States to approve House Resolution 842, and be it further

Resolved, That a copy of this Resolution shall be transmitted to the secretary of the United States Senate and the clerk of the United States House of Representatives and to each member of the Louisiana Congressional delegation.''

POM–267. A joint resolution adopted by the Legislature of the State of Nevada; to the Committee on Appropriations.

''JOINT RESOLUTION NO. 41

''Whereas, the Conservation Biology of Rangelands Research Unit of the Agricultural Research Service, USDA, Reno, Nevada, was not included in the federal administration's budget for fiscal year 1995–1996, beginning on October 1, 1995; and

''Whereas, the closing of this Unit will have severe impacts on the management and restoration of rangelands in Nevada and adjacent intermountain states; and

''Whereas, this Unit has been consistently rated as one of the most productive in the nation per dollar spent per scientist, which is attributed to the frugal, appropriate and productive use of federal money; and

''Whereas, Nevada receives less than 1 percent of the federal money expended for agricultural research in the western states; and

''Whereas, the Conservation Biology of Rangelands Research Unit's research on both preventing wildfires and restoring burned vegetation is essential to this state because wildfires cost the residents of the State of Nevada millions of dollars annually for suppression, and for loss of livestock, wildlife, habitat, watershed cover, private property and on occasion the loss of human lives; and

''Whereas, the Unit's research on the replacement of, and biological suppression of, cheatgrass has great ecological and economic significance to Nevada because cheatgrass has increased in dominance from less than 1 percent to nearly 25 percent on 19,000,000 acres of sagebrush rangelands during the last 30 years, with the invasion greatly increasing the chances of ignition, rate of spread and the length of the wildfire season; and

''Whereas, this unit is the only research organization conducting weed control experiments in Nevada, with a major role in weed control of tall whitetop (Lepidium latifolium), potentially the most biologically and economically devasting weed ever to invade Nevada's meadows and croplands; and

''Whereas, the Unit's research on adapted plant material, seedbed preparation and seeding technology for arid and disturbed lands is important to Nevada because mining reclamation is critical to the mining industry, which in turn is critical to the economy of Nevada; and

''Whereas, the Unit's research in general is critically important to Nevada because it provides a communications link between the users of Nevada's wildlands and the concerned environmental, scientific community and because maintenance of biological diversity is a major scientific and environmental issue in Nevada; and

''Whereas, without the Conservation Biology of Rangelands Research Unit, Nevada would become the only significant agricultural state that does not have an Agricultural Research Service research unit; and

''Whereas, there are no existing research units capable of filling the loss created by closing the Nevada unit: Now, therefore, be it

''*Resolved by the Assembly and Senate of the State of Nevada, jointly*, That the members of the 68th session of the Nevada Legislature urge the Secretary of Agriculture to maintain funding in the fiscal year beginning on October 1, 1995, for the Conservation Biology of Rangelands Research Unit of the Agricultural Research Service, USDA, in the State of Nevada; and be it further

''*Resolved*, That Congress is hereby urged to appropriate money for the fiscal year beginning on October 1, 1995, for the Conservation Biology of Rangelands Research Unit of the Agricultural Research Service, USDA, in the State of Nevada; and be it further

''*Resolved*, That the Chief Clerk of the Assembly prepare and transmit a copy of this resolution to the Vice President of the United States as presiding officer of the Senate, the Speaker of the House of Representatives, the Secretary of Agriculture, the Chairmen of the Senate Committee on Appropriations, the Subcommittee on Agriculture, Rural Development and Related Agencies of the Senate Committee on Appropriations, the House Appropriations Committee and the House Subcommittee on Agricultural Appropriations and each member of the Nevada Congressional Delegation; and be it further

''*Resolved*, That this resolution becomes effective upon passage and approval.''

POM–268. A resolution adopted by the Greater Homestead/Florida City Chamber of Commerce of the City of Homestead, Florida relative to Homestead Air Reserve Base; to the Committee on Armed Services.

POM–269. A resolution adopted by the City and County of Denver, Colorado relative to securities; to the Committee on Banking, Housing, and Urban Affairs.

EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mr. MURKOWSKI, from the Committee on Energy and Natural Resources:

John Raymond Garamendi, of California, to be Deputy Secretary of the Interior.

Charles B. Curtis, of Maryland, to be Deputy Secretary of Energy.

(The above nominations were reported with the recommendation that they be confirmed, subject to the nominees' commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

By Mrs. KASSEBAUM, from the Committee on Labor and Human Resources:

Jeanne R. Ferst, of Georgia, to be a Member of the National Museum Services Board for a term expiring December 6, 1999.

(The above nomination was reported with the recommendation that she be confirmed, subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mrs. BOXER (for herself and Mr. GRASSLEY):

S. 1102. A bill to amend title 10, United States Code, to make reimbursement of defense contractors for costs of excessive amounts of compensation for contractor personnel unallowable under Department of Defense contracts; to the Committee on Armed Services.

By Mr. GLENN (for himself and Mr. DEWINE):

S. 1103. A bill to extend for 4 years the period of applicability of enrollment mix requirement to certain health maintenance organizations providing services under Dayton Area Health Plan; to the Committee on Finance.

By Mr. ROTH:

S. 1104. A bill to suspend temporarily the duty on dichlorofopmethyl; to the Committee on Finance.

S. 1105. A bill to suspend temporarily the duty on thidiazuron; to the Committee on Finance.

By Mr. D'AMATO (for himself and Mr. MOYNIHAN):

S. 1106. A bill to amend the Internal Revenue Code of 1986 to provide the same insurance reserve treatment to financial guaranty insurance as applies to mortgage guaranty insurance, lease guaranty insurance, and tax-exempt bond insurance; to the Committee on Finance.

By Mr. DASCHLE (for himself, Mr. SIMON, Ms. MOSELEY-BRAUN, Mr. LEAHY, and Mr. PRESSLER):

S. 1107. A bill to extend COBRA continuation coverage to retirees and their dependents, and for other purposes; to the Committee on Labor and Human Resources.

By Mr. SMITH:

S. 1108. A bill to amend the Internal Revenue Code of 1986 to allow individuals to designate that up to 10 percent of their income tax liability be used to reduce the national debt, and to require spending reductions equal to the amounts so designated.

By Mr. CAMPBELL:

S. 1109. A bill to direct the Secretary of the Interior to convey the Collbran Reclamation Project, Colorado, to the Ute Water Conservancy District and the Collbran Conservancy District, and for other purposes; to the Committee on Energy and Natural Resources.

S. 1110. A bill to establish guidelines for the designation of National Heritage Areas, and for other purposes; to the Committee on Energy and Natural Resources.

By Mr. HATCH (for himself and Mr. KENNEDY):

S. 1111. A bill to amend title 35, United States Code, with respect to patents on biotechnological processes; to the Committee on Labor and Human Resources.

By Mrs. FEINSTEIN:

S. 1112. A bill to increase the integrity of the food stamp program, and for other purposes; to the Committee on Agriculture, Nutrition, and Forestry.

By Mr. LAUTENBERG (for himself and Mr. SIMON):

S. 1113. A bill to reduce gun trafficking by prohibiting bulk purchases of hand guns; to the Committee on Judiciary.

By Mr. LEAHY:

S. 1114. A bill to amend the Food Stamp Act of 1977 to reduce food stamp fraud and improve the food stamp program through the elimination of food stamp coupons and the use of electronic benefits transfer systems, and for other purposes; to the Committee on Agriculture, Nutrition, and Forestry.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mrs. BOXER (for herself and Mr. GRASSLEY):

S. 1102. A bill to amend title 10, United States Code, to make reimbursement of defense contractors for costs of excessive amounts of compensation for contractor personnel unallowable under Department of Defense contracts.

DEPARTMENT OF DEFENSE CONTRACTS LEGISLATION

Mrs. BOXER. Mr. President, I rise to introduce legislation that will cap taxpayer reimbursement for the salaries of defense contractor executives at $250,000 per year. This legislation will permanently extend the temporary CAP established in the Fiscal Year 1995 Defense Appropriations Act. I am very pleased to be joined in this effort by the Senator from Iowa [Mr. GRASSLEY].

I began investigating this issue after hearing reports of multi-million-dollar bonuses awarded as a result of the Lockheed-Martin Marietta merger. As a result of that merger, $92 million in bonuses will be awarded—$31 million of which will be paid by the taxpayers.

I think it is wrong that corporate executives make so much money at a time when their employees are struggling just to make ends meet. What makes it even worse in this case is that these multi-million-dollar bonuses were given as a reward for a business deal resulting in 12,000 layoffs nationwide.

So the taxpayers buy rich executives $31 million worth of champagne and caviar, while laid-off defense workers struggle just to feed their families. I think the defense industry employees—in California and across the Nation—are the ones who deserve a bonus. The CEO's and multimillionaire executives are doing just fine.

As I investigated this issue further, I discovered that the problem was not limited to mergers or bonuses. Top defense industry executives routinely earn more than $1 million per year—sometimes even more than $5 million. And the taxpayers pick up most of the tab.

This legislation sets a $250,000 maximum for compensation that is reimbursable by the taxpayers. It applies to all forms of compensation including bonuses and salary.

It is important to understand that my bill sets no limit on the compensation that an executive can receive. That is an issue best left to the stockholders and directors of each company. If the stockholders believe that the Lockheed-Martin merger was such a fine business decision that they want to award their CEO a $9 million bonus—or for that matter a $90 million bonus—that is fine with me. All my legislation would do is stop them from passing the check to the taxpayers.

My legislation would add ''excessive compensation''—defined as all pay over $250,000 in any fiscal year—to an existing list of expenses that cannot be reimbursed by the taxpayers. Under current law, the Pentagon cannot reimburse contractors for expenses ranging from small items such as concert tickets and alcoholic beverages to large items, like golden parachutes and stock option plans. My legislation would add compensation in excess of $250,000 to this list.

Congress has studied this issue for a number of years and has noted with increasing concern that executive compensation seems to be spiraling out of control. In last year's DoD appropriations bill, Congress placed a 1-year $250,000 cap on executive compensation. This legislation takes the next logical step—making that cap permanent.

I think this legislation addresses the issue fairly and responsibly. I hope my colleagues will support this bill.

I ask unanimous consent that the full text of the bill be inserted in the RECORD.

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

S. 1102

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

SECTION 1. REIMBURSEMENT FOR EXCESSIVE COMPENSATION OF DEFENSE CONTRACTOR PERSONNEL PROHIBITED.

Section 2324(e)(1) of title 10, United States Code, is amended by adding at the end the following:

''(P) Costs of compensation (including bonuses and other incentives) paid with respect to the services (including termination of services) of any one individual to the extent that the total amount of the compensation paid in a fiscal year exceeds $250,000.''.

By Mr. GLENN (for himself and Mr. DEWINE):

S. 1103. A bill to extend for 4 years the period of applicability of enrollment mix requirement to certain health maintenance organizations providing services under Dayton Area Health Plan; to the Committee on Finance.

DAYTON AREA HEALTH PLAN LEGISLATION

● Mr. GLENN. Mr. President, today, Senator DEWINE and I are introducing legislation which is necessary for the continued operation of the Dayton Area Health Plan.

The Dayton Area Health Plan is a mandatory managed care plan for 24,000 Medicaid recipients in Montgomery County, OH, which has been operating very successfully for over 6 years. It emphasizes preventive care and has developed two programs—Baby's Birth Right and Neighbors in Touch—to increase the use of prenatal and after-delivery care. In partnership with the Dayton School Board, it brings HealthChek physical exams to schoolchildren in Dayton.

Last fall, the Dayton Area Health Plan became the first Medicaid HMO in Ohio to publish a quality score card which assesses the plan's performance in the important areas of access to care, preventive care, success of medical care, consumer satisfaction, operational efficiencies, and quality assurance survey scores.

The Dayton Area Health Plan is operating under a waiver of the Federal 75/25 enrollment mix requirement for HMO's—a requirement that for every three Medicaid enrollees a plan must have one non-Medicaid enrollee. The current waiver expires at the end of the year, and the legislation we are introducing today extends it until December 31, 1999. This legislation is supported by the Ohio Department of Human Services, which received a waiver of the 75/25 enrollment mix requirement for HMO's participating in OhioCare, an 1115 Medicaid waiver program. However, the implementation of OhioCare has been delayed due to concerns about the level of Federal Medicaid funding for fiscal year 1996 and beyond.

The Dayton Area Health Plan has widespread community support and has been increasingly successful in providing high-quality, cost-effective care to Medicaid recipients in Montgomery County, OH. I urge my colleagues to support this legislation which extends the plan's waiver for 4 years.●

By Mr. ROTH:

S. 1104. A bill to suspend temporarily the duty on dichlorofopmethyl; to the Committee on Finance.

By Mr. ROTH:

S. 1105. A bill to suspend temporarily the duty on thidiazuron; to the Committee on Finance.

DUTY SUSPENSION LEGISLATION

Mr. ROTH. Mr. President, I rise to introduce two temporary duty suspension bills. It is my understanding that they are noncontroversial. I am introducing these on behalf of AgrEvo, a company located in my home State of Delaware, because they will help improve the company's overall competitive posture by lowering its costs of doing business.

While I recognize that it is exceedingly difficult to enact temporary duty suspensions, the administration has authority to proclaim certain tariff reductions in the context of additional progress in the WTO to harmonize chemical tariffs at lower levels. I urge the administration to achieve such progress, particularly through expanding the participation of other countries in the WTO's chemical tariff harmonization agreement. This would allow the administration to address growing demands for new duty suspensions on chemical products by utilizing existing tariff proclamation authority.

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

S. 1106

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

SECTION 1. INSURANCE RESERVE RULES FOR FINANCIAL GUARANTY INSURANCE.

(a) IN GENERAL.—Section 832(e)(6) of the Internal Revenue Code of 1986 is amended—

(1) by inserting ''or a company which writes financial guaranty insurance'' after ''section 103'' in the first sentence, and

(2) in the second sentence—

(A) by inserting ''and to financial guaranty insurance'' after ''section 103,'',

(B) by inserting ''financial guaranty insurance or'' after ''in the case of'', and

(C) by inserting ''such financial guaranty or'' after ''revenues related to''.

(b) CONFORMING AMENDMENT.—The heading for section 832(e)(6) of such Code is amended by inserting ''; FINANCIAL GUARANTY INSURANCE'' after ''OBLIGATIONS''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.●

By Mr. D'AMATO (for himself and Mr. MOYNIHAN):

S. 1106. A bill to amend the Internal Revenue Code of 1986 to provide the same insurance reserve treatment to financial guaranty insurance as applies to mortgage guaranty insurance, lease guaranty insurance, and tax-exempt bond insurance; to the Committee on Finance.

THE FINANCIAL GUARANTY INSURANCE ACT OF 1995

● Mr. D'AMATO. Mr. President, today my distinguished colleague, Senator MOYNIHAN, and I are introducing legislation to amend Section 832(e) of the Internal Revenue Code to extend the scope of its provisions to general financial guaranty insurance.

