subparagraph:

"(D) **DISCLOSURE BY CERTAIN PROGRAMS TO GROUP HEALTH PLANS.**—The administrator of a program specified in section 1144(b)(2) of the Social Security Act may (subject to the provisions of subparagraph (E)) disclose information concerning an employee or spouse disclosed to the Director of the Third Party Liability Clearinghouse pursuant to subparagraph (B) and redisclosed to such administrator pursuant to subparagraph (D)—

"(i) to any group health plan which provides or provided coverage to such employee or spouse, and

"(ii) to any agent of such administrator, for purposes of identifying, or collecting on claims under, coverage of such employee or spouse under such group health plan.";

(7) in subparagraph (E)(i), as redesignated by paragraph (6), by striking "medicare beneficiary" and inserting "individual"; and

(8) in subparagraph (F), as redesignated by paragraph (6), by striking clause (i) and redesignating clauses (ii) and (iii) as clauses (i) and (ii), respectively.

(c) **HEALTH INSURANCE CLEARINGHOUSE.**—

(1) Part A of title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"THIRD PARTY LIABILITY CLEARINGHOUSE

"SEC. 1144. (a)(1) **ESTABLISHMENT OF CLEARINGHOUSE.**—The Secretary shall establish and operate a Third Party Liability Clearinghouse (in this section referred to as the 'Clearinghouse') for the purpose of identifying third parties responsible for payment for health care items and services furnished (or available) to beneficiaries of certain Federal and federally assisted programs, and for related purposes.

"(2) **DIRECTOR.**—The Clearinghouse established pursuant to paragraph (1) shall be headed by a Director (in this section referred to as the 'Director').

"(b) **PROGRAM ADMINISTRATORS ENTITLED TO INFORMATION ON THIRD PARTY LIABILITIES.**—

"(1) **IN GENERAL.**—Each person administering a program specified in paragraph (2) shall be entitled (subject to subsection (h)), upon written request to the Director in such form and manner and at such times as the Director may require, specifying names and tax identification numbers (TINs) of individuals who are—

"(A) program beneficiaries (in the case of programs specified in paragraph (2)(A)), or

"(B) parents of dependent children (in the case of programs specified in paragraph (2)(B)),

to obtain information in accordance with this section concerning employment and group health coverage of such individuals and their spouses.

"(2) PROGRAMS SPECIFIED.—The programs whose administrators are entitled to obtain the information specified in paragraph (1) in accordance with this section are—

"(A) all programs administered by the Federal Government, or by a State or local government or any other entity with Federal financial assistance, whose primary purpose is to provide (or make payment for) health care items and services to individuals, and

"(B) the Federal Parent Locator Service established pursuant to section 453, and State agencies administering plans for child and spousal support pursuant to section 454.

"(c) DATA MATCHING PROGRAM.—

"(1) REQUEST BY DIRECTOR.—The Director shall, at such intervals as he finds appropriate, transmit to the Secretary of the Treasury the names and TINs of individuals with respect to whom a request has been made pursuant to subsection (b), and request that the Secretary disclose to the Commissioner of Social Security the information described in section 6103(1)(12)(A) of the Internal Revenue Code of 1986 (concerning names and TINs of spouses of such individuals).

"(2) INFORMATION FROM COMMISSIONER OF SOCIAL SECURITY.—The Commissioner of Social Security shall disclose to the Director, in accordance with section 6103(1)(12)(B) of the Internal Revenue Code of 1986, information concerning employment and health insurance with respect to such individuals and spouses.

"(3) INFORMATION FROM EMPLOYERS.—The Director shall—

"(A) request, from the employer of each individual (including each spouse) with respect to whom information was received from the Commissioner of Social Security pursuant to paragraph (2), specific information concerning coverage of such individual under the employer's group health plan (including the period and nature of the coverage, and the name, address, and identifying number of the plan), and

"(B) furnish the information received in response to such request with respect to an individual (or such individual's spouse) to the person or persons requesting such information pursuant to subsection (b).

"(d) REQUIREMENT THAT EMPLOYERS FURNISH INFORMATION.—

"(1) IN GENERAL.—An employer shall furnish to the Director the information requested pursuant to subsection (c)(3) within 30 days after receipt of such a request.

"(2) SUNSET ON REQUIREMENT.—Paragraph (1) shall not apply to inquiries made after September 30, 1998.

"(3) CIVIL MONEY PENALTY FOR FAILURE TO COOPERATE.—

"(A) IN GENERAL.—An employer (other than a Federal or other governmental entity) who willfully or repeatedly fails to provide timely and accurate response to a request for information pursuant to subsection (c)(3) shall be subject, in addition to any other penalties that may be prescribed by law, to a civil money penalty of not to exceed \$1,000 for each individual with respect to which such a request is made.

"(B) ENFORCEMENT AUTHORITY FOR HHS PROGRAMS.—In cases of failure to respond to the Director in accordance with paragraph (1) to inquiries relating to requests pursuant to subsection (b) by persons administering pro-

grams of, or financially assisted by, the Department of Health and Human Services, the provisions of section 1128A (other than subsections (a) and (b)) shall apply to civil money penalties under subparagraph (A) in the same manner as such provisions apply to penalties or proceedings under section 1128A(a).

"(e) DATA BANK.—

"(1) MAINTENANCE OF INFORMATION.—The Clearinghouse shall maintain a data bank, containing information on individuals obtained pursuant to this section and to section 6103(1)(12) of the Internal Revenue Code of 1986. Individual information in the data bank shall be retained for not less than one year after the date the information was obtained.

"(2) DISCLOSURE OF INFORMATION IN DATA BANK.—The Administrator is authorized (subject to the restriction in section 6103(1)(12)(E)(i) of the Internal Revenue Code of 1986) to disclose any information in the data bank established pursuant to paragraph (1) with respect to an individual (or an individual's spouse)—

"(A) to the Commissioner of Social Security, the Secretary of the Treasury, officials administering programs specified in subsection (b)(2), employers, and insurers, to the extent necessary to assist such officials to administer such programs;

"(B) to Federal and State law enforcement officials responsible for enforcement of civil or criminal laws, in connection with investigations or administrative or judicial law enforcement proceedings relating to a program specified in subsection (b)(2); and

"(C) for research or statistical purposes.

"(f) COLLECTIONS FROM THIRD PARTIES.—The Clearinghouse is authorized, upon request by a person administering a Federal health care program, to assist in the collection of amounts due from liable third parties to reimburse costs incurred by such program for health care items and services, through methods including—

"(1) use of contractors reimbursed on a contingency fee basis, and

"(2) judicial and administrative processes, in cooperation with program official and the Attorney General, as appropriate.

"(g) EVALUATION RESPONSIBILITIES.—The Clearinghouse shall evaluate methods for improving—

"(1) procedures for the collection, management, and appropriate disclosure of health care coverage information,

"(2) Federal laws and policies concerning third party liability for medical care, and

"(3) State requirements for medical support of dependent children.

"(h) FEES FOR CLEARINGHOUSE SERVICES.—The Clearinghouse shall establish fees for services to programs specified in subsection (b)(2) under subsections (c) and (f) designed to cover the full costs to the Clearinghouse of providing such services. Clearinghouse services under such subsections (c) and (f) shall be available to such programs subject to payment of such fees.

"(i) USE OF CONTRACTORS.—The responsibilities of the Clearinghouse may be carried out directly or (except for the responsibilities under subsections (b), (c)(1), and (c)(2)) by contract.

"(j) DEFINITIONS.—For purposes of this section, the terms 'employer' and 'group health plan' have the meanings given them in section 6103(1)(12)(F) of the Internal Revenue Code of 1986."

(d) CONFORMING AMENDMENTS.—Section 1862(b)(5) (42 U.S.C. 1395y(b)(5)) is amended—

(1) in subparagraph (A)(i)—

(A) by striking "Secretary of the Treasury" and inserting "Administrator of the Health Care Financing Administration";

(B) by striking "(as defined in section 6103(1)(12) of the Internal Revenue Code of 1986)" and inserting "(as defined in clause (iii))"; and

(C) by striking "and request" and all that follows and inserting a period;

(2) in subparagraph (A)(ii)—

(A) by striking "the Commissioner of the Social Security Administration and all that follows and inserting "the Director of the Third Party Liability Clearinghouse to obtain and disclose to the Administrator, pursuant to section 1144(c) and to subparagraph (C) of section 6103(1)(12) of the Internal Revenue Code of 1986, the information described in subparagraph (B) of such section 6103(1)(12)."; and

(B) by inserting ", pursuant to section 1144(c)," after "disclose to the Administrator";

(3) in subparagraph (A), by adding at the end the following new clause:

"(iii) MEDICARE BENEFICIARY.—For purposes of this paragraph, the term 'medicare beneficiary' means an individual entitled to benefits under part A or enrolled under part B, but does not include such an individual enrolled in part A under section 1818."; and

(4) by striking subparagraph (C).

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect April 1, 1995.

Subtitle D—Customs and Trade Provisions

SEC. 12601. EXTENSION OF AUTHORITY TO LEVY CUSTOMS USER FEES.

Section 13031(j)(3) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c(j)(3)) is amended by striking out "1995" and inserting "1998".

SEC. 12602. EXTENSION OF, AND AUTHORIZATION OF APPROPRIATIONS FOR, THE WORKER TRADE ADJUSTMENT ASSISTANCE PROGRAM.

(a) EXTENSION.—Section 285 of the Trade Act of 1974 (19 U.S.C. note preceding 2271) is amended—

(1) by striking out "No" and all that follows thereafter down through "chapter 2, no" in subsection (b) and inserting "No"; and

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

"(c) No assistance, vouchers, allowances, or other payments may be provided under chapter 2 after September 30, 1996."

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 245 of the Trade Act of 1974 (19 U.S.C. 2317) is amended by striking out "and 1993," and inserting "1993, 1994, 1995, and 1996."

SEC. 12603. EXTENSION OF URUGUAY ROUND TRADE AGREEMENT NEGOTIATING AND PROCLAMATION AUTHORITY AND OF "FAST TRACK" PROCEDURES TO IMPLEMENTING LEGISLATION.

Section 1102 of the Omnibus Trade and Competitiveness Act of 1988 (19 U.S.C. 2902) is amended by inserting at the end the following new subsection:

"(e) SPECIAL PROVISIONS REGARDING URUGUAY ROUND TRADE NEGOTIATIONS.—

"(1) IN GENERAL.—Notwithstanding the time limitations in subsections (a) and (b), if the Uruguay Round of multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade has not resulted in trade agreements by May 31, 1993, the President may, during the period after May 31, 1993, and before April 16, 1994, enter into, under subsections (a) and (b), trade agreements resulting from such negotiations.

"(2) APPLICATION OF TARIFF PROCLAMATION AUTHORITY.—No proclamation under subsection (a) to carry out the provisions regarding tariff barriers of a trade agreement that is entered into pursuant to paragraph (1) may take effect before the effective date of a bill that implements the provisions regarding nontariff barriers of a trade agreement that is entered into under such paragraph.

"(3) APPLICATION OF IMPLEMENTING AND 'FAST TRACK' PROCEDURES.—Section 1103 applies to any trade agreement negotiated under subsection (b) pursuant to paragraph (1), except that—

"(A) in applying subsection (a)(1)(A) of section 1103 to any such agreement, the phrase 'at least 120 calendar days before the day on which he enters into the trade agreement (but not later than December 15, 1993),' shall be substituted for the phrase 'at least 90 calendar days before the day on which he enters into the trade agreement; and

"(B) no provision of subsection (b) of section 1103 other than paragraph (1)(A) applies to any such agreement and in applying such paragraph, 'April 16, 1994,' shall be substituted for 'June 1, 1991,'.

"(4) ADVISORY COMMITTEE REPORTS.—The report required under section 135(e)(1) of the Trade Act of 1974 regarding any trade agreement provided for under paragraph (1) shall be provided to the President, the Congress, and the United States Trade Representative not later than 30 days after the date on which the President notifies the Congress under section 1103(a)(1)(A) of his intention to enter into the agreement (but before January 15, 1994)."

SEC. 12606. REPEAL OF EAST-WEST TRADE STATISTICS MONITORING SYSTEM.

(a) REPEAL.—Section 410 of the Trade Act of 1974 (19 U.S.C. 2440) is repealed.

(b) CONFORMING AMENDMENT.—The table of contents for such Act of 1974 is amended by striking out the following:

"Sec. 410. East-West Trade Statistics Monitoring System."

TITLE XIII—AMENDMENTS OF INTERNAL REVENUE CODE OF 1986

SEC. 13000. AMENDMENT OF 1986 CODE.

Except as otherwise expressly provided, whenever in this title 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.

Subtitle A—Employer Reversions of Excess Plan Assets

SEC. 13001. EMPLOYER REVERSIONS OF EXCESS PLAN ASSETS.

(a) IN GENERAL.—Part I of subchapter D of chapter 1 is amended by adding at the end thereof the following new subpart:

"Subpart F—Certain Reversions of Excess Plan Assets.

"Sec. 420A. Certain reversions of excess plan assets.

"SEC. 420A. CERTAIN REVERSIONS OF EXCESS PLAN ASSETS.

"(a) IN GENERAL.—To the extent that an employer reversion from a defined benefit plan (other than a multiemployer plan) does not exceed the excess plan assets of such plan—

"(1) a trust which is part of such plan shall not be treated as failing to meet the requirements of section 401(a) solely by reason of such transfer, and

"(2) such reversion shall not be treated—

"(A) as an employer reversion for purposes of section 4980, or

"(B) as a prohibited transaction for purposes of section 4975.

Notwithstanding the preceding sentence, the amount of such reversion shall be includible in the gross income of the employer maintaining the plan.

"(b) DEFINITIONS.—For purposes of this section—

"(1) EMPLOYER REVERSION.—The term 'employer reversion' has the meaning given such term by section 4980.

"(2) EXCESS PLAN ASSETS.—The term 'excess plan assets' means the excess (if any) of—

"(A) the lesser of—

"(i) the fair market value of the plan's assets, or

"(ii) the value of the plan's assets (determined under section 412(c)(2)), over

"(B) 100 percent of current liability (as defined in section 412(1)(7) (without regard to subparagraph (D) thereof))."

(b) CLERICAL AMENDMENT.—The table of subparts for part I of subchapter D of chapter 1 is amended by adding at the end the following new item:

"Subpart F. Certain reversions of excess plan assets."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to reversions after December 31, 1993.

Subtitle B—Extensions

SEC. 13111. EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE.

(a) PERMANENT EXTENSION OF EXCLUSION.—

(1) IN GENERAL.—Section 127 (relating to educational assistance programs) is amended by striking subsection (d) and by redesignating subsection (e) as subsection (d).

(2) CONFORMING AMENDMENT.—Paragraph (2) of section 103(a) of the Tax Extension Act of 1991 is hereby repealed.

(b) COORDINATION WITH SECTION 132.—Paragraph (8) of section 132(i) is amended to read as follows:

"(8) APPLICATION OF SECTION TO OTHERWISE TAXABLE EDUCATIONAL OR TRAINING BENEFITS.—Amounts paid or expenses incurred by the employer for education or training provided to the employee which are not excludable from gross income under section 127 shall be excluded from gross income under this section if (and only if) such amounts or expenses are a working condition fringe."

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to taxable years ending after June 30, 1992.

(2) SUBSECTION (b).—The amendment made by subsection (b) shall apply to taxable years beginning after December 31, 1988.

(d) TRANSITION RULES.—

(1) WAIVER OF INTEREST AND PENALTIES.—No interest, penalty, or addition to tax shall be imposed or required to be paid solely by reason of a failure, before the date of the enactment of this Act, to treat educational assistance in a manner consistent with the provisions of section 103(a) of the Tax Extension Act of 1991 (as in effect before the amendments made by subsection (a)).

(2) SPECIAL RULES FOR 1992.—

(A) EMPLOYMENT TAXES.—If—

(i) an employer provided an employee with educational assistance during the period beginning on July 1, 1992, and ending on December 31, 1992,

(ii) consistent with the provisions of section 103(a) of the Tax Extension Act of 1991 (as so in effect), such employer treated such assistance as taxable for purposes of any employment tax and as a result of such treatment there was an increase in taxable wages for purposes of such tax,

(iii) on or after the date of the enactment of this Act and before January 1, 1994, such employer pays such employee amounts which are taxable wages for purposes of such tax and which equal or exceed the increase referred to in clause (ii), and

(iv) such employee did not treat such assistance for purposes of such employment tax (or for purposes of chapter 1 of the Internal Revenue Code of 1986 in the case of employment tax imposed by chapter 24 of such Code) in a manner inconsistent with the employer's treatment of such assistance,

the amendments made by subsection (a) shall not apply to such educational assistance for purposes of such employment tax, but, for purposes of applying such employment tax (and for purposes of the reporting requirements imposed by chapter 61 of such Code), the taxable wages of the employee referred to in clause (iii) shall be reduced by the amount of the increase referred to in clause (ii). For purposes of clause (iv), an employer may assume that the employee treated the assistance in a manner consistent with the employer's treatment unless such employer has actual knowledge to the contrary.

(B) REPORTING REQUIREMENT.—An employer shall separately report the amounts of any reduction under subparagraph (A) as non-taxable income on any returns or receipts required under chapter 61 of such Code for calendar year 1993.

(C) DEFINITIONS.—For purposes of this paragraph—

(i) EMPLOYMENT TAX.—The term "employment tax" means any tax imposed by subtitle C of such Code.

(ii) TAXABLE WAGES.—The term "taxable wages" means—

(I) wages (as defined in section 3121(a) of such Code) in the case of the taxes imposed by chapter 21 of such Code,

(II) compensation (as defined in section 3231(e) of such Code) in the case of the taxes imposed by chapter 22 of such Code,

(III) wages (as defined in section 3306(b) of such Code) in the case of the taxes imposed by chapter 23 of such Code, and

(IV) wages (as defined in section 3401(a) of such Code) in the case of the taxes imposed by chapter 24 of such Code.

(3) INCOME TAX TREATMENT.—If—

(A) subparagraph (A) of paragraph (2) applies to any educational assistance referred to in such paragraph provided to any employee, and

(B) such employee included such assistance in his taxable income for purposes of the tax imposed by chapter 1 of such Code,

the amendments made by subsection (a) shall not apply to such assistance for purposes of such chapter 1, but the amount included in the gross income of such employee by reason of wages received from the employer referred to in subparagraph (A) of paragraph (2) during 1993 shall be reduced in the manner provided in such subparagraph (A).

SEC. 13112. TARGETED JOBS CREDIT.

(a) PERMANENT EXTENSION OF CREDIT.—Subsection (c) of section 51 (relating to amount of targeted jobs credit) is amended by striking paragraph (4).

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to individuals who begin work for the employer after June 30, 1992.

SEC. 13113. PERMANENT EXTENSION OF RESEARCH CREDIT.

(a) IN GENERAL.—Section 41 (relating to credit for increasing research activities) is amended by striking subsection (h).

(b) CONFORMING AMENDMENT.—Paragraph (1) of section 28(b) is amended by striking subparagraph (D).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after June 30, 1992.

SEC. 13114. PERMANENT EXTENSION OF QUALIFIED SMALL ISSUE BONDS.

(a) IN GENERAL.—Subparagraph (B) of section 144(a)(12) is amended to read as follows:

“(B) BONDS ISSUED TO FINANCE MANUFACTURING FACILITIES AND FARM PROPERTY.—Subparagraph (A) shall not apply to any bond issued as part of an issue 95 percent or more of the net proceeds of which are to be used to provide—

“(i) any manufacturing facility, or
“(ii) any land or property in accordance with section 147(c)(2).”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to bonds issued after June 30, 1992.

SEC. 13115. PERMANENT EXTENSION OF QUALIFIED MORTGAGE BONDS.

(a) IN GENERAL.—Paragraph (1) of section 143(a) (defining qualified mortgage bond) is amended to read as follows:

“(1) QUALIFIED MORTGAGE BOND DEFINED.—For purposes of this title, the term ‘qualified mortgage bond’ means a bond which is issued as part of a qualified mortgage issue.”

(b) MORTGAGE CREDIT CERTIFICATES.—Section 25 is amended by striking subsection (h) and by redesignating subsections (i) and (j) as subsections (h) and (i), respectively.

(c) EFFECTIVE DATES.—

(1) BONDS.—The amendment made by subsection (a) shall apply to bonds issued after June 30, 1992.

(2) CERTIFICATES.—The amendment made by subsection (b) shall apply to elections for periods after June 30, 1992.

SEC. 13116. PERMANENT EXTENSION OF LOW-INCOME HOUSING CREDIT.

(a) IN GENERAL.—Section 42 (relating to low-income housing credit) is amended by striking subsection (c).

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to periods after June 30, 1992.

SEC. 13117. ALTERNATIVE MINIMUM TAX TREATMENT OF CONTRIBUTIONS OF APPRECIATED PROPERTY.

(a) REPEAL OF TAX PREFERENCE.—Subsection (a) of section 57 is amended by striking paragraph (6) (relating to appreciated property charitable deduction) and by redesignating paragraph (7) as paragraph (6).

(b) EFFECT ON ADJUSTED CURRENT EARNINGS.—Paragraph (4) of section 56(g) is amended by adding at the end thereof the following new subparagraph:

“(J) TREATMENT OF CHARITABLE CONTRIBUTIONS.—Notwithstanding subparagraphs (B) and (C), no adjustment related to the earnings and profits effects of any charitable contribution shall be made in computing adjusted current earnings.”

(c) CONFORMING AMENDMENT.—Subclause (II) of section 53(d)(1)(B)(ii) is amended by striking “, (5), and (6)” and inserting “and (5)”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made after June 30, 1992, except that in the case of any contribution of capital gain property which is not tangible personal property, such amendments shall apply only if the contribution is made after December 31, 1992.

(e) REPORT ON ADVANCE DETERMINATION OF VALUE OF CHARITABLE GIFTS.—Not later than 1 year after the date of the enactment of this Act, the Secretary of the Treasury shall re-

port to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives on the development of a procedure under which taxpayers may elect to seek an agreement with the Secretary as to the value of tangible personal property prior to the donation of such property to a qualifying charitable organization if the time limits for the donation and other conditions contained in the agreement are satisfied. Such report shall address the setting of possible threshold amounts for claimed value (and the payment of fees) by a taxpayer in order to seek agreement under the procedure, possible limitations on applying the procedure only to items with significant artistic or cultural value, and recommendations for legislative action needed to implement the proposed procedure.

SEC. 13118. PERMANENT EXTENSION OF DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—

(1) EXTENSION.—Paragraph (6) of section 162(l) (relating to special rules for health insurance costs of self-employed individuals) is hereby repealed.

(2) CONFORMING AMENDMENT.—Paragraph (2) of section 110(a) of the Tax Extension Act of 1991 is hereby repealed.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after June 30, 1992.

(b) DETERMINATION OF ELIGIBILITY FOR EMPLOYER-SPONSORED HEALTH PLAN.—

(1) IN GENERAL.—Paragraph (2)(B) of section 162(l) is amended to read as follows:

“(B) OTHER COVERAGE.—Paragraph (1) shall not apply to any taxpayer for any calendar month for which the taxpayer is eligible to participate in any subsidized health plan maintained by any employer of the taxpayer or of the spouse of the taxpayer.”

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to taxable years beginning after December 31, 1992.

Subtitle C—Repeal of Luxury Taxes Other Than on Passenger Vehicles

SEC. 13121. REPEAL OF LUXURY EXCISE TAXES OTHER THAN ON PASSENGER VEHICLES.

(a) IN GENERAL.—Subchapter A of chapter 31 (relating to retail excise taxes) is amended to read as follows:

“Subchapter A—Luxury Passenger Automobiles

“Sec. 4001. Imposition of tax.

“Sec. 4002. 1st retail sale; uses, etc. treated as sales; determination of price.

“Sec. 4003. Special rules.

“SEC. 4001. IMPOSITION OF TAX.

“(a) IMPOSITION OF TAX.—There is hereby imposed on the 1st retail sale of any passenger vehicle a tax equal to 10 percent of the price for which so sold to the extent such price exceeds \$30,000.

“(b) PASSENGER VEHICLE.—

“(1) IN GENERAL.—For purposes of this subchapter, the term ‘passenger vehicle’ means any 4-wheeled vehicle—

“(A) which is manufactured primarily for use on public streets, roads, and highways, and

“(B) which is rated at 6,000 pounds unloaded gross vehicle weight or less.

“(2) SPECIAL RULES.—

“(A) TRUCKS AND VANS.—In the case of a truck or van, paragraph (1)(B) shall be applied by substituting ‘gross vehicle weight’ for ‘unloaded gross vehicle weight’.

“(B) LIMOUSINES.—In the case of a limousine, paragraph (1) shall be applied without regard to subparagraph (B) thereof.

“(c) EXCEPTIONS FOR TAXICABS, ETC.—The tax imposed by this section shall not apply to the sale of any passenger vehicle for use by the purchaser exclusively in the active conduct of a trade or business of transporting persons or property for compensation or hire.

“(d) EXEMPTION FOR LAW ENFORCEMENT USES, ETC.—No tax shall be imposed by this section on the sale of any passenger vehicle—

“(1) to the Federal Government, or a State or local government, for use exclusively in police, firefighting, search and rescue, or other law enforcement or public safety activities, or in public works activities, or

“(2) to any person for use exclusively in providing emergency medical services.

“(e) INFLATION ADJUSTMENT.—

“(1) IN GENERAL.—In the case of any calendar year after 1992, the \$30,000 amount in subsection (a) and section 4003(a) shall be increased by an amount equal to—

“(A) \$30,000, multiplied by

“(B) the cost-of-living adjustment under section 1(f)(3) for such calendar year, determined by substituting ‘calendar year 1990’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(2) ROUNDING.—If any amount as adjusted under paragraph (1) is not a multiple of \$100, such amount shall be rounded to the nearest multiple of \$100 (or, if such amount is a multiple of \$50 and not of \$100, such amount shall be rounded to the next highest multiple of \$100).

“(f) TERMINATION.—The tax imposed by this section shall not apply to any sale or use after December 31, 1999.

“SEC. 4002. 1ST RETAIL SALE; USES, ETC. TREATED AS SALES; DETERMINATION OF PRICE.

“(a) 1ST RETAIL SALE.—For purposes of this subchapter, the term ‘1st retail sale’ means the 1st sale, for a purpose other than resale, after manufacture, production, or importation.

“(b) USE TREATED AS SALE.—

“(1) IN GENERAL.—If any person uses a passenger vehicle (including any use after importation) before the 1st retail sale of such vehicle, then such person shall be liable for tax under this subchapter in the same manner as if such vehicle were sold at retail by him.

“(2) EXEMPTION FOR FURTHER MANUFACTURE.—Paragraph (1) shall not apply to use of a vehicle as material in the manufacture or production of, or as a component part of, another vehicle taxable under this subchapter to be manufactured or produced by him.

“(3) EXEMPTION FOR DEMONSTRATION USE.—Paragraph (1) shall not apply to any use of a passenger vehicle as a demonstrator.

“(4) EXCEPTION FOR USE AFTER IMPORTATION OF CERTAIN VEHICLES.—Paragraph (1) shall not apply to the use of a vehicle after importation if the user or importer establishes to the satisfaction of the Secretary that the 1st use of the vehicle occurred before January 1, 1991, outside the United States.

“(5) COMPUTATION OF TAX.—In the case of any person made liable for tax by paragraph (1), the tax shall be computed on the price at which similar vehicles are sold at retail in the ordinary course of trade, as determined by the Secretary.

“(c) LEASES CONSIDERED AS SALES.—For purposes of this subchapter—

“(1) IN GENERAL.—Except as otherwise provided in this subsection, the lease of a vehicle (including any renewal or any extension of a lease or any subsequent lease of such ve-

hicle) by any person shall be considered a sale of such vehicle at retail.

"(2) SPECIAL RULES FOR LONG-TERM LEASES.—

"(A) TAX NOT IMPOSED ON SALE FOR LEASING IN A QUALIFIED LEASE.—The sale of a passenger vehicle to a person engaged in a passenger vehicle leasing or rental trade or business for leasing by such person in a long-term lease shall not be treated as the 1st retail sale of such vehicle.

"(B) LONG-TERM LEASE.—For purposes of subparagraph (A), the term 'long-term lease' means any long-term lease (as defined in section 4052).

"(C) SPECIAL RULES.—In the case of a long-term lease of a vehicle which is treated as the 1st retail sale of such vehicle—

"(i) DETERMINATION OF PRICE.—The tax under this subchapter shall be computed on the lowest price for which the vehicle is sold by retailers in the ordinary course of trade.

"(ii) PAYMENT OF TAX.—Rules similar to the rules of section 4217(e)(2) shall apply.

"(iii) NO TAX WHERE EXEMPT USE BY LESSEE.—No tax shall be imposed on any lease payment under a long-term lease if the lessee's use of the vehicle under such lease is an exempt use (as defined in section 4003(b)) of such vehicle.

"(d) DETERMINATION OF PRICE.—

"(1) IN GENERAL.—In determining price for purposes of this subchapter—

"(A) there shall be included any charge incident to placing the article in condition ready for use,

"(B) there shall be excluded—

"(i) the amount of the tax imposed by this subchapter,

"(ii) if stated as a separate charge, the amount of any retail sales tax imposed by any State or political subdivision thereof or the District of Columbia, whether the liability for such tax is imposed on the vendor or vendee, and

"(iii) the value of any component of such article if—

"(I) such component is furnished by the 1st user of such article, and

"(II) such component has been used before such furnishing, and

"(C) the price shall be determined without regard to any trade-in.

"(2) OTHER RULES.—Rules similar to the rules of paragraphs (2) and (4) of section 4052(b) shall apply for purposes of this subchapter.

"SEC. 4003. SPECIAL RULES.

"(a) SEPARATE PURCHASE OF VEHICLE AND PARTS AND ACCESSORIES THEREFOR.—Under regulations prescribed by the Secretary—

"(1) IN GENERAL.—Except as provided in paragraph (2), if—

"(A) the owner, lessee, or operator of any passenger vehicle installs (or causes to be installed) any part or accessory on such vehicle, and

"(B) such installation is not later than the date 6 months after the date the vehicle was 1st placed in service,

then there is hereby imposed on such installation a tax equal to 10 percent of the price of such part or accessory and its installation.

"(2) LIMITATION.—The tax imposed by paragraph (1) on the installation of any part or accessory shall not exceed 10 percent of the excess (if any) of—

"(A) the sum of—

"(i) the price of such part or accessory and its installation,

"(ii) the aggregate price of the parts and accessories (and their installation) installed before such part or accessory, plus

"(iii) the price for which the passenger vehicle was sold, over

"(B) \$30,000.

"(3) EXCEPTIONS.—Paragraph (1) shall not apply if—

"(A) the part or accessory installed is a replacement part or accessory,

"(B) the part or accessory is installed to enable or assist an individual with a disability to operate the vehicle, or to enter or exit the vehicle, by compensating for the effect of such disability, or

"(C) the aggregate price of the parts and accessories (and their installation) described in paragraph (1) with respect to the vehicle does not exceed \$200 (or such other amount or amounts as the Secretary may by regulation prescribe).

The price of any part or accessory (and its installation) to which paragraph (1) does not apply by reason of this paragraph shall not be taken into account under paragraph (2)(A).

"(4) INSTALLERS SECONDARILY LIABLE FOR TAX.—The owners of the trade or business installing the parts or accessories shall be secondarily liable for the tax imposed by this subsection.

"(b) IMPOSITION OF TAX ON SALES, ETC., WITHIN 2 YEARS OF VEHICLES PURCHASED TAX-FREE.—

"(1) IN GENERAL.—If—

"(A) no tax was imposed under this subchapter on the 1st retail sale of any passenger vehicle by reason of its exempt use, and

"(B) within 2 years after the date of such 1st retail sale, such vehicle is resold by the purchaser or such purchaser makes a substantial nonexempt use of such vehicle, then such sale or use of such vehicle by such purchaser shall be treated as the 1st retail sale of such vehicle for a price equal to its fair market value at the time of such sale or use.

"(2) EXEMPT USE.—For purposes of this subsection, the term 'exempt use' means any use of a vehicle if the 1st retail sale of such vehicle is not taxable under this subchapter by reason of such use.

"(c) PARTS AND ACCESSORIES SOLD WITH TAXABLE ARTICLE.—Parts and accessories sold on, in connection with, or with the sale of any passenger vehicle shall be treated as part of the vehicle.

"(d) PARTIAL PAYMENTS, ETC.—In the case of a contract, sale, or arrangement described in paragraph (2), (3), or (4) of section 4216(c), rules similar to the rules of section 4217(e)(2) shall apply for purposes of this subchapter."

"(b) TECHNICAL AMENDMENTS.—

(1) Subsection (c) of section 4221 is amended by striking "4002(b), 4003(c), 4004(a)" and inserting "4001(d)".

(5) Subsection (d) of section 4222 is amended by striking "4002(b), 4003(c), 4004(a)" and inserting "4001(d)".

(3) The table of subchapters for chapter 31 is amended by striking the item relating to subchapter A and inserting the following:

"Subchapter A. Luxury passenger vehicles."

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1993.

TITLE XIV—BUDGET PROCESS

SEC. 14001. SHORT TITLE.

This title may be cited as the "Budget Process Improvement Act of 1993".

SEC. 14002. DISCRETIONARY SPENDING LIMITS FOR FISCAL YEAR 1994-1998.

(a) DISCRETIONARY SPENDING LIMITS.—(1) Section 601(a)(2) of the Congressional Budget Act of 1974 is amended by striking subpara-

graphs (D) and (E) and by inserting the following new subparagraphs:

"(D) with respect to fiscal year 1994, \$472,925,000,000 in new budget authority and \$525,415,000,000 in outlays;

"(E) with respect to fiscal year 1995, \$472,794,000,000 in new budget authority and \$516,824,000,000 in outlays;

"(F) with respect to fiscal year 1996, \$481,678,000,000 in new budget authority and \$514,782,000,000 in outlays;

"(G) with respect to fiscal year 1997, \$495,039,000,000 in new budget authority and \$518,205,000,000 in outlays; and

"(H) with respect to fiscal year 1998, \$505,825,000,000 in new budget authority and \$522,752,000,000 in outlays;"

(b) POINT OF ORDER IN THE HOUSE.—Section 601(b) of the Congressional Budget Act of 1974 is amended—

(1) in its side heading, by striking "IN THE SENATE";

(2) in paragraph (1), by inserting "or in the House of Representatives" after "Senate"; and

(3) in paragraph (3), by inserting "or of the House of Representatives, as the case may be" before the period.

(c) CONFORMING AMENDMENTS.—(1) Section 601(b) of the Congressional Budget Act of 1974 is amended—

(A) in its side heading, by striking "DEFENSE, INTERNATIONAL, AND DOMESTIC"; and

(B) in paragraph (1), by striking "or 1995" and inserting "1995, 1996, 1997, or 1998".

(2) Section 602(c) of the Congressional Budget Act of 1974 is amended by striking "1995" and inserting "1998".

(3) Section 602(d) of the Congressional Budget Act of 1974 is amended—

(A) in its side heading, by striking "1995" and inserting "1998"; and

(B) in the first sentence, by striking "1995" and inserting "1998".

(4) Section 606(c) of the Congressional Budget Act of 1974 is amended—

(A) in subsection (a), by striking "or 1995" and inserting "1995, 1996, 1997, or 1998"; and

(B) in subsection (d), by striking "and 1995" and inserting "1995, 1996, 1997, and 1998".

(5) Section 607 of the Congressional Budget Act of 1974 is amended by striking "1995" and inserting "1998".

SEC. 14003. CONFORMING AMENDMENTS TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985.

Part C of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(1) Section 250(a) is amended by striking "1995" and inserting "1998".

(2) Section 250(c) is amended—

(A) in paragraph (4), by striking "(A)", by striking "1991, 1992, and 1993" and inserting "1991 through 1998", and by repealing subparagraph (B);

(B) in paragraph (6)(B), by striking "or 1995," and inserting "1995, 1996, 1997, or 1998,"; and

(C) in paragraph (14), by striking "1995" and inserting "1998".

(3)(A) The side heading of section 251(a) is amended by striking "1995" and inserting "1998".

(B) Section 251(b) is amended—

(i) by striking "or 1995" and inserting "1995, 1996, 1997, or 1998" in the first sentence of paragraph (1), in paragraph (1)(B)(i), in the first sentence of paragraph (2), and in paragraph (2)(D);

(ii) in paragraph (1)(B) by striking clause (i) and inserting the following new clause:

"(ii) The inflation adjustment factor shall be the ratio of—

(I) the level of year-over-year inflation measured for the fiscal year immediately preceding the current year, and

(II) the applicable estimated level for that year set forth below:

For 1993, 1.030.

For 1994, 1.027.

For 1995, 1.025.

Inflation shall be measured by the average of the estimated fixed-weight gross domestic product price index for a fiscal year divided by the average index for the prior fiscal year."

(iii) in the first sentence of paragraph (2) by striking "through 1995" and inserting "through 1998"; and

(iv) in paragraph (2)(F) by striking the comma after "or 1993" and all that follows and inserting a period.

(4)(A) The side heading of section 252(a) is amended by striking "1995" and inserting "1998".

(B) Section 252(d) is amended by striking "1995" and inserting "1998" each place it appears.

(C) Section 252(e) is amended by striking "or 1995" and inserting "1995, 1996, 1997, or 1998" and by striking "through 1995" and inserting "through 1998".

(5) Section 253 is amended—

(A) in subsection (g)(1)(B), by inserting "or any subsequent fiscal year through 1998" after "fiscal year 1994", by striking "fiscal years 1994 and 1995" and inserting "that fiscal year and the subsequent fiscal year (through fiscal year 1998)", and by striking the second sentence and the last sentence;

(B) in subsection (g)(1)(C), by striking "or 1995" and inserting "1995, 1996, 1997, or 1998"; and

(C) in subsection (h), by striking "fiscal year 1994 and fiscal year 1995" both places it appears and inserting "fiscal year 1994, 1995, 1996, 1997, and 1998".

(6) Section 254 is amended—

(A) in subsection (c), by striking "or 1995" and inserting "1995, 1996, 1997, or 1998";

(B) in subsection (d)(2), by striking "1995" and inserting "1998"; and

(C) in paragraphs (2)(A) and (3) of subsection (g), by striking "1995" and inserting "1998".

(7) Section 275(b) is amended by striking "1995" and inserting "1998".

SEC. 14004. MISCELLANEOUS NONTECHNICAL AMENDMENTS.

(a) MAKING PAYGO PERMANENT.—Notwithstanding section 275(b) of the Balanced Budget and Emergency Deficit Control Act of 1985, the expiration date set forth in that section shall not apply to section 252 or, in the case of any other provisions of that Act, to the extent necessary to carry out that section.

(b) ELIMINATION OF YEAR-TO-YEAR ROLL-OVER.—Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding at the end the following new sentence:

"No net deficit decrease in effect at the end of a fiscal year may be carried forward as an offset against future receipts decreases or direct spending increases in any subsequent fiscal year."

(c) DEFINITION OF EMERGENCY.—Section 250 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding at the end the following new paragraph:

"(22) The term 'emergency requirement', as used in section 251(b)(2)(D) and section 252(e), refers only to an emergency that is sudden, urgent, unforeseen, and not permanent and the expenditure for which is necessary."

(d) SCORING RULE FOR EMERGENCIES.—Section 251(b)(2)(D) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

"(D) EMERGENCIES.—If appropriations for discretionary spending for any fiscal year 1994 through 1998 are enacted that the President designates as emergency requirements and that the Congress so designated in statute, the adjustment shall be the total of such appropriations in discretionary accounts designated as emergency requirements and the outlays flowing in all years from such appropriations."

(e) PAYGO SCORECARD.—Section 252(a) is amended by adding at the end the following new sentence: "The scorecard for purposes of this section shall only include entries resulting from the enactment, after the date of enactment of this Act, of any direct spending or receipts law."

(f) LIMITATION ON AMENDMENTS TO RECONCILIATION BILLS.—Section 310(d)(1) of the Congressional Budget Act of 1974 is amended to read as follows:

"(1) It shall not be in order in the House of Representatives to consider any amendment to a reconciliation bill or reconciliation resolution if such amendment would—

"(A) have the effect of increasing any specific budget outlays above the level of such outlays provided in the bill or resolution (for the fiscal years covered by the reconciliation instructions set forth in the most recently agreed to concurrent resolution on the budget), unless such amendment makes at least an equivalent reduction in other specific budget outlays, an equivalent increase in other specific Federal revenues, or an equivalent combination thereof (for such fiscal years); or

"(B) have the effect of reducing any specific Federal revenues below the level of such revenues provided in the bill or resolution (for such fiscal years), unless such amendment makes at least an equivalent reduction in other specific budget outlays, an equivalent reduction in the discretionary spending limit under section 601(a)(2), an equivalent increase in other specific Federal revenues, or an equivalent combination thereof (for such fiscal years), except that a motion to strike a provision providing new budget authority or new entitlement authority may be in order."

(g) SUPERMAJORITY REQUIREMENT IN THE HOUSE FOR WAIVERS OF POINTS OF ORDER.—Section 904(c) of the Congressional Budget Act of 1974 is amended by inserting "or in the House of Representatives" after "in the Senate" both places it appears.

(h) LEGISLATIVE JURISDICTION OF THE COMMITTEE ON THE BUDGET OF THE HOUSE OF REPRESENTATIVES.—Clause 1(e)(2) of rule X of the Rules of the House of Representatives is amended by inserting "(A)" after "(2)" and by adding at the end the following:

"(B) The Congressional Budget Act of 1974.

"(C) The Balanced Budget and Emergency Deficit Control Act of 1985."

SEC. 14005. JOINT BUDGET RESOLUTIONS.

(a) AMENDMENTS TO THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974.—

(1) TABLE OF CONTENTS.—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking "concurrent" each place it occurs therein and by inserting "joint" and by striking "Concurrent" and by inserting "Joint" in the item relating to section 303.

(2) DEFINITIONS.—

(A) Paragraph (4) of section 3 of the Congressional Budget and Impoundment Control

Act of 1974 is amended by striking "concurrent" each place it occurs and inserting "joint".

(B) Paragraph (8) of section 3 of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking "by the Congress".

(3) TITLE III OF THE BUDGET ACT.—Title III of the Congressional Budget Act of 1974 is amended by striking "concurrent" each place it occurs therein and by inserting "joint" and by striking "Concurrent" and by inserting "Joint" in the heading of section 303.

(4) TITLE IV OF THE BUDGET ACT.—Section 401(b)(2) of the Congressional Budget Act of 1974 is amended by striking "concurrent" and by inserting "joint".

(5) TITLE IX OF THE BUDGET ACT.—Section 904(d) of the Congressional Budget Act of 1974 is amended by striking "concurrent" and by inserting "joint".

(b) TECHNICAL AND CONFORMING AMENDMENTS TO THE RULES OF THE HOUSE OF REPRESENTATIVES.—

(1) RULE X.—Clauses 1(e)(2), 4(a)(2), 4(b)(2), 4(g), 4(h), and 4(i) of rule X of the Rules of the House of Representatives are amended by striking "concurrent" each place it appears therein and by inserting "joint".

(2) RULE XXIII.—Clause 8 of rule XXIII of the Rules of the House of Representatives is amended by striking "concurrent" each place it appears therein and by inserting "joint".

(3) RULE XLIX.—Rule XLIX of the Rules of the House of Representatives is repealed.

(c) TECHNICAL AND CONFORMING AMENDMENTS TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985.—

(1) SECTION 254.—Section 254(b)(2)(A) of the Deficit Control Act of 1985 is amended by striking "concurrent" and by inserting "joint".

(2) SECTION 257.—Section 257(3) of the Deficit Control Act of 1985 is amended by striking "concurrent" and by inserting "joint".

The CHAIRMAN. Pursuant to the rule, the gentleman from Ohio [Mr. KASICH] will be recognized for 30 minutes and a member opposed will be recognized for 30 minutes.

The Chair recognizes the gentleman from Ohio [Mr. KASICH].