Financial guaranty insurance, commonly called bond insurance, is an insurance contract that guarantees timely payment of principal and interest when due. The bond insurance contract generally provides that, in the event of a default by an insured issuer, principal and interest will be paid to the bond holder as originally scheduled.

Originally enacted in 1967, currently, section 832(e) applies to underwriters of mortgage guaranty insurance, lease guaranty insurance, and state and local tax-exempt bond insurance. Congress enacted section 832(e) to alleviate the significant drain on insurance providers' working capital that State financial regulations place on those firms. Under section 832(e), a company writing mortgage guaranty insurance, lease guaranty insurance and tax-exempt bond insurance may deduct, for Federal income tax purposes, amounts required by state law to be set aside in a reserve for losses resulting from adverse economic cycles. The deduction cannot exceed the lesser of, first, the company's taxable income or, second, 50 percent of the premiums earned on such guaranty contracts during the taxable year.

Further, the deduction is available only to the extent that the taxpayer purchases non-interest-bearing tax and loss bonds equal to the tax savings attributable to the deduction. The taxpayer insurance company may redeem such bonds only as and when it restores to income the associated deduction for reserves. Reserves are restored to income as and when they are applied, according to state regulations, to cover losses, or to the extent that the company has a net operating loss in some subsequent year. In addition, the reserve deduction taken in any particular year must be fully restored to income by the end of the 10th subsequent year. For the tax-exempt bond insurance, this period is increased to 20 years.

Mr. President, our proposed legislation would expand the scope of section 832(e) to include general financial guaranty insurance. This reflects the fact that the guaranty industry has expanded, and now provides other insurance guaranty instruments not offered at the time section 832(e) was enacted. These new guaranties are regulated by the same State financial regulations that apply to insurance guaranties currently covered by section 832(e); producing the same extraordinary tax burden that existed for earlier guaranty insurance instruments. Thus, the proposed legislation constitutes a sensible modification of the code to reflect new forms of bond insurance, and does so in a way which both Congress and Treasury have previously found acceptable.

This bill would allow those insurance companies which are writing lease guarantee insurance and insurance guaranteeing the debt service of municipal bond issues, for example, obligations the interest on which is excludable from gross income under section 103 of the Code, to deduct additions to contingency reserves in accordance with the current treatment of such additions for mortgage guaranty insurance under section 832(e).

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

By Mr. DASCHLE (for himself, Mr. SIMON, Ms. MOSELEY-BRAUN, Mr. LEAHY, and Mr. PRESSLER):

S. 1107. A bill to extend COBRA continuation coverage to retirees and their dependents, and for other purposes; to the Committee on Labor and Human Resources.

THE RETIREE CONTINUATION COVERAGE ACT OF 1995

Mr. DASCHLE. Mr. President, in March I introduced a bill to address a serious problem brought to my attention by the retirees of the John Morrell meatpacking plant in Sioux Falls. Unfortunately, the situation has deteriorated in recent months and I feel that a new bill is needed to address the issues raised by this incident and to protect future retirees from being placed in a similar predicament.

Last January more than 3,000 retirees of the Morrell Co. in Sioux Falls and around the country found out that their health benefits were being terminated by their former employer.

With just a week's notice, these retirees, many of whom had accepted lower pensions in return for the promise of lifetime health benefits, were suddenly faced with the prospect of losing the benefits that they had assumed would be available for them and their spouses during their retirement years.

The bill I introduced in March would have required employers to continue to provide retiree health benefits while a cancellation of coverage was being challenged in court. However, the Supreme Court recently refused to hear the Morrell case, leaving this group no possibility of a judicial remedy for their problems.

Meanwhile, thousands of retirees and their families are left stranded without health coverage.

I am introducing a bill today to allow early retirees and their dependents who lost their health benefits to purchase continuing group insurance coverage until they become eligible for Medicare.

This would not prohibit employers from modifying their retiree health plans to implement cost-savings measures, such as utilization review or managed care. But it would protect retirees from suddenly losing their employer-sponsored health benefits.

This legislation simply extends COBRA coverage to early retirees and their dependents whose employer-sponsored health care benefits are terminated or substantially reduced. There would be no direct cost to the employer.

COBRA currently requires employers to offer temporary continuing health coverage for employees who leave their jobs. The employee is responsible for the entire cost of the premium, but is allowed to remain in the group policy, thus benefiting from lower group rates. This legislation would extend the COBRA law to cover early retirees and their families, until they are eligible for Medicare.

This bill would help secure health coverage for the most vulnerable retirees, at no cost to the Federal Government. It simply allows those workers who may not be able to purchase coverage elsewhere to take advantage of their former employer's lower group insurance rate.

These retirees deserve this kind of health security.

Workers often give up larger pensions and other benefits in exchange for health benefits. It never occurs to these employees that their benefits could be taken away, with no increase in their pensions or other benefits to compensate for the loss.

Early retirees have often been with the same company for decades, perhaps all of their adult lives. They rightfully believe that a company they help build will reward their loyalty, honesty and hard work.

When these hard-working people abruptly lose their health coverage, they suddenly have to worry that high medical costs will impoverish them or force them to rely on their children or the Government for financial help. Each day without insurance they live in fear of illness and injury.

In this particular case, Morrell retirees received a simple, yet unexpected, letter stating their health insurance plan was being terminated, effective midnight, January 31, 1995—only a week later. The benefits being terminated, the letter said, included all hospital, major medical and prescription drug coverage, Medicare supplemental insurance, vision care, and life insurance coverage.

For those retirees under 65, this action poses a particular problem. While Morrell did give them the option of paying for their own coverage for up to 1 year, for many that is simply not

enough time. For example, if a retiree leaves the company at age 59, he or she will not be eligible for Medicare for 6 years; the original offer from the company could have left him or her without coverage for 5 years.

This bill will help many Morrell retirees; but there are thousands of other workers who could also benefit from this legislation. A 1994 Foster-Higgins report found that two-thirds of American companies surveyed had plans to reduce retiree health benefits or to shift more costs to retirees in the coming years, and 2 percent said that they were actually eliminating benefits altogether.

The presence of preexisting conditions can make it impossible for elderly Americans to purchase health insurance; insurers may refuse to enroll people who they expect to be heavy users or they may price the policies so that they are simply unaffordable. Consequently, early retirees with medical conditions, such as heart disease and diabetes, need to be continuously covered until they become eligible for Medicare.

This bill is not a cure, but it is a step in the right direction. It will help secure coverage for early retirees who cannot afford to buy an individual insurance policy. Under this legislation, Morrell retirees could be paying a premium of $500 a month per couple. While this is a lot of money for retirees on limited incomes, it is substantially less than if they purchased coverage on their own. And, of course, many are currently unable to purchase insurance at any price.

As I have said repeatedly, the long-run solution is comprehensive health reform that guarantees every American citizen—and every American employer—access to affordable health care.

I have fought over the years for comprehensive health reform and was deeply disappointed when the 103d Congress was unable to pass legislation addressing some of our health care system's most serious problems. If we had passed health reform, the Morrell retirees I have spoken about today would not face this loss of their health benefits.

Clearly, the problems we talked about in last year's health reform debate did not solve themselves when the session ended.

But some of these problems, like the one the Morrell retirees face, cannot wait for the long-run.

I hope we can pass this measure expeditiously, to help alleviate the harshest aspects of the injustice created by the Morrell Co. decision to eliminate retiree health coverage, and so that others are helped as they face the problem Morrell retirees are grappling with today.

Mr. President, I ask unanimous consent that the full text of the bill be printed in the RECORD.

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

S. 1107

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 ''Retiree Continuation Coverage Act of 1995''.

SEC. 2. EXTENSION OF COBRA CONTINUATION COVERAGE.

(a) PUBLIC HEALTH SERVICE ACT.—

(1) PERIOD OF COVERAGE.—Section 2202(2)(A) of the Public Health Service Act (42 U.S.C. 300bb–2(2)(A)) is amended by adding at the end thereof the following new clause:

''(v) QUALIFYING EVENT INVOLVING SUBSTANTIAL REDUCTION OR ELIMINATION OF A RETIREE GROUP HEALTH PLAN.—In the case of an event described in section 2203(6), the date on which such covered qualified beneficiary becomes entitled to benefits under title XVIII of the Social Security Act.''.

(2) QUALIFYING EVENT.—Section 2203 of the Public Health Service Act (42 U.S.C. 300bb–3) is amended by adding at the end thereof the following new paragraph:

''(6) The substantial reduction or elimination of group health coverage as a result of plan changes or termination with respect to a qualified beneficiary described in section 2208(3)(A).''.

(3) NOTICE.—Section 2206 of the Public Health Service Act (42 U.S.C. 300bb–6) is amended—

(A) in paragraph (2), by striking ''or (4)'' and inserting ''(4), or (6)''; and

(B) in paragraph (4)(A), by striking ''or (4)'' and inserting ''(4), or (6)''.

(4) DEFINITION.—Section 2208(3) of the Public Health Service Act (42 U.S.C. 300bb–8(3)) is amended by adding at the end thereof the following new subparagraph:

''(C) SPECIAL RULE FOR RETIREES.—In the case of a qualifying event described in section 2203(6), the term 'qualified beneficiary' includes a covered employee who had retired on or before the date of substantial reduction or elimination of coverage and any other individual who, on the day before such qualifying event, is a beneficiary under the plan—

''(i) as the spouse of the covered employee;

''(ii) as the dependent child of the covered employee; or

''(iii) as the surviving spouse of the covered employee.''.

(b) EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—

(1) PERIOD OF COVERAGE.—Section 602(2)(A) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1162(2)(A)) is amended by adding at the end thereof the following new clause:

''(vi) QUALIFYING EVENT INVOLVING SUBSTANTIAL REDUCTION OR ELIMINATION OF A GROUP HEALTH PLAN COVERING RETIREES, SPOUSES AND DEPENDENTS.—In the case of an event described in section 603(7), the date on which such covered qualified beneficiary employee becomes entitled to benefits under title XVIII of the Social Security Act.''.

(2) QUALIFYING EVENT.—Section 603 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1163) is amended by adding at the end thereof the following new paragraph:

''(7) The substantial reduction or elimination of group health plan coverage as a result of plan changes or termination with respect to a qualified beneficiary described in section 607(3)(C).''.

(3) NOTICE.—Section 606(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1166) is amended—

(A) in paragraph (2), by striking ''or (6)'' and inserting ''(6), or (7)''; and

(B) in paragraph (4)(A), by striking ''or (6)'' and inserting ''(6), or (7)''.

(4) DEFINITION.—Section 607(3)(C) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1167(2)) is amended by striking ''603(6)'' and inserting ''603(6) or 603(7)''.

(c) INTERNAL REVENUE CODE OF 1986.—

(1) PERIOD OF COVERAGE.—Section 4980B(f)(2)(B)(i) of the Internal Revenue Code of 1986 is amended by adding at the end thereof the following new subclause:

''(vi) QUALIFYING EVENT INVOLVING SUBSTANTIAL REDUCTION OR ELIMINATION OF A RETIREE GROUP HEALTH PLAN.—In the case of an event described in paragraph (3)(G), the date on which such covered qualified beneficiary becomes entitled to benefits under title XVIII of the Social Security Act.''.

(2) QUALIFYING EVENT.—Section 4980B(f)(3) of the Internal Revenue Code of 1986 is amended by adding at the end thereof the following new subparagraph:

''(G) The substantial reduction or elimination of group health coverage as a result of plan changes or termination with respect to a qualified beneficiary described in subsection (g)(1)(D).''.

(3) NOTICE.—Section 4980B(f)(6) of the Internal Revenue Code of 1986 is amended—

(A) in subparagraph (B), by striking ''or (F)'' and inserting ''(F), or (G)''; and

(B) in subparagraph (D)(i), by striking ''or (F)'' and inserting ''(F), or (G)''.

(4) DEFINITION.—Section 4980B(g)(1)(D) of the Internal Revenue Code of 1986 is amended by striking ''(f)(3)(F)'' and inserting ''(f)(3)(F) or (f)(3)(G)''.

SEC. 3. EFFECTIVE DATE.

This Act shall take effect as if enacted on January 1, 1995.

By Mr. SMITH:

S. 1108. A bill to amend the Internal Revenue Code of 1986 to allow individuals to designate that up to 10 percent of their income tax liability be used to reduce the national debt, and to require spending reductions equal to the amounts so designated.

THE TAXPAYER DEBT BUY-DOWN ACT

• Mr. SMITH. Mr. President, today I am reintroducing the Taxpayer Debt Buy-Down Act. The proposal is specifically designed to give taxpayers an unprecedented role in the budget process and provide a mechanism for an annual national referendum on Federal spending. If Congress fails to reign in Federal spending, this bill allows the taxpayers of America to speak out every April 15.

The proposal would amend the IRS Code to allow taxpayers the opportunity to voluntarily designate up to 10 percent of their income tax liability for the purpose of debt reduction. All moneys designated would be placed in a national debt reduction fund established in the Department of the Treasury, and used to retire the public debt, except obligations held by the Social Security trust fund, the civil service, and military retirement funds.

On October 1, the Treasury Department would be required to estimate the amount designated through the check-off. Congress would then have until September 30 of the following year to make the necessary cuts in Federal spending. The Debt Buy-Down Act does not micromanage the spending cuts. Congress retains complete authority to cut any Federal spending program it deems appropriate.

To coordinate this measure and the efforts to balance the budget, the checkoff will apply only if the amount designated is greater than the cuts that Congress has already implemented. For example, if Congress passes a reconciliation bill this year that designates cuts of $50 billion in 1998, and the checkoff in 1998 totals $60 billion, the $50 billion will count toward the checkoff and only an additional $10 billion will need to be cut.

If Congress failed to enact spending reductions to meet the amount designated by the taxpayers, an across-the-board sequester would occur of all accounts except the Social Security retirement benefits, interest of the debt, deposit insurance accounts and contractual obligations of the Federal Government. If Congress enacted only half of the necessary cuts, the sequester would ensure the other half. The Debt Buy-Down account would hold Congress's feet to the fire.

All spending cuts required by the act would be permanent—the cuts would permanently reduce the spending baseline. For example, if $1 billion of cuts are required and Congress eliminates a $1 billion program in the Department of Energy, that program would be gone forever. If Congress later decided that they needed the program, they would be required to cut $1 billion elsewhere. Although nothing in the legislation would prohibit Congress from increasing taxes, tax increases could not be used to substitute for the spending reductions designated by taxpayers.

Mr. President, we cannot allow the current talk about balanced budgets to deter us from our ultimate goal—elimination of the $4.9 trillion national debt. Yes, we must balance the budget first, and this proposal serves as a friendly enforcement mechanism to do just that. Balancing the budget, however, does not guarantee that we will begin to buy down our national debt. If our budget is balanced by the year 2002 as required by the congressional budget resolution, what happens next?

Under current law, the answer is: nothing. There is no requirement that Congress begin to attack the debt problem. This bill would change that. The American people would be allowed to tell us exactly how much debt reduction they believe is necessary and Congress would be required to act. That is the way our system of government is supposed to work.