MODIFICATIONS OFFERED BY MR. KASICH TO THE AMENDMENT IN THE NATURE OF A SUBSTITUTE OFFERED BY MR. KASICH

Mr. KASICH. Mr. Chairman, I ask unanimous consent that the amendment in the nature of a substitute be modified to reflect the changes at the desk.

Mr. SABO. Mr. Chairman, I reserve the right to object.

The CHAIRMAN. The gentleman will be protected.

The Clerk will report the modifications.

The Clerk read as follows:

Modifications Offered by Mr. KASICH to the amendment in the nature of a substitute offered by Mr. KASICH: Redesignate section 5064 as section 5065 and after section 5063 insert the following new section:

SEC. 5064. PAYMENTS FOR CLINICAL DIAGNOSTIC LABORATORY TESTS.

(a) LOWER CAP.—Section 1833(h)(4)(B) (42 U.S.C. 1395i(h)(4)(B)) is amended—

(1) by striking "and" at the end of clause (iii),

(2) in clause (iv), by inserting "and before January 1, 1994," after "1990,"

(3) by striking the period at the end of clause (iv) and inserting ", and", and

(4) by adding at the end the following:

"(v) after December 31, 1993, is equal to 76 percent of the medium of all the fee schedules established for that test for that laboratory setting under paragraph (1)."

(b) **TWO PERCENT UPDATE FOR 1994 THROUGH 1998.**—Section 1833(h)(2)(A)(ii)(III) (42 U.S.C. 1395(h)(2)(A)(ii)(III)) is amended by striking "1991, 1992, and 1993" and inserting "1991 through 1998".

Conform the table of contents to subtitle A of title V accordingly.

Strike out subchapter C of chapter 3 of subtitle C of title XII (relating to modification of provisions relating to physician ownership and referral).

Redesignate subchapter D of chapter 3 of subtitle C of title XII as subchapter C and conform the table of contents to such subtitle accordingly.

At the end of title XIII insert the following new subtitle:

SUBTITLE D—DISCLOSURE PROVISIONS

SEC. 13131. DISCLOSURE OF RETURN INFORMATION FOR ADMINISTRATION OF CERTAIN VETERANS PROGRAMS

(a) **GENERAL RULE.**—Subparagraph (D) of section 6103(l)(7) (relating to disclosure of return information to Federal, State, and local agencies administering certain programs) is amended by striking "September 30, 1997" in the second sentence following clause (viii) and inserting "September 30, 1998".

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 13132. USE OF RETURN INFORMATION FOR INCOME VERIFICATION UNDER CERTAIN HOUSING ASSISTANCE PROGRAMS.

(a) **IN GENERAL.**—Subparagraph (D) of section 6103(l)(7) (relating to the disclosure of return information to Federal, State, and local agencies administering certain programs) is amended—

(1) in clause (vii), by striking "and" at the end;

(2) in clause (viii), by striking the period at the end and inserting "; and";

(3) by inserting after clause (viii) the following new clause:

"(ix) any housing assistance program administered by the Department of Housing and Urban Development that involves initial and periodic review of an applicant's or participant's income, except that return information may be disclosed under this clause only on written request by the Secretary of Housing and Urban Development and only for use by officers and employees of the Department of Housing and Urban Development with respect to applicants for and participants in such programs."; and

(4) by adding at the end thereof the following: "Clause (ix) shall not apply after September 30, 1998."

(b) **CONFORMING AMENDMENT.**—The heading of paragraph (7) of section 6103(l) is amended by inserting after "CODE" the following: ", OR CERTAIN HOUSING ASSISTANCE PROGRAMS".

(c) **EFFECTIVE DATE.**—The amendments made by this section shall take effect on the date of the enactment of this Act.

(d) **STUDY.**—The Secretary of the Treasury or his delegate, in consultation with the Secretary of Housing and Urban Development, shall conduct a study on—

(1) whether the information provided under section 6103(l)(7)(D)(ix) of the Internal Revenue Code of 1986 is being used effectively by the Department of Housing and Urban Development,

(2) such Department's compliance with the requirements of section 6103(p) of such Code, and

(3) the impact on the privacy rights of applicants for and participants in housing assistance programs administered by the Department of Housing and Urban Development.

The report of such study shall be submitted before January 1, 1998, to the Congress.

The amendment made by section 14002(a) to section 601(a)(2) of the Congressional Budget Act of 1974 is amended as follows:

(1) for fiscal year 1994, strike "\$472,925,000,000 and insert "\$468,425,000,000" and strike "\$525,415,000,000 and insert "\$520,415,000,000";

(2) for fiscal year 1995, strike "\$472,794,000,000" and insert "\$468,214,000,000" and strike "\$516,824,000,000" and insert "\$511,824,000,000";

(3) for fiscal year 1996, strike "\$481,678,000,000" and insert "\$476,898,000,000" and strike "\$514,782,000,000" and insert "\$509,782,000,000";

(4) for fiscal year 1997, strike "\$495,039,000,000" and insert "\$490,259,000,000" and strike "\$518,205,000,000" and insert "\$513,205,000,000"; and

(5) for fiscal year 1998, strike "\$505,825,000,000" and insert "\$500,975,000,000" and strike "\$522,752,000,000" and insert "\$517,752,000,000".

At the end of title XIV, add the following new sections:

SEC. 14006. DESIGNATION OF AMOUNTS FOR REDUCTION OF PUBLIC DEBT.

(a) **IN GENERAL.**—Subchapter A of chapter 61 of the Internal Revenue Code of 1986 (relating to returns and records) is amended by adding at the end the following new part:

"PART IX—DESIGNATION FOR REDUCTION OF PUBLIC DEBT

"Sec. 6097. Designation.

"SEC. 6097. DESIGNATION.

"(a) **IN GENERAL.**—Every individual with adjusted income tax liability for any taxable year may designate that a portion of such liability (not to exceed 10 percent thereof) shall be used to reduce the public debt.

"(b) **MANNER AND TIME OF DESIGNATION.**—A designation under subsection (a) may be made with respect to any taxable year only at the time of filing the return of tax imposed by chapter 1 for the taxable year. The designation shall be made on the first page of the return or on the page bearing the taxpayer's signature.

"(c) **ADJUSTED INCOME TAX LIABILITY.**—For purposes of this section, the term 'adjusted income tax liability' means income tax liability (as defined in section 6096(b)) reduced by any amount designated under section 6096 (relating to designation of income tax payments to Presidential Election Campaign Fund)."

(b) **CLERICAL AMENDMENT.**—The table of parts for such subchapter A is amended by adding at the end the following new item:

"Part IX. Designation for reduction of public debt."

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 14007. PUBLIC DEBT REDUCTION TRUST FUND.

(a) **IN GENERAL.**—Subchapter A of chapter 98 of the Internal Revenue Code of 1986 (relating to trust fund code) is amended by adding at the end the following section:

"SEC. 9512. PUBLIC DEBT REDUCTION 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 'Public Debt Reduction Trust Fund', consisting of any amount appropriated or credited to the Trust Fund as provided in this section or section 9602(b).

"(b) **TRANSFERS TO TRUST FUND.**—There are hereby appropriated to the Public Debt Reduction Trust Fund amounts equivalent to the amounts designated under section 6097 (relating to designation for public debt reduction).

"(c) **EXPENDITURES.**—Amounts in the Public Debt Reduction Trust Fund shall be available only for purposes of paying at maturity, or to redeem or buy before maturity, any obligation of the Federal Government included in the public debt. Any obligation which is paid, redeemed, or bought with amounts from such Trust Fund shall be canceled and retired and may not be reissued."

(b) **CLERICAL AMENDMENT.**—The table of sections for such subchapter is amended by adding at the end the following new item:

"Sec. 9512. Public Debt Reduction Trust Fund."

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

SEC. 14008. TAXPAYER-GENERATED SEQUESTRATION OF FEDERAL SPENDING TO REDUCE THE PUBLIC DEBT.

(a) **SEQUESTRATION TO REDUCE THE PUBLIC DEBT.**—Part C of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding after section 253 the following new section:

"SEC. 253A. SEQUESTRATION TO REDUCE THE PUBLIC DEBT.

"(a) **SEQUESTRATION.**—Notwithstanding sections 255 and 256, within 15 days after Congress adjourns to end a session, and on the same day as sequestration (if any) under sections 251, 252, and 253, but after any sequestration required by those sections, there shall be a sequestration equivalent to the estimated aggregate amount designated under section 6097 of the Internal Revenue Code of 1986 for the last taxable year ending before the beginning of that session of Congress, as estimated by the Department of the Treasury on May 1 and as modified by the total of (1) any amounts by which net discretionary spending is reduced by legislation below the discretionary spending limits (or, in the absence of such limits, any net deficit change from the baseline amount calculated under section 257, except that such baseline for fiscal year 1996 and thereafter shall be based upon fiscal year 1995 enacted appropriations less any 1995 sequestrations) and (2) the net deficit change that has resulted from direct spending legislation.

"(b) **APPLICABILITY.**—

"(1) **IN GENERAL.**—Except as provided by paragraph (2), each account of the United States shall be reduced by a dollar amount calculated by multiplying the level of budgetary resources in that account at that time by the uniform percentage necessary to carry out subsection (a). All obligatory authority reduced under this section shall be done in a manner that makes such reductions permanent.

"(2) **EXEMPT ACCOUNTS.**—No order issued under this part may—

"(A) reduce benefits payable the old-age, survivors, and disability insurance program established under title II of the Social Security Act;

"(B) reduce payments for net interest (all of major functional category 900); or

"(C) make any reduction in the following accounts:

"Federal Deposit Insurance Corporation, Bank Insurance Fund;

"Federal Deposit Insurance Corporation, FSLIC Resolution Fund;

"Federal Deposit Insurance Corporation, Savings Association Insurance Fund;

"National Credit Union Administration, credit union share insurance fund; or "Resolution Trust Corporation."

(b) REPORTS.—Section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in subsection (a), by inserting before the item relating to August 10 the following:

"May 1. . . Department of Treasury report to Congress estimating amount of income tax designated pursuant to section 6097 of the Internal Revenue Code of 1986.";

(2) in subsection (d)(1), by inserting ", and sequestration to reduce the public debt,";

(3) in subsection (d), by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following new paragraph:

"(5) SEQUESTRATION TO REDUCE THE PUBLIC DEBT REPORTS.—The preview reports shall set forth for the budget year estimates for each of the following:

"(A) The aggregate amount designated under section 6097 of the Internal Revenue Code of 1986 for the last taxable year ending before the budget year.

"(B) The amount of reductions required under section 253A and the deficit remaining after those reductions have been made.

"(C) The sequestration percentage necessary to achieve the required reduction in accounts under section 253A(b)."; and

(4) in subsection (g), by redesignating paragraphs (4) and (5) as paragraphs (5) and (6), respectively, and by inserting after paragraph (3) the following new paragraph:

"(4) SEQUESTRATION TO REDUCE THE PUBLIC DEBT REPORTS.—The final reports shall contain all of the information contained in the public debt taxation designation report required on May 1."

(c) EFFECTIVE DATE.—Notwithstanding section 275(b) of the Balanced Budget and Emergency Deficit Control Act of 1985, the expiration date set forth in that section shall not apply to the amendments made by this section. The amendments made by this section shall cease to have any effect after the first fiscal year during which there is no public debt.

Mr. KASICH (during the reading). Mr. Chairman, I ask unanimous consent that the modifications be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

The CHAIRMAN. Is there objection to the original request of the gentleman from Ohio?

PARLIAMENTARY INQUIRY

Mr. SABO. Mr. Chairman, reserving the right to object, I have a parliamentary inquiry.

The CHAIRMAN. The gentleman will state his parliamentary inquiry.

Mr. SABO. Does the discussion under the reservation, either the explanation by the gentleman from Ohio (Mr. KASICH) or my questions, count against the 1-hour time limit?

The CHAIRMAN. The gentleman has the floor under his reservation prior to recognition for 1 hour under the rule, and the time is not running.

Mr. KASICH. Mr. Chairman, will the gentleman yield?

Mr. SABO. Further reserving the right to object, I am happy to yield to the gentleman from Ohio.

Mr. KASICH. Mr. Chairman, for purposes of explaining what we are attempting to do here, basically what happened was, as we left the Committee on the Budget, we were told that there was \$345 billion worth of taxes and entitlement savings, mostly taxes. Leaving the committee and going to the Committee on Rules, it was our effort to try to fashion a substitute to this reconciliation package as it left the Committee on the Budget that attempted to get there not only with our entitlement savings, as proposed before us, but also with discretionary cuts figured in.

The proposal that we took to the Committee on the Budget was \$352 billion. We were asked to produce \$345 billion. We produced \$352 billion, and then at about 2 a.m. there was a change made, and we now have decided that we are going to include this, and this piece of paper came out at some time around 2 o'clock in the morning, that added a cap in the area of discretionary spending.

So, what I want everybody to understand is, that as we left the Committee on the Budget we had 345 billion dollars' worth of cuts. That was the goal. That was the standard that had been set, and so we fashioned the substitute to cut \$352 billion without tax increases, and then the majority decided, at 2 o'clock in the morning, to add their discretionary caps and add the total, making it look as though we do not have as much deficit reduction.

Of course, I do not know what the intentions were of the committee, but what I would say is that we were always told that the goal was 345. We hit the goal.

Now that the effort has been made to count discretionary caps as part of the savings package, we would then like to turn around and add \$50 or \$75 billion, in addition to the proposal that we make that puts us in the same category as where the majority is. We will be slightly less in deficit reduction, but with no taxes.

Now, in addition to that, we could have prepared additional mandatory cuts. The problem is, however, when we went before the Committee on Rules yesterday with our package, we had to draft all of our mandatory cuts. We had to put our fingerprints all over our mandatory cuts, and we did that under the rules in order to meet the mandatory savings that we set.

In order for us to create additional mandatory savings, we would have to draft that legislation. We did not, obviously, draft that legislation, because we did not know that at 2 o'clock in the morning we were going to get more spending reduction.

So this is an effort to add \$75 billion, first, by lowering the discretionary caps by \$25 billion over 5 years, and also by calculating in the Walker checkoff program that will take us up \$75 billion.

Now, let me just make it very clear to everybody in the House that if the Democrats had told us that they were going to want us to hit \$432 billion, we would have hit \$432 billion.

Mr. SABO. Mr. Chairman, further reserving the right to object, just so we are clear, our statements from the beginning have been that we expected in the reconciliation bill to extend the caps in similar fashion to the 1990 enforcement act through 1998. That has been our statement all along, and that that was going to be part of it, and I am sorry if the gentleman missed that.

Mr. KASICH. If the gentleman will yield further, the day we marked up the budget, the Committee on Government Operations met and immediately disbanded, unable to reach any conclusion whatsoever about whether there were going to be caps, what their impact was going to be. So as we left the Committee on the Budget, look, all I am saying is, if you had told us you were going to come up here with \$400 billion, we would have come up with \$600 billion. You told us our goal, our standard, was to get to 345.

□ 1820

We got to 352. If you had told us, "Well, we are going to end up, gang, we are going to put caps in and we are going to get higher," then we would have gotten higher because we have as much deficit reduction.

Mr. HEFNER. I have a parliamentary inquiry, Mr. Chairman.

The CHAIRMAN. The gentleman from Minnesota [Mr. SABO] controls the time.

Does the gentleman from Minnesota [Mr. SABO] yield for a parliamentary inquiry?

Mr. SABO. I yield to the gentleman.

The CHAIRMAN. The gentleman will state his parliamentary inquiry.

Mr. HEFNER. I do not understand the gentleman's explanation. It seems to me he is making a debate on a budget that he put together, that he is responsible for putting together. If he wanted to add more to his budget, he did not have to—

The CHAIRMAN. The gentleman, Mr. HEFNER, is not making a parliamentary inquiry.

Mr. HEFNER. Well, I am being as specific as the gentleman was. If there is going to be a debate, let us take it out of the allotted time.

Mr. KASICH. Mr. Chairman, I will be glad to respond to that. The simple response to that is that we have responded to every challenge your party has given us. The President said, "If you don't like our taxes, give us your specifics." Do you know what we did?

We gave them to you. You came in with unspecified cuts. Then you said, "We are going to do reconciliation, and we are going to have \$345 billion in savings." That is what we figured we were going to get to. And that is precisely what we did. And now you have gone higher, and we are saying, "Fine, and we will go higher. Just make us in order, make us in order." Does the gentleman have an objection—

Mr. HEFNER. If the gentleman will yield, the game is over, the referee has called the game, we have heard the National Anthem. We already started the game.

Mr. KASICH. You added 100 pages, and we want to add 1.

The CHAIRMAN. The gentleman from Minnesota [Mr. SABO] controls the time.

Mr. WALKER. Mr. Chairman, will the gentleman yield under his reservation?

Mr. SABO. I yield to the gentleman from Pennsylvania.

Mr. WALKER. I thank the gentleman for yielding.

The problem that we have here is, I, for example, had hoped we would have the debt buy-down amendment that the gentleman wants to include by unanimous consent here. In the Rules Committee, Mr. MCCANDLESS went before the Rules Committee to offer that. That amendment was turned down by the Committee on Rules. The Government Operations Committee never met so that Mr. MCCANDLESS could not offer that amendment in the Government Operations Committee.

All Mr. KASICH is trying to do is to put this particular proposal into his plan, and thereby get the benefit of that much, as you got the benefit of the deficit trust fund in the late-night agreement in the Rules Committee last evening.

Mr. SABO. Reclaiming my time, I have to indicate to the gentleman, in the Budget Committee we have indicated, I think, consistently that it was our intention to add enforcement provisions to the Budget Reconciliation Act in the Rules Committee. It was always, also, I think, obviously stated that we were going to put in the caps for discretionary spending for 1994 through 1998. We tried to play no games with that.

We have been up front. We did not have authority to add that to our bill in the committee, but we were going to do that later on.

As I understand the numbers, what the gentleman from Ohio is doing is that, on discretionary spending, the increases that in his original bill, the reductions, by \$125 billion. His amendment would add \$25 billion to that. That I understand of his original proposal.

As I understand, the gentleman has \$57 billion in additional entitlement savings beyond the bill. Is that accurate?

Mr. KASICH. Would the gentleman repeat that question again, Mr. Chairman?

Mr. SABO. In entitlement savings in the gentleman's base bill, he has \$57 billion more than the base reconciliation bill?

Mr. KASICH. That would be approximately correct.

Mr. SABO. Could the gentleman briefly summarize those for me so I can bring judgment to my reservation? I understand the gentleman has additional cuts in Medicare, additional co-payments for recipients of Medicare.

Mr. KASICH. It would be the military retirees change.

Mr. SABO. So the gentleman is eliminating all COLA's for military retirees under age 62?

Mr. KASICH. Right. It is the means testing of Medicare.

Mr. SABO. Just so that I am clear: That is in addition to the modifications or COLA's made by the post office?

Mr. KASICH. No, that is not.

Mr. SABO. The gentleman eliminates those?

Mr. KASICH. Yes.

Mr. SABO. OK. The gentleman has some additional cuts in the agriculture program beyond the basic reconciliation bill?

Mr. KASICH. Yes, we do.

Mr. SABO. How much are those, if the gentleman recalls?

Mr. KASICH. About \$1 billion.

Mr. SABO. Does the gentleman have some additional requirements on the post office? I am told it is about \$13 billion that the Postal Service would have to pay.

Mr. KASICH. About \$1 billion.

Mr. SABO. I am told it would have an impact of 2 cents or 3 cents a stamp.

Mr. KASICH. We cannot tell you that.

Mr. SABO. OK. That is what I am told.

Are there some other things in entitlement? We have been trying to search through the gentleman's proposal.

Mr. KASICH. It is just really a matter of whether you do taxes or you do it in some other way. For example, Medicare Part B, whether you feel as though people on Medicare Part B ought not to get a subsidy.

Mr. SABO. Has the gentleman changed the premiums on Part B?

Mr. KASICH. We do a flipflop where instead of getting 75 percent subsidy over \$200,000, you will only get a 25 percent subsidy.

Mr. SABO. Does the gentleman increase deductibility for a variety of Medicare services?

Mr. KASICH. Only for one, only for the labs.

Mr. SABO. And you increase that so the recipient would pay 20 percent more?

Mr. KASICH. That is correct.

Mr. SABO. And the net result—

Mr. KASICH. Everything else in there is of course included in the Democratic bill.

Mr. SABO. And you incorporate all of the Democratic provisions and yours are in addition to that?

Mr. KASICH. That is right.

Mr. SABO. Let me say this as it relates to the amendment: \$50 billion of that is not scored by CBO. I have a letter from CBO indicating they cannot score that provision.

Mr. WALKER. Mr. Chairman, will the gentleman yield?

Mr. SABO. I yield to the gentleman from Pennsylvania.

Mr. WALKER. I thank the gentleman for yielding.

Mr. Chairman, we have a letter from CBO, too, indicating that the best they could do in the short timeframe they had were for illustrative purposes, but they do have a chart which indicates how it would work optimally. If it works optimally, it is a \$275 billion or \$275 billion savings over the period of time of the 5 years of the program. Instead, all we are scoring it at is at \$50 billion, which represents a figure far less than what that performance chart would show.

So, if the gentleman has a letter, he also has the performance chart for that \$50 billion, and he understands that that represents less than one-fifth of the amount that CBO did cost out within the last several weeks.

Mr. SABO. I would read to the gentleman:

Attached, however, is an update of an analysis provided earlier this year to Congressman Walker. This analysis is illustrative only, as specified at the time by Congressman Walker.

Let me go on to say that:

It does not represent CBO estimates as to the cost of the plan.

Frankly, that is a plan, just so Members know, would basically turn budgeting in this country over to the factor of how much income a particular individual had, how much they were paying in income tax. Let me say to the gentleman from Ohio [Mr. KASICH]: As I have said earlier, I commend him for his efforts, and I enjoy working with him. He is someone who takes what he does very seriously and believes what he is doing. If this were an amendment that dealt simply with technical assumptions and with specific entitlement cuts or specific discretionary spending cuts that he wanted to do, I would be inclined not to object. But I find that a very substantial part of the amendment is a very hypothetical proposal that cannot be scored by CBO, and therefore I must object—

Mr. WALKER. Mr. Chairman, will the gentleman yield?

Mr. SABO. I will yield before I object.

Mr. WALKER. I thank the gentleman for yielding.

Mr. Chairman, it is far from a hypothetical proposal. The only reason why

it cannot be scored is because they did not have enough time for them to score it. It absolutely can be scored because it involves a sequester. So the only issue is how much the estimate is that people would check off. It absolutely can be scored, but there is a timeframe involved in all of this. We do have a chart. Let me ask the gentleman this: Is there a scoring for the deficit reduction trust that was included at the last hour of the President's proposal? I do not think so. I do not think that one can be scored.

Mr. SABO. No.

Mr. WALKER. Yet that was included at the Rules Committee last evening.

Mr. SABO. I have to respond to the gentleman: We claim no savings from that in arriving at our total savings.

□ 1830

Mr. WALKER. Mr. Chairman, I thank the gentleman.

Mr. SABO. Mr. Chairman, I yield briefly to the gentleman from New York [Mr. SCHUMER] to respond to that question.

Mr. SCHUMER. Mr. Chairman, I would just underscore the point, the deficit reduction trust fund did not change any of the numbers around. It just made sure that the numbers proposed were going to go to deficit reduction, so it does not need a scoring change at all.

Mr. SABO. Mr. Chairman, may I say to the gentleman from Pennsylvania, maybe I am misunderstanding his proposal.

My understanding of his proposal is that an individual taxpayer could check off a certain percentage of their taxes which would go to across-the-board deficit reduction on all programs, excepting Social Security and interest.

Mr. WALKER. No. If the gentleman will yield, the gentleman does not understand the proposal.

The money that would be checked off would go into debt buy-down, would go into a fund for debt buy-down. All moneys that go into the debt buy-down would then have to be cut from spending.

The way in which the cut could take place, the ultimate enforcement mechanism is a sequester, and because there is a sequester in it it absolutely can be scored by the CBO, so that the ultimate enforcement mechanism here is a sequester of moneys equal to the amount being checked off, so it is absolutely scorable by the CBO.

Mr. KASICH. Mr. Chairman, I withdraw my request.

The CHAIRMAN. The gentleman withdraws his request to modify the amendment.

The gentleman from Ohio [Mr. KASICH] is recognized for 30 minutes.

Is the gentleman from Minnesota in opposition to the amendment?

Mr. SABO. Yes, Mr. Chairman, I am.

The CHAIRMAN. The gentleman from Minnesota will be recognized in opposition.

The Chair recognizes the gentleman from Ohio [Mr. KASICH].

Mr. KASICH. Mr. Chairman, let me just make it clear that every time the standard has been set for us to meet with specifics in order to cut spending first and raise taxes later, we have attempted to do it.

The colloquy we just watched here with amusement was we were never told that we needed to get anywhere beyond the \$345 billion as it emerged from committee. If we had been told it was going to be \$445 billion, fine, we would go with \$445 billion.

It was always our intention to cut spending first, replace the spending cuts, or put the spending cuts in place of the tax increases. The bottom line is that there is a very simple difference between the Democrat reconciliation plan and the Republican reconciliation plan. We want to downsize government. We want to cut regulation. We do not want to grow the Federal Government.

We have once again answered the call by laying our specifics on the table.

Mr. Chairman, I yield 2 minutes to the very distinguished gentleman from Arizona [Mr. KOLBE].

Mr. KOLBE. Mr. Chairman, I appreciate the distinguished gentleman from Ohio, the ranking Republican on the Budget Committee, yielding me this time.

I rise in support of the Kasich reconciliation substitute.

We have heard a lot of rhetoric here during the general debate about claims that the reconciliation bill brought from the Rules Committee was one which was going to be a panacea for our budget woes and have real deficit reduction, we were told in that.

Well, it is rhetorical homage to deficit reduction that is lip service only, or to go back to an old television show, it is "Let's Make A Deal," the classic late night back room wheeling and dealing that produced the reconciliation package that no one has seen, no one really knows what is in it. It is designed for political cover, not for the economic good of this country.

The only place that bill is going to stand up is a dark room. In the light of day, the American taxpayer is going to see it for what it is, the largest tax increase in the history of the United States.

The substitute offered by the gentleman from Ohio is something that the American taxpayer does understand. It is very different. It understands that our problem is uncontrolled spending, not a lack of revenues. The problem is too much spending by Congress.

The Kasich reconciliation substitute tackles that by cutting spending first. Three simple words: Cut spending first. If we could just keep those in mind

today, we might get something that would be good for the country.

It would cut the deficit by \$355 billion over the next 5 years. How? It is going to do it through \$226 billion in discretionary spending cuts, \$129 billion in entitlement cuts, and no tax increases.

Remember, it is tax increases that comprise more than half of the Democratic plan.

It rejects the onerous increases on energy and the Social Security taxes.

The taxes that are in the Democratic plan are those that hit the same lower- and middle-income American that the President promised in the campaign just a few months ago that we would have tax relief for.

The substitute that we offer imposes spending cuts immediately, cuts that are going to total \$226 billion over the next 5 years, as opposed to \$102 billion in the Democratic plan, and that does not come into effect until the years 3, 4, and 5 down the road.

There is no smoke and mirrors in this. There is no deficit trust fund. There is no moving entitlement targets, no hope of budget discipline that is in that program.

Mr. Chairman, I urge us to adopt the Kasich substitute.

Mr. SABO. Mr. Chairman, I yield 5 minutes to the gentleman from Wisconsin [Mr. OBEY].

Mr. OBEY. Mr. Chairman, before 1981, as this chart demonstrates, this green line being 1981, this country never had a deficit larger than \$74 billion.

After the Reagan package passed in 1981, those deficits exploded to \$200 billion and they have been stuck there ever since.

In 1981, an awful lot of us who were here at that time tried to stop the passage of that plan. We warned that it was doubling military spending. It was cutting taxes for the rich. We warned that it was going to be a bonanza for the rich and it would hurt the country and plunge the country into red ink.

This chart compares the promise of the Reagan package at that time with the actual performance. The yellow bars demonstrate that we were told that if we would just pass the Reagan package, the deficit would go down from \$55 billion to zero in 4 years.

The red bars, in contrast, demonstrate what the actual performance was of that package, the deficits rising to over \$200 billion.

So when the administration recognized they had a problem and they were not achieving deficit reducing, they tried two more gimmicks, Gramm-Rudman I and Gramm-Rudman II. Neither one of them produced results in terms of deficit reduction.

Now we have a new President and a new plan.

This orange line demonstrates what the trend line for the deficit will be if the Clinton plan is not adopted, defi-

cits of \$290 billion today rising to over \$350 billion in 4 years.

The green line demonstrates that the Clinton plan will reduce that 4th year deficit by over \$150 billion. That gap, that difference will result in lower interest rates which will produce a situation which will make it easier for people to buy their first-time homes. It will make it easier to refinance their houses, to send their kids to college. It will make it easier for small business to find the capital to start business or to expand businesses.

Now we are told, however, that the crowd that gave us the eighties has got a better plan than this one. I would suggest to you that even Babe Ruth was only given three strikes before he was declared out.

The Kasich plan as it is now before us is some \$98 billion less in deficit reduction than the plan that the President is supporting today. It hits farmers 50 percent harder than the plan on the Democratic side of the aisle.

It hits \$10 billion harder at Medicare.

It requires senior citizens to pay 20 percent of the cost of their lab services. That will fall very hard on low-income seniors.

There is no earned income tax credit in their plan.

□ 1840

That means workers will still work 40 hours a week and still go home in poverty. President Clinton's plan changes that, and, most importantly, there is not one dime in tax hit for the very wealthy.

Mr. Chairman, this chart demonstrates what happened to share of income in this country over the 1980's with all but the top 10 percent losing economic ground. In contrast, the richest 1 percent saw their income double from \$300,000 a year to over \$600,000 a year. That is what the proponents of the Kasich plan today brought us in the 1980's.

In contrast to that distribution, this is the distribution of the taxes in the plan now before us. As my colleagues can see, even with the much maligned Btu tax, if one makes \$40,000 a year, they will not pay more than \$14 a month. They will not pay more than \$14 a month in new taxes.

In contrast, Mr. Chairman, the people who went to the party in the 1980's, the people who made more than \$200,000 a year, will be paying \$1,935 a month more in taxes. This comes in the context of a plan which has over \$200 billion in spending cuts.

No I would suggest to my colleagues that, after 12 long years, after three false starts on their side, it is time to give the President a chance to make his plan work.

With all due respect to our friends on the other side of the aisle, any of us, with our egos, can have plans which we think will do better, but the fact is

there is only one plan which gives this country a real opportunity for deficit reduction, which gives this country a real opportunity for economic growth, a real opportunity for an increase in family income after 12 years of declining family income.

Give the President a chance. Pass his plan. Forget the other let's pretend gimmicks.

Mr. KASICH. Mr. Chairman, I yield 2 minutes to the very distinguished gentleman from Arizona [Mr. KYL].

Mr. KYL. Mr. Chairman, I rise in opposition to President Clinton's tax increase, spending increase, and jobs loss bill and in support of the Kasich substitute.

According to the Tax Foundation, Mr. Chairman, the Clinton energy tax alone will kill 837 jobs in the district of the Member who just spoke. In my district we will lose 969 jobs that we cannot afford to lose and over 6,000 jobs in the State of Arizona.

Mr. Chairman, according to the Congressional Budget Office [CBO], the Kasich substitute will reduce the deficit by \$352 billion over the next 5 years. It will do so without increasing taxes and without touching Social Security. And, that's why I support it—not because I agree with all of its provisions, but because it proves that there are a whole variety of ways to reduce the deficit by cutting spending.

Although our side was prepared to include even further savings, those efforts were rebuffed by the Democrat-controlled Rules Committee which didn't want the Kasich substitute to look too good.

Unlike the President's bill, the Kasich substitute is based on the premise that spending cuts should come first, which is exactly what the American people have been demanding.

First year savings alone, again according to CBO, amount to \$86 billion under Kasich—all from spending cuts. CBO scores the President's plan at zero net spending cuts for the first 2 years.

Kasich strikes the President's retroactive income tax increases, his energy tax, his increased tax on Social Security, and his increased Medicare payroll tax.

It strikes the Clinton spending increases on food stamps and the earned income tax credit—increases which were needed to offset the adverse effects of the President's energy tax. Instead of taxing people into poverty, as President Clinton has proposed, and then providing Government assistance, Kasich allows them to keep more of what they earn in the first place.

The Kasich substitute repeals the luxury tax for most industries. It permanently extends various incentives to promote investment and jobs creation.

Mr. Chairman, this House should not make the same mistake it has made time and again in the past. Immediate and permanent—and retroactive—tax

increases, coupled with mere faith that future spending will be cut, will not do the job.

Let us pass Kasich and cut spending first.

Mr. SABO. Mr. Chairman, I yield 3 minutes to the distinguished gentleman from Texas [Mr. BRYANT], a member of the Committee on the Budget.

Mr. BRYANT. First I would like to say, Mr. Chairman, congratulations on a very fine job today, and I would like to say how proud I am to stand here with those of us in this House who are willing to take responsibility for the future of this country, willing to step up to the bar here and advocate for the public what is difficult medicine, but what is necessary.

The choice is very simple at this moment. It is a choice between a \$500 billion cut in the budget deficits of this country over the next 5 years, which has been offered by President Clinton and the Democratic majority, or \$417 billion in cuts in the deficits over the next 5 years as offered by the Kasich Republican plan. I submit to my colleagues that, if they are serious about dealing with the budget ills of this country, they will advocate a "no" vote on the Kasich plan and a "yes" vote on the Clinton Democratic plan.

We are treated today to a surreal spectacle in seeing the ranking member of this Committee on the Budget come here and at the last possible moment offer an amendment, the contents of which are unknown, about which he is also uncertain, which does not tell us anything with regard to what their philosophy is with regard to dealing with the future, which apparently involves a 2- or 3-cent increase in the cost of a postage stamp among other things, and then we are treated to the complaints from the Republican side that somehow or another they did not know that we were going to go as high as \$500 billion, or they would have tried to as well.

I would like to ask: Since when is it that the Democrats determine what the Republicans' goal for budget deficit reduction is? I think it is a ridiculous argument, and I offer to the House this observation:

We can stand firm today and recognize that part of the solution for deficit reduction has to be increasing taxes on the wealthier Americans, and, if we are going to recognize their reality, we are going to be able to deal with the budget deficit. There is time for steak and potatoes, the steak and potatoes of the Democratic budget rather than the cotton candy of the Republican proposals that we have tried to live on for the last 10 years.

I urge a "no" vote on Kasich and a "yes" vote on the Democratic budget.

Mr. KASICH. Mr. Chairman, I yield 1 minute to the very distinguished gentleman from Virginia [Mr. BLILEY].

Mr. BLILEY. Mr. Chairman, according to the Tax Foundation the energy tax will kill 1,823 jobs in the district of the Member who just spoke. In his State it will kill 37,693 jobs. In my district we will lose 1,728 jobs. We simply cannot afford this Btu tax.

But there is another way to reduce this deficit, and that is the Kasich plan which does \$352 billion over 5 years with no tax increase.

Every economist will tell us, Mr. Chairman, that we cannot grow an economy with increased taxes, but that is what they seem to want to do. This Btu tax will kill 500,000 jobs, and now we hear, well, Gramm-Rudman did not work from the gentleman from Wisconsin [Mr. OBEY]. It did not work because the outyears were where we were supposed to make the big cuts, and what happened? What happened on the way to the forum in 1990 is we would not make the cuts, so we got a new deal.

Mr. Chairman, it is smoke and mirrors. Kasich is real cuts. I say to my colleagues, "Vote for your district. Vote for your country. Vote for Kasich."

□ 1850

Mr. SABO. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from New York [Mr. SCHUMER].

Mr. SCHUMER. Mr. Chairman, let me first save some time for the gentlemen on the other side who will follow me. My district, according to this bogus study, will lose 609 jobs due to the energy tax.

What the gentlemen forget to say is that New York City has lost 300,000 under the 12 years of the policies that the Kasich budget will continue. So I say to you, we do better off with the 609 jobs lost than what has happened in the past.

Furthermore, their study is bogus. Data Resources, Inc., which did the study, did six scenarios. Our colleagues forget to tell us a couple of things: First, they took the worst case scenario; second, they did not add in the jobs that would be created from lower interest rates.

It is estimated under this DRI study that under the Clinton plan 261,000 jobs net would be created as a result of this budget. So this is a job creation budget, and do not believe a skewed, bogus study put out by a Republican-sponsored foundation on the Kasich budget.

Mr. Chairman, I respect the gentleman from Ohio [Mr. KASICH]. I have said it in this well before. The gentleman has tried to put together an honest plan. The problem is that the kind of cuts that are in this plan are unpalatable to the American people.

Mr. Chairman, I ask my colleagues on this side of the aisle, do you want to vote to freeze the COLA's for military and retirees between 55 and 62? Vote for Kasich. Do you want to vote to eliminate college assistance? Vote for

Kasich. Do you want to vote to eliminate programs that you care about? Vote for Kasich. But you do not have enough votes even on your side to pass this recessionary budget.

Mr. KASICH. Mr. Chairman, I yield such time as he may consume to the gentleman from Virginia [Mr. WOLF].

Mr. WOLF. Mr. Chairman, I rise in strong opposition to H.R. 2141, the Omnibus Budget Reconciliation Act of 1993. The middle class will be hit the hardest under this plan, whether they are young middle class families, middle class Federal employees or middle class elderly.

The middle class will be hit by the Btu tax which will cost the average family approximately \$500 in additional taxes, they will be hit with fewer jobs, an estimated 400,000 to 600,000 fewer jobs throughout the country, including approximately 1,600 jobs lost in my district along according to the National Taxpayer's Union. Every worker and every business throughout my State and throughout this country will be hit with this new tax bill. This will in turn hurt our competitiveness abroad as we raise the price of doing business for every employer and producer in the United States.

This Btu tax penalizes lower- and middle-income families, hurt schools and hospitals, and increases our dependence on foreign oil. Under this tax, hospitals will have to spend more on energy and less on healing; schools will have to spend more money on transporting kids to school and less on educating them; parents will have to spend more money getting back and forth to work less on supporting their families. Adding tens of thousands of dollars to school and hospital budgets will have a devastating impact on local economies and dramatically harm the physical and educational welfare of millions of individuals.

The Affordable Energy Alliance estimates that had this proposed Btu tax been fully implemented in 1990, Virginia residents and businesses would have paid \$701.4 million in additional energy taxes. A tax burden this large would hit Virginia's economy particularly hard at a time when we have defense cutbacks hitting our area disproportionately along with millions of Federal employees who will be subject to a wage freeze. The National Association of Counties has noted that these increased Federal taxes will reduce local revenues and result in the need for local governments to increase property taxes, sales taxes and service fees at a time when local governments are still experiencing the adverse effects of the recession. Again, the middle class will be hit the hardest.

The elderly on fixed incomes are also hit hard under this Clinton plan. The Democrat plan promises to raise taxes on seniors making as little as \$25,000. And while the energy tax is indexed, the income level at which Social Security benefits will be taxed at a higher level is not indexed so millions of seniors will graduate into this new tax bracket each year. And this increased tax, in a breach of trust with the American people, will not be returned to the Social Security trust fund but will instead be diverted into the general revenue fund for increased government spending.

No country in the world has this kind of tax. This tax will be very difficult to administer and

will require all kinds of new regulations and regulators to enforce it. This bill reserves for the Treasury Department the power to unilaterally change new energy tax rates, expand or contract the products subject to the tax, and the power to exempt certain taxpayers. This means the rules on this tax can continue to be changed and businesses will be subject to ever changing rules. Again, this will hurt competitiveness and is not fair.

Mr. Chairman, the Republican alternative to the Democratic tax plan is superior in many respects, and I will support it because it achieves considerable deficit reduction without the burdensome taxes which I have just described. My Republican colleagues who helped fashion this plan did so under considerable time restrictions and have made many tough decisions in crafting this plan. The Kasich plan will reduce the budget deficit by \$352 billion yet does not increase taxes or touch Social Security benefits.

While the Clinton plan places a disproportionate burden on Federal and military employees and retirees, the Republican plan eases this heavy burden. I believe the men and women who serve in the civil service and military should be treated fairly. It is important to consider the long-term benefits of having a qualified and effective Federal and military workforce and be cautious in producing short-term savings at their expense.

Unlike the Clinton plan, the Republican substitute won't delay Federal retirees' cost of living adjustments [COLA's], and it won't put limits on Federal employees' COLA's or locality pay. Also, it does not delay military retirees' COLA's and it does not freeze military pay the way the Democrat plan would do. Coupled with the tax increases, Federal and military employees and retirees would suffer more than any other segment of the population under the Clinton plan.

The Republican plan is a dramatic improvement over the tax and spend Democrat budget; however, the Republican plan has some aspects I am concerned about. Under the Republican substitute, Federal employees' retirement age would be increased from age 55 to 62 and nondisabled military retirees would have their COLA's delayed until they reach age 62. Federal employees have relied to their detriment on certain promises made by their employer, the Federal Government, and these promises should be respected. No other non-governmental entity can unilaterally alter the terms of an employment contract, its illegal and wrong. While the Congress can change the terms of an employees' employment or retirement legally, it is still unfair.

Mr. Chairman, I reiterate that the Republican substitute is substantially more equitable to Federal and military employees and retirees than the Democrat version. However, if I had the opportunity to amend either version, which I don't because the Rules Committee gagged every Member of this body by only allowing one amendment on the floor today, I would offer additional spending cuts to make up the difference in maintaining the Federal and military employee and retirees benefits.

What could we possibly cut to make up the difference? I suggest and many would agree that we cut funding for the superconducting super collider [SCC]. Others concerned could

find other cuts if given the opportunity under the rules. Plagued with dramatic cost overruns, management problems, and no foreign contributions to the projects as was promised, I believe this is a project that we can't currently afford given our budget deficit. Yesterday, Mr. Victor S. Rezendes, Director of Energy and Science Issues, Resources, Community, and Economic Development Division of the U.S. General Accounting Office, testified that the "total estimated cost (of the SCC) is not yet known, but the project's total cost will exceed \$11 billion." This \$11 billion is more than enough to keep our commitment to Federal and military employees and retirees. If this plan passes the House, I would work to restore these benefits by cutting the SCC.

Mr. Chairman, all Americans have a deep concern about the deficit which I share and want us to cut the deficit so our children and grandchildren don't bear the burden of our excess. The Clinton plan increases taxes, increases spending and as a result the deficit will not be reduced. In order to cut the deficit, Americans want us to cut spending first and the Republican plan best fulfills this goal.

Mr. KASICH. Mr. Chairman, I yield 2 minutes to the gentleman from Texas [Mr. BARTON].

Mr. BARTON of Texas. Mr. Chairman, I find it interesting that my good friend from New York [Mr. SCHUMER] did admit that he was willing to risk losing 609 jobs in his district. I might also add if he votes for this turkey, he is going to put at risk another job, and that is his own job, as will every other Member who votes for this misguided tax plan.

Mr. Chairman, I would point out that if every Member of this body was facing the electorate next week, it would fail overwhelmingly. To prove that, I point to exhibit No. 1, the current Senate race in Texas, where the interim senator, Senator KRUEGER, has gone on record that he would vote against this. He knows, it is a bad bill because he has got to face the voters of the great State of Texas within 2 weeks.

There is a deficit problem in this country. We do need to reduce the deficit, there is no question about that. Fortunately, there is an alternative to the Clinton tax plan, and that is the Kasich deficit reduction plan. The Kasich plan is not perfect, I admit that, but it has one overriding benefit: no new taxes. I want to repeat that, no new taxes. It has been scored to reduce the deficit over 5 years by \$352 billion.

Mr. Chairman, the gentleman from Ohio [Mr. KASICH] asked unanimous consent to amend the plan to bring the deficit reduction up to President Clinton's projected reduction, but that request was rejected by this body about 30 minutes ago.

We do need to begin the deficit reduction process, and we do need real change. President Clinton ran on change but not this change. He actually ran on a middle income tax cut, not a tax increase. Let us begin the process. Let us vote down the Clinton tax plan and vote for Kasich.

The CHAIRMAN. The Chair would announce that the gentleman from Ohio [Mr. KASICH] has 22 minutes remaining and the gentleman from Minnesota [Mr. SABO] has 20 minutes remaining.

Mr. KASICH. Mr. Chairman, I yield 1 minute to the gentleman from Michigan [Mr. UPTON].

Mr. UPTON. Mr. Chairman, I rise in strong support of the Kasich GOP alternative and against the democratic tax bill.

I am a fiscal conservative and believe strongly that we should indeed cut spending first. That is exactly what the Kasich GPO plan does. Real sacrifice and real cuts, without the very real taxes that the Clinton plan imposes on the middle class.

The American public is pretty skeptical about this Democratic tax bill. Why? It is because they have seen it before. It was called the 1990 Budget Agreement which also raised taxes and raised spending. I told President Bush back then that his advisers were taking him to the cleaners and I told it to this White House too. I don't care if it's a Republican, Democrat, or Independent who proposes it: raising taxes and increasing spending to reduce the deficit doesn't work.

Yes, we all do want jobs. Do you know what the energy tax does for my State of Michigan? It costs us about 16,000 jobs. That's 1,000 jobs lost for every Michigan Member of Congress. Add that to the jobs lost by raising taxes on business. That's crazy. Maybe we should raise taxes to 50-60-90 percent and see how many jobs are created then. I doubt we'll get to full employment.

Mr. Chairman, our country demands action. I have heard a lot of my colleagues saying that we should vote for this tax bill for our kids future. Well, what good will it do for our kids tomorrow if their parents lose their jobs today because of all these taxes?

Please vote to cut spending first by voting for the Kasich alternative.

Mr. SABO. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from Pennsylvania [Mr. MURPHY].

Mr. MURPHY. Mr. Chairman, I thank the chairman of the Committee on the Budget for yielding.

Mr. Chairman, I, admire the gentleman from Ohio. He has served this House well on the Budget Committee.

However, I must oppose a reshuffling of figures to solve our national deficits. For 12 years this tactic led to a \$4 trillion debt. Our two previous Presidents failed to submit a single balanced budget in 12 years. This amendment appears to be the grandson of Graham-Latta Reaganomics II. The easy path to economic salvation.

Mr. Chairman, let me quote from David Stockman, the author of Reaganomics I, Gramm-Latta I, II, and

III. Stockman said, "I knew we were on the precipice of triple digit deficits, a national debt in the trillions, and destructive and profound dislocations throughout the entire warp and woof of the American economy. By then all the major errors which would eventually shatter the Nation's fiscal stability were apparent. I had most of the diagnoses down already. It was only the full and final magnitude of the numbers that would materialize later."

Mr. Chairman, I am afraid that that is what this amendment may do.

Tonight is not the time for easy way outs. The vote I cast will be one of the most difficult in my career.

I do not favor the energy tax and would like to see more spending cuts. As I voted yesterday, I hope before we are through this year's efforts, the energy tax will be lessened. But tonight our only vote is to reconcile the work of our committees and send it on to the other body and continue our personal efforts to reduce spending.

The deficits are the real problem and the only way we can reduce that debt is to raise reasonable funds and restrict unnecessary expenses. Reshuffling figures will not do it. A difficult affirmative vote for the President's plan will at least be a start in the right direction.

The vote that I cast today is the single most difficult one of my entire political career. It should come as no surprise that many in western Pennsylvania oppose any tax increases. It is no surprise that many do not want to see Federal spending increased during these times of deficit spending.

I am addressing this body because this is the time for us to face up to the sins of the last 12 years and say that enough is enough.

The reason that there is so much opposition to the leadership that President Clinton has shown, is that there has been so little of it for the last 12 years that we don't recognize it when we see it.

For 12 years, Congress has taken it on the chin for runaway spending. For the fiscal years 1982 through 1993, Presidents Reagan and Bush sent to Congress 12 unbalanced budgets totaling \$12,692.1 trillion, which has left us with a \$7 trillion national deficit.

More Presidential leadership of this kind we do not need. More of this kind of leadership we cannot afford.

Actions speak louder than words and the time to act is now. Where were my Republican colleagues for the last 12 years? How many times did they go to the White House and demand that Ronald Reagan or George Bush show them, and the American public, where they would make spending cuts and ask them to publicly endorse such a program?

Before you repeat the frequently heard and extremely tired phrase "It's because of the Democrats in Congress, 6 of those 12 unbalanced budgets came in the years when the Republicans held both the U.S. Senate and the White House.

I am here in Washington to work with the Congress and the President to find solutions to our Nation's pressing problems.

I don't like the Btu tax. It does not help my district and I hope that we see some sanity and reason on this issue over the next few weeks. I cannot sit here any longer and listen to this debate knowing that if it results in my President's budget plan going down to defeat, that it foreshadows a summer of declining momentum and unceasing rhetoric, the sum total of which will not advance our efforts to solve the deficit crisis one tiny bit.

The Constitution mandates that spending bills originate in the House of Representatives and I take this responsibility very seriously. I am aware that in many areas my decision will not be popular. To all of those who wrote and called and told me that they favored spending cuts—so do I, and I have publicly endorsed over \$220 billion on my own. But, I expect that before this legislation reaches the President's desk it will contain more spending cuts and I will fight for them and for you every step of the way. But before this journey can begin, this body must fulfill its obligation to pass this bill and I will cast an affirmative vote to get this effort moving.

Mr. KASICH. Mr. Chairman, I yield 1 minute to the gentleman from North Carolina [Mr. COBLE], a very distinguished member of the Committee on the Judiciary.

Mr. COBLE. Mr. Chairman, I thank the gentleman for yielding.

Mr. Chairman, a constituent called today and told me that according to his numbers in 1933 when the big Government snowball began to roll, the average American worker earned 23 cents per hour. He furthermore reported that had this hourly rate grown at the Government growth rate, the average American worker today would be earning \$80 per hour.

My point is, big Government, fed by tax increases, does not create jobs. But this bill is being railroaded down the throats of the American taxpayers and lost jobs will be inevitable.

□ 1900

Roy Acuff, late country music luminary, recorded a song years ago entitled "The Fireball Mail," depicting a locomotive behind schedule, trying desperately to make up lost time.

I have the ominous fear that the fireball mail is rambling through this House today, leaving lost jobs in its wake. Stop the train by passing the Kasich plan.

Mr. SABO. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from California [Mr. MILLER].

Mr. MILLER of California. Mr. Chairman, to quote a former President, "There they go again."

Rather than ask the wealthiest people in this country, those who have benefited the most from the 1980's, to contribute a little bit to the shared sacrifice that the President of the United States told this Nation we would have to have, the Republicans have decided that they would continue the tax holiday of the 1980's for American's corporations and for America's

wealthiest citizens. They have decided they would enter the 1990's and the next century by asking the children of this Nation to pay more, the working poor of this Nation to pay more, the middle-income taxpayers of this Nation to pay more. For those who desire to get off of welfare and to make work pay, with the earned income tax credit, they cancelled that effort. For pregnant women and newborn children that are at risk because of their dire deficient diet, they put them on hold so the wealthy can continue to belly up to the bar of tax breaks.

To those who are seeking jobs and job training, they put them on hold through the 1990's, so they will not have to ask somebody to share in the sacrifice. A far cry from what our President of the United States has asked.

He has asked that we as a country, we as a people, we as a Nation, that we all share in the sacrifice of paying for the excesses of the 1980's, that we all share in the effort to rebuild the economic strength of this Nation and to get rid of this horrible burdensome deficit. And he does that in his economic plan by having every segment of this society participate so we can have equity, not the disproportionate, unfunded, unaccounted for plan that the Republicans now put forth in the 11th hour.

The CHAIRMAN. The gentleman from Ohio [Mr. KASICH], has 19½ minutes remaining, and the gentleman from Minnesota [Mr. SABO], has 16 minutes remaining.

Mr. KASICH. Mr. Chairman, I yield 2 minutes to a member of the Committee on Appropriations, the very distinguished gentleman from Kentucky [Mr. ROGERS].

Mr. ROGERS. Mr. Chairman, according to the Tax Foundation, the energy tax will kill 771 jobs in the district of the Member who just spoke here, and in my district, we will lose 1,802 jobs, jobs we cannot afford to lose.

Mr. Chairman, I rise in opposition to the President's tax plan. Last year when the voters went to the polls, they sought and were promised a change. To them, change meant getting the economy moving, creating jobs, and making a genuine effort at cutting the budget deficit.

They thought they had their man, but now after the election is over, their hopes have been dashed.

The President's tax bill is a betrayal to these Americans whose idea of change sadly has been perverted.

Mr. Chairman, instead of creating jobs, the President's tax bill will cost hundreds of thousands of jobs in this country, over 1,800 in my district alone, the highest total in Kentucky. Instead of giving the middle class a break, the President's tax bill will raise taxes and prices on just about everything our families buy, from grocer-

ies and electricity to gasoline and home heating fuel.

Instead of cutting red ink spending, the President's tax bill increases Government spending and the deficit over the next 2 years. And instead of boosting the economy, the President's tax bill will smother small business with more taxes and redtape, preventing them from creating more of the jobs that we need and actually depressing the economy.

Mr. Chairman, Americans trusted this new President to bring about change, but change for the better. I am sorry to say they have been betrayed.

I urge my colleagues to reject the President's tax plan and make him live up to what he promised us before the election.

Mr. KASICH. Mr. Chairman, I yield 1 minute to the distinguished gentleman from Pennsylvania [Mr. WALKER].

Mr. WALKER. Mr. Chairman, throughout the afternoon we have been making one point, and I think it has become fairly clear that the Democrats understand the point. What they are doing is killing jobs. In every district across this country, the Democrat tax plan kills jobs. The energy tax kills not just hundreds of jobs, it kills thousands of jobs. And it kills thousand of jobs in every State across the Nation.

What we need to do if we are going to bring down deficits is stop the spending. The Kasich plan stops the spending. It reduces spending. It does not raise taxes. By reducing spending, we reduce the size of Government. Less Government means more private entrepreneurship and means a greater chance for Americans to get jobs.

If we vote for the Kasich plan, what we are doing is voting to create jobs. If we vote for the Democrat plan, what we are doing is voting to kill jobs.

The Democrats have shown, time and time again today, that they are perfectly willing to give up those jobs. We have actually had Members come to this floor and defend the fact that they are going to kill jobs in their own districts. That is just absolutely incredible.

We need to save jobs, create jobs. Vote for Kasich.

Mr. SABO. Mr. Chairman, I yield such time as he may consume to the gentleman from Massachusetts [Mr. MARKEY].

Mr. MARKEY. Mr. Chairman, I rise on the subject of the spectrum auctions, which is in this bill, which will create 300,000 to 500,000 new jobs in the telecommunications revolution embodied in the heart of this Democratic bipartisan proposal, which will be brought out to the floor.

Mr. Chairman, I rise today in support of subtitle C of title V, the Licensing Improvement Act of 1993.

This part of the budget reconciliation proposal is critical to the United States in that not only does it provide relief to the ailing Federal

budget, but it also seeks to remedy an inefficient means of licensing communications services in our country. For the first time we are enabling the Federal Communications Commission to use auctions as a means of assigning the radio spectrum. The rationale behind this proposal is that we must reform and improve the current licensing process, which uses lotteries. In short, there has to be a better way to manage a precious Federal resource than picking names out of a hat. The proposal puts in place a better way, true to the principles underpinning the Communications Act, while at the same time raising revenue, over \$7 billion, for the public.

Let me take a few minutes to explain this legislation. Section 5203 grants the FCC authority to use spectrum auctions where there are mutually exclusive applications for new licenses and where the spectrum will be used by the license holder to offer services to subscribers for compensation. This section also directs the Commission to select an auction system that promotes: First, rapid deployment of new technologies and services so as to benefit all the public, including those in rural areas; second, availability of new and innovative technologies to the public; third, recovery for the public a portion of the value of the spectrum, and fourth, efficient use of the spectrum.

The legislation also directs the FCC to establish rules on auctions that will help enforce many of these objectives. First, the legislation provides concrete assurances that those living in rural areas will enjoy access to advanced technologies as quickly as the rest of the country by including strict performance requirements to ensure prompt delivery of service to rural areas.

Second, the legislation directs the Commission to establish alternative payment mechanisms to encourage widespread participation in the auction process. For those Members who want to offer dreams to young struggling engineers and innovators, whether in garages in the Bayou or Boston or the backwoods of any State, these provisions give you that ability.

This specific provision makes certain that those who are rich in ideas and low on cash get a chance to enroll in the future. This provision directs the FCC to consider what alternative payment methods should be used, such as installment payments or royalty payments or some combination, so that all Americans have a chance to participate in the communications revolution.

This legislation also enables the FCC to continue to hold out the promise of a pioneer's preference for the truly genius who catapult technology to another level. In fact, some of that genius is what spawned the entire PCS revolution. Under this legislation those truly genuine technology pioneers will be able to make a run for the roses and get a big payoff if they succeed. As we all know, that is a most powerful incentive, and that is why I think it is vital that we continue the overall thrust of the pioneer's preference program.

Regarding how auctions will be conducted, the proposal reflects the experience with lotteries and gives the FCC authority to make sure that bidders are qualified to build and operate a system and hold an FCC license. The

legislation clamps down on the churning and profiteering that has characterized the lottery system, and ensures it does not repeat itself under an auction system. I also think it is important that we insulate the FCC's procedures from budgetary concerns. There is a provision that will give the FCC a shield from those who seek to tilt communications policy in order to increase revenues.

A fundamental regulatory step that this legislation takes is to preserve the core principle of common carriage as we move into a new world of services such as PCS. I have grave concerns that the temptation to put new services under the heading of private carrier is so great that both the FCC and the states would lose their ability to impose the lightest of regulations on these services. The temptation to label everything private is all the more compelling because a recent court of appeals case held the FCC has no flexibility to apply Communications Act requirements. The risk of labeling all services private is that the key principles of nondiscrimination, no alien ownership, and even minimal State regulation would be swept away. This is one area where the FCC simply lacks the authority to make a rational choice, and so the legislation addresses that issue.

The fact that this legislation ensures PCS, the next generation of communications, will be treated as a common carrier is an important win for consumers and for State regulators and for those who seek to carry those core notions of nondiscrimination and common carriage into the future.

The Licensing Improvement Act enables the FCC to identify in a rulemaking which requirements it finds are not necessary to ensure just and reasonable rates or otherwise in the public interest. This section has been modified to further make certain that the FCC retains the authority to protect consumers and apply regulations in a sensible fashion.

In addressing this issue, however, it is necessary to take a broader view of creating parity among competing services. The legislation proposes that any person providing commercial mobile service, which is broadly defined to include PCS, and enhanced special mobile radio services [ESMR's], and cellular-like services, should all be treated similarly, with the duties, obligations, and benefits of common carrier status. The legislation also proposes that States would not be able to impose rate regulation, but this amendment makes explicit that nothing precludes a State from imposing regulations on terms and conditions of service, which includes such key issues as bundling of equipment and service and other consumer protection activities. Moreover, the intent here is not to disturb the principle that carriers can be obligated to offer services to resellers at wholesale prices. For the vast majority of States, their ability to regulate in this area would be preserved.

In addition, the authority of the FCC to act on behalf of cellular resellers would not be affected. Significantly, this legislation extends resale requirements to PCS and ESMR's, thereby opening up market opportunities which do not exist today for resellers.

This legislation sets up a mechanism so that in the next 12 to 18 months, we will see three, four, five, or six new providers of mobile serv-

ice added to most markets. The result would be a flurry of competition by entities which all have common carriage duties. And the result would be good for consumers by delivering a breadth of new services to the public at competitive prices.

I appreciate that there is some concern that this vision of a competitive world for mobile services may not be fully realized as soon as some contend. I share this concern. That is why the legislation provides that if the promise of competition does not take hold, then a State can exercise authority to regulate rates. In particular, the legislation provides that States can regulate rates if they show that competition has not developed enough to adequately protect consumers from unjust rates. Moreover, the FCC is directed to respond to any State request for authority within 9 months.

Now to turn to the last section of this part of the bill, which states that auction rules shall be issued in 210 days and PCS licenses issued in 270 days. These tight schedules are necessary to realize the revenues that are part of our reconciliation instructions and keep PCS on target.

Chapter 2 of this legislation directs the Department of Commerce to identify 200 megahertz of spectrum to be freed up from Government use and eligible for assignment by the FCC. This proposal, which is embodied in H.R. 707, sponsored by Chairman DINGELL and myself, passed the House in March overwhelmingly. The spectrum proposal is part of budget reconciliation because that makes certain that there will be spectrum available for the FCC to auction off. Hence, the addition of this proposal makes the budget targets more likely to be met.

The Licensing Improvement Act of 1993 accomplishes the goal of improving the licensing process while at the same time raises substantial revenue for the public. I urge support for this legislation.

Mr. Chairman; I rise in support of subtitle C of title V, the Licensing Improvement Act of 1993. Mr. Speaker, this provision hits a home run for taxpayers, by raising \$7.2 billion over the next 5 years. This provision hits a home run for private industry, by making more radio spectrum available for their use. And, most importantly, this provision hits a grand slam for the economy and for American workers because it will generate thousands of jobs and new technology services for consumers.

This provision enables the Federal Communications Commission to use auctions to assign the radio spectrum. Auctions have two major benefits: First, they will raise billions of dollars in revenues for the Treasury; and second, they get rid of unnecessary delay and harmful speculation in the assignment of this valuable resource. The provision is careful, however, to protect those users of spectrum, such as public safety telecommunicators and others, for which auctions would not be appropriate. This act also establishes regulatory parity among companies that provide similar services while retaining the current status for the vast majority of private users. Finally, this legislation requires the Government to free up an additional 200 megahertz of spectrum for emerging technologies. This step alone will unleash billions of dollars of investment and create thousands of jobs.

In short, this proposal is a balanced approach to a complicated problem. I urge my colleagues to support this legislation.

Mr. SABO. Mr. Chairman, I yield 1 minute to the gentleman from New Jersey [Mr. HUGHES].

Mr. HUGHES. Mr. Chairman, I would like to engage the chairman of the Ways and Means Committee in a colloquy on the feedstock exemption provided under the Btu tax. It is my understanding that the bill does not specifically single out any industry for feedstock exemptions. I further understand that the bill establishes a mechanism under which industries would have the opportunity to demonstrate that some part of the energy used in the production process is used not as a fuel but as a raw material, and therefore is not subject to the Btu tax. I further understand that the Btu tax is not designed to provide any undue competitive advantage for any industry. As the representative of the district that produces glass containers I want to verify the fact that this tax does not single out other industries which compete directly with glass products for favorable treatment.

Mr. ROSTENKOWSKI. Mr. Chairman, will the gentleman yield?

Mr. HUGHES. I yield to the gentleman from Illinois.

Mr. ROSTENKOWSKI. Mr. Chairman, the gentleman is absolutely correct. The legislation does not provide specific feedstock exemptions to any particular industry. Rather, it establishes an exemption for qualified feedstock uses. The bill defines qualified feedstock uses as the percentage of taxable energy product that is incorporated into the product that is manufactured. Any industry, whether glass, aluminum, plastic or any other, will qualify for the feedstock exemption for that portion of the energy used in production that is shown to be incorporated into the final product. Furthermore, the amount of energy that is shown to be incorporated into the final product will be exempt from this tax.

Mr. KASICH. Mr. Chairman, I yield 1½ minutes to the distinguished gentleman from Texas, [Mr. LAMAR SMITH].

Mr. SMITH of Texas. Mr. Chairman, I thank the gentleman for yielding time to me.

Mr. Chairman, it must be divine intervention for the Republican Party to have Democrats arguing their future is tied to the largest tax hike in history. While it may be good for Republicans, the plan is bad for the country so we should oppose this tax bill.

The President says there is no alternative to this tax hike, that spending can't be cut more or the deficit reduced further. The truth is that he has given the American people no choice but higher taxes, more spending and more deficits.

If the President had wanted to cut spending and Government, he had to

look no further than to the Republican plan. It cut \$430 billion in spending without one cent of new taxes.

The White House's gang that can't talk straight once promised to make the budget process a vehicle for change. Yet they oppose a real line-item veto and a balanced budget amendment.

Supporters of the tax bill must believe Americans don't know how to make, spend, or invest their money as well as the Government. And after \$322 billion in new taxes, the deficit will only fall by \$40 billion and then goes up again after that. It increases the national debt by \$1.2 trillion but cuts 1 million American jobs.

Some try to blame Republican presidents for the deficit. But only Congress has the power to tax and spend. One party—the Democrats—have had virtual control of this branch of Congress for 40 years. Not one tax bill and not one spending bill has passed without their support.

The tax plan is not about cutting spending or the deficit; it is about increasing taxes at the cost of savaging the middle-class. I urge support of the Kasich cut substitute and rejection of the Democrat tax bill.

□ 1910

The CHAIRMAN. The Chair would state that 15 minutes remain.

Mr. KASICH. Mr. Chairman, I yield 1 minute to the distinguished gentleman from California [Mr. ROHRABACHER].

Mr. ROHRABACHER. Mr. Chairman, 3 years ago, the Democrat leaders told us they had a plan to reduce the deficit by \$500 billion over 5 years—one-third of it through higher taxes. At that time, I told this House that plan was a roadmap to recession, and that it would not reduce the deficit.

Unfortunately, Mr. Chairman, that is exactly what happened. The 1990 budget deal drove the economy down, and the deficit up.

Here we are 3 years later for a repeat. Once again, they say their plan will reduce the deficit by \$500 billion over 5 years, except this time the tax part is even higher.

If the 1990 budget deal was a roadmap to recession the 1993 tax extravaganza is a fasttrack to the poorhouse. After this goes into effect, the days of 7-percent unemployment, 3-percent inflation, and 2-percent growth will look like golden years by comparison.

Let us not make the same mistake twice.

Let us vote for the Kasich budget, cut spending and lower taxes.

Mr. SABO. Mr. Chairman, I yield such time as she may consume to the gentlewoman from Tennessee [Mrs. LLOYD].

Mrs. LLOYD. Mr. Chairman, I thank the gentleman for yielding to me. I rise in support of the budget reconciliation package.

Mr. Chairman, today we vote on a budget reconciliation proposal which offers the largest deficit reduction program in U.S. history. My constituents, and those of each one of my colleagues, have made it quite clear that reducing the deficit should be the leading priority of the new administration and congress. The legislation before us rises to that challenge.

When the bill came out of the Ways and Means Committee, it did not have my support. While I strongly agreed with the spending cuts contained in the bill, there was a lack of critically needed budget enforcement rules to make sure that revenues and spending cuts would go toward deficit reduction. I joined with several of my colleagues in the conservative Democratic forum to press the leadership and the president to consider entitlement caps. Entitlements make up the largest portion of our budget and are exploding. Bringing them under control must be part of any responsible deficit reduction proposal. I am very pleased to report the caps were included as part of the final bill.

The bill includes language which I have long supported to create a deficit reduction trust fund. All moneys raised from tax increases must go into the account used exclusively for deficit reduction. This ensures that we do not spend the revenue raised on anything other than the deficit.

Mr. Chairman, there is an additional argument to be made in support of H.R. 2264. When we voted for the budget resolution in March, we committed ourselves to a process that would yield \$496 billion in deficit reduction over 5 years. We may not like the bill before us for any number of reasons—I do not like the Btu tax—but to defeat the bill and stall the process, knowing that we will have the opportunity to improve the legislation—returns us to gridlock and breaks the promise to our constituents of meaningful deficit reduction.

We cannot expect everyone to understand or support the difficult decision before us. But it is my belief that if we do not continue the process now, knowing that a better bill can be worked out and will be worked out, we may not be able to revisit a deficit reduction package of this magnitude again. Let us keep the process moving and give the Senate a chance to modify the legislation.

Mr. SABO. Mr. Chairman, I yield such time as she may consume to the gentlewoman from Utah [Ms. SHEPHERD].

Ms. SHEPHERD. Mr. Chairman, I rise in support of the budget package.

Mr. SABO. Mr. Chairman, I yield 1 minute to the distinguished gentleman from California [Ms. WOOLSEY].

Ms. WOOLSEY. Mr. Chairman, I rise today to oppose the Kasich substitute and voice my strong support for the budget reconciliation bill.

I am proud to support the administration's plan and I challenge the rhetoric I hear from my colleagues on the other side of the aisle. During Republican Presidential leadership, the deficit rose from \$73.8 billion in 1980 to \$290 billion in 1992. Under the budget agreement passed by this Congress in March, the deficit will be reduced by \$496 billion over the next 5 years. This pack-

age is the first step in implementing that budget agreement.

I would like to tell all of the people who say that we aren't making spending cuts that they are absolutely wrong—and this bill is proof. When combined with the bill's enforcement language that caps discretionary spending, the bill cuts a total of \$250 billion. These spending cuts force us to make some difficult choices; choices that are essential to get the deficit under control.

In addition, I strongly support the provisions in this reconciliation package that help to restore fairness to our tax policy. For the last 12 years, the wealthiest Americans became richer, while most Americans got poorer. We are now acting to make our tax system fair and progressive.

By now, we have all heard a lot about the energy—or Btu—tax. This plan will be phased-in over a 3-year period. In 1994, a family earning \$40,000 a year will pay about \$1 a month; in 1995 that family will pay about \$7 a month, and when fully phased in, the Btu tax will cost the average household about \$17 a month. Combined with the Low-Income Energy Assistance Program, the Btu tax is a sensible, rational policy. It promotes energy efficiency and encourages conservation—something that the oil lobbyists don't want to talk about. It also encourages the development of alternative, clean fuel sources which is key to long-term environmental protection.

The people in my district continue to tell me that they are willing to pay higher taxes, as long as those taxes are fair and as long as they are coupled with meaningful spending cuts. They sent me to Washington to reduce the deficit, cut spending, cap discretionary spending, and tax those who can afford to be taxed. That is exactly what this reconciliation bill is about.

Mr. Chairman, encourage my colleagues to support our President and the reconciliation bill, and let us get this country back on track.

Mr. KASICH. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from Connecticut [Mr. SHAYS], a member of the Committee on the Budget.

Mr. SHAYS. I thank the gentleman for yielding time to me.

Mr. Chairman, it is difficult to listen to this debate and hear how Members of Congress blame Presidents Reagan and Bush for budgets they themselves have voted for. Let's face it, we are in this together. The Presidents may propose but we vote for the budgets. We hold some responsibility.

The bottom line for me is, without Presidential action this debt will go up \$1.5 trillion. With Presidential action it will still go up \$1 trillion. We are not reducing the deficit enough. And what deficit reduction we are doing is done primarily through raising new taxes.

It amazes me that we could say we are helping the economy when we allow this debt to go up \$1 trillion, and we are adding all these new taxes, and we still have health care to pay for.

Senator Tsongas asked in the last campaign, "How can you be projobs and antibusiness?" The fact is you can't be. This is an antibusiness, antijobs proposal of our President. I think Members make a mistake voting for it.

We need to cut spending, reduce the deficits further and move our economy forward.

I urge my colleagues to vote to protect and create jobs. Do not vote for new taxes without more spending cuts.

Mr. SABO. Mr. Chairman, I yield 3 minutes to the distinguished gentleman from Kentucky [Mr. NATCHER], the chairman of the Committee on Appropriations.

Mr. NATCHER. Mr. Chairman, I yield to our friend, the gentleman from Indiana [Mr. SHARP].

Mr. SHARP. Mr. Chairman, I thank the gentleman for yielding.

A moment ago one of our Republican colleagues said that one of the folks on our side of the aisle, by voting for the President's package to cut the deficit, was putting his own career at risk. Amen. It is about time we had people in the House of Representatives who are willing to put their careers at risk for this country's future.

Mr. NATCHER. Chairman, I rise in strong opposition to the Kasich substitute.

The Kasich plan would shift most of the deficit reduction burden onto the backs of our important discretionary programs—especially domestic discretionary programs.

The Budget Committee tells us this equates to an immediate 1994 across-the-board cut of 12-percent for all non-defense discretionary programs.

Let me tell the members what that will mean.

A 12-percent cut in education means a reduction of \$2.8 billion—including \$800 million out of chapter 7, \$900 million out of student financial aid, \$360 million out of a special education for the handicapped, \$180 million out of vocational education. These are the programs that invest in our country's future. It is not responsible to slash them like this.

For transportation, we would be prevented from trying to fill the \$2.6 billion shortfall in the Highway Program at a time when roads are deteriorating and people are already paying the gas tax to fix them.

A 12-percent cut would eliminate 900,000 women and children from being helped by the WIC Program. That's the program that feeds needy children all over this country.

A 12-percent cut would take 87,000 kids out of a Head Start Program.

A 12-percent cut would put 4,500 FBI and DEA agents on the street looking for work.

We would have to furlough 9,000 meat and poultry inspectors at a time when the Secretary of Agriculture says we need more inspectors to assure a safe food supply.

A 12-percent cut would force us to close seven existing prisons and not open eight new prisons that are being built.

This cut would furlough 2,100 employees at the FDA—slowing down new drug approvals and critical inspections of the Nation's blood supply.

For health, it's the same story. NIH—the program that conducts cancer research, heart research, AIDS research, and gives hope to thousands and thousands of people—would be cut by \$1.24 billion. We cannot afford to do this.

The list could go on and on.

Mr. Chairman, it would ill-serve our country to slash our important discretionary programs.

These are the programs that invest in our country's future—education, transportation, health, agriculture, research, technology, small business.

These are the defense programs that protect our country.

These are the programs that keep our people safe—the FBI, the DEA, the customs service, corrections programs, U.S. attorneys, our whole judicial branch.

Discretionary programs have to take a fair share of the burden. Under the Sabo plan—discretionary programs take \$102 billion in reductions over 5 years—more reductions than in the entitlement category. I am willing to support this because we need to cut our deficit.

But to double these discretionary reductions as the Kasich substitute envisions is not responsible. It would hurt our country's future.

Mr. Chairman, I urge a "no" vote.

□ 1920

Mr. KASICH. Mr. Chairman, I yield 1 minute to the gentleman from California [Mr. CUNNINGHAM] and I ask if he would yield to me.

Mr. CUNNINGHAM. I yield to the gentleman from Ohio.

Mr. KASICH. Mr. Chairman, let me make it clear the cuts we heard are not cuts. They may not be the increase at the level some bureaucrats in Washington determined, but they are not cuts like we have in Ohio, which is below the year before. So let us make that clear.

I thank the gentleman for yielding.

Mr. CUNNINGHAM. Mr. Chairman, in the district of the gentleman from Kentucky [Mr. NATCHER] if the Btu tax was in effect it would cost 793 jobs. Those needy kids might like that. It will cost my district 1,002 jobs.

The Btu tax does not target the chronologically gifted folks, but it affects them. Talking about taxing the rich, this body wants to tax and put a cap on military active duty pay. You

sure do not put a cap on your own pay. They want to cut the COLA's from retirees in the military. You do not put a cap on your COLA's, Members of the U.S. Congress, when you retire.

You say about 78 percent of the Social Security folks will not pay. The only crime of the over \$25,000 a year who pay is that they have made some savings over the years.

The Btu tax, the gas tax will affect the middle class.

Mr. SABO. Mr. Chairman, I yield such time as he may consume to the gentleman from the Virgin Islands [Mr. DE LUGO].

Mr. DE LUGO. Mr. Chairman, I rise in opposition to the Kasich amendment and in the strongest support for the President's package and urge an end to this gridlock.

Mr. Chairman, as chairman of the subcommittee with jurisdiction over matters concerning the insular areas, I want to explain section 9001 of the bill which concerns special insular spending.

This provision would meet the President's budgetary goals; but it is different from that proposed by the Interior Department's territories office.

That office's proposal—which was actually made on the last day of the last administration—would obligate the Federal Government to provide the Northern Mariana Islands with \$120 million in special infrastructure funding from fiscal years 1994 to 2000, including \$22 million next year.

Recommended by representatives of President Bush and the islands' Governor, the proposal would have replaced the requirement in current law to provide the Commonwealth with \$28 million in special assistance on an annual basis.

This bill would also repeal the \$28 million a year Marianas aid requirement. And it would provide for insular spending of \$120 million over the next 7 years on the schedule supported by the President. But it would not create the same obligation.

Instead, it would provide for spending as follows.

First, the long-authorized \$3 million to develop the park honoring the World War II dead in the Marianas would be provided next fiscal year, as the 50th anniversary of the sacrifice approaches.

Second, the other \$19 million supported by the administration for spending next year would be provided for high-priority projects in any of the insular areas for which the United States is responsible and which receive special assistance through the Interior Department.

And third, the \$98 million which had been proposed for the Marianas for fiscal years 1995 through 2000 would be provided if further legislation is enacted and to the extent such a law provides.

The intent is that the further legislation be considered after there has been more time to address problems in the Marianas which are largely responsible for the unwillingness of Members to guarantee another \$120 million in special assistance to the Commonwealth at this time.

Mr. Chairman, this provision is a compromise that I worked out with the distinguished chairman of the full committee, GEORGE MILLER. It reconciles the absolute objection that he and other Members on both sides of the aisle had to committing to new assistance for the Marianas now in light of the situation there on one hand and the Interior Department's proposal for the \$120 million on the other.

What it would do, in essence, is provide for priority uses of the \$22 million proposed for next year—including a project that is of great importance to the Marianas—and defer a final decision on the \$98 million proposed for the Marianas for later years. That decision would, almost certainly, be negative if made now.

It would preserve the possibility of the aid that the Marianas wants to the greatest extent possible without making the final commitment to it that Members are unwilling to make.

The arguments against making such a commitment now are compelling.

Perhaps the most irrefutable is that the Marianas are not doing all they can to meet their own needs.

The tax burden imposed by the Commonwealth is a fraction of that which applies in other areas under the U.S. flag. In part, this is because the Commonwealth rebates much of what it collects under the Federal income tax rates that serve as the basic local tax rates.

The rebates totaled \$49 million in 1991 alone. Some rebates may be justifiable for economic growth reasons; but many others given to higher income taxpayers are not.

The bottom line is that the Marianas gives away many millions of dollars each year that it could use for the infrastructure that the assistance proposal would require U.S. taxpayers to pay for. How can we ask U.S. taxpayers to pay higher taxes to subsidize higher income Marianas taxpayers paying less than U.S. taxpayers do now?

That the Marianas income tax system undermines the justification for additional special assistance is not a new issue. It was raised by a predecessor of mine as chairman of the subcommittee, the late Phillip Burton, who passed away over a decade ago, and more than one Commonwealth Governor has conceded to it.

The Marianas also does not impose other taxes common under the U.S. flag or charge users of public services, such as utilities, a fair cost for those services. Regarding this latter point, the failure to bill full cost recovery utility rates contradicts a commitment that the Marianas made to obtain \$228 million in special aid between 1986 and 1992.

Development in the Marianas also argues against the commitment.

For one thing, the islands are now a very different place than they were when the special assistance program was first agreed to. They now have a substantial private sector where there was virtually none then.

This private sector can generate substantial amounts of the revenue that the islands need for new infrastructure. The original purpose of the special assistance commitment was to help the islands establish such an ability. This purpose has largely been fulfilled—even though the Commonwealth is not, as I have explained, tapping the full revenue potential from it.

Additionally, much of the islands' current infrastructure need is caused by this development. This need goes beyond the Federal responsibility to help because the development is imposing costs on the community that it is not meeting.

The islands' development policies are based on the use of cheap alien labor and this is a further cause of concern. The low-paid, foreign workers involved are not only being used temporarily to meet development needs, such as construction, for which there is no other immediate labor source, they are being used to fill permanent jobs as well.

So-called temporary alien workers—who actually generally stay in the islands for several years—now make up most of the islands' population. This situation raises questions about the nature of democracy in the islands—since the aliens lack political rights—as well as questions about the Marianas' needs—since the aliens put demands on public services.

The local immigration policy that makes this situation possible was developed in spite of Federal objections, particularly as the policy relates to the islands' clothing manufacturing industry.

This industry, which has primarily developed since the last assistance commitment was made, uses a combination of federally provided advantages, including the ability to import cheap alien labor and public services subsidized by special Federal assistance, to unfairly compete with manufacturers elsewhere under the U.S. flag.

Members concerned about the decline of the domestic textile industry, like our distinguished colleague from Virginia, L.F. PAYNE, find it unconscionable to, in effect, ask U.S. taxpayers to pay higher taxes—as we are in this bill—to subsidize this unfair competition.

Their objections to the Marianas garment industry's labor force are not only that foreign workers are used but that these workers are paid less than the minimum wage that other U.S.-based manufacturers must pay.

Additionally, the Marianas' minimum wage policies in general are also an important point of contention.

The minimum wage is \$2.15 an hour and doesn't cover many classifications of employment in the Commonwealth. Its purpose seems to be different than the national minimum wage—which is to ensure a living wage for all workers.

The Marianas policy appears, instead, to be established primarily for the benefit of employers. And it really only applies to the alien workers since the U.S. citizens of the Commonwealth won't work for anywhere near the minimum wage rate, let alone the lesser rates paid in most occupations exempted from the minimum, such as construction and household jobs.

The treatment of many of the workers has received national attention. There have been numerous cases of abuse and poor treatment, including the failure to pay even the low wages due.

Some of these cases have resulted in major Federal law enforcement actions; but others do not appear to have been handled as seriously as they should have by local officials.

Many cases involve the islands' controversial garment industry and some major ones have involved the largest manufacturer.

This private interest's role in much of what I have mentioned is a cause of great concern. It certainly creates a problem for the idea of committing new assistance to the Marianas.

This interest is both paying substantial amounts to lobby for the \$120 million and it is organizing opposition to local efforts to reform the tax, alien labor, and minimum wage policies that have caused Members to be unwilling to commit to providing the funds.

Further, its relationship with certain local officials appears to be so close that questions are raised about whether the local public's interests are also being articulated.

Why is the \$120 million that has been proposed worth so much to this private interest? Is it because the funds would subsidize the interest's current profitable situation? Is it because the commitment would lessen the pressure for—and the possibility of—the reforms that I have mentioned?

Members are unwilling to commit to the assistance because of the problems with local policies and because of the way that some local officials have responded to concerns about these policies.

There have been arguments attempting to justify the policies, sometimes misleading ones. There have been efforts to minimize the problems. There has been a lack of cooperation in addressing them. There have been promises to take corrective action that have not yet been fulfilled.

There has been no lack of notice that policies and practices would have to be changed if Members were to support further special assistance. Some of the issues were raised when the current assistance commitment was enacted in 1986. The full range of issues and the need for corrective was discussed in a major hearing that I conducted last year.

But action sufficient to convince Members that further aid can be committed has not taken place to date.

This is not to say that there has not been movement in that direction, however. The Commonwealth has begun to address many of the issues of concern.

Among measures taken so far that relate to concerns that Members have raised are an ethics code, an antiprostitution law, and a zoning law. The insular government is considering measures relating to increasing the minimum wage and applying it to uncovered workers, enforcement of immigration laws, limiting the stay of temporary alien workers, alien workers' rights, workplace conditions, a human rights commission, and tax reform.

The Governor has, further, directed compliance with Interior inspector general audit recommendations—another issue that is very relevant to this funding decision because of misspending of past assistance.

In view of the efforts being made by the private interest that I have mentioned to secure the binding assistance commitment, its close ties to some officials, and its opposition to key reforms, can we be confident, however, that policy improvements will occur if the \$120 million is guaranteed?

The compromise included in this bill, Mr. Chairman, is designed to encourage reforms of local policies to the greatest degree possible. It delays the funding decision until we can see whether they actually take place.

It also does not interfere with current local government authority. It does not require the reforms, for example; it only sets up a process that will delay the real funding decision until, as I said, we see whether policy improvements are made.

The strong message it sends may be necessary to counteract the power of the private interests that are opposing reform. The choice—which will affect the ultimate fate of additional special Federal assistance—will continue to be that of the people of the islands.

In working on this compromise, members of the Natural Resources Committee considered—but did not agree to—other approaches.

One, which I explored, would make a final assistance commitment to the Marianas but provide that the funds could not be released until policy improvements were made.

A problem with this idea, however, is that it would require the setting of specific performance standards and there are concerns about doing so.

First, such specifics—such as the exact nature of local revenue laws—should be determined locally.

Second, it would be infeasible to set them in Washington in any case.

Third, the issues are complicated enough that fair specifics can't be adequately determined without more intensive study and debate than the time of this bill allows.

And, finally, Members do not want to delegate these decisions to executive branch officials, especially in light of past handling of the issues involved.

To help resolve the understandable debates over the specifics of policy changes—and to ensure that the Congress has full information on the issues as well as Marianas efforts to address them—this legislation would require several Federal agencies to submit information on key issues of concern.

The more basic problem with the idea of committing to the assistance but conditioning release on the implementation of specific policy changes, however, is that Members are simply unwilling to commit to the assistance now. They may be willing to do so if the Marianas improves policies sufficiently—and I think that there will be some moral obligation for us to try to provide funds if this happens. But they are not willing to make a commitment, given past history and the current situation.

Another approach that has been suggested is closer to the process contained in the bill before us. It would require further legislation to commit assistance to the Marianas but reserve all of the \$120 million for infrastructure in the Commonwealth.

The difference from the bill is that this suggestion would not provide funds new year for the park in the Marianas or priority projects in all the insular areas.

The primary problem with this idea relates to timing. The \$22 million involved needs to be outlaid in fiscal year 1994.

The suggestion would only work if the Marianas made policy changes that convinced Members to support further funding in time for legislation to be enacted early enough to still allow for funds to be used next year. It is not clear that all of this could occur in sufficient time.

In any case, the bill we are considering today already provides for this possibility. It would enable all of the \$19 million of the funds it would make available for projects in all of the insular areas concerned to be used in the Marianas if further legislation so provides. But, if not, the funds could be used elsewhere so they are not denied to any insular purpose.

This brings up another concern that Members of both parties have about the proposal. While it would go a long way to meeting needs in the Marianas, there are needs in other insular areas that there is more justification for the Federal Government to meet that there are now no plans to meet.

The situation of American Samoa provides the starkest example of this. The territory's infrastructure needs may be even more basic than those of the Marianas; but it has less economic resources on which to draw to meet these needs than the Marianas does and its long-range development potential is less clear than the Marianas.

Further, Samoa uses U.S. rate income taxes, suggesting a greater local effort to meet its needs with the lesser resources it has. Yet, the Bush administration—which proposed the \$120 million, 7-year commitment—refused to make a commitment of multiyear assistance to Samoa.

A feeble explanation for the inconsistency between the proposal of massive new aid for the Marianas and the refusal to propose aid for Samoa that I have heard is that Samoa has serious financial management problems.

The problems with this excuse are, though, that the Marianas has also misused past assistance, as I have noted, and that an assistance commitment would provide an opportunity for ensuring the improvement of Samoan spending policies and practices.

So, since Members are unwilling to commit new assistance to the Marianas until policy problems are addressed, do not want funds proposed for insular needs diverted to non-insular purposes, and are concerned about needs in other insular areas, we have proposed using fiscal year 1994 funds for high priorities in any of the smaller insular areas.

And, let me point out again, this will include the Marianas if Congress makes the required determination.

The Marianas can have substantial assistance for its infrastructure needs next year even if further legislation does not provide for it to receive any of the \$19 million, however.

Some \$27 million in interest earnings on the \$228 million provided the islands between fiscal years 1996 and 1992 are available whenever the Commonwealth meets its earlier commitment to charge more reasonable utility rates.

Mr. Chairman, Members have some other concerns about the commitment proposal that I should mention.

A couple relate to the proposal itself. One of these is that it asks for \$120 million to be committed without specifying the projects to be funded or without any Federal approval of the projects. This provides us with no assurance that what we would agree are priorities will be met.

It has been argued that we should not be concerned about this lack of assurance because past aid was not provided on a specific

project basis. Past funds were required to be used according to a federally approved plan, however.

Recent suggestions by Marianas officials of how the new funds would be spent are helpful; but they do not eliminate the concern. This is because they still provide on assurance that the funds will be used as is not being suggested.

Another concern is that the agreement under which the funds would be used states that it could be amended by unspecified Federal and Commonwealth representatives. Terms that the Congress thought important could be eliminated or terms to which the Congress would object could be added.