Mr. President, the Taxpayer Debt Buy-Down Act was endorsed by then-President Bush at the 1992 Republican Convention. The House companion legislation, H.R. 429, is sponsored by Congressman BOB WALKER, and passed the House earlier this year as part of the Contract With America.

The legislation is supported by the National Federation of Independent Business [NFIB], Americans for a Balanced Budget, Americans for Tax Reform, The American Legislative Exchange Council [ALEC], The Council for Citizens Against Government Waste, Association of Concerned Taxpayers for a Fair and Simple Tax, the Institute for the Research on the Economics of Taxation [IRET], the National Taxpayers Union [NTU], and the U.S. Business and Industrial Council.

I urge my colleagues to support the Taxpayer Debt Buy-Down Act. It is an innovative proposal that makes ''We the People'' an integral part of the Federal budget process.●

By Mr. CAMPBELL:

S. 1109. A bill to direct the Secretary of the Interior to convey the Collbran reclamation project, Colorado, to the Ute Water Conservancy District and the Collbran Conservancy District, and for other purposes; to the Committee on Energy and Natural Resources.

THE COLLBRAN RECLAMATION PROJECT LEGISLATION

● Mr. CAMPBELL. Mr. President, today I am joined by my colleague from Colorado, Senator BROWN, in introducing legislation to transfer the Collbran project from the Federal Government to its real owners—the people who have paid for and own the water produced by this project.

This legislation will complete the repayment to the American people the amounts owed by the users of this project. Because this legislation involves a substantial payment from the Collbran and Ute Water Conservancy Districts to the Federal Treasury, this legislation helps us reduce the Federal deficit by a small, but important, amount.

Millions of people live, work, and play in Colorado and the other Western States. People are drawn to the rural areas of the West because these communities offer an attractive mix of economic opportunity and access to world-class natural resources. This high quality of life would not exist if it were not for the water and power provided from Federal reclamation projects constructed under the 1902 Reclamation Act.

The original vision of the Reclamation Act was that Congress would facilitate the construction of locally sponsored and locally controlled projects. Congress achieved this result by providing financing for these projects, subject to the requirement that a local entity repay the Federal investment in the irrigation portion of the project, and that power users in the West repay the remaining costs of the project.

Congress explicitly stated the water rights for reclamation projects were to be obtained in accordance with State law, and Federal courts have consistently ruled that the real owners of the water from reclamation projects are the people who put the water to beneficial use. The important point is that Federal ownership of these projects was always for the purpose of ensuring that the Federal investment was repaid; the Federal partnership in reclamation of the west was never intended to perpetuate Federal control over the use of land and water at the local level.

Water from reclamation projects allowed the development of irrigated agriculture, which provides an important complement to other industries such as mining, recreation, and tourism. Power from reclamation projects was and is an important part of extending the benefits of electricity beyond cities to people in the country. In short, the Reclamation Act has achieved its primary goal—the development of healthy and stable communities throughout the West.

While there is a continuing obligation to honor previous Federal commitments to complete reclamation projects, it is now time to reassess the Federal involvement in those projects which have been completed. In particular, the Federal Government should not be spending scarce resources on the operation and maintenance of projects when the project beneficiaries have or will repay all of their financial obligations to the United States. In these cases, the Federal Government should transfer the project to the local beneficiaries, subject to the requirement that the project continue to be operated for the purposes for which it was authorized.

The Collbran project meets these criteria. The project was authorized in 1952 for agricultural and municipal purposes, and included a power component. The project provides an important water supply for irrigated lands in the Collbran Conservancy District. In addition, the water released from the project provides an important domestic water supply for over 55,000 people in the Grand Valley served by the Ute Water Conservancy District. This legislation requires the districts to pay the net present value of the revenues which the United States would otherwise receive from the project, plus a premium of $2,000,000 and a significant contribution to promote additional protection for the Colorado River ecosystem.

The Federal goals of the project have been attained. It is now appropriate to transfer the project to the districts, with the United States retaining only its commitment to the State of Colorado on recreational facilities. This legislation not only establishes a good precedent for transfer of projects to reduce the Federal debt, but also fulfills the original vision of the 1902 Reclamation Act by ensuring that the project will continue to be used to benefit the people and communities for whom it was built.●

By Mr. CAMPBELL:

S. 1110. A bill to establish guidelines for the designation of national heritage areas, and for other purposes; to the Committee on Energy and Natural Resources.

THE NATIONAL HERITAGE ACT OF 1995

● Mr. CAMPBELL. Mr. President, I introduce the National Heritage Act of 1995.

Today, most of my colleagues are aware that the opportunity to create

new park units is most difficult in light of the current condition of the National Park System. The Park Service, facing a 37-year backlog in construction funding, a 25-year backlog for land acquisition, and a shortfall of over $846 million for park operation and management, is clearly in trouble.

However, these difficulties are compounded by the growing popularity in Congress to recognize and designate important areas of our country for inclusion in the National Park System. Over the last 10 years alone, Congress has designated over 30 new units of the Park System. These new additions, while meritorious, have added significantly to this huge backlog of funding facing the agency.

It is well known that when you create a new unit, limited fiscal and human resources must be taken away from existing park units. Unfunded and poorly managed parks will only contribute to the continued erosion of the existing Park System. As a result, it can be fairly stated that in our current system new additions can actually hinder rather than enhance the Park Service System.

I am aware of approximately 110 areas, some of which have already been introduced in Congress, that may be suitable for inclusion into the Park System as heritage areas. I know of eight areas in my own State of Colorado, that may deserve recognition. However, under the current system, the National Park Service may not be able to afford any new area, no matter how deserved it may be.

Thus, the question of how to lighten this overwhelming load on the Park Service, while maintaining Congress' ability to recognize and protect precious areas of our country's heritage is before us.

I believe that my legislation will provide the solutions to this problem. National heritage areas can be created and established as an alternative to the traditional National Park Service designation. This can be accomplished in a very cost effective and efficient method, without creating unnecessary Federal management and expense to the taxpayer.

My bill, when enacted, will encourage appropriate partnerships among Federal agencies, State, and local governments, nonprofit organizations, and the private sector, or combinations thereof, to conserve and manage these important resources.

This bill will authorize the Secretary of the Interior to provide technical assistance and limited grants to State and local governments and private nonprofit organizations, to study and promote the potential for conserving, maintaining, and interpreting these areas for the benefit of all Americans—now and in the future.

In addition, this legislation would direct the Secretary of the Interior to set the standards by which areas may be eligible and designated as national heritage areas.

Mr. President, most important, this legislation, when enacted, will empower individuals, groups, and organizations to be true partners with the Federal Government. By giving the groups the decisionmaking authority, as well as a share of the fiscal responsibility, they will be able to maintain local control and ultimate oversight of the very areas they work so hard to save. Who better to manage our natural and cultural heritage, than those who are already going above and beyond their duties as Americans to preserve, restore, and protect these wonderful areas.

Mr. President, I ask unanimous consent that a section-by-section analysis of the legislation be printed in the RECORD for the benefit of my colleagues.

There being no objection, the section-by-section analysis was ordered to be printed in the RECORD, as follows:

SECTION-BY-SECTION ANALYSIS—NATIONAL HERITAGE ACT OF 1995

Section 1 entitles the Act the ''National Heritage Act of 1995''.

Section 2 sets forth Congressional findings.

Section 3 states the purposes of the Act.

Section 4 defines terms used in the Act.

Section 5(a) establishes a National Heritage Areas Partnership Program within the Department of the Interior to promote nationally distinctive natural, historic, scenic, and cultural resources and to provide opportunities for conservation, education, and recreation through recognition of and assistance to areas containing such resources.

Subsection (b) authorizes the Secretary of the Interior (the ''Secretary'' as used in this Act) (1) to evaluate areas nominated under this Act for designation as National Heritage Areas according to criteria established in subsection (c) below, (2) to advise State and local governments and other entities regarding suitable methods of recognizing and conserving thematically and geographically linked natural, historic, and cultural resources and recreational opportunities, and (3) to make grants to units of government and nonprofit organizations to prepare feasibility studies, compacts, and management plans.

Subsection (c) lists the eligibility criteria for designation as a National Heritage Area.

Subparagraph (1) states that the area shall be an assemblage of natural, historic, cultural, or recreational resources that represent distinctive aspects of American heritage worthy of recognition, conservation, interpretation, and continuing use and that such resources are best managed as such an assemblage, through partnerships among public and private entities.

Subparagraph (2) states that the area shall reflect traditions, customs, beliefs, or folklife, or some combination thereof, that are a valuable part of the story of the Nation.

Subparagraph (3) states that the area shall provide outstanding opportunities to conserve natural, cultural, historic, or recreational features, or some combination thereof.

Subparagraph (4) states that the area shall provide outstanding recreational and educational opportunities.

Subparagraph (5) states that the area shall have an identifiable theme or themes, and resource important to the theme(s) shall retain integrity that will support interpretation.

Subparagraph (6) states that residents, nonprofit organizations, other entities, and governments within the proposed area shall demonstrate support for designation of the area and appropriate management of the area.

Subparagraph (7) requires that the principal organization and units of government supporting the designation be willing to enter into partnership agreements to implement the compact for the area.

Subparagraph (8) requires the compact to be consistent with continued economic viability in the affected communities.

Subparagraph (9) requires the consent of local governments and notification of the Secretary for inclusion of private property within the boundaries of the area.

Subsection (d) states that designation of an area may only be made by an Act of Congress, and requires that certain conditions be met prior to designation. An entity requesting designation must submit a feasibility study and compact, and a statement of support from the governor of each state in which the proposed area lies. The Secretary must approve the compact and submit it and the feasibility study to Congress, along with the Secretary's recommendation.

Section 6 describes the feasibility studies, compacts, and management plans.

Subsection (a)(1) requires that each feasibility study be prepared with public involvement and include a description of resources and an assessment of their quality, integrity, and public accessibility, the themes represented by such resources, an assessment of impacts on potential partners, units of government and others, boundary description, and identification of a possible management entity for the area if designated.

Subparagraph (2) requires that compacts include a delineation of boundaries for the area, goals and objectives for the area, identification of the management entity, a list of initial partners in developing and implementing a plan for the area and statement of each entity's financial commitment and a description of the role of the State(s) in which the proposed National Heritage Area is located. This subsection requires public participation in development of the compact and a reasonable time table for actions noted in such compact.

Subparagraph (3) describes the plan for a proposed area. Such plan must take into consideration existing Federal, State, county, and local plans and include public participation. The plan shall specify existing and potential funding sources for the conservation, management, and development of the area. The plan will also include a resource inventory, policy recommendations for managing resources within the area, an implementation program for the plan by the management entity specified in the compact, an analysis of Federal, State, and local program coordination, and an interpretive plan for the National Heritage Area.

Subsection (b) requires the Secretary to approve or disapprove a compact within 90 days of receipt and directs the Secretary to provide written justification for disapproval of a compact to the submitter.

Section 7(a) outlines the duties of the management entity for a National Heritage Area. Duties include development of a heritage plan to be submitted to the Secretary within three years of designation. This section directs the management entity to give priority to implementation of actions, goals, and policies set forth in the compact and management plan for the area. The management entity is directed to consider the interests of diverse units of government, businesses, private property owners, and nonprofit groups in the geographic area in developing and implementing the plan, and requires quarterly public meetings regarding plan implementation.

Section (b) states that eligibility for technical assistance is suspended if a plan regarding a National Heritage Area is not submitted in accordance with the above provisions.

Subsection (c) prohibits the management entity for a National Heritage Area from using federal funding to acquire real property or interest in real property.

Subsection (d) states that a management entity is eligible to receive technical assistance funding for 7 years following area designation.

Section 8(a) states that National Heritage Area designation continues indefinitely unless the Secretary determines that the area no longer meets the criteria in section 5(c), the parties to the compact are not in compliance with the terms of the compact, the management entity has not made reasonable and appropriate progress in developing or implementing the management plan, or the use, condition, or development of the area is incompatible with the criteria in section 5(c) or with the compact. If such determination is made, the Secretary is directed to notify Congress with a recommendation for designation withdrawal.

Subsection (b) requires the Secretary to hold a public hearing within the area before recommending designation withdrawal.

Subsection (c) states that withdrawal of National Heritage Area designation shall become final 90 legislative days after the Secretary submits notification to Congress.

Section 9(a) outlines the duties and authorities of the Secretary. The Secretary may provide technical assistance and grants to units of government and private nonprofit organizations for feasibility studies, compacts and management plan development and implementation. The Secretary is prohibited from requiring recipients, as a condition of awarding technical assistance, to enact or modify land use restrictions. This subsection directs the Secretary to investigate, study, and monitor the welfare of all National Heritage Areas whose eligibility for technical assistance under this Act has expired and directs the Secretary to report on the condition of such areas to Congress.

Subsection (b) states that other Federal entities conducting activities directly affecting any National Heritage Area shall consider the potential effects of such activities on the plan for the area and requires consultation with the State containing the area.

Section 10 states that this Act does not affect any authority of Federal, State, or local governments to regulate land use, nor does this Act grant zoning or land use powers to any management entity for a National Heritage Area.

Section 11 is a fishing and hunting savings clause.

Section 12 authorizes an appropriation of not more than $8,000,000 annually for technical assistance and grants as outlined in section 9(a), and states that technical assistance and grants under this Act for a feasibility study, compact, or management plan may not exceed 75 percent of the cost for such study, compact, or plan. This section also places a total funding limit of $1,000,000 for each National Heritage Area, with an annual limit of $150,000 for a National Heritage Area for a fiscal year.

Section 13 states that the authorities contained in this Act shall expire on September 30 of the 15th fiscal year beginning after the date of enactment of this Act.

Section 14 requires the Secretary to submit a report of the status of the National Heritage Areas Program to Congress every 5 years.

Section 15 is a savings clause, preserving existing authorities contained in any law that designates an individual National Heritage Area or Corridor prior to enactment of this Act.●

By Mr. HATCH (for himself and Mr. KENNEDY):

S. 1111. A bill to amend title 35, United States Code, with respect to patents on biotechnological processes; to the Committee on Labor and Human Resources.

THE BIOTECHNOLOGY PATENT PROTECTION ACT OF 1995

Mr HATCH. Mr. President, today, I rise with Senator KENNEDY to introduce the Biotechnology Patent Protection Act of 1995, S. 1111. This bill is similar to legislation which passed the Senate last year, and is identical to a measure reported by the House Judiciary Committee on June 7.

It is abundantly clear that the current patent law is not adequate to protect our creative American inventors who are on the cutting edge of scientific experimentation. Through biotechnological research, for example, scientists are using recombinant processes to mass-produce proteins that are useful as human therapeutics.

The potential for unfair foreign competition, however, threatens the capital base of the biotechnology research industry. Clearly, without a protected end product that can be sold or marketed, there is little incentive to invest millions of dollars in biotechnology research.

The Hatch-Kennedy legislation extends patent protection in biotechnology cases to the process if there is a patentable starting product, offering the biotechnology research industry valuable and needed protection.