Other concerns relate to an agreement between the Interior Department in the last administration and the Marianas regarding the tax and alien labor issues. In attempted to address our committee's concerns through plans for studies of the issues. The problem is that the studies, which were planned without consulting us, are not as broad in scope as they should be.

More recently, some have suggested that the Congress should approve the assistance commitment in spite of concerns about the Marianas' inadequate revenue effort because the representatives of President Bush and the islands' Governor agreed that the Marianas would match the Federal \$120 million.

There are significant flaws in this argument, however. One is that it is not clear that the matching will require an adequate tax effort, although it may very well require some increase in local revenues. In this regard, it should be noted that our committee was given no specific information on this point. Also detracting from this argument is that the terms of the agreement could be changed, as I have noted.

There is a final concern that must be expressed. It's that the proposal has been mischaracterized as an agreement between the Federal and Commonwealth Governments, suggesting that it is, somehow, binding.

Some of the confusion about this issue may have been caused by the representatives titling the recommendations as an "agreement." Of course, in fact, the agreement is, as I have noted, merely recommendations made by representatives of the last President and the current Governor of the islands that the Congress has full discretion to accept, modify, or reject.

The covenant which established the political union between the Federal and Commonwealth Governments provided for the talks which developed these recommendations. But it in no way suggests that the talks were to actually determine assistance beyond that which it required—as opposed to developing recommendations.

Those who have suggested that there is an obligation to approve the recommendations sent us should remember that the Congress did not approve all of the recommendations that representatives of President Reagan and the Governor of the Marianas made in 1985 in enacting the assistance commitment that is currently in effect.

I have gone on at great length, Mr. Chairman, because I believe that we have an obligation to be very conscious about actions that are as critical to the only jurisdiction within the

American political family that has no representation here as the approval of this bill would be. I also hope that what I have said will help explain our action to the people of the islands. They should understand that it is being taken not without concern for their welfare but because of concerns about the situation there. They should also understand that it is reasonable in light of the situation and its background.

I want them also to know that it is not being taken without any sensitivity to where they have come from as a community, the problems they have faced, and how fast the islands have developed, a pace that has not always permitted perfect policy.

Additionally, they should know that it is not being taken without hope for the future. I still regard the covenant partnership as an important and viable one and will try to obtain a full commitment of aid if the Commonwealth changes course.

As one who was involved in the founding of the covenant and a fellow islander, I have worked to obtain a compromise as favorable as possible to the Marianas. But this House, which has been more supportive of the rights and interests of the Commonwealth than any other part of our Government—including on funding issues—in the past, is not willing, at this time, to make a final commitment of new assistance of a type not provided any other area under flag.

This course pursued by local officials is the primary reason. I hope that it will change—as there is reason to believe it will.

In concluding, Mr. Chairman, I want to express my appreciation to the ranking Republican of the subcommittee, ELTON GALLEGLY, for his cooperation on this matter; to the Marianas' representative in Washington, Juan Babauta, for his responsible leadership on the issues that I have mentioned; and to the Lieutenant Governor of the Commonwealth, Benjamin Manglona, for his hard work to obtain the funding.

Mr. SABO. Mr. Chairman, I yield such time as he may consume to the gentleman from Pennsylvania [Mr. BORSKI].

Mr. BORSKI. Mr. Chairman, I rise in opposition to the Kasich amendment and in support of the President's plan.

Mr. Chairman, I rise in support of H.R. 2264, the Omnibus Reconciliation Act of 1994.

For the past 12 years, this country has been suffering from a ballooning deficit and a growing national debt. Despite talk of deficit reduction, the past administrations have allowed the Federal deficit to explode from \$70 to over \$300 billion. As a consequence, our national debt has grown from less than \$1 to over \$4 trillion. The seriousness of the deficit cannot be overstated—as long as the debt continues to grow, our economic recovery and growth will be impeded and our future vitality threatened.

We finally have a President with the courage to face these problems. President Clinton's proposal provides serious and credible deficit reduction. H.R. 2264 will cut the deficit by nearly \$500 billion over the next 5 years. More than half of this deficit reduction is achieved through real and specific spending cuts, including cuts in agriculture programs, administrative costs, and entitlements.

In addition, the policies of the past 12 years have shifted the tax burden from corporations and the wealthy to low- and middle-income people. Income for the wealthiest Americans has gone up while their tax burden has gone down. The rest of America has seen their tax burden go up while their real wages have gone down. This plan restores fairness to our tax system.

The overwhelming majority of taxes fall on the most wealthy Americans, those who benefited most from the tax breaks of the 1980's. Some 75 percent of the taxes fall on those making over \$100,000 a year. Families making under \$25,000 will actually pay fewer taxes.

Lower interest rates, as a result of this deficit reduction plan, will also help offset tax increases. Since President Clinton was elected in November on a platform to reduce the deficit, interest rates have fallen from 8.29 to 7.43 percent. This translates into lower mortgage and car payments for many Americans.

I know that tax increases and spending cuts will be painful but there is no other way to reduce the deficit than to ask everyone to pay their fair share. If nothing is done, the Federal deficit in 10 years will exceed \$600 billion and our economy will be doomed to long recessions interrupted only by periods of sluggish growth.

The Republican legacy of growing deficits and slow growth has left us no choice but to reduce the deficit, invest in our economy, and put Americans back to work. The President's proposal is better than the alternatives being offered by his critics, who would shift the burden of deficit reduction to working Americans and senior citizens.

The Kasich substitute would replace taxes on the wealthy with cuts in programs for the poor and the elderly. The Boren-Danforth proposal would substitute the Btu tax, which, when fully implemented in 1998, would cost the average family only \$17 a month, with caps on entitlement and cuts in the cost-of-living adjustments [COLA's] for Social Security recipients. Obviously placing the burden on the poor and the elderly is not the way to reduce the deficit.

Mr. Chairman, President Clinton has done what his predecessors and critics have failed to do, proposed a credible and balanced plan to get our deficit under control, keep interest rates low, and put Americans back to work. I urge all my colleagues to support the President and pass the budget reconciliation.

Mr. SABO. Mr. Chairman, I yield 1 minute to the gentleman from my State of North Dakota [Mr. POMEROY], another very able new member of our committee.

Mr. POMEROY. Mr. Chairman, we have heard from a lot of rural Republicans this week bashing the Budget Reconciliation Act by saying it would be damaging to agriculture. It will be very interesting to see how they will vote on the Republican budget alternative in front of us. Their cuts in agriculture are a full 50 percent higher than the Budget Reconciliation Act, and make no mistake about it, the cuts for agriculture in the Budget Reconciliation Act are tough and they will hurt.

For Republicans to increase this hit by 50 percent is completely irresponsible. It has been my judgment that the Republican Members of the Agriculture Committee are a lot more inclined to talk about what they are against rather than what they are for. As we look at their plan, which recklessly slashes an additional 50 percent for farmers while falling nearly \$100 billion short of the majority proposal for deficit reduction, it is easy to see why.

I urge a "no" vote on the deeply flawed antifarmer Republican budget alternative, and I look forward to hearing what phony job numbers they have for my district with the next speaker.

Mr. KASICH. Mr. Chairman, I yield 1 minute to the distinguished gentleman from Minnesota [Mr. GRAMS].

Mr. GRAMS. And for those numbers, Mr. Chairman, according to the Tax Foundation, the energy tax will kill 1,168 jobs in the district of the Member who just spoke. In my district we will lose 1,121 jobs that we cannot afford to lose.

Mr. Chairman, I rise in support of the Kasich substitute.

Although the Democrat's bill is technically called the omnibus budget reconciliation package, it would more appropriately be called the ominous budget reconciliation package.

That's because passage of the Democrat tax bill would have ominous implications for the American economy, American jobs, and the American people.

The \$500 per family energy tax alone would cost the Nation 600,000 jobs. In my home State of Minnesota, it would put nearly 9,000 people out of work, over 1,100 in my own district.

This bill also has ominous implications for senior citizens. By increasing the tax on Social Security, Congress has found another backdoor way of robbing the Social Security cookie jar to finance more spending.

Mr. Chairman, if my Democratic colleagues would spend as much time reading the history of the last 12 years as they have rewriting it, they would know you can't tax and spend your way out of a deficit.

Just 3 years ago, House Democrats passed what was then the largest tax hike in history.

In doing so, the American people were told that in exchange for their sacrifice, Congress would control spending and eliminate the deficit.

What happened? Taxes went up, spending went up, and we got the largest budget deficit in history.

Well, my Democratic colleagues, there you go again.

You are proposing another record tax increase—one that makes the last one look like a downpayment. And once again, you want the American people to believe your record tax and spend package will balance the budget.

Does anyone believe you? Are you not the same folks who went around

promising middle-class tax cuts just 6 months ago?

The bottom line is you cannot tax and spend your way out of a deficit. You have got to control spending. That is what the Kasich amendment does, and that's why it deserves our support.

Mr. Chairman, I remind my Democratic colleagues that the voters won't forget what you do today—just as they didn't forget George Bush for raising taxes in 1990.

I say to my colleagues, today you have two clear choices: You can vote for the Kasich substitute and take real action to reduce the deficit without tax increases, or you can vote for the Clinton tax increase, and follow the President like lemmings to the sea.

Mr. KASICH. Mr. Chairman, I yield such time as he may consume to the gentleman from New York [Mr. WALSH].

Mr. WALSH. Mr. Chairman, I rise in strong support of the Kasich amendment and in opposition to the Clinton tax plan.

Mr. Chairman, I rise this evening to support the budget amendment offered by the gentleman from Ohio, Congressman JOHN KASICH, and against the tax-and-spend bill of the President.

Back in 1990, Congress and the then President agreed on a tax package to solve our growing deficit problem. I voted against that bill because it didn't attach the major reason for that deficit, namely uncontrolled congressional spending. That plan failed and the one brought here tonight by the majority won't work either. When spending can only be cut in one area, defense, by the majority, and nothing else of consequence changed, we have a flawed bill. When a new \$300 million entitlement can be added to fund programs for illegal aliens then something is seriously wrong in this House. Mr. KASICH'S plan isn't perfect. I don't like parts of it but the spending hemorrhage is finally addressed. Tax-and-spend doesn't work—let's cut the bureaucracy and programs that either don't work or aren't necessary.

Mr. KASICH. Mr. Chairman, I yield 1 minute to the distinguished gentleman from Wyoming [Mr. THOMAS].

Mr. THOMAS of Wyoming. Mr. Chairman, I rise to oppose the Clinton spending bill and in support of the substitute.

My State of Wyoming is listed as being the highest victim on a percentage, per capita basis of loss of jobs.

Mr. Chairman, we have had lots of discussion today and lots of charges and countercharges. I do not have any charts. I am not an economist, but there are some things I believe in, and they are the same things that most people believe in, and I believed in them in 1990.

That is some classic things, that you do not stimulate the economy by raising taxes. You do not reduce the size of

Government by increasing spending. You do not balance the budget with new taxes. We know that. And you do not help families by taking the money out of their hands and spending that money through the Government.

This bill goes in the wrong direction. These are pretty classic things. Most of us who are not technicians understand them.

Mr. Chairman, I rise in opposition to the Clinton bill.

Mr. KASICH. Mr. Chairman, I yield 1 minute to the gentleman from Texas [Mr. FIELDS].

Mr. FIELDS of Texas. Mr. Chairman, let us talk about a real person who will be affected by the Btu tax, my grandmother, Kathleen Crow, who lives in Houston, TX, who is 87 years old, who saved to purchase her own home, who drives a 1966 Chevrolet, and who has as her only source of income her Social Security check. My grandmother, who does not qualify for food stamps, who does not qualify for an earned income tax credit, is 1 of the 36 million senior citizens who have no income flexibility, 1 of the 36 million senior citizens who will pay the Btu tax when she goes to purchase gasoline, when she pays her utility bill, when she goes to the grocery store.

The Btu tax is a cruel tax. It is an insidious tax, but it is the worst of all for those people who have no income flexibility at all, that is the 36 million senior citizens of this country who will be most affected by the Btu tax.

Mr. SABO. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from California [Mr. TUCKER], another very able new Member of this Congress.

Mr. TUCKER. Mr. Chairman, I rise in strong opposition to the Kasich amendment.

Mr. SCHUMER. Mr. Chairman, will the gentleman yield?

Mr. TUCKER. I yield to the gentleman from New York.

Mr. SCHUMER. Mr. Chairman, I thank the gentleman for yielding. I just had to say, as I was listening to this debate, I realized that the millennium has arrived. The Democrats have become the party of deficit reduction; the Republicans the party of obstruction.

We are on the road to victory and a real change in America.

Mr. TUCKER. I thank the distinguished gentleman from New York for his comments.

As I was saying, Mr. Chairman, what we are dealing with, there was a comment by one of our Republican colleagues asking whether or not this is a jobs package and actually challenging anyone on the other side of the aisle to come up with some information that would indicate it was such.

Recent statistics from the Treasury Department indicate that in my State of California, by 1997, there will be a

net savings of \$4.4 billion based on the earned income tax credit, the lower interest rates, as well as the probusiness and prolearning programs. By 1997 we will see a net gain of 28,000 jobs in the State of California.

That is what I call a budget reconciliation bill that is job creating. But, Mr. Chairman, we are not talking about job creation here, at least the Republicans are not. What they are talking about is job rhetoric, and especially tax rhetoric, because when you have lost the White House, and when you do not have the majority of this House, all you can do is give a lot of statistics that talk about rhetoric.

But they do not talk about the fact that under the Republican administration in 12 years we had the greatest deficit, not reduction but increase. They do not talk about the fact that this plan speaks to the greatest deficit reduction in the history of this country, not just the greatest tax increase.

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So let us talk about what we are really talking about, Mr. Chairman; let us vote down the Kasich amendment, and let us vote up the Budget Reconciliation Act.

Mr. KASICH. Mr. Chairman, I yield 30 seconds to the gentleman from Florida [Mr. MICA].

Mr. MICA. Mr. Chairman, when will we learn that increased taxes do not work? In 1986 they tried with Gramm-Budman-Hollings and in 1990 with the Bush tax package.

Just look at one example. This Congress imposed a luxury tax on expensive pleasure boats. This wonderful tax nearly destroyed America's boat building industry. Thousands of jobs were lost. World markets were lost forever.

Now this Congress is about to impose the largest tax increase in history; it will devastate every business, every home, and every family. When will we learn. This huge tax increase will kill jobs, help shut down businesses, and drive manufacturing overseas. I ask you, when will we learn?

Unfortunately, most of the Members of Congress, the President of the United States, and his advisers just don't understand. The people of America want spending cuts, not higher taxes. The people of America sent us here to create jobs, expand the economy, and work for a better future for our children.

The people of America demand Government cuts, not higher taxes. Unfortunately, this huge tax increase will stifle economic expansion. This tax increase will help kill the American dream.

Mr. SABO. Mr. Chairman, I yield such time as he may consume to the gentleman from Rhode Island [Mr. REED].

Mr. REED. Mr. Chairman, I rise in support of the President's plan.

Mr. Chairman, I rise in support of President Clinton's deficit reduction plan, and I look forward to its passage by this house.

The tab for the false prosperity of the Reagan-Bush era has finally come due, and today, we will take the first step to reverse the failed policies of the past.

The President's plan should be viewed as a start—a needed start. It is not perfect, but it is fair.

When I meet with my constituents, they tell me they are willing to pay their fair share to reduce the budget deficit. I believe that President Clinton's plan follows this logic. Indeed, for approximately 80 percent of American families, the Btu tax and other revenue proposals will mean an increase of only one-half of 1 percent in their tax bills.

My colleagues on the other side of the aisle decry this plan as all taxes and no cuts. Well, this bill does contain cuts—\$102 billion over the next 5 years from a hard freeze in discretionary spending, plus painful cuts in entitlements. Moreover, I know during the appropriations process Members will have the opportunity to make further cuts in domestic spending by ending altogether the superconducting super collider, the space station, the Rural Electrification Administration, the advanced solid rocket motor, and many other wasteful programs. When these votes occur, I hope my colleagues who say they are for cutting spending will join me.

Mr. Chairman, we are all concerned with taxes, particularly the energy tax. However, I am also more concerned with reducing the debt and putting Americans back to work. I want to point out that the energy tax has been modified already to ensure it is fair to all regions, and it may be altered later in the reconciliation process. It is also important to note that even when the Btu tax is fully implemented in 1997, energy costs in America will still be lower than the energy costs of our economic competitors, except for Canada's hydro-power.

No one wants to raise taxes, but as former Reagan Budget Director David Stockman recently wrote in a *New Perspectives Quarterly* article:

The root problem goes back to the July 1981 frenzy of excessive and imprudent tax-cutting that shattered the Nation's fiscal stability. The GOP has neither a coherent program nor the political courage to attack anything but the most microscopic spending marginalia.

Mr. Chairman, the election last fall was about change. It was about rewarding working Americans, not just the wealthiest Americans. Most importantly, it was about ending gridlock and proving that their Government would take action to revive our Nation's economy. Failure to act now is not just failure to act or an easy way to say I am against the deficit, but I won't vote to reduce it—it is a failure that will end any confidence in Government's ability to do anything and a failure that will certainly send the wrong signal to the financial markets.

Mr. Chairman, I urge my colleagues to support the President and this plan to reduce the deficit by \$500 billion.

Mr. KASICH. Mr. Chairman, I yield such time as he may consume to the gentleman from New York [Mr. QUINN].

Mr. QUINN. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, I came to Congress eager to work with President Clinton to create new jobs, stimulate the economy, and reduce the budget deficit. When the newly elected President was talking about middle class tax relief and controlling Government spending, especially through reforms like the line-item veto, I believed we could work together to change America for the better.

Regretfully, the plan being considered today is not a change from the tax-and-spend budgets of the past. Each time Congress has hiked taxes in the past, they have increased spending as well—leading to higher and higher deficits. I will not ask the people in my district to send one more penny to Washington until this Congress gets serious about cutting spending first.

The people of western New York sent me here to do a job—to cut spending first. Through thousands of letters, post cards, and phone calls, they have been reminding me—to cut spending first. Whether they voted for Bill Clinton, Ross Perot, or George Bush, their message was the same—cut spending first.

Instead of cutting spending first, this budget increases taxes \$322 billion over 5 years, which is the largest tax increase in the history of this country. Instead of middle class tax relief, this budget adds the new Btu tax on energy which hurts middle class working families in western New York. The energy tax will lead to the loss of an estimated 1,700 jobs in my district alone. Instead of tax fairness, this budget raises taxes on Social Security, which hurts our senior citizens who rely on those benefits.

President Clinton said his economic plan was supposed to be based on job creation and deficit reduction. But this budget accomplishes neither. Instead, it raises taxes and raises spending—and that is the last thing the people of western New York can afford.

Mr. KASICH. Mr. Chairman, I yield 3 minutes to the very distinguished chairman of the Republican Conference, the gentleman from Texas [Mr. ARMEY].

Mr. ARMEY. Mr. Chairman, I thank the gentleman for yielding me this time.

Mr. Chairman, if anyone in America should understand that breaking campaign promises and raising taxes will not cut the deficit, will not create jobs or will not be tolerated by the American people it should be President Clinton. That is how he got the job in the first place.

Even Jimmy Buffet knows "You've got to learn from the wrong things you done." And we learn from the 1980's. You get deficit reduction and job creation if you grow the private sector and you cut the public sector.

Clinton grows the Government by 20 percent over 5 years, \$300 billion. He pays for it by increasing taxes by \$300 billion on the American people, and this, in turn, shrinks the private sector.

His plan works, according to his scenario, by virtue of the mystical reduction in interest rates that is going to come through its implementation. However, even that is belied by the imposition, in particular, of the energy taxes which will create an inflationary threat which, when responded to by the Federal Reserve, as it must, will push interest rates up, and the magic will not happen.

KASICH, on the other hand, cuts the Government by \$350 billion. It leaves room for the private sector to grow and allows the miracle of free-market job creation to once again assert itself.

President Clinton asks the American people to make even more sacrifice in order to support a growing Government.

JOHN KASICH asks the Government to sacrifice in order to better serve the American people.

To the Democrats in this body, let me suggest to you that if you vote for Clinton, I have for you two words: "Run scared."

To the Republicans, let me suggest to you that you vote, instead, for the Kasich plan, and should the Democrats prevail, I have for you two words, my Republican colleagues: "Buy gold."

And let me say to my good friend CHUCK SCHUMER, for whom I have the greatest respect, the plea you are coping as Republican destruction, or Republican obstructionism, is correctly known as "Democrat ineptness."

The President does not have a problem or an inability to get Republican votes. His problem is he cannot sell this package to the Democrats.

It is your problem, I say to the gentleman from New York [Mr. SCHUMER], not ours.

Mr. SABO. Mr. Chairman, I yield 3 minutes to the distinguished majority leader, the gentleman from Missouri [Mr. GEPHARDT].

Mr. GEPHARDT. Mr. Chairman, Members of the House, a few short days ago, February 17, President Clinton came to this room and said that there was plenty of blame to pass around for why we have this great deficit, but that that was not what he came to do. He came to ask our help and to ask us to act, and tonight we must act.

Many of the Members have said to me that this bill has got difficulties in it, pain in it, things that are not politically attractive.

When you are trying to honestly reduce a deficit that has built now to \$4 trillion, to take our deficit from 5 percent of GNP to 2½, there is no human way that that piece of legislation can be politically attractive.

In many ways, this is our admission to the ball park. We are in a new world

economy. Many things we must do, research, education, infrastructure, you all know the list, but we will not be able to even get in the park to play the game unless we get this deficit down so that we have the ability to do what needs to be done.

In my view, the Kasich plan is deficient. It does not cut the deficit enough. It is not fair, in my view, because it does not ask the people at the top to pay their fair share, and it does not give the people stuck at the bottom the incentive that the earned-income credit gives the people to get out of welfare and to get into a job, something that all of us desperately want to do.

And so the Clinton plan is better. It is fair. It is comprehensive. It does give us that ticket to the ball park to play the economic game of the future.

Two Sundays ago, I was at my son's graduation. It was a joyous day, and at the end of the ceremony, my wife and I presented him with a small, modest gift. After paying tuition for 4 years, you will all understand why it was modest. But the gift that I want to give him and those like him is to remove this dagger that is pointing at our economic heart. I want him to have a chance to get a good job. I want him to be able to buy a new house and to have low interest rates. I want his economic future to be better than mine, as mine has been better than my mother and father.

That is the American dream, and that is what we must give our children.

For these past 12 years, all of us, Presidents, Congress, leaders in all communities, have been irresponsible. We have been practicing institutional irresponsibility. All of us know that. But especially the irresponsibility that comes from our deficits sends an example to all of our people, and in fact to all of the world, about how we should conduct our business and our lives.

So tonight we must not have promises. We must not have illusions. We must not have gimmicks. We must have real cuts and real revenues to do what each of us in our heart and our mind knows must be done to bring this deficit finally down.

As one man said, "The only measure of what you believe is what you do." If you want to know what people believe, do not read what they write and do not ask them what they believe; just observe what they do.

Tonight, ladies and gentlemen of the House, we will be measured by our acts, not by our words.

May God grant us the wisdom to choose the right course for our country, for our children and for our future.

Vote for this budget.

□ 1940

Mr. KASICH. Mr. Chairman, I yield such time as he may consume to the gentleman from Florida [Mr. STEARNS]

Mr. STEARNS. Mr. Chairman, we all know that the Clinton economic plan contains the largest tax increase in the Nation's history. The Btu tax will hurt every American family, costing hundreds of thousands of jobs in just the first few years of its existence. President Clinton also has targeted older Americans for a huge tax increase in spite of his repeated promises during the presidential campaign to leave Social Security alone.

On the spending side, we know that the Clinton budget calls for billions of dollars in new social programs and does not eliminate a single spending item. We also know that more fiscally responsible members of the President's own party have been telling him of the disaster that lies ahead if spending is not addressed.

I, like millions of Americans, have been waiting anxiously to hear what agreement the President might reach regarding spending cuts. Unfortunately, these negotiations have been conducted behind closed doors and many of us are voting on an agreement we haven't even seen.

So let me share with my colleagues on both sides of the aisle what the press is reporting this agreement to be. According to the Associated Press, an agreement has been reached that, I quote, "does not guarantee that spending will be restrained, but it pressures the President and lawmakers to do so."

It continues,

under the procedure, spending targets would be set each year for Social Security, Medicare, and dozens of other benefit programs. If the target is exceeded, the President would have to propose paying for the excess with tax increases, spending cuts or both, or with borrowing, which drives up the deficit.

Let me repeat that, "the President would have to propose tax increases, spending cuts or more borrowing." If I were a betting man, I'd bet on the tax increases and debt increases before the spending cuts.

Is there any good reason to believe that if the President has refused to make real spending cuts in his budget and refused to make real spending cuts during these negotiations, that he will make them this Fall.

The American people took Bill Clinton at his word during the presidential election campaign that he wouldn't raise taxes on the middle class, wouldn't cut Social Security, wouldn't impose an energy tax and would make real cuts in spending. They know now that they have been misled.

Americans have made it clear that they want spending cuts. Think of the breach of trust we will have committed if we approve a package that raises taxes today and raises taxes tomorrow, but never cuts federal spending.

If you want to make it clear to President Clinton that we need spending cuts now, vote no on the budget reconciliation. Spending cuts must come before tax cuts; the American people will not accept anything else.

Mr. KASICH. Mr. Chairman, I yield such time as he may consume to the gentleman from New York [Mr. LAZIO].

Mr. LAZIO. Mr. Chairman, I rise in opposition to the Reconciliation Act and in support of the Kasich alternative.

Mr. Chairman, I take this opportunity to voice my strong opposition to this bill, H.R. 2264, the Omnibus Reconciliation Act of 1993. This modest little piece of legislation comprises 1,497 pages. It was made available only yesterday.

Mr. Chairman, it bears repeating that the most important problem facing the United States is the deficit. Mr. Clinton said he would focus like a laser beam on the economy. It is clear to everyone that he has not followed through on that promise.

I wish he had focused on the economy, but even if he had, the economy is a far more complex phenomenon than the deficit. It's a harder target to hit.

Unfortunately, both the deficit and the economy are easy issues to demagog. Yet one thing is certain: unless we zero in the deficit problem, we have no chance. And, it is equally clear that unless the President leads the charge, we can not accomplish the job.

Regrettably for the country, the President has not picked a laser gun. Instead, he's picked a blunderbuss. We see in this President, a very troubling pattern of behavior. While the deficit hangs over us like a dark cloud, this President is schmoozing with his Hollywood buddies, getting \$200 haircuts on Air Force One, holding up commercial aircraft in the process, firing and then unfiring career civil servants in the White House travel office, apparently short-circuiting the chain of command in the Justice Department in the process.

Mr. Chairman, this pattern does not strike me as what the American people have in mind when they think of the President's promise to "reinvent government".

The trouble with the bill before us is that, while it moves in the right direction, it is completely lacking in balance. It incorporates the largest tax increase in our history, but fails to match it with commensurate spending cuts. Estimates are all across the board, but it is clear that the increases in taxes are at least double the cuts in spending.

And, Mr. Chairman, these ratios are conservative because they fail to include the inevitable tax proposals that are waiting to be shot at the American people from the other end of Pennsylvania Avenue in the name of health care. How can this administration talk on the one hand of creating jobs and, at the same time, take away from private businesses the very profits that are the source of new jobs?

Mr. Chairman, that is unacceptable. It is not what the American people expect and it is not what they want. Certainly, it is not what they were promised.

Mr. SABO. Mr. Chairman, I yield such time as he may consume to the gentleman from Illinois [Mr. YATES].

Mr. YATES. Mr. Chairman, I rise in support of the Clinton proposals.

Mr. Chairman. I rise to support President Clinton's plan to end our National economic lethargy and to cut our huge national deficit. His is a realistic proposal. These goals cannot be achieved only by reducing government expenditures as Mr. KASICH contends. Making reductions of Federal spending to the erroneous extent required for that purpose would cripple not only the service our government provides the American people, but our national economy as well.

I said President Clinton's proposals are realistic. For the first time in 12 years we have a budget that is not dead on arrival. If provides for spending cuts—severe spending cuts. But the services the government needs will continue, our national resources will be protected and augmented.

The tax burden called for by the proposal is fair. It will be heaviest on those who can best afford it, those who prospered so well in the Reagan-Bush years. Sacrifice will be called for.

I believe the American people will accept the challenge because they know it will protect America's future.

Mr. SABO. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. Evidently, a quorum is not present.

Members will record their presence by electronic device.

The call was taken by electronic device.

The following Members responded to their names:

[Roll No. 197]

- Abercrombie
- Ackerman
- Allard
- Andrews (ME)
- Andrews (NJ)
- Andrews (TX)
- Arney
- Bacchus (FL)
- Bacchus (AL)
- Baessler
- Baker (CA)
- Baker (LA)
- Ballenger
- Barcia
- Barlow
- Barrett (NE)
- Barrett (WI)
- Bartlett
- Barton
- Bateman
- Becerra
- Beilenson
- Bentley
- Bereuter
- Bevill
- Bilbray
- Bilirakis
- Bishop
- Blackwell
- Billey
- Blute
- Boehlert
- Boehner
- Bonilla
- Bonior
- Borski
- Boucher
- Brewster
- Brooks
- Browder
- Brown (CA)
- Brown (FL)
- Brown (OH)
- Bryant
- Bunning
- Burton
- Buyer
- Byrne
- Callahan
- Calvert
- Camp
- Canady
- Cantwell
- Cardin
- Carr
- Castle
- Chapman
- Clay
- Clayton
- Clement
- Clinger
- Clyburn
- Coble
- Coleman
- Collins (GA)
- Collins (IL)
- Collins (MI)
- Combust
- Condit
- Conyers
- Cooper
- Coppersmith
- Costello
- Cox
- Coyne
- Cramer
- Crane
- Crapo
- Cunningham
- Danner
- Darden
- de la Garza
- de Lugo (VI)
- Deal
- DeFazio
- DeLauro
- DeLay
- Dellums
- Derrick
- Deutsch
- Diaz-Balart
- Dickey
- Dicks
- Dingell
- Dixon
- Dixon
- Dooley
- Doolittle
- Dornan
- Dreier
- Duncan
- Dunn
- Durbin
- Edwards (GA)
- Edwards (TX)
- Emerson
- Engel
- English (AZ)
- English (OK)
- Eshoo
- Evans
- Everett
- Ewing
- Faleomavaega
- (AS)
- Fawell
- Fazio
- Fields (LA)
- Fields (TX)
- Filner
- Fingerhut
- Fish
- Flake
- Foglietta
- Foley
- Ford (MI)
- Fowler
- Franks (CT)
- Franks (NJ)
- Frost
- Furse
- Galleghy
- Gallo
- Gejdenson
- Gephardt
- Geren
- Gibbons
- Gilchrest
- Gillmor
- Gilman
- Gingrich
- Glickman
- Gonzalez
- Goodlatte
- Goodling
- Gordon
- Goss
- Grams
- Grandy
- Green
- Greenwood
- Gunderson
- Gutierrez
- Hall (OH)
- Hall (TX)
- Hamburg
- Hamilton
- Hancock
- Hansen
- Harman
- Hastert
- Hastings
- Hayes
- Hefley
- Hefner
- Henger
- Hilliard
- Hinchey
- Hoagland
- Hobson
- Hochbrueckner
- Hokestra
- Hoke
- Holden
- Horn
- Houghton
- Hoyer
- Huffington
- Hughes
- Hunter
- Hutchinson

- Hutto
- Hyde
- Inglis
- Inhofe
- Inslie
- Istook
- Jacobs
- Jefferson
- Johnson (CT)
- Johnson (GA)
- Johnson (SD)
- Johnson, E. B.
- Johnson, Sam
- Johnston
- Kanjorski
- Kaptur
- Kasich
- Kennedy
- Kennelly
- Kildee
- Kim
- King
- Kingston
- Klecza
- Klein
- Klink
- Klug
- Knollenberg
- Kolbe
- Kopetski
- Kreidler
- Kyl
- LaFalce
- Lambert
- Lancaster
- Lantos
- LaRocco
- Laughlin
- Lazio
- Leach
- Lehman
- Levin
- Levy
- Lewis (CA)
- Lewis (FL)
- Lewis (GA)
- Lightfoot
- Linder
- Lipinski
- Livingston
- Lloyd
- Long
- Lowey
- Machtley
- Maloney
- Mann
- Manton
- Manzullo
- Margolies-
- Mezvinsky
- Markey
- Martinez
- Matsui
- Mazzoli
- McCandless
- McCloskey
- McCollum
- McCrery
- McDade
- McDermott
- McHale
- McHugh
- McInnis
- McKeon
- McKinney
- McMillan
- McNulty
- Meehan
- Meek
- Menendez
- Meyers
- Mica
- Michel
- Miller (CA)
- Miller (FL)
- Mineta
- Minge
- Mink
- Moakley
- Molinari
- Mollohan
- Montgomery
- Moorhead
- Moran
- Morella
- Murtha
- Myers
- Nadler
- Natcher
- Neal (MA)
- Neal (NC)
- Norton (DC)
- Nussle
- Oberstar
- Obey
- Olver
- Ortiz
- Orton
- Owens
- Oxley
- Packard
- Pallone
- Pastor
- Paxon
- Payne (NJ)
- Payne (VA)
- Pelosi
- Penny
- Peterson (FL)
- Peterson (MN)
- Petri
- Pickett
- Pickle
- Pombo
- Pomeroy
- Porter
- Portman
- Poshard
- Price (NC)
- Pryce (OH)
- Quillen
- Quinn
- Rahall
- Ramstad
- Rangel
- Ravenel
- Reed
- Regula
- Reynolds
- Richardson
- Ridge
- Roberts
- Roemer
- Rogers
- Rohrabacher
- Romero-Barcelo
- (PR)
- Ros-Lehtinen
- Rose
- Rostenkowski
- Roth
- Roukema
- Rowland
- Roybal-Allard
- Royce
- Rush
- Sabo
- Sanders
- Sangmeister
- Santorum
- Sarpalius
- Sawyer
- Saxton
- Schaefer
- Schenk
- Schiff
- Schroeder
- Schumer
- Scott
- Sensenbrenner
- Serrano
- Sharp
- Shaw
- Shays
- Shepherd
- Sisisky
- Skaggs
- Skeen
- Skelton
- Slattery
- Slaughter
- Smith (IA)
- Smith (MI)
- Smith (NJ)
- Smith (OR)
- Smith (TX)
- Snowe
- Solomon
- Spence
- Spratt
- Stearns
- Stenholm
- Stokes
- Strickland
- Studds
- Stump
- Stupak
- Sundquist
- Swett
- Swift
- Synar
- Talent
- Tanner
- Tauzin
- Taylor (MS)
- Taylor (NC)
- Tejeda
- Thomas (CA)
- Thomas (WV)
- Thompson
- Thornton
- Thurman
- Torkildsen
- Torres
- Torricelli
- Towns
- Trafficant
- Tucker
- Unsoeld
- Upton
- Valentine
- Velazquez
- Vento
- Viscosky
- Volkmer
- Vucanovich
- Walker
- Walsh
- Washington
- Waters
- Watt
- Weldon
- Wheat
- Whitten
- Williams
- Wilson
- Wise
- Wolf
- Woolsey
- Wyden
- Wynn
- Yates
- Young (AK)
- Young (FL)
- Zeliff
- Zimmer

□ 2005

The CHAIRMAN. Four hundred twenty-three Members have answered to their names, a quorum is present, and the Committee will resume its business.

The gentleman from Ohio [Mr. KASICH] has 5 minutes remaining, and the gentleman from Minnesota [Mr. SABO]

has 5 minutes remaining, and the Chair will be liberal with its time allocation.

I want to compliment the Members for the decorum during this debate. I know it is a very emotional debate, and I compliment the Members for their decorum.

Mr. KASICH. Mr. Chairman, I yield such time as he may consume to the gentleman from Pennsylvania [Mr. WELDON].

Mr. WELDON. Mr. Chairman, I rise in opposition to the Democrat Kevoorkian jobs suicide bill.

Mr. Chairman, the day of reckoning has arrived. This is my seventh year as a Member of this House, and for all that time I have heard my colleagues on the other side of the aisle blame all of our woes on Presidents Reagan and Bush. "Twelve years of Republican rule, 12 years of neglect, 12 years of trickle-down, 12 years of tax cuts for the wealthy." The Democrats who controlled this House for those 12 years were more than happy to run for cover. The Democrats who run the Congress, pass the laws, and spend the money, were more than happy to run and hide.

Well, today marks the turning point. No longer can the Democrats blame Ronald Reagan and George Bush, for today we begin the Clinton economic era in America.

Our Democratic colleagues have the votes to pass the Clinton tax increases. You have the votes to tax thousands of American senior citizens. We cannot stop you. You have the votes to increase energy taxes on every middle-class family. We cannot stop you. You have the votes to tax small businesses, and kill jobs in the private sector. We cannot stop you.

So pass your plan. But remember what you do here. After today, you will have no one else to blame. Ronald Reagan and George Bush won't cast one vote here today. No more of the blame game. It is your President, it is your plan. Pass it, and accept the consequences.

I take no pleasure in this. I take no pleasure in seeing this House pass a plan that will kill jobs, drive up inflation, hurt businesses, and squeeze the middle class. But that is the way you wanted it—you closed the Ways and Means Committee so you could devise your tax schemes in secret, and you gagged our side with closed rules.

And make no mistake. This tax hike bill will throw people out of work. I do not need the Tax Foundation to tell me that we are killing jobs here today. I know that just by looking at my neighboring State—New Jersey. In 1990, New Jersey passed a tax hike bill that socked it to families and businesses, just like this bill does. And look at New Jersey today—an unemployment rate of more than 9 percent, 400,000 jobs lost.

That is the primrose path you are leading us down today, my Democratic friends. We will remember this vote. We will remember this vote when unemployment goes up, when inflation goes up, when spending goes up, when the national debt goes up. No more blaming Reagan and Bush, no more self-righteous chest-thumping, no more finger pointing at the Republican White House. For today, you run the show.

But even still, most Democrats do not want to vote for this bill. Even most Democrats cannot stomach a \$328 billion tax increase. So the head-counters and vote buyers swung into action. All day cajoling sessions, arm-twisting calls from the White House, promises and threats thrown around in equal measure.

Buy a few votes with an exemption for home heating oil, buy a few votes with a caveat on grazing fees. Then, when it really got close, six or seven votes with a White House Executive order on peanuts, and assorted other little trinkets for those who held out for more and more.

Yes, the Democrats are in charge today, and votes are for sale.

Why has it been so hard for the Democrats to round up their own votes? Because now the American people know what this Clinton tax hike really means for America. And the more they know about the President's plan the less they like it. That is why this President has the lowest approval ratings of any elected President since World War II. That is why Democratic candidates across the country are running away from the President. That is why the President has not even been asked to campaign in Texas, where Senator KRUEGER is 15 points behind. This plan is a loser, and the American people know it.

The Democrats tell us that gridlock is the disease that afflicted America in 1992. Well let me tell you something, my colleagues. When this is all over, and these taxes hit every family and every business in America, the American people will like the gridlock disease a whole lot better than the Clinton tax-and-spend cure.

But all of that matters very little here in the House. For at the end of the day, the Democrats will pass the Clinton tax hikes, the largest in American history. They will exorcise at last the ghosts of the much-hated Ronald Reagan and George Bush, and they will usher in the dark tax-and-spend era of Clintonomics. And as the last votes are counted, the Democrats will congratulate themselves, calling it bold leadership, and saying it took great courage.

But the American people will see it differently. You see, it is not leadership when you zap middle-class taxpayers so you can jack up Government spending. And it takes no courage to spend other people's money.

Mr. Chairman I rise today to oppose the Omnibus Budget Reconciliation Act of 1993. Although I support the important goal of reducing the deficit, I cannot support the Clinton administration's anachronistic, misguided tax-and-spend approach. Instead of increasing taxes on every American, we should first eliminate wasteful Government programs and cut Federal spending. In particular, I am concerned about the administration's proposed energy tax.

The broad-based energy tax, as reported by the Committee on Ways and Means, my possibly end or even reverse the current economic recovery. It will not only damage our Nation's industrial competitiveness in world markets, but will also devastate millions of families struggling to live the American dream. If one just cursorily examines the energy tax amendments adopted by the committee, it is clear that I am not the only one concerned about its impact on businesses and families.

The Btu tax is basically flawed. An amendment here or there will not make it good legislation. In fact, the Committee on Ways and Means adopted certain provisions that do not make much sense. As reported, this bill now favors ore-based metals production over recycling. This error is in a bill that is intended to be environmentally beneficial.

Exemptions from the Btu tax were provided to integrated steel producers and to aluminum producers, but not to electric furnace steel producers. Integrated steel mills are those that make steel from iron ore and use coal to make coke for their blast furnaces. Few outside of the industry, however, understand that almost 40 percent of the steel produced today is made by recycling scrap in electric furnaces. There are about 120 electric furnace steel plants in 95 congressional districts in 35 States. These companies provide employment for approximately 75,000 steel workers.

Many are also unaware of the intense competition for markets not only between the integrated and electric furnace steel producers, domestic and foreign, but also between steel and aluminum. I doubt whether any of us really wants to upset the delicate balance of the market. But this legislation has us accomplishing just that.

While I have no electric furnace producers in my district, a number of the employees of Lukens Steel Co. in Chester County are my constituents. Lukens has neither coke ovens nor blast furnaces. It consumes very little coal and requires no virgin iron ore. The new steel Lukens makes in its electric arc furnaces is composed almost totally from scrap metal that would otherwise end up scattered on the landscape or unnecessarily filling scarce landfill space. In fact, Lukens tells me that over the past several weeks they have received five truckloads of cans recovered from municipal waste sites in Maine. This one company recycles almost 30,000 tons of tin cans annually. Do we really want to discriminate against this kind of recycling? Lukens has 1 electric furnace that recycles up to 800,000 tons of scrap metal a year—everything from tin cans to automobiles and railroad cars. Lukens also owns Washington Steel, which produces high value stainless steel by recycling scrap metal in electric furnaces.

The electric furnace steel industry in this country consumes more than 37 million tons of scrap metal each year, including the scrap from 9 million automobiles junked annually. The scrap recycled by the entire steel industry each year is double the amount of all other recycled materials combined. Recycling is also energy efficient when compared to the production from ore of either steel or aluminum.

How does this bill discriminate? The aluminum industry requested that a portion of its electricity consumption be exempted from the Btu tax. In addition, the ore-based steel producers requested an exemption for coke, a source of carbon and heat used in their steelmaking process. These requests were approved, but a request supported by the House steel caucus leadership for a similar exemption for the electricity used to recycle metal in the furnaces of electric furnace steel producers was not. To compound this discriminatory treatment, the bill would raise the base Btu tax rate from 25.7 cents per million Btu to 26.8

cents per million Btu in order to cover the costs of the exemptions available to the aluminum and integrated steel producers.

Mr. Chairman, because the members of the Committee on Ways and Means attempted to fix the energy tax, we are now in the ludicrous position of being asked to favor metals production that is based on digging more ore out of the ground and discriminating against the recycling of metals and the conservation of natural resources.

Representatives from the electric furnace steel industry have expressed serious concern about the impact of the border adjustment amendment—part 5, sections 4456 and 4457—on their stainless steel business. This is of particular concern to Pennsylvania because approximately 70 percent of the stainless steel produced is melted in Pennsylvania—incidentally also in electric furnaces that consume scrap metal. I have been told that the available data leads one to believe that stainless steel producers will be faced with a new tax of approximately \$7.50 per ton based on Btu consumption in production. We are now proposing an addition of \$1.50 to \$2 per ton tax on the ferroalloy minerals that must be imported for stainless production. Costs of production are then raised from \$9.50 to \$10 per ton, further diminishing their competitiveness domestically with other metals and with imports, which will be taxed at a rate of only approximately \$4.50 per ton.

Mr. Chairman, these are just two examples of serious flaws with the Btu tax, as it affects just one industry, that confirms my belief that we are being asked to enact a measure that will be detrimental to our overall economic well being. I urge my colleagues to defeat the Omnibus Budget Reconciliation Act.