Specifically, the Biotechnology Patent Protection Act modifies the test for obtaining a process patent by clarifying *In Re Durden*, 763 F. 2d 1406 (Fed. Cir. 1985).

In Durden, the Federal circuit held that the use of a novel and nonobvious starting material with a known chemical process, producing a new and nonobvious product, does not render the process itself patentable. The erroneous application of Durden, a nonbiotechnology process patent case, to biotechnology process patent cases has led to devastating results for the biotechnology industry.

Under the current Patent Code, an inventor may hold a patent and still be unable to bar the importation of a product made abroad with the use of the patented material, if the inventor has been unable to obtain patent protection for the process of using such material.

The biotechnology field is particularly vulnerable to abuse under Unfortunately, the naturally occurring human protein was extremely difficult to obtain or produce.

Amgen scientists, using recombinant DNA technology and molecular biology, were able to produce an erythropoietin product, for the first time ever. Amgen was able to obtain a patent for the gene encoding and for the host cell, but not for the process of making the product, or for the final product.

With knowledge of Amgen's development, Chugai, a Japanese company, began manufacturing a similar protein in Japan using the patented recombinant host cell. Since the process of placing genes in host cells is prior art, thus unpatentable, and the end product is a previously known human protein, thus unpatentable, Amgen was without any recourse under our patent law when Chugai imported the erythropoietin product.

The proposed legislation would extend patent protection to the process of making new and nonobvious products. Thus, if a process makes or uses a patentable material, the process, too, will be patentable. The fact that the steps in the process, or most of the materials in the process are otherwise known in the art should not make a difference. Obviousness should be determined with regard to the subject matter as a whole, as the current Patent Code suggests.

S. 1111 will also make our patent law consistent, at least in the field of biotechnology, with the patent examination standards now practiced by the European and Japanese patent offices. American technology and research has been exploited by the legal loophole that can no longer be tolerated.

This bill is identical in substance to last year's Senate legislation, with one exception. This year's bill changes the definition of ''biotechnological process'' to include the wide range of technologies currently used by the biotechnology industry. New subparagraph 102(b)(3)(A) has been rewritten to cover the enhanced expression of a gene product—via the addition of promoter genes—and gene deletion and inhibition.

We were very disappointed when the Senate bill, which passed last year, died in the House Judiciary Committee. The House version of the bill introduced last year was drafted to address issues broader than biotechnology industry, due to then Chairman Hughes' insistence that the measure not be industry specific, an approach which was not acceptable to the Senate.

This Congress, CARLOS MOORHEAD, chairman of the Courts and Intellectual Property Subcommittee, has shown great leadership in sponsoring the narrower version, which was reported by the Judiciary Committee June 7. The bill we introduce today is identical to the House-reported measure.

Mr. President, the Hatch-Kennedy biotechnology process patent bill will restore fairness to inventors, promote and protect investment in biotechnology research, and eliminate the foreign piracy of our intellectual property. We commend this measure to our colleagues' attention.

By Mr. LAUTENBERG (for himself and Mr. SIMON):

S. 1113. A bill to reduce gun trafficking by prohibiting bulk purchases of

hand guns; to the Committee on the Judiciary.

THE ANTI-GUN TRAFFICKING ACT

● Mr. LAUTENBERG. Mr. President, today Senator SIMON and I are introducing legislation, the Anti-Gun Trafficking Act, to reduce interstate gun trafficking by prohibiting bulk purchases of handguns. The bill generally would prohibit the purchase of more than one handgun during any 30-day period.

Mr. President, the United States is suffering from an epidemic of gun violence. Tens of thousands of Americans die every year because of guns, and no communities are safe. Reducing the violence must be a top national priority,

Mr. President, my State of New Jersey has adopted strict controls on guns. We have banned assault weapons, and we have established strict permitting requirements for handgun purchases. Yet the effectiveness of these restrictions is substantially reduced because the controls in other States are far less strict.

Unfortunately, many criminals are making bulk purchases of handguns in States with weak firearm laws and transporting them to other States with tougher laws, like New Jersey. This has helped spread the plague of gun violence nationwide, and there is little that any one State can do about it.

A few years ago, the State of Virginia enacted legislation that was designed to prevent gunrunners from buying large quantities of handguns in Virginia for export to other States. Under the legislation, handgun purchases were limited to one per month.

The Virginia statute has proved very effective in controlling gun trafficking from Virginia. A study by the Center to Prevent Handgun Violence found that for guns purchased after the law's effective date, there was a 65-percent reduction in the likelihood that a gun traced back to the Southeast from the Northeast corridor would have originated in Virginia.

Mr. President, Virginia's experience suggests that a ban on bulk purchases can substantially reduce gunrunning. However, to truly be effective, such a limit must be enacted nationwide. Otherwise, gunrunners simply will move their operations to other States.

The legislation I am introducing today proposes such a nationwide limit.

Under the legislation, an individual other than a licensed firearms dealer generally would be prohibited from purchasing more than one handgun in any 30-day period. Similarly, the bill would make it unlawful for any dealer, importer, or manufacturer to transfer a handgun to any individual who has received a handgun within the last 30 days. Violators would be subject to a fine of up to $5,000 and a prison sentence of up to 1 year.

The legislation would provide an exception in the rare case where a second handgun purchase is necessary because of a threat to the life of the individual or of any member of the individual's household.

Mr. President, I do not claim that this bill will end all handgun violence. However, it is a reasonable and modest step in the right direction. I also would note that President Clinton has endorsed the adoption of a once-a-month handgun purchase limit.

I hope my colleagues will support the legislation.

I ask unanimous consent that a copy of the legislation be printed in the RECORD along with other related materials.

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

S. 1113

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 ''Anti-Gun Trafficking Act of 1995''.

SEC. 2. MULTIPLE HANDGUN TRANSFER PROHIBITION.

(a) IN GENERAL.—Section 922 of title 18, United States Code, is amended by adding at the end the following:

''(y)(1)(A)(i) It shall be unlawful for any licensed importer, licensed manufacturer, or licensed dealer—

''(I) during any 30-day period, to transfer 2 or more handguns to an individual who is not licensed under section 923; or

''(II) to transfer a handgun to an individual who is not licensed under section 923 and who received a handgun during the 30-day period ending on the date of the transfer.

''(ii) It shall be unlawful for any individual who is not licensed under section 923 to receive 2 or more handguns during any 30-day period.

''(iii) It shall be unlawful for any licensed importer, licensed manufacturer, or licensed dealer to transfer a handgun to an individual who is not licensed under section 923, unless, after the most recent proposal of the transfer by the individual, the transferor has—

''(I) received from the individual a statement of the individual containing the information described in paragraph (3);

''(II) verified the identification of the individual by examining the identification document presented; and

''(III) within 1 day after the individual furnishes the statement, provided a copy of the statement to the chief law enforcement officer of the place of residence of the individual.

''(B) Subparagraph (A) shall not apply to the transfer of a handgun to, or the receipt of a handgun by, an individual who has presented to the transferor a written statement, issued by the chief law enforcement officer of the place of residence of the individual during the 10-day period ending on the date of the transfer or receipt, which states that the individual requires access to a handgun because of a threat to the life of the individual or of any member of the household of the individual.

''(2) Paragraph (1) shall not be interpreted to require any action by a chief law enforcement officer which is not otherwise required.

''(3) The statement referred to in paragraph (1)(A)(iii)(I) shall contain only—

''(A) the name, address, and date of birth appearing on a valid identification document (as defined in section 1028(d)(1)) of the individual containing a photograph of the individual and a description of the identification used;

''(B) a statement that the individual—

''(i) is not under indictment for, and has not been convicted in any court of, a crime punishable by imprisonment for a term exceeding one year;

''(ii) is not a fugitive from justice;

''(iii) is not an unlawful user of or addicted to any controlled substance (as defined in section 102 of the Controlled Substances Act);

''(iv) has not been adjudicated as a mental defective or been committed to a mental institution;

''(v) is not an alien who is illegally or unlawfully in the United States;

''(vi) has not been discharged from the Armed Forces under dishonorable conditions;

''(vii) is not a person who, having been a citizen of the United States, has renounced such citizenship;

''(viii) has not received a handgun during the 30-day period ending on the date of the statement; and

''(ix) is not subject to a court order that—

''(I) restrains the individual from harassing, stalking, or threatening an intimate partner of the individual or child of such intimate partner or of the individual, or engaging in other conduct that would place an intimate partner in reasonable fear of bodily injury to the partner or child;

''(II) was issued after a hearing of which the individual received actual notice, and at which the individual had the opportunity to participate; and

''(III)(aa) includes a finding that the individual represents a credible threat to the physical safety of such intimate partner or child; or

''(bb) by its terms explicitly prohibits the use, attempted use, or threatened use of physical force against such intimate partner or child that would reasonably be expected to cause bodily injury;

''(C) the date the statement is made; and

''(D) notice that the individual intends to obtain a handgun from the transferor.

''(4) Any transferor of a handgun who, after the transfer, receives a report from a chief law enforcement officer containing information that receipt or possession of the handgun by the transferee violates Federal, State, or local law shall immediately communicate all information the transferor has about the transfer and the transferee to—

''(A) the chief law enforcement officer of the place of business of the transferor; and

''(B) the chief law enforcement officer of the place of residence of the transferee.

''(5) Any transferor who receives information, not otherwise available to the public, with respect to an individual in a report under this subsection shall not disclose such information except to the individual, to law enforcement authorities, or pursuant to the direction of a court of law.

''(6) In the case of a handgun transfer to which paragraph (1)(A) applies—

''(A) the transferor shall retain—

''(i) the copy of the statement of the transferee with respect to the transfer; and

''(ii) evidence that the transferor has complied with paragraph (1)(A)(iii)(III) with respect to the statement; and

''(B) the chief law enforcement officer to whom a copy of a statement is sent pursuant to paragraph (1)(A)(iii)(III) shall retain the copy for at least 30 calendar days after the date the statement was made.

''(7) For purposes of this subsection, the term 'chief law enforcement officer' means the chief of police, the sheriff, or an equivalent officer, or the designee of any such individual.

''(8) This subsection shall not apply to the sale of a firearm in the circumstances described in subsection (c).

''(9) The Secretary shall take necessary actions to assure that the provisions of this

subsection are published and disseminated to dealers and to the public.''.

(b) PENALTY.—Section 924(a) of such title is amended by redesignating the 2nd paragraph (5) as paragraph (6) and by adding at the end the following:

''(7) Whoever knowingly violates section 922(y) shall be fined not more than $5,000, imprisoned for not more than 1 year, or both.''.

(c) EFFECTIVE DATE.—The amendments made by this Act shall apply to conduct engaged in 90 or more days after the date of the enactment of this Act.

[From the Washington Post, Mar. 10, 1993]

VIRGINIA ON GUNS: PLEASE COPY

Virginia's new handgun law won't produce a cease-fire across the state, nor will the Old Dominion benefit the most from the state's one-handgun-a-month limit on most purchasers. But what it should do—and can do—is more important. As the supporters were saying all along, the gunrunners up and down the East Coast won't have it so easy anymore. It was the state's reputation as the favorite stop-and-shop outlet for concealable weapons along the Atlantic Seaboard that propelled such strong bipartisan votes in Richmond. And it is those votes that should now signal Congress that a federal copy of the Virginia law would be politically possible and immensely popular.

For sure, the NRA will be all over Capitol Hill, warning that one handgun a month is just a cover for total disarmament of every peace-loving, government-fearing individual. That's what the lobbyists said in Richmond, but Republicans and Democrats—gun owners as well as those who wouldn't touch a firearm—didn't buy it. The lawmakers heard their constituents calling for reasonable ways to curb traffic in weapons that most people don't stockpile. They read polls showing intense public concern about the ease with which guns could be bought and resold in huge quantities for evil purposes. The legislators also learned that they could infuriate the NRA leaders, enact this measure and survive politically—with strong support from every major law enforcement organization in the country.

Now Virginia's delegation in Congress should spread the word that a federal version of this law would curb the trafficking of handguns that crosses state lines from coast to coast. With this reasonable purchase limit—and with passage of the Brady bill to establish a workable waiting period—America, like Virginia, might begin to shake its reputation as a global arsenal for criminals. The climate is right.

[From the New York Times, Feb. 4, 1993]

ONE GUN PER MONTH

Effective gun control requires national laws because so many firearms used in urban crime are smuggled across state lines. The latest proposal growing out of concern over gun trafficking in Virginia is simple and potentially powerful: Limit purchases of handguns by an individual to one per month.

Virginia's Governor, Douglas Wilder, has been pushing a one-gun-per-month bill for his state because it has become a source for illegal gun smuggling on the East Coast. Dealers from New York City, where local laws sharply restrict access to guns, drive to Virginia and fill the trunks of their cars with weapons purchased in stores with the help of local residents. Then they haul the guns back to New York and sell them illegally on the street at huge markups.

Since it wouldn't pay to travel back and forth for one gun at a time, limiting purchases to one per month could quickly put the smugglers out of business in Virginia.

But why put them out of business only there? Closing down the pipeline from Virginia will most likely result only in new ones opening elsewhere. After South Carolina enacted such a law in 1975, it ceased to be a crime gun supermarket. Smugglers apparently shifted much of their business to Virginia and Florida.

A Federal law imposing the limit for all states would shut down all the potential pipelines at once. Representative Robert Torricelli of New Jersey has introduced a bill to do just that. Like the Virginia law, it imposes a one-gun-per-month limit with provisions for those few cases of people who lose a recently purchased gun and have urgent need to buy another.

The gun lobby is already screaming about intolerable trespass on individual and commercial freedom. Yet South Carolina's law had no detrimental effects; it simply limited interstate trafficking that had gotten out of hand.

Even the most avid collector isn't likely to want—or be able to afford—more than 12 handguns a year. Legitimate gun dealers don't base their success on multiple sales to individuals.

Some supporters of gun control worry that the Torricelli bill could distract from the Brady bill, which would impose a national five-day waiting period between purchase and delivery of a handgun. That bill remains important to reduce both interstate trafficking and crime in general.

But with gun crime out of control, why should the nation have to choose? Both measures merit early attention in Congress and the support of all Americans who favor a common-sense approach to public safety.

EVALUATING THE IMPACT OF VIRGINIA'S ONE-GUN-A-MONTH LAW

(By Douglas S. Weil, Sc.D., and Rebecca Knox, M.P.H., M.S.W., Center to Prevent Handgun Violence)

EXECUTIVE SUMMARY

Introduction

In response to a growing reputation as a principal supplier of firearms to the illegal market—particularly in the Northeastern United States—Virginia enacted a law (which was implemented July 1993) restricting handgun purchases to one per month per individual. The purpose of this study was to determine whether limiting handgun purchases to one per month is an effective way to disrupt the illegal movement of firearms across state lines.

Hypothesis

The hypothesis tested was that the odds of tracing a gun, originally acquired in the Southeast region of the United States, to a Virginia gun dealer, if it was recovered in a criminal investigation outside of the region, would be substantially lower for guns purchased after Virginia's one-gun-a-month law took effect, than for guns purchased prior to implementation of the law.

Methods

The principal analytic method used in this analysis was to estimate the odds ratio for tracing a firearm to a gun dealer in Virginia relative to a gun dealer in the other Southeastern states (as defined by the Bureau of Alcohol, Tobacco and Firearms (BATF)), for guns purchased prior to Virginia's one-gun-a-month law's effective date compared to guns purchased after the law was enacted. The data, including information about 17,082 guns traced to the Southeast, come from the firearms trace database compiled by the BATF.

Results

The hypothesis was substantiated by the data. The odds of tracing a gun, originally acquired in the Southeast region, to a Virginia gun dealer, and not to a gun dealer in another Southeastern state, were substantially lower for firearms purchased after Virginia's one-gun-a-month law took effect, than for firearms purchased prior to implementation of the law.

Specifically, for guns recovered: Anywhere in the United States (including Virginia), the odds were reduced by 36%; in the Northeast Corridor (NJ, NY, CT, RI, MA), the odds were reduced by 66%; in New York, the odds were reduced by 71%; in New Jersey, the odds were reduced by 57%; and in Massachusetts, the odds were reduced by 72%.

Conclusion

Most gun control policies currently advocated in the United States (e.g., licensing, registration and one-gun-a-month) could be described as efforts to limit the supply of guns available in the illegal market. This study provides persuasive evidence that restricting handgun purchases to one per month per individual is an effective means of disrupting the illegal interstate transfer of firearms. Based on the results of this study, Congress should consider enacting a federal version of the Virginia law.

INTRODUCTION

In July 1993, a Virginia law limiting handgun purchases by an individual to one gun in a thirty day period took effect.[1] Prior to the one-gun-a-month law, individuals were able to purchase an unlimited number of handguns from licensed dealers.

The law was passed in response to Virginia's growing reputation as a principal supplier of guns to the illegal market in the Northeastern United States.[2] Statistics from the Bureau of Alcohol, Tobacco, and Firearms (BATF) provided evidence of the magnitude of gun trafficking from Virginia. The BATF reported that 41% of a sample of guns seized in New York City in 1991 were traced to Virginia gun dealers.[3] Virginia has long been a primary out-of-state source of recovered crime guns traced in Washington, D.C.[4] and Boston.[5]

Virginia is not the only out-of-state source of firearms illegally trafficked along the Eastern Seaboard. In fact, the BATF has identified the illegal movement of firearms from states in the Southeast northward to states along Interstate 95 (sometimes referred to as the ''Iron Pipeline''[6]), as one of three principal gun trafficking routes in the country.[7] The same BATF report that identified Virginia as the principal out-of-state source of guns used in crime in New York City noted that a high percentage of recovered guns also came from Florida and Georgia. Together, the three states accounted for 65% of all successfully traced firearms in New York City. Investigators also found that 25% successfully traced firearms recovered in Baltimore were originally purchased in the Southeastern United States.[8]

Interstate gun trafficking occurs, in part, because of the disparity in state laws governing gun sales. As a result, the ''street price'' of firearms in localities with restrictive gun laws is significantly greater than the retail price for the same guns purchased in states where laws are less stringent. For example, low quality, easily concealable guns like the Raven Arms MP–25, the Davis P–38 and the Bryco Arms J–22 which retail less than $100 can net street prices between $300 and $600.[9] The ability to buy many guns at a retail price to be sold elsewhere at a higher street price suggests that the purchase of multiple firearms in a single transaction is an integral part of the profit motive which supports the illegal market.

The objective behind Virginia's passage of the one-gun-a-month law was to undermine

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Footnotes at end of study.

the economic incentive created by the disparities in gun laws among the states—an objective supported by historical evidence. In 1975, South Carolina limited purchases of firearms to one gun in a thirty day period. Prior to enactment of the law, South Carolina was a primary out-of-state source of guns used in crime in New York City. After the passage of the law, South Carolina was no longer a primary source of guns for New York City.[10]

PURPOSE OF THE STUDY

The objective of this study was to assess the effect of Virginia's one-gun-a-month law on gun trafficking patterns, particularly along the ''Iron Pipeline.''

DATA

The data[11] used in the analysis come from the firearms trace database compiled by the Bureau of Alcohol, Tobacco and Firearms (BATF). Law enforcement agencies can request that the BATF trace a gun which has been recovered in connection with a criminal investigation. BATF staff at the National Tracing Center (NTC) contact the manufacturer of the firearm to identify which wholesaler or retail dealer received the gun. NTC staff then contact each consecutive dealer who acquired the firearm until the gun is either traced to the most recent owner or, until the gun can be traced no further. There is no requirement that records of gun transfer be maintained by non-gun dealers who sell a firearm. Consequently, the tracing process often ends with the first retail sale of the gun.

As part of the tracing process, information is collected on several variables including the location of the gun dealer or dealers who have handled the gun (by state and region); when the gun was purchased; when and where the trace was initiated; and, the manufacturer, model and caliber of the firearm being traced.

The firearms trace database contained in excess of a half million records pertaining to approximately 295,000 firearms (9/89 through 3/95). The database contains more records than firearms because two or more traces can be of the same gun, as part of the same criminal investigation. Multiple traces of a particular gun is an indication that the weapon was transferred from federally licensed firearms dealer to another dealer before it was sold to a non-licensed individual. Since 1990, the number of traces conducted each year has more than doubled to approximately 85,000 in 1994.

METHODS

The principal analytic method used in the study was to estimate the odds ratio for tracing a firearm to a gun dealer in Virginia relative to a dealer in the other Southeastern states (as defined by the BATF), for guns purchased prior to Virginia's one-gun-a-month law's effect date compared to guns purchased after the law was enacted.

In other words, the data were classified by two criteria: (1) where the gun was purchased (from a gun dealer in Virginia or from a dealer in another state in the Southeast region of the country), and (2) when a traced firearm was purchased (before or after implementation of the Virginia law). The odds ratio was calculated by comparing the odds of a gun being traced to a gun dealer in the state of Virginia relative to a dealer in another part of this region, for guns purchased prior to the law's implementation and for guns purchased after the law took effect.

The Southeast region was identified as the comparison group for Virginia because the region has long been identified as a principal source of out-of-state firearms for the Easter Seaboard.[7] In addition to Virginia, the Southeast region includes North and South Carolina, Georgia, Florida, Alabama, Mississippi and Tennessee. Only guns traced to a dealer in the Southeast region were incorporated into the analysis.

The BATF no longer traces firearms manufactured prior to 1985 without being specifically requested to do so. Results are reported in this analysis only for guns purchased since January 1985. However, a sensitivity analysis was conducted incorporating data for all firearms for which date of purchase information was available. The results of the analysis were essentially unchanged by the sensitivity analysis; the conclusions would not change.

The period studied for which there is data after implementation of the law was 20 months long. Consequently, the possibility that seasonal variation in gun trafficking patterns could have effected the results of the analysis was studied. A sensitivity analysis was conducted excluding guns purchased more than one full year after the Virginia law took effect. The results of the sensitivity analysis were not significantly different from those of the principal analysis; the conclusions would not change.

Date of purchase information was not available for all guns in the firearms trace data set. The distribution of guns traced to the Southeast region (to gun dealers in Virginia relative to the rest of the region) is similar for the subset of data for which date of purchase information was available (24%), and the subset for which date of purchase information was not available (21%).

The Virginia law pertains to acquisition of handguns by individuals who are not federally licensed firearms dealers. Therefore, the origin of a gun which had been transferred from a dealer in one state to a dealer in a second state was considered to be the last dealer's location. In other words, if a firearm was transferred by a dealer in Georgia to a dealer in Virginia, who then sold the gun to an individual who was not a licensed dealer, the gun would be considered a Virginia gun.

Odds ratios were estimated for traces initiated: (1) anywhere in the United States; (2) the Northeast corridor taken as whole (New Jersey, New York, Connecticut, Rhode Island and Massachusetts); and, (3) for each of the Northeast states individually considered. For each iteration, the hypothesis being tested remained the same, and was that: the odds of a gun, purchased after enactment of Virginia's one-gun-a-month law, being traced to a Virginia gun dealer relative to a gun dealer in another part of the Southeast, were significantly lower than for guns purchased prior to enactment of the law.

A significant reduction in the odds would provide evidence that the Virginia law effectively helped to reduce gun trafficking from the state.

RESULTS

The date a gun was purchased and the date the trace request was made was available for 55,856 (19%) of the guns in the database. Of these guns, 17,082 (30.6%) were traced to a dealer located in the Southeast region. Approximately one in four guns (24%) traced to the Southeast were traced to a Virginia gun dealer.

Cross-tabulations indicate that there is an association between when a firearm was acquired (before or after the Virginia law went into effect) and where it was obtained (either from a Virginia gun dealer or a gun dealer in another state located in the Southeast). Twenty-sever percent of all guns purchased prior to passage of the one-gun-a-month law (including guns recovered in Virginia), which were traced to a gun dealer in the Southeast, were acquired from a Virginia gun dealer. Only 19% of guns purchased after the law went into effect and similarly traced to a dealer in the Southeast were acquired in Virginia. In other words, there was a 36% reduction in the likelihood that a traced gun from anywhere in the nation was acquired in Virginia relative to another Southeastern state, for firearms purchased after the one-gun-a-month law took effect compared to guns purchased prior to enactment of the law (Odds Ratio=0.64; $p<0.0001$) (Table 1).

The magnitude of the association between when a gun was purchased and where it was acquired was greater when the analysis focused on gun traces initiated in the Northeast corridor of the United States (New Jersey, New York, Connecticut, Rhode Island or Massachusetts). For gun traces originating in the Northeast, there was a 66% reduction in the likelihood that a gun would be traced to Virginia relative to a gun dealer elsewhere in the Southeast for guns purchased after the one-gun-a-month law took effect when compared to guns purchased prior to law's effective date (OR=0.34;$p<0.0001$).

Even stronger associations were identified for gun traces initiated in individual states—specifically for traces of guns recovered in New York and Massachusetts. Among the guns from the Southeast recovered in New York, 38% purchased prior to implementation of the Virginia law were traced to Virginia gun dealers compared to 15% of guns from the Southeast which were purchased after the law took effect (OR=0.29;$p<0.0001$). In Massachusetts, the percentages were 18 and 6 (OR=0.28;$p<0.32$). In other words, implementation of the law was associated with a 71% reduction in New York and a 72% reduction in Massachusetts in the likelihood that a traced gun originally purchased in the Southeast would be traced to a Virginia gun dealer as opposed to a dealer in another Southeastern state.

TABLE 1

[Estimated odds ratio that a firearm, purchased after implementation of the Virginia one-gun-a-month law, would be traced to a Virginia gun dealer relative to a gun dealer in another state in the southeastern region of the country compared to firearms purchased prior to the law.]

Firearms recovered in	Guns traced to dealer in	Guns purchased prior to law (%)	Guns purchased after law implemented (%)	Odds ratio (95% CI)	p-value
All states (n=14606)[1]	VA	27.0	19.0	0.64 (0.58–0.71)	<0.0001
	SE–VA[2]	73.0	81.0		
Northeast Corridor (NJ, NY, CT, RI, MA) (n=4088)	VA	34.8	15.5	0.34 (0.28–0.41)	<0.0001
	SE–VA	65.2	84.5		
NJ (n=729)	VA	28.7	17.7	0.53 (0.35–0.80)	=0.003
	SE–VA	71.3	82.3		

TABLE 1—Continued

[Estimated odds ratio that a firearm, purchased after implementation of the Virginia one-gun-a-month law, would be traced to a Virginia gun dealer relative to a gun dealer in another state in the southeastern region of the country compared to firearms purchased prior to the law.]

Firearms recovered in	Guns traced to dealer in	Guns purchased prior to law (%)	Guns purchased after law implemented (%)	Odds ratio (95% CI)	p-value
NY (n=2991)	VA	38.2	15.3	0.29 (0.23–0.36)	<0.0001
	SE–VA	61.8	84.7		
CT (n=53)	VA	34.1	33.3	0.96 (0.21–4.39)	=0.97
	SE–VA	65.9	66.7		
RI (n=14)	VA	7.1	(3)	(3) (3)	(3)
	SE–VA	92.9	(3)		
MA (n=301)	VA	18.0	5.9	0.28 (0.80–0.94)	=0.032
	SE–VA	82.0	94.1		

[1] n=number of guns traced to the Southeast. [2] SE–VA=all states of the Southeast except Virginia. [3] Not available.

COMMENT

In 1993, 1.1 million violent crimes were committed with handguns.[12] Studies show that anywhere from 30% to 43% of criminals identified the illegal market as the source of their last handgun.[13] The illegal market exists for several reasons: would-be criminals may be unable to buy handguns because prior criminal records disqualify them from over-the-counter purchases, or the gun laws in their states prevent them from obtaining a handgun quickly and easily. In addition, would-be criminals do not want to make over-the-counter purchases because the handgun eventually can be traced back to them.

Local and state legislative bodies have created a patchwork of weak and strong laws regulating handgun sales across the country. In some jurisdictions purchasers may need a permit to possess a handgun,[14] or may be required to wait before the transfer is allowed to go forward.[15] In other jurisdictions, however, there are now restrictions on the sale of handguns beyond the few imposed by federal law.[16] Consequently, the jurisdictions with ''weaker'' gun retail laws attract gun traffickers who buy firearms in these jurisdictions and transport their purchases illegally to areas with ''stronger'' regulation. The guns are then sold illegally on the street to ineligible buyers (e.g., felons or minors), or to people who want guns that cannot be traced back to them.

The BATF recently completed a study on gun trafficking in southern California where a 15-day waiting period applies. The study found that more than 30% of the guns recovered in crime in that region which could be traced back to a gun dealer came from outside California.[17] Almost a third of these out-of-state guns were sold initially by dealers in Nevada, Arizona, and Texas, where the most exacting rules concerning handgun sales are the minimum restrictions set forth in federal law.[18] The experience in New York city is the same. For example, the BATF reports that 66% of all the guns recovered in crime in that city in 1991 and traced by the Bureau were originally obtained in Virginia, Florida, Ohio and Texas—states with ''weak'' gun laws compared to New York.[19]

The ability to purchase large numbers of firearms, which have a much higher street value than their commercial price, enables gun traffickers to make enormous profits and keep their ''business'' costs to a minimum. For example, convicted gun runner Edward Daily ''hired'' several straw purchasers to buy approximately 150 handguns in Virginia and North Carolina. Daily traded the handguns in New York City for cash and drugs and reaped profits of $300 per gun on smaller caliber handguns and $600 per gun for more powerful assault pistols like the TEC–9 and MAC–11.[20]

In March 1991, Owen Francis, a Bronx, New York, resident, drove to Virginia and, without having to show proof of residency, obtained a Virginia driver's license. Within a short time, Francis had purchased five Davis Saturday Night Specials—the most common handgun traced to crime between 1990–1991, according to the BATF[21]—and returned to New York and sold the guns. Francis was arrested a few weeks later when he returned to Virginia to buy four more Davis handguns.[22]

High-volume multiple sales are common. The BATF field division for southern California recently reviewed over 5,700 instances of multiple sales. Almost 18% of these multiple sales involved individual purchases of three or more guns.[23] Theoretically, prohibiting multiple purchase transactions should be an effective policy means to disrupt established gun trafficking patterns while ultimately reducing the supply of firearms available in the illegal market. The effects of the Virginia one-gun-a-month law seem to support the theory.