Mr. KASICH. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I would like to duly note for the Record that, as the gentleman from Georgia [Mr. GINGRICH] arises to speak, that this, just like the budget resolution that we offered, is one fully supported by the leadership of the Republican Party.

With that, Mr. Chairman, I yield the balance of my time to the very distinguished Republican whip, the gentleman from Georgia [Mr. GINGRICH].

Mr. GINGRICH. First, I want to take just a moment to thank our Chairman of the Committee of the Whole, the gentleman from Pennsylvania [Mr. MURTHA], who I think has given dignity and stature to all of us in the way he has presided today, and I want to thank him for that.

Second, I want to commend the very distinguished chairman and ranking member, the gentleman from Minnesota [Mr. SABO] and the gentleman from Ohio [Mr. KASICH]. I think we can all be proud of the way in which they have worked together today to give the House a chance to work its will, and I commend them for the job they have done.

Third, I want to commend the last speaker, my friend, the majority leader, the gentleman from Missouri [Mr. GEPHARDT], and every Member on both

sides who have spoken today, and I say to my colleagues, "If you have had a chance to watch at all on the floor or on television, this kind of direct, forceful debate on principle is what the House of Representatives is all about."

Finally, I would like to thank our leader, the gentleman from Illinois [Mr. MICHEL], for allowing me to close for our side because I think it is an honor in a debate of this importance to have a chance to speak for my side.

Mr. Chairman, what we face is a genuine, historic, legitimate difference in principle. These next votes are about our vision of the future, our understanding of America and our belief in the lessons of history.

The Clinton plan, which I respect, props up the past. It raises \$325 billion in new taxes to pay for a bigger welfare state.

□ 2010

It starts \$40 billion in new entitlements, as it should, because it believes in the welfare state. Yet the simple fact is, the welfare state has failed. Look at every local television news program in every big city. Here in Washington, DC, during the time when three Americans were killed in Somalia in a combat zone, 48 Americans were killed in our National Capital. Clearly the welfare state has failed.

The tragic fact is that we cannot maintain civilization when 12-year-olds have babies, 15-year-olds kill each other, 17-year-olds are dying of AIDS, and 18-year-olds get diplomas but cannot read. The welfare state has failed.

The Clinton plan raised taxes to prop up this welfare state, and in raising taxes it hurts all Americans. Our parents and grandparents will pay higher taxes on their Social Security; not at the millionaire level, but at \$25,000 for singles, and, a very antifamily standard, at only \$32,000 per couple.

The Clinton tax bill is remarkably very anti-family in the way it increases the marriage penalty compared to two single taxpayers.

Every American will be hit by the energy tax, and jobs will be killed. In St. Louis, the majority leader's district, they will lose 1,328 jobs, according to the Tax Foundation, and Missouri will lose 9,324 jobs for the State, and that is without a beer tax increase.

In Washington State, the Spokane area will lose 809 jobs, even after the aluminum plant was exempted, and Washington State will lose 8,317 jobs.

In my district we will lose 766 jobs, and Georgia as a whole will lose 11,073 jobs. And those job losses are just for the energy tax. Other taxes will kill even more jobs. Yet the greatest tragedy is the failure to change directions away from the welfare state.

In Russia, Yeltsin knows they need less government and less red tape. In France, and I cite today's Washington Post, which reports on page 1, "France

to sell its control of 21 key firms as they learn the lesson that socialism and government control fails."

Only in America is there an effort for higher taxes and a bigger welfare state. And now there is talk of a 9-percent payroll tax for health care on top of all these taxes.

The Kasich budget is a first step towards real change. It cuts spending first. It known Government is too big and spends too much. It is committed to protecting the family budget instead of raising taxes on families to protect the Government budget, a vote for a real change and a step toward smaller, affordable Government.

And yet even the Kasich budget, smaller, even the Kasich budget, is \$7 trillion 841 billion over the next 5 years. And surely this Congress, with \$7 trillion 841 billion in outlays without tax increases, should be able to find enough. And that is the small budget compared to the Clinton budget.

These votes only last 15 minutes, but taxes can last a lifetime.

Let me close by commending the Democrats who have had the courage to stand up for their constituents and who plan to vote against these tax increases. I sympathize. It is not easy. It is never easy to stand up in a situation involving your own party.

In 1982 I joined people like Dick Cheney, TRENT LOTT, and Jack Kemp, and we opposed President Reagan's tougher tax increase, which President Reagan said later was the worst single mistake of his administration.

In 1990, under tremendous pressure, we stood up against President Bush, and he said at the convention, 2-years-too-late, that it was the largest single mistake of his administration.

I simply urge every Member, think of the country, think of the patterns you see going on around the world. Vote with the tide of history, vote for a reformed smaller Government, vote for job creation and take-home pay, vote against bigger Government, higher taxes, poorer families, kill jobs, and a new recession.

The choice is up to each of us, the burden is on each of our shoulders. Tonight, here, we speak for America.

Mr. SABO. Mr. Chairman, before yielding time, I join the minority whip in recognizing the incredibly good job the gentleman from Pennsylvania has done chairing this debate. We all appreciate it.

Mr. Chairman, I yield 5 minutes to the gentleman from Washington [Mr. FOLEY], the distinguished Speaker of the House.

Mr. FOLEY. Mr. Speaker, we are in a chamber where we have heard a long, and I think generally very civilized and responsible debate. It takes me back to a time 2 years ago when we had a very important debate on a similarly crucial question for the country, because,

in a way, the decision as to whether or not to take the country into war was no less momentous than the decision we make tonight.

We have in this Chamber done many things that were easy to do, that were popular to do, that were comfortable to do. But we seldom make valuable and lasting changes by taking easy votes, comfortable votes, politically popular votes.

I can remember when President Reagan came and asked for his economic program to be adopted. It was a program that called for giving taxes back to people, and encouraging them to vote for tax reductions. And it came with a promise that if those deep reductions in taxes could only be accomplished, that in a matter of a few years, a balanced budget would be achieved.

A distinguished Member of the other body, Senator Baker, called it, at the time, a riverboat gamble; and it was a gamble that many Members took, but it was a gamble that the country lost. The country suffered recession, sharp increases in defense spending, a year by year reduction in revenues, a rising deficit outpacing anything that had been seen in previous years, and a burgeoning national debt that is now an all-too-sad fact of our national life.

That was a relatively easy and popular decision, but it was not a good one, in my judgment. It was not one that served the country well.

There are easy votes that we can take, but they are not the votes that, generally, we think are the wisest votes we cast, the best votes we cast, the most honest votes we cast.

Tonight we have a difficult task, because this is not an easy bill to vote for. The President's plan is not comfortable, and it is not universally popular in many areas, and in many respects.

When the President stood here in this chamber on February 17, he asked the country to do difficult things, to do things that would speak for the future, a future, in which we would have more jobs, more opportunity, and a better future for our children, but first we would have to go through the difficult task of reducing a deficit that had grown relentlessly, year after year after year.

The President's plan does that. It is fair, it is responsible, it is effective, and it is real. It is real!

This bill, the President's plan, contains the most effective budget controls ever put in a Budget Reconciliation Act, both in the control of discretionary spending and in the constant review of entitlement spending.

The plan offered by the gentleman from Ohio [Mr. KASICH] does not meet the deficit targets over 5 years. The deficit would be higher after 5 years than the committee bill. And it does not provide any specific roadmap of how those reductions would be achieved.

□ 2020

In that sense, it is easier. But I hope that the Members of this Congress tonight will realize that now we have to take the difficult road back, but it is a road marked by our experience, by what we know has to be done, by a clear-eyed determination that we are going to achieve the goals of this legislation in reducing the deficit by \$500 billion over the next 5 years, with annual reviews, with a clear determination that the deficit will be reduced, and that will result in the opportunity for investment and enhancement of our economy.

In the long term, this will serve all of our country well.

Of course, there is another option, not just the option of adopting the Kasich proposal, the Kasich substitute, or the committee bill. There is an option to do nothing, to do nothing, to let the status quo continue, to allow the public debt to go on to another \$1.5 trillion in the next 5 years, to allow the national product to go down by \$100 billion. We can do nothing, but that would be the greatest of all offenses to the American people.

Winston Churchill said, of a government in this time, that it "had decided only to be undecided, resolved to be irresolute, adamant for drift, solid for fluidity, all powerful to be impotent." That must not be the judgment of this House tonight.

That is not why we were elected, any of us. That is not what our people want, any of them. The worst thing we could do, the worst consequence is to do nothing.

This is a time for us to be determined, to serve the people in a way that is not difficult and sometimes most unpopular, but always to serve in the most responsible way, to consider the interests of their families, to consider the interests of their children, to consider the interests of their future, to support work, to encourage investment, to lay the foundation for a better life for them and for the next generation.

It will be remembered tonight what we do in this Chamber. We will remember it, yes. We will remember it. And those of us who support the committee bill will be proud of our action, proud of the responsible position we take.

This is a time for our country. This is a time to stand and deliver. This is a time to justify your election and the confidence the American people have given in sending you to this Chamber to carry on their business.

Defeat the Kasich proposal. Support the President's plan.

Mr. OXLEY. Mr. Chairman, I rise in support of the substitute in the form of an amendment, offered by Representative KASICH, of my home State.

Representative KASICH's bill, the Republican substitute, would reduce the deficit by cutting spending and deriving revenues from areas

other than higher taxes. The Republican substitute would derive \$7.2 billion by authorizing the Federal Communications Commission to auction newly emancipated radio spectrum. For years, the benefit of the radio spectrum has been overlooked by Congress because too many special interests would have had to pay money for what was previously free. These same special interests participate in industries which generate billions of dollars annually.

The present lottery system of spectrum allocation was originally created in order to expedite the assignment process, reduce the size of the bureaucracy, lower Government spending, and eliminate unnecessary regulations. However, it spawned a cottage industry of lawyers and engineers who fabricate applications meeting the FCC requirements with design drawings and financial commitments from banks. These people usually have no intention of exploring emerging technologies. Instead, they sell their free new allocation of spectrum for millions of dollars in profits. At a time when curative measures for the budget deficit predominate policy concerns, it seems foolish to give away a valuable resource such as the spectrum reserve.

Furthermore, the auction method would create a more efficient method of distribution and use. First, the language in the substitute mandates that the FCC weigh the technological benefits of the new proposed applications. Second, it prohibits warehousing and speculation. Finally, the competitive bidding guarantees that the applicants will refine their proposals to yield the greatest results.

These spectrum auctions would not favor large companies over small. It would protect the public service users such as emergency services and amateur radio operators from the competitive bidding process. It also exempts broadcasters from the procedures for license renewals.

Mr. Chairman, I think that this is a much better method to raise revenue than by passing the largest tax increase in the history of our Nation, as the President wants. A quick review of the administration's budget proposal conveys a very gloomy and discouraging message to the American people.

It says do not be productive. The tax rates on those who are the most productive members of society will be increased by 35 percent or more.

It says do not save. Tax rates on investment earning will be increased by 35 percent or more. Incentives to contribute to pensions for retirement will be slashed. Estate taxes on lifetime savings will be increased.

It says do not compete. Tax rates on the most profitable corporations will go up 1 percentage point. Taxes on successful multinational businesses will go up because of provisions affecting foreign subsidiaries and international operations. Leading edge U.S. companies will suffer because their operations in U.S. possessions will be heavily taxed.

The President's proposal says do not manufacture exports in the United States. The energy tax will have a heavy impact on U.S. manufactured exports. U.S. manufactured exports will bear the tax, while foreign products will not.

The President's proposal says do not pay taxes. The tax package restores the old incen-

tives to seek tax shelters. Upper income individuals will defer income, buy tax-free bonds, work less, and take more tax-free fringe benefits.

Mr. Chairman, I think that the people need to hear positive messages in these troubled times. The President's proposal does not convey this message. The Republican substitute will convey this positive message. The people want to see reduced spending and new nontax revenue sources. This is what the Republican substitute does. The President's proposal, Mr. Speaker, is the same old tax-and-spend philosophy, and it just won't work any more.

Mr. MCCANDLESS. Mr. Chairman, I rise in support of both the attempted en bloc amendment and the KASICH substitute. And I urge my colleagues to support these measures which provide today's only true opportunities for spending cuts, deficit reduction and budget reform.

The KASICH en bloc included an amendment I had intended to offer at last week's Government Operations Committee markup of the Budget Enforcement Act. Unfortunately, when it became clear that the majority did not have the votes needed to pass a leadership-approved bill, the measure was pulled and our Members were denied the opportunity to consider budget reform legislation.

Similarly, I waited for 9 hours yesterday for the chance to argue the merits of the debt buy-down language before the Rules Committee. My amendment was supported by every Republican member of that committee, yet without further ado, the amendment was rejected by the Committee's Democrat majority.

Mr. Chairman, I can certainly understand the majority's reluctance to permit the Members of this House the opportunity to debate the merits of their deficit reduction trust fund on national TV. Consider the comments of Deputy OMB Director Alice Rivlin who called a similar trust fund proposal just a gimmick. Or those of House Budget Committee Chairman MARTIN SABO who recently noted of a like measure, "I don't think it changes the substance of anything." House Ways and Means Committee Chairman DAN ROSTENKOWSKI disparaged a similar bill on NBC's "Today" show, while CBO Director Robert Reischauer reaffirmed the plan's flaws when he stated that, "saying that deficit reduction has occurred is different from achieving a particular deficit reduction target."

Given the number of well-known Democrat budget scholars who are denouncing the type of all show—no go trust fund which is being self-executed into this bill, I don't wonder at the majority's reluctance to allow its debate and amendment today. But the American people deserve more.

My amendment would provide the opportunity for true deficit reduction by offering Members a clear-cut choice between the Democrat's trust fund idea and the widely acclaimed Walker-Smith Debt Buy-Down Act. It offers a deficit reduction plan acknowledged by both OMB and CBO to provide real cuts and real savings.

My amendment provides a three-pronged approach to deficit reduction by: First, permitting taxpayers to designate up to 10 percent of their total taxes for deficit reduction; second,

requiring Congress to enact spending cuts equal to the total amount of taxpayer set aside; and third, enforcing those spending reductions by imposing a sequestration equal to the amount of overspending.

According to both OMB and the trendline from CBO, this amendment would enable the Government to stop deficit spending by the year 1999. Additionally, the national debt would be eliminated by the year 2009 even with a 9.55 percent increase over baseline fiscal year 1994 spending.

Mr. Chairman, in denying the Members of this body the opportunity to choose between the majority's trust fund and my buy-down amendment, the leadership has also denied us the chance for true deficit reduction. I urge those of my colleagues who support real reform to defeat this bill so that we can bring it back with serious budget reforms.

Mr. PORTER. Mr. Chairman, let me start by saying how unconscionable it is for the Rules Committee—your Rules Committee—to fashion a rule that allows the minority a total of 90 minutes of debate time on a measure more far-reaching than any we have considered during the last 10 years. Four or five hours would have been fair and equitable; 90 minutes is ridiculous and unfair.

But, of course, this is only the beginning of the inequities of this rule, which allows the minority one substitute amendment only, and neither any other amendment nor even a motion to recommit with instructions. This is a cowardly and craven rule and the majority should be embarrassed in a free country to offer it.

Beyond the rule, however, lurks a far more ominous threat, not just to the minority but to every thinking American: a budget reconciliation package so onerous in the implications for the future of our children and grandchildren it should make all of us shudder in apprehension.

The President campaigned as a new Democrat, one who would go to Washington, push aside the usual tax-and-spend policies of his party, and put deficit reduction at the top of his agenda. Promised was a deficit reduction package calling for new taxes, yes, but also promising \$2 of spending cuts for every \$1 of tax increases, thus guaranteeing that every cent of new taxes would go to bring down the deficit, not for new or increased spending.

Mr. Chairman, I could have supported such a package. I believe the Nation's greatest problem, the one that makes for a low-growth, high unemployment economy and robs generations following of their future is ongoing, huge deficits. And let's be honest: neither party has made deficit reduction and balanced budgets a sufficient priority. There is enough blame to go around. Nor have I automatically rejected tax increases. As a matter of every American participating in bringing the budget under control, I believe the people I am privileged to represent would be more than will to give of their hard-earned resources to help their country. With one iron-clad guarantee.

My taxpayer protection amendment would require that each year the deficit come down by an amount not less than the new taxes imposed or the taxes are repealed automatically and immediately.

Mr. Chairman, if you cannot get the message of the American people to cut spending first, at least you ought to be able to guarantee them that every penny of the new taxes you are requiring them to pay will go to reduce the deficit, not for increased spending. This is the ironclad guarantee they and I need. By refusing to allow my amendment to be even considered on the House floor, Mr. Speaker, and offering instead a phony, unenforceable trust fund, you have ensured my hostile opposition to this package because there is no guarantee.

The budget reconciliation package you have put forward in fact, does just the opposite. It imposes \$2 of new taxes matched by only \$1 of spending cuts which guarantees that most of the new tax revenues will go to support increased spending, not to reduce the deficit. Add to this fact that there is no assurance that even the meager spending cuts targeted for the out years will ever take place and you have a package that will mean disaster for the American economy. Clearly, the concern that many in our country have that huge, permanent tax increases will be imposed on them and 4 years hence we will have deficits larger than ever is, tragically, well placed.

How did the package end up in this unfortunate form? President Clinton came to Washington and almost immediately made two serious mistakes? First, he failed to communicate in any meaningful way with Republicans, perhaps reflecting the one party nature of the State he served as governor. Obviously, coming to Republicans to ask for their cooperation in achieving spending cuts would have set a good working tone, but instead the President ignored us, leading, one could argue, to the amazing degree of cooperation the Senate Republican leader was able to achieve in holding Senate Republicans together in opposition to the President's economic stimulus package. This ignoring of Republicans, especially House Republicans, has continued to this day, and has made easier the job of the loyal opposition that might otherwise have fractured, at least to some degree.

Second, the President, perhaps understandably, fears becoming another Jimmy Carter, an ineffective, irrelevant outsider. This fear, in my judgment has led him to seek accommodation with the members of his party at practically any price, moving away from many of his campaign promises as objections were raised by his Democrats in the House or Senate. The difficulty with this approach to governance is that the tone, once set, is hard to back away from. The modus operandi of promising what Members of Congress want in return for their support can lead to only one result: you are rolled, and this President has been rolled by his congressional Democrats. The liberals have, after all, spent 12 frustrating years under the Reagan and Bush administrations and have a huge supply of pent-up program wishes, many of which involve new spending. When you want to reduce the deficit, accommodating the spending plans of the Democratic Congress, instead of going over their heads to the American people and working to control spending can be, and in this case is, in my judgment, fatal.

For all of these reasons, the budget reconciliation package has come out stood on its

head, with deficit reduction subordinated to new spending projects, now termed "investments." The promise of addressing the needs of our economy by cleaning up our fiscal act and putting our house in order have been needlessly doomed, and support that could have been there with a responsible program and wise politics has been lost.

The CHAIRMAN. The question is on the amendment in the nature of a substitute offered by the gentleman from Ohio [Mr. KASICH].

The question was taken; and the Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. KASICH. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 138, noes 295, not voting 5, as follows:

[Roll No. 198]

AYES—138

Army	Grams	Moorhead
Bachus (AL)	Greenwood	Myers
Baker (CA)	Gunderson	Nussle
Baker (LA)	Hansen	Oxley
Ballenger	Hastert	Packard
Bartlett	Herger	Paxon
Barton	Hoagland	Pombo
Billrakis	Hobson	Porter
Bliley	Hoekstra	Portman
Blute	Hoke	Pryce (OH)
Boehner	Horn	Quillen
Bonilla	Houghton	Quinn
Bunning	Hunter	Ramstad
Buyer	Hutchinson	Ravenel
Calvert	Hyde	Ridge
Camp	Inglis	Rohrabacher
Castle	Inhofe	Royce
Clinger	Istook	Santorum
Coble	Johnson (CT)	Saxton
Collins (GA)	Johnson, Sam	Schiff
Cooper	Kasich	Sensenbrenner
Cox	Kim	Shaw
Crane	King	Shays
Crapo	Klug	Shuster
Cunningham	Knollenberg	Skeen
DeLay	Kolbe	Smith (MI)
Dickey	Kyl	Smith (NJ)
Dooley	Lazio	Smith (TX)
Doolittle	Levy	Snowe
Dreier	Lewis (CA)	Solomon
Dunn	Lewis (FL)	Sundquist
Everett	Linder	Talent
Ewing	Livingston	Tanner
Fawell	Manzullo	Tauzin
Fields (TX)	McCandless	Taylor (MS)
Fish	McCollum	Thomas (CA)
Franks (CT)	McCrary	Thomas (WY)
Franks (NJ)	McDade	Torkildsen
Gallegly	McHugh	Upton
Gallo	McKeon	Walker
Gekas	McMillan	Walsh
Gilchrest	Meyers	Weldon
Gilman	Mica	Wolf
Gingrich	Michel	Young (FL)
Goodling	Miller (FL)	Zeliff
Goss	Molinar	Zimmer

NOES—295

Abercrombie	Bentley	Brown (OH)
Ackerman	Bereuter	Bryant
Allard	Berman	Burton
Andrews (ME)	Bevill	Byrne
Andrews (NJ)	Bilbray	Callahan
Andrews (TX)	Bishop	Canady
Applegate	Blackwell	Cantwell
Bacchus (FL)	Boehrlert	Cardin
Baessler	Bonior	Carr
Barcia	Borski	Chapman
Barlow	Boucher	Clay
Barrett (NE)	Brewster	Clayton
Barrett (WI)	Brooks	Clement
Bateman	Browder	Clyburn
Becerra	Brown (CA)	Coleman
Beilenson	Brown (FL)	Collins (IL)

Collins (MI)	Kanjorski	Rahall
Combest	Kaptur	Rangel
Condit	Kennedy	Reed
Conyers	Kennelly	Regula
Coppersmith	Kildee	Reynolds
Costello	Kingston	Richardson
Coyne	Kleczka	Roberts
Cramer	Klein	Roemer
Danner	Klink	Rogers
Darden	Kopetski	Romero-Barcelo
de la Garza	Kreidler	(PR)
de Lugo (VI)	LaFalce	Ros-Lehtinen
Deal	Lambert	Rose
DeFazio	Lancaster	Rostenkowski
DeLauro	Lantos	Roth
Dellums	LaRocco	Roukema
Derrick	Laughlin	Rowland
Deutsch	Leach	Roybal-Allard
Diaz-Balart	Lehman	Rush
Dicks	Levin	Sabo
Dingell	Lewis (GA)	Sanders
Dixon	Lightfoot	Sangmeister
Duncan	Lipinski	Sarpalius
Durbin	Lloyd	Sawyer
Edwards (CA)	Long	Schaefer
Edwards (TX)	Lowey	Schenk
Emerson	Machtley	Schroeder
Engel	Maloney	Schumer
English (AZ)	Mann	Scott
English (OK)	Manton	Serrano
Eshoo	Margolies-	Sharp
Evans	Mezvinsky	Shepherd
Faleomavaega	Markey	Sisisky
(AS)	Martinez	Skaggs
Fazio	Matsui	Skelton
Fields (LA)	Mazzoli	Slattery
Filner	McCloskey	Slaughter
Fingerhut	McCurdy	Smith (IA)
Hart	McDermott	Smith (OR)
Hoagland	McHale	Spence
Hobson	McInnis	Spratt
Hoke	McKinney	Stark
Hoekstra	McNulty	Stearns
Hoke	Meehan	Stenholm
Horn	Meek	Stokes
Houghton	Menendez	Strickland
Hunter	Mfume	Studds
Hutchinson	Miller (CA)	Stump
Hyde	Mineta	Stupak
Inglis	Minge	Sweet
Inhofe	Mink	Swift
Istook	Moakley	Synar
Johnson (CT)	Mollohan	Taylor (NC)
Johnson, Sam	Montgomery	Tejeda
Kasich	Moran	Thompson
Kim	Morella	Thornton
King	Murphy	Thurman
King	Murtha	Torres
Klug	Nadler	Torricelli
Knollenberg	Natcher	Towns
Kolbe	Neal (MA)	Trafficant
Kyl	Neal (NC)	Tucker
Lazio	Norton (DC)	Unsoeld
Levy	Oberstar	Valentine
Lewis (CA)	Obey	Velazquez
Lewis (FL)	Oliver	Vento
Linder	Ortiz	Visclosky
Livingston	Orton	Volkmmer
Manzullo	Owens	Vucanovich
McCandless	Pallone	Washington
McCormack	Parker	Waters
McCrary	Pastor	Watt
McDade	Payne (NJ)	Waxman
McHugh	Payne (VA)	Wheat
McKeon	Pelosi	Whitten
McMillan	Penny	Williams
Meyers	Peterson (FL)	Wilson
Mica	Peterson (MN)	Wise
Michel	Petri	Woolsey
Miller (FL)	Pickett	Wyden
Molinar	Pickle	Wynn
	Pomeroy	Yates
	Poshard	
	Price (NC)	

NOT VOTING—5

Archer	Henry	Young (AK)
Dornan	Underwood (GU)	

□ 2041

Mr. DUNCAN changed his vote from "aye" to "no."

So the amendment in the nature of a substitute was rejected.

The result of the vote was announced as above recorded.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker, having resumed the chair, Mr. MURTHA, 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. 2264) to provide for reconciliation pursuant to section 7 of the concurrent resolution on the budget for fiscal year 1994, as modified pursuant to House Resolution 186, pursuant to House Resolution 186, he reported the bill, as modified, back to the House.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the engrossment and third reading of the bill.

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

The SPEAKER. The question is on the passage of the bill.

The question was taken; and the Speaker announced that the ayes appeared to have it.

RECORDED VOTE

Mr. KASICH. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 219, noes 213, not voting 1, as follows:

[Roll No. 199]

YEAS—219

Abercrombie	Deutsch	Jefferson
Ackerman	Dicks	Johnson (GA)
Andrews (ME)	Dingell	Johnson, E.B.
Andrews (TX)	Dixon	Johnston
Applegate	Dooley	Kanjorski
Bacchus (FL)	Durbin	Kaptur
Barcia	Edwards (CA)	Kennedy
Barlow	Engel	Kennelly
Barrett (WI)	English (AZ)	Kildee
Becerra	Eshoo	Kleczka
Beilenson	Evans	Klink
Berman	Fazio	Kopetski
Bevill	Fields (LA)	Kreidler
Bilbray	Filner	LaFalce
Bishop	Fingerhut	Lambert
Blackwell	Flake	Lancaster
Bonior	Foglietta	Lantos
Borski	Foley	LaRocco
Boucher	Ford (MI)	Levin
Brewster	Ford (TN)	Lewis (GA)
Brooks	Frank (MA)	Lloyd
Brown (CA)	Frost	Lowey
Brown (FL)	Furse	Manton
Brown (OH)	Gejdenson	Markey
Bryant	Gephardt	Martinez
Byrne	Gibbons	Matsui
Cardin	Glickman	Mazzoli
Carr	Gonzalez	McCloskey
Clay	Gordon	McCurdy
Clayton	Green	McDermott
Clyburn	Gutierrez	McKinney
Coleman	Hall (OH)	McNulty
Collins (IL)	Hamburg	Meehan
Collins (MI)	Hamilton	Meek
Conyers	Harman	Menendez
Cooper	Hastings	Mfume
Costello	Hefner	Miller (CA)
Coyne	Hilliard	Mineta
Cramer	Hinchev	Mink
Darden	Hoagland	Moakley
de la Garza	Hochbrueckner	Mollohan
DeFazio	Hoyer	Montgomery
DeLauro	Hughes	Moran
Dellums	Hutto	Murphy
Derrick	Insee	Murtha
	Jacobs	Nadler

Natcher	Rush	Tauzin
Neal (MA)	Sabo	Tejeda
Neal (NC)	Sanders	Thompson
Oberstar	Sangmeister	Thornton
Obey	Sawyer	Thurman
Oliver	Schenk	Torres
Ortiz	Schroeder	Torricelli
Owens	Schumer	Towns
Pastor	Scott	Tucker
Payne (NJ)	Serrano	Unsoeld
Payne (VA)	Sharp	Valentine
Pelosi	Shepherd	Velazquez
Penny	Sisisky	Vento
Peterson (FL)	Skaggs	Viscosky
Peterson (MN)	Slattery	Voikmer
Pickle	Slaughter	Washington
Pomeroy	Smith (IA)	Waters
Poshard	Spratt	Watt
Price (NC)	Stark	Waxman
Rahall	Stenholm	Wheat
Rangel	Stokes	Whitten
Reed	Strickland	Williams
Reynolds	Studds	Wise
Richardson	Stupak	Woolsey
Rose	Swift	Wyden
Rostenkowski	Synar	Wynn
Roybal-Allard	Tanner	Yates

Taylor (NC)	Vucanovich	Young (AK)
Thomas (CA)	Walker	Young (FL)
Thomas (WY)	Walsh	Zeliff
Torkildsen	Weldon	Zimmer
Trafficant	Wilson	
Upton	Wolf	

□ 2059

So the bill was passed.
The result of the vote was announced as above recorded.
A motion to reconsider was laid on the table.

□ 2100

GENERAL LEAVE

Mr. SABO. Mr. Speaker, I ask unanimous consent that all Members be given 5 legislative days in which to revise and extend their remarks, and include extraneous material, in the RECORD on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

PERSONAL EXPLANATION

Mr. UNDERWOOD. Mr. Speaker, during rollcall vote No. 198, I was on my way to my district on business. If I had been present, I would have voted "nay".

AUTHORIZING THE CLERK TO MAKE TECHNICAL AND CONFORMING CORRECTIONS TO THE H.R. 2264, OMNIBUS BUDGET RECONCILIATION ACT OF 1993

Mr. SABO. Mr. Speaker, I request unanimous consent that the clerk have general leave to authorize technical and conforming corrections to H.R. 2264, the Omnibus Budget Reconciliation Act of 1993.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

ADJOURNMENT OF THE HOUSE FROM THURSDAY, MAY 27, 1993, TO TUESDAY, JUNE 8, 1993, AND RECESS OR ADJOURNMENT OF THE SENATE FROM FRIDAY, MAY 28, 1993, TO MONDAY, JUNE 7, 1993

Mr. GEPHARDT. Mr. Speaker, I offer a privileged concurrent resolution (H. Con. Res. 105) and ask for its immediate consideration.

The Clerk read the concurrent resolution as follows:

H. CON. RES. 105

Resolved by the House of Representatives (the Senate concurring). That when the House adjourns on the legislative day of Thursday, May 27, 1993, it stand adjourned until noon on Tuesday, June 8, 1993, or until noon on the second day after Members are notified to reassemble pursuant to section 2 of this concurrent resolution, whichever occurs first; and that when the Senate recesses or ad-

journs at the close of business on Friday, May 28, 1993, pursuant to a motion made by the Majority Leader or his designee, in accordance with this resolution, it stand recessed or adjourned until noon, or until such time as may be specified by the Majority Leader or his designee in the motion to adjourn or recess, on Monday, June 7, 1993, or until noon on the second day after Members are notified to reassemble pursuant to section 2 of this concurrent resolution, whichever occurs first.

SEC. 2. The Speaker of the House and the Majority Leader of the Senate, acting jointly after consultation with the Minority Leader of the Senate, shall notify the Members of the House and the Senate, respectively, to reassemble whenever, in their opinion, the public interest shall warrant it.

Mr. GEPHARDT (during the reading). Mr. Speaker, I ask unanimous consent that the concurrent resolution be considered as read and printed in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

The concurrent resolution was agreed to.

A motion to reconsider was laid on the table.

AUTHORIZING SPEAKER AND MINORITY LEADER TO ACCEPT RESIGNATIONS AND MAKE APPOINTMENTS, NOT WITHSTANDING ADJOURNMENT.

Mr. GEPHARDT. Mr. Speaker, I ask unanimous consent that, notwithstanding any adjournment of the House until Tuesday, June 8, 1993, the Speaker and the minority leader be authorized to accept resignations and to make appointments authorized by law or by the House.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

DISPENSING WITH CALENDAR WEDNESDAY BUSINESS ON WEDNESDAY, JUNE 9, 1993

Mr. GEPHARDT. Mr. Speaker, I ask unanimous consent that business in order under the calendar Wednesday rule be dispensed with on Wednesday, June 9, 1993.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

PROVIDING FOR CONDITIONAL ADJOURNMENT UNTIL TOMORROW, FRIDAY, MAY 28, 1993

Mr. GEPHARDT. Mr. Speaker, I ask unanimous consent that if the Senate does not adopt House Concurrent Resolution 105 by noon on tomorrow, then when the House adjourns today, it adjourn to meet at noon tomorrow, but

NAYS—213

Allard	Geren	McHale
Andrews (NJ)	Gilchrest	McHugh
Archer	Gillmor	McInnis
Armey	Gilman	McKeon
Bachus (AL)	Gingrich	McMillan
Baesler	Goodlatte	Meyers
Baker (CA)	Goodling	Mica
Baker (LA)	Goss	Michel
Ballenger	Grams	Miller (FL)
Barrett (NE)	Grandy	Minge
Bartlett	Greenwood	Molinari
Barton	Gunderson	Moorhead
Bateman	Hall (TX)	Morella
Bentley	Hancock	Myers
Bereuter	Hansen	Nussle
Bilirakis	Hastert	Orton
Billey	Hayes	Oxley
Blute	Hefley	Packard
Boehlert	Heger	Pallone
Boehner	Hobson	Parker
Bonilla	Hoeckstra	Paxon
Browder	Hoke	Petri
Bunning	Holden	Pickett
Burton	Horn	Pombo
Buyer	Houghton	Porter
Callahan	Huffington	Portman
Calvert	Hunter	Pryce (OH)
Camp	Hutchinson	Quillen
Canady	Hyde	Quinn
Castle	Inglis	Ramstad
Chapman	Inhofe	Ravenel
Clement	Istook	Regula
Clinger	Johnson (CT)	Ridge
Coble	Johnson (SD)	Roberts
Collins (GA)	Johnson, Sam	Roemer
Combest	Kasich	Rogers
Condit	Kim	Rohrabacher
Coppersmith	King	Ros-Lehtinen
Cox	Kingston	Roth
Crane	Klein	Roukema
Crapo	Klug	Rowland
Cunningham	Knollenberg	Royce
Danner	Kolbe	Santorum
Deal	Kyl	Sarpalius
DeLay	Laughlin	Saxton
Diaz-Balart	Lazio	Schaefer
Dickey	Leach	Schiff
Doolittle	Lehman	Sensenbrenner
Dornan	Levy	Shaw
Dreier	Lewis (CA)	Shays
Duncan	Lewis (FL)	Shuster
Dunn	Lightfoot	Skeen
Edwards (TX)	Linder	Skelton
Emerson	Lipinski	Smith (MI)
English (OK)	Livingston	Smith (NJ)
Everett	Long	Smith (OR)
Ewing	Machtley	Smith (TX)
Fawell	Maloney	Snowe
Fields (TX)	Mann	Solomon
Fish	Manzullo	Spence
Fowler	Margolies-	Stearns
Franks (CT)	Mezvinsky	Stump
Franks (NJ)	McCandless	Sundquist
Gallely	McCollum	Swett
Gallo	McCrery	Talent
Gekas	McDade	Taylor (MS)

that if the clerk receives a message prior to noon tomorrow that the Senate has adopted House Concurrent Resolution 105, then the adjournment of the House today shall be deemed an adjournment pursuant to House Concurrent Resolution 105.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

LEGISLATIVE PROGRAM

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

Mr. MICHEL. I asked for this time to propound a few questions to the distinguished majority leader.

Initially, the Memorial Day recess was to be concluded or come to a conclusion on Monday, June 7, and now we have extended it one more day. Could the distinguished majority leader tell me what would be programmed for that Tuesday when we return on the June 8?

Mr. GEPHARDT. If the gentleman will yield, we do return on Tuesday, June 8, and we will post a schedule next week. I would suppose that on that day there will be suspensions and we will hold the votes, as we always do, until later in the day, if at all possible.

Mr. MICHEL. That seemed to be the most prevalent question, whether there would be votes on that day when we return.

Mr. GEPHARDT. That is correct.

Mr. MICHEL. And if there are scheduled suspensions, is there any idea what number there might be?

Mr. GEPHARDT. We just do not have that information available.

Mr. MICHEL. In any case, the votes on suspensions, if ordered, would be at the conclusion of the consideration of all of them?

Mr. GEPHARDT. The gentleman is correct.

Mr. MICHEL. I yield to the gentleman from New York.

Mr. SOLOMON. I thank the gentleman for yielding.

Mr. Speaker, it is my understanding that the President has announced that he is going to announce tomorrow morning at 9:00 that he is requesting renewal of the most favored nations status for China. I did not quite understand that colloquy. Would it be in order for me to file a motion of disapproval of that request tomorrow, or are we adjourned? I could not hear what the majority leader was saying.

Mr. GEPHARDT. If the gentleman will yield, it is my understanding that it is most likely that the Senate will adopt this adjournment resolution, which would mean that we would not be in session tomorrow. But I see no reason that the gentleman's motion could not be presented upon our return on June 8.

Mr. SOLOMON. I just wanted that clarification. The gentleman had said

something about the House possibly still being in until noon tomorrow. But if they adopt, if the Senate adopts it, then we would be out tonight; if they do not, we would still be in until tomorrow.

Mr. GEPHARDT. The gentleman is correct.

Mr. MICHEL. I thank the gentleman, the distinguished majority leader.

□ 2110

DESIGNATION OF THE HONORABLE STENY HOYER TO ACT AS SPEAKER PRO TEMPORE UNTIL JUNE 8, 1993

The SPEAKER pro tempore (Mr. MFUME) laid before the House the following communication from the Speaker of the House of Representatives:

HOUSE OF REPRESENTATIVES,

Washington, DC, May 27, 1993.

I hereby designate the Honorable STENY HOYER to act as Speaker pro tempore—sign enrolled bills until Tuesday June 8, 1993.

THOMAS S. FOLEY,

Speaker of the House of Representatives.

THE DEBATE IS ABOUT JOBS

Mrs. JOHNSON of Connecticut asked and was given permission to address the House for 1 minute and to revise and extend her remarks.

Mrs. JOHNSON of Connecticut. Mr. Speaker, the current debate over the Clinton tax bill is a debate about jobs in America and a debate that goes to the heart of what America is all about. Does Government spending create jobs or does the private sector create more and better jobs? Thanks to C-SPAN and the media, the crux of this debate is not lost on our constituents: It's simple. If the Federal Government takes money out of the economy, fewer jobs are created, spending for Government support programs goes up, and the deficit widens.

One of my constituents, Paul Martel of Simsbury, CT, wrote an excellent letter to the editor reflecting the profound fear amongst Americans, that we've lost our way, have deserted the values that made America great.

Mr. Martel decries the growing apathy and disdain for the basic elements of our capitalistic, free-enterprise system and goes on to describe how the cycle of investment, risk-taking, business formation, hiring employees, earning a profit, and reinvestment is fundamental to the American way of life. It is the only way real wealth is created. I would add, it is the substance of all the hope embodied in the words opportunity and freedom.

Mr. Speaker, as usual, the man in the street is correct. As my constituent has eloquently pointed out,

Government does not create wealth; business does. Higher taxes do not lead to prosperity; business does. Government spending does not create real jobs; business does.

I strongly urge my colleagues to heed these insights and defeat the tax-and-spend package now before us.

Mr. Speaker, I am including at this point in the RECORD the text of the article by Paul Martel, as follows:

WHERE DO JOBS COME FROM?

(By Paul R. Martel)

There is a profoundly disturbing trend in society that threatens our nation's health and survival. It shows up in divisive political rhetoric, in the news media, in churches and, most dangerously, in our tax system. This trend is a growing apathy and disdain for the basic elements of our capitalistic, free-enterprise system.

The cycle of investment, risk-taking, business formation, profit and reinvestment is fundamental to the American way of life. It is the only way real wealth is created. It is where jobs come from. It is the essence of our collective economic health.

Somewhere along the way, something changed. Businesses—the people who own and run them—became the enemy, the exploiter, the polluter, the bad rich people. Businesses have become the convenient target for taxation, regulation and government mandates. Profit is now known as greed. Hard work and investment and their rewards are now viewed as lacking moral dignity.

Capitalism is the engine that powers the car that is our economy. Government has added so many fixtures, pumps and accessories to the car that the engine stalls from the weight. The fuel for the engine—capital—is taxed so heavily that the engine chokes. We don't teach people about the engine, so no one understands why the car runs so badly.

Consider these headlines: "Job market for grads slim," "Hundreds of thousands of jobs lost in New England," "Pratt layoffs continue." Who doesn't see a connection to the tax and regulatory policies that overburden businesses? Why is it that when some propose lower capital-gains taxes and fewer mandates, they are derided and accused of pandering to the rich?

Government does not create wealth; business does. Higher taxes do not lead to prosperity; business does. Government spending does not create real jobs; business does. The next time people hear "trickle-down" economics ridiculed or a new government program is proposed or taxes are raised and mandates increased on businesses, they should ask: Where does wealth come from? Where do jobs come from? What is it that makes our country strong?

The answer is capitalism, and it's not a bad word.

A SILVER LINING IN A BAD VOTE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Maryland [Mr. BARTLETT] is recognized for 5 minutes.

Mr. BARTLETT of Maryland. Mr. Speaker, we have done it. We have cast one of the most significant votes, certainly for this Congress and perhaps for several Congresses.

It is said that it is an ill-wind that blows no good, and although this vote bodes ill for America for the next several years until it can be changed, there is indeed a silver lining to the cloud that has been placed over this

Congress and our country this evening. That silver lining is that there are going to be a great many Democrats who do not return in 1994. They were sent here by their voters not to increase the size of government, not to increase taxes, not to increase the deficit, not to enact legislation that would result in an increase in interest and an increase in unemployment and an increase in bankruptcies, and all these things will happen as a result of the vote that we have cast today.

I appeal to you out there in America, look closely at how the Representative you sent here voted. If that Representative voted to increase your taxes, to hurt America, to provide for a poorer environment for your children and your grandchildren, send somebody else here in 1994 who will join with those of us who voted for less government and less taxes and less regulation and a better America for us and for our children and for our grandchildren.

WHY WE NEED HEALTH CARE REFORM; WHY MANAGED COMPETITION WON'T WORK

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Mr. STARK] is recognized for 5 minutes.

Mr. STARK. Madam Speaker, following is a letter I've received from a couple in a Western State.

It is one of the best examples I've seen of why we need health care reform—both increased access and cost containment.

But it also explains why grand academic theories of managed competition won't work. Living on a modest income, this young couple have a child who needs a serious operation. They could join a famous, well-established HMO and save money and obtain coverage for the needed operation. But they would rather save their daughter's life than money, and they know that the doctor and the hospital that is most famous for the best treatment of their daughter's condition is not in that HMO.

Emily Friedman, one of the Nation's best writers and thinkers on health care issues, has listed the "Five R's" of why managed competition won't work: Rural, Risk, Race, Rights, and (I)rationality. As the following letter so clearly demonstrates, this young American family wants the Right, even at great personal expense to themselves, to seek the best treatment for their daughter. The economists who designed the theory of managed competition would never understand this, but when it comes to treating a loved one, a family member, a baby, people are not economic animals, they are irrational, loving human beings who, even on a very limited income, will make enormous sacrifices to save their loved one. Any economic scheme like managed competition that tries to come between parents and the health of their baby is going to be thwarted by the irrationality of love. I wish the professors in their Ivory Tower would read this letter and, as the saying goes, get a life.

MAY 21, 1993.

Representative PETE STARK,
Cannon Office Building, Washington, DC.

DEAR MR. STARK: I am writing you concerning medical insurance. Three very serious problems with our current system are gravely affecting my family.

One is the "pre-existing condition" exclusion clause allowed by insurance companies, another is the time limitation on COBRA law, and the third is the threat of not being able to choose our own doctors.

I implore you to eliminate "pre-existing condition" exclusion clauses in this country's new health-care plan. Here's why.

My husband and I have a 3-month old daughter who has a congenital heart defect called aortic valve stenosis. She looks like the picture of health. But in reality, she will require an operation probably before she's one year old. And because her problem can recur and require another operation, the medical insurance companies have declared her undesirable because she has a "pre-existing condition." Let me tell you what that means to us as a family.