The results of this study provide strong evidence that restricting purchases of handguns to one per month is an effective way to disrupt the illegal movement of guns across state lines. The analysis of the firearms trace database shows a strong, consistent pattern in which guns originally obtained in the Southeast are less likely to be recovered as part of a criminal investigation and traced back to Virginia if they were purchased after the Virginia law went into effect. There was a 65% reduction in the likelihood that a gun traced back to the Southeast would be traced to Virginia for guns recovered in the Northeast Corridor; a 70% reduction for guns recovered in either New York or Massachusetts; and, a 35% reduction for guns recovered anywhere in the United States.

While evidence generated from this study is strong, a change in the laws governing gun purchases in the other southeastern states (e.g., Florida or Georgia) which makes the laws in those states more permissive after July 1993 could provide an alternative explanation for the findings. A review of laws related to private gun ownership in the southeastern region revealed no relevant changes, though Georgia will move to an instant check system and preempt local gun laws effective January 1996.[24]

While there are many strengths of this analysis, there are some limitations. First, additional research is needed to clarify what, if any displacement effects were created by the Virginia law (i.e., to what extent, if any, do gun traffickers successfully shift their activities to the next most attractive state for acquiring firearms). Second, all types of firearms are included in the analysis even though the Virginia law only restricts the purchase of handguns. This potentially results in an underestimate of the effect of the law. Third, the BATF does not trace all firearms recovered as part of a criminal investigation, and, for the firearms traced, some information (e.g., date of purchase) is not always available. Though it is unlikely that there is a systematic bias in the origin of guns from the Southeast which are recovered outside of the region, or with respect to which guns from the Southeast are traced (a gun's origin and date of purchase are not known prior to the trace), such a bias could alter the results leading to an over- or under-estimation of the association between passage of the Virginia law and the relative likelihood of Virginia guns turning up in the tracing data.

CONCLUSION

Most gun control policies currently being advocated in the United States (e.g., licensing, registration, and one-gun-a-month) could, most fairly, be described as efforts to limit the supply of guns available in the illegal market. In other words, these are policies crafted to keep guns from proscribed individuals. Once enacted, however, it is important to demonstrate that they are effective. This study, which looks at the impact of Virginia's one-gun-a-month law, provides persuasive evidence that a prohibition on the acquisition of more than one handgun per month by an individual is an effective means of disrupting the illegal interstate transfer of firearms. Based on the results of this study, Congress should consider enacting a federal version of the Virginia law.

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FOOTNOTES

[1] ''Code of Virginia,'' Section 18.2–308.2:2(Q). Often referred to as ''one-gun-a-month.''

[2] Larson, Erik, ''Lethal Passage: How the Travels of a Single Handgun Expose the Roots of America's Gun Crisis'', Crown Publishers, Inc., New York, 1994, p. 104

[3] BATF memo, ''Firearm/Homicide Statistics,'' June 16, 1992.

[4] Edds, Margaret, ''The Pipeline to the Streets of New York,'' Virginian-Pilot, January 3, 1993: A9.

[5] Montgomery, Bill, ''Guns Bought in Georgia Arm Northern Criminals,'' Atlanta Constitution, October 11, 1993: A1, A4.

[6] Id.

[7] Personal communication with Joe Vince of the Bureau of Alcohol, Tobacco, and Firearms, July 18, 1995.

[8] BATF and the Baltimore Police Department, ''1994 Baltimore Trace Study'', 1994: Appendix X.

[9] Freedman, Alix, Wall Street Journal, February 28, 1992: A1, A6.

[10] BATF memo, ''Firearm/Homicide Statistics,'' June 16, 1992.

[11] Obtained by the Center to Prevent Handgun Violence through the Freedom of Information Act.

[12] United States Department of Justice, Bureau of Justice Statistics, ''Guns Used in Crime'', July 1995.

[13] Sheley, Joseph F and Wright, James D, ''Gun Acquisition and Possession in Selected Juvenile Samples,'' National Institute of Justice and Office of Juvenile Justice and Delinquency Prevention, December 1993: 6; Beck, Alan, ''Survey of State Prison Inmates, 1991,'' National Institute of Justice, Bureau of Justice Statistics, March 1993: 19.

[14] N.Y. Penal Law Section 265.01, 265.20(f)(3) (no handgun purchases without previously receiving a license to possess a handgun). New York City law grants great discretion to the police commissioner in determining whether to issue a license to possess. N.Y.C. Admin. Code Section 10–131.

[15] Cal. Penal Code, Section 12071(b)(3)(A) (15 day waiting period for delivery of firearm).

[16] For example, Georgia law places no additional restrictions on the sale of handguns beyond those established by federal law. In fact, as of January 1996, Georgia will prohibit local jurisdictions from regulating handguns sales.

[17] Bureau of Alcohol, Tobacco and Firearms, ''Sources of Crime Guns in Southern California,'' 1995: 21–22.

[18] Id.

[19] BATF memo, ''Firearms/Homicide Statistics,'' June 16, 1992. See also Edds, Margaret, ''The Pipeline to the Streets of New York,'' Virginian-Pilot, January 3, 1993 at A9 (describing Project Lead data).

[20] ''Federal Firearms Licensing: Hearing Before the Subcomm. on Crime and Criminal Justice of the Committee on the Judiciary House of Representatives.'' 103rd Cong., 1st Sess., 8–10 (June 17, 1993) (hereinafter ''Housing Hearing'').

[21] Freedman, Alix, ''Fire Power: Behind the Cheap Guns Flooding the Cities is a California Family,'' Wall Street Journal, Feb. 28, 1992: A1, A6.

[22] Thomas, Pierre, ''Virginia Driver's License Is Loophole for Guns'', Washington Post, January 20, 1992: A1.

[23] BATF. ''Sources of Crime Guns in Southern California,'' 1995: 16–17.

[24] Laws reviewed included one-gun-a-month, bans on weapons, background checks, waiting period, regulation of private sales, license to purchase, and registration of sales.●

By Mr. LEAHY:

S. 1114. A bill to amend the Food Stamp Act of 1977 to reduce food stamp fraud and improve the Food Stamp Program through the elimination of food stamp coupons and the use of electronic benefits transfer systems, and for other purposes; to the Committee on Agriculture, Nutrition, and Forestry.

THE FOOD STAMP FRAUD REDUCTION ACT OF 1995

Mr. LEAHY. Mr. President, I want to invite all Members to cosponsor legislation with me which will eliminate illegal trafficking in food stamp coupons by converting to electronic benefit transfer, often called EBT, systems. I may offer this bill as an amendment to welfare reform or as an amendment to the farm bill or the Reconciliation Act.

Under President Bush, USDA noted that ''the potential savings are enormous'' if EBT is used in the Food Stamp Program.

The bill is designed to save the States money. Issuing coupons is expensive to States. Some States mail coupons monthly and pay postage for which they receive only a partial Federal reimbursement. When coupons are lost or stolen in the mail, States are liable for some losses.

It also saves State money by requiring that USDA pay for purchasing EBT card readers to be put in stores. Under current law, States pay half those costs.

Some States issue coupons at State offices, which involves labor costs. Under the bill, USDA pays for the costs of the cards and recipients are responsible for replacements and much of the losses. The bill does not allow the Secretary of Agriculture to impose liability on States except for their own negligence or fraud, as under current law. Other welfare reform proposals allow the Secretary to impose liability on States consistent with this administration's views on regulation E. I disagree with that policy.

The Federal EBT task force estimates that the bill will also save Federal taxpayers around $400 million over the next 10 years.

Under current law, States are required to use coupons, with some exceptions. About 2.5 billion coupons per year are printed, mailed, shipped, issued to participants, counted, canceled, redeemed through the banking system by Treasury, shipped again, stored, and then destroyed. That cost can reach $60 million per year in Federal and State costs. Printing coupons alone costs USDA $35 million a year.

EBT does not just cut State and Federal costs. The inspector general of USDA testified that EBT ''can be a powerful weapon to improve detection of trafficking and provide evidence leading to the prosecution of traffickers.''

The special agent in charge of the financial crimes division of the U.S. Secret Service testified that ''the EBT system is a great advancement generally because it puts an audit trail relative to the user and the retail merchant.''

Another Bush administration report determined that EBT promises ''a variety of Food Stamp Program improvements * * *. Program vulnerabilities to certain kinds of benefit loss and diversion can be reduced directly by EBT system features * * * [EBT] should facilitate investigation and prosecution of food stamp fraud.''

A more recent Office of Technology Assessment [OTA] report determined that a national EBT system might reduce food stamp fraud losses and benefit diversion by as much as 80 percent.

The bill is based on meetings with the U.S. Secret Service, the inspector general of USDA, the National Governors Association, the American Public Welfare Association, Consumers Union, the OTA, the Federal EBT task force, and the affected industries, and a full committee hearing last session of the Senate Agriculture Committee.

Perhaps nothing is totally fraud-proof, but EBT is clearly much better than the current system of paper coupons, and EBT under my bill will cut State costs. Let us be bold.

Under current law, 2.5 billion coupons are used once and then canceled—except for $1 coupons which may be used to make change. Would we consider it cost-efficient if all $5 bills, for example, could only be used once, then stored and destroyed?

EBT has an added benefit—it eliminates cash change. Under current law, food stamp recipients get cash change in food stamp transactions if the cash does not exceed $1 per purchase. That cash can be used for anything.

In conclusion, I am convinced that the single most important thing we can do to reduce fraud and State costs is to eliminate the use of coupons. I hope you will join with me in this effort.

The following is the summary of my EBT bill.

The bill alters the Food Stamp Act and requires that the Secretary of Agriculture no longer provide food stamp coupons to States within 3 years of enactment. In general, under current law States are required to use a coupon system.

Any Governor may grant his or her State an additional 2-year extension, and the Secretary can add another 6-month extension for a maximum of 5½ years.

At the end of that time period, coupons will no longer be provided to the State. Food benefits instead will be provided through electronic benefits transfer [EBT] or in the form of cash if authorized by the Food Stamp Act—for example, under a bill reported out the Senate Agriculture Committee by Senator LUGAR on June 14, 1995, States can cash out food stamp benefits as part of a wage supplementation program.

The bill is designed to piggy-back onto the current expansion of point-of-sale terminals found in many stores. The bill requires that stores, financial institutions and States take the lead in the conversion to EBT.

Under current law, States must pay for half the costs of the point-of-sale equipment put in stores, but USDA pays for 100 percent of the costs of printing coupons. Under Senator LEAHY's bill, USDA will pay for 100 percent of those equipment costs, and USDA will pay for 100 percent of the costs of the EBT cards.

My bill provides that regulation E will not apply to food stamp EBT transactions. Generally speaking, regulation E provides that credit card or debit card users are liable only up to the first $50 in unauthorized uses of lost or stolen debit cards—as long as such a loss is reported in a timely manner.

Under current law the State is considered the card issuer for food stamp EBT purposes. Regulation E has been a major impediment to implementation of EBT by States because States are liable for household fraud and nonhousehold member fraud.

While the risks are much lower for the Food Stamp Program than for debit cards—since EBT food cards only contain the balance of the unused food benefits rather than access to a bank account or a credit line, States are still worried about liability and oppose the application of regulation E rules.

Under my bill, USDA and the Federal Reserve Board are precluded from making States liable for losses associated with lost or stolen EBT cards—unless due to State fraud or negligence as under current law for coupons.

Under other welfare reform bills in the House and Senate, the Secretary of Agriculture would be allowed to impose additional liabilities on States for errors that should be charged to the recipient. For example, the Secretary could impose regulation E-type liabilities on States—although under these

bills the Federal Reserve Board would be barred from imposing those liabilities.

The bill specifically makes households liable for most EBT losses: however, they are not liable for losses after they report the loss or theft of the EBT card.

As under current law, States are liable for their own fraud and negligence losses.

The bill also provides that each recipient will be given a personal code number [PIN] to help prevent unauthorized use of the card.

Most of the liability provisions, unlike those in other welfare reform proposals, are based on the May 11, 1992, EBT steering committee report under the Bush administration which represents an outstanding analysis of the liability issue.

Under the bill, food stamp families will have to pay for replacement cards. However, once reported as lost or stolen, the old card will be voided, and a new card will be issued with the balance remaining.

The card holder will be responsible for any unauthorized purchases made between the time of loss and the household's reporting of the lost or stolen card. The card cannot be used without the PIN number. Households will be able to obtain transaction records, upon request, from the benefit issuer and that issuer will have to establish error resolution procedures as recommended by the 1992 EBT steering committee report.

Under the bill, USDA will no longer have to pay for the costs of printing, issuing, distributing, mailing and redeeming paper coupons—this costs between $50 million and $60 million a year.

Under the bill, in an effort to reduce the costs of implementing a nationwide EBT system, States and stores will look at the best way to maximize the use of existing point-of-sale terminals. They will follow technology, rather than lead technology.

The Federal EBT task force estimated that Federal costs could be reduced by $400 million under the proposed bill. I do not have an official CBO estimate yet.

Many stores now use or in the process of adding point-of-sale terminals which allow them to accept debit and credit cards. These systems can also be used for EBT.

Stores which choose not to invest in their own systems will receive reimbursements for point-of-sale card readers. USDA will pay for those costs.

If the store decides at a later date that it needs a commercial—debit or credit card—reader, the store will have to bear all the costs. In very rural areas, or in other situations such as house-to-house trade routes or farmers' markets, manual systems will be used and USDA will pay 100 percent of the costs of the equipment.

It is planned that this restriction—only Federal and State program readers paid for, with the upgrade at store expense—will encourage the largest possible number of stores to invest in their own point-of-sale equipment.

To the extent needed to cover costs of conversion to EBT, the Secretary is authorized to charge a transaction fee of up to 2 cents per EBT transaction—taken out of benefits. This provision is temporary. Households receiving the maximum benefit level—for that household size—may be charged a lower per transaction fee than other households.

While it is unfortunate that recipients have to be charged this fee they are much, much better off under an EBT system. In studies conducted regarding EBT projects participants have strongly supported its application.

In implementing the bill, the Secretary is required to consult with States, retail stores, the financial industry, the Federal EBT task force, the inspector general of USDA, the U.S. Secret Service, the National Governors Association, the Food Marketing Institute, and others.

In designing the bill we met with the Director of the Maryland EBT System, they have Statewide food stamp EBT, the National Governors Association, American Public Welfare Association, the Federal EBT task force, USDA Food and Consumer Services, Office of the inspector general of USDA, Food Marketing Institute, U.S. Secret Service, OMB, Treasury, Consumers Union, Public Voice for Food and Health Policy, the American Bankers Association, and representatives of retail stores.