Since she was born a mere three months ago, we have spent \$1,224 in insurance premiums (we have no other dependents). By her first birthday, we will have spent \$4,222 in insurance premiums. And those figures do not include our share of the doctor bills, which can run up to \$5,000 a year in deductibles and co-payments. For this, we are told, we should feel lucky.

After we enroll in my husband's new insurance plan July 1, she will not become eligible for coverage for 12 months. Her current insurance coverage through a COBRA plan I'm on runs out six months prior to that. For those six months from January to July 1994, insurance premiums for the baby alone will cost us more than \$3,500. And this doesn't include the cost of any doctor's appointments, just surgery and hospitalization.

Part of the problem with her insurance has to do with the time limitation on COBRA coverage. You see, I've been covering her on my COBRA insurance plan but it runs out six months before she becomes eligible for other insurance. The 18-month COBRA maximum just isn't long enough in some cases like ours and I think exceptions should be made.

Another reason it's so expensive to insure her is because we refuse to enroll her in a HMO medical plan (which doesn't have a pre-existing condition clause). I have had bad experiences with that HMO and so have many of my friends.

Are you aware that the HMO's doctors are actually provided monetary incentives to steer patients away from further treatment? The fewer referrals these doctors make, the more money they make! Imagine how this would affect treatment for someone like our baby, who requires very close follow-up and only the most skilled specialists. We saved our daughter from an unnecessary operation recently because we were able to obtain a second opinion from a doctor of our choice. I am not willing to forfeit the right to choose.

We want to choose our doctors and we are willing to pay something to have that choice. But we don't think it's fair to be burdened with such high health care costs because our daughter was born with a problem. The money we pay for medical insurance is paying for expensive health care and elaborate life-saving measures for a lot of people who have created their own poor health because they do things like smoke, drink, take drugs, eat unhealthfully and/or don't exercise. Our baby did nothing but be born into this world. And I certainly did my part by taking good care of myself during pregnancy.

My husband and I are not rich by any means. In fact, although both of us are college-educated professionals from middle class families, we now fall into what might be described as "the new lower class." My husband grosses \$26,000 a year as a newspaper editor and I make nothing—not since I was laid off last July when I was eight weeks pregnant.

A lot of pleasures and even some necessities will have to be sacrificed to give our daughter the medical care she needs. And in our downward spiral, we can certainly never hope to realize "The American Dream."

When we are dead and gone, our daughter is going to have to manage her own health insurance. It's going to be hard enough on her dealing with her health problem, much less it's expense. This excessive monetary outlay is bound to affect the quality of her adult life, as it already has ours.

This kind of medical selectiveness is essentially a form of prejudice. Think about it: Pre-existing condition exclusions are similar to other types of discrimination felt by Blacks, Hispanics and other minorities! People of color were born that way and our baby was born with a heart condition—I don't see any difference.

Shame on the American health care system!

Please help us. It's going to take years to reform health care and we've already got a very late start.

Sincerely,

A SAD DAY FOR AMERICA

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Mr. KIM] is recognized for 5 minutes.

Mr. KIM. Mr. Speaker, today has truly been a sad day for America. Just less than 15 minutes ago the House voted for the largest tax increase in American history.

I voted today against the budget bill because every sector of our society will be hit and hit hard. Especially hard hit are America's senior citizens. Through this bill, taxes on Social Security benefits are increased by 70 percent. For some beneficiaries, this new tax will cost about \$226 per month.

For millions of retirees on fixed incomes, this is a tremendous burden. Rather than enjoy their long-deserved retirement, these senior citizens are being forced into the poor house. How? Because 85 percent of Social Security benefits will be taxed to raised \$32 billion.

Why this new massive tax instead of cutting wasteful Government spending?

Because President Clinton and the Democrats' that control Congress have targeted senior citizens to help pay for waste and gross fiscal mismanagement by this administration.

This is totally outrageous. America's senior citizens did not create this financial mess. In fact, they have been working hard all their lives contributing revenue and paying taxes.

The Democrats' favorite new rallying cry seems to be "Everyone must pay their fair share."

America's senior citizens have already paid more than their fair share. Now, in their golden years, they are being asked to pay more. Why?

But, wait, that is not all. This megatax bill adds insult to injury.

The new gas tax that Democrats deceptively call a Btu tax so as to confuse everyone, directly hits those on fixed incomes.

While in fact this deceptive tax will cost every American 8 cents per gallon and it will go up higher and higher because it is indexed to inflation.

Over the next 5 years, America's senior citizens can expect to pay up to 10 cents more per gallon of gas, pay more for electricity, pay more for heating oil, and pay more for almost every product and service they buy, including groceries.

New corporate tax increases will also be passed on to senior citizen consumers through higher prices on the basic necessities they need to buy.

Does this bill offset these new costs to senior citizens? Do they really get anything in return for this unfair sacrifice? Of course not. They receive no new benefits. No new programs. Just new, higher taxes.

Does the \$32 billion this budget steals from seniors citizens go into the Social Security trust fund? No, it goes into general government spending to be used for pork barrel waste and more government handouts.

Let me remind my colleagues, especially my freshmen Democratic colleagues, that there will come a day of reckoning during the cold days of November 1994 when broken promises blow about with the fallen leaves.

The American people are not stupid. Many of today's senior citizens lived through the Great Depression of the 1930's. They know from that very painful experience that increased taxes do not lead to prosperity and, despite all the wornout rhetoric of the Democrats, this largest tax increase in American history will not promote prosperity.

Enough is enough. Think of the men and women who toiled all their lives and who are entitled to the comfort and dignity of a retirement they earned.

While this flawed bill passed the House, I urge my colleagues in the other body to learn from mistakes of this House and eliminate these regressive Social Security and Btu taxes in the Senate.

Yes; this has truly been a sad day in the House of Representatives.

COMMUNICATION FROM THE CHAIRMAN OF THE COMMITTEE ON THE BUDGET REGARDING CURRENT LEVEL OF SPENDING AND REVENUES FOR FISCAL YEARS 1994-98

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Minnesota [Mr. SABO] is recognized for 5 minutes.

Mr. SABO. Mr. Speaker, on behalf of the Committee on the Budget and as chairman of the Committee on the Budget, pursuant to the procedures of the Committee on the Budget and section 311 of the Congressional Budget Act of 1974, as amended, I am submitting for printing in the CONGRESSIONAL RECORD the official letter to the Speaker advising him of the current level of revenues for fiscal years 1994 through 1998 and spending for fiscal year 1994. Spending levels for fiscal years 1995 through 1998 are not included because annual appropriations acts for those years have not been enacted.

This is the first report of the 103d Congress for fiscal year 1994. This report is based on the aggregate levels and committee allocations for fiscal years 1994 through 1998 as printed in the CONGRESSIONAL RECORD on March 31, 1993, page 6965.

The term "current level" refers to the estimated amount of budget authority, outlays, entitlement authority, and revenues that are available—or will be used—for the full fiscal year in question based only on enacted law.

As chairman of the Budget Committee, I intend to keep the House informed regularly on the status of the current level.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, DC, May 27, 1993.

HON. THOMAS S. FOLEY,
Speaker, House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: To facilitate enforcement under sections 302 and 311 of the Congressional Budget Act, as amended, I am herewith transmitting the status report on the current level of revenues for fiscal years 1994 through 1998 and spending estimates for fiscal year 1994, under H. Con. Res. 64, the Concurrent Resolution on the Budget for Fiscal Year 1994. Spending levels for fiscal years 1994 through 1998 are not included because annual appropriations acts for those years have not been enacted.

The enclosed tables also compare enacted legislation to each committee's 602(a) allocation of discretionary new budget authority and new entitlement authority. The 602(a) allocations to House Committees made pur-

DISCRETIONARY APPROPRIATIONS, FISCAL YEAR 1994

(In millions of dollars)

	Filed 602(b) subdivisions		Current level		Difference	
	Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays
Agriculture, rural development	14,629	14,340	0	3,588	-14,629	-10,752
Commerce, State, Judiciary	22,969	23,156	20	6,368	-22,949	-16,788
Defense	240,746	255,615	0	94,418	-240,746	-161,197
District of Columbia	700	698	0	0	-700	-698
Energy and water development	22,017	21,702	0	8,775	-22,017	-12,927
Foreign operations	13,783	13,918	170	8,472	-13,613	-5,446

suant to the conference report on H. Con. Res. 64 were printed in the Congressional Record, March 31, 1993, page H. 1784.

Sincerely,

MARTIN OLAV SABO,
Chairman.

Enclosures.

REPORT TO THE SPEAKER OF THE U.S. HOUSE OF REPRESENTATIVES FROM THE COMMITTEE ON THE BUDGET ON THE STATUS OF THE FISCAL YEAR 1994 CONGRESSIONAL BUDGET ADOPTED IN H. CON. RES. 64

REFLECTING COMPLETED ACTION AS OF MAY 26, 1993

(On-budget amounts, in millions of dollars)

	Fiscal year 1994	Fiscal years 1994-98
Appropriate Level:		
Budget authority	1,223,400	6,744,900
Outlays	1,218,300	6,629,300
Revenues	905,500	5,153,400
Current Level:		
Budget authority	726,072	(1)
Outlays	920,839	(1)
Revenues	878,100	4,863,825
Current Level over (+)/under(-) appropriate level:		
Budget authority	-497,328	(1)
Outlays	-297,461	(1)
Revenues	-27,400	-289,575

¹ Not applicable because annual Appropriations acts for those years have not been enacted.

BUDGET AUTHORITY

Any measure that provides new budget or entitlement authority, that is not included in the current level estimate, and that exceeds \$497,328 million in budget authority for fiscal year 1994, if adopted and enacted, would cause the appropriate level of budget authority for that year as set forth in H. Con. Res. 64, to be exceeded.

OUTLAYS

Any measure that provides new budget or entitlement authority, that is not included in the current level estimate for fiscal year 1994, and exceeds \$297,461 million in outlays for fiscal year 1994, if adopted and enacted, would cause the appropriate level of outlays for that year as set forth in H. Con. Res. 64, to be exceeded.

REVENUES

Any measure that would result in a revenue loss for fiscal year 1994, if adopted and enacted, would cause revenues to be less than the appropriate level for that year as set forth in H. Con. Res. 64. Any measure that would result in a revenue loss that is not included in the current level revenue estimate for fiscal years 1994 through 1998, if adopted and enacted, would cause revenues to be less than the appropriate level for those years as set forth in H. Con. Res. 64.

DISCRETIONARY APPROPRIATIONS, FISCAL YEAR 1994—Continued

(In millions of dollars)

	Filed 602(b) subdivisions		Current level		Difference	
	Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays
Interior	13,736	13,731	400	4,914	-13,336	-8,817
Labor, Health and Human Services, and Education	66,983	68,290	1,716	38,162	-65,267	-30,128
Legislative	2,300	2,289	0	204	-2,300	-2,085
Military construction	10,337	8,784	0	6,379	-10,337	-2,405
Transportation	13,134	34,739	0	22,773	-13,134	-11,956
Treasury-Postal Service	11,319	11,522	0	2,729	-11,319	-8,793
VA-HUD-Independent Agencies	68,311	69,973	720	40,476	-67,591	-29,497
Grand total	500,964	538,757	3,026	237,258	-497,938	-301,499

DIRECT SPENDING LEGISLATION

(Fiscal years, in million of dollars)

House committee	1994			1994-98		
	Budget authority	Outlays	New entitlement authority	Budget authority	Outlays	New entitlement authority
Agriculture:						
Appropriate level	-65	-66	-60	49,024	34,682	888
Current level	0	0	0	0	0	0
Difference	65	66	60	-49,024	-34,682	-888
Armed Services:						
Appropriate level	-128	-128	-128	-2,365	-2,357	-2,357
Current level	0	0	0	0	0	0
Difference	128	128	128	2,365	2,357	2,357
Banking, Finance and Urban Affairs:						
Appropriate level	0	-338	0	0	-2,792	0
Current level	0	0	0	0	0	0
Difference	0	338	0	0	2,792	0
District of Columbia:						
Appropriate level	0	0	0	0	0	0
Current level	0	0	0	0	0	0
Difference	0	0	0	0	0	0
Education and Labor:						
Appropriate level	0	0	118	0	0	-4,048
Current level	0	0	0	0	0	0
Difference	0	0	-118	0	0	4,048
Energy and Commerce:						
Appropriate level	0	-1,700	-180	-1,169	-8,369	-7,798
Current level	0	0	0	0	0	0
Difference	0	1,700	180	1,169	8,369	7,798
Foreign Affairs:						
Appropriate level	0	0	0	-5	-5	-5
Current level	0	0	0	0	0	0
Difference	0	0	0	5	5	5
Government Operations:						
Appropriate level	0	0	0	0	0	0
Current level	0	0	0	0	0	0
Difference	0	0	0	0	0	0
House Administration:						
Appropriate level	0	0	0	0	0	0
Current level	0	0	0	0	0	0
Difference	0	0	0	0	0	0
Judiciary:						
Appropriate level	0	0	0	0	-472	0
Current level	0	0	0	0	0	0
Difference	0	0	0	0	472	0
Merchant Marine and Fisheries:						
Appropriate level	0	0	0	-205	-205	-4
Current level	0	0	0	0	0	0
Difference	0	0	0	205	205	4
Natural Resources:						
Appropriate level	-117	-112	0	-709	-693	0
Current level	0	0	0	0	0	0
Difference	117	112	0	709	693	0
Post Office and Civil Service:						
Appropriate level	-66	-66	-77	-10,199	-10,547	-9,597
Current level	0	0	0	0	0	0
Difference	66	66	77	10,199	10,547	9,597
Public Works and Transportation:						
Appropriate level	2,092	-13	0	37,458	-85	0
Current level	0	0	0	0	0	0
Difference	-2,092	13	0	-37,458	85	0
Science, Space, and Technology:						
Appropriate level	0	0	0	0	0	0
Current level	0	0	0	0	0	0
Difference	0	0	0	0	0	0
Small Business:						
Appropriate level	0	0	0	0	0	0
Current level	0	0	0	0	0	0
Difference	0	0	0	0	0	0
Veterans Affairs' Transportation:						
Appropriate level	-11	-11	70	-1,356	-1,352	3,447
Current level	0	0	0	0	0	0
Difference	11	11	-70	1,356	1,352	-3,447
Ways and Means:						
Appropriate level	-2,876	-2,054	-2,036	-29,669	-24,422	-12,596
Current level	0	0	0	0	0	0
Difference	2,876	2,054	2,036	29,669	24,422	12,596
Permanent Select Committee on Intelligence:						
Appropriate level	0	0	0	0	0	0
Current level	0	0	0	0	0	0
Difference	0	0	0	0	0	0

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 27, 1993.

Hon. MARTIN O. SABO,
Chairman, Committee on the Budget, House of
Representatives, Washington, DC.

DEAR MR. CHAIRMAN: Pursuant to section 308(b) and in aid of section 311 of the Congressional Budget Act, as amended, this letter and supporting detail provide an up-to-date tabulation of the on-budget current levels of new budget authority, estimated outlays, and estimated revenues for fiscal year 1994 in comparison with the appropriate levels for those items contained in the 1994 Concurrent Resolution on the Budget (H. Con. Res. 64). This report, my first for fiscal year 1994, is tabulated as of close of business May 26, 1993. A summary of this tabulation follows:

[In millions of dollars]

	House current level	Budget resolution (H. Con. Res. 64)	Current level +/- resolution
Budget authority	726,072	1,223,400	-497,328
Outlays	920,839	1,218,300	-297,461
Revenues:			
1994	878,100	905,500	-27,400
1994-98	4,863,825	5,153,400	-289,575

Sincerely,

ROBERT D. REISCHAUER,
Director.

PARLIAMENTARIAN STATUS REPORT 103D CONG., 1ST
SESS., HOUSE ON—BUDGET SUPPORTING DETAIL FOR
FISCAL YEAR 1994, AS OF CLOSE OF BUSINESS MAY
26, 1993

[In millions of dollars]

	Budget authority	Outlays	Revenues
ENACTED IN PREVIOUS SESSIONS			
Revenues			878,100
Permanents and other spending legislation	741,060	699,671	
Appropriation legislation		241,770	
Offsetting receipts	(183,477)	(183,477)	
Total previously enacted	557,583	757,964	878,100
PENDING SIGNATURE			
Authorize construction of World War II Memorial (S.214)	1	1	
ENTITLEMENTS AND MANDATORIES			
Budget resolution baseline estimates of appropriated entitlements and other mandatory programs not yet enacted	168,488	162,874	
Total current level ¹	726,072	920,839	878,100
Total budget resolution	1,223,400	1,218,300	905,500
Amount over budget resolution			27,400
Amount under budget resolution	497,328	297,461	

¹ In accordance with the Budget Enforcement Act, the total does not include \$2,340 million in budget authority and \$2,340 million in outlays for emergency in Public Law 103-5.

Note.—Amounts in parenthesis are negative.

THE CASE FOR A NUCLEAR TEST
BAN

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York [Mr. FISH] is recognized for 5 minutes.

Mr. FISH. Madam Speaker, the U.S./Soviet nuclear arms race is over, but the nuclear threat to international stability is perhaps even greater now than during the cold war.

The disintegration of the Soviet Union presents us with problems of control and dismantling of strategic nuclear weapons located in the new republics. Of greater concern, worldwide proliferation of nuclear capability has

continued over the past 20 years in the shadow of superpower competition, and controls on fissionable materials and nuclear technology have weakened. Nations and terrorist groups seek nuclear weapons and materials, sensitive components, scientists and their know-how from a disintegrating Soviet weapons complex.

New players, many of whom are small powers, now are at the threshold of nuclear capability. Countries like Iran, Iraq, China, North Korea, Israel, Libya, Pakistan, Algeria, Argentina, Brazil, and India either have nuclear weapons or the ability or suspected ability to assemble them on short notice.

The challenge for today and the future is to develop strategies to deter potential proliferators and to strengthen international control with a rigorous nonproliferation regime. The opportunity is at hand to advance the goal of universal adherence to the Nuclear Non-Proliferation Treaty. In 1995, the 25th anniversary of the treaty, parties to the NPT will meet to consider the treaty's extension.

At that time, nuclear weapons states will be called to account for their progress in the last quarter century toward fulfilling their duties under article VI of the NPT. Under article VI, nuclear weapons states agreed:

Each of the Parties to the Treaty undertakes to pursue negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear disarmament, and on a treaty on general and complete disarmament under strict and effective international control.

The United States and Russia are now performing more positively on their article VI treaty obligations. Third World countries led by Mexico, however, protest that they will resist meaningful extension of the treaty if the United States and its allies do not stop testing nuclear weapons. Substantial steps by the United States—an extension of the current 9-month testing moratorium scheduled to expire in July 1993 and ratification of START I and START II by the United States and the republics of the former Soviet Union, will put the United States in a much stronger bargaining position at the 1995 conference.

The United States must lead by example. We should show the world that nuclear weapons are being reduced both in numbers and political function. Through the long history of arms control, we have come to learn that nuclear arms are political, not military, weapons. Useless for actual warfare, they are perceived to be the ultimate guarantor of national sovereignty. Compliance with a test ban by all nuclear states minimizes whatever political prestige a nuclear program may carry and would be a major step in further deligitimizing nuclear weapons.

A test ban will rally on our behalf the non-nuclear states to support a long, if not indefinite, extension of the NPT. A test ban, in conjunction with international agreement to impose sanctions on countries that engage in testing, would also make it extremely difficult for a nation to build more complex nuclear weapons.

Mr. President, 1993 could be the first year in 48 years that no nation in the world has exploded a nuclear weapon. It could also be a step toward assuring that there will be no more explosions in the future.

Doubtless you are familiar with respected scientific assessment that even if no further tests occur, the technical soundness and reliability of American nuclear weapons cannot be doubted. Test explosions are not necessary to determine whether nuclear weapons are operational—reliability can continue to be monitored as it is now, through computer simulation, testing of nonnuclear components and physical inspections for signs of deterioration. The United States should, in fact, be in a better position than any other country to stop nuclear testing, having conducted nearly 1,000 such tests already.

Your decision on resumption of testing is expected shortly. I respectfully suggest that our national interests and those of ensuring a successful extension of the Nuclear Non-proliferation Treaty will be served by our example in not resuming testing. Our goal surely is to work toward a comprehensive test ban, on this, the 30th anniversary of President John F. Kennedy's signing the first nuclear arms control treaty, the Limited Test Ban Treaty of 1963.

□ 2120

NATIONAL ASIAN-PACIFIC
AMERICAN HERITAGE MONTH

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from American Samoa [Mr. FALEOMAVAEGA] is recognized for 60 minutes.

Mr. FALEOMAVAEGA. Madam Speaker, I want to first express my appreciation to the distinguished gentlewoman from Hawaii [Mrs. MINK], my friend and colleague also from Hawaii, Mr. NEIL ABERCROMBIE; also Congressmen NORMAN MINETA and BOB MATSUI both of California and my colleague from Guam, Mr. ROBERT UNDERWOOD—for their offered assistance to participate in this Special Order recognizing President Clinton's official proclamation to designate this month—the month of May—as National Asian-Pacific American Heritage Month.

Mr. Speaker, because of conflicts in scheduling and other appointments, my colleagues have asked that I submit their statements to be made part of the RECORD.

Madam Speaker, I want to preface my remarks this evening by first recognizing a young and energetic Asian-Pacific American who makes us all proud here in our Nation's Capitol.

Madam Speaker, I want to pay a special tribute to the newest acquisition of the Washington Redskins football team. He is Mr. Al Noga, a native of American Samoa, who lived in his early years in Hawaii and was an All-American football player from the University of Hawaii.

Mr. Speaker, I am extremely proud of this young man who comes to the Redskins by way of the Minnesota Vikings—where he solidified his reputation as one of the NFL's most complete defensive linemen. In 1992 alone, he was credited with 54 tackles and 9 sacks.

Who is Al Noga? Al is one of the 12 young Samoans currently playing in the NFL—along with 6 Hawaiians and 3 Tongans.

While at the University of Hawaii, Al became the first player in the University of Hawaii history to be named All-American when he was chosen by the Associated Press after his sophomore season. He also earned all-conference and WAC Defensive Player of the Year honors as a sophomore after setting Hawaii's single-season record of 17 sacks, 31 tackles for loss yards, and forced 6 fumbles.

In his rookie year at Minnesota, Al finished 9th in the NFC and 13th in the NFL in the number of sacks, tackles, and forced fumbles. In his second year, Al started all 16 games and posted a career high 65 tackles and was 4th on the club with 6 sacks.

Al's older brother, Niko, is a veteran linebacker who has played with the Cardinals, Lions, and Raiders—and another brother Pete played with the Cardinals.

I am extremely proud of the accomplishments of Al Noga and I join Samoans everywhere in welcoming him and his wife, Kathi, to the home of the next Superbowl Champions—the Washington Redskins.

Madam Speaker, I rise today to honor the deep and enduring legacy of those Americans whose roots extend from the soil of the nations of Asia and the Pacific Islands. A few weeks ago, I was privileged, along with my Asian-Pacific colleagues, to attend a special White House ceremony, at which President Clinton signed an official proclamation declaring this month—the month of May—as “National Asian-Pacific American Heritage Month.”

Certainly, the contributions of Asian-Pacific Americans have immeasurably enriched our great Nation, which has been blessed with a mosaic of cultural ethnic diversity representing just about every country on this planet. In order to truly appreciate the 8 million Asian-Pacific Americans living today in the United States, however, I believe it is helpful to attain a perspective on the Asia-Pacific region and its importance to America. Let me share with the Nation some of the highlights of our current relationship with the Asia-Pacific region, and why it is in our national interest to maintain strong economic, social, and political ties with this area of the world.

THE UNITED STATES AND THE ASIA-PACIFIC: A PARTNERSHIP FOR THE PACIFIC CENTURY

As we prepare to leave the twentieth century and enter what many have called the dawning of the “Pacific Century,” it is imperative for the United States to dramatically reassess her foreign policy towards the Asia-Pacific region. Having served as a member of the House Foreign Affairs Committee for the past four years, I have argued that the United States has an unhealthy fixation with the affairs of Europe and the Middle East. This is unfortunate, as it has resulted

in America's indifference—some might even call it failure—to address the serious issues affecting our nation's relationship with the countries of the Asia-Pacific region. Almost two-thirds of the world's population resides in Asia and the Pacific, and the region accounts for the production of two-thirds of the world's Gross National Product. In this decade and into the next century, the Asia-Pacific region will play an increasingly pivotal role in the economic, political, strategic and security needs of the world. It is evident that it is in our national interest to establish and maintain strong ties with this rapidly developing region of the world.

THE ASIA-PACIFIC ECONOMY

Known as the “Four Tigers” for their astoundingly rapid economic growth, South Korea, Taiwan, Hong Kong and Singapore have been joined by a new wave of “Little Dragons” led by Indonesia, Malaysia and Thailand. All of these countries have vigorously expanding economies, some up to 11% annually, placing them among the fastest growing in the world.

Joining this tidal wave of economic development has come the sleeping giant of Asia, the People's Republic of China (PRC). By cultivating economic growth recently estimated as high as 13%—the highest rate of economic expansion in the world in 1992—China may be the first example of a Communist system that will succeed in meeting the economic needs of her people.

Establishing numerous financial links with Taiwan and Hong Kong, with cross-border investments exceeding \$36.5 billion over the past twelve years, the PRC has emerged as a new economic entity termed “Greater China.” The combined Gross Domestic Product of Greater China last year totaled over \$626 billion. Due to the rapid blossoming of Greater China's integrated economy, it is foreseen that this will increasingly act as a counterbalance to Japan's considerable economic clout in the region.

These facts paint a picture that has many analysts in international finance predicting that the Asia-Pacific region will shortly replace the North Atlantic as the center of world trade.

U.S. ECONOMIC INTERESTS IN THE ASIA-PACIFIC REGION

At present, the United States has a substantial stake in the Asia-Pacific economy.

According to recent U.S. Department of Commerce figures, America conducted over \$327 billion worth of total trade last year with the countries of the Asia-Pacific—easily matching and nearly doubling the trade conducted with Western Europe.

Since 1981, U.S. trade with the Asia-Pacific region has expanded by 150% and is expected to increase to \$400 billion by the end of this decade.

Significantly, American exports to the region have increased by well over 130% since 1981. According to Commerce Department figures, Asia-Pacific countries purchased \$130 billion worth of U.S. products in 1991. And in 1992, almost one-third of America's exports to the world were bought by nations of the Asia-Pacific.

Today, over 2.6 million American jobs are dependent on trade with the region, and U.S. firms have over \$62 billion invested there. These trade ties are rapidly escalating.

REASSESSING U.S. ECONOMIC POLICY IN THE ASIA-PACIFIC REGION

Due to the unprecedented pace of economic development in a part of the world that is fast becoming the center for world trade, the United States can no longer expect to have

unchallenged economic supremacy in the Asia-Pacific region. Neither can the United States afford a trade policy of protectionism. Erecting trade barriers, increasing tariffs and imposing more product quotas, as some have called for in Congress, will do little to revitalize and rebuild America's economy. As America's balance of trade deficit grows, there is need for the U.S. to reassess her policy priorities, especially towards Japan and China, the two engines driving the economic future of the Asia-Pacific region.

I join others in advocating that the first priority in policy should be stopping the deterioration of the U.S.-Japan relationship. A solid and stable partnership between America and Japan is the only foundation upon which peace and economic prosperity in the region can be ensured. New U.S. policy must be forged that will allow common ground to be reached on economic and political concerns with our longtime ally.

It is my belief that America's trade conflicts with Japan have been emphasized too much, to the point where many in the U.S. have lost sight of the big picture. Although certainly the U.S. trade deficit with Japan is important, this issue should not be permitted to dominate—poisoning the trust, the confidence and the mutual respect that have bound our two nations in friendship for decades.

However, if America is to increasingly view and treat Japan as an equal partner, Japan must also demonstrate willingness to shoulder greater responsibility for global affairs. With a surplus of over \$130 billion from global trade, Japan has profited handsomely from free trade. To signal her good faith in assuming a position of world leadership, Japan could start by removing the country's multiple barriers to free trade, such as those protecting her rice markets. There is also the necessity for Japan to play a more prominent role in supporting GATT and the current round of negotiations in Uruguay.

I am confident these trade disputes will be transcended. The U.S. and Japan can then turn to the broad range of interests that our two nations share not only in the Asia-Pacific region but in addressing the needs of the global economy.

Another crucial priority for America involves the stabilization of relations with the People's Republic of China. Some members in Congress have pointed accusing fingers at China, criticizing her for the lack of individual freedoms and democracy that we in the West take as God-given rights. Some have moved for economic punishment of China for human rights violations and other shortfalls by withdrawing her Most-Favored-Nation (MFN) trading status.

I join those members of Congress that question the wisdom of such action, however. It is imperative that China's awe-inspiring progress toward a free market economy be supported by the United States. History has proven time and time again that economic success is a precursor to the growth of democratic reform and political pluralism. For proof, we need only look to the vibrant democracies flourishing today in South Korea and Taiwan; the wave of economic prosperity in those nations devoured the repressive regimes in power only yesterday. The lesson to be learned is that America must be patient.

Threats to revoke China's MFN can often be counter-productive. More importantly, if America chooses to unilaterally apply economic sanctions against China with the goal of isolating her, we are only deluding ourselves. Increasingly, events have shown that such action will not gain the multilateral

support of the nations of the Asia-Pacific nor the world. The net result is that America is the one isolated.

In the months after the Tiananmen Square tragedy, while Washington justifiably took the high moral ground, our European and Asian allies flocked to fill the vacuum of business interests, laying the ground for innumerable business ventures in the future. While America was right in expressing shock and reprehension over the tragic events of Tiananmen, the years since have revealed a China that has changed in important ways, as economic freedoms have subtly laid the foundation for future growth of increased political freedom. Given the changing picture, at a time of financial crisis and economic weakness in the United States, I ask can we afford to continue handcuffing America's access to the largest and most rapidly developing market on the planet?

While I certainly do not condone the infringement of human rights that have been and perhaps are being perpetrated by Beijing, this must be balanced against recognition of China's sovereign right to control her domestic matters in nurturing the transition from a poor agrarian state to a diversified free market economy—all the while providing for the welfare of a population that numbers almost five times that of America. Some have said that the right to subsistence—to have adequate food and shelter—is the most fundamental of human rights, and I certainly cannot argue against that in observing China's struggle to feed, clothe and shelter her masses.

In recognizing that China's task is a difficult one, the U.S. must demonstrate restraint and patience. And we must also show vision by not limiting our focus to humanitarian concerns to the detriment of the vast, broad range of interests that America has in common with China. In addition to our sizeable economic incentive, we must also form strong ties to China to address pressing environmental concerns, escalating arms sales and the uncontrolled spread of nuclear proliferation.

It is only when fundamental interests of the United States are at stake that we should consider the use of the ultimate economic sanction—the withdrawal of MFN. In my opinion, the time for that has not come for China, and President Clinton should be given the flexibility and time to forge through diplomacy and alternative sanctions a closer relationship with China for our mutual benefit.

U.S. SECURITY INTERESTS IN THE ASIA-PACIFIC REGION

Despite the tremendous transformations taking place around the world, one thing that has remained unchanged is that the United States has key security interests in the Asia-Pacific region that demand America remain a predominant military power there.

There exist many sources for potential instability and flashpoints in the Asia-Pacific region that concern the United States.

With the withdrawal of U.S. forces and closure of bases in the Philippines, the developments in that nation bear watching. Widespread poverty, a weak economy, and a long-existing Communist and Muslim insurgency present a volatile combination that could spell problems for President Ramos' administration. Most Asian nations, as well as the U.S., acknowledge that security of the Philippines and the sealanes surrounding her are essential to the stability of all of Asia.

But one of the most urgent threats is posed by Communist North Korea and her des-

perate quest for nuclear weapons. Acquisition of nuclear warheads, combined with a ballistic missile program and an intimidating military force numbering over a million soldiers, could lead to a major conflict on the Korean peninsula. Needless to say, such a conflict would hold ramifications for the entire world.

With North Korea's recent withdrawal from the Nuclear Non-Proliferation Treaty (NPT) after disputes with the International Atomic Energy Agency (IAEA), a major escalation of that threat has occurred. The move has sent shockwaves through Asia and the global community. Nuclear weapons in the hands of North Korea potentially threatens not only South Korea, but Japan, Taiwan, and even China.

Some in the Congress have called for surgical strikes to destroy suspected nuclear weapons facilities in North Korea before their nuclear capacity becomes more deadly. Cooler heads have prevailed, however, and I join them in urging that President Clinton use all diplomatic measures necessary to bring Pyongyang back to the negotiating table and into compliance with the NPT. With recent reports, I am hopeful that negotiations between Pyongyang and the IAEA will allow this matter to be resolved peacefully.

If necessary, however, the U.N. Security Council may have to move for economic sanctions and related measures to convince North Korea to fulfill her obligations under the NPT. The world community cannot permit North Korea to blatantly violate the NPT without punishment. To acquiesce here would set a terrible precedent, encouraging other countries to make similar maverick attempts to join the "Nuclear Club."

The ominous incident with North Korea exemplifies why a high priority for U.S. policy in the Asia-Pacific must be the halting of nuclear and missile proliferation. Effective nuclear and missile arms control regimes must be pursued that will bring North Korea and China into the fold.

The People's Republic of China, as noted earlier, has recently enjoyed great economic success. With her cash reserves, China has raised concern in the Asia-Pacific region by investing massive sums in high-tech military hardware. While the Soviet Union has collapsed and Japan remains pacifist, China has increased her military budget by over 50% since 1989.

In so doing, China has purchased a number of advanced Soviet jet fighters and bombers, and seeks to procure an aircraft carrier—the foundation for a blue water fleet in the South China Sea. China is also obtaining advanced missile guidance systems, which, seen in light of her largest ever nuclear detonation last year, is particularly worth noting.

At a time when relative peace is at hand, many in the region and the U.S. question China's heavy military buildup. With China's aggressive assertion of claims to the Spratly Islands and Taiwan, and her conducting of well-publicized military offensive exercises, it is feared that Chinese expansionism in the Asia-Pacific region may result.

On the other hand, China's military investment has been perceived in some quarters as being a reasonable modernization of her aging, outmoded weaponry systems for self-defense. After witnessing America's state of the art lightning-like devastation of Iraq in the Gulf War, China has understandably felt inadequate and behind the times. With military hardware being offered at fire sale prices by Russia and the Ukraine, China has

capitalized on the opportunity. Seen in light of America's military budget of over \$250 billion per year and Japan's annual defense expenditure of \$30 billion, China's military spending of \$7 billion last year appears relatively modest.

DEFINING U.S. SECURITY POLICY IN THE ASIA-PACIFIC REGION

Before and since WWII, the U.S. has played and continues to play a paramount role in maintaining stability and peace in Asia and the Pacific. Our participation in the affairs of the region has greatly laid the foundation upon which the Asia-Pacific's present prosperity has been built.

With the dynamic economic growth of the region, it is increasingly vital to the welfare of our nation as well as the world that we continue to play a major role in the bilateral and multilateral security affairs of Asia and the Pacific.

I strongly support the U.S. Department of Defense's strategic framework for the Asian Pacific Rim in the twenty-first century, and have drawn liberally from their recent report to Congress. I also agree with the Pentagon that our nation's security policy in the Asia-Pacific region must be flexible yet premised on six basic principles.

1. There exists the absolute assurance that America will continue to engage herself in the affairs of Asia and the Pacific.

2. There is the understanding that America will continue to foster a strong system of bilateral security arrangements with nations in the region.

3. It is agreed that the U.S. will continue to maintain a reserve of forward-deployed forces, although reduced in number, in the region.

4. Our nation is committed to maintaining overseas bases and equipment necessary to support those U.S. forces.

5. It is understood that our friends and allies in the Asia-Pacific must continue to bear greater responsibility for their self-defense.

6. Our defense cooperation with our allies shall be complementary in nature and not duplicative.

In applying this broad security policy in the Asia-Pacific, the United States seeks to ensure that key security interests are protected.

Foremost among these is the protection of the U.S. and her allies from attack. In addition to defending Alaska, Hawaii, the U.S. Territories, and their lines of communication and navigation to the continental United States, America has pledged to assist in the defense of her allies and their vital sealanes.

By so doing, another key security interest in the Asia-Pacific is achieved: preservation of regional peace and stability.

Other vital U.S. interests focus on preserving political and economic access to the countries of the region, while fostering the growth of democratic government and the protection of human rights.

A final security interest pertains to averting the proliferation of nuclear, chemical and biological weapons in the Asia-Pacific region, while contributing to nuclear deterrence where necessary.

FACILITATING DIALOGUE THROUGH A MULTILATERAL SECURITY FRAMEWORK

A measure that is vitally needed in the Asia-Pacific and holds great promise for increased regional stability is the creation of a multilateral security framework.

I would strongly urge the formation of an Asia-Pacific Regional Security Regime,

whether or not it is shaped after NATO or the Conference on Security and Cooperation in Europe (CSCE). The lack of such a forum facilitating dialogue on security concerns has resulted in an escalating arms race in the region, as many of the smaller Asia-Pacific countries fear the defense buildup by China as well as the potential for Japan to unilaterally remilitarize.

A new Post-Cold War defense arrangement in the Asia-Pacific would go a long way toward defusing regional security anxieties and the powderkeg of arms procurements. In a time of reduced U.S. military spending in the Asia-Pacific, such an arrangement could be a cost-effective supplement and complement to existing U.S. bilateral security treaties with our allies. Although such a regional security framework would never displace nor act as a substitute for America's bilateral treaties, the initiative could realize significant financial savings for the U.S. by spreading burdensharing with the numerous nations of the Asia-Pacific.

For the multilateral security regime to work, it is fundamentally important that both China and Japan participate as key players, in addition to the ASEAN countries, the remaining countries of Northeast Asia, the nations of the South Pacific, and perhaps later Russia and Vietnam. In pursuing this initiative, the United States could further the exchange, sharing and flow of information between nations of the Asia-Pacific, easing much of the uncertainty and paranoia in the region about hidden agendas of fellow nations. In addition to reducing regional tensions, a major benefit would be the freeing of capital in many Asia-Pacific countries, allowing the diversion of funds from costly arms procurements to much needed programs fostering economic growth and societal improvements.

CONCLUSION

The Asia-Pacific region is immersed in a renaissance of economic prosperity and relative peace. For America to become a greater participant in and beneficiary of that dynamic process, we must adopt new approaches demonstrating flexibility and sensitivity to the needs and concerns of countries of the Asia-Pacific. In so doing, America and nations of the region will achieve greater harmony through a true trans-Pacific partnership.

As we prepare to depart the twentieth century, the countries of the Asia-Pacific should take comfort in the knowledge that America—their friend and ally—is determined more than ever to maintain a deep and enduring partnership that will last throughout the Pacific Century.

□ 2130

Madam Speaker, I think without any question we do definitely have very high stakes when it comes to meeting our security interests in this part of the world.

Madam Speaker, we have approximately 8 million Asian-Pacific Americans living in this great Nation of ours, and I want to pay special tribute to President Clinton and certainly the Congress for having passed legislation that authorizes our President to officially proclaim the month of May as the National Asian-Pacific American Heritage Month.

□ 2140

I know that the Asian-Pacific American community is perhaps the newest

among the immigrants that have come to this country. But I submit, Madam Speaker, I think it is a great benefit to our country that America is known for its strength. Its greatest asset is the diversity of so many peoples from so many different parts of the world who want to start a new life and enjoy the blessings of hard work, protection, and guidance provided by the provisions of our Federal Constitution.

I submit, Madam Speaker, commemoration of this month of May to give remembrance to the contributions of Asian-Pacific Americans in our country may be a small item to consider, but I know that for the 8 million Asian-Pacific Americans this is a special month.

I say that with a historical perspective. Someone may ask the question, what have the Asian-Pacific Americans done for our country? I submit, Madam Speaker, historically it has not been a very nice picture.

In the aftermath of the bombing of Pearl Harbor, December 7, 1941, well over 100,000 American citizens, Madam Speaker, I submit—100,000 American citizens were forcibly taken away from their homes, their properties confiscated, and they were placed in what was then described as relocation camps. Madam Speaker, as far as I am concerned, they were concentration camps. Despite this tragedy, Madam Speaker, Gen. George Marshall certainly ought to be credited for his foresight, understanding, and compassion by authorizing two military units to be organized composed entirely of volunteers of Nisei-Americans, or in other words—Japanese-Americans.

Despite the fact that these Japanese-Americans knew fully well that their brothers and sisters and their parents were placed in these concentration camps in our own country, they volunteered to take up arms to defend our Nation during World War II in Europe.

Let me share with you, Madam Speaker, the achievements of these Japanese-American soldiers. The 100th Battalion and the 442d Combat Regiment Group, which totaled about 10,000 Japanese-Americans, later became known as the most decorated military units in the history of the United States.

The 100th Battalion was also known as the Purple Heart Battalion, because over 1,000 Purple Hearts were awarded to the members of this battalion. The 100th Battalion is known historically as the only battalion in the history of the U.S. Army to have its own shoulder patch—and that patch is still worn today.

The 442d Infantry Regimental Group has one of its distinguished members serving as the senior Senator from the State of Hawaii, Senator DANIEL INOUE. For his bravery and courage demonstrated as a soldier in World War II, Senator INOUE was awarded the

second highest military decoration for valor—the Distinguished Service Cross, for which he lost his right arm as he fought in combat.

What did these two military units do, or what did these Japanese-American soldiers do for our Nation? I submit to you, Madam Speaker, their record is unparalleled.

The 100th Battalion and the 442d Infantry military units were also known as the most decorated units in the history of the United States. I say this because these men were awarded over 18,000 individual decorations for bravery and for the courage that they displayed defending our country while fighting in Europe.

Unfortunately, and perhaps this is something that the Department of the Army should look into, these units were awarded only one Medal of Honor, but 52 Distinguished Service Crosses, 560 Silver Stars, and over 9,400 Purple Hearts. President Truman commented that these men not only fought against the enemy, but also against prejudice.

I say this is a special tribute to the brave and the courageous efforts made by these Japanese-Americans.

I also submit that black Americans fought bravely during World War II despite the practice of segregation in the armed services. President Truman was so moved by such bravery in the field of battle that he issued an Executive order to desegregate the armed services.

Yes, I think the Asian-Pacific Americans have made a contribution to the needs of our country, but unfortunately not under pleasant circumstances.

Madam Speaker, years ago, the former Secretary of State Henry Kissinger made a comment about certain Pacific Islanders known as Micronesians. He said, "Well, there are only 90,000 of them. Who gives a damn?"

Well, Madam Speaker, I give a damn. These Pacific Islanders were subjected to severe nuclear contamination at a time when we exploded the biggest hydrogen bomb in the Marshall Islands in the late 1950's and early 1960's. Yes, Asian-Pacific Americans have made contributions, and I am very grateful for the fact that we have now come to recognize their service and contribution to our Nation.

With that in mind, Madam Speaker, I would like to close my remarks by simply saying, what is America all about? I think it could not have been said better on the steps of the Lincoln Memorial when the late Martin Luther King said, "I have a dream. The dream will be that one day that my children will be judged not by the color of their skin but by the content of their character."

That is what America is all about, and that is what the Asian-Pacific Americans want to do and hope to do, while being an integral part of the greatest nation on Earth.

Mrs. MINK. Madam Speaker, I am privileged to join my colleagues here today to celebrate Asian-Pacific American Heritage Month and to recognize the achievements and contributions of Asian and Pacific-Americans in our society.

I want to thank my esteemed colleague, the delegate from American Samoa, ENI FALEOMAVAEGA, for his leadership in organizing this event and for giving us this opportunity to share with the Congress and the American people more about our experiences as Asian-Pacific Americans.

Like the many immigrants from the West, those who have come to this country from Asia and the Pacific bring with them a rich cultural heritage that has become a part of the complex and diverse set of traditions, mores, values, and customs that make up American culture.

From first generation Americans who fled their homeland because of political strife to third, fourth, and fifth generation Americans whose ancestors came many years ago to seek their fortune in this new land of opportunity, Asian-Pacific Americans have enriched and enhanced this country.