I want to again invite each of you to cosponsor this legislation.

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

S. 1114

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

SECTION 1. SHORT TITLE; REFERENCES.

(a) IN GENERAL.—This Act may be cited as the ''Food Stamp Fraud Reduction Act of 1995''.

(b) REFERENCES.—Except as otherwise expressly provided, wherever 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 Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.).

SEC. 2. FINDINGS.

Congress finds that—

(1) Roger Viadero, Inspector General of the United States Department of Agriculture (USDA), testified before Congress on February 1, 1995, that: ''For many years we have supported the implementation of the Electronic Benefits Transfer, commonly called EBT, of food stamp benefits as an alternative to paper coupons.... EBT also provides a useful tool in identifying potential retail store violators. EBT-generated records have enabled us to better monitor and analyze sales and benefit activity at authorized retailers....[I]t can be a powerful weapon to improve detection of trafficking and provide evidence leading to the prosecution of traffickers.'';

(2) Robert Rasor, United States Secret Service, Special Agent in Charge of Financial Crimes Division, testified before Congress on February 1, 1995, that: ''The EBT system is a great advancement generally because it puts an audit trail relative to the user and the retail merchant.'';

(3) Allan Greenspan, Chairman of the Board of Governors, Federal Reserve System, has noted the ''importance of EBT for the food stamp program, and the potential advantages offered by EBT to government benefit program agencies, benefit recipients, and food retailers. (Indeed, EBT also would help reduce costs in the food stamp processing operations of the Federal Reserve System.)'';

(4) the Bush Administration strongly supported EBT for the food stamp program, including 1 report that noted ''The potential savings are enormous.'';

(5) in February 1991, a USDA publication noted that Secretary Yeutter proposed EBT as an element of the ''Department's strategy to reduce food stamp loss, theft, and trafficking.'';

(6) in March 1992, USDA noted: ''EBT reduces program vulnerability to some kinds of benefit diversion and provides an audit trail that facilitates efficient investigation and successful prosecution of fraudulent activity.... Benefit diversions estimated for an EBT system are almost 80 percent less.'';

(7) in tests of EBT systems, USDA reported during the Bush Administration that: ''EBT also introduces new security features that reduce the chance for unauthorized use of one's benefits as a result of loss or theft....[R]etailer response to actual EBT operations is very positive in all operational EBT projects.'';

(8) retail stores, the financial services industry, and the States should take the lead in converting from food stamp coupons to an electronic benefits transfer system;

(9) in the findings of the report entitled ''Making Government Work'' regarding the electronic benefits transfer of food stamps and other government benefits, the Office of Technology Assessment found that—

(A) by eliminating cash change and more readily identifying those who illegally traffic in benefits, a nationwide electronic benefits transfer system might reduce levels of food stamp benefit diversion by as much as 80 percent;

(B) with use of proper security protections, electronic benefits transfer is likely to reduce theft and fraud, as well as reduce errors, paperwork, delays, and the stigma attached to food stamp coupons;

(C) electronic benefits transfer can yield significant cost savings to retailers, recipients, financial institutions, and government agencies; and

(D) recipients, retailers, financial institutions, and local program administrators who have tried electronic benefits transfer prefer electronic benefits transfer to coupons;

(10) the food stamp program prints more than 375,000,000 food stamp booklets per year, including 2,500,000,000 paper coupons;

(11) food stamp coupons (except for $1 coupons) are used once, and each 1 of the over 2,500,000,000 coupons per year is then counted, canceled, shipped, redeemed through the banking system by 10,000 commercial banks, 32 local Federal reserve banks, and the Secretary of the Treasury, stored, and destroyed;

(12) food stamp recipients can receive cash change in food stamp transactions if the cash does not exceed $1 per purchase; and

(13) the printing, distribution, handling, and redemption of coupons costs at least $60,000,000 per year.

SEC. 3. ELIMINATION OF FOOD STAMP COUPONS.

Section 4 (7 U.S.C. 2013) is amended by adding at the end the following:

''(d) ELIMINATION OF FOOD STAMP COUPONS.—

''(1) IN GENERAL.—Except as provided in paragraph (2) and notwithstanding any other provision of this Act, effective beginning on the date that is 3 years after the date of enactment of this subsection, the Secretary shall not provide any food stamp coupons to a State.

''(2) EXCEPTIONS.—

''(A) EXTENSION.—Paragraph (1) shall not apply to the extent that the chief executive officer of a State determines that an extension is necessary and so notifies the Secretary in writing, except that the extension shall not extend beyond 5 years after the date of enactment of this subsection.

''(B) WAIVER.—In addition to any extension under subparagraph (A), the Secretary may grant a waiver to a State to phase-in or delay implementation of electronic benefits transfer for good cause shown by the State, except that the waiver shall not extend for more than 6 months.

''(C) DISASTER RELIEF.—The Secretary may provide food stamp coupons for disaster relief under section 5(h).

''(3) EXPIRATION OF FOOD STAMP COUPONS.—Any food stamp coupon issued under this Act shall expire 6 years after the date of enactment of this Act.''.

SEC. 4. IMPLEMENTATION OF ELECTRONIC BENEFITS TRANSFER SYSTEMS.

Section 7 (7 U.S.C. 2016) is amended—

(1) in subsection (i)—

(A) by striking ''(i)(1)(A)'' and all that follows through the end of paragraph (1) and inserting the following:

''(i) PHASE-IN OF EBT SYSTEMS.—

''(1) IN GENERAL.—Each State agency is encouraged to implement an on-line or hybrid electronic benefits transfer system as soon as practicable after the date of enactment of the Food Stamp Fraud Reduction Act of 1995, under which household benefits determined under section 8(a) are issued electronically and accessed by household members at the point of sale.'';

(B) in paragraph (2)—

(i) by striking ''final regulations'' and all that follows through ''the approval of'' and inserting the following: ''regulations that establish standards for'';

(ii) by striking subparagraph (A); and

(iii) by redesignating subparagraphs (B) through (H) as subparagraphs (A) through (G), respectively;

(C) in paragraph (3), by striking ''the Secretary shall not approve such a system unless—'' and inserting ''the State agency shall ensure that—''; and

(D) by striking paragraphs (5) and (6) and inserting the following:

''(5) CHARGING FOR ELECTRONIC BENEFITS TRANSFER CARD REPLACEMENT.—

''(A) IN GENERAL.—The Secretary shall reimburse a State agency for the costs of purchasing and issuing electronic benefits transfer cards.

''(B) REPLACEMENT CARDS.—The Secretary may charge a household through allotment reduction or otherwise for the cost of replacing a lost or stolen electronic benefits transfer card, unless the card was stolen by force or threat of force.''; and

(2) by adding at the end the following:

''(j) CONVERSION TO ELECTRONIC BENEFITS TRANSFER SYSTEMS.—

''(1) COORDINATION AND LAW ENFORCEMENT.—

''(A) CONVERSION.—The Secretary shall coordinate with, and assist, each State agency in the elimination of the use of food stamp coupons and the conversion to an electronic benefits transfer system.

''(B) STANDARD OPERATING RULES.—The Secretary shall inform each State of the generally accepted standard operating rules for carrying out subparagraph (A), based on—

''(i) commercial electronic funds transfer technology;

''(ii) the need to permit interstate operation and law enforcement monitoring; and

''(iii) the need to provide flexibility to States.

''(C) LAW ENFORCEMENT.—The Secretary, in consultation with the Inspector General of the United States Department of Agriculture and the United States Secret Service, shall advise each State of proper security features, good management techniques, and methods of deterring counterfeiting for carrying out subparagraph (A).

''(2) VOLUNTARY PURCHASE.—The Secretary shall encourage any retail food store to voluntarily purchase a point-of-sale terminal.

''(3) PAPER AND OTHER ALTERNATIVE TRANSACTIONS.—Beginning on the date of the implementation of an electronic benefits transfer system in a State, the Secretary shall permit the use of paper or other alternative systems for providing benefits to food stamp households in States that use special-need retail food stores.

''(4) STATE-PROVIDED EQUIPMENT.—

''(A) IN GENERAL.—A retail food store that does not have point-of-sale electronic benefits transfer equipment, and does not intend to obtain point-of-sale electronic benefits transfer equipment in the near future, shall be provided by a State agency with, or reimbursed for the costs of purchasing, 1 or more single-function point-of-sale terminals, which shall be used only for Federal or State assistance programs.

''(B) EQUIPMENT.—

''(i) OPERATING PRINCIPLES.—Equipment provided under this paragraph shall be capable of interstate operations and based on generally accepted commercial electronic benefits transfer operating principles that permit interstate law enforcement monitoring.

''(ii) MULTIPLE PROGRAMS.—Equipment provided under this paragraph shall be capable of providing a recipient with access to multiple Federal and State benefit programs.

''(C) VOUCHER BENEFITS TRANSFER EQUIPMENT.—A special-need retail food store that does not obtain, and does not intend to obtain in the near future, point-of-sale voucher benefits transfer equipment capable of taking an impression of data from an electronic benefits transfer card shall be provided by a State agency with, or reimbursed for the costs of purchasing, voucher benefits transfer equipment, which shall be used only for Federal or State assistance programs.

''(D) RETURN OF ELECTRONIC BENEFITS TRANSFER EQUIPMENT.—A retail food store may at any time return the equipment to the State and obtain equipment with funds of the store.

''(E) PRIOR SYSTEM.—If a State has implemented an electronic benefits transfer system prior to the date of enactment of the Food Stamp Fraud Reduction Act of 1995, the Secretary shall provide assistance to the State to bring the system into compliance with this Act.

''(F) NO CHARGE FOR ASSISTANCE.—Notwithstanding any other provision of this Act, the Secretary shall be responsible for all costs incurred in providing assistance under this paragraph.

''(5) APPLICABLE LAW.—

''(A) Disclosures, protections, responsibilities, and remedies established by the Federal Reserve Board under section 904 of the Electronic Fund Transfer Act (15 U.S.C. 1693b) shall not apply to benefits under this Act delivered through any electronic benefits transfer system.

''(B) Fraud and related activities which arise in connection with electronic benefit systems set forth in this Act shall be governed by section 1029 of title 18, United States Code, and other appropriate laws.

''(k) CONVERSION FUND.—

''(1) ESTABLISHMENT OF EBT CONVERSION ACCOUNT.—At the beginning of each fiscal year during the 10-year period beginning with the first full fiscal year following the date of enactment of this subsection, the Secretary shall place the funds made available under paragraph (2) into an account, to be known as the EBT conversion account. Funds in the account shall remain available until expended.

''(2) TRANSACTION FEE.—

''(A) IN GENERAL.—During the 10-year period beginning on the date of enactment of this subsection, the Secretary shall, to the extent necessary, impose a transaction fee of not more than 2 cents for each transaction made at a retail food store using an electronic benefits transfer card provided under the food stamp program, to be taken from the benefits of the household using the card. The Secretary may reduce the fee on a household receiving the maximum benefits available under the program.

''(B) FEES LIMITED TO USES.—A fee imposed under subparagraph (A) shall be in an amount not greater than is necessary to carry out the uses of the EBT conversion account in paragraph (3).

''(3) USE OF ACCOUNT.—The Secretary may use amounts in the EBT conversion account to—

''(A) provide funds to a State agency for—

''(i) the reasonable cost of purchasing and installing, or for the cost of reimbursing a retail food store for the cost of purchasing and installing, a single-function, inexpensive, point-of-sale terminal, to be used only for a Federal or States assistance programs, under rules and procedures prescribed by the Secretary; or

''(ii) the reasonable start-up cost of installing telephone equipment or connections for a single-function, point-of-sale terminal, to be used only for Federal or State programs, under rules and procedures prescribed by the Secretary;

''(B) pay for liabilities assumed by the Secretary under subsection (l);

''(C) pay other costs or liabilities related to the electronic benefits transfer system established under this Act that are incurred by the Secretary, a participating State, or a store that are—

''(i) required by this Act; or

''(ii) determined appropriate by the Secretary; or

''(D) expand and implement a nationwide program to monitor compliance with program rules related to retail food stores and the electronic delivery of benefits.

''(l) LIABILITY OR REPLACEMENTS FOR UNAUTHORIZED USE OF EBT CARDS OR LOST OR STOLEN EBT CARDS.—

''(1) IN GENERAL.—The Secretary shall require State agencies to advise any household participating in the food stamp program how to promptly report a lost, destroyed, damaged, improperly manufactured, dysfunctional, or stolen electronic benefits transfer card.

''(2) REGULATIONS.—The Secretary shall issue regulations providing that—

''(A) a household shall not receive any replacement for benefits lost due to the unauthorized use of an electronic benefits transfer card; and

''(B) a household shall not be liable for any amounts in excess of the benefits available to the household at the time of a loss or theft of an electronic benefits transfer card due to the unauthorized use of the card.

''(3) SPECIAL LOSSES.—(A) Notwithstanding paragraph (2), a household shall receive a replacement for any benefits lost if the loss was caused by—

''(i) force or the threat of force;

''(ii) unauthorized use of the card after the State agency receives notice that the card was lost or stolen; or

''(iii) a system error or malfunction, fraud, abuse, negligence, or mistake by the service provider, the card issuing agency, or the State agency, or an inaccurate execution of a transaction by the service provider.

''(B) With respect to losses described in clauses A (ii) and (iii) the State shall reimburse the Secretary.

''(m) SPECIAL RULE.—A State agency may require a household to explain the circumstances regarding each occasion that—

''(1) the household reports a lost or stolen electronic benefits transfer card; and

''(2) the card was used for an unauthorized transaction.

''(n) ESTABLISHMENT.—In carrying out this Act, the Secretary shall—

''(1) take into account the lead role of retail food stores, financial institutions, and States;

''(2) take into account the needs of law enforcement personnel and the need to permit and encourage further technological developments and scientific advances;

''(3) ensure that security is protected by appropriate means such as requiring that a personal identification number be issued with each electronic benefits transfer card to help protect the integrity of the program;

''(4) provide for—

''(A) recipient protection regarding privacy, ease of use, and access to and service in retail food stores;

''(B) financial accountability and the capability of the system to handle interstate operations and interstate monitoring by law enforcement agencies and the Inspector General of the Department of Agriculture;

''(C) rules prohibiting store participation unless any appropriate equipment necessary to permit households to purchase food with the benefits issued under the Food Stamp Act of 1977 is operational and reasonably available;

''(D) rules providing for monitoring and investigation by an authorized law enforcement agency or the Inspector General of the Department of Agriculture; and

''(E) rules providing for minimum standards; and

''(5) assign additional employees to investigate and adequately monitor compliance with program rules related to electronic benefits transfer systems and retail food store participation.

''(o) REQUESTS FOR STATEMENTS.—

''(1) IN GENERAL.—On the request of a household receiving electronic benefits transfer, the State, through a person issuing benefits to the household, shall provide a statement of electronic benefits transfer for the month preceding the request.