Today Asian-Pacific Americans are the fastest growing demographic group in the Nation. Although this group currently comprises only about 3 percent of the U.S. population, it increased in size by over 100 percent from 1980 to 1990. And there is every indication that this rapid growth of the Asian-Pacific American community will continue throughout the next century. It is estimated that by the year 2020 the Asian-Pacific population will be about 20 million, a 177-percent increase from 1990.

Americans of Asian and Pacific Island ancestry have gained national and international prominence, making a distinctive mark in just about every aspect of our society—in science, business, education, medicine, in the arts and in athletics. Just the other night I joined Mr. FALEOMAVAEGA in honoring Al Noga, a professional football player of Samoan ancestry who has joined the Washington Redskins.

While many Asian-Pacific Americans have been successful in their respective fields, these individuals represent a minority of the Asian-Pacific community. There is a wide spread myth that Asian-Pacific Americans tend to do better than other populations, that we have achieved high educational and economic status in society and therefore are doing well. We've even been dubbed the model minority.

However, this is not really the case for most Asian-Pacific Americans. While many have achieved educational and economic success, most Asian-Pacific Americans are not in the upper rungs of the socioeconomic ladder.

This myth of the model minority does not take into account that most Asian-Pacific Americans are newcomers to our Nation and face countless language, social, cultural, and economic barriers. Of the 9 million Americans of Asian and Pacific Island ancestry over 65 percent are foreign born.

This myth does not take into account the large differences among Asian-Pacific American subgroups. Though we are grouped together under the Asian-Pacific American heading, this population is really a collection of communities across this country with origins from a wide variety of places, including Malaysia, Japan, Laos, Samoa, Korea, Guam,

China, Vietnam, Hawaii, the Philippines, India, Cambodia, Indonesia, Tonga, Fiji, Palau, and the list goes on.

Language barriers, health problems, access to education, poverty, discrimination, the glass ceiling, and anti-Asian violence, each community struggles with specific problems with unique effects on their population.

Fourth and fifth generation Chinese and Japanese-Americans achieve high educational status, but employment in the top positions of business and government continue to elude them.

Newly arrived Southeast Asian Americans have difficulties with access to English language classes or bilingual services that can help them attain employment.

The native Hawaiian people struggle to be fully recognized as an indigenous population and receive certain rights accordingly.

Americans in the Pacific Islands watch helplessly as Federal education dollars continue to dwindle making it more difficult to provide adequate education to their children.

Health problems among Asian-Pacific populations also vary. Cancer is more prevalent among Chinese, Japanese, and Filipino Americans. Filipinos have a high incidence of hypertension, and Southeast Asian refugees have a high prevalence of tuberculosis, hepatitis B, and anemia. Native Hawaiians are five times more likely to die from stomach cancer than their Caucasian counterparts, and have the highest incidence of diabetes of any population in the United States.

Access to culturally sensitive health care is almost nonexistent. The few community health centers that serve these populations are underfunded and understaffed.

Asian-Pacific Heritage Month is a time for us to recognize the many diverse experiences of the Asian-Pacific Americans. To extol and celebrate the achievements we have made in American society, but also to acknowledge the difficulties we face on a day-to-day basis in our quest to find a just and equitable place in American society—a place where Asian-Pacific Americans can continue to grow, succeed, achieve, and contribute to the social, economic, and cultural progress of our Nation.

Mr. ABERCROMBIE. Madam Speaker, my home State of Hawaii is widely known for its aloha spirit. The warm and gracious hospitality of our people has left an indelible mark on those who have touched our islands' shores. In our State of Aloha, people of all races, creed, and religion live in harmony. There is more than a sense of tolerance for differences in our State, there is pride in our diversity.

Throughout our islands' rich history, we know that the Hawaiians opened their arms to welcome those of Japanese, Chinese, Portuguese, Filipino ancestries. These first groups were later joined by Koreans, Vietnamese, Laotians, Micronesians, and many other groups from different parts of the globe. As a Representative of this diverse State—the 50th State in a nation of immigrants—I am proud to recognize Asian-Pacific Heritage Month.

Asians and Pacific Islanders are the fastest growing group in the United States and play an increasingly influential role in American life. Like other immigrant groups before them, Asians and Pacific Islanders have continued the proud American tradition of furthering the

greatness of this country. They have contributed much in the areas of education, business, and government. Without doubt, they too have strengthened the fabric of our society.

Madam Speaker, as we recognize Asian-Pacific Heritage Month, let us also turn our attention to the alarming acts of violence aimed at the 7.3 million Asian-Americans in the United States. Let us not close our eyes and ears to the report of the Federal Civil Rights Commission, which found that Asian-Americans "face widespread discrimination in the workplace and are often victims of racially motivated harassment and violence."

As our country faces these times of recession, it seems that there are those who have found Asian-Americans to be a convenient target for their frustrations—scapegoats for these troubled times.

The first wave of attacks included the 1982 brutal death of Chinese-American Vincent Chin in Detroit by two laid-off auto workers who were reported to have made obscene remarks about Asians and Japanese cars. Today, nationally syndicated columnist Clarence Page notes that attacks against Asian-Americans are less random and include specific targets like community centers, senior citizen facilities, and private homes.

Madam Speaker, this ugliness shakes the very foundation our country was built on. This great Nation was founded on the principles of justice, equality, freedom, respect.

As Members of Congress in these United States, we must take a strong stand against bigotry and discrimination. Let us not forget how our country, only 50 years ago, slipped into a moment of darkness when we interned our fellow Americans because of their Japanese ancestry and our suspicion of their loyalty to a nation they have never visited.

Madam Speaker, America was built by immigrants. Immigrants from the Western and Eastern Hemispheres. The fabric of American society burst with a rainbow of vibrant hues. A strike against one group is a strike against us all. We cripple ourselves by tolerating any act of violence against any group. As Abraham Lincoln once said, "A house divided against itself cannot stand."

As we recognize Asian-Pacific Heritage Month, let us be reminded that Asians and Pacific Islanders have joined other Americans in making America a great Nation. A nation where people of all races can live with dignity and respect.

Aloha.

Mr. MINETA. Madam Speaker, I would like to thank my good friend from American Samoa, Representative ENI FALEOMAVAEGA for arranging this special order tonight.

This is a particularly special observance of Asian-Pacific American Heritage Month, because it marks the first time we will observe this commemoration as a permanent national celebration.

It is also the first time we will mark that observance since the retirement of the author of heritage month, our former colleague from New York, Frank Horton.

Frank introduced the first bill establishing heritage week in the 1970's and later worked to expand this celebration to a month.

When Frank announced last year that he would retire at the end of the 102d Congress, he called me soon after.

He called to let me know that, for his final project as a Member of Congress, he wanted to permanently establish May as Asian-Pacific American Heritage Month.

I was very proud to join him in that effort. The legislation he introduced passed unanimously in both the House and the Senate, and I think that is truly a testament to Frank's dedication.

But equally important, it is a testament to the work of the Asian-Pacific American community in making heritage week, and heritage month, such a tremendous success.

The 1990 census showed that ours are the fastest growing communities in the Nation. Every day, in all walks of life, Americans who trace their ancestry to Asia or the Pacific Islands are making vital contributions to the life of our Nation.

Sometimes we forget that, I think. Sometimes we forget that the Asian-Pacific agenda for the 1990's is an American agenda.

Ours is an agenda that demands participation in the political process at all levels of society, at all levels of public service, and at all levels of government—from the grassroots up to the White House lawn.

We are moving into those positions of authority and public service, and we will continue to do so.

But each of us has an obligation to always remember where we come from, who we are, and how much we owe to our community.

More than anything else, that is the spirit of heritage month. Remembering our roots, building a future for those who will come after us, and making our full contributions to this great Nation.

We are diverse, complex communities. Each Asian Pacific group has a unique culture, a unique outlook on the world, and unique needs.

Forging a recognition of that diversity, and the ability of governments to respond to it, must be our highest priority.

It is a goal well within our reach. In these last years in particular we have learned a powerful lesson: how to come together to fight discrimination wherever and whenever it occurs.

We fought hard to ensure that our diversity was recognized in the 1990 census, and we succeeded in preserving the checkoff format that was used in 1980.

In health care, the enactment of the Minority Health Improvement Act finally recognized that our communities are as diverse in terms of health as they are in culture and language.

Together, we succeeded in forcing the FBI to collect data on hate crimes around the country.

Together, we ended discrimination by the United States Government against Vietnamese-American fishermen who fell victim to the selective enforcement of a centuries-old law.

Together, we succeeded in redressing the grave injustices done to Americans of Japanese ancestry by the United States Government during the Second World War.

We succeeded because we rightly argued that those issues of basic equality, fairness and justice are not just Japanese-American issues, or Asian-Pacific American issues.

They are simply American.

We must and will continue to work together to fight discrimination wherever and whenever it threatens anyone in our society.

Later this year we will be working to make sure that reform of our health care system ensures that all Americans receive the health care that they need—regardless of their language or cultural backgrounds.

We will be working to repeal the special interest exemption given to the Wards Cove Packing Co., in the Civil Rights Act of 1991.

And we will be working to eliminate the artificial barriers which inhibit our full participation in the work force. Glass ceilings must be shattered once and for all.

Will we succeed in this? You bet we will, because we will continue to move away from the stereotype in the American consciousness of being a model minority, and toward acceptance as fully American.

How will we do this? By standing up for ourselves and our country, and by challenging our great Nation to live up to its highest ideals and principles.

Let me offer you an example. During the war in the Middle East, the FBI conducted interrogations of Americans of Arab ancestry.

People were asked if they were loyal to this country—and the only justification for the question was that by accident of birth they were of Arab ancestry.

That justification is no justification. Some of us here in this room can tell you why—from personal experience.

When Americans of Arab ancestry were being threatened, we were among the first to stand up and say, "Stop!"

We did so because we know the pain, and the injustice, of having others doubt that we are fully American.

I remember several years ago when I gave a speech about United States-Japan trade.

Afterward, one of the corporate officers who was at the event came up to me and said, "Gee, Congressman. Your English is excellent. How long have you lived in our country?"

I wondered then whether he was really hearing an accent, or whether he simply was seeing a face that fit his definition of "foreign."

I still wonder, but at the same time I know this: There is no such thing as a foreign face in America.

That is the lesson of American history, and the promise of our great Constitution.

We as Asian-Pacific Americans have learned powerful lessons about diversity.

We have learned that diversity is our greatest strength, and not a weakness to be overcome.

Let there be no misunderstanding. We are unique individuals. Our communities are unique, adding into the tapestry of peoples and cultures that gives the United States its strength.

But the great genius of America is that, unlike other nations of the world, Americans are not bound together by a common racial heritage, a common religion, or even by a common language.

Rather, we are bound together as a society by our shared commitment to the principles of our great Constitution.

This central truth has allowed people of every race and religion to proudly call themselves Americans.

I am very proud that, each year, Asian-Pacific American Heritage Month will continue to

serve as a celebration of the rich diversity and vitality that truth has given our Nation.

Once again, Madam Speaker, I would like to thank my good friend from American Samoa for all of his work in arranging for this special order. He is truly an outstanding leader of our community.

Mr. MATSUI. Madam Speaker, it is with great pleasure that I rise today to celebrate Asian-Pacific American Heritage Month and recognize the contribution Asian-Pacific Americans have made to our Nation.

We honor Americans of Asian and Pacific Islander descent during the month of May as an acknowledgement of the labors and hardships of the first Asian-Pacific Americans who settled in the United States and the accomplishments of the generations who have followed.

Over 150 years ago, the first groups of Asians and Pacific Islanders came to the United States, bringing with them skills and traditions that enhanced the diversity upon which this country was founded. Asian-Pacific Americans have provided the United States with a rich culture, a dedicated work ethic, and a loyal family commitment.

The strength of the Asian-Pacific American commitment to their community is apparent throughout all sectors of our society. Today, five Asian-Pacific Americans serve in the House of Representatives and two in the Senate. Asian-Pacific Americans are represented in the White House and in positions throughout the Federal Government. In the private sector, Asian-Pacific Americans have made their presence felt in the arts, business, education, and legal communities, to name a few. Asian-Pacific Americans sit on the boards of large corporations, own small businesses, and teach in many universities and colleges across the United States.

As we celebrate this month of achievement, we must also pay tribute to the sacrifices made by Asian-Pacific Americans over the years. Asian-Pacific Americans have had a turbulent history in our country, the years of internment during World War II representing the lowest moment in the lives of many who came to embrace the ideals and traditions of American life.

Asian-Pacific Americans are an integral part of the United States, a nation based on diversity and opportunity for all. We need to further the ideals instilled by the Nation's founders who came here from other countries to build a home where all people would be accepted and encouraged to achieve their dreams. During this month of celebration we must continue to advance these truly American ideals and continue to work to ensure this spirit of equality exists now and in the future.

Mr. Speaker it is with great pleasure that I rise to pay tribute to Asian-Pacific American Heritage Month. I ask my colleagues to join me in congratulating the members of the Asian-Pacific American community on their achievements.

Mr. UNDERWOOD. Madam Speaker, aloha, taloa, hafa adai, yokwe, aroha, kia orana; buenas, hamjo todos.

Earlier this month at a special White House ceremony, President Clinton officially proclaimed May as "Asian-Pacific American Heritage Month." There were numerous events,

such as the White House ceremony, held throughout the country honoring Asian-Americans and Pacific Islanders. And I, as well as the Honorable ENI FALEOMAVAEGA attended and spoke at many of these events.

I understand that May is also Hamburger Month, and while we may not attract as much attention, it is clear that we are becoming a serious cultural and social force in American life.

The country's celebration of our heritage month did not come easy. For years, it was uncertain whether we would have this special celebration. For years, we have had Hispanic Heritage Month and Black History Month recognized by statute. Not until 1992 did we have, signed into law, a bill to officially declare the month of May of every year as the "Asian-Pacific Heritage Month."

We are glad of this special recognition, but how do our fellow Americans view us? And where do we Pacific Islanders fit in as part of this rather large, broad category of Asian-Pacific Americans. When our fellow Americans hear the term Asian-Pacific American, they often think of the Chinese building the railroads in the Western United States; or the Japanese citizens of this country who were not trusted during World War II and were taken from their homes and interned for the duration of the war; or the Koreans seen as taking over the inner city mom and pop grocery stores; or the close-knit, extended families of Filipinos in many major cities across the country.

Because our numbers are small as Asian-Pacific Islanders, there is the perception that Asian-Americans and Pacific Islanders don't count in the national scene. And when we consider that Pacific islanders are clearly a junior partner in the Asian-Pacific Islander coalition, Pacific Islanders end up faceless and rather insignificant.

The sheer numbers of Pacific Islanders are relatively small, compared to the total number of people in the United States. According to the 1990 census, there are only about 360,000 Pacific Islanders out of a total of approximately 249 million individuals in this country—less than one-half of 1 percent.

Quite often, Pacific Islanders are forgotten, and/or ignored, and/or misunderstood, or all of the above. How many Americans know that Pacific Islanders come from a diverse group of people? How many high school graduates in this country can identify at least two distinct Pacific Island groups?

What images come to their minds when one says that so and so is Chamorro, Samoan, Tongan, is a Polynesian, is a Micronesian, or is a Melanesian? What images come to their minds when they hear the words Chamorro, Samoan, Tongan, Polynesian, Maori, Micronesian, or Melanesian?

However, the question should not be just who we are as Samoans, Chamorros, Tongas, but who we are together—who we are as Pacific Islanders.

Who are we as Pacific Islanders? We are the voyagers who saw the world's largest ocean as the pathway to our homelands.

Who are we as Pacific Islanders? We are the builders of cultures in small island settings which rely upon family connections and networks, i achafnak, the parientes, aiga, the Ohana.

Who are we as Pacific Islanders? We are the creators of myths, stories, and legends which are at once elegant in their presentation and inspirational in their meaning.

And we are still Pacific Islanders as we live in the land of freeways and skyscrapers rather than the more familiar warm tropical waters; as we gather in hotels and conference rooms rather than around the hale, the fale, or the plasa. And we are still Pacific Islanders as we live in places where we have but few relatives, and as our children hear new myths and stories to interpret their existence.

So as we ask the question: Who are we, and as we bear witness to the spirit, the energy, and the warmth of celebrating Asian-Pacific heritage, we continue to be proud, we continue to celebrate, and we simply continue to be—we survive as proud inheritors of the strength, the intelligence, and the spirit of our ancestors who gave the Pacific Ocean to the world of humanity.

There is something fundamental about being Pacific Islanders, and it doesn't lose its significance even in places like Washington, DC, Chicago, Houston, Long Beach, or San Diego, places so unlike the communities in Guam of Dededo and Malessos', the community of Pago in American Samoa and the community in Hawaii of Waipahu, the community of Majuro in the Marshall Islands and the community of Rarotonga in the Cook Islands. Celebrating Asian-Pacific Heritage nurtures our spirit, let us share it, let us be invigorated and strengthened by it so that we can proudly say who we are in these distant lands—Pacific Island natives, people of the land.

While I have spent a great deal of my life arguing for cultural survival in political as well as in educational circles, in that struggle the politics of culture has revealed itself in a variety of forms. It is obvious to many that the desire for cultural survival has political consequences. We can see this in the efforts to reorganize political structures in order to accommodate the desire for cultural maintenance.

This spirit is alive in Guam. And this same spirit is alive and well throughout the Pacific, in Melanesian communities, in French-speaking areas, and in areas where our Pacific Island brothers and sisters have become minorities in their homelands—Aotearoa and Hawaii.

And these cultural lessons have political overtones, because we cannot take pride in ourselves without taking a close look at who we are in political terms, social terms, and economic terms. The explosiveness of political status issues is manifest nearly everywhere in our homelands. From the Commonwealth movement in Guam, to the concerns of the people of Kanaky or New Caledonia, or the sovereignty movement of Hawaii, we are witnessing the political expressions of Pacific Islanders who are now emerging from one, two, or three centuries of colonial rule or colonial thinking.

As Asian-Pacific Americans, we cherish our history and our culture. More importantly, we deeply respect and honor our country where diversity is an asset rather than a liability, where ethnic cleansing is considered to be an atrocity and not a necessity, and where a Holocaust is considered an abomination and not a celebration. Asian-Pacific Americans are

proud citizens of this country which allows us to retain our cultural identity and share it with the rest of our fellow Americans and which recognizes the importance of celebrating our diversity by designating a special month for others to learn about our culture. God bless the spirit which created Asian-Pacific Month and God bless us all.

Si yu'os ma'ase, mahalo. Maila' ta fan danna'. Hita ni' man taotao tano'.

VACATING A SPECIAL ORDER AND REINSTATEMENT OF A SPECIAL ORDER

Mr. DORNAN. Mr. Speaker, I ask unanimous consent to vacate my 5-minute special order tonight and, in lieu thereof, be permitted to address the House for 30 minutes.

The SPEAKER pro tempore (Ms. MCKINNEY). Is there objection to the request of the gentleman from California?

There was no objection.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Hallen, one of its clerks, announced that the Senate had passed without amendment a concurrent resolution of the House of the following title:

H. Con. Res. 105. Concurrent resolution providing for an adjournment of the House from the legislative day of Thursday, May 27, 1993 to Tuesday, June 8, 1993 and an adjournment or recess of the Senate from Friday, May 28, 1993 until Monday, June 7, 1993.

THE PRESIDENT AND THE MILITARY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Mr. DORNAN] is recognized for 30 minutes.

Mr. DORNAN. Madam Speaker, when the session started today, I said I would come to this well and give my observations on what has partially caused the current sitting President's problems with an overwhelming majority of all of our men and women who serve in our great military Armed Forces, every branch, every age range, NCO corps, officer corps, warrant officer class, young recruits, those who go above and beyond what is required of our young people that volunteer for very dangerous assignments, submarine work, flying of any kind, ranger training, jungle training, survival training, desert training, those who are in elite units that demand the absolute Olympic athlete perfection of their young bodies, like Navy SEALs and Delta Force in the Army, many Marine units.

Why is Mr. Clinton having a problem with all these people?

I mentioned that he would be going up to speak at West Point this weekend, over the Memorial Day holiday. And there are some reports that he is

going to sort of force himself on a visit to the Vietnam Memorial, even though many, many thousands of veterans have written to him, some respectfully, and said, "Please, sir, back off for a while. Maybe next year, but don't come roaring in here with all of these problems, cutting our pay, savagely drawing down the military establishment beyond President Bush's \$50 billion cuts and drawdowns, trying to force homosexuals and lesbians into a military culture that overwhelmingly rejects this for all sorts of reasons that do not apply to any other work field in this country. Don't come to the Wall."

But it appears Mr. Clinton is going to the Wall, and he is going to West Point.

Now, Annapolis midshipmen have already been commissioned, young ensigns in the United States Navy, many of them commissioned second lieutenants in the U.S. Marine Corps going off to advanced training, some of them to pilot training. Many of these young people do not have many years left. They will die in training accidents. Some of them will die in high performance jet aircraft, F-14's, F-18's, Harriers, aging A-6 Intruders.

This class felt very fortunate that they had a war hero to address them at their commencement, my colleague from this Chamber, JOHN MCCAIN, who went on to great distinction further in our other legislative body, in the U.S. Senate.

He was the son of a CINCPAC commander in chief of the Pacific Forces, a principal commander selecting targets in North Vietnam, when his young son JOHN was shot down. JOHN is the grandson of a 4-star Admiral. His great father John McCain II, the III, who was, again, the commander of all of our bombing, and during the period when JOHN was shot down, he was called the prince by the North Vietnamese.

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He was offered the opportunity to return home at any time to show the untender mercies of the Communists in Hanoi. He served with distinction as a prisoner of war and as a young attack pilot before that, requalified flying, went on to become an excellent squadron commander down at Cecil Field in Florida.

Here was a man the cadets could look up to, a man capable of giving an inspirational speech. I met a young, brand-new ensign out in front of the Capitol today with his dad who was badly wounded, torn up in Vietnam, so proud—he was Army—so proud that his son went to Annapolis. Sherman van Rude is my friend, and his son is Steve.

I said to Steve, "MCCAIN is pretty good, huh?"

"Wonderful, Congressman, inspirational; really set us off on our career in a beautiful way."

Then we discussed some other things. He was a choice by the student body at

West Point. Les Aspin, our former colleague, now Secretary of Defense, is going to speak out at the Air Force Academy this week; Les, a very intelligent man, a hard worker here, but now known for inspirational speeches; he will do well out there.

However, it is the President's problem at West Point that I have given some thought to. I wrote down some remarks. I will read them and then comment on the President's continuing errors of these phony photo ops, Madam Speaker, that he pushes in the face of the military culture, and that keep compounding and exacerbating the problem that he had already coming into office as someone who had forced three men to go in his place when the time came for him to answer the draft call of his country.

The third time, which is still known by just a tiny percent of Americans, Mr. Clinton at Oxford at 23 years of age, already a graduate student, halfway, a year and a half through his graduate program, or excuse me, at the end of his first year in the graduate program, already having a college degree from Georgetown, was drafted; that is a verb, past tense, "ed", drafted. He had a showup date. He was inducted. You don't ever get that turned around. He had a showup date of July 24, 1969, to report to a recruiting depot for the U.S. Army.

He came home and used Republican and Democratic powerful political connections—Senator STROM THURMOND here in Washington, a liberal Republican; Gov. Winthrop Rockefeller down in Arkansas—and he got his draft induction showup date suppressed, crushed, turned around, politically turned upside down, and some other young man had to take his place and probably ended up in Vietnam.

I hope for the President's sake, and some day that will come out, that young man made it home, not in a wheelchair, not with a limb missing, but let us hope he made it home.

Madam Speaker, as the President prepares to address the graduating class of our 190-year old Military Academy at West Point this weekend, and as Americans across our country take time to honor this Memorial Day, to remember those who, according to our greatest President ever, Abraham Lincoln, gave the full measure of devotion, quote-unquote, their lives, I urge everyone to recall and contemplate the stirring words of the most distinguished graduate of ever of the Military Academy at West Point, Medal of Honor winner, hero, former West Point Superintendent, Chief of Staff of the Army, hero in World War I as a regimental commander, colonel, commander of the Rainbow Division, World War II, courageous stand at Bataan and Corregidor, ordered out by Franklin Roosevelt to go to Australia, promising and keeping that promise, "I shall re-

turn," the words still ring down through history. I speak, of course, of General of the Army, Douglas MacArthur.

He addressed the Corps of Cadets. He was only to live less than 2 years after that. On May 12, 1962, he was receiving their award. It is always given in the cadet cafeteria, in a more informal setting.

I, several times on national radio, in the month of May, which we are now in, so we are coming up on it, we just passed the 31st anniversary of General MacArthur's address to the Corps of Cadets. I have read his speech in its entirety on this House floor I think twice, on the now incomparably successful Rush Limbaugh show, and I always fall into a little of the staccato or pattern of Douglas MacArthur when I do this, not to attempt imitation, because I just cannot resist the beautiful rhythm of his words.

I will tonight just quote one paragraph, and maybe when we come back put in the full remarks.

I will quote from the words of Douglas MacArthur just one key paragraph, and I hope the President will reflect upon it. I hope he will read the whole address, to capture some of the feeling of what a special place to military people of all the services that beautiful campus is on a knoll overlooking that breathtakingly beautiful Hudson Valley.

MacArthur at one point slowed in his address and said the stirring words, which are the clarion call, the motto of the Cadet Corps at West Point. He said:

Duty, honor, country: These three hallowed words reverently dictate what you want to be, what you can be, what you will be. They are the rallying point to build courage when courage seems to fail; to gain faith, when there seems to be little cause for faith; to create hope when hope becomes forlorn.

On Memorial Day, Madam Speaker, our 1993 graduates of our U.S. Military Academy at West Point, and all those young men and women in the service and aspiring to be in the service, that they may be called upon to lead into battle, will certainly be thinking about the countless veterans, some of them a veteran of several wars, like Douglas MacArthur, whose valor and sacrifice set such an inspiring example for those now in uniform.

Madam Speaker, I hope Mr. Clinton will please remember our dedicated military people, past and present, this holiday weekend.

Before he speaks at the Point, I hope he will recall all of the heroes from Concord Bridge and Lexington Green who gave their lives or offered their lives in April of 1775, right down to the young troopers of Desert Shield, Desert Storm, and our young men and women who brought mercy to the starving people of Somalia; reflect on their sacrifice and service, Mr. President; read carefully that entire address of General

MacArthur, where he spoke of his last thoughts being about the Corps, the Corps, and the Corps. He said that would be the focus of his final thoughts: West Point and the Cadet Corps.

Try to capture that military concept: duty, honor, and country; weigh that against, in your memory, what you thought in favor of the enemy achieving victory in Vietnam at those teachings that you organized in London and up in Oxford in 1969 and 1970; reflect that morale is key in importance.

If you succeed in lifting the ban against homosexuals, despite other priorities, such as draw-down, mission in the military, combat readiness, and the rights of the majority in our services; if you succeed in more than doubling the defense cuts proposed by your predecessor, including drastic personnel cuts, another 100,000 in 1994; if you succeed in gutting strategic defense, despite a newly growing ballistic missile threat with a different terror than the massive threat of the evil empire, but still the capability of taking out entire U.S. cities, or the cities of our allies; if you succeed in cutting family housing by nearly 7 percent—number three, if you cut the military pay raise, despite the widening gap between the military and civilian pay, despite continued hardship in the military, including lengthy time away from family and home; if you continue a peculiar course of self-image destruction with \$200 haircuts and personal service contracts with elitist hairstylists from Beverly Hills; if you, four, allow the assignment of women to combat positions, particularly on the ground, despite the findings to the contrary of a blue ribbon Presidential commission last year.

□ 2200

No provision to ensure fair and equal standards for these positions, regardless of gender. The scandal of the gender norming, not striving for a fair playing field, which the Olympics do in athletics, no provisions to prevent false quotas of one gender or another in positions; and

Fifth, if you still desire, and I think this is ending, to put American men and maybe women into harm's way in Bosnia, despite, despite advice against such a move from nearly every single military expert on the issue, including former Supreme Allied Commander in Europe, Gen. John Gavin. I had the honor of hearing his testimony again here 2 days ago. Or the former U.N. Commander in Yugoslavia, Canadian Gen. Louise McKenzie. It was a pleasure and an honor meeting him and discussing sportscar racing after we had exhausted 4 hours all of the complicated ramifications of this tragic three-way civil war in the former Ottoman Province of Bosnia Herzegovina. If, in spite of the lack of clear military objectives which would ensure our suc-

cess in the gulf war, you feel impelled, for whatever reason I cannot fathom, to risk and lose lives in that area, in spite of a lack of clear public support for an operation that will require the cost, the time, and the casualties necessary to achieve victory ultimately on the ground, if all of these five actions by our President, Madam Speaker, make up a clenched fist of those five issues thrust into the guts of our military, then I have to think of Napoleon's famous quote. This comes from the military genius, and for whatever his political failings and self-evils were, and the horror he inflicted upon Europe, he is a genius in military terms. This is the man who gave us the accepted truism, "An army travels on its stomach." But when it came to morale, Napoleon Bonaparte said morale makes up three-quarters of the game, the conflict, and the relative balance of manpower, superior forces and numbers, that accounts for only the remaining quarter. His quote purely given is, "Morale makes up three-quarters of the game. The relative balance of manpower accounts for only the remaining balance."

What is our answer to the President's fist of these five issues into the solar plexus of our military and the seeming total lack of appreciation for duty, honor, and country remains to be seen.

Let me briefly discuss some of these photo ops. Ordering the highest decorated serving American who had been viciously insulted in the White House by a young Clinton staffer who said she would not say good morning to him because he was wearing the uniform, and that is a true story. There were a lot of fake stories that have spun out of that one, but that is a true story. I went to the source. I went to Colin Powell, the highest uniformed commander in our country. It happened. I talked to all of the Joint Chiefs of Staff. It happened. And then they all rushed to tell me that a lot of fake stories were coming out of it.

But Barry McCaffrey, who was the commander of the point of the spear, the 24th Infantry Division, mechanized, the point of the spear, the first ones across the desert berms, to sweep that Hail Mary, as General Schwarzkopf called it, a left hook around with the French covering one flank, the British, our airborne guys the other, reaching all the way into the heartland of the invading country of Iraq, liberating Kuwait, and reaching the historic Euphrates River, Barry McCaffrey, severely wounded in Vietnam, three Purple Hearts, four or five Air Medals, two Bronze Stars with valor, maybe three or four, two Silver Stars. That is the highest decoration that most people get and live, although most are still posthumously awarded. But on top of all of that he has two Distinguished Service Crosses. In the Navy that is called the Navy Cross. My squadron

commander was the first living recipient, a great air war hero, Robbie Reisner, still with us, thank God, after 7 years of captivity. He came back from Vietnam to get the Air Force Cross when we established our own medal, because prior to that air combat's highest award under the Medal of Honor was this Distinguished Service Cross. Barry McCaffrey has two severe wounds where you can see the wounds from one of his Purple Hearts, and this man is insulted in the White House, and that was bad enough, but to have him ordered then to come up to Vancouver, Canada, after the Yeltsin summit and go jogging with the President as a photo op, this was something that did not go down very well with the military. And here is this jogging, and the Navy Seals, and this looks like two Pillsbury Doughboys jogging with iron men, and it looks like pyramids turned upside down, you know, the body starts up here and comes down to something like a 20-inch waist, and it was a photo op, not a good photo op, but a forced photo op.

Then there is the worst one of all, the terrible scene out on the south lawn at the White House. I have never in all of my life heard of a military person getting the honor of coming to the White House while they are on active duty, in uniform, and not wearing the class A uniform. That means every bit of the brass, with the wife or the husband, whatever the case may be, measuring with a ruler to make sure it is perfect, all of the combat decorations, the service ribbons, the badges from special service, foreign decorations over here, wings, surface combat, ship decorations, paratrooper wings, everything on perfectly, that is the way you go to the White House. The only thing better than class A, if it is a night function you wear your mess dress uniform, the military version of a tuxedo, which, of course, the Marine Corps putting everybody else to shame with all of those bright red collars and linings. That is what you go to the White House in. You do not go in dungarees and work clothes, even if it is the colorful desert camouflage, the desert camis from Desert Storm.

But the President ordered General Schwarzkopf's Chief of Staff, who became the commander in Somalia, a marine general, three stars, born in Scotland, came here at 18 years of age, entered the Marine Corps and decided to give it his life, Robert Johnston, lieutenant general. He was ordered to come in his camouflage work clothes. If these were some of our wonderful young mechanics from the motor pool, they would have come in their greasy overalls. But that is your work clothes in the desert, in Somalia or in the gulf war. And they were ordered to come, two of them with three-star generals, in their camouflage work clothes.

And then the President tells them to fan out, to line abreast, and I guess he

is getting a kick pretending that he is the Commander in Chief. And then the microphone is placed so far down at the White House that at the picnic this year, the congressional barbecue, if I go I am going to pace it off, and I am sure that it is more than half a football field, 50 yards. And then what did the President do? Did he say, "Forward, hut?" I doubt that. He probably said: Forward, march, or let's go, or kick this thing off, or even starts walking in what Rush Limbaugh called his new blue suit. And I could see the marines, their eyes looking at an angle at the Commander in Chief's legs, and wondering do we stay in step with him? I noticed that General Johnston was attempting to stay in step.

Not even all of the hats are the same. Some of the hats are the old World War II floppy KP hats in camouflage, or they were wearing different styles of hats, and they are all coming down in this loose kind of a line, 22 people in working clothes to create a photo op, as though this sitting President had sent them there, which he did not. That was President Bush. And he did not even really order them home. Their time was up. Their mission was accomplished. Some were still there, and the main force came home in the course of the operation to help the starving Somalis rid themselves of some of their warlords, and that's the way the mission was designed.

What an offensive photo op to the military.

And then there is a whole series of awkward, half salutes, strange salutes given, getting on and off of the Marine Corps helicopter. At one of our military hearings over here in the Armed Services Committee I just took the time to look right at my friend, Les Aspin, our Secretary of Defense, and this great general, Colin Powell, and I said gentlemen, can you please give the President some advice, because I am sure that he will not take it from me. Will you tell him to stop doing crossword puzzles and reading mystery novels. They are fun, but he should be reading something about the military so he can understand that culture, and tell him that when he is uncovered, no hat, to not attempt a salute.

President Reagan kind of had an arm that would not stop because he had spent 3 or 4 years on active duty in uniform, and as a father of two, and he served as a cavalry officer, and then in the Army Corps, and then as an Army Air Force officer, so it is kind of hard not to return almost automatically a sharp Marine Corps salute. But if you cannot make your hand into a knife blade like a sword, if you cannot bring it up with the arm at a 45-degree angle, with a regulation salute, or rather the informal snap salute across your chest, which you can do if you are not on the drillfield, then do not attempt one of these things where you bang into your eye.

□ 2210

"Just don't do it," I told Colin Powell. If they delivered the message to the President, I have no way of knowing, but when he wears a ballcap off the U.S.S. *Teddy Roosevelt*, wears that ballcap, puts on a combat flight jacket with combat units' patches and gets off the Marine helicopter, that picture is in today's Washington Times right next to the wall-to-wall color picture of this offensive photo op on the south lawn of the White House; if he does not stop doing these things and pushing it in the face of the military culture, he is going to continue to exacerbate his problem as though he is a man sinking in quicksand until it is finally over his head.

That moment will come, by the way, if he succeeds in ramming through male homosexuals and lesbians, calling them by an adjective, "gay," into the military. If he wins that battle against distinguished Senator SAM NUNN and distinguished Marine officers that serve here like JACK MURTHA, if he wins that battle and beats them down, believe me, he has disappeared into the quicksand.

So I would say that my freestanding bill, 667, to maintain the ban, which has less than 100 sponsors in this Chamber—and legislation has finally been introduced on the other side—that bill will probably be rolled into an amendment on an appropriations bill or a conference report, and we may save him from that fate.

We have got to slow down the cuts. We just cannot continue forcing good people out and then using the military as a social laboratory.

I have another bill in, H.R. 1670, to restore the pay raise partially, at least, to our young enlisted kids. Many of these young families are on food stamps. I talked to marines at Camp Pendleton who are literally qualified and do draw food stamps.

A full pay raise for the military in 1994 to again stop this gap from widening between civilian pay and military pay and then fairness in assignments to combat positions so that there are equal standards, no quotas, no unspoken affirmative action, because there are a lot of careerists in all the services that will maybe toe the mark to advance themselves at the expense of combat leadership, or combat cohesiveness, and then firm leadership in Europe on Bosnia before deploying any troops.

I am going to close with a Napoleon quote and then yield to a good paratrooper Army officer with Vietnam combat experience.

Here is what Napoleon said, and I will deliver it to you, Mr. DUNCAN HUNTER: "Every general in chief who undertakes to execute a plan that he knows to be bad is culpable. He should communicate his reasons, insist on a change of plan, and finally resign his

commission rather become the instrument of his army's ruin."—Napoleon Bonaparte.

In other words, if the elected civilian Commander in Chief under our great Constitution, and I love civilian rule, and we are all the bosses in this Chamber and the other over the military to raise those Armies and Navies and Marine Corps and Air Forces and to fund the equipment they get and to set their pay scale and to protect them from being used as a social laboratory, but the Commander in Chief is the civilian head of the executive department, and he should resign from the Presidency, under Napoleon's advice, rather than be the instrument of the ruin of his Army, his Navy, his Marine Corps, his Air Force, or his Coast Guard, over in the Transportation Department.

Mr. HUNTER. Madam Speaker, I thank the gentleman for yielding. I know he is coming to the end of the special order.

Mr. DORNAN. That is it for me, DUNCAN.

Mr. HUNTER. I thought it was so interesting that I thought I would come over, and I just wanted to say that I thought it was interesting, when we had the debate on Somalia, that we had a number of people who had been, in my estimation, saying denigrating things about the United States military, talking about them as being unenlightened, prejudicial, and a number of other adjectives that were less than complimentary, and yet when we talked about sending them to Somalia, the same people said these were honorable, caring, wonderful people, and we were going to prove it by putting them in harm's way.

I thought a little bit about that other poem by Rudyard Kipling about the British soldier that says, "It's Tommy this and Tommy that, and Tommy go away, but it's savior of his country when the band begins to play."

America's military people, our young people in uniform, are of finest quality right now. They have let us know through the polls that we have taken and the informal meetings we have had with them, and I know my friend BOB DORNAN has had a number of meetings himself with these military folks; they do not want to change the way we are doing business right now in the military. They do not want to change the finest military in the world. They do not want to lift that ban on homosexuals being in the military.

I think we should listen to them and listen to that 70 and 80 percent who have spoken out very strongly. I hope that some of our other leaders, because of your statements tonight, get that message, and I appreciate your words.

Mr. DORNAN. DUNCAN, if I could come back to Rudyard Kipling, I read a passage from Rudyard Kipling, and I apologize for a little play on words, because Lt. Col. Oliver North was testify-

ing, and it brought tears to Colonel North's eyes, and he told me later why. His father had long passages of Rudyard Kipling, at his request, read at the father's funeral, and I will not give the paraphrase that I use for Ollie, but following up that same stanza, as Kipling keeps coming back to it, "When the band begins to play," and it also gets into combat, and he says, "He's Tommy this, he's Tommy that, chuck him out of here, the brute, but he's the savior of his country when the guns begin to shoot," and that is a truism for every culture, every society through all of history.

People have no use for people who dedicate themselves to the profession of arms and peace, but when the fighting starts, they look for a cop, they look for a soldier, a sailor, an airman, a marine, a guardsman, or a reservist. Thanks, DUNCAN, for coming over.

Madam Speaker, I have no time to yield back. I will stay around for the adjournment of the House and wish all of my colleagues and my friend ENI, who walked the battlefields of the Solomon Islands with me, I look forward to him adjourning this distinguished Chamber.

[The article follows:]

[From the Washington Times, May 27, 1993]

HAIL TO THE CHIEF
(By Sean Piccoli)

WEST POINT, N.Y.—Around the grassy quads and old stone walls of the U.S. Military Academy, where exams have just ended and graduation is a few days away, the buzz on this year's commencement speaker is best summarized by that old Beltway comeback where silence and self-interest intersect.

"No comment," says a first-year cadet in pressed grays and whites, when asked for his feelings about this Saturday's visit from the new commander in chief, President Clinton.

"I'd sure love to talk to you," says one senior, a muscular young man in gym shorts who is keying the door to his pickup. "But I can't. I'm a week away from graduation, and I don't want to do anything to get myself in trouble."

The silence is the story on this perfect Sunday here in the breathtaking Hudson River Valley as West Point prepares to send graduates into a new world order under the gaze of a president who is at odds with his own fighting force.

In keeping with tradition, Mr. Clinton is scheduled to address graduates and underclassmen at the 191-year-old academy Saturday. And while cadets say they are excited about the visit, other attitudes voiced here reflect an unhappy reality for the young president who once expressed a "loathing" for military culture: He is not popular with many troops, at many levels, from cadet dormitories to barracks to officers clubs.

His stance on Vietnam has followed him into the White House; he was mocked by enlistees and officers aboard an aircraft carrier in March. His stance on homosexuals in the armed services has bred still more resentment among soldiers, many of whom feel Mr. Clinton brought his "loathing" of yore into his new job.

The episode in which a Clinton staffer is said to have insulted Army Lt. Gen. Barry R. McCaffrey—a highly decorated and popular

officer who fought in the Vietnam and Persian Gulf wars—has come to symbolize the discord between both sides. In conversation, those in the military now say "McCaffrey" the way most people say "Watergate."

"I think when [Mr. Clinton] came in, the relationship was certainly poisonous," says retired Army Col. Harry G. Summers Jr., a distinguished fellow of the Army War College and a syndicated columnist. "[But] I think that he has made a conscious effort to close that gap. . . . The West Point speech is part of that effort."

Recent events—photo opportunities and public appearances by the president with military figures—suggest the White House seems intent on shoring up its shaky relationship with soldiers, or least projecting to the public that Mr. Clinton is the undisputed leader of his military.

In a reception for troops returning home from Somali, Mr. Clinton strode across the South Lawn, Marines in fatigues arrayed behind him, in a picture designed to convey confidence and command.

After he returns from West Point, Mr. Clinton is scheduled to give the keynote address for Memorial Day ceremonies to be held at the Vietnam Veterans Memorial.

"He understands that he can't allow the rift to develop," Col. Summers says.

But some observers contend the rift is still wide.

"Of the four major services, I have been around three in recent months," says Rep. Robert K. Dornan, California Republican and a former serviceman, "and it is universal. I have never heard a single officer or enlisted man defend Clinton's . . . moral standing for leadership."

And for all the image management, the president still hasn't mastered a proper salute. Some veterans even have questioned his right to speak at West Point.

At the academy and points beyond, explicit endorsements of the new commander in chief are scarce.

"I mean, he's the president, and we should welcome him," says the freshman cadet who issued a firm no comment. "But as for those other issues. . . ."

He trails off, leaving the rest unsaid. Wayne Anderson, 20, a sophomore cadet from Kansas City, Mo., freely admits that someone other than Bill Clinton got his vote on Election Day, but Mr. Anderson draws the line on dissent at Nov. 4.

"The bottom line is, he's the commander in chief," Mr. Anderson says. "I think people have accepted it."

Others agree. Says another first-year cadet, "We're behind him now."

Just like that. The Constitution says the military serves its civilian leaders, period. The concept is backed up forcibly by the Uniform Code of Military Justice. Article 88 makes any show of contempt toward the civilian chiefs of the military a crime punishable by court-martial, jail and discharge without pay.

These sanctions were not upper-most in the minds of Marines aboard the warship USS Theodore Roosevelt, who mocked the visiting president. Even officers aboard the aircraft carrier were less than deferential.

"Maybe we can call this his military service," one squadron commander told The Washington Post. "Three hours is more than he had before."

Mr. Clinton, the product of an era that made soldier-bashing part of its popular culture, is reaping what he has sowed, one observer says.

"While he was off doing his dodge [of military service] at Oxford, the guys that he's

now telling what to do were off sitting in rice paddies up to their ankles in mud, getting shot at," says Steward Koehl, a Northern Virginia military writer and analyst. "And they can't forget that, nor will they."