''(2) STATEMENT ITEMS.—A statement provided under paragraph (1) shall include—

''(A) opening and closing balances for the account for the statement period;

''(B) the date, the amount, and any fee charged for each transaction; and

''(C) an address and phone number that the household may use to make an inquiry regarding the account.

''(p) ERRORS.—

''(1) IN GENERAL.—Not later than 10 days after the date a household notifies a State agency of an alleged error, or the State agency discovers an alleged error, the State agency or a person issuing benefits to the household shall conduct an investigation of the alleged error.

''(2) CORRECTION.—If a State agency or person conducting an investigation under paragraph (1) determines that an error has been made, any account affected by the error shall be adjusted to correct the error not later than 1 day after the determination.

''(3) TEMPORARY CREDIT.—If an investigation under paragraph (1) of an error does not determine whether an error has occurred within 10 days after discovering or being notified of the alleged error, a household affected by the alleged error shall receive a temporary credit as though the investigation had determined that an error was made. The temporary credit shall be removed from the account on a determination whether the error occurred.

''(q) DEFINITIONS.—In this section:

''(1) RETAIL FOOD STORE.—The term 'retail food store' means a retail food store, a farmer's market, or a house-to-house trade route authorized to participate in the food stamp program.

''(2) SPECIAL-NEED RETAIL FOOD STORE.—The term 'special-need retail food store' means—

''(A) a retail food store located in a very rural area;

''(B) a retail food store without access to electricity or regular telephone service; or

''(C) a farmers' market or house-to-house trade route that is authorized to participate in the food stamp program.''.

SEC. 5. LEAD ROLE OF INDUSTRY AND STATES.

Section 17 (7 U.S.C. 2026) is amended by adding at the end the following:

''(m) LEAD ROLE OF INDUSTRY AND STATES.—The Secretary shall consult with the Secretary of the Treasury, the Secretary of Health and Human Services, the Inspector General of the United States Department of Agriculture, the United States Secret Service, the National Governor's Association, the American Bankers Association, the Food Marketing Institute, the National Association of Convenience Stores, the American Public Welfare Association, the financial services community, State agencies, and food advocates to obtain information helpful to retail stores, the financial services industry, and States in the conversion to electronic benefits transfer, including information regarding—

''(1) the degree to which an electronic benefits transfer system could be integrated with commercial networks;

''(2) the usefulness of appropriate electronic benefits transfer security features and local management controls, including features in an electronic benefits transfer card to deter counterfeiting of the card;

''(3) the use of laser scanner technology with electronic benefits transfer technology so that only eligible food items can be purchased by food stamp participants in stores that use scanners;

''(4) how to maximize technology that uses data available from an electronic benefits transfer system to identify fraud and allow law enforcement personnel to quickly identify or target a suspected or actual program violator;

''(5) means of ensuring the confidentiality of personal information in electronic benefits transfer systems and the applicability of section 552a of title 5, United States Code, to electronic benefits transfer systems;

''(6) the best approaches for maximizing the use of then current point-of-sale terminals and systems to reduce costs; and

''(7) the best approaches for maximizing the use of electronic benefits transfer systems for multiple Federal benefit programs so as to achieve the highest cost savings possible through the implementation of electronic benefits transfer systems.''.

SEC. 6. CONFORMING AMENDMENTS.

(a) Section 3 (42 U.S.C. 2012) is amended—

(1) in subsection (a), by striking ''coupons'' and inserting ''benefits'';

(2) in the first sentence of subsection (c), by striking ''authorization cards'' and inserting ''allotments'';

(3) in subsection (d), by striking ''the provisions of this Act'' and inserting ''sections 5(h) and 7(g)'';

(4) in subsection (e)—

(A) by striking ''Coupon issuer'' and inserting ''Benefit issuer''; and

(B) by striking ''coupons'' and inserting ''benefits'';

(5) in the last sentence of subsection (i), by striking ''coupons'' and inserting ''allotments''; and

(6) by adding at the end the following:

''(v) 'Electronic benefits transfer card' means a card issued to a household participating in the program that is used to purchase food.''.

(b) Section 4(a) of such Act (7 U.S.C. 2013(a)) is amended—

(1) in the first sentence, by inserting ''and the availability of funds made available under section 7'' after ''of this Act'';

(2) in the first and second sentences, by striking ''coupons'' each place it appears and inserting ''electronic benefits transfer cards or coupons''; and

(3) by striking the third sentence and inserting the following new sentence: ''The Secretary, through the facilities of the Treasury of the United States, shall reimburse the stores for food purchases made with electronic benefits transfer cards or coupons provided under this Act.''.

(c) The first sentence of section 6(b)(1) of such Act (7 U.S.C. 2015(b)(1)) is amended—

(1) by striking ''coupons or authorization cards'' and inserting ''electronic benefits transfer cards, coupons, or authorization cards''; and

(2) in clauses (ii) and (iii), by inserting ''or electronic benefits transfer cards'' after ''coupons'' each place it appears.

(d) Section 7 of such Act (7 U.S.C. 2016) is amended—

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

''ISSUANCE AND USE OF ELECTRONIC BENEFITS TRANSFER CARDS OR COUPONS'';

(2) in subsection (a), by striking ''Coupons'' and all that follows through ''necessary, and'' and inserting ''Electronic benefits transfer cards or coupons'';

(3) in subsection (b), by striking ''Coupons'' and inserting ''Electronic benefits transfer cards'';

(4) in subsection (e), by striking ''coupons to coupon issuers'' and inserting ''benefits to benefit issuers'';

(5) in subsection (f)—

(A) by striking ''issuance of coupons'' and inserting ''issuance of electronic benefits transfer cards or coupons'';

(B) by striking ''coupon issuer'' and inserting ''electronic benefits transfer or coupon issuer''; and

(C) by striking ''coupons and allotments'' and inserting ''electronic benefits transfer cards, coupons, and allotments'';

(6) by striking subsections (g) and (h);

(7) by redesignating subsections (i) through (q) (as added by section 4) as subsections (g) through (o), respectively; and

(8) in subsection (j)(3)(B) (as added by section 4 and redesignated by paragraph (7)), by striking ''(l)'' and inserting ''(k)''.

(e) Section 8(b) of such Act (7 U.S.C. 2017(b)) is amended by striking ''coupons'' and inserting ''electronic benefits transfer cards or coupons''.

(f) Section 9 of such Act (7 U.S.C. 2018) is amended—

(1) in subsections (a) and (b), by striking ''coupons'' each place it appears and inserting ''coupons, or accept electronic benefits transfer cards,''; and

(2) in subsection (a)(1)(B), by striking ''coupon business'' and inserting ''electronic benefits transfer cards and coupon business''.

(g) Section 10 of such Act (7 U.S.C. 2019) is amended—

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

''REDEMPTION OF COUPONS OR ELECTRONIC BENEFITS TRANSFER CARDS'';

and

(2) in the first sentence—

(A) by inserting after ''provide for'' the following: ''the reimbursement of stores for program benefits provided and for'';

(B) by inserting after ''food coupons'' the following: ''or use their members' electronic benefits transfer cards''; and

(C) by striking the period at the end and inserting the following: '', unless the center, organization, institution, shelter, group living arrangement, or establishment is equipped with a point-of-sale device for the purpose of participating in the electronic benefits transfer system.''.

(h) Section 11 of such Act (7 U.S.C. 2020) is amended—

(1) in the first sentence of subsection (a), by striking ''coupons'' and inserting ''electronic benefits transfer cards or coupons,'';

(2) in subsection (e)—

(A) in paragraph (2)—

(i) by striking ''a coupon allotment'' and inserting ''an allotment''; and

(ii) by striking ''issuing coupons'' and inserting ''issuing electronic benefits transfer cards or coupons'';

(B) in paragraph (7), by striking ''coupon issuance'' and inserting ''electronic benefits transfer card or coupon issuance'';

(C) in paragraph (8)(C), by striking ''coupons'' and inserting ''benefits'';

(D) in paragraph (9), by striking ''coupons'' each place it appears and inserting ''electronic benefits transfer cards or coupons'';

(E) in paragraph (11), by striking ''in the form of coupons'';

(F) in paragraph (16), by striking ''coupons'' and inserting ''electronic benefits transfer card or coupons'';

(G) in paragraph (17), by striking ''food stamps'' and inserting ''benefits'';

(H) in paragraph (21), by striking ''coupons'' and inserting ''electronic benefits transfer cards or coupons'';

(I) in paragraph (24), by striking ''coupons'' and inserting ''benefits''; and

(J) in paragraph (25), by striking ''coupons'' each place it appears and inserting ''electronic benefits transfer cards or coupons'';

(3) in subsection (h), by striking ''face value of any coupon or coupons'' and inserting ''value of any benefits''; and

(4) in subsection (n)—

(A) by striking ''both coupons'' each place it appears and inserting ''benefits under this Act''; and

(B) by striking ''of coupons'' and inserting ''of benefits''.

(i) Section 12 of such Act (7 U.S.C. 2021) is amended—

(1) in subsection (b)(3), by striking ''coupons'' each place it appears and inserting ''electronic benefits transfer cards or coupons'';

(2) in subsection (d)—

(A) in the first sentence—

(i) by inserting after ''redeem coupons'' the following: ''and to accept electronic benefits transfer cards''; and

(ii) by striking ''value of coupons'' and inserting ''value of benefits and coupons''; and

(B) in the third sentence, by striking ''coupons'' each place it appears and inserting ''benefits''; and

(3) in the first sentence of subsection (f)—

(A) by inserting after ''to accept and redeem food coupons'' the following: ''electronic benefits transfer cards, or to accept and redeem food coupons,''; and

(B) by inserting before the period at the end the following: ''or program benefits''.

(j) Section 13 of such Act (7 U.S.C. 2022) is amended by striking ''coupons'' each place it appears '' and inserting ''benefits''.

(k) Section 15 of such Act (7 U.S.C. 2024) is amended—

(1) in subsection (a), by striking ''issuance or presentment for redemption'' and inserting ''issuance, presentment for redemption, or use of electronic benefits transfer cards or'';

(2) in the first sentence of subsection (b)(1)—

(A) by inserting after ''coupons, authorization cards,'' each place it appears the following: ''electronic benefits transfer cards,''; and

(B) by striking ''coupons or authorization cards'' each place it appears and inserting the following: ''coupons, authorization cards, or electronic benefits transfer cards'';

(3) in the first sentence of subsection (c)—

(A) by striking ''coupons'' and inserting ''a coupon or an electronic benefits transfer card''; and

(B) by striking ''such coupons are'' and inserting ''the payment or redemption is'';

(4) in subsection (d), by striking ''Coupons'' and inserting ''Benefits'';

(5) in subsection (e), by inserting ''or electronic benefits transfer card'' after ''coupon'';

(6) in subsection (f), by inserting ''or electronic benefits transfer card'' after ''coupon'';

(7) in the first sentence of subsection (g), by inserting after ''coupons, authorization cards,'' the following: ''electronic benefits transfer cards,''; and

(8) by adding at the end the following:

''(h) GOVERNING LAW.—Fraud and related activities related to electronic benefits transfer shall be governed by section 1029 of title 18, United States Code.''.

(l) Section 16 (7 U.S.C. 2025) is amended—

(1) in subsection (a)—

(A) in paragraph (2), by inserting ''or electronic benefits transfer cards'' after ''coupons''; and

(B) in paragraph (3), by inserting after ''households'' the following: '', including the cost of providing equipment necessary for retail food stores to participate in an electronic benefits transfer system'';

(2) by striking subsection (d);

(3) by redesignating subsections (e) through (j) as subsections (d) through (i), respectively;

(4) in subsection (g)(5) (as redesignated by paragraph (3))—

(A) in subparagraph (A), by striking ''(A)''; and

(B) by striking subparagraph (B);

(5) in subsection (h) (as redesignated by paragraph (3)), by striking paragraph (3); and

(6) by striking subsection (i) (as redesignated by paragraph (3)).

(m) Section 17 of such Act (7 U.S.C. 2026) is amended—

(1) in the last sentence of subsection (a)(2), by striking ''coupon'' and inserting ''benefit'';

(2) in subsection (b)(2), by striking the last sentence;

(3) in subsection (c), by striking the last sentence;

(4) in subsection (d)(1)(B), by striking ''coupons'' each place it appears and inserting ''benefits'';

(5) in subsection (e), by striking the last sentence;

(6) by striking subsection (f); and

(7) by redesignating subsections (g) through (k) as subsections (f) through (j), respectively.

(n) Section 21 of such Act (7 U.S.C. 2030) is amended—

(1) by striking ''coupons'' each place it appears (other than in subsections (b)(2)(A)(ii) and (d)) and inserting ''benefits'';

(2) in subsection (b)(2)(A)(ii), by striking ''coupons'' and inserting ''electronic benefits transfer cards or coupons''; and

(3) in subsection (d)—

(A) in paragraph (2), by striking ''Coupons'' and inserting ''Benefits''; and

(B) in paragraph (3), by striking ''in food coupons''.

(o) Section 22 of such Act (7 U.S.C. 2031) is amended—

(1) in subsection (b)—

(A) in paragraph (3)(D)—

(i) in clause (ii), by striking ''coupons'' and inserting ''benefits''; and

(ii) in clause (iii), by striking ''coupons'' and inserting ''electronic benefits transfer benefits'';

(B) in paragraph (9), by striking ''coupons'' and inserting ''benefits''; and

(C) in paragraph (10)(B)—

(i) in the second sentence of clause (i), by striking ''Food coupons'' and inserting ''Program benefits''; and

(ii) in clause (ii)—

(I) in the second sentence, by striking ''Food coupons'' and inserting ''Benefits''; and

(II) in the third sentence, by striking ''food coupons'' each place it appears and inserting ''benefits'';

(2) in subsection (d), by striking ''coupons'' each place it appears and inserting ''benefits'';

(3) in subsection (g)(1)(A), by striking ''coupon''; and

(4) in subsection (h), by striking ''food coupons'' and inserting ''benefits''.

(p) Section 1956(c)(7)(D) of title 18, United States Code, is amended by inserting ''electronic benefits transfer cards or'' before ''coupons having''.

(q) This section and the amendments made by this section shall become effective on the date that the Secretary of Agriculture implements an electronic benefits transfer system in accordance with section 7 of the Food Stamp Act of 1977 (7 U.S.C. 2016) (as amended by this Act).

ADDITIONAL COSPONSORS

S. 309

At the request of Mr. BENNETT, the names of the Senator from Indiana [Mr. LUGAR], the Senator from Kansas [Mrs. KASSEBAUM], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Vermont [Mr. JEFFORDS], the Senator from Mississippi [Mr. COCHRAN], and the Senator from Vermont [Mr. LEAHY] were added as cosponsors of S. 309, a bill to reform the concession policies of the National Park Service, and for other purposes.

S. 593

At the request of Mr. HATCH, the names of the Senator from Alabama [Mr. SHELBY] and the Senator from Minnesota [Mr. GRAMS] were added as cosponsors of S. 593, a bill to amend the Federal Food, Drug, and Cosmetic Act to authorize the export of new drugs, and for other purposes.