"There is a perception that Clinton doesn't respect the military as an institution," Mr. Koehl adds, "and a belief that he doesn't understand the military's needs, and furthermore, doesn't care."

"He underestimated the intellectual capacity, the moral capacity and the resoluteness of the military when it comes to fundamental military issues [such as the ban on homosexuals]. He did it this way because he didn't really respect them. And now they're returning the compliment, so to speak."

Still, many soldiers and cadets, understandably, are not anxious to voice their disrespect on the record.

"I think he's trying to work on the relationship," says one of several camouflage-clad soldiers waiting for a haircut Monday afternoon inside the barbershop at Fort Belvoir. "I hope all that draft-dodging business is behind him."

The soldier with the opinions doesn't volunteer his name, but he is the only one of three seated together who volunteers anything beyond "I really can't talk."

Even before the election, there was fallout for certain kinds of candor. The spokesman for the Vietnam Veterans of America was fired last year for calling Mr. Clinton a "coward" because the future Arkansas governor and president had avoided military service during the Vietnam War.

More recently, a memo sent to military judge advocates states that the armed services should get used to abrupt changes in military policy under the Clinton administration. The memo also quotes passages of Article 88—a reminder of the boundaries on free speech in military circles. Some soldiers call the memo a gag order.

But silence always has been the better part of discretion in the military's chain of command.

"You can't have a personality conflict with your boss," Col. Summers says. "It doesn't work that way. He's commander in chief, regardless."

At Fort Belvoir, one Army officer declines to give his name but dismisses the advertised tension between Mr. Clinton and the military as "hype."

"We owe our allegiance to the Constitution of the United States, not to any particular individual," says the officer, a self-described "old soldier" preparing for a jog around the base track Monday. "And I think that's what you need to remember. It doesn't matter if it's LBJ, George Bush or Bill Clinton."

Indeed, the president may in part be a product of his place in history. No previous president has been handed the same set of choices and circumstances: Bill Clinton came of age with the domestic turmoil that erupted over Vietnam—a war that came to be actively opposed on the nation's streets and campuses—and he took the same path as many, though by no means most, other young men.

"Clinton consulted his conscience on Vietnam," says West Point junior Chris Sleight, 21, of Marlboro, N.Y., "and that's one of the founding principles of West Point: Follow your conscience. I have no problem with him for that, and I don't think many people do."

Mr. Sleight says if there is any difficulty the president faces with the military, it is that "maybe we can't relate to him as well."

A classmate, Sean Farrar, 21, of North Carolina, remembers the speech George Bush

gave here in January. "It was his last public address [as president]," Mr. Farrar says, sounding almost wistful.

Mr. Bush, the old soldier who fought and cheated death in airborne combat in World War II, courted and celebrated the armed services throughout his presidency. The allies' battlefield rout of Iraq in the Gulf war remains one of his most visible accomplishments.

Mr. Clinton assumes the presidency in the post-Cold War era that follows Mr. Reagan and Mr. Bush, when pressure to scale back military size and commitments is high and the work of closing bases here and abroad is already underway.

"Senior military, at least, understand that no matter who was elected we were going to have further cuts," Col. Summers says.

But the early signs were not encouraging. During the inauguration, military officers complained they were shut out of events, shorted on inaugural ball tickets and downgraded in favor of celebrities.

Once the parties gave way to real policy, Mr. Clinton further irked soldiers by proposing to cut federal workers' yearly cost-of-living raises, including those for military personnel.

The president also floated a repeal of the ban on open homosexuals at a time when the armed services already were chafing over dictates on the integration of women into military life.

"It is simply that the military is tired of being used as a social lab," Mr. Koehl says.

And the first international crisis to confront the new president was the Bosnia quagmire, which many fear could become another Vietnam.

But again, the call on Bosnia is the president's to make, whether or not his advice comes from anybody in a uniform.

Col. Summers believes Mr. Clinton will give the military more of his time and attention than he previously has done. "He understands that we live in a very dangerous world, and that the military is necessary and that he needs the military to execute his foreign policy," he says.

Soldiers, for their part, will do what they are told. Military mutiny is not an option.

"There is enough careerism in the officer corps for Clinton to find people who will implement his policies," Mr. Koehl says, "if only to mitigate some of the damage."

Backtalk—at least the kind heard aboard the Roosevelt—is also out.

"You can print this in your newspaper," says one of two West Point cadets dressed in combat fatigues and sitting in the cab of a canvas-covered truck. "They're probably going to stick all of us into Eisenhower [assembly] Hall and tell us not to boo the president."

The cadet is reminded by a visitor that heckling the president is a no-no under the Uniform Code of Military Justice.

"But we're cadets!" he replies, grinning.

TRIBUTE TO BOB MEDINA

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

Mr. HUNTER. Madam Speaker, I just wanted to say that there was one other thing that I came over for, and that was to simply say a good word about my great and loyal friend who is one of my staff members, Bob Medina, who is retiring, this last week.

I just wanted to say that he was a great member of the U.S. Navy for 20

years, served me very faithfully for 13 years.

He is going to retire, and perhaps take up residence in his hometown in the Philippines.

Madam Speaker, I just wanted to wish him the very best on this day, and especially a day and a time when we are really appreciating again, I think, our military people, and this gentleman, Bob Medina, has worn his uniform very proudly, and he served this country very ably in his work in my offices in the U.S. Congress.

Mr. DORNAN. If the gentleman will yield, bon voyage, good luck, Bob.

A TRIBUTE TO OUR MEN AND WOMEN IN UNIFORM

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

Mr. FALEOMAVAEGA. Madam Speaker, I would just like to certainly pay a compliment to the gentleman from California [Mr. DORNAN] for bringing to the attention of the Members as we give special attention to the Memorial Day holiday period, but more importantly is the fact that we should remember especially the tremendous contributions that our men and women in the armed services have provided for the defense of our country.

I want to thank the gentleman from California [Mr. DORNAN] for bringing that into remembrance, and I hope certainly that our country will give that special remembrance to our men and women in uniform, and more especially also a special tribute to our military wives, who have also taken the brunt of tremendous difficulties and tribulations in the absence of their husbands while they are out in foreign countries defending our country.

I just wanted to say that, Madam Speaker, for the RECORD, and to thank the gentleman.

Mr. HUNTER. If the gentleman would yield just briefly, I want to say in reply that on this side of the aisle we have had a very contentious debate tonight, and I want to join my friend in echoing that thanks and tribute to all of our military people, and particularly to him for his service to the U.S. military and to our causes.

I appreciate his words.

Mr. FALEOMAVAEGA. I thank the gentleman from California.

I think that there is one thing that we find in commonality, and that is that both as Vietnam veterans, we certainly do have a serious appreciation of the contributions our men and women have provided for our country.

I thank the gentleman for his comments.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. UNDERWOOD (at the request of Mr. GEPHARDT), for today, on account of official business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mrs. BENTLEY) to revise and extend their remarks and include extraneous material:)

Mr. SOLOMON, for 60 minutes each day, on July 1, 2, 5, 6, 7, 8, 9, 12, 13, 14, 15, 16, 19, 20, 21, 22, 23, 26, 27, 28, 29, and 30.

Mr. MORELLA, for 60 minutes, on June 9.

Mr. FISH, for 5 minutes, today.

(The following Members (at the request of Mr. HINCHEY) to revise and extend their remarks and include extraneous material:)

Mr. BACCHUS of Florida, for 5 minutes, today.

Mr. STARK, for 5 minutes, today.

Mr. GONZALEZ, for 60 minutes each day, on June 6, 10, and 14.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

(The following Members (at the request of Mrs. BENTLEY) and to include extraneous matter:)

Mr. LEWIS of California.

Mr. GOODLING.

Mr. CLINGER in two instances.

Mr. HASTERT in two instances.

Mr. GILLMOR in two instances.

Mr. CASTLE.

Mr. KING in two instances.

Mr. LEVY.

Mrs. JOHNSON of Connecticut.

Mr. BILIRAKIS.

Mr. RAMSTAD.

Ms. SNOWE.

Mr. GALLO.

Mr. SMITH of New Jersey.

Mr. MCCOLLUM.

Mr. BEREUTER.

Mr. THOMAS of California in two instances.

Mr. LIGHTFOOT.

Mr. FRANKS of New Jersey.

Mrs. VUCANOVICH.

Mr. HORN.

Mr. EMERSON in three instances.

Mrs. BENTLEY.

Mr. COX.

(The following Members (at the request of Mr. HINCHEY) and to include extraneous matter:)

Mr. SKELTON, in two instances.

Ms. NORTON.

Mr. BERMAN.

Mr. GEJDENSON.

Mr. STOKES.

Mr. SWETT, in two instances.

Mr. KOPETSKI.

Mr. KREIDLER.

Mr. ENGEL.
 Mr. MARKEY.
 Mr. HAMILTON.
 Mrs. KENNELLY.
 Mr. MEEHAN, in two instances.
 Mrs. MEEK.
 Mr. PAYNE of New Jersey.
 Mr. HOYER.
 Mr. SABO.
 Mr. BARCIA, in four instances.
 Mr. UNDERWOOD.
 Mr. VENTO.
 Mr. TORRES.
 Mr. MURTHA.
 Mr. COSTELLO.
 Mr. STARK.
 Mr. POMEROY.
 Mr. KILDEE, in two instances.
 Mr. FALEOMAVAEGA

ENROLLED BILLS SIGNED

Mr. ROSE, from the Committee on House Administration, reported that that committee had examined and found truly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H.R. 1723 An act to authorize the establishment of a program under which employees of the Central Intelligence Agency may be offered separation pay to separate from service voluntarily to avoid or minimize the need for involuntary separations due to downsizing, reorganization, transfer of function or other similar action, and for other purposes.

ADJOURNMENT

Mr. FALEOMAVAEGA. Madam Speaker, I move that the House do now adjourn.

The motion was agreed to.

The SPEAKER pro tempore (Ms. MCKINNEY). Pursuant to the provisions of House Concurrent Resolution 105, 103d Congress, the House stands adjourned until noon on Tuesday, June 8, 1993.

Thereupon (at 10 o'clock and 20 minutes p.m.), pursuant to House Concurrent Resolution 105, the House adjourned until Tuesday, June 8, 1993, at 12 noon.

[Correction to the Congressional Record of Wednesday, May 26, 1993]

SENATE BILL REFERRED

A bill of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S. 775. An act to modify the requirements applicable to locatable minerals on public lands, consistent with the principles of self-initiation of mining claims, and for other purposes; to the Committee on Natural Resources.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from

the Speaker's table and referred as follows:

1303. A letter from the Acting Secretary of the Army, transmitting notification that certain major defense acquisition programs have breached the unit cost by more than 15 and 25 percent, pursuant to 10 U.S.C. 2431(b)(3)(A); to the Committee on Armed Services.

1304. A letter from the Acting Secretary of the Navy, transmitting notification that certain major defense acquisition programs have breached the unit cost by more than 15 percent, pursuant to 10 U.S.C. 2431(b)(3)(A); to the Committee on Armed Services.

1305. A letter from the Director, Defense Research and Engineering, Department of Defense, transmitting a report on research, development, test and evaluation activities conducted under the Biological Defense Research Program during fiscal year 1992, pursuant to Public Law 101-510, section 241(a) (104 Stat. 1517); to the Committee on Armed Services.

1306. A letter from the Chief of Legislative Affairs, Department of the Navy, transmitting notification that the Department intends to offer for lease a naval vessel to the Government of Morocco, pursuant to 10 U.S.C. 7307(B)(2); to the Committee on Armed Services.

1307. A letter from the Chairman, Board of Governors of the Federal Reserve System, transmitting the annual report on the subject of retail fees and services of depository institutions, pursuant to Public Law 101-73, section 1002(b) (103 Stat. 508); to the Committee on Banking, Finance and Urban Affairs.

1308. A letter from the Assistant Vice President of Governmental Affairs, National Railroad Passenger Corporation, transmitting the 1993 criteria performance review of Amtrak's routes, pursuant to 45 U.S.C. 564(c)(4)(C); to the Committee on Energy and Commerce.

1309. A letter from the Assistant Secretary of State for Legislative Affairs, transmitting a copy of the Deputy Secretary's determination and justification that it is in the national interest to grant assistance to Senegal, pursuant to 22 U.S.C. 2370(q); to the Committee on Foreign Affairs.

1310. A letter from the Deputy Director, Defense Security Assistance Agency, transmitting notice of proposed lease to Norway for defense articles (Transmittal No. 5-93), pursuant to 22 U.S.C. 2796a(a); to the Committee on Foreign Affairs.

1311. A letter from the Acting Director, U.S. Arms Control and Disarmament Agency, transmitting a draft of proposed legislation to amend the Arms Control and Disarmament Act to authorize appropriations for fiscal years 1994 and 1995; to the Committee on Foreign Affairs.

1312. A letter from the Director, Office of Management and Budget, transmitting OMB estimate of the amount of change in outlays or receipts, as the case may be, in each fiscal year through fiscal year 1998 resulting from passage of Public Law 103-31, pursuant to Public Law 101-508, section 13101(a) (104 Stat. 1388-582); to the Committee on Government Operations.

1313. A letter from the Chairman, Interstate Commerce Commission, transmitting the semiannual report on activities pursuant to the Inspector General Act, pursuant to Public Law 95-452, Section 5(b), (102 Stat. 2526); to the Committee on Government Operations.

1314. A letter from the Acting Director, U.S. Information Agency, transmitting the semiannual report of the Inspector General

covering the period October 1, 1992, through March 31, 1993, pursuant to Public Law 99-399, Section 412(a); to the Committee on Government Operations.

1315. A letter from the Portland District, Corps of Engineers, Department of the Army, transmitting the fiscal year 1992 annual report of the Chief of Engineers on Civil Works Activities, Portland, OR, District extract; to the Committee on Public Works and Transportation.

1316. A letter from the Assistant Secretary of State for Legislative Affairs, transmitting Presidential determination (93-21) that the Government of Morocco is cooperating with the United Nations in implementing the settlement plan for self-determination of the people of the Western Sahara, pursuant to Public Law 102-319, section 599G; jointly, to the Committees on Appropriations and Foreign Affairs.

1317. A letter from the Acting Administrator, General Services Administration, transmitting notification of the determination that it is in the public interest to make a proposed contract award to Howard University without obtaining full and open competition, pursuant to 41 U.S.C. 253(c)(7); jointly to the Committees on Public Works and Transportation and Government Operations.

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 calendar, as follows:

Mr. NATCHER: Committee on Appropriations. Report on the Subdivision of Budget Totals for Fiscal Year 1994 (Rept. 103-113). Referred to the Committee of the Whole House on the State of the Union.

Mr. DINGELL: Committee on Energy and Commerce. H.R. 1701. A bill to amend title XVI of the Public Health Service Act (the Safe Drinking Water Act) to establish State revolving funds to provide for drinking water treatment facilities, and for other purposes; with an amendment (Rept. 103-114). Referred to the Committee of Whole House on the State of the Union.

Mr. MINETA: Committee on Public Works and Transportation. H.R. 1865. A bill to direct the Administrator of the Environmental Protection Agency to make grants to States for the purposes of financing the construction, rehabilitation, and improvement of water supply systems, and for other purposes; with an amendment (Rept. 103-115). Referred to the Committee of the Whole House on the State of the Union.

Mr. FORD of Michigan: Committee on Education and Labor. H.R. 5. A bill to amend the National Labor Relations Act and the Railway Labor Act to prevent discrimination based on participation in labor disputes; with an amendment (Rept. 103-116, Pt. 1). Ordered to be printed.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. OBEY:

H.R. 2295. A bill making appropriations for foreign operations, export financing, and related programs for the fiscal year ending September 30, 1993, and for other purposes; to the Committee on Appropriations.

By Mr. BILIRAKIS (for himself, Mr. LIPINSKI, Mr. BOEHNER, and Mr. LEWIS of Florida):

H.R. 2296. A bill to amend the Solid Waste Disposal Act to exempt pesticide rinse water degradation systems from subtitle C permit requirements; to the Committee on Energy and Commerce.

By Mr. BOUCHER (for himself, Mr. COOPER, and Mr. ROGERS):

H.R. 2297. A bill to remove certain restrictions applicable to the Cumberland Gap National Historical Park, and for other purposes; to the Committee on Natural Resources.

By Mr. CASTLE:

H.R. 2298. A bill to suspend until January 1, 1995, the duty on Pigment Red 254; to the Committee on Ways and Means.

H.R. 2299. A bill to suspend until January 1, 1995, the duty on Pigment Blue 60; to the Committee on Ways and Means.

By Mr. FORD of Michigan:

H.R. 2300. A bill to provide assistance to employees who are subject to a plant closing or mass layoff because their work is transferred to a foreign country that has low wages or unhealthy working conditions and to amend the Worker Adjustment and Retraining Notification Act to expand the coverage and strengthen the notification and enforcement provisions under that act; to the Committee on Education and Labor.

By Mr. CASTLE:

H.R. 2301. A bill to suspend until January 1, 1997, the duty on PCMX; to the Committee on Ways and Means.

H.R. 2302. A bill to suspend until January 1, 1995, the previously existing suspension of duty on o-Benzyl-p-chlorophenol; to the Committee on Ways and Means.

H.R. 2303. A bill relating to the tariff treatment of gum rosin and wood rosin; to the Committee on Ways and Means.

H.R. 2304. A bill to extend until January 1, 1996, the existing suspension of duty on Quizalofop-ethyl; to the Committee on Ways and Means.

By Mr. COLEMAN:

H.R. 2305. A bill to authorize and encourage the President to conclude an agreement with Mexico to establish a United States-Mexico Border Health Commission; jointly, to the Committees on Foreign Affairs and Energy and Commerce.

By Mr. CONDIT:

H.R. 2306. A bill to provide for Federal incarceration of undocumented criminal aliens and to provide for the transfer of closed military bases to the Justice Department for use as prison facilities for the incarceration of criminal aliens; jointly, to the Committees on the Judiciary and Armed Services.

By Mr. DELAY (for himself, Mr. ARCHER, Mr. ARMEY, Mr. BAKER of Louisiana, Mr. BALLENGER, Mr. BARRETT of Nebraska, Mr. BARTON of Texas, Mr. BATEMAN, Mr. BEREUTER, Mr. BOEHNER, Mr. COBLE, Mr. COMBEST, Mr. COX, Mr. CRANE, Mr. DOOLITTLE, Mr. DORNAN, Mr. DUNCAN, Mr. EMERSON, Mr. FAWELL, Mr. GALLEGLY, Mr. GILCHREST, Mr. GINGRICH, Mr. GOODLATTE, Mr. GOSS, Mr. GUNDERSON, Mr. HANCOCK, Mr. HANSEN, Mr. HEFLEY, Mr. HERGER, Mr. HOEKSTRA, Mr. INGLIS, Mr. INHOFE, Mr. SAM JOHNSON of Texas, Mr. KOLBE, Mr. KYL, Mr. LEWIS of Florida, Mr. LIVINGSTON, Mr. MCCOLLUM, Mr. McMILLAN, Mr. MILLER of Florida, Mr. MOORHEAD, Mr. OXLEY, Mr. PACKARD, Mr. PORTER, Ms. PRYCE of Ohio, Mr. RAMSTAD, Mr. ROHRBACHER, Mr.

SCHAEFER, Mr. SHAW, Mr. SMITH of Texas, Mr. STUMP, Mr. TAYLOR of North Carolina, Mr. THOMAS of California, Mr. THOMAS of Wyoming, Mrs. VUCANOVICH, and Mr. WALKER):

H.R. 2307. A bill entitled, "Workers' Political Rights Act"; to the Committee on House Administration.

By Mrs. COLLINS of Illinois:

H.R. 2308. A bill to assist in the development of microenterprises and microenterprise lending; jointly, to the Committees on Ways and Means and Banking, Finance and Urban Affairs.

By Mr. FRANK of Massachusetts (for himself, Mr. MOAKLEY, Mr. BLUTE, Mr. OLVER, Mr. TORKILDSEN, Mr. KENNEDY, Mr. MEEHAN, Mr. NEAL of Massachusetts, Mr. STUDDS, and Mr. MARKEY):

H.R. 2309. A bill to amend the Federal Water Pollution Control Act relating to reauthorization of the State water pollution control revolving fund program; to the Committee on Public Works and Transportation.

By Mr. FRANKS of New Jersey (for himself, Ms. SHEPHERD, Mr. GALLO, Mr. MENENDEZ, Mr. SAXTON, Mr. JEFFERSON, and Mr. MICA):

H.R. 2310. A bill to amend the Water Resources Development Act of 1986 to require the Secretary of the Army to consider the loss of life which may be associated with flooding and coastal storm events in the formulation and evaluation of flood control projects to be carried out by the Secretary; to the Committee on Public Works and Transportation.

By Mr. GILCHREST:

H.R. 2311. A bill to amend the Federal Election Campaign Act of 1971 to prohibit nonparty multicandidate political committee contributions in elections for Federal office; to the Committee on House Administration.

By Mr. GOSS:

H.R. 2312. A bill to amend the Federal Election Campaign Act of 1971 to reform House of Representatives campaign finance laws, and for other purposes; jointly, to the Committees on House Administration, Post Office and Civil Service, Energy and Commerce, the Judiciary, and Ways and Means.

By Mr. HASTERT:

H.R. 2313. A bill to suspend until January 1, 1995, the duty on anthraquinone; to the Committee on Ways and Means.

H.R. 2314. A bill to suspend temporarily the duty on 3,4,4'-trichlorocarbanilide; to the Committee on Ways and Means.

By Mr. HYDE (for himself, Mr. SMITH of New Jersey, Mr. HUNTER, Mr. GILMAN, Mr. FISH, Mr. WILSON, and Mr. GINGRICH):

H.R. 2315. A bill terminating the United States arms embargo of the Government of Bosnia-Herzegovina; to the Committee on Foreign Affairs.

By Mrs. JOHNSON of Connecticut:

H.R. 2316. A bill to amend title 18, United States Code, to prohibit the mailing of certain mail matter; to the Committee on the Judiciary.

H.R. 2317. A bill to amend the Internal Revenue Code of 1986 with respect to the treatment of long-term care insurance policies, and for other purposes; jointly, to the Committees on Ways and Means and Energy and Commerce.

By Mr. MARKEY (for himself, Mr. MOAKLEY, Mr. KENNEDY, Mr. FRANK of Massachusetts, Mr. NEAL of Massachusetts, Mr. STUDDS, Mr. OLVER, Mr. MEEHAN, Mr. TORKILDSEN, Mr. BLUTE, and Mr. MONTGOMERY):

H.R. 2318. A bill to redesignate the Federal building located at 380 Trapelo Road in Waltham, MA, as the "Frederick C. Murphy Federal Center"; to the Committee on Public Works and Transportation.

By Mr. MCKEON (for himself, Mr. CALVERT, Mr. DEUTSCH, Mr. GALLEGLY, Mr. GOSS, Ms. HARMAN, Mr. HOBSON, Mrs. JOHNSON of Connecticut, Mr. KINGSTON, Mr. MOORHEAD, Mr. QUINN, Mr. RAMSTAD, Mr. WALSH, Mr. ZIMMER, Mr. BROWN of California, Mr. THOMAS of California, and Mr. BELLENSON):

H.R. 2319. A bill to amend the Solid Waste Disposal Act to require each department, agency, and instrumentality of the executive branch of the Federal Government to use recycled paper; to the Committee on Energy and Commerce.

By Ms. PELOSI (for herself, Mr. MILLER of California, Mr. DELLUMS, Mr. FAZIO, Mr. EDWARDS of California, Mr. STARK, Mr. LANTOS, Ms. ESHOO, Ms. WOOLSEY, and Mr. HAMBURG):

H.R. 2320. A bill to amend the Federal Water Pollution Control Act to provide for implementation of a comprehensive plan for the San Francisco Bay-Delta Estuary, and for other purposes; jointly, to the Committees on Public Works and Transportation and Merchant Marine and Fisheries.

By Mr. SANGMEISTER:

H.R. 2321. A bill to provide comprehensive crime control measures; to the Committee on the Judiciary.

By Ms. SNOWE:

H.R. 2322. A bill to amend the Harmonized Tariff Schedule of the United States to clarify that certain footwear assembled in CBI beneficiary countries is excluded from duty-free treatment; to the Committee on Ways and Means.

By Mr. SOLOMON:

H.R. 2323. A bill to amend the Indian Gaming Regulatory Act, and for other purposes; to the Committee on Natural Resources.

By Mr. SPRATT:

H.R. 2324. A bill to suspend for a 3-year period the duty on omega-dodecalactam; to the Committee on Ways and Means.

By Mr. STARK:

H.R. 2325. A bill to provide for demonstration projects to test whether enrollment in the supplemental security income program can be significantly increased by offering nonprofit organizations financial incentives to engage in outreach; to the Committee on Ways and Means.

By Mr. SYNAR (for himself, Mr. BOUCHER, Mr. KOPETSKI, Mr. HYDE, Mr. BACCHUS of Florida, Mr. KANJORSKI, Mr. POMEROY, Mr. MCCURDY, Mr. BURTON of Indiana, Mr. ROTH, Mr. SCHIFF, Mr. RAMSTAD, Mr. SANGMEISTER, Mr. GOODLATTE, Mr. HAYES of Louisiana, Mr. ROEMER, and Mr. FRANK of Massachusetts):

H.R. 2326. A bill to amend title 11 of the United States Code with respect to cases under chapter 13, and for other purposes; to the Committee on the Judiciary.

By Mr. THOMAS of Wyoming (for himself, Mr. KIM, Mr. GORDON, Mr. HYDE, Mr. BOEHNER, Mr. EWING, Mr. WALSH, Mr. HANCOCK, Mr. LEVY, Mr. SCHIFF, Mr. TAYLOR of North Carolina, and Mr. EVERETT):

H.R. 2327. A bill to clarify the application of Federal preemption of State and local laws, to preserve State and local legislative rights and prerogatives, and for other purposes; to the Committee on Government Operations.

By Mr. VENTO (for himself, Mr. MILLER of California, and Mr. WILLIAMS):
H.R. 2328. A bill to establish a Public Lands Corps, and for other purposes; jointly, to the Committees on Natural Resources, Agriculture, and Education and Labor.

By Mr. DUNCAN:
H.J. Res. 205. Joint resolution designating the week beginning October 31, 1993, as "National Health Information Management Week"; to the Committee on Post Office and Civil Service.

By Ms. NORTON (for herself and Mr. RAVENEL):

H.J. Res. 206. Joint resolution to designate the month of October 1993 and October 1994 as "National Down Syndrome Awareness Month"; to the Committee on Post Office and Civil Service.

By Mr. ORTON:
H.J. Res. 207. Joint resolution to provide for the issuance of a commemorative postage stamp in honor of Dr. Martha Hughes Cannon; to the Committee on Post Office and Civil Service.

By Mr. GEPHARDT:
H. Con. Res. 105. Concurrent resolution providing for an adjournment of the House and Senate; considered and agreed to.

By Mr. ACKERMAN (for himself, Mr. GILMAN, Mr. PORTER, and Mr. LANTOS):

H. Con. Res. 106. Concurrent resolution urging the President to raise, at the highest levels of the Government of the People's Republic of China, the issue of Chinese population transfer into Tibet in an effort to bring about an immediate end to that Government's policy on this issue; to the Committee on Foreign Affairs.

By Mr. BROWN of Ohio (for himself, Mr. DEFazio, Mrs. BENTLEY, Mr. LIPINSKI, Mr. VALENTINE, Mr. ANDREWS of Maine, Mr. POMEROY, Mr. HINCHEY, Mrs. THURMAN, and Mr. TUCKER):

H. Con. Res. 107. Concurrent resolution expressing the sense of Congress that U.S. truck safety standards not be compromised incident to the implementation of the North American Free Trade Agreement; to the Committee on Public Works and Transportation.

By Mr. GOODLING:
H. Con. Res. 108. Concurrent resolution expressing the sense of the Congress regarding alcohol use by the Nation's youth; jointly, to the Committees on the Judiciary and the District of Columbia.

By Mr. MICHEL:
H. Res. 187. Resolution designating certain minority membership on certain standing committees of the House; considered and agreed to.

By Mr. LANTOS (for himself, Mr. GINGRICH, Mr. HOYER, Mr. GILMAN, Ms. PELOSI, Mr. PORTER, Mrs. MORELLA, Mr. SMITH of New Jersey, Mr. LEWIS of Georgia, and Mr. TORRES):

H. Res. 188. Resolution to express the sense of the House of Representatives that the Olympics in the year 2000 should not be held in Beijing or elsewhere in the People's Republic of China; to the Committee on Foreign Affairs.

MEMORIALS

Under clause 4 of rule XXII, memorials were presented and referred as follows:

165. By the SPEAKER: Memorial of the Senate of the State of Hawaii, relative to Hawaiian lands and Federal trust obliga-

tions; to the Committee on Natural Resources.

166. Also, memorial of the Senate of the State of Louisiana, relative to the energy tax; to the Committee on Ways and Means.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII,

Mr. ENGEL introduced a bill (H.R. 2329) for the relief of Inna Hecker Grade; which was referred to the Committee on the Judiciary.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 3: Mr. EVANS.
H.R. 5: Mr. MENENDEZ.
H.R. 8: Mr. WHEAT, Ms. BYRNE, Mr. FRANK of Massachusetts, Mr. POMEROY, Mr. KLUG, Mr. HUGHES, Ms. WOOLSEY, Mr. TOWNS, Mr. JOHNSON of South Dakota, Ms. MALONEY, Mr. BECERRA, Mr. ACKERMAN, Ms. DANNER, Mr. CLAY, Mr. KLING, Mrs. UNSOELD, Mr. GUTIERREZ, Mr. SCOTT, Mr. LEHMAN, Mr. MARTINEZ, Mr. MAZZOLI, Mr. GLICKMAN, Mr. PAYNE of New Jersey, Mr. FOGLIETTA, Mr. GENE GREEN, Mrs. MEEK, Mr. HINCHEY, Mr. PETERSON of Minnesota, Mr. BLACKWELL, Mr. RUSH, Mr. ROMERO-BARCELÓ, Mr. PASTOR, Mr. JEFFERSON, Mr. FROST, Ms. MCKINNEY, Mr. EMERSON, Mr. KOPETSKI, Mr. HASTINGS, Mr. STRICKLAND, and Mr. FISH.
H.R. 15: Mr. COSTELLO.
H.R. 65: Mr. ENGEL, Mr. STUPAK, Mr. JEFFERSON, and Mr. RAHALL.
H.R. 81: Mr. ABERCROMBIE.
H.R. 127: Mr. BARCIA and Mr. KLING.
H.R. 140: Mr. LEWIS of California, Mr. SENBRENNER, Mr. KINGSTON, Mr. BLUTE, Mr. BARTLETT, Ms. PRYCE of Ohio, Mr. DARDEN, and Mr. BISHOP.
H.R. 173: Mr. HASTERT.
H.R. 214: Ms. ROS-LEHTINEN and Mr. HAMILTON.
H.R. 290: Mr. ENGEL.
H.R. 303: Mr. ENGEL and Mr. STUPAK.
H.R. 306: Mr. ALLARD.
H.R. 325: Ms. VELAZQUEZ, Mr. MCKEON, Mr. ENGEL, and Mr. MCCOLLUM.
H.R. 326: Mr. UPTON, Mr. TORRICELLI, Mr. SAXTON, Mr. STRICKLAND, Mr. QUINN, Mr. BACCHUS of Florida, and Mr. WHEAT.
H.R. 349: Mrs. KENNELLY, Mr. BONILLA, Ms. ENGLISH of Arizona, Mr. CALVERT, Mr. HUFFINGTON, Mr. HORN, Mr. PORTMAN, Mr. SKEEN, Mr. LEVY, Mr. KING, Mr. SMITH of Michigan, Mr. KLEIN, and Ms. LAMBERT.
H.R. 369: Mr. GILLMOR.
H.R. 466: Mr. LIPINSKI, Mr. EDWARDS of Texas, Mr. HUGHES, Mr. HOCHBRUECKNER, and Mrs. MEEK.
H.R. 477: Mr. PETERSON of Minnesota.
H.R. 515: Mr. SARPALIUS, Mr. FINGERHUT, Mr. SMITH of New Jersey, Mr. BOEHNER, Mrs. LLOYD, Mr. GOSS, Mr. GILLMOR, Mr. APPLE-GATE, Mrs. JOHNSON of Connecticut, Mr. HALL of Ohio, Mrs. MEYERS of Kansas, and Mr. KIM.
H.R. 562: Mr. TAYLOR of North Carolina.
H.R. 567: Mrs. MEYERS of Kansas.
H.R. 591: Mr. SHAYS and Mr. SKAGGS.
H.R. 633: Mrs. MEYERS of Kansas.
H.R. 703: Mr. HILLIARD Mr. INSLEE, Ms. FOWLER, and Mr. SANTORUM.
H.R. 710: Mr. FILNER, Ms. SLAUGHTER, Mr. FLAKE, Mr. SCHUMER, Mr. BLACKWELL, and Mr. ORTON.
H.R. 846: Mr. LEWIS of California, Mr. OXLEY, Mr. LEHMAN, Mr. VOLKMER, Mr.

HOLDEN, Mr. GOODLING, Ms. ENGLISH of Arizona, Mr. TALENT, and Mr. SANTORUM.

H.R. 895: Mr. KLUG and Mr. HASTERT.
H.R. 896: Mr. KLUG and Mr. HASTERT.
H.R. 911: Mr. SKEEN.
H.R. 922: Mr. INSLEE.
H.R. 930: Mr. RAMSTAD, Mr. GORDON, and Mrs. MEYERS of Kansas.
H.R. 967: Ms. FOWLER, Mr. BATEMAN, Mr. CALVERT, and Mr. GILMAN.
H.R. 968: Mr. GILMAN.
H.R. 977: Mr. RICHARDSON, Mr. UPTON, and Mr. EMERSON.

H.R. 1019: Mr. CONYERS, Mr. FIELDS of Louisiana, Mr. FOGLIETTA, and Mr. HASTINGS.
H.R. 1020: Mr. CONYERS, Mr. FIELDS of Louisiana, Mr. FOGLIETTA, Mr. HASTINGS, and Mr. WYNN.
H.R. 1021: Mr. CONYERS, Mr. FIELDS of Louisiana, Mr. FOGLIETTA, Mr. HASTINGS, and Mr. WYNN.
H.R. 1022: Mr. CONYERS, Mr. FIELDS of Louisiana, Mr. FOGLIETTA, Mr. HASTINGS, and Mr. WYNN.

H.R. 1036: Mr. WHEAT.
H.R. 1076: Miss COLLINS of Michigan.
H.R. 1181: Mrs. VUCANOVICH.
H.R. 1277: Mr. BONILLA and Mr. GILLMOR.
H.R. 1280: Mr. STARK, Mr. BARLOW, Mr. WILSON, Mr. KENNEDY, Mr. LAFALCE, Mr. VENTO, Mr. DIXON, Mr. EVANS, Ms. VELAZQUEZ, Mr. YATES, Mrs. SCHROEDER, and Mr. HOCHBRUECKNER.

H.R. 1312: Mr. PETERSON of Minnesota.
H.R. 1314: Mr. SCHIFF and Mr. FROST.
H.R. 1322: Mr. MCINNIS and Mr. MILLER of Florida.

H.R. 1323: Mr. MINETA.
H.R. 1330: Mr. TALENT, Mr. COLLINS of Georgia, Mr. LINDER, Mr. CRANE, Mr. HOBSON, Mrs. BENTLEY, Mr. ARMEY, Mr. MCCOLLUM, Mr. DOOLITTLE, Mr. MCINNIS, Mr. BISHOP, and Mr. OXLEY.

H.R. 1332: Mr. ENGEL, Mr. NUSSLE, Mr. PETERSON of Florida, and Mr. STEARNS.
H.R. 1394: Miss COLLINS of Michigan.
H.R. 1442: Mr. MCCLOSKEY, Mr. HALL of Ohio, Mr. TOWNS, and Mr. KING.
H.R. 1444: Ms. THURMAN and Mr. HAYES.

H.R. 1447: Mr. HAYES.
H.R. 1455: Mr. SHAW.
H.R. 1457: Miss COLLINS of Michigan, Mrs. CLAYTON, Mr. CLAY, Mr. JEFFERSON, Mr. VENTO, Mr. RANGEL, Mr. WATT, Mr. FOGLIETTA, Mr. TUCKER, Ms. SLAUGHTER, Ms. MCKINNEY, Ms. ROYBAL-ALLARD, Mr. SERRANO, Mr. FIELDS of Louisiana, Mr. WYNN, Mrs. COLLINS of Illinois, Mr. STARK, Mr. SANDERS, and Mr. EVANS.

H.R. 1504: Ms. LONG, Ms. LOWEY, Mr. QUINN, Mr. HASTERT, and Mr. MORAN.
H.R. 1505: Mr. BALLENGER, Mr. KLUG, Mr. TORKILDSEN, and Mr. GOODLATTE.
H.R. 1508: Mr. SMITH of New Jersey and Miss COLLINS of Michigan.

H.R. 1517: Mr. TRAFICANT, Mr. HOYER, and Mr. FRANK of Massachusetts.
H.R. 1520: Mrs. BENTLEY and Mr. CARDIN.
H.R. 1528: Mr. MCHUGH, Mr. GINGRICH, Mr. ZIMMER, Mr. WALSH, Mr. PARKER, Mr. ZELIFF, Mr. EMERSON, Mr. SHAYS, Mr. MACHTLEY, Mrs. BENTLEY, Mr. FISH, Mrs. JOHNSON of Connecticut, and Mr. BONILLA.

H.R. 1529: Mr. BEREUTER, Mr. PETRI, Mr. COBLE, and Mr. UPTON.
H.R. 1538: Mr. HILLIARD.

H.R. 1551: Mr. CALLAHAN, Mr. BAKER of Louisiana, Mr. PACKARD, Mr. LEWIS of Georgia, and Mr. MCDERMOTT.
H.R. 1566: Mr. WILSON and Mr. TEJEDA.
H.R. 1595: Mr. BOEHNER.
H.R. 1625: Mr. GALLO, Mr. MACHTLEY, Mrs. ROUKEMA, and Mr. CLINGER.
H.R. 1640: Mr. BERMAN.

H.R. 1645: Mr. PARKER, Ms. KAPTUR, and Mr. SHAYS.
 H.R. 1700: Ms. EDDIE BERNICE JOHNSON and Mr. JEFFERSON.
 H.R. 1722: Mr. WHEAT, Mrs. SCHROEDER, Mrs. MINK, Ms. SLAUGHTER, Mr. TRAFICANT, Mr. OWENS, Mr. ROMERO-BARCELO, Mr. BERMAN, Mr. OBERSTAR, Mr. WALSH, Mr. MILLER of California, and Mr. SMITH of New Jersey.
 H.R. 1769: Mr. PAYNE of Virginia.
 H.R. 1795: Mr. GINGRICH.
 H.R. 1814: Ms. EDDIE BERNICE JOHNSON, Mr. JEFFERSON, and Mr. GINGRICH.
 H.R. 1824: Mr. BEILENSON, Mr. DELLUMS, and Mr. TORRES.
 H.R. 1830: Mr. STENHOLM and Mr. LEVY.
 H.R. 1881: Mr. SCOTT, Mr. LAFALCE, and Mr. FROST.
 H.R. 1890: Mr. NEAL of North Carolina and Mr. CLAY.
 H.R. 1898: Mr. MCKEON, Mr. HYDE, and Mr. SHUSTER.
 H.R. 1900: Mr. INGLIS, Mr. DARDEN, Mr. DURBIN, Mr. SCOTT, Mr. BEILENSON, Mr. YATES, Mr. FISH and Mr. CLYBURN.
 H.R. 1908: Mr. NADLER.
 H.R. 1915: Mr. MANTON, Mr. ACKERMAN, Mr. GENE GREEN, Ms. ESHOO, Mr. HOCHBRUECKNER, Ms. FURSE, and Mr. STUPAK.
 H.R. 1916: Mr. WELDON, Ms. FURSE, Mr. GENE GREEN, Mr. HASTINGS, Mr. DEFazio, Mr. BATEMAN, Mr. DEUTSCH, Mr. GEJDENSON, Mr. HUGHES, Mr. BACCHUS of Florida, Mr. JOHNSTON of Florida, and Mr. TOWNS.

H.R. 1961: Mr. FOGLIETTA, Mr. FROST, Mr. KOPETSKI, and Mr. JEFFERSON.
 H.R. 1991: Mr. LIPINSKI.
 H.R. 2016: Mr. PETRI.
 H.R. 2019: Mr. CARR.
 H.R. 2076: Mr. DEUTSCH, Mr. MILLER of California, and Ms. WOOLSEY.
 H.R. 2088: Mr. HYDE, Mr. LIPINSKI, Mr. NEAL of North Carolina, and Mr. SENSENBRENNER.
 H.R. 2115: Mr. WILSON and Mr. SANGMEISTER.
 H.R. 2127: Mr. DORNAN and Mr. GINGRICH.
 H.J. Res. 22: Mr. BUYER.
 H.J. Res. 86: Mr. VOLKMER, Ms. NORTON, Mr. CRAMER, Mr. BEVILL, Mr. BLILEY, Mr. BILIRAKIS, and Mr. BLUTE.
 H.J. Res. 111: Mr. PARKER, Ms. PRYCE of Ohio, Mr. WELDON, Mr. MCDADE, Mr. BACCHUS of Florida, Mr. BARLOW, Mrs. MEYERS of Kansas, Mr. SHAYS, Mrs. KENNELLY, Mr. SKEEN, and Mr. COYNE.
 H.J. Res. 124: Mr. CRAMER.
 H.J. Res. 142: Mr. LANCASTER.
 H.J. Res. 171: Mr. BARTLETT, Mr. ARMEY, and Mr. BAKER of California.
 H.J. Res. 187: Mr. HOCHBRUECKNER and Mr. GREENWOOD.
 H.J. Res. 193: Mr. BURTON of Indiana, Mr. PAYNE of Virginia, Mr. STUDDS, Mr. HASTERT, and Mr. YOUNG of Alaska.
 H.J. Res. 198: Mr. HOEKSTRA, Mr. KASICH, Mr. ROTH, Mr. FALEOMAVAEGA, Mr. KLUG, and Mr. CRAMER.

H.J. Res. 204: Mr. MINETA, Mr. SLATTERY, Mr. LIVINGSTON, Mr. SANDERS, Mr. SANGMEISTER, Mr. MCDADE, Mr. MCHUGH, Mr. BILIRAKIS, Mr. STUMP, Mr. ACKERMAN, and Mr. RAMSTAD.
 H. Con. Res. 20: Mr. VENTO, Ms. ROYBAL-ALLARD, Mr. RIDGE, Ms. MOLINARI, Mr. MARTINEZ, Mr. CASTLE, Mr. ENGEL, and Ms. DELAURO.
 H. Con. Res. 42: Mr. SCOTT and Mr. JEFFERSON.
 H. Con. Res. 70: Miss COLLINS of Michigan.
 H. Con. Res. 74: Mr. KYL.
 H. Con. Res. 76: Mr. MILLER of Florida, Mr. LANCASTER, Ms. SLAUGHTER, Mr. LAZIO, and Mr. ZIMMER.
 H. Con. Res. 99: Mr. KENNEDY, Mr. RANGEL, and Mr. FROST.
 H. Con. Res. 100: Mr. BOEHLERT.
 H. Con. Res. 104: Mr. GILMAN.
 H. Res. 135: Mr. FISH, Mr. DUNCAN, and Mr. QUILLEN.
 H. Res. 139: Mr. TORKILDSEN.
 H. Res. 148: Mr. PAXON.
 H. Res. 151: Mr. BUNNING, Mr. GOODLATTE, Mr. BALLENGER, Mr. INGLIS, and Mr. GALLEGLY.
 H. Res. 165: Mr. McMILLAN, Mrs. VUCANOVICH, Mr. FROST, Mr. THOMAS of California, Mr. NEAL of North Carolina, Ms. KAPTUR, Mr. DARDEN, Mr. GILLMOR, and Mr. TORRES.

